

Final Report

End-of-Project Evaluation of

‘Support to Development Assistance Coordination Office’

&

Review of Sierra Leone’s Aid Coordination Architecture

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¹ Please refer to Annex 3 for a complete list of people met.

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Glossary of Acronyms

AEU	Aid Effectiveness Unit
AfDB	African Development Bank
AIMS	Aid Information Management System
CG	Consultative Group
CPI	Corruption Perception Index
CTA	Chief Technical Advisor
CSO	Civil Society Organization
DACO	Development Assistance Coordination Office
DAD	Development Assistance Database
DAC	Development Assistance Committee
DCD	Development Cooperation Department
DEPAC	Development Partnership Committee
DECSEC	Decentralization Secretariat
DFID	UK Department for International Development
DMT	District Monitoring Team
EC	European Commission
ENCISS	Enhancing the Interaction and Interface between Civil Society and the State to Improve Poor People's Lives
ERSG	Executive Representative of the UN Secretary General
EU	European Union
GoSL	Government of Sierra Leone
GTZ	Gesellschaft fuer Technische Zusammenarbeit
IDA	International Development Association
IMC	Inter-Ministerial Committee
LIC	Low Income Country
LICUS	Low Income Country Under Stress
MDGS	Millennium Development Goals
MoFAIC	Ministry of Foreign Affairs and International Cooperation
MoFED	Ministry of Finance and Economic Development
M&E	Monitoring and Evaluation
NGO	Non-Governmental Organization
NTC	National Technical Committee
ODA	Official Development Assistance
ODI	Overseas Development Institute

OECD	Organization for Economic Cooperation and Development
PIU	Project Implementation Unit
PRSP	Poverty Reduction Strategy Paper
PWG	Pillar Working Group
SLANGO	Sierra Leone Association of Non-Governmental Organizations
SSL	Statistics Sierra Leone
SWG	Sector Working Group
TA	Technical Assistance
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
USD	United States Dollars
WB	World Bank

Executive Summary

This assignment was commissioned by UNDP in collaboration with DFID and the EC with the primary objective of undertaking a final evaluation of the multi donor funded project “Support for the Development Assistance Coordination Office” (DACO), which commenced in January 2006 and ended in December 2008. The second objective of the assignment was to examine current arrangements for aid coordination and management in Sierra Leone and to make proposals for their improvement.

As such, the assignment has two separate but interlinked objectives, which will be handled in separate parts of this report:

Part I: Final evaluation of the multi-donor-funded project “Support to Development Assistance Coordination Office” (DACO).

Part II: Review Sierra Leone’s broader aid coordination architecture against the background of the DACO project, making recommendations on how development partners could best support the Government of Sierra Leone’s (GoSL) efforts to further improve aid effectiveness.

The assignment involved a three-week in-country mission to Sierra Leone from May 10 to 31, 2009.

Executive Summary Part I: DACO Evaluation

The evaluation assignment involved assessing the project achievements in relation to the planned outputs, assessing the challenges in project implementation and management, making recommendations for strengthening partnerships and providing lessons learned and recommendations for future programming in Sierra Leone.

The DACO support project was formulated out of a compelling need to put in place a new and improved framework for aid coordination and management, against the backdrop of policy and operational weaknesses in the civil service and a disconnect between government and donors following a decade of civil war. As such, the project was part of a re-affirmation of support by government and donors for the country’s security sector and overall development assistance.

The main objective of the project was to provide a framework for donor support during the remaining two years (2006-2007) of the PRSP. Although, in fact, the overarching objective involved establishing a central hub for aid coordination and management in Sierra Leone.

The DACO support project was comprised of four components (i) coordination activities involving the IMC, NTC and civil society, (ii) coordination of the monitoring and evaluation of the programmes identified in the PRSP, (iii) support for capacity building

for the implementation of the PRSP, and (iv) coordination of development assistance and facilitating donor/government dialogue related to the PRSP. The total budget for the project was USD 3.84 million, with contributions made by UNDP (20%), DFID (31%) and EC (49%).

In parallel to the project's efforts to support PRSP monitoring and improve aid coordination, the GoSL undertook initiatives to improve public sector management. For example, the former Ministry of Development and Economic Planning (MoDEP) was merged with the former Ministry of Finance (MoF) to form a new Ministry of Finance and Economic Development (MoFED).

In spite of these efforts to improve donor coordination and the management of public resources, local and international stakeholders share the feeling that the effectiveness of foreign assistance to Sierra Leone needs to be improved further. The review of the DACO support project is intended to assist the government to make decisions on how to organize the functions related to development planning, aid coordination, expenditure management and other aid management functions.

The key achievements of the DACO project include: the successful formulation and monitoring of the PRSP; the establishment of collective dialogue and coordination mechanisms in the form of DEPAC meetings and Sector/Pillar Working Groups; the creation of a monitoring framework to gather data from the community level; the establishment of the Development Assistance Database (DAD); the publication of several Development Assistance Reports and Sierra Leone Encyclopedias; the establishment of a civil society forum in collaboration with ENCISS; and the groundwork for an Aid Policy.

The following table provides a summary of the evaluation of the project, based on the criteria of relevance, effectiveness, efficiency, sustainability and partnerships. "Relevance" involved assessing project design. "Effectiveness" involved assessing project performance based on the two main outcomes and their respective outputs: (a) implementation and monitoring of PRSP and (b) strengthening GoSL's aid coordination and management capacity and systems. "Efficiency" involved an assessment of project management and implementation structures. "Sustainability" involved assessing whether the benefits of the project would be sustained after the life of the project. Finally, "partnerships" involved assessing the extent to which the donors built and used partnerships to foster project implementation and achievement of project objectives.

Summary of Evaluation

FACTOR	RATING	JUSTIFICATION
Relevance	Satisfactory	<ul style="list-style-type: none"> • Addressed national priorities • Project continued to be important during implementation (2006-2008)
Effectiveness		
<p>A: Implementation and Monitoring of PRSP</p> <p>(a) Performance of Coordinating Structures (IMC, NTC, PWGs, SWGs, DMTs)</p> <p>(b) Development of Comprehensive M&E framework</p> <p>(c) Strengthen capacity for PRSP Implementation</p>	<p>Marginally Satisfactory</p> <p>Marginally Satisfactory</p> <p>Marginally satisfactory</p> <p>Unsatisfactory</p>	<ul style="list-style-type: none"> • IMC was functional in 2006; it did not meet in 2007 because of the elections • NTC which was to provide direction to DACO was only partly functional; it was non –functional in 2007 as a result of the elections and this was the period that DACO needed strategic / operational direction. • The PWGs provided monitoring information to DACO to enable it prepare the Annual Progress Reports in 2006; they became non-functional in 2007 as result of the elections • District Monitoring Teams interaction with civil society entities lost momentum when funding from DACO ceased • Comprehensive design framework for monitoring PRSP implementation through MDAs and Districts was done; the Development Assistance Database was installed; a GoSL/Civil Society dialogue model was established in 4 operating districts in collaboration with ENCISS • Capacity constraints hampered the work of the SWGs, DWGs; the DAD database was not user friendly and did not capture all development assistance • The comprehensive capacity building programme was not done; although some MDAs were provided with some capacities to undertake PRSP implementation and coordination
<p>B: GoSL's Aid Coordination and Management Capacity & systems strengthened</p> <p>(a) Effective Dialogue Coordinating Mechanism Established</p>	<p>Marginally Satisfactory</p> <p>Marginally Satisfactory</p>	<ul style="list-style-type: none"> • SWGs / PWGs were established and provided information for DACO in monitoring of the PRSP; this ceased in 2007 because of the elections • Consultative Group results matrix was updated prior to DEPAC meetings; last DEPAC meeting was held in March 2007 and CG results matrix was not updated after that

<p>(b) Establishment of Aid Tracking System</p> <p>(c) Creation of an NGO Data Base</p> <p>(d) Preparation of an Aid Policy</p> <p>(e) DACO's Capacity Enhanced</p>	<p>Satisfactory</p> <p>Unsatisfactory</p> <p>Marginally satisfactory</p> <p>Marginally unsatisfactory</p>	<ul style="list-style-type: none"> • CSO / GoSL dialogue model could not be duplicated in the 8 remaining districts; CSOs involved in the dialogue chain; effectiveness was constrained by inadequate resources / capacities • A DAD was established and its output – donor assistance by area / source – was used by DACO to prepare Annual Development Assistance Reports • There is a need to improve its user friendliness and analytical use • No NGO database was created • An Aid Policy document was prepared in March 2007 • A consultative document on a Draft Policy on Overseas Development Aid was prepared for DEPAC Meeting in May 2009 • The consultative document is yet to be formalised into an aid policy document • Core professional staff were in place for the completion of the PRSP; monitoring of the PRSP up to 2007 • Due to the uncertain political climate in 2007, some staff resigned • Some of DACO's own internal capacity building initiatives – study tours, seminars etc – never materialised • DACO became dysfunctional in 2007 and first half of 2008 as result of the change in government
<p>Efficiency</p>	<p>Unsatisfactory</p>	<ul style="list-style-type: none"> • Location of DACO in the Office of the Vice President had some strategic benefit – MDAs complied promptly to DACOs deadlines and results milestones in terms of reporting etc. were met; • However, the location of DACO in the VPs office created some tensions following the change in government • DACO has been re-integrated into the Ministry of Finance and Economic Development • Project Steering Committee was unable to resolve many problems – eg. cessation of funding by EC and DFID; reviewing the project results matrix in 2007 – as a result of political uncertainties, etc. • Project execution had problems; project should have been designed as NEX with capacity development activities and technical assistance support • DACO /UNDP reporting to donors was inadequate; reporting format inconsistent with donor requirements • Financial record keeping was not activity /output

		based and a results input-output efficiency analysis could not be done
Sustainability	Unsatisfactory	<ul style="list-style-type: none"> • Project activities cannot be sustained financially without donor support – the implementation of the monitoring frameworks, the maintenance of the database; the publication of the development assistance reports, etc. • Coordination systems and a comprehensive monitoring framework were established – IMC, the PWGs, SWGs and DMG; however, they will require donor funding and technical skills to revive them and get them functioning again • The DEPAC quarterly meetings depend on the results matrix / progress reports on aid coordination and management being available. By integrating DACO functions into the MoFED, the role of secretariat to DEPAC can continue. However the inputs to make the DEPAC function effectively may not be easily available • The DAD database system is established and could continue to function within the MoFED structure. It however requires refinement and up-dating / outreach programme to make the system function better • The NGO database was not created and will need donor support to complete this in conjunction with the NGO desk • The process, framework and capacity for the preparation / refinement of an Aid Policy is in place within the GoSL • At its peak, DACO had a core professional staff of about 10. At the time of the evaluation, only 2 remained in post at the MoFED – the Director and the M&E Officer
Partnerships	Marginally satisfactory	<ul style="list-style-type: none"> • Project was successful in bringing DAC and non-DAC members into the DEPAC forum • DACO was successful in facilitating policy dialogue for donor support of the PRSP • The partnership/ resource mobilisation framework – UNDP, DFID and EC – did not work effectively; DfID and EC suspended funding as a result of perceived non-adherence by UNDP / DACO to project reporting

Findings

- ✓ The project was designed in a hurry, without sufficient consultations among the key stakeholders, which led to serious shortcomings, particularly with the management/implementation arrangements. The DACO project is a typical example of an attempt by donors to fast-track development by avoiding existing government institutions.
- ✓ Although the main objective of the project was to enhance GoSL's capacities, it did not include a clear capacity development strategy based on a comprehensive capacity needs assessment.
- ✓ The project should have foreseen the need to contract an experienced international advisor, whose main function would have been to provide high-quality advice on issues related aid coordination and management to senior government officials, as well as the design and implementation of a comprehensive capacity development strategy.
- ✓ The election period and the change of government seriously affected project implementation as the project environment changed and donors became increasingly risk-averse, which resulted in an interruption of funding flows, and consequently project implementation and results were adversely affected.
- ✓ In the highly politicized environment surrounding the 2007 elections, turnover of key staff at UNDP, DFID and EC affected the smooth implementation of the project – a factor that was exacerbated by DACO playing the division between the donors
- ✓ The fact that the different perceptions among the key stakeholders could not be resolved is a clear indication that the project steering committee was ineffective and the partnership between the funding agencies was weak.
- ✓ In striving to curry favour with the government, the bilateral donors tended to revert to a default position which involved demonizing UNDP and praising DACO and other local power brokers – a factor that led to jealousy, competition and in-fighting among the development partners
- ✓ The project did not contain a clear exit strategy, which would have helped to focus on integrating functions performed by DACO into a permanent government institution at an earlier stage.
- ✓ The project lost focus on its overall objective to enhance GoSL's capacities, as it became too involved in performing line functions. Instead of building capacities, the project focused on direct service delivery.
- ✓ The use of PIUs tends to generate resentment among MDAs, to such an extent that almost every MDA in Sierra Leone (MoFED, MFA, Trade, SPU, line ministries, etc.) was spending a huge amount of effort trying to attract donor resources instead of focusing on service delivery.

Lessons Learned

- ✓ It is critical to distinguish between the roles and responsibilities of a Chief Technical Advisor and a Project Manager, especially in a comprehensive capacity development project.
- ✓ Effective co-funding agreements require a harmonization of project implementation procedures, including financial reporting, among the involved agencies. If this cannot be achieved, it should be agreed to follow the standard procedures of the implementing agency.
- ✓ A focus on short-term results tends to impede the achievement of sustainable development results in the long term.
- ✓ The use of PIUs should be restricted to short-term needs and should include a component to build internal capacity and a clear exit strategy.

Recommendations

- ✓ "Do not rush!" Development partners should withstand the temptation of trying to fast-track development. Time-scales and approaches should be reviewed carefully in light of the fragile situation in Sierra Leone.
- ✓ Development partners should focus on strengthening capacities of permanent government institutions, instead of bypassing them by establishing parallel structures.
- ✓ Support to the MoFED should be provided through a multi-donor support framework that is based on a comprehensive needs assessment, a joint capacity development strategy and ideally a common funding mechanism.

In the final analysis, the project was essentially a capacity development project that ultimately served as a platform for direct service delivery. However, both capacities were only temporarily enhanced due to the use of a PIU and the lack of an adequate capacity building strategy to integrate related functions into permanent government institutions. This was essentially a shortcoming in project design and implementation, and all parties involved can share the blame: the government for not being more proactive, UNDP for not taking a more definitive approach in managing the project, DFID and EC for focusing too much on short-term results and procedural issues and too little on longer-term development of institutional capacity, which requires – among other things – predictable funding.

Overall, the project was overambitious, not well designed and not well managed. Nonetheless, the DACO unit was active and the project delivered certain results. However, the majority of these results are not sustainable, mainly because they depended on the existence of a parallel structure, i.e. DACO. Donors, especially UNDP, should have provided more technical assistance, in addition to the provision of funding, and should have put a stronger emphasis on strengthening capacities of permanent government institutions.

The evaluation concludes with a recommendation that further support to strengthen GoSL aid coordination and management capacities and systems is required. However, it should be considered that such support should be provided as part of a holistic, multi-donor support programme – led by an experienced international CTA. Donors should resist the temptation to fund separate activities individually that focus on short-term results.

Executive Summary Part II: Review of Sierra Leone's Aid Coordination Architecture

Part II of the report presents the findings of the review of Sierra Leone's aid coordination architecture. It assesses Sierra Leone's aid environment by analyzing aid patterns, the development partner structure and the quality of aid relationships against the background of the fragile state dimension. Further, the report reviews selected elements of the existing aid coordination architecture and makes concrete recommendations on how these can be further strengthened and improved. Where appropriate, this report presents relevant experiences and lessons learned from other developing countries, for example regarding, budget support, joint assistance strategies, use of project implementation units and independent monitoring groups. This study was commissioned by UNDP Sierra Leone and included a comprehensive desk review, as well as a three-week in-country mission.

Sierra Leone is a highly aid-dependent country, which shows signs of state fragility. The country's government institutions have limited capacities to perform key functions, which affects their ability to adequately respond to citizens' needs and potentially undermines their legitimacy. The staffing structure and skill level of many formal institutions is insufficient. State institutions are not robust and lack a professional civil service culture. This has consequences for the applicability of the aid effectiveness framework outlined in the Paris Declaration, which is premised on a sufficient level of agreement between a national government and its development partners on development goals and priorities, and sufficient capacity of the national government to take forward its programmes and policies effectively. Consequently, a concern with 'aid effectiveness' (i.e. the extent to which aid contributes to achieving development goals) needs to be supplemented by a more fundamental concern with the effectiveness, accountability, responsiveness and legitimacy of the institutions of state. This means that engagement by development partners must explicitly address the agenda of state-building, as well as the agenda of increasing aid effectiveness. Finding the right balance between both objectives is a particular challenge for development partners in Sierra Leone, where informal mechanisms and institutions such as personal patronage networks and social forms of governance are prominent, and where local politics tend to determine policy outcomes. As a result, there are tensions between the need of the state to maintain fragile power balances between competing interests, on the one hand, and the goal of achieving more effective, transparent and accountable use of public resources including aid, on the other. In this regard, it is important that development agencies be much more aware of the influence of local politics on growth and development, as well as of the resulting timescales required for state-building.

This report argues for a wider use of political economy analysis, to identify factors that influence political incentives for ruling elites to support change in direction of pro-poor economic growth and development, as well as broad-based service delivery. Taking the importance of local politics into account may require a rethinking of common approaches to growth and good governance. Good governance and related approaches to public sector reform, as typically practiced by development agencies, are often based on an

unspoken assumption that it is possible and desirable to transplant institutional models from OECD countries to the developing world. However, experience has shown that OECD-type institutions are often not suited to developing countries, and work differently in different social and political environments. The importance of understanding and adequately addressing local politics may further require development agencies to make organizational changes, for example regarding staffing structures, recruitment procedures and internal incentives. Many development agencies in Sierra Leone experience a high staff turnover and use ad hoc approaches with a focus on short-term results, instead of long-term approaches that are based on a thorough understanding of political realities.

Sierra Leone has a diverse development partner community. Only 5 donors account for the majority of assistance, while a high number of smaller development agencies, a few non-DAC donors and numerous non-governmental organizations are involved in various aid activities. This structure is contributing to aid volatility and fragmentation with some negative consequences.

Foreign assistance provided to Sierra Leone is not coordinated very well. There is a high degree of fragmentation of responsibilities for the mobilization, negotiation and administration of aid across agencies of government, leading to inefficiencies and reduced effectiveness in the overall system. Further, there are limited efforts by the wider development partner community to coordinate activities among themselves. Isolated coordination and harmonization efforts among specific donor groups, such as the Multi-Donor Budget Support Group or European Union member states, have not yet resulted in a significant rationalization of aid activities. Besides, as they are not government-led and pursued almost independently of one another, these isolated initiatives bear the risk of turning donor groups into ‘aid cartels’.

One consequence of this limited coordination is a high degree of fragmentation of foreign assistance at the sector level, which is characterized by a large number of donors that fund a large number of small projects. This results in an increased coordination challenge and high transaction costs for the government, as well as in wasteful duplication of effort and overlaps in the delivery of aid.

Aid funding flows are erratic, which affects project implementation and wider economic stability. Besides, volatile aid funding can undermine attempts to build more institutionalized and predictable policy and budget processes, and so reinforce patronage networks.

In general, aid relationships in Sierra Leone are characterized by a significant lack of trust between the government and its development ‘partners’. In light of the weak capacity and concerns regarding fiduciary risks, development agencies tend to establish parallel structures, which create tensions in the civil service and undermine national ownership, domestic accountability and longer-term institution-building. Also, due to the high degree of aid dependency, the power relation between the government and its partners is asymmetrical. Numerous conditionalities imposed by the largest donors result in one-

dimensional accountability of the government to the donors and impede domestic accountability of the government to its citizens.

Given the lack of mutual trust, the high level of aid dependency coupled with weak government structures and capacities, and the resultant assertive donor behavior, which is not always conducive to fostering national ownership and mutual accountability, it is not surprising that Sierra Leone has not moved forward more quickly in improving the aid system and in implementing more effective aid coordination and management mechanisms.

Against this background, it is recommended that an *Independent Monitoring Group* be established consisting of renowned external experts, in order to increase mutual accountability. This group would periodically carry out independent assessments of the status of aid relationships and the progress made with regard to improving aid effectiveness and implementing related mutual commitments by the government and its development partners.

Although Sierra Leone has the basic structure of a good formal machinery of dialogue, the overall effectiveness of the collective dialogue and coordination mechanisms is limited. It is crucial to establish better linkages between dialogue mechanisms at different levels, especially between the Consultative Group (CG) and the Development Partnership Committee (DEPAC), as well as between DEPAC and Sector Working Groups (SWGs). Further, the operational effectiveness of many working groups should be enhanced through better advance preparation, action-oriented minutes, and wider information sharing, for example through SWG websites. Sector Working Groups should play a key role in reviewing assistance proposals and in monitoring the implementation of related activities, without substituting line ministry functions.

In order to strengthen the government's aid coordination capacity, it is recommended that the Ministry of Finance and Economic Development (MoFED) be designated the lead coordinating agency for all external assistance. In this regard, a post for a Permanent Secretary, who would head the Development Division of the MoFED, should be established. It is further recommended that relevant existing units within MoFED be strengthened and re-clustered along functional lines, in order to form a Development Cooperation Department as part of the Development Division. This department should be structured by development agency desks that act as main counterparts for corresponding donor and development agencies and would be responsible for coordination and administration of external assistance along the entire aid business cycle. Building on GoSL's Consultative Aid Policy Document, as well as other countries' experiences, this report describes key aid coordination and management functions and makes suggestions regarding the assignment of these functions to individual government agencies.

The Sierra Leone Development Assistance Database (DAD) is a useful tool for tracking foreign aid provided to the country. However, its effectiveness as a tool to support aid coordination and foster alignment is currently limited due to the fact that many development agencies do not enter data into the system in a timely and sufficiently

disaggregated manner. In addition, the MoFED, the institutional host of the system, currently practices insufficient process management. In this regard, the data entry process should be firmly institutionalized, by linking it to the budget cycle and making data provision mandatory. Further, more proactive outreach to development agencies will be required through the proposed development partner desks, as well as proactive and client-oriented preparation of analytical products, such as sector, district and partner profiles. The government should further consider implementing a limited number of system enhancements to increase DAD's analytical capacities. The suggested modifications include the possibility to breakdown multi-year commitments into yearly allocations (potentially combined with a planned disbursement schedule), as well as the possibility to track 'expenditures' and Paris Declaration Indicators. The latter would include an electronic calendar where development partners could record their planned missions and analytical works, with the aim to coordinate both better.

This report makes a number of recommendations on the draft aid policy document presented during the DEPAC meeting in May 2009, including that the roles and responsibilities within the aid process should be further clarified; that the government should express its preference for an 'aid mix', instead of stating budget support as first priority; and that the government should reserve the right to refuse aid that is not aligned with its priorities.

It is recommended that a succinct aid policy document be formulated – one that mainly stays at the level of basic principles and defines the main procedures and corresponding roles and responsibilities for the provision, acceptance, coordination and management of foreign assistance. The policy should be concrete, but at the same time broad enough to encompass the entire development partner community. The current draft provides a good starting point.

In order to facilitate the actual implementation of the policy, it is recommended that government and development partners formulate a number of corresponding mutual commitments. These commitments could be consolidated in an Aid Effectiveness Action Plan, which could combine *localized* Paris Declaration principles with operational targets to improve aid relationships and overall aid effectiveness. The action plan, which could take the form of a simple matrix, would have a dual function: *first*, it would serve as a tool to facilitate the implementation of the aid policy; and *second*, it would form the basis of a mutual accountability framework.

Introduction

Background

Sierra Leone is a highly aid-dependent country. Foreign assistance accounts for over 50% of its national budget. Given the significance of foreign aid for national development, the effective coordination and management of external resources is critical.

After eleven years of a debilitating civil war, Sierra Leone adopted a comprehensive National Recovery Strategy in September 2002 with government and donors agreeing on a framework for peace, recovery and development. This initiative was followed in August 2003 by the development of a National Long Term Perspective Framework (Vision 2025) emphasizing leadership, reconstruction and peace building, sound economic management and democratic governance. To translate this vision into operational plans, the government and its development partners embarked on the preparation of a comprehensive Poverty Reduction Strategy Paper (PRSP) in January 2004, eventually launching a PRSP in April 2005 emphasizing three thematic areas: 1) good governance, peace and security, 2) macroeconomic stability and growth, and 3) human development.

To sustain these initiatives and to re-affirm their support for the country's security sector and overall development assistance, it became imperative for government and donors to maintain a close relationship, both at the policy and working levels. This involved the establishment of a special Poverty Alleviation Strategy Coordinating Office (PASCO) and subsequently a Poverty Reduction Coordination Unit in the Development Assistance Coordination Office (DACO), located in the Ministry of Development and Economic Planning (MoDEP), which was responsible for the preparation of the PRSP and eventually coordinating PRSP implementation activities of MDAs, monitoring and evaluation and tracking development assistance to Sierra Leone. However, the capacity in the MoDEP was weak, which threatened to slow the preparation process at a time when there was an urgent need to meet the deadline on the country's HIPC initiative.

About the DACO Support Project and Aid Coordination & Management

Against this background of policy and operational weaknesses in the civil service and a disconnect between government and donors in Sierra Leone, there was the compelling need to put in place a new and improved framework for aid coordination and management. As a result, the government of Sierra Leone (GoSL) agreed to bolster support to the Development Assistance Coordination Office (DACO) in partnership with the United Nations Development Programme (UNDP), the UK Department for International Development (DFID) and the Delegation of the European Commission (EC) in Sierra Leone. The project was intended to be carried out between January 2006 and December 2007, with activities coordinated out of the Office of the Vice-President.

The main objective of the DACO project was to provide a framework for donor support during the remaining two years (2006-2007) of the implementation of the SL-PRSP. Although, in fact, the overarching objective involved establishing a central hub for aid coordination and management in Sierra Leone.

The project was comprised of four main components:

1. Coordinate the activities of the NTC and IMC.
2. Coordinate the monitoring and evaluation of programmes identified in the SL-PRSP
3. Support capacity building for the implementation of the SL-PRSP
4. Coordinate development assistance and facilitate donor/government dialogue related to PRSP

The total budgeted cost of the project was US\$ 4.2 million. It was foreseen that US \$ 3.84 million would be provided by UNDP, DFID and EC, contributing 20%, 31% and 49% respectively. The remainder was supposed to be provided by the GoSL.

In parallel to the project's efforts to support PRSP monitoring and improve aid coordination, the GoSL undertook initiatives to improve public sector management, including functional reviews of the Ministry of Development and Economic Planning (MoDEP), and the Ministry of Finance (MoF), which were undertaken as part of a wider Civil Service Reform Programme, which resulted in various recommendations to improve the performance of the public sector.

Both, the implementation of these recommendations as well as the implementation of the DACO support project were affected by the national elections in 2007, which led to a change in government, requiring a re-orientation based on potentially changing priorities.

Against the background of a complex aid environment, consisting of DAC and non-DAC donors, INGOs, NGOs and increasing private sector investments, the new government needs to decide how it would like to organize functions related to development planning, aid coordination, expenditure management and other aid management functions. In this respect, a key decision of the new President was to merge MoDEP and MoF into the new Ministry of Finance and Economic Development (MoFED).

In spite of these efforts to improve donor coordination and the management of public resources, local and international stakeholders share the feeling that the effectiveness of foreign assistance to Sierra Leone needs to be improved further, in light of the development needs of the country. While both former ministries have meanwhile moved into adjacent buildings and the institutional structures have been changed according to newly assigned functions, a number of questions remain unanswered. These include the future role of DACO, which had been moved from the Office of the Vice President into the MoFED. With support through a multi-donor funded project, DACO had performed a number of functions that can now be integrated into permanent government institutions.

About the Assignment

The review assignment was commissioned by UNDP and the EC Delegation in Sierra Leone with the primary objective to carry out the final evaluation of the multi-donor funded project “Support to the Development Assistance Coordination Office (DACO)” (DFID conducted its own review in August 2008). With a view to making forward-looking recommendations for improving aid and development effectiveness², the second objective of the assignment was to examine current arrangements for aid coordination and management in Sierra Leone and to make proposals for their improvement³.

The assignment involved a three-week in-country mission to Sierra Leone from May 10 to 31, 2009, which included the following objectives (see terms of reference at Annex 2):

- To evaluate the achievements of the project in relation to its planned outputs as set out in the donor project documents and annual work plans
- To assess the impact of the project, its contributions to the overall and specific objectives as laid out in the donor project documents
- Assess all challenges in project implementation and management, including the respective contributions of all involved partners as well as recommendations on modalities to strengthen the partnership in the future
- To provide lessons learned and recommendations for future programming
- To review the emerging and evolving aid environment, and make recommendations on the best modalities to enhance the effectiveness of aid coordination and management in Sierra Leone

As such, the assignment has two separate but interlinked objectives, which will be handled in separate parts of this report:

- 1 To carry out a final evaluation of the multi-donor-funded project “Support to Development Assistance Coordination Office” (DACO).
- 2 To review Sierra Leone’s broader aid coordination architecture against the background of the DACO project and make recommendations on how development partners could best support the Government of Sierra Leone’s (GoSL) efforts to further improve aid effectiveness.

² Development effectiveness refers to the extent to which development assistance complements domestically funded efforts and results in poverty reduction and sustainable human development.

³ In this report, *aid coordination* refers to the effective coordination of external aid in the form of grants, loans, projects, or budget support provided by external donors to national governments. It involves establishing partnerships with donors aimed at aligning aid with national priorities and harmonizing donor practices with government systems and budget cycles to avoid duplications. The term *aid management* refers to the ways in which national stakeholders, use and track aid for financing national development activities. Donor systems should be aligned with the recipient government’s planning and budgeting systems and their development strategies. Aid coordination and management are generally considered to improve the effectiveness of aid as a means contributing to sustainable development. The term *aid coordination architecture* refers to the totality of structures, procedures, systems, mechanisms and modalities established in a country by its government and/or its development partners to improve aid coordination & management.

Structure of the Report

The report is structured in two parts: Part I contains the Evaluation Report and Part II contains the Review of Sierra Leone's Aid Coordination Architecture.

Part I: The **Evaluation Report** is divided into 4 Chapters: Chapter 1 contains the background and context for the project and the scope of the assignment. Chapter 2 presents the framework and methodology for undertaking the assignment. Chapter 3 contains the assessment of performance. Chapter 4 outlines the findings, lessons learned and recommendations.

Part II: The **Aid Coordination Review** is divided into 4 Chapters: Chapter 1 discusses recent trends in the international aid effectiveness agenda and critically reviews the core principles of the Paris Declaration on Aid Effectiveness with a view to defining the guiding principles for the assessment of Sierra Leone's aid coordination architecture. Chapter 2 assesses Sierra Leone's aid environment by analyzing aid patterns, the development partner structure and the quality of aid relationships against the background of the fragile state dimension. Chapter 3 reviews selected elements of the existing aid coordination architecture in Sierra Leone and makes concrete recommendations on how they can be further improved. Chapter 4 summarizes the findings and recommendations

PART I: EVALUATION REPORT

1.0 Objectives and Limitations of the Evaluation

1.1 Objectives and Scope of the Evaluation

The UNDP Country Office in Sierra Leone is undertaking a final evaluation to assess the results achieved on the DACO project. The evaluation is being done in collaboration with the UK Department for International Development (DFID) and the Delegation of the European Commission in Sierra Leone (EC), two organizations that provided funding to the project along with UNDP. The evaluation will cover the original period of project implementation (January 2006 – December 2007), including the extension of project activities to December 2008.

The evaluation of the support provided to DACO will assess the extent to which expected results have been achieved and are likely to be sustainable. The evaluation will further outline challenges affecting implementation, as well as highlighting lessons learned. The evaluation part of the assignment will be guided by the UNDP Handbook for Monitoring and Evaluation and will make use of OECD DAC criteria for the evaluation of development assistance (relevance, effectiveness, efficiency and sustainability), together with an assessment of partnership considerations.

1.2 Assumptions and Limitations

Evaluating the DACO project at a time when most of the key staff and officials had moved on to other postings has been a difficult undertaking. Many senior staff involved in the inception and implementation of the project were not available to be interviewed – including officials from government, donor agencies (UNDP, DFID and EC) and DACO. As a result, the evaluation assignment involved fitting pieces of a jigsaw puzzle together without the aid of a guide or picture.

Vital bits of information were uncovered gradually as people consulted files, contacted former staff members or remembered key conversations. For example, on the last day of interviews, it was learned that the Director of DACO had signed his second annual contract with the government and not UNDP as originally thought. Also, it was discovered late in the interview process that the original project document had been developed by DFID and EC because at the time UNDP did not have the internal capacity.

The evaluation revealed a number of issues with regard to the overall project management arrangements. Part of the problem appeared to stem from the unclear management structure and the corresponding lines of responsibility and reporting, which in turn resulted in problems of allegiances, where DACO did not report adequately on the donor-funded support project, but tended to focus its energies on reporting on monitoring and implementation the government's PRSP.

A lack of consistency in activity-related cost information and financial record-keeping and reporting prevented the team from conducting a full financial analysis and activity–output valuation analysis. For example, after spending a week in Sierra Leone with UNDP’s accounts department, an EC verification team, comprising two accountants sent by the EC headquarters in Brussels, was not able to reconcile the figures reported by DACO against actual expenditures recorded in UNDP’s ATLAS system. Although about US\$ 100,000 could not be accurately accounted for, the verification team concluded that UNDP would have been able to reconstruct the financial records if they had more time. While they did not uncover any evidence of fraud, the verification team found ample evidence of poor record keeping and reporting – a factor that deterred the evaluation team from undertaking anything more than a comparison of the budget against expenditures (as of June 2008).

Obviously, these factors limited the “evaluability” of the project.

2.0 Framework and Methodology

2.1 “Evaluability” of the Project

In order to provide a framework for the evaluation, the evaluation team reviewed the project structure, intervention logic and monitoring framework of the DACO support project, as outlined in the available project documentation. However, the original project document did not contain a logical framework, which would have clarified the project structure, laid out the intervention logic and defined indicators, together with means of verification for each result along a results continuum. The project document did not contain any evidence that an objective-oriented planning process was applied. The intervention strategy outlined in the original project document consisted of four components, under each of which a number of expected outcomes were defined as follows:

Box 1: DACO Project Components and Expected Outcomes

Component	Expected Outcomes
1. Coordinate the activities and of the NTC and IMC	<ul style="list-style-type: none"> • IMC and NTC established and become functional • Regular meetings of both IMC and NTC to determine progress of implementation of the PRS • Government /Civil Society exchange forum established in partnership with ENCISS
2. Coordinate M&E programmes in the SL-PRSP	<ul style="list-style-type: none"> • Sector Working Groups for M&E established • Establish all base line data required for the monitoring and evaluation of the PRSP • M&E units established / strengthened within key MDAs that will be implementing the PRSP • Quarterly updates on CG Results Matrix
3. Support Capacity Building for The implementation of the PRSP	<ul style="list-style-type: none"> • Comprehensive Capacity Building Programme Document developed • All on-going public sector reform programmes coordinated
4. Coordinate Development Assistance and Facilitate Donor / Government Dialogue relationship for PRSP	<ul style="list-style-type: none"> • Annual Development Assistance Report published • NGO data base at the MODEP established • Donor Assistance Database hosted on the Internet • CD Encyclopedia launched • Consultative Group meetings • Aid Policy for Sierra Leone formulated • Quarterly updates on CG Results Matrix

Source: UNDP Project Document

Many of the stated “outcomes” are either at the lower level of the results continuum or are in fact “outputs”, i.e. direct results of project activities. Focusing on a number of tangible deliverables alone is likely to prevent orientation towards higher-level results in line with results-based management principles.

The project document contained two other matrices: a “Results and Resource Framework“ (RRF) and a “DACO Work Programme 2006”. Each matrix lists objectives/ outcomes, outputs and activities, while the wording used in each matrix is slightly different from each other, as well as from the results statements in the main

text of the project document. While the RRF lists annual targets for 2006 for three outputs, as well as indicative activities, the 2006 work programme states six objectives and six outputs.

Further, the original project document did not contain any information on assumptions regarding the causal pathway from input to output to outcome. Hence, the project structure and intervention logic were not entirely clear.

Also the original project document did not contain an output or activity-based budget, which would allow assessing the amount of resources allocated to each expected result, and which might help to clarify the intervention logic⁴.

In sum, the “evaluability” of the project is severely affected by a lack of clarity with regard to the project structure, intervention logic and management arrangements, as well as the absence of a clear monitoring framework. Consequently, it was necessary to partly reconstruct the logical framework and to develop suitable measures in order to assess project achievements. Box 2 below contains a results framework that was reconciled on the basis of the three different results frameworks that were part of the original project document. This reconciled results framework was used as a basis for the assessment of project achievements (see Annex 1).

⁴ For a more detailed review of the project’s budget and expenditure reports please see the efficiency assessment (section 3.3).

Box 2 DACO: Rationalized Project Log Frame

Goal: To enhance GoSL's capacity and systems for development planning, and aid coordination, management and monitoring

Outcomes	Outputs	Indicators/Targets/Activities
1. SL – PRSP Effectively Implemented and Monitored	<ul style="list-style-type: none"> • IMC / NTC fully functional 	<ul style="list-style-type: none"> • IMC/NTC meetings • Progress reports on PRS
	<ul style="list-style-type: none"> • Comprehensive PRSP monitoring framework developed 	<ul style="list-style-type: none"> • Baseline for all PRSP indicators established • M&E Units in key MDAs established
	<ul style="list-style-type: none"> • Strengthened capacity for implementation of PRSP 	<ul style="list-style-type: none"> • Comprehensive capacity building programme developed • Improved capacity in DACO and key MDAs • Coordination of Public Sector Reform Programme
2. GoSL Aid Coordination and Management Capacity and Systems Strengthened	<ul style="list-style-type: none"> • Effective dialogue / coordination mechanisms established 	<ul style="list-style-type: none"> • DEPAC Quarterly Meeting • Sector WG hold regular meetings & contribute to development planning and monitoring • CG results matrix updated quarterly • GoSL / Civil Society exchange forum meets regularly
	<ul style="list-style-type: none"> • Effective aid tracking system established 	<ul style="list-style-type: none"> • Reports on Development Assistance published regularly • CD Encyclopedia published regularly
	<ul style="list-style-type: none"> • NGO Database established 	<ul style="list-style-type: none"> • Reports on NGO activities published regularly
	<ul style="list-style-type: none"> • Aid Policy prepared 	<ul style="list-style-type: none"> • Draft submitted to Cabinet
	<ul style="list-style-type: none"> • DACO's capacity enhanced 	<ul style="list-style-type: none"> • Training, study tours, workshops/ seminars

2.2 Evaluation Framework

The following framework was used to assess the achievement of project results. In addition to the DAC evaluation criteria, the framework outlines the result level being assessed, the scope of the assessment, key questions related to whether or not the project results have been achieved, and data sources and tools used to undertake the assessment.

The examination of progress towards achieving project objectives used the criteria for evaluating development cooperation projects developed by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD)⁵. These criteria were complemented by others to assess partnerships and management arrangements, which are important elements in UNDP projects. In this context ‘partnerships’ refer to project-related partnerships, in particular assessing the extent to which the donors built and used partnerships to foster project implementation and achievement of project objectives.

⁵ See: http://www.oecd.org/document/22/0,2340,en_2649_34435_2086550_1_1_1_1,00.html.

Box 3: Evaluation Framework

Evaluation Criteria	Element/ Result Level	Scope of Assessment	Data Sources & Tools
Relevance	Project Design	<p>The extent to which DACO activities are suited to the priorities and policies of the country at the time of formulation</p> <ul style="list-style-type: none"> • Did the project design properly address the issues eminent in 2005/6? • Did the project objective remain relevant throughout the project implementation phase, where a number of changes took place in the development scene globally and in Sierra Leone? 	<ul style="list-style-type: none"> • Prodoc • Logical framework • Monitoring reports • Interviews with stakeholders
Effectiveness	Output and Outcome - Assessment of performance	<p>The extent to which project activities attain the objectives</p> <ul style="list-style-type: none"> • How many and which of the projects outputs were delivered as planned? • To what extent has the project contributed towards overall aid effectiveness of Sierra Leone? 	<ul style="list-style-type: none"> • Prodoc • Logical framework • Monitoring reports • Stakeholder interviews
Efficiency	Project Management	<p>Measurement of the outputs in relation to the inputs</p> <ul style="list-style-type: none"> • Was the project management structure appropriate to the objective and activities of the project? • Could a different type of intervention lead to similar results at a lower cost? • Where the funds utilized as planned? 	<ul style="list-style-type: none"> • Prodoc • Logical framework • Monitoring reports • Interviews with stakeholders
Sustainability	Outcome	<p>The extent to which benefits of the project are likely to continue after the project funds have been exhausted</p> <ul style="list-style-type: none"> • Will the outputs delivered through the projects be sustained by national capacities, after the end of the project duration? • To what extent did the project have catalytic effects on national actors to engage in further aid effectiveness activities & donor support? • Has the follow up support after the project duration been discussed and formalised? 	<ul style="list-style-type: none"> • Interviews with project stakeholders government & donors • Functional review
Partnerships	Coordination, Harmonization and Simplification	<p>The extent to which the project brings together the relevant stakeholders to achieve the project objectives</p> <ul style="list-style-type: none"> • Which partners did the project bring together to promote the aid effectiveness agenda in the country? • How effective was the Government's interaction with the donors in facilitating the policy dialogues on aid effectiveness? • Were the resource mobilisation processes smooth and in synch with the project requirement? 	<ul style="list-style-type: none"> • Interviews with project stakeholders government & donors • Paris Declaration

Evaluation Criteria and Rating System

UNDP's standardized rating system was used to assess the degree of achievement for each output and outcome, as well as the project as a whole:

Box 4: Rating System

Rating	Goal, Outcome and Output Levels
Highly Satisfactory	Project (outcomes and outputs) is expected to achieve or exceed all its major objectives, and yield substantial national benefits, without major shortcomings. The project can be presented as "good practice".
Satisfactory	Project is expected to achieve most of its major objectives, and yield satisfactory benefits, with only minor shortcomings.
Marginally Satisfactory	Project is expected to achieve most of its major relevant objectives but with either significant shortcomings or modest overall relevance. Project is not expected to achieve some of its major objectives or yield some of the expected benefits.
Marginally Unsatisfactory	Project is expected to achieve some of its major objectives with major shortcomings or is expected to achieve only some of its major objectives.
Unsatisfactory	Project is not expected to achieve most of its major objectives or to yield any satisfactory benefits.
Highly Unsatisfactory	The project has failed to achieve, and is not expected to achieve, any of its major objectives with no worthwhile benefits.

2.3 Methodology

The evaluation employed a variety of methodologies including desk review, interviews and meetings with DACO management and staff, UNDP management, government ministers and departments, donors, civil society stakeholders, and comparative analysis of findings. Opinions and information were obtained through the following means:

- Field mission to Sierra Leone involving preparation of logistics, persons and organizations to meet, travel plans, etc.
- Interviews with government officials and other stakeholders, partners and beneficiaries in NGOs and CSOs Discussions with senior management in UNDP Sierra Leone and other donors and partners, and site visits to DACO in the Ministry of Finance and Economic Development and discussions with project personnel
- Document review of relevant documents and websites
- Analytical report writing
- Site visit to one district (Makeni)

a) Field mission

The evaluation team, composed of three consultants with expertise in different fields, spent three weeks in Sierra Leone interviewing approximately 100 persons and

organizations and consulting approximately 40 documents. The team received excellent collaboration from the donor agencies, the DACO management team and all stakeholders, without exception. Apart from some difficulty retrieving project financial information, the evaluation team is satisfied that all information needed was made available.

b) Interviews

Four types of meetings and interviews were conducted involving: 1) the organizations responsible for project execution and implementation (UNDP, DFID, EC and DACO senior officers), 2) senior officials in government ministries, departments and agencies (MDAs), 3) stakeholders in civil society (NGOs and CSOs), and 4) other donors and partners in the development community (DAC and non-DAC donor agencies)

1) The organizations who assisted the GoSL to implement the project (UNDP, DFID and the EC) were interviewed to gather the following information: (i) obtain background information on project design, (ii) the effectiveness of the project steering committee, (iii) ascertain issues related to project administration, and (iv) obtain explanations for the cessation of funding by DFID and EC. DACO management was interviewed to: (i) review project performance reports, (ii) seek clarifications / explanations on some of the project components within the context of project implementation – especially the monitoring framework and the public sector reform sub-component, and (iii) ascertain the successes and challenges in the administration of the DAD. The insights gained from these meetings contributed immensely to lessons learned, the reconstitution of the project log frame, the assessment of project relevance and efficiency and the overall achievement level of the project.

2) Senior officials in key MDAs were interviewed (Ministries of Finance and Economic Development, Health and Sanitation, Foreign Affairs and International Cooperation, Trade and Industry, Agriculture, Forestry and Food Security, Office of the President, Strategic Policy Unit) to: (i) review their overall impressions of the relevance, successes and challenges of the DACO support project, (ii) ascertain the extent to which the sectoral working groups were effective especially in the formulation of sectoral indicators for PRSP monitoring, and the functioning of the pillar working groups, (iii) the effectiveness of the overall preparatory / monitoring framework of the PRSP, (iv) their awareness of and considerations for improvement with respect to the development assistance database managed by DACO, and (v) progress on the formulation of the draft aid policy. These interviews provided insights for the evaluation of the project – relevance, effectiveness, efficiency, partnership and overall project achievement, as well as ascertaining the extent to which the government has been able to provide leadership and articulate clear policy guidance at the national level.

3) NGOs and civil society organizations (ie Christian Aid, SLANGO, ENCISS) provided valuable information with respect to: (i) the extent of civil society involvement in the setting of baseline indicators, (ii) monitoring of the PRSP, and (iii) ascertaining the effectiveness of the monitoring framework, the sectoral working groups and the pillar working groups. These interviews provided insights into the implementation and monitoring of the PRSP among the various constituencies, and the extent to which the objectives of the project were achieved.

4) Lastly, other development partners (USAID, Irish Aid, SIDA, Nigeria, China, etc.) were interviewed to obtain information on: (i) the effectiveness of the DEPAC arrangements, (ii) relevance / challenges associated with the Development Assistance Database (DAD) and the potential areas for improvement, (iii) the robustness of the monitoring frameworks, (iv) overall impressions of the level of achievement of the DACO project, and (v) the extent to which the donor community was supportive of and integrated into the government's development agenda – building trust and partnership within a fragmented, post-conflict society.

c) Document review

Two sets of documents were reviewed. The first set comprised the project document and primary donor documents related to the project. The second set comprised documents generated as a result of project implementation.

The review of the project document provided insights on: (i) the situational context for the conception of the project, (ii) the adequacy or otherwise of the project structures, (iii) the obligations / responsibilities of the development partners in the consortium, and (iv) the relative contributions of the partners to the project. This information contributed to the assessment of the relevance, effectiveness and partnership dimensions of the project and also led to the rationalization of the project log frame.

Documents generated from project activities (ie the APR on the PRSP, development assistance reports) were used to: (i) assess the achievement level of the project outputs, especially the quality and magnitude of the achievement level, (ii) assess the efficiency of the service / process models adopted in the execution of the components of the project, and (iii) gather lessons that can be used to improve any aid-coordination related interventions in the future.

d) Analytical report writing

The analytical report writing component comprised: (i) use of project planning logic to reconstruct / rationalize a log frame for the project – the basis for the evaluation, (ii) identification / differentiation of evaluation criteria, (iii) application of the assessment criteria to the information gathered for the evaluation, and (iv) a synthesis of issues for outlining lessons learned. The report writing covered an inception report outlining the methodology and plan for the assignment for approval by UNDP, DFID and EC; three weekly presentations made to UNDP, DFID and EC; and a final evaluation report.

e) Site visit

The team intended to undertake an official site visit to Makeni to verify the information gathered in Freetown regarding the monitoring framework and capacity of districts. However, the logistics of making the necessary arrangements during the week proved difficult and as a result, an unofficial visit was made on a Saturday.

3.0 Assessment of Project Performance

The following chapter assesses the relevance, performance and sustainability of the DACO support project. Section 3.1 assesses the overall relevance of the project; section 3.2 provides an assessment of its two operational components: Implementation and monitoring of SL-PRSP (section 3.2.1) and Coordination & management of GoSL's aid systems (section 3.2.2); section 3.3 assesses efficiency and project management arrangements, and sections 3.4 and 3.5 assess sustainability and partnership.

3.1 Relevance

The relevance of the project is evaluated against the background of national priorities and policies in 2005/2006 and the continued importance of the project objectives during its implementation.

a) Context of addressing national priorities and policies in 2005/6 in the project design

DACO was created under the Office of the Vice President in 2005 at a time when the utmost national development priority was the timely completion of the PRSP within the context of satisfying HIPC conditionalities. After the successful fast-tracking of the preparation of the PRSP through DACO, two urgent national priorities emerged: a) implementation, monitoring and evaluation of the PRSP and b) aid coordination and management to support PRSP implementation.

In principle, the development partners had two options to support GoSL in performing the related tasks: (1) strengthen existing capacities or (2) establish/use parallel structures.

Several factors were taken into account in the design of the DACO support project and the decision to place it under the auspices of the Office of the Vice President: (i) it was felt that both the Ministry of Finance and the Ministry of Development and Economic Planning were weak and did not have the capacity to perform the necessary functions; (ii) the capacity building program, including the merger of the Ministry of Finance and Development, would have been costly and would have delayed the implementation of the PRSP; (iii) the donors and GoSL realized there was a need for a one-stop-shop linking development priorities to external resource mobilization; and (iv) DACO had successfully fast-tracked the preparation of the PRSP.

As such, there was a compelling need to build on DACOs strengths through a project to enable GoSL and the development partners to implement several priority projects and initiatives.

DACO was meant to perform two main functions (1) support monitoring and implementation of the PRSP and (2) support aid coordination. While it can be argued that there were insufficient capacities within the MoDEP to adequately perform the functions related to the first task, the MoF already performed certain aid coordination

functions, e.g. through the Economic Affairs Division, that were duplicated through DACO. According to a senior official in the MoFED, DACO could not actually perform both sets of functions without relying on core government institutions, which among other things provided the necessary information. Hence, while it was necessary that capacities with regard to both sets of functions had to be strengthened, it is questionable if using a parallel unit (supported by development partners) outside of existing government structures was the best approach. It can be argued that using DACO as a nodal unit for PRSP monitoring was relevant in light of the weak capacities within the MoDEP and the longer timeframe required to strengthen the necessary capacities within the Ministry. However, regarding the aid coordination function, it seems that strengthening existing capacities within MoF would have been more appropriate.

In view of this, the relevance of the DACO support project has been given a “**Satisfactory**” rating.

b) Continued importance of project objectives during implementation (2006-2008)

The two main project objectives – enhancing PRSP monitoring and aid coordination capacities – remained relevant throughout the project duration. The GoSL explored options on how its institutions could perform these functions through functional reviews of the Ministry of Finance and the Ministry of Development and Economic Planning. However, the 2007 elections delayed related decisions. Hence, there was a continuous need for related support through the project.

Important issues to take into consideration in this section are the extent to which changes in policies and occurrence of national and global events during the period of implementation (2006 to 2008) impacted on the relevance of the project as conceived at inception. There are three issues that need to be addressed: (i) government’s decentralization policy, (ii) civil service reforms and (iii) the national elections in July / September 2007.

(i) The local government act of 2004 made the monitoring of development programmes one of the core functions of the Ministries, Departments and Agencies (MDAs), which were required to increase their capacity to operate in a decentralized environment. This required local councils to play a role in monitoring the PRSP in their respective localities. The DACO support project was assigned several key roles in coordinating this decentralized/reform function – which represents another extension of DACO’s original mandate. Firstly, the local councils had limited capacity to conduct PRSP monitoring so DACO provided assistance (in collaboration with the Decentralization Secretariat) – through the provision of Focal Persons to facilitate the work of the District Monitoring Teams. Secondly, the integration of the monitoring framework at the national level – through the sector and pillar working groups – remained DACO’s core function. In essence, DACO’s mandate was expanded to include playing a role in the implementation of the government’s decentralization policy during implementation of its PRSP monitoring function – a factor that reduced its effectiveness in undertaking its core function as the unit was saddled with additional responsibilities due to the urgency of matters and capacity weaknesses in other MDAs.

(ii) Management and Functional Reviews (MFRs) were conducted in the Ministry of Finance (MoF) and the Ministry of Development and Economic Planning (MoDEP), with the recommendation that the two ministries be merged. The review of MoDEP recommended a cessation of DACO operations with its two functions being subsumed into the MoF. This recommendation was however not ratified until the new government took office in September 2007, which delayed the mainstreaming of DACO into the merged Ministry until 2008.

(iii) Lastly, the national elections which took place July / September 2007 created doubts with respect to continuity of DACO (as a government unit and as a donor-supported project) in the event of a change in government, which had become eminent after the July 2007 vote which required a run-off vote in October 2007. Nevertheless, the fact that there were issues regarding the smooth implementation of the project, where DACO was not able to perform effectively during the second half, does not affect the overall relevance of the project. As a result, the level of achievement for the second component in the relevance category is given a “**Satisfactory**” rating.

Taking these two factors into consideration, the overall rating for the relevance category is “**Satisfactory**”.

Evaluation Criteria	Element/ Result Level	Scope of Assessment	Rating
Relevance	Project Design	<p>The extent to which DACO activities are suited to the priorities and policies of the country at the time of formulation</p> <ul style="list-style-type: none"> • Did the project design properly address the issues eminent in 2005/6? • Did the project objective remain relevant throughout the project implementation phase, where a number of changes took place in the development scene globally and in Sierra Leone? 	<ul style="list-style-type: none"> • Satisfactory • Satisfactory • Satisfactory

3.2 Effectiveness

With regard to measuring the project’s effectiveness, the evaluation assesses the extent to which the project attained its objectives by looking at two aspects: (1) the extent to which project activities and outputs were delivered as planned and led to the attainment of the objectives, and (2) the extent to which the project contributed towards the overall aid effectiveness of Sierra Leone. The first element is dealt with in section 3.2.1 below, and while the second is mentioned in section 3.2.2 below, it is dealt with in more detail in the Review of Aid Architecture (Part II).

The DACO support project is organized around two outcomes, as listed in the reconstituted logframe (see table 2). The assessment of project performance, therefore, is structured around the attainment of these outcomes and the corresponding outputs. The review and analysis of these outcomes and outputs is divided into 3 sections: (a) background, (b) review of activities and (c) assessment of performance:

3.2.1 Review and Analysis of Outcome 1: Implementation and monitoring of SL-PRSP

The review of outcome 1 (implementation and monitoring of SL-PRSP) includes an analysis of the following expected outputs:

- Coordination structures established and performance of existing mechanisms enhanced (IMC, NTC, PWGs)
- Comprehensive PRSP monitoring framework developed
- Capacity for PRSP implementation strengthened

(i) Performance of Coordination Structures: IMC, NTC & Pillar Working Groups

Background: The project document foresaw a lead role for national level coordination structures to support planning, implementation and monitoring of the PRSP. In this respect, the IMC and NTC were used to guide implementation of the PRSP. Under the chairmanship of the Vice President, the IMC was to provide the necessary policy guidance for programme implementation. The NTC, comprised of professional heads of MDAs and representatives of NGOs and civil society, was to provide overall technical and professional guidance at the sector level. The NTC was also supposed to promote the participation of civil society in implementation and monitoring of the PRSP – through a government/civil society exchange forum that was supposed to be established in partnership with ENCISS.

Review of Activities: The IMC was partly functional during the project period. In 2006 it met 3 times under the Chairmanship of the Vice President. However, there is no evidence that it met in 2007. (This inactivity could be explained by a diversion of attention on the part of the previous government toward the elections in July 2007). The NTC began holding meetings in June 2006, and continued meeting on a regular basis following the completion of work by the pillar working groups. According to the available minutes of meetings, some Pillar Working Groups were active until the end of 2006 and initially worked well. However, only a few Sector Working Groups continued to meet beyond 2006, primarily in those sectors with pro-active ministries. The pillar and sector working groups provided DACO with the information needed to produce Annual Progress Reports (APRs) on implementation of the PRSP – reports that received favourable reviews from the World Bank and IMF under the enhanced HIPC initiative. With regard to the establishment of a government/civil society exchange forum, this was done in collaboration with ENCISS, where DACO agreed to have ENCISS set up pilot programmes on community monitoring groups (CMGs) for the PRSP in ENCISS's 4 districts. This model was to be expanded into 8 other districts by DACO, which did not occur. In addition to disruptions caused by the elections, reported problems include shortcomings in a number of areas including capacity, resources, independence, incentives and technical know-how. However, in some cases regular meetings took place and information collected at district level was fed into the Pillar Working Groups.

Assessment of Performance: Both the IMC and NTC were supposed to provide leadership to DACO. However, although high-level consultations may have continued throughout the project, it is clear that the IMC was dormant during the latter half of the project – which appeared to coincide with a period where DACO needed direction and leadership. The NTC, which served as the steering committee for the PRSP, was not able to provide leadership and direction to DACO during the period leading up to

the elections and following the change of government. The establishment of the pillar working groups can be seen a critical output of the project that helped to facilitate coordination and monitoring of the PRSP. Due to the inactivity of the IMC and the poor functioning of NTC in 2007 as result of the elections, the expected result of a fully functioning IMC and NTC was only partially achieved. Similarly, the performance of the government/civil society exchange forum was only partly achieved as the PWGs, SWGs and District Monitoring Teams began to lose momentum once the support and funding from DACO began to wane, and the expansion of the pilot programme to the remaining 8 districts did not occur. As a result, a rating of “**Marginally Satisfactory**” has been given for this output.

(ii) Development of Comprehensive M&E Framework

Background: According to the project document, the PRSP was prepared against the backdrop of widespread poverty and in an environment of competing demands on limited resources. In establishing the DACO support project, the government and donors tried to institute systems for monitoring and evaluating the programmes, activities and results identified in the PRSP. However, capacities within existing institutions were weak and required significant strengthening. While line ministries were primarily responsible for implementation and monitoring of sector programmes, there was no dedicated government agency responsible for coordinating the various efforts with a view to monitoring higher level development results. In this context, DACO was assigned responsibility for coordinating and monitoring the higher-level programmes and results, ensuring that the specific pillar objectives were met, using the Consultative Groups “results matrix” as the basis for monitoring the targets in each sector, and developing a comprehensive PRSP monitoring and evaluation framework. The expected outputs for this component included the establishment of sector working groups for monitoring and evaluation, the establishment of baseline data required for monitoring and evaluation of the PRSP, the establishment of M & E units in key MDAs, and quarterly updates of the CG results matrix.

Review of Activities: An M & E framework was established through a hierarchy of functional groups at the district and national levels. District M & E fed information into pillar and corresponding sectoral working groups at the national level, which in turn fed information into the NTC and eventually the DEPAC. Monitoring forms / formats were developed and tested / piloted in collaboration with the Decentralization Secretariat (DECSEC). Focal persons were appointed in all 12 districts to facilitate the work of the District Monitoring Teams that had been put in place with DECSEC as the collaborative leader. The later set up and trained community monitoring groups on a pilot basis in four districts in collaboration with ENCISS. The community monitoring groups were given monitoring cards to report on the progress of implementation of the PRSP to the District Monitoring Teams. DACO facilitated the establishment of monitoring and evaluation units in three key Ministries, namely Health, Education and Agriculture. This was supplemented by some training for some of the MDAs. In addition DACO provided inputs to the survey on core welfare indicators and farm level production. The inputs from these surveys and the reports from the districts / MDAs provided inputs for the development of the baseline data for the PRSP.

Assessment of Performance: The success attained by DACO in setting up the monitoring framework for the PRSP, the development of the indicators within the

results framework, the placement of DACO Focal Persons in all 12 districts, the preparation of the Annual Progress Reports⁶ were to a lesser extent undermined by some ineffectiveness in operations. The PWGs tended to meet only during periods leading up to DEPAC meetings, instead of having consistently planned meetings on a regular basis. The indicators for monitoring of the PRSP were completed in June 2007, just one month prior to the presidential elections. There was an indication that the role of NGOs and CSOs were not fully recognized by the framework from inception, and community monitoring at non-ENCISS districts appeared to have weak linkages to the district monitoring structures. Finally, according to a World Bank monitor in Sierra Leone, there was hardly any valuable baseline data produced, and no studies or surveys were undertaken.

Despite these weaknesses, the project objective for setting up a comprehensive M & E framework was partly achieved. The design of the monitoring framework was comprehensive, but the system was only partly established and was not fully functional. As a result, a rating of “**Marginally Satisfactory**” has been given for this output.

(iii) Strengthen capacity for PRSP implementation

Background: The DACO project document recognized that the public systems for service delivery and human resource capacity in Sierra Leone were weak and, as such, presented obstacles to effective implementation of the PRSP. In view of systemic weaknesses in the public sector, one of the key objectives of the project was to strengthen capacities for PRSP implementation. Project activities were designed to provide capacity-building support to DACO and key MDAs to enhance implementation of the PRSP. Two activities were envisaged: A comprehensive capacity building programme was supposed to be developed and all on-going public sector reform programmes were to be coordinated.

Review of Activities: Regarding the first activity, through the interviews and progress reports, it was learned that the comprehensive capacity building programme document was never developed, and that MDA training activities were limited to the Ministries of Health, Education and Agriculture on monitoring and evaluation. The second activity, coordination of all on-going public sector reform programmes, appears to be somewhat of an unrealistic goal. Through the interviews, it was determined that DACO was at times used as a “catch-all” or “problem solver” for difficult initiatives, and was given responsibility for several projects and programmes. Apart from being given PRSP preparation, monitoring and evaluation, aid coordination, etc., responsibility for coordinating all on-going PSR programmes was clearly outside of DACO’s mandate, as was the development of a comprehensive capacity building programme. There is little evidence on what DACO’s role was or what the specific responsibilities were in this regard. In due course, coordination of the public sector reform programme and development of a comprehensive capacity building programme were transferred to the Governance Reform Secretariat under the Office of the President.

Assessment of Performance: The exclusion of dedicated capacity development activities in the DACO project represented a serious flaw in project design and implementation. The project document underscored the necessity of addressing the

⁶ Sierra Leone Poverty Reduction Strategy Progress Report 2005-2007

progressive decline in public sector management in order to implement a successful PRSP. A strong need was foreseen for capacity building across the civil service, and the project should have focused on strengthening capacities for PRSP monitoring and aid coordination. In spite of this recognition, those responsible for implementing the DACO support project appeared to abdicate their responsibilities concerning the need for internal capacity building. In addition, perhaps as a justification for urgency, they appeared to oscillate between DEX (direct execution) and NEX (national execution) modalities, instead of building necessary capacities over the life of the project. Under normal circumstances, the DEX modality would involve capacity building activities designed to strengthen government capabilities to enable UNDP to phase out of DEX mode and return to NEX mode after completion of the project. However, the management structure of this project remained unclear, as is discussed below, and although the project satisfied two of the conditions to be considered a DEX modality (primarily because it was being implemented in a post-war environment), the third condition was largely overlooked – the capacity of the UNDP country office in Sierra Leone to manage the project:

- ✓ The situation called for speedy delivery and decision-making where UNDP management is necessary for mobilizing resources;
- ✓ The national authorities lacked the capacity to carry out the project;
- ✓ The UNDP country office has adequate capacity to manage, report and achieve the expected results of the project.

In the final analysis, it can be argued that the project was successful in designing a comprehensive monitoring framework, but it was not fully successful in establishing and implementing it – largely because related capacities were not enhanced. In this respect, the project should have included well-defined and dedicated capacity-building activities designed to strengthen national capacity and it should have included an exit strategy for donor support. In light of these shortcomings, a rating of “**Unsatisfactory**” has been given for this output; and a rating of “**Marginally Satisfactory**” as the overall rating of Outcome 1.

Evaluation Criteria	Element/ Result Level	Scope of Assessment	Rating
Effectiveness	Outcome 1 Outputs	<ul style="list-style-type: none"> • How many and which of the project outputs were delivered as planned? <ul style="list-style-type: none"> - Performance of IMC and NTC - M&E Framework - Strengthen capacity for PRSP implementation 	<ul style="list-style-type: none"> • Marginally satisfactory - Marginally satisfactory - Marginally satisfactory - Unsatisfactory

3.2.2 Review and Analysis of Outcome 2: GoSL's Aid Coordination and Management Capacity and Systems Strengthened

The assessment of the project's contribution toward strengthening GoSL's aid coordination and management capacities and systems involves an examination of the planned outputs, which include the establishment of effective dialogue and coordination mechanisms, the establishment of an aid tracking system, the creation of an NGO database, preparation of an aid policy and the enhancement of DACO's capacity. Part II contains a broader assessment of Sierra Leone's aid coordination architecture.

Background: As the name suggests, the Development Assistance Coordination Office had been established to coordinate development assistance provided to Sierra Leone. Moreover, because of the importance of the PRS as an overarching national development strategy, the project designers recognized that there was a crucial role to be played by DACO in monitoring the PRS, while at the same time coordinating foreign assistance. This coordinating role entailed achieving the following outputs: (i) the establishment of an effective dialogue / coordination mechanism by serving as the secretariat for the DEPAC meetings and other Government/donor meetings including the CG meeting; (ii) the establishment of a comprehensive aid information management system to ensure the effective tracking of foreign assistance in order to foster alignment of all external assistance, including those channeled through NGOs, with national development priorities and potentially the recording of foreign aid in the domestic budget; (iii) preparation and dissemination of annual reports on foreign assistance; (vi) facilitating formulation of an aid policy for Sierra Leone; and (v) enhancing the capacity of its staff through training, study tours and workshops/seminars.

The assessment of the contribution toward enhancing GoSL's aid coordination and management capacities and systems reviews the following outputs:

- Effective dialogue / coordination mechanisms established
- Effective aid tracking system established
- NGO Database established
- Aid Policy prepared
- DACO's capacity enhanced

(i) Establishment of Effective Dialogue / Coordination Mechanism

Review of Activities: Setting up of pillar working groups, updating of the CG results matrix and the government / civil society exchange forum were all undertaken with varying results. Some sectors in the PRSP framework established a working group whose functions included: (i) development / review of sector indicators; (ii) coordination of sector monitoring reports to be fed into the pillar working group reports; and (iii) sector participation in the work of the pillar working groups. According the Ministries of Health and Agriculture, the sector working groups met on a quarterly basis. However as a result of the impending elections in July / September 2007 it appears that the sectoral groups were not functional in 2007 since DACO and the pillar working groups were not functioning during that period. Officials from the sector ministries suggested that their sector working groups played key roles in the coordination of sector inputs into the preparation of the PRSP II in 2008. However, some donor agencies indicated that there was not much consultation on PRSP-II.

Thus, it appears that DACO only partly succeeded in institutionalizing the dialogue/coordination mechanism during the project period.

At the national level, the CG results matrix was generally updated in the period prior to the holding of DEPAC and GC meetings. However, the last DEPAC meeting was held in March 2007, which means that the results framework was not updated from March 2007. Two DACO Steering Committee (SC) meetings were held in 2007. As a result, in the absence of DEPAC meetings, the SC meeting became a forum for government / donor dialogue. However, the project steering committee cannot be considered a collective dialogue mechanism and cannot replace a forum like DEPAC.

At the community level, ENCISS was the focal point for CSO incorporation into the PRSP implementation monitoring framework through a partnership arrangement with DACO. SLANGO should have participated in this process, and was approached by DACO to coordinate NGO inputs into the process. However, SLANGO was going through internal changes at the time and did not have the capacity to take on the required NGO coordinating functions. ENCISS set up community monitoring groups in 4 out of the 12 districts in 2006. The pilot programmes in these districts were to be the model for intervention in the remaining 8 districts by DACO in 2007. CSO organizations operated in the non-ENCISS districts to carry out the functions that were being performed by the community monitoring groups. The integration of these CSO activities into the overall PRSP monitoring framework was hindered by a lack of capacity on the part of the CSOs to play the role assigned to them. At the sectoral level, ENCISS used to represent CSOs on the PWGs in 2006. But this arrangement changed when ENCISS had to give space for the CSOs when they developed the capacity to represent themselves. In addition, the working relationship between ENCISS and DACO deteriorated. One reason was the failure of DACO to account properly for a grant given to it by ENCISS to promote social communication on the PRSP implementation and monitoring.

Assessment of Performance: The circumstances surrounding the general elections brought the collective dialogue mechanisms established by DACO at the national level (DEPAC and pillar working groups) to a standstill. Although some Pillar and Sector Working groups functioned effectively in the monitoring role assigned to them in the PRSP monitoring framework, at the community level, DACO failed to expand the pilot community monitoring group model to the 8 other districts. As a result, the objective of establishing and promoting effective dialogue at the national level among government / donor, and at the community level was only partially achieved. Hence, the level of achievement is “**Satisfactory**”.

(ii) Establishment of an Aid Tracking System

Review of Activities: In 2005, a LAN-based Development Assistance Database (DAD) was established in DACO, which at that time was directly reporting to the Vice President’s Office. DAD tracks project-level information on results and funding flows (commitments and disbursements) by donor, implementer, sector and location. DAD is an off-the-shelf aid tracking tool, developed by a US-based IT firm. The system had already been used in other countries, e.g. Afghanistan, before it was established in Sierra Leone.

The DAD was used to track foreign assistance, whereby DACO collected data through an MS Excel sheet and entered it directly in the system. Within a few months, however, it became apparent that hosting the database locally was impossible, due to

insufficient IT capacities in Sierra Leone. The option to host the system elsewhere was considered, but not pursued due to lack of funding. Ultimately, the system was abandoned and the server shut down.

As soon as new funding became available through the DACO project, the DAD was revived. In 2007, a web-based version of DAD was installed, whereby the system was hosted on servers located within the premises of the US-based system developer. The web-based version allows development partners to enter data directly into the system, thereby avoiding a parallel paper-based process. However, due to limited Internet connectivity in Sierra Leone, development partners experienced technical problems in entering the data and complained about the slow speed of the system. A solution to this issue was found through the deployment of an offline data entry module.

DAD was used to prepare different annual reports on foreign assistance provided to Sierra Leone. However, there have been continuous problems with ensuring that development agencies enter and update their data frequently. Standard Operating Procedures that define related processes, as well as roles and responsibilities have only been prepared and circulated in May 2009.

Interviews with development partners revealed a general lack of understanding of the underlying concept and system logic of DAD among data providers, as well as uncertainty regarding key definitions, such as ‘commitment’ and ‘disbursement’. Further, some partners expressed frustration about the fact that they receive requests for the same kind of data from different government institutions.

The output of the system was used to prepare the development assistance reports for 2004/05, 2006 and 2007. The reports provide information on development assistance by type, source and by sectoral intervention / PRSP Pillar.

Assessment of Performance: While the system was established and did finally function as envisioned, there was a lack of adequate process management by DACO, in order to ensure that data is continuously entered, analyzed, packaged and disseminated. While this can be considered a major achievement of the project, there is the need to improve upon the DAD system with the objective of improving the quality and reliability of the development assistance reports. Areas that require improvement in the DAD system include: increasing the level of its user friendliness; expanding and improving the outreach programme on data collection / entry by the donor community- including NGOs etc. Overall, the level of achievement is “**Satisfactory**”.

(iii) Creation of an NGO Database

Review of Activities & Assessment of Performance: An NGO database was not created by DACO during the project duration. This implies that this project output was not achieved. It must be pointed out that the NGO desk in the Ministry of Finance and Economic Development has a database on NGOs, although its utility was not evaluated. Nevertheless, it is clear that DACO should have had closer collaboration with the NGO desk in order to achieve its objective and avoid duplication of efforts. The achievement level assigned is “**Unsatisfactory**”.

(iv) Preparation of an Aid Policy

Review of Activities & Assessment of Performance: A document entitled “Towards an Aid Policy for Sierra Leone” was prepared in March 2007 by an international consultant commissioned by the DEPAC Task Force on Donor Harmonization and

Aid Effectiveness as the basis for developing an aid policy for the country. Although, the consultancy assignment was managed by the Strategic Planning Unit (SPU), DACO was involved in the consultation process. A major output of the document was to outline a possible structure for an aid policy, the objectives and guiding principles, a statement of mutual commitment and obligations, statement of specific policies with respect volume and effectiveness of aid, organization of aid mobilization and management and implementation. Based on this previous document, and in collaboration with the SPU, DACO coordinated the preparation of a “Consultative Document on a Draft Policy on Overseas Development Aid” which was circulated at the DEPAC meeting in May 2009. Although the process of collaboration with SPU was sporadic, and the “consultative” document is unfinished, this output has been given an achievement rating of “**Satisfactory**”.

(v) DACO’s Capacity Enhanced

Review of Activities & Assessment of Performance: The capacity strengthening activities of the DACO support project were discussed above in section 3.2.1 (iii), where it was established that the project should have included well-defined and dedicated capacity-building activities designed to strengthen national capacity for PRSP implementation, including strengthening DACO’s capacity. Apart from this shortcoming, many of DACO’s own internal strengthening activities, did not materialize, even though study tours, workshops and seminars were included in the project document and work plans. No valid explanation was given for the cancellation of these activities.

Apart from this, after the elections of 2007, retention of existing staff became an issue in the uncertain political climate, where it was felt that DACO was too closely associated with the previous government. This created a void in internal capacity as staff started to resign and as donor agencies took a wait-and-see approach. As a result, DACO’s ability to perform was seriously compromised during the second half of the project. In the final analysis, DACO’s capacity was enhanced to carry out its functions. However, this capacity was temporary. In light of these oversights and difficulties, a rating of “**Marginally Unsatisfactory**” has been given for this output.

Synthesis on Effectiveness

Regarding an overall rating for Outcome 2, the project was able to revive DAD and facilitated collective dialogue, which to some extent improved coordination in some sectors. Hence, one could argue that systems have been strengthened, but GoSL’s overall capacity has not. Hence an achievement rating of “**Satisfactory**” has been given for Outcome 2.

Regarding the overall rating of effectiveness, the 2007 elections created doubts with respect to continuity of DACO (as a government unit and as a donor-supported project) in the event of a change in government, which had become eminent. Negative perceptions of DACO began to surface as it was felt that the staff and even the establishment of the DACO unit itself may have been too closely associated with the previous government. This created great difficulties for the project, as donor agencies took a wait-and-see approach, staff started to leave DACO and programme implementation came to a standstill.

In the final analysis, the DACO team, together with participating donor agencies, were not able to make the transition through a difficult period during project implementation. Lingering doubts between government power brokers and suspicions

among donor agencies appeared to grind the DACO office and support project to a halt at a critical point during its implementation. With staff capacity almost completely diminished, all the gains achieved in the first year of the project were lost after the drastic shutting-down of project activity following the lead up to the elections – a situation from which DACO is only now beginning to recover, as a new Minister of Finance and Economic Development emerges as a new power broker. This analysis provides an explanation of why DACO as a unit was not able to perform effectively during the second half of the project. As a result, an overall rating of “**Marginally Satisfactory**” has been given for effectiveness.

Assessment of Effectiveness – Achievement Matrix for Outcomes 1 and 2

Evaluation Criteria	Element/ Result Level	Scope of Assessment	Rating
Effectiveness	Output and Outcome	<p>The extent to which project activities attain its objectives</p> <ul style="list-style-type: none"> • How many and which of the project outputs were delivered as planned? <ul style="list-style-type: none"> - Performance of IMC and NTC - M&E Framework - Strengthen capacity for PRSP implementation • To what extent has the project contributed towards overall aid effectiveness of Sierra Leone? <ul style="list-style-type: none"> - Effective Dialogue / Coordination - Aid Tracking System - NGO Database - Aid Policy - DACO’s Capacity Enhanced 	<p>Marginally satisfactory</p> <ul style="list-style-type: none"> • Marginally satisfactory - Marginally satisfactory - Marginally satisfactory - Unsatisfactory • Satisfactory - Satisfactory - Satisfactory - Unsatisfactory - Satisfactory - Marginally unsatisfactory

3.3 Efficiency

The assessment of the criteria for efficiency involves a review of the project management structure to ascertain whether it was suited to the effective implementation of project activities and achievement of project objectives. It also involves a review of alternative interventions for delivering project results at a lower cost, and a review of variations in costs.

There are four elements to be considered under the project management structure: (i) engagement of DACO as a quasi-government entity to manage the project, (ii) review of UNDP’s role in project execution, (iii) the role of the Project Steering Committee; (iv) project administration and reporting; and (v) project finances.

(i) Management of the Project by DACO:

Background: DACO was placed directly under the auspices of the Office of the Vice President, with the Vice President acting as the Chairperson for the IMC. This strategic location, close to the reigns of power, resulted in several advantages: (a) political decisions pertaining to DACO’s work were made in a timely manner, and (b)

directives from the Vice President's Office for MDAs to participate in DACO's work were given heightened credibility.

Review of Activities: From a management point of view, it appears that the key interventions were designed and implemented in an efficient manner – the creation of M&E units in MDAs / local councils, creation of PWG/SWGs, installation of an aid tracking system etc. – at least up until the 2007 elections. Facilitation of the creation of M&E units in the Ministries of Agriculture, Health and Education was also undertaken efficiently during the first half of the project, as considerable funding for PRSP was allocated to these three sectors. Also, appointing focal persons to facilitate the work of the already established District / council monitoring teams instead of creating an M&E unit in each district / council ensured value for money by tagging onto existing structures to attain the desired output.

Assessment of Performance: In the short term, the placement of DACO under the Office of the Vice President tended to generate efficiencies in project management. While some of the persons interviewed attributed the “success” of DACO to its strategic location in the Office of the Vice President, it became clear after the 2007 election that its location was a double-edged sword. A senior official in the MoFED stated that DACO's location created tensions from the beginning and it should have been established within the MoF.

(ii) Project Execution by UNDP:

Background: There appeared to be some confusion about the respective roles of UNDP and DACO, as executing agency and implementing unit. The management arrangements outlined on page 7 of the project document state that: “*The Office of the Vice President will be responsible for executing the project with DACO serving as implementing unit. (...) The Director of DACO will be responsible for managing the day-to-day activities of the project.*” Annex 2 of the project document contains the following formulation: “*Using Direct Execution (DEX) modality, UNDP will execute the project on behalf of all contributing partners. This is a step towards the progressive introduction of the National Execution (NEX) modality when the necessary capacity for project execution would have been developed in the relevant ministry that will eventually house and supervise DACO*”.

Review of Activities: A review of the responsibilities surrounding project execution raise a number of questions, because of uncertainties surrounding the project structure. Once the DACO unit was established in its strategic position in the Office of the Vice President and supported by donors, it became difficult to get the genie back in the bottle. An unclear management structure and poorly-defined reporting relationships between the project management unit (DACO) and execution agency (UNDP) turned out to be a nightmare for UNDP and, by extension, the other donors involved in supporting the project, DFID and EC.

Although the project was meant to be implemented under a DEX modality, a national institution (i.e. the Office of the Vice President) was designated as executing agency, which is not in line with DEX regulations and creates confusion regarding roles and responsibilities, especially as the project document does not specify the responsibilities of the executing agency, i.e. the Office of the Vice President. Further, the project document contains conflicting statements regarding the role of DACO. While the statement on page 7 seems to indicate that DACO was created as a UNDP project implementation unit, Annex 2 implies that DACO was actually considered a

part of government. Hence, there was no clear delineation between implementing unit and target group. Although DACO was supposed to deliver certain goods and services regarding the preparation and monitoring of the PRSP, as well as in relation to its functions in broader aid coordination, it was at the same time a recipient of capacity development activities, as indicated in output 6 of the work programme, while it was not clear who was supposed to act as the delivery agent for related services.

Further, the project document does not sufficiently clarify the reporting lines. While the management arrangements on page 7 indicate that UNDP is responsible for reporting, Annex 2 assigns reporting responsibilities to DACO, which prepared 3 progress reports of varying quality. Adding to the confusion, the review team was informed that the contracting arrangements of DACO's Director changed in the early stages of the project. Initially the Director had a contract with UNDP, but then a contract was signed with the government, the Office of the Vice President. This adds to the ambiguity surrounding the issue of whether the project was a DEX or a NEX modality. In the end, if the Director was on a government contract, the project should have been considered a NEX, which should have had more dedicated capacity-building responsibilities.

Box 5: DEX-NEX Modalities

DEX (Direct Execution) is defined as the operational arrangement where overall responsibility for the formulation and management of a project rests with UNDP. In terms of project implementation, DEX involves the procurement and delivery of all inputs and their conversion into outputs by the implementing organization, which in this case should have been the UNDP CO in Sierra Leone.

In contrast, under National Execution (NEX) the management and implementation of project activities within an agreed work plan and budget is assigned to a national institution (Office of the Vice President), while UNDP, depending on the level of national capacity, may perform certain operational functions.

Assessment of Performance: There was a strong rationale for UNDP to use the DEX modality in Sierra Leone, as the country was coming out of a post-war situation characterized by volatility and humanitarian crisis, where the creation of new, stable political arrangements would take time. However, the uncertainty surrounding the DEX-NEX issue was never clarified and it appears that, in their urgency to prepare the PRSP, the three development partners rushed to support DACO in the short-term (as a parallel structure) and neglected to put in place the capacity building activities required to strengthen existing government institutions in the longer-term.

Informal arrangements for project execution and management that had been established between UNDP's Senior Economist and the DACO Director appeared to break down as key staff at UNDP and other donor agencies began to turnover, and as DACO began to focus more on its functions as a government unit – monitoring of the PRSP – as opposed to a donor-supported project. As communication began to break down among the donors, DACO played one side off against the other in a desperate move to maintain its funding base – which ended up affecting the project, its results and ultimately the relationship between the donors. The donors, on the other hand, anxious to curry favour with the newly elected government, appeared to abdicate their responsibility to provide support in a consolidated way – a factor that aggravated existing jealousies, competition and in-fighting among the development partners.

In hindsight, it is clear that DACO became a quasi-government unit that needed donor support to perform certain functions. At some point, UNDP, in collaboration with the other donors and the Steering Committee, should have

recognized the need to redefine the project structure and reporting relations, and recruit an experienced international advisor, whose main function would have been to design and implement a comprehensive capacity development strategy as well as provide high-quality advice to senior government officials on issues related aid coordination and management.

(iii) Role of the Project Steering Committee

Background: The membership and roles and responsibilities of the Steering Committee were not clearly laid out in the project documentation. The membership was apparently made up of participating donor agencies (UNDP, DFID and EC).

Review of Activities & Assessment of Performance: There appears to have been some confusion (or lack of allegiance and reporting) between the role of DACO as a quasi-government unit monitoring the implementation of the PRSP and DACO as a donor-funded support project. Because DACO's 2008 Progress Report stipulates that the NTC served as the "DACO steering committee" – which may have been referring to the PRSP steering committee. The minutes of Steering Committee meetings were not made available to the review team. Nevertheless, an assessment of performance was made on the basis of various shortcomings in project activities, leadership and direction. For example, the fact that the project steering committee was not able to resolve major issues associated with the project structure, the standstill in project activities and the cessation of funding by two of the major donors are indications of its ineffectiveness.

(iv) Project administration and reporting

Background: DFID and EC signed separate MOUs with UNDP stipulating that UNDP was to prepare progress and financial reports for submission to the EC and DFID. UNDP, DFID and EC were supposed to provide pooled funds, and through the steering committee, were supposed to approve the work and procurement plans of DACO.

Review of Activities: The use of UNDP's reporting requirements and the conversion of the managerial and financial reports to the formats required by the DFID and the EC proved difficult. In a short period of time (less than 6 months), problems arose with respect to reporting to donors, which contributed to a breakdown in communication between UNDP and the other two donors (DFID and EC) – and led to the cessation of funding from DFID and EC soon after the first disbursement to UNDP. This state of affairs severely disrupted project execution since it affected DACO's ability to execute some project activities (ie. baseline surveys).

The procedures outlined in the project document were not entirely in line with UNDP's standard operating procedures, according to which UNDP would advance funds on a quarterly basis after receipt of an expenditure report. The project document, which was initially written by the EC and DFID, did not adequately reconcile the procedures followed by the different co-funding partners.

Assessment of Performance: The pooling together of these major donors – DFID and EC together with UNDP's experience and flexibility in leading a project of this nature – was intended to increase efficiencies in funding and project execution and harmonization in programming at a critical time during the nation's peace and reconstruction process. However, process issues surrounding financial reporting and project administration appeared to assume a position of paramount importance over

the substantive issues associated with achieving project results. This situation reached a critical point where two of the three donor agencies had stopped providing funding, each began writing tersely worded letters and other official correspondence about process issues, yet they all continued to be cordial to one another in the project steering committee meetings, participated in the pillar working groups and other project activities and shared in the project results.

Needless to say, this breakdown in communication among the development partners over process issues and reporting formats did not set a good example for aid coordination and management. Indeed, the same donor agencies continued to collaborate on other important projects, such as the national elections.

It appears that apart from being unable to agree on reporting formats, as well as different perceptions and levels of risk-averseness in the context of the elections, personality clashes, suspicions and jealousies among the donor agencies played an important role in the breakdown of communication and the interruption of funding flows.

(v) Project finances

The evaluation team acknowledges the difficulties experienced by UNDP accounts department in reconciling the financial and accounting records on the DACO project – primarily because of poor record keeping and staff turnover. A verification team sent by the EC in Brussels spent a week in Sierra Leone trying to reconcile the figures reported by DACO against actual expenditures. The team reviewed UNDP’s financial and administrative systems for tracking project expenditure, and although they were not able to reconcile the figures exactly, the verification team concluded that UNDP would have been able to reconstruct the financial records if they had more time. While they did not uncover any evidence of fraud, the verification team found ample evidence of poor record keeping and reporting.

In their briefing note, the verification team provided an overview of the difficulties encountered by the EC Delegation with the UNDP in relation to the management of the DACO project:

“The lack of consistency in the figures reported in the successive financial reports submitted by UNDP and the multiple accounting mistakes identified in the accounts submitted have raised doubts in the ability of UNDP to manage this project and to transparently report on the expenditures incurred by the project.”

One of their findings was that in 2006 DACO had been recording “advances” received from UNDP as “expenditures”, making it difficult to reconcile the actual expenditures three years later, especially after many staff changes. In their opinion, DACO was let off lightly as UNDP was put under pressure to account for DACO’s poor record keeping. Nevertheless, as the project progressed in 2007, the record keeping improved.

Much of the problem appeared to centre on the incompatibility between the EC and UNDP systems and formats. UNDP’s accounting system, ATLAS, allows generation of a number of standard reports, which usually express financial figures in US dollars. However, the EC expected reports in the EC format, showing financial figures in euros, while DFID expected reports in pounds sterling. Hence UNDP had to re-do the financial reports generated through its accounting system, for each donor.

The unavailability of activity-related cost information after project completion makes it impossible to conduct any activity- or output-based cost-benefit analysis.

What is proposed instead is to compare the budget against the expenditures at of June 2008 (see table 3).

Box 6: DACO Project: Percentage Distribution of Budget & Expenditures by Head

HEAD	BUDGET		EXPENDITURES		
	AMOUNT USD 000	% of TOTAL	AMOUNT USD 000	% of TOTAL EXP	Actual % of Budget (Delivery) ⁷
Personnel	527	14	475	29	12 (90)
Coordination Activities	1215	32	344	21	9 (28)
Surveys, Monitoring and Evaluation	1690	44	411	25	11 (24)
Operation and Maintenance	230	6	420	25	11 (183)
Sub total	3662	95	1651	100	43 (45)
Contingency	183	5			
TOTAL	3845	100	1651	100	43

Source: DACO Final Progress Report for the Period January 2006 – June 2008

The figures in table 3 are based on unaudited project accounts, so their interpretation should be accepted with caution. Despite that caveat, the following inferences can be made: (i) the percentage of personnel costs in the original budget was 14%, versus the actual personnel expenditures as a percentage of the total budget was 12%, representing a performance rate of 90%, (ii) similarly, in the key intervention areas – coordination activities, surveys, monitoring and evaluation – the budgeted percentages were 32% and 44 % respectively of the total budget, but the actual expenditures as a percentage of the total budget turned out to be 9% and 11%, representing performance rates of 28% and 24%, (iii) the budgeted figure for operations and maintenance as a percentage of the budget was 6%, while expenditures as a percentage of the total budget was 11%, representing a 183% increase in expenditure. One conclusion of this pattern of distribution is that less funds were spent on planned intervention areas and more were spent on overheads. To some extent, this can be interpreted as an indication of inefficiency in project management. Also the fact that the project disbursed less than half the budgeted amount is an indicator of weaknesses in project design, management and implementation.

Table 4 provides a breakdown of the agreed commitments promised by each of the three donors versus the actual contributions made, indicating that the EC's share was reduced from 49% to 34% and UNDP's share increased to 37% from the planned 20%.

⁷ The first figure in the column represents actual expenditure as a percentage of the budget, which can be compared to the % of Total column to obtain the second (bracketed) figure – the performance delivery ratio, which was calculated as a percentage of actual expenditure over planned.

Box 7: Agreed vs Actual Contributions by Donor

Donor	Agreed Commitment	Share	Actual Contribution	Share
DFID	1,201,871	31%	614,641	29%
EC	1,891,639	49%	720,000	34%
UNDP	751,170	20%	793,523	37%
Total	3,844,680	100%	2,128,164	100%

Synthesis on Efficiency

Although originally budgeted at \$ 3.84 million, the project managed to disburse less than half that figure, even though it was extended by a year to December 2008. Based on this, it can be argued that the total amount allocated to a 2-year capacity-building project with unclear intervention logic was rather high, especially with regard to the fragile state environment where it can be assumed that absorptive capacity of government institutions was rather low.

In summary, the level of achievement for efficiency has been rated “**Unsatisfactory**” because the project management structure was not appropriate to the objectives and activities of the project, it would have been more appropriate to use a NEX modality and include capacity-building interventions, project overheads took a relatively greater share than the project interventions and financial reporting included mistakes and inconsistencies.

Evaluation Criteria	Element/ Result Level	Scope of Assessment	Rating
Efficiency	Project Management	Measurement of the outputs in relation to the inputs <ul style="list-style-type: none"> • Was the project management structure appropriate to the objective and activities of the project? • Could a different type of intervention lead to similar results at a lower cost? • Where the funds utilized as planned? 	Unsatisfactory <ul style="list-style-type: none"> • Unsatisfactory • Unsatisfactory • Unsatisfactory

3.4 Sustainability

The essence of the criteria for sustainability involves determining whether the benefits of the DACO project will continue after the funding has been exhausted. This involves reviewing the institutional capacity generated by the project outputs, the catalytic effect on actors engaging in issues related to aid coordination, and formalized follow up support for important results at the expiration of the project. In this respect, the key outputs of the DACO project to be examined include: (i) the functionality of the IMC / NTC, (ii) the development of a comprehensive PRSP monitoring framework, (iii) establishment of an effective dialogue / coordination mechanism (iv) establishment of an effective aid tracking system, (v) establishment of an NGO database and (vi) preparation of an Aid Policy.

a) IMC, NTC & PWGs

The IMC was responsible for providing strategic and political oversight to the GoSL's decentralization programme. With respect to the DACO project, the IMC provided guidance up until the 2007 elections, following which its input was severely lacking, at a time when leadership and direction was badly needed. Although the mechanism for harnessing the necessary high-level consultations is in place and can be revived by the GoSL, any measure of sustainability cannot be attributed directly to the DACO project. Nevertheless, the DACO project can be credited for utilizing an existing mechanism instead of creating a parallel one.

With the commencement of the implementation of the "Agenda For Change – Poverty Reduction Strategy II", the NTC could play a similar role as it did under the DACO project. The structures that formed the core of its work – pillar working groups, sector working groups, monitoring indicators, etc. will have to be revived to make them relevant under PRSP-II (Agenda for Change). The sums involved in generating the inputs from these structures through the monitoring framework at the local / district / MDA levels is quite considerable and financial sustainability may not be achieved without donor support.

b) Comprehensive PRSP Monitoring Framework Developed

The monitoring framework was based on a hierarchy of monitoring groups (at the community level feeding into District Monitoring Teams, through to MDA monitoring units, sector working groups / pillar working groups and then to NTC and DEPAC) and appears to have worked well. The processes, forms and guidelines, etc. were established. However, what is required is the institutionalization / refinement of the framework for the second PRSP. The facilitation for this institutionalization process could be assigned to the Planning Directorate within the Ministry of Finance and Economic Development. However, capacities in terms of planning / monitoring skills will have to be enhanced. In addition, resources will be required to maintain the framework from the community level through the district level and up to the NTC level. Further donor assistance will be required to sustain these processes under PRSP II.

c) Effective Dialogue / Coordination Mechanism Established

The convening of DEPAC quarterly meetings requires more commitment from the government in terms of leadership, apart from financial resources. The need for a secretariat to coordinate activities remains. However, in terms of sustainability following the cessation of funding to the DACO support project, the role DACO played could be transferred to one of the directorates in the Ministry of Finance and Economic Development.

Sustaining the activity of the pillar working groups, on the other hand, will require some external support since the inputs required for their work will have to be generated through the monitoring framework, which is quite elaborate and expensive. There appears to be two options regarding the participation/facilitation of civil society. SLANGO could be encouraged to participate more effectively now that they are beginning to understand their role in the process. However, funding is an issue for SLANGO. Secondly, it is likely that DFID will continue to provide external support to ENCISS, which can continue to play a role in facilitating the GoSL / Civil Society

dialogue in PRSP design and monitoring. Nevertheless, civil society coordination mechanisms do not appear to be sustainable without external support.

d) Effective Aid Tracking System Established

While an aid tracking system was established in form of the Development Assistance Database (DAD), the system is not fully integrated into the wider aid coordination architecture yet. In particular, the data entry process is not firmly institutionalized. Hence, without continuous process management, including outreach to development agencies for data entry and verification, as well as regular preparation and dissemination of analytical reports to inform evidence-based dialogue between the Government and its development partners, the data in the system will soon be outdated and the limited buy-in of some development agencies will be lost. As the system has been managed by DACO and related functions have not been integrated into mainstream working procedures of a permanent government institution such as MoFED, DAD is unlikely to be sustained without continuous donor support. It will be critical to clearly define the necessary business procedures regarding management of the data entry process, system maintenance and preparation and dissemination of analytical reports. Related functions need to be assigned to existing units within the MoFED, which should be formally determined as the institutional host of the system.

e) NGO Database Established

There is a need to establish an NGO database and it is unlikely that the NGO Desk in the MoFED will allocate the financial and human resources to create and manage this without external funding.

f) Aid Policy Prepared

The preparation of the national aid policy is at a draft stage. This is a critical tool that both donors and government require to establish clarity and coordination in management of aid resources. The coordination framework that was established between DACO and SPU needs to be clarified and refined. External assistance may be required to turn the draft into a cabinet approved policy document. Nevertheless, the major issue will be implementing the policy, which may take some time as the new government articulates its aid policy through a new coordination framework.

g) DACO Capacity Enhanced

The enhancement of DACO's capacity to perform the functions assigned to it was temporary. At its peak, DACO had a core of professional staff spanning a National Director, Development Assistance Coordinator, Programme Officers, Development Communication Officers, a Monitoring and Evaluation Expert, a Monitoring and Evaluation Officer, Poverty Data Analyst, etc. At the time of the evaluation, only the Director, the M&E Expert and one additional team member remained in the new office located at the Ministry of Finance and Economic Development. The capacity that was built to deliver on the project outputs no longer exists.

Synthesis on Sustainability

What remains of the DACO unit has been integrated into the Ministry of Finance and Economic Development. Whatever planning functions it used to perform need to be integrated into the planning division. The aid coordination and management functions could remain intact under a new entity – Development Cooperation Department. The integration of these functions into the Ministry of Finance and Economic Development will require donor assistance to enable it to get the requisite planning and aid coordination and management skills which were lost at the end of the support project. Donor assistance will also be required to upgrade / refine the systems and tools it hosts or works with – the DAD, planning functions, monitoring and evaluation formats, frameworks for impact surveys, etc.

Answering the questions on sustainability will provide an indication of the assessment rating:

Q: Will the outputs delivered through the project be sustained by national capacities after the end of the project?

A: This is unlikely because most of the capacity created has been lost

Q: To what extent did the project have catalytic effects on the national actors to engage in further aid effectiveness activities and donor support?

A: In principle, the project contributed to fostering alignment of foreign aid with national development priorities through the formulation and monitoring of the PRSP. Furthermore, the project played an important role in promoting collective dialogue between the government and its development partners by establishing and/or facilitating the DEPAC, as well as Pillar and Sector Working Groups. Further, it laid the foundations for a harmonized reporting mechanism on aid flows through the establishment of the DAD and the formulation of annual development assistance reports, which could become a basis for evidence-based dialogue in the future. Finally, the project contributed to the formulation of a draft aid policy document, which is meant to serve as overall regulatory framework for foreign assistance in line with aid effectiveness principles.

Given that the project was directly involved in four key aid coordination elements, i.e. national development plan, aid tracking tool, collective dialogue mechanisms and regulatory framework for foreign assistance, its contribution to fostering overall aid effectiveness could have been greater than it actually was. The fact that the project did not put enough emphasis on strengthening the capacities of permanent government institutions to effectively manage the overall aid process and to maintain the tools and mechanisms established is one reason why its longer-term effect on aid effectiveness is limited. While the project had the potential to have catalytic effects, it was not able to instigate a sustainable process to advance the national aid effectiveness agenda. Part II of this report, the AidCo Review, takes a broader look at these effects, i.e. those beyond the project framework.

Q: Has the follow up support after the project been discussed and formalised?

A: Unfortunately, donors are approaching the government separately to fund follow-up projects on an ad hoc and individual basis instead of collaboratively

In view of these shortcomings, the achievement level for sustainability is “**Unsatisfactory**”.

Evaluation Criteria	Element/ Result Level	Scope of Assessment	Rating
Sustainability	Outcome	<p>The benefits of the DACO-related activities that are likely to continue after the project funds have been exhausted</p> <ul style="list-style-type: none"> • Will the outputs delivered through the projects be sustained by national capacities, after the end of the project? • To what extent did the project have catalytic effects on the national actors to engage in further aid effectiveness activities and donor support? • Has the follow up support after the project been discussed and formalised? 	<p>Unsatisfactory</p> <ul style="list-style-type: none"> • Unsatisfactory • Satisfactory (See Part II) • Unsatisfactory

3.5 Partnerships

In this context ‘partnerships’ refers to project-related partnerships, in particular how the government, DACO, UNDP, DFID, EC and the other donors built and used partnerships to foster project implementation and achievement of objectives. Issues related to broader aid coordination in the context of the Paris Declaration on Aid Effectiveness is discussed in Part II.

The project tried to bring together three of Sierra Leone’s major development partners (UNDP, DFID and EC). Unfortunately, the three agencies were not able to agree on simple procedures and reporting matters – which turned out to be the reason behind the cessation of funding. One donor representative later admitted, “there was a tendency to demonize UNDP and idolize DACO”. This opinion changed, however, after the EC verification mission uncovered evidence that UNDP had been trying to fulfill its reporting requirements to the other donors, but the systems were incompatible, DACO’s reporting to UNDP was incomplete and the UNDP CO simply lacked capacity.

Nevertheless, the fact of the matter remains that relatively minor process matters had the potential to derail this ‘joint’ project, which ironically had the overarching objective of attempting to improve aid coordination and management in Sierra Leone. What started out as minor discrepancies in financial and progress reporting among the three development partners, turned into a breakdown in communication on the DACO support project that had repercussions far beyond the project, including relations between UNDP and its co-funders (EC and DFID), other DAC donors (SIDA and Irish Aid), and perhaps far more serious, relations with government.

Although the reporting problems pre-dated the 2007 elections, the uncertainties surrounding the elections turned out to become a major test for the quality of the partnership between UNDP, DFID and EC. The fact that DFID and EC stopped their funding and communication with UNDP on the basis of process matters (which helped to bring the project to a virtual standstill) is an indication of the limited quality of the partnership. However, it is also an indication of the importance donors attach to their internal administrative and reporting procedures. Because, at the same time as

the communication breakdown was occurring on the DACO support project, the same donors continued to collaborate on other projects (eg, elections), which is really an indication of the importance of the entire partnership issue and the need to work together for the benefit of the country. But the fact of the matter remains that each donor remained intent on pursuing its own agenda – as it became evident during the joint evaluation mission, where each donor was approaching the government separately in an attempt to carve out a niche for itself by funding follow-up projects directly with the MoFED, as opposed to pursuing joint arrangements.

After the change in government in October 2007, donors took a wait-and-see approach while the new government made decisions on a number of related matters such as aid policy, merger of the ministries, and what to do with DACO. This period of dormancy created uncertainties in the minds of the donors and DACO staff, and as a consequence, DACO's work came to a halt.

Synthesis on Partnerships

Responding to the partnership questions listed in the ToRs does throw a more positive light on the partnership issue:

Q: Which partners did the project bring together to promote the aid effectiveness agenda in the country?

A: The project was successful in bringing together DAC and non-DAC donors into the DEPAC forum

Q: How effective was the Government's interaction with the donors in facilitating the policy dialogues on aid effectiveness?

A: Acting as the DEPAC Secretariat, DACO was successful in facilitating the policy dialogue and galvanizing government support for aid effectiveness. For more details on aid effectiveness see Part II.

Q: Were the resource mobilisation processes smooth and in sync with the project requirement?

A: No, two of the development partners stopped funding on the project and each began to approach the government separately in an attempt to carve out a niche for funding follow-up projects directly with the MoFED, as opposed to pursuing joint arrangements.

In summary, in spite of the problems surrounding the withdrawal of funding, the fact of the matter remains that the three development partners continued to participate in the project to attain some of the outputs, with varying levels of success. As a result, the achievement level for Partnership is rated at “**Marginally Unsatisfactory**”.

Evaluation Criteria	Element/ Result Level	Scope of Assessment	Rating
Partnerships	Coordination, Harmonization and Simplification	<p>The extent to which the project brings together the relevant stakeholders to achieve the project objectives</p> <ul style="list-style-type: none"> • Which partners did the project bring together to promote the aid effectiveness agenda in the country? • How effective was the Government's interaction with the donors in facilitating the policy dialogues on aid effectiveness? • Were the resource mobilisation processes smooth and in sync with the project requirement? 	<p>Marginally Unsatisfactory</p> <ul style="list-style-type: none"> • Satisfactory • Satisfactory (See Part II) • Highly unsatisfactory

4.0 Findings and Lessons Learned

The assessment focused on the two main objectives of the project:

- Enhancing GoSL's capacities to effectively implement and monitor the PRSP
- Strengthening GoSL's aid coordination and management capacities and systems

The key achievements of the DACO project include: the successful formulation and monitoring of the PRSP; the establishment of collective dialogue and coordination mechanisms in the form of DEPAC meetings and Sector/Pillar Working Groups; the creation of a monitoring framework to gather data from the community level; the establishment of the Development Assistance Database (DAD); the publication of several Development Assistance Reports and Sierra Leone Encyclopedias; the establishment of a civil society forum in collaboration with ENCISS; and the groundwork for an Aid Policy.

The following table provides a summary of the main assessments of the evaluation:

Box 8: Summary of Evaluation

FACTOR	RATING	JUSTIFICATION
Relevance	Satisfactory	<ul style="list-style-type: none"> • Addressed national priorities • Project continued to be important during implementation (2006-2008)
Effectiveness		
A: Implementation & Monitoring of PRSP	Marginally Satisfactory	<ul style="list-style-type: none"> • IMC was functional in 2006; it did not meet in 2007 because of the elections • NTC which was to provide direction to DACO was only partly functional; it was non-functional in 2007 as a result of the elections and this was the period that DACO needed strategic / operational direction. • The PWGs provided monitoring information to DACO to enable it prepare the Annual Progress Reports in 2006; they became non-functional in 2007 as result of the elections • District Monitoring Teams interaction with civil society entities lost momentum when funding from DACO ceased • Comprehensive design framework for monitoring PRSP implementation through MDAs and Districts was done; the Development Assistance Database was installed; a GoSL/Civil Society dialogue model was established in 4 operating districts in collaboration with ENCISS
(a) Performance of Coordinating Structures (IMC, NTC, PWGs, SWGs, DMTs)	Marginally Satisfactory	
(b) Development of Comprehensive M&E framework	Marginally satisfactory	
(c) Strengthen capacity for PRSP	Unsatisfactory	<ul style="list-style-type: none"> • Capacity constraints hampered the work of the SWGs, DWGs; the DAD database was not user friendly and did

Implementation		<p>not capture all development assistance</p> <ul style="list-style-type: none"> • The comprehensive capacity building programme was not done; although some MDAs were provided with some capacities to undertake PRSP implementation and coordination
<p>B: GoSL's Aid Coordination and Management Capacity & systems strengthened</p> <p>(a) Effective Dialogue Coordinating Mechanism Established</p> <p>(b) Establishment of Aid Tracking System</p> <p>(c) Creation of an NGO Data Base</p> <p>(d) Preparation of an Aid Policy</p> <p>(e) DACO's Capacity Enhanced</p>	<p>Marginally Satisfactory</p> <p>Marginally Satisfactory</p> <p>Satisfactory</p> <p>Unsatisfactory</p> <p>Marginally satisfactory</p> <p>Marginally unsatisfactory</p>	<ul style="list-style-type: none"> • SWGs / PWGs were established and provided information for DACO in monitoring of the PRSP; this ceased in 2007 because of the elections • Consultative Group results matrix was updated prior to DEPAC meetings; last DEPAC meeting was held in March 2007 and CG results matrix was not updated after that • CSO / GoSL dialogue model could not be duplicated in the 8 remaining districts; CSOs involved in the dialogue chain; effectiveness was constrained by inadequate resources / capacities • A DAD was established and its output – donor assistance by area / source – was used by DACO to prepare Annual Development Assistance Reports • There is a need to improve its user friendliness and analytical use • No NGO database was created • An Aid Policy document was prepared in March 2007 • A consultative document on a Draft Policy on Overseas Development Aid was prepared for DEPAC Meeting in May 2009 • The consultative document is yet to be formalised into an aid policy document • Core professional staff were in place for the completion of the PRSP; monitoring of the PRSP up to 2007 • Due to the uncertain political climate in 2007, some staff resigned • Some of DACO's own internal capacity building initiatives – study tours, seminars etc – never materialised • DACO became dysfunctional in 2007 and first half of 2008 as result of the change in government
Efficiency	Unsatisfactory	<ul style="list-style-type: none"> • Location of DACO in the Office of the Vice President had some strategic benefit – MDAs complied promptly to DACOs deadlines and results milestones in terms of reporting etc. were met; • However, the location of DACO in the VPs office created some tensions following the change in government • DACO has been re-integrated into the Ministry of Finance and Economic Development • Project Steering Committee was unable to resolve many

		<p>problems – eg. cessation of funding by EC and DFID; reviewing the project results matrix in 2007 – as a result of political uncertainties, etc.</p> <ul style="list-style-type: none"> • Project execution had problems; project should have been designed as NEX with capacity development activities and technical assistance support • DACO /UNDP reporting to donors was inadequate; reporting format inconsistent with donor requirements • Financial record keeping was not activity /output based and a results input-output efficiency analysis could not be done
Sustainability	Unsatisfactory	<ul style="list-style-type: none"> • Project activities cannot be sustained financially without donor support – the implementation of the monitoring frameworks, the maintenance of the database; the publication of the development assistance reports, etc. • Coordination systems and a comprehensive monitoring framework were established – IMC, the PWGs, SWGs and DMG; however, they will require donor funding and technical skills to revive them and get them functioning again • The DEPAC quarterly meetings depend on the results matrix / progress reports on aid coordination and management being available. By integrating DACO functions into the MoFED, the role of secretariat to DEPAC can continue. However the inputs to make the DEPAC function effectively may not be easily available • The DAD database system is established and could continue to function within the MoFED structure. It however requires refinement and up-dating / out reach programme to make the system function better • The NGO database was not created and will need donor support to complete this in conjunction with the NGO desk • The process, framework and capacity for the preparation / refinement of an Aid Policy is in place within the GoSL • At its peak, DACO had a core professional staff of about 10. At the time of the evaluation, only 2 remained in post at the MoFED – the Director and the M&E Officer
Partnerships	Marginally satisfactory	<ul style="list-style-type: none"> • Project was successful in bringing DAC and non-DAC members into the DEPAC forum • DACO was successful in facilitating policy dialogue for donor support of the PRSP • The partnership/ resource mobilisation framework – UNDP, DFID and EC – did not work effectively; Dfid and EC suspended funding as a result of perceived non-adherence by UNDP / DACO to project reporting

4.1 Findings

- ✓ The project was designed in a hurry, without sufficient consultations among the key stakeholders, which led to serious shortcomings with regard to the overall intervention logic and the management/ implementation arrangements. The DACO project is a typical example of an attempt by donors to fast-track development by avoiding existing government institutions.
- ✓ Although the main objective of the project was to enhance GoSL's capacities, it did not include a clear capacity development strategy based on a comprehensive capacity needs assessment.
- ✓ The project should have foreseen the need to contract an experienced international advisor, whose main function would have been to provide high-quality advice on issues related aid coordination and management to senior government officials, as well as the design and implementation of a comprehensive capacity development strategy.
- ✓ The election period and the change of government seriously affected project implementation as the project environment changed and donors became increasingly risk-averse, which resulted in an interruption of funding flows, and consequently project implementation and results were adversely affected.
- ✓ In the highly politicized environment surrounding the 2007 elections, turnover of key staff at UNDP, DFID and EC affected the smooth implementation of the project – a factor that was exacerbated by DACO playing the division between the donors
- ✓ The fact that the different perceptions among the key stakeholders could not be resolved is a clear indication that the project steering committee was ineffective and the partnership between the funding agencies was weak.
- ✓ In striving to curry favour with the government, the bilateral donors tended to revert to a default position which involved demonizing UNDP and praising DACO and other local power brokers – a factor that led to jealousy, competition and in-fighting among the development partners
- ✓ The project did not contain a clear exit strategy, which would have helped to focus on integrating functions performed by DACO into a permanent government institution at an earlier stage.
- ✓ The project lost focus on its overall objective to enhance GoSL's capacities, as it became too involved in performing line functions. Instead of building capacities, the project focused on direct service delivery.
- ✓ The use of PIUs tends to generate resentment among MDAs, to such an extent that almost every MDA in Sierra Leone (MoFED, MFA, Trade, SPU, line ministries, etc.) was spending a huge amount of effort trying to attract donor resources instead of focusing on service delivery.

4.2 Lessons learned

- ✓ It is critical to distinguish between the roles and responsibilities of a Chief Technical Advisor and a Project Manager, especially in a comprehensive capacity development project.
- ✓ Effective co-funding agreements require a harmonization of project implementation procedures, including financial reporting, among the involved agencies. If this cannot be achieved, it should be agreed to follow the standard procedures of the implementing agency.
- ✓ A focus on short-term results tends to impede the achievement of sustainable development results in the long term.
- ✓ The use of PIUs should be restricted to short-term needs and should include a component to build internal capacity and a clear exit strategy.

4.3 Recommendations

- ✓ "Do not rush!" Development partners should withstand the temptation of trying to fast-track development. Time-scales and approaches should be reviewed carefully in light of the fragile situation in Sierra Leone.
- ✓ Development partners should focus on strengthening capacities of permanent government institutions, instead of bypassing them by establishing parallel structures.
- ✓ Support to the MoFED should be provided through a multi-donor support framework that is based on a comprehensive needs assessment, a joint capacity development strategy and ideally a common funding mechanism.

In the final analysis, the project was essentially a capacity development project that ultimately served as a platform for direct service delivery. In the end, both capacities were only temporarily enhanced due to the use of a PIU and the lack of an adequate strategy to integrate related functions into permanent government institutions. This was essentially a shortcoming in project design and implementation, and all parties involved can share the blame: the government for not being more proactive, UNDP for not taking a more definitive approach in managing the project, DFID and EC for focusing too much on short-term results and procedural issues and too little on longer-term development of institutional capacity, which requires – among other things – predictable funding.

Overall, the project was overambitious, not well designed and not well managed. Nonetheless, the DACO unit was active and the project delivered certain results. However, the majority of these results are not sustainable, mainly because they depended on the existence of a parallel structure, i.e. DACO. Donors, especially UNDP, should have provided more technical assistance, in addition to the provision of funding, and should have put a stronger emphasis on strengthening capacities of permanent government institutions.

The evaluation concludes with a recommendation that further support to strengthen GoSL aid coordination and management capacities and systems is required. However, it should be considered that such support should be provided as part of a holistic,

multi-donor support programme – led by an experienced international CTA. Donors should resist the temptation to fund separate activities individually that focus on short-term results.

PART II: REVIEW OF SIERRA LEONE'S AID COORDINATION ARCHITECTURE

Introduction

In close collaboration with its development partners, the Government of Sierra Leone (GoSL) has undertaken numerous initiatives to improve donor coordination and the management of public resources, including the formulation of two Poverty Reduction Strategy Papers (PRSP), the set-up of an aid tracking system, the merger of the Ministry of Finance with the Ministry for Development and Economic Planning and the establishment of mechanisms to foster dialogue between the GoSL and its development partners. However, despite all these efforts, most local and international stakeholders share the feeling that the effectiveness of foreign assistance needs to be improved further, in light of the still gigantic development needs of the country.

With a view to making forward-looking recommendations for improving aid and development effectiveness, the second objective of this mission was to examine current arrangements for aid coordination and management in Sierra Leone and to make proposals for their improvement. In this respect, Part II of this report contains a review of Sierra Leone's aid coordination architecture.

The first chapter discusses recent trends in the international aid effectiveness agenda and critically reviews the core principles of the Paris Declaration on Aid Effectiveness with a view to defining the guiding principles for the assessment of Sierra Leone's aid coordination architecture. The second chapter assesses Sierra Leone's aid environment by analyzing aid patterns, the development partner structure and the quality of aid relationships against the background of the fragile state dimension. The third chapter reviews selected elements of the existing aid coordination architecture in Sierra Leone and makes concrete recommendations on how they can be further improved. The fourth chapter summarizes findings and recommendations.

1.0 The International Aid Effectiveness Agenda

In the Paris Declaration on Aid Effectiveness⁸ made on 2 March 2005, ministers of a large number of developed and developing countries reaffirmed earlier commitments - made in Rome in February 2003 and Marrakech in February 2004 and on the basis of the Monterrey Consensus (March 2002) - 'to harmonize and align aid delivery'. The Paris Declaration also reaffirmed support for the 'core principles' identified at the Marrakech meeting as being an important means for bringing about greater harmonization and alignment, and hence greater development effectiveness. This was done because it is believed that the core principles will increase the impact of aid in reducing poverty and inequality, as well as in increasing growth, building capacity and accelerating achievement of the MDGs. The Paris Declaration principles have basically been re-confirmed during the Third High Level Forum on Aid Effectiveness,

⁸ <http://www.oecd.org/dataoecd/11/41/34428351.pdf>.

which took place in Accra in 2008. The so called 'Accra Agenda for Action'⁹ (AAA) builds on the commitments made in Paris and re-emphasizes the importance of aid *predictability*, the *use of country systems*, the need to *reduce and harmonize conditionalities* and donor commitments to *untying aid*.

Included among the signatories to these declarations are more than 90 countries (both developed and developing), the major international financial institutions (including the World Bank, Asian Development Bank, Islamic Development Bank, and International Monetary Fund), and a significant number of multilateral agencies, such as those comprising the United Nations Development Group (UNDG).

The 'core principles' referred to above commit the signatories to the declaration to improve development effectiveness (and development coordination) by:

- i. Strengthening governance institutions, national development plans and strategies and operational systems (such as planning, budgetary, and performance assessment systems).
- ii. Improving the alignment of development assistance with national development plans and strategies.
- iii. Enhancing both donor and national accountability - to parliaments and citizens.
- iv. Harmonizing development assistance, thereby eliminating duplication and overlap.
- v. Simplifying and clarifying donor policies and procedures to make it easier for the above to happen.
- vi. Making better and more sustained attempts to measure the outcomes of development assistance.
- vii. Undertaking to provide more predictable and longer-term aid commitments to 'committed partner countries'.
- viii. Increasing the integration of global programmes (e.g., HIV/AIDS) with national development plans.
- ix. Reducing corruption and lack of transparency.

International agendas and best practices in aid coordination and management¹⁰ provide a general framework for the identification of elements commonly considered as crucial to foster the effective and transparent mobilization, allocation, management and use of foreign assistance to improve development effectiveness. However, these have to be adjusted and interpreted in the respective country context. In this respect, this report chose the following guiding principles for the assessment:

- i. Foreign assistance should be based on development plans and processes that are *country owned*.
- ii. Foreign assistance should be *aligned with national development strategies*, which should clearly indicate national development requirements and priorities through operational sectoral plans that define expected outcomes and related

⁹ <http://siteresources.worldbank.org/ACCRAEXT/Resources/4700790-1217425866038/AAA-4-SEPTEMBER-FINAL-16h00.pdf>.

¹⁰ See for example: OECD, World Bank. Emerging Good Practices in Managing for Development Results. Source Book. <http://www.oecd.org/dataoecd/35/10/36853468.pdf>

- financing requirements through a medium-term budgetary framework, including financing gaps that need to be met through foreign resources.
- iii. Foreign assistance should be *delivered through effective national institutions and systems*.
 - iv. Foreign assistance should be provided and managed with a clear *focus on achieving development results*.
 - v. Foreign assistance should be provided by development partners through *harmonized plans and procedures* for planning, programming and financing.
 - vi. Foreign assistance should be *predictable and untied*.
 - vii. Foreign assistance should be delivered by using *appropriate aid instruments* and modalities.
 - viii. Foreign assistance should be guided by a national aid policy that defines 'the rules of the game', including roles and responsibilities of development agencies and government institutions in the aid process.
 - ix. Development efforts should be *supported by non-aid policies*, for example trade, agriculture and investment.
 - x. Better aid coordination can lead to improved development effectiveness (in terms of poverty reduction and equitable and sustainable human development), but its effects vary from country to country, depending on a wide range of contextual factors.
 - xi. The effectiveness of aid coordination mechanisms crucially depends on the quality of the aid relationships, in particular the actual level of trust between the governments and its development partners.
 - xii. In view of this, the emphasis that should be given to development coordination in different national settings should also vary.

In this respect it is critical to avoid any 'one-size-fits-all' solution. The design and establishment of structures and procedures for aid coordination and management should consider existing international frameworks as helpful guidelines and options, but ultimately it has to take the specific country context into account. This report presents the country context in chapter 2 below.

It should be noted that a comprehensive assessment of all elements of the national aid coordination architecture was not possible within the given timeframe. Therefore, the assessment focused on four key elements as follows:

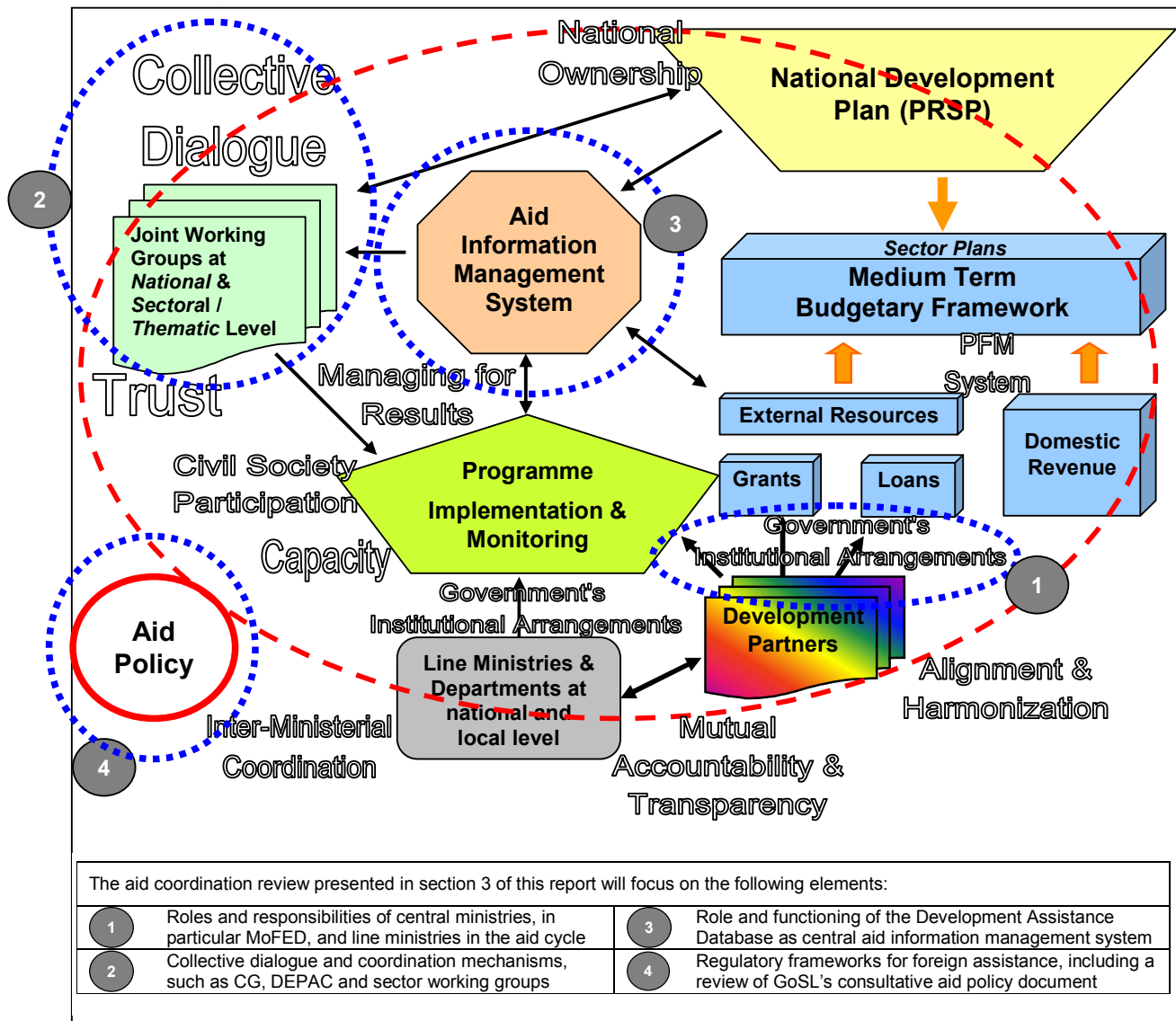
- (1) GoSL's institutional arrangements for aid coordination and management;
- (2) Collective dialogue and coordination mechanisms;
- (3) Aid information management system;
- (4) Regulatory framework for foreign assistance.

Please refer to Box 9 (below) for a graphical illustration on how these elements fit into the wider aid coordination architecture.

Furthermore, the review concentrates on mechanisms, existing or required, at the central level. Issues related to aid delivery in the context of devolved government functions have been left out. For example, the report will not assess planning, implementation and coordination capacities at province or district level and will also not analyze institutional linkages between the centre and lower tiers of government.

Further, the report will not review options for channeling aid directly through local government budgets.

Box 9: Key Elements of a National Aid Coordination Architecture



2.0 Assessment of Sierra Leone's Aid Environment

In order to develop effective mechanisms for aid coordination and management, it is crucial to have a good understanding of a country's aid environment, i.e. the context and settings for the delivery and use of foreign aid.¹¹ This chapter contains a macro assessment of Sierra Leone's aid environment, which forms the backdrop of the subsequent review of key elements of the aid coordination architecture. Starting from a discussion about the implications of the fragile state dimension on development cooperation, the assessment looks at the structure of the development partner community and related aid patterns in Sierra Leone and considers its effect on aid relationships and aid effectiveness.

The following situation analysis is meant to contribute to a common understanding among concerned stakeholders regarding vital issues influencing aid and development effectiveness in Sierra Leone. However, the report neither claims to be all-inclusive nor provides solutions for all challenges identified.

2.1 The Fragile State Dimension

In its recent history, Sierra Leone experienced two decades of economic decline, combined with the erosion of government institutions resulting from corruption and the existence of personal patronage networks. These developments directly contributed to the eleven year civil war that ended in 2002.

Since the end of the civil war, significant progress has been made in securing and consolidating peace and rebuilding basic formal state functions. Sierra Leone has the rudiments of a functioning central government that possess a reasonable monopoly on the use of force. Progress has been made in post-war reconstruction, resettlement and reintegration; school enrolment levels are on the rise; improvements have been made to the Office of National Security, the Ministry of Defense, and the police force; and there has been substantive devolution of authority to district councils.

Despite these achievements, Sierra Leone still shows signs of 'fragility'. Many of the root political, economic and social causes of the civil war remain. In the eyes of most Sierra Leoneans, tangible peace dividends have been limited. Although some gains have been made over the past five years, Sierra Leone's economic fundamentals remain weak and employment generation (particularly in the formal sector) is meager. Sierra Leone continues to perform poorly on any comparative measure of social and economic development as well as poverty reduction.

The 2007 national elections resulted in a change of government and corresponding changes in many key civil service positions, which partly explains the recent challenges experienced by development partners to effectively interact with government counterparts. However, even before the elections, government institutions were constrained by severe capacity gaps.

¹¹ In this report, the term 'aid environment' refers to the specific settings established or emerged for the delivery and use of foreign aid, including main actors, their behavioral patterns and their relationships to each other, as well as the social, economical and political context.

Any attempt to reform Sierra Leone's aid coordination architecture has to take the fragility dimension into account.

What constitutes a fragile state?

The OECD's Development Assistance Committee (DAC) has used different definitions. Initially, states were considered to be fragile if they are "*unable to provide physical security, legitimate political institutions, sound economic management and social services for the benefit of its population.*"¹² While this definition refers to a lack of capacity, later ones include a lack of willingness.¹³ The latest version defines states as fragile when "*state structures lack political will and/or capacity to provide basic functions needed for poverty reduction, development, and to safeguard human rights of their population*".¹⁴

As these definitions imply, there are two main dimensions of state 'fragility' which development agencies seek to address: *lack of political will* and *weak development capacity*. Both political will and capacity are important for effectiveness in the utilization of aid and for the quality of the relationship between 'recipients' and 'donors'. Hence, it is important to understand the root causes of shortcomings in political will and development capacity. At the same time, it is crucial to avoid simply labeling countries as 'fragile states', while realizing that many countries can be placed along a continuum using features of the state to pass judgment on notions of 'fragility'.

Political will may be bound up with political legitimacy. Where a regime is undemocratic and unrepresentative, its leadership is less likely to pursue a 'pro-poor' development agenda. Even political leaders that are truly committed to changing the status quo might be constrained by the dominance of informal elite networks that determine policy outcomes. Capacity weaknesses in government institutions might have their origin in an overall insufficient education system, skewed recruitment processes, lack of appropriate incentives, or inappropriate business procedures, etc.

Assessing the individual and organizational capacities and related needs of national counterparts is a common feature of development interventions and various methods have been developed for this purpose.¹⁵ However, methods to analyze the political economy of a country and to assess the political commitment of a government to

¹² See OECD (2006): *Whole of Government Approaches to Fragile States*. <http://www.oecd.org/dataoecd/15/24/37826256.pdf>.

¹³ The OECD glossary of statistical terms defines fragile states as: "*Those failing to provide basic services to poor people because they are unwilling or unable to do so.*" <http://stats.oecd.org/glossary/detail.asp?ID=7235>.

¹⁴ See OECD (2007): *Principles for Good International Engagement in Fragile States and Situations*. For the DAC, fragile states constitute 'difficult partnerships', a term coined to connote countries "where development objectives play little role compared with prolongation of power, with the result that partner governments do not have credible commitment to effective policies and their implementation (...) corruption and political repression, among other characteristics, are commonly associated with such regimes." OECD/DAC (2001): "Poor performers: basic approaches for supporting development in difficult partnerships", Paris.

¹⁵ See for example Morgan, Peter (1997): *The Design and Use of Capacity Development Indicators*. Paper Prepared for the Policy Branch of CIDA; Lopes, Carlos and Theiso, Thomas (2003): *Ownership, Leadership and Transformation*, UNDP; CIDA (2000): *Capacity Development: Why, What, and How*. Occasional Series, Vol. 1, No. 1.; UNDP (2008): *Capacity Assessment Methodology. User's Guide*. A comprehensive review of literature on capacity development can be found under: http://siteresources.worldbank.org/INTAFRDEVOPRTSK/Resources/literature_review.pdf.

implement substantial policy reforms have only found their way in the toolboxes of some development agencies more recently.

Bilateral and multilateral agencies have used different types of analysis to assess the political economy of their host country, either to assess the potential fiduciary risk or to identify alternative intervention strategies.¹⁶ DIFD has conducted a number of 'Drivers of Change' (DoC) studies in various countries and the Swedish International Development Cooperation Agency (Sida) carried out various 'Power Analyses' in a select number of African countries. Based on DFID's DoC model, the Dutch Ministry of Foreign Affairs has developed a more structured approach, which has the benefit of offering a more explicit methodology.¹⁷ The World Bank has used political economy analysis of policy reform at sector level as an entry point for exploring broader issues. However, the related approaches and/or findings are not always shared and openly discussed with government counterparts or other development partners.¹⁸

In particular, Power and Drivers of Change analyses are considered to have the following benefits:¹⁹

- i. Making explicit and challenging assumptions behind current programmes;
- ii. Making clear the extent of 'political will' for reform and determining the risk this poses to a programme's success;
- iii. Promoting country teams to revise and often extend programme timetables to take account of the country context rather than staff changes;
- iv. Identifying the role that non-poor groups have in change processes, and suggesting collaboration with non-traditional partners.

There are two broad trends in the area of development assistance nowadays: one is the DAC-led drive towards aid effectiveness with its focus on ownership, alignment, harmonization and monitoring, which is closely associated with the PRSP approach. The other is the increasing interest and support for better understanding of the political economy of the development process. The former is meant to gradually lead the development agencies into joint assistance programmes and joint assistance strategies, as well as sector-wide approaches and budget support. These aid modalities are characterized by a quest for recipient government ownership and reliance on recipient government institutions and mechanisms for planning, monitoring and control. But Power and Drivers of Change analyses often generate findings that challenge the implications of increased ownership and the speed with which the alignment and harmonization drive is implemented, and question the rationale for increased aid investments and the utilization of new aid instruments.²⁰ In fact, all

¹⁶ Bilateral and multilateral development agencies have engaged in assessing 'governance' over the last decade. For a good overview see OECD (2008). Survey of Donor Approaches to Government Assessment. While there are certain similarities, a political economy analysis usually assesses domestic politics, including factors influencing decision-making, in more detail.

¹⁷ "Framework for Strategic Governance and Anti-corruption Analysis", prepared by the Clingendael Institute and published by the Netherlands Ministry of Foreign Affairs, The Hague, July 2008. However, the approach apparently had a mixed reception from Dutch embassies.

¹⁸ Donors are selective about the political economy studies they choose to publicize. Few reports are published or translated into local languages. For example, only half the DFID Drivers of Change studies are available through the Governance Resource Centre website, mostly in summary form, but not on the main DFID website or those of the country offices.

¹⁹ See for example: DFID (2004). Drivers of Change Public Information Note.

²⁰ While such findings may be regarded as inconvenient in some quarters, these concerns should not invalidate the value of Power and Drivers of Change analysis, which can increase awareness of the

related studies highlighted a big gap that exists between policy promises and practices, and the difficulty for donor-funded policy interventions to acquire 'political traction' in partner countries.²¹

Signs of state fragility in Sierra Leone

There is a sense among donors and other observers that progress in Sierra Leone towards poverty reduction, economic growth and effective, accountable and fair government has been less than it could be. In official meetings, the weak capacity of government institutions, the limited infrastructure and the continuing tendency for some donors to pursue their own capitals' objectives, which contradicts a harmonized approach aligned with GoSL priorities, are commonly stated as main reasons. However, informally, some representatives of different development agencies consider corruption and capture by influential groups as other reasons for the slow progress.

Against the background of the discussion above, it seems relevant to look into the issues that constitute state fragility in Sierra Leone in greater detail, as related findings have implications for the design and implementation of a revised aid coordination architecture.

In order to address the lack of capacity in government institutions, development agencies have supported the implementation of capacity needs assessments and functional reviews of central ministries. The latter highlighted among other things the existence of a large number of inadequately skilled staff, especially among the lower grades that constitute 80% of the civil service. Technical assistance to address identified shortcomings accounts for a big part of the total foreign assistance provided to Sierra Leone. However, capacity development activities are often pursued separately by individual agencies and not through coordinated approaches. Further, there is a tendency to address capacity gaps through the recruitment of contract staff to perform line functions and through the establishment of project implementation units. These measures improve performance in the short-term, but do not enhance civil service capacity in the long-term. While the lack of coordinated technical cooperation may be one reason for the slow progress, the fragility dimension points to additional, underlying causes rooted in the country's political economy that may question the suitability of prevailing approaches being used by development agencies.

In 2005, DFID Sierra Leone commissioned a study that followed the Drivers of Change approach, but was far smaller in scope than similar studies conducted in other countries.²² The primary purpose of the study was to help DFID Sierra Leone to think more strategically about their efforts to support pro-poor change in the short, medium and long term.

likely impact of external interventions on internal incentives and the scope for progressive change, encourage realism about what is achievable and within what timescales, and provide guidance in demonstrating the relative effectiveness of different aid modalities and courses of action.

²¹ Hyden, Goran (2008). After the Paris Declaration: Taking on the Issue of Power. In: Development Policy Review, 26 (3), pp. 259-274. For a comparative analysis of experiences made with Power and Driver of Change Analyses see: OECD DAC Network on Governance (2005). Lessons learned on the use of Power and Drivers of Change Analyses in development cooperation.

²² Brown, Taylor; Fanthorpe, Richard; Gardener, Janet; Gberie, Lansana; Sesay, Gibril (2005): Sierra Leone – Drivers of Change.

The study identified five aspects of governance that typify Sierra Leone's persistent fragility and help to explain the country's unwillingness and inability to deliver adequate services to poor people. These are:

- (1) *Penetration*: The state has never penetrated rural Sierra Leone to a degree that would enable it to deliver goods and services or to build citizenship or relations of accountability between the state and its citizens. The reason for this can be found in Sierra Leone's colonial past. The colonial authorities established a strong administrative distinction between the Colony (Freetown and the Western Area) and the Protectorate (represented by the three modern provinces). The Colony was governed by an elected local government and a British-based legal system. The Protectorate, on the other hand, was designed from the outset as a sphere of indirect rule in which chiefs were central to the maintenance of law and order. Post-independence governments made little effort to extend formal state control into the countryside. Instead, they explicitly maintained the colonial system of indirect rule.
- (2) *Institutionalization*: The formal institutions of the state are not robust, deeply rooted or routinized. Informal institutions such as personal patronage networks and social forms of governance are prominent. Sierra Leone's political system and its economy are dominated by a relatively narrow group of elites. The behavior of these elites has been instrumental to the country's economic underperformance, abiding poverty and fragility. Eliteness, power and patronage in Sierra Leone stems from one's ability to accumulate and accommodate networks of people.
- (3) *Autonomy*: The state and its offices tend to be vehicles for the social and economic advancement of individual politicians, bureaucrats and their extended networks. Understanding how these networks operate is crucial to understanding how politics works in Sierra Leone and particularly what drives or constrains change in the public sector. Corruption is considered to be endemic at every level of society in Sierra Leone.²³ The system of political patronage is firmly entrenched and presents a huge obstacle to reducing corruption.
- (4) *Pluralism*: There are few independent social groupings or interest groups that can effectively hold government to account and demand change. Issue-based politics has yet to develop.
- (5) *Accountability*: there are few formal mechanisms for holding government to account. The government is currently more responsive to donors and other external actors than it is to its own citizens.

In light of this assessment, it would be unrealistic to find a simple technical solution for a political problem. These findings call for political sensitivity and flexibility with regard to the approach used to induce change, in order to contribute to sustainable development, instead of stabilizing the status quo.

A strategy for engagement requires making aid more effective through strengthening the delivery capacity of state institutions, but more fundamentally it needs to involve strengthening the accountability, responsiveness and legitimacy of state institutions.

²³ The 2008 Corruption Perception Index (CPI) study ranks Sierra Leone on place 158 out of 180 surveyed countries. On a scale from 0-10, the CPI score of Sierra Leone was 1.9.

In this regard, it is important to realize the possible conflict between the aid effectiveness agenda and the state-building agenda. For example, there are possible tensions between the need of the state to maintain fragile power balances between competing interests, on the one hand, and the goal of achieving more effective, transparent and accountable use of public resources including aid, on the other.

Therefore, it is important that development agencies are much more aware of the influence of local politics on growth and development, as well as of the resulting timescales required for state-building. In this regard, development agencies should make wider use of political economy analysis, to identify factors that influence political incentives for key local actors to support change in direction of pro-poor economic growth and development, as well as broad-based service delivery. Some of the main types of variables that influence political incentives are outlined in Annex 5.

Unless development agencies recognize the fundamental importance of local political processes, they will not prioritize country knowledge and make the necessary organizational changes (to recruitment, promotions, postings, etc.) to support this.²⁴ They will not build the kind of local networks that would allow them to engage effectively in policy and political debate. They will not be prepared to make different trade-offs (for example between short-term fiduciary risks of increasing budget support as opposed to longer term benefits of shifting local incentives). They will undervalue the importance of issues such as increasing the predictability of aid (this matters not just because of its direct impact on programme outputs, but because it has the potential to change incentives around planning, budgeting and demands for local accountability in the longer term). They will not invest sufficiently in longer term strategies to support local policy analysis, data collection and dissemination. Finally, they are unlikely to get serious about addressing risks of aid dependency.

Taking local politics into account may also require a rethinking of common approaches to growth and good governance. Good governance and related public sector reform concepts, as typically practiced by development agencies, has often been based on an unspoken assumption that it is possible and desirable to transplant institutional models from OECD countries to the developing world. However, experience has shown that OECD-type institutions are often not suited to developing countries, and work differently in different social and political environments. Successful and well-adapted institutions have generally developed gradually over centuries through domestic processes and political consternations, often along varied and non-linear routes. They tend to be context specific and are not amendable to a quick fix. Country experience shows that a focus on best-practice institutions not only creates blind spots, leading to overlooking reforms that might achieve the desired ends at lower cost, it can also backfire.²⁵ Developing countries are different from advanced countries in that they face both greater challenges and more constraints. That might require 'appropriate' institutions differing from those that prevail in OECD countries. No single set of best practices will serve the needs of all countries at all times. This has direct implication for the usefulness of related benchmarks in the context of aid conditionalities.

²⁴ For the following arguments see Unsworth, Sue (2008). *Is Political Analysis Changing Donor Behaviour?*, Paper Prepared for the Conference of the Development Studies Association, London.

²⁵ Rodrik (2008) gives examples for different countries regarding institutions in four areas: contract enforcement, entrepreneurship, trade openness, and macroeconomic stability.

Demand for better governance must come from the political forces within the country. The emergence of a middle class, whose economic interests are aligned with private-sector-led development, can be a potent source of domestic demand for sustained and growth-enhancing reforms. Without losing their focus on pro-poor service delivery, development agencies need to think more broadly about which sections of society are most likely to generate political change and what could motivate them to organize. There is a wide variety of actors that development agencies can work with to strengthen internal sources of pressure that may shift incentives in a pro-growth directions. Approaches that could be pursued in this respect include: nurturing the role of civil society, supporting the emergence of responsible advocacy NGOs, assisting professional and business associations, training journalists, helping generate taxpayer pressure and supporting reform champions.

Working in fragile states

The above discussion underlines the importance of adjusting agencies' standard working procedures to the realities on the ground. Realizing the particular challenges associated with working in fragile states, the international donor community, led by the OECD/DAC, has formulated a number of principles that are meant to guide development interventions in fragile states and situations (refer to Annex 6 for an excerpt). It should be noted that fragile state principles relate specifically to the need to change development partner behavior, and do not involve mutual commitments between development and country partners. The fragile state principles complement and go beyond the Paris Declaration principles in two ways. First, they seek to identify specific issues that arise for improving aid effectiveness in fragile situations. Second, they emphasize the importance of the wider agenda of state-building, encompassing the role and significance of non-aid instruments of engagement, whole of government approaches and policy coherence in the political, security and development sphere. At the moment, it seems as though development agencies in Sierra Leone are struggling with applying these principles.²⁶

Follow a long-term approach

The DAC principles highlight not only the significance of a joint understanding of the country context, but also the significance of long-term strategies that focus on building state capacities. Currently, the common modus operandi of many development partners in Sierra Leone seems to be characterized by piecemeal, ad hoc and reactive approaches with a focus on short-term results. At times development partner behavior seems to be driven by a perception of constant urgency, which is used as a common justification for focusing on 'quick fixes', instead of long-term solutions. This issue is aggravated by the comparably high staff turnover in most development agencies, which have shorter tours of duty for post-conflict countries.

Use a coordinated approach and be predictable

Realizing the fact that the capacity of many government institutions is weak, development partners should be encouraged to apply better coordination mechanisms among themselves, in order to avoid overloading already overstretched civil servants. At the moment, development partners in Sierra Leone exercise poor coordination among each other and force the GoSL to cope with a multitude of different strategies,

²⁶ The extent to which fragile state principles are adhered to in Sierra Leone will be reviewed in more detail in the following sections of this report.

mechanisms and procedures. Further, the DAC principles stress the importance of predictable funding flows, as any interruption has severe consequences in a cash-constrained society. Unfortunately, erratic donor funding contributes to delays in project implementation and economic hardship.

Avoid building parallel structures

Referring to the weak capacity of government institutions in Sierra Leone, some development agencies establish parallel structures, which create tension in the civil service and undermines national ownership, domestic accountability and longer-term institution-building.

Pay special attention to fostering national ownership

Development partners can easily undermine national ownership, particularly in highly aid-dependent countries with weak capacities and especially if they follow a narrow concept of ownership that assumes the presence of a unitary state. Donors calling for more government leadership also have to appreciate the complexity of local politics and the fact that ownership is a goal to be striven for, not an established fact that simply needs to be recognized. National ownership cannot be engendered simply through participatory stakeholder consultations.

Be accountable and promote domestic accountability

Due to the high degree of aid dependency, the power relation between the GoSL and its partners is very asymmetrical. Numerous conditionalities imposed by the biggest donors result in one-dimensional accountability of the government to the donors and impede domestic accountability of the government to its citizens.

2.2 Aid Patterns and Development Partner Structure

Before reviewing the specific composition of the development partner community in Sierra Leone and its implications on aid patterns, it seems sensible to take a quick look at global trends in aid delivery, which will provide a reference point for comparison.

Global trends in aid delivery

The global aid architecture has become increasingly complex, with the growing importance of non-DAC and other 'emerging donors' as well as with a high degree of donor proliferation and aid fragmentation. New donors bring with them more resources to help developing countries reach the Millennium Development Goals, but they also bring new challenges for harmonization and alignment, in particular as limited data is available regarding aid volumes and financial terms. The growing complexity of the global aid architecture can be illustrated through three distinct, but often inter-related, phenomena: proliferation, fragmentation and 'verticalization'.

Donor proliferation refers to the increasing number of donor channels providing ODA, including the increase in INGOs and the growing importance of non-DAC and emerging donors (see Annex 7 for details). *Fragmentation* refers to the increasing number of donor-funded activities with decreasing financial size. *Verticalization* refers to an increasingly specialized focus of ODA providers on narrowly-defined issues or themes (e.g. HIV/AIDS), often accompanied by earmarking of donor funds. Individually and combined, these developments increase transaction costs and are likely to reduce the overall effectiveness of aid. Fragmentation seems to be higher when the institutional capacity of recipient countries is lower. Transaction costs of ODA affect both donors and recipients. From the recipient countries' perspective, transaction costs are directly and indirectly associated with the administrative burden placed on them.

With regard to the sectoral composition of ODA flows, the share allocated to social sectors (education; health and population; water and sanitation; government and civil society; and conflict, peace and security) has increased significantly from a global perspective. In some countries, this leads to reduced foreign aid allocations for infrastructure.

Aid patterns and development partner structure in Sierra Leone

One important element of Sierra Leone's aid environment is its diverse development partner structure, which includes multilateral and bilateral agencies, DAC donors and non-DAC donors, international and local non-governmental organizations (NGOs), as well as some private sector firms and vertical funds. These partners provide support in various forms: financial and technical assistance, project and budget support, etc.

Development agencies in Sierra Leone are seriously divided among themselves by:

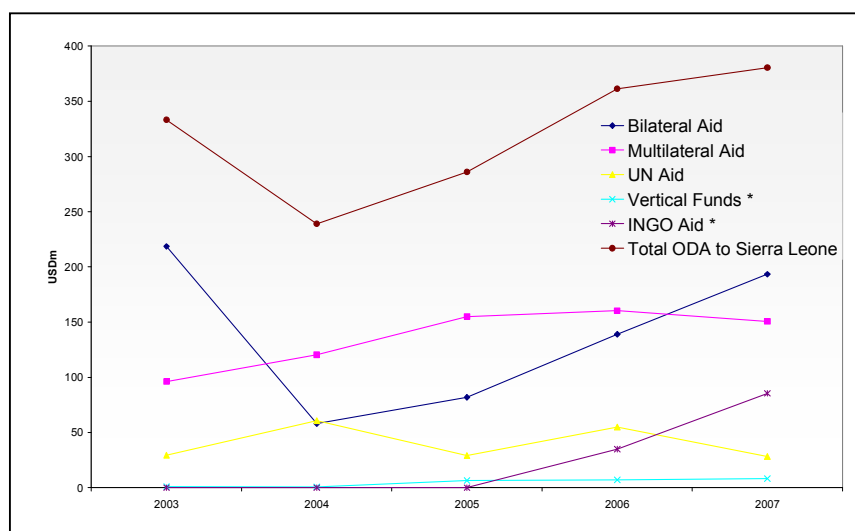
- *The scale of programme and aid modality.* Only 5 donors provide over 90% of the total assistance;²⁷ four of them provide some of their aid as budget support, while the fifth channels all its aid through NGOs.

²⁷ NOTE: The funds from the IMF have been excluded from this calculation because they are usually not regarded as development assistance. If IMF funding would be included, the same 5 donors would account for 70% of total commitments.

- *The enthusiasm for the international aid effectiveness agenda.* Overall, many partners in Sierra Leone seem to struggle to respect the commitments they have made under the Paris Declaration on Aid Effectiveness, particularly around “ownership” and the need to relinquish control over allocation of aid resources and the policy agenda. One issue seems to be the challenge to reconcile the Paris principles with the realities and perceptions of a fragile state.
- *The extent to which authority has been decentralized to local donor representatives.* While few local development partner offices seem to have significant authority to decide about aid allocations and participation in joint donor, as well as donor-government initiatives, combined with considerable flexibility regarding the application of administrative and financial procedures, many others receive their directions primarily from their HQs and require approval for any deviation from the prescribed plan. This seems to limit the potential for following a coordinated but flexible approach that would respond to the special needs of a fragile state like Sierra Leone.

Aid to Sierra Leone has been rising gradually since 2004 following a substantial drop between 2003 and 2004. In recent years, bilateral agencies account for the majority of aid inflows, but assistance from INGOs is also increasing.

Box 10: Trend of Aid to Sierra Leone 2003-2007



Source: DACO (2006). Development Assistance Report 2007

According to reports prepared by the Development Assistance Coordination Office (DACO), Sierra Leone received foreign assistance amounting to US\$ 466 million in 2007 and on average US\$ 344 million per year between 2003 and 2007. UN statistics indicate that Sierra Leone is receiving approximately US\$ 67 in aid per person.

In December 2006, Sierra Leone reached the HIPC completion point. This means that Sierra Leone qualified for full debt relief as had been agreed under the Heavily Indebted Poor Countries Initiative (HIPC) and the Multilateral Debt Relief Initiative. Eligible debts by the IMF, the WB and the African Development Bank were cancelled

as were debts by the Paris Club Creditors amounting to US\$1.6 billion.²⁸ At the end of June 2007, the remaining debt stock on which Sierra Leone was paying interest was \$530 million.

Sierra Leone's donor structure is sometimes described as an 'inverted pyramid'. Although 42 donor agencies are in total recorded in Sierra Leone's Development Assistance Database (DAD), only 5 of them (DFID, WB, EC, AfDB and USAID) account for the majority of total commitments recorded in the system. Hence, the overall aid profile is characterized by a high degree of concentration and dispersion at the same time.²⁹ While USAID is channeling all its assistance through NGOs, the other four donors use multiple channels and modalities.

According to the 2008 Paris Declaration Survey, Sierra Leone receives almost 13% of its total foreign assistance in the form of budget support, which is provided by DFID, WB, EC and AfDB.³⁰ The four donors have formed a Multi-Donor Budget Support Group, whose members have made progress regarding various efforts to improve coordination and harmonization among themselves. Apart from these efforts, donor coordination and harmonization in Sierra Leone is rather weak (refer to section 3.2 for further details).

This type of donor structure has two potential implications. *First*, increasing harmonization among the few donors that provide the majority of assistance might increase aid volatility. For example, joint decisions on the fulfillment of conditions might have a significant effect on the total aid volume. Delays or interruptions in aid flows have particularly severe implications for fragile states like Sierra Leone. In this scenario, harmonization might be perceived by a government as 'ganging up' of donors, which de facto reduces its bargaining power. Further, there is a danger that smaller donors will resent the special influence enjoyed by the bigger ones, which might reduce overall coherence among donors and undermine harmonization efforts. *Second*, the fact that there is a rather large number of donors that each provide only a small portion of the total aid budget is likely to result in considerable transaction costs for the GoSL, due to the multiplicity of administrative, monitoring and reporting requirements. Combined with fragmented aid delivery arrangements and limited coordination, this scenario is likely to result in reduced overall effectiveness of foreign assistance provided to Sierra Leone.

The fact that 144 agencies, including government institutions, are recorded in DAD as implementers seems to confirm this assessment. Disbursement figures recorded in DAD for 2008 indicate that 65% of total aid was disbursed to government agencies, while 20% was channeled through the UN and 15% through NGOs.³¹ According to the 2008 Paris Declaration Survey, over 80% of total ODA was disbursed to the

²⁸ These creditors were: Austria, Belgium, Denmark, France, Germany, Italy, Japan, Netherlands, Norway, Switzerland, UK, USA.

²⁹ *Concentration* refers to the number and distribution of aid shares in the assistance portfolio of a sector or of a donor. *Dispersion* is the antonym of concentration.

³⁰ It should be noted that overall aid disbursements in 2007 were lower than planned. Budget support usually accounts for 20-25% of total aid.

³¹ DAD figures for 2008 should be interpreted with caution, as many development partners have still not updated their data. It should be noted that the amount of aid channeled through NGOs is likely to be higher as many donors that are known to provide aid to Sierra Leone through NGOs, such as Italy, Luxembourg, Norway and Sweden have not entered information in DAD.

government sector in 2007.³² However, the majority of ODA is not passing through treasury.

In total, 17 UN agencies are involved in various kinds of activities, out of which 14 have an office in Sierra Leone. UNDP, which is the largest UN agency in Sierra Leone by the total amount of funds managed, accounted for US\$ 33.7 million in 2007. According to the NGO Desk within the MoFED, 95 international and 199 local NGOs were registered in Sierra Leone in 2008, contributing to the coordination challenge.

Further, there are two vertical funds operating in Sierra Leone, the Global Fund to Fight AIDS, Tuberculosis and Malaria, the Education Fast Track Initiative.

Looking at overall aid patterns, DAD data indicates that the majority of foreign assistance is allocated to the following districts: Kenema, Kailahu, Kono and Bo.³³ Examining total project costs by sector, it seems that the majority of aid is allocated to Infrastructure; Agriculture, Rural Development & Food Security, Transparency & Democracy; and Education.³⁴ In 2008, the majority of disbursements went to Public Financial Management; Health; and Agriculture. This finding could either reflect an aid pattern broadly in line with the MDG agenda or simply be a result of insufficient updating of DAD data. In principle, the DAD seems to be a good tool for various kinds of analyses that could contribute to better coordination and alignment of foreign assistance. However, in order to capitalize on these benefits, development partners need to put more emphasis on the regular provision of more accurate data.

Aid fragmentation in Sierra Leone

In light of the large and diverse development partner structure, the sector-specific aid portfolios appear quite fragmented. *Fragmentation* refers to the number of donors, as well as the number and financial size of projects within a sector assistance portfolio. A sector is considered to be highly fragmented if it receives assistance from a large number of donors with a large number of projects of comparably small financial size.

At country-level, fragmentation of aid often results in considerable coordination challenges and reduces its effectiveness³⁵ by:

- i. Presenting additional challenges to harmonizing and aligning aid, which results in rising transaction costs for recipient countries and donors;³⁶

³² It should be noted that the figure is slightly misleading. In the context of the PD Survey, “disbursed to government sector” means: “ODA disbursed in the context of an agreement with administrations (ministries, departments, agencies or municipalities) authorized to receive revenue or undertake expenditures on behalf of central government. This includes works, goods or services delegated or subcontracted by these administrations to other entities such as: Non-Governmental organizations (NGOs); semi-autonomous government agencies (e.g. parastatals), or; private companies”. Hence, the money is not necessarily managed by a government agency. It has to be kept in mind that a lot of money ‘disbursed to government sector’ is actually spent through donor-funded project implementation units that do not use government accounts or procedures.

³³ Please refer to Annex 8 for details. All DAD figures need to be interpreted with a high degree of caution due to the limited data quality. The main reason for this is that many development partners have not entered or updated their data yet. Besides, many have not sufficiently disaggregated their data by sector and/or geographic location, i.e. a large amount of financial allocations by sector and location is shown as ‘unspecified’.

³⁴ Please refer to Annex 9 for details.

³⁵ See for example Easterly and Pfitzner (2008). Where does the money go? Best and worst practices in foreign aid.

³⁶ For a detailed discussion on the contribution of fragmentation and proliferation to increasing transaction costs see Acharya et al. (2004). Aid proliferation: how responsible are the donors?

- ii. Creating potentially wasteful duplication and overlap in the delivery of aid;
- iii. Causing competition for scarce skills in recipient countries; and
- iv. Distorting sectoral allocations of public spending by reflecting global rather than recipients' priorities, as aid flows become increasingly earmarked for specific purposes.

In sectors where increasing fragmentation leads to growing competition between development partners, the effect can be that development partners, and the government ministry counterparts, become increasingly focused on the results of their own projects, losing sight of the broader and more strategic objectives of the national programme. A related problem identified in multi-country studies relates to the stripping of local capacity, as each partner seeks to establish its own expertise in each sector in which it has a presence.

Governments of developing countries are usually expected to exercise strong leadership to avoid fragmentation. However, government capacity to press development partners to rationalize their activities is often lacking, especially given the fact that both sources and channels of aid have multiplied and many development partners still do not provide timely and detailed information on aid flows. At the same time, governments may find it difficult to change embedded incentive systems linked to uncoordinated donor funding. For instance, line ministries that are used to receive funding directly from many different donors (at times without informing either the other donors or the central government agencies) may resist centralized coordination efforts, as it may lead to a reduction in funds allocated to line ministries.

Further, aid-receiving countries may not always want to see donors harmonize, as the government can benefit from competition among donors in that it could ward off formation of an 'aid cartel' by donors. The fact that emerging donors often do not engage in harmonization efforts has in some instances been welcomed by recipient governments and their competing ministries, departments and agencies.

According to data captured in Sierra Leone's Development Assistance Database (DAD), donors funded 222 different projects in 2008 and disbursed an average of US\$ ½ million per project. The number of projects varies from sector to sector. For example, while donors funded 7 projects in water & sanitation and spent an average of US\$ 12,121 per project, they financed 26 projects in the health sector and spent an average of US\$ 540,941 per project.

Box 11 presents the findings of a sector fragmentation analysis based on data captured in DAD Sierra Leone.³⁷

Box 11: Degree of Sector Aid Fragmentation in 2008

Sector	Average Project Size (USD)	Average Project Size Index (A)	Project Count	Project Number Index (P)	Donor Count	Donor Number Index (D)	Fragmentation Index $F=A/(P*D)$
Water and Sanitation	12,121	0.05	7	0.64	5	0.63	0.13
Transparency and democracy	124,482	0.55	32	2.91	10	1.25	0.15
Private Sector Development	19,205	0.08	8	0.73	5	0.63	0.19
Infrastructure	263,413	1.17	24	2.18	13	1.63	0.33
Agriculture, Rural development and Food Security	423,288	1.87	28	2.55	14	1.75	0.42
Youth Development	205,301	0.91	14	1.27	11	1.38	0.52
Justice Sector Development	226,026	1.00	14	1.27	8	1.00	0.79
Health	540,941	2.39	26	2.36	10	1.25	0.81
Capacity Building of government agencies	368,810	1.63	22	2.00	8	1.00	0.82
Education	235,787	1.04	11	1.00	10	1.25	0.83
HIV/AIDS	192,230	0.85	10	0.91	7	0.88	1.07
Environment	147,533	0.65	9	0.82	4	0.50	1.60
Security Sector	197,025	0.87	9	0.82	3	0.38	2.84
Decentralization	683,196	3.02	5	0.45	4	0.50	13.30
Public Financial Management	2,728,109	12.07	11	1.00	5	0.63	19.31

Data source: Development Assistance Database Sierra Leone. Data status: June 9, 2009

³⁷ For more details on the conceptual background of fragmentation and corresponding calculation methodologies, see: Nadoll, Jorg; Hussain, Noshin (2008). Fragmentation and Proliferation in the Delivery of Foreign Assistance to Pakistan, Discussion Paper, May 2008.

“According to the above definition, three factors have to be taken into consideration to calculate the degree of fragmentation of a sector: (1) the number of donors that are active in the sector, (2) the number of projects in the sector and (3) the average financial size of these projects. On this basis, three separate indices are constructed as follows: First, we construct a *Donor Number Index (D)* by dividing the number of donors in each sector by the median. By taking the median, the calculation takes the specific country context into account. Second, we construct a *Project Number Index (P)* by dividing the number of projects in each sector by the median. Third, we construct an *Average Project Size Index (A)* by establishing the total amount disbursed to each sector in the year of observation and divide it by the number of projects in the corresponding sector, in order to calculate the average project size. Then, we construct the index by dividing the sector-related average project size by the median. We use yearly project-related disbursements as a proxy for the average project size, which allows comparing changes in the degree of fragmentation over a period of time.

Assuming that the average project size, due to its affect on transaction costs, is a more significant indicator of fragmentation than the number of donors, we choose the average project size index (A) as numerator and the other two indices as denominator and construct the fragmentation index ‘F’ as follows:

$$F = A / (P*D)$$

The lower the index value, the higher is the degree of sector fragmentation.”

The fragmentation analysis reveals that most sectors face considerable coordination challenges. The aid portfolios of Water & Sanitation, Transparency & Democracy, as well as Private Sector Development, but also Infrastructure, Agriculture, Youth Development, Justice Sector Development, Health and Education should be carefully reviewed. Without effective coordination, the high number of comparably small projects funded by various donors is unlikely to contribute to sustainable development, as complementarity and synergy are difficult to achieve. In the worst case, an uncoordinated, fragmented aid portfolio can be counterproductive to lasting positive change. This consequence seems particularly plausible in the context of a fragile state like Sierra Leone. Although the figures should be interpreted with caution, given the currently low quality of the data captured in the DAD, the analysis probably indicates correctly the current trend with regard to aid delivery in Sierra Leone. In light of the fact that many donors that are known to channel their aid through NGOs have not entered data in the DAD yet, the degree of fragmentation is likely to be even worse.

During the interviews, senior civil servants repeatedly stated their government's desire to "broaden Sierra Leone's donor base", by fostering South-South Cooperation, including proactive outreach to non-DAC donors, and by attracting more private sector investment.

Refer to Annex 10 for considerations regarding risks of widening the donor base.

2.3 Aid Relationships and Aid Effectiveness

As mentioned above, in some ways Sierra Leone has made significant progress since the war officially ended in January 2002. The economy has grown an impressive 7% per year in the last two years and violent crime has been reduced. Over 150 schools and more than 75 health centers have been rebuilt or refurbished, revenue generation and collection have improved and there are more children enrolled in schools than before the war.³⁸ Yet at the same time there is widespread frustration on the part of citizens and by development partner agencies that progress has not been quicker. The effects of local politics and corruption on national development have already been mentioned, but given the high aid to public expenditure ratio, questions regarding the effectiveness of foreign assistance emerge and have to be considered in more detail.

The results of the *2008 Paris Declaration Survey* for Sierra Leone can serve as a useful starting point for reviewing aid effectiveness issues in the country. (Refer to Box 12, below, for the survey results).

³⁸ International Crisis Group (2007). Sierra Leone: The Election Opportunity, Africa Report No 129.

Box 12: Results of 2008 Paris Declaration Survey

Indicators		2007	Indicative Targets for 2010
1	Operational development strategies	C	B or A
2a	Reliable PFM systems	3.5	4.0
2b	Reliable procurement systems	B	A
3	Aid reported on budget	54%	77%
4	Coordinated capacity systems	22%	50%
5a	Use of country PFM systems (aid flows and donors)	20%	35%
5b	Use of country procurement systems	38%	51%
6	Parallel PIUs	2	0
7	In year predictability	30%	51%
8	Aid is untied	92%	More than 68%
9	Use of common arrangements (Programme-based)	27%	66%
10a	Joint missions	31%	40%
10b	Joint analytic work	56%	66%
11	Results-based monitoring framework	D	B or A
12	Reviews of mutual accountability	No	Yes

Source: OECD/DAC: Paris Declaration Survey 2008

Limited trust in country systems

Notable (and maybe surprising for some) when looking at the Survey results are the comparably high ratings of Sierra Leone's public financial management and procurement systems given by the World Bank. Nonetheless, the extent to which donors make use of national systems is still behind target, despite the amount of aid provided as budget support, which accounts for almost 13% of total aid. This means that hardly any donor outside of the Multi-Donor Budget Support (MDBS) group is making use of national systems and even MDBS group members do not rely on them for delivering their entire assistance portfolio. Despite the high ratings, donors continue to lack confidence in Sierra Leone's systems, because of perceived leakages and fiduciary risks.

A large portion of aid is 'off-budget'

According to the 2008 Survey, almost half of the total aid coming into the country was 'off-budget', i.e. not recorded in the national budget, while roughly 80% of aid does not pass through treasury. This leaves much uncertainty about the extent to which aid is conforming to GoSL priorities and leads to weak national ownership of some programmes. It also creates budgetary difficulties, by way of unforeseen recurrent-cost implications. In order for foreign aid to be aligned with national priorities, a basic first step should be its inclusion in the national budget. However, alignment of foreign aid with national priorities is also hampered by the absence of clear GoSL policies and priorities at sectoral and other levels, which means that there is little for development partners to align around, giving them the freedom to assert their own priorities, which they are often quite willing to do. PRSPs tend to be too general with high aspirations³⁹ and need to be supplemented with operational sector plans and harmonized funding mechanism, such as multi-donor trust funds. This process has just started in Sierra Leone, with line ministries having prepared draft

³⁹ PRSP-II is a clear improvement in comparison to PRSP-I with regard to the clarity of the document. The WB is supposed to publish its official ratings some time in September 2009.

plans. It remains to be seen if foreign aid will be more aligned in the future or if many development partners continue to pursue their own HQs' objectives.⁴⁰

Further, the Survey indicates that 92% of foreign assistance is untied. However, questions regarding the validity of this result remain, given the fact that the Survey is to a large extent a self-assessment – apart from the external ratings regarding indicators 1, 2a, 2b and 11 – and with regard to frequent complains by government officials regarding the continuous tying of proposed aid packages, for example to the acceptance of international experts from the donor country.

Looking at the rest of the results of the 2008 Paris Declaration Survey in more detail, at least four aspects are striking:

Limited degree of coordination among development agencies

First, the *limited degree of coordination* among development partners, which is reflected in the low percentage of aid used for coordinated technical cooperation (indicator 4), the low number of joint missions and analytical work (indicators 10a and 10b). Only about 15% of aid to Sierra Leone makes use of programme-based approaches other than budget support. As coordination is considered to be a particularly important factor in light of the high degree of aid fragmentation, a separate section (3.2) of this report is dedicated to collective dialogue and coordination mechanisms.

Existence of parallel structures

Secondly, the Survey results indicate that there is apparently no severe problem with *parallel structures* (indicator 6) in Sierra Leone, although several examples of parallel governance structures can be found, including the Decentralization Secretariat, the HIV/AIDS Secretariat, the Governance Reform Secretariat, as well as several project implementation units within central and line ministries. It seems the Survey results mainly reflect the use of a very narrow definition, in particular of what constitutes a 'parallel' project implementation unit (PIU).⁴¹ Nevertheless, a high number of PIUs, and other parallel structures do exist in Sierra Leone. In addition, many ministries rely heavily on so called Local Technical Assistance (LTA), funded by the AfDB, DFID, EC and the WB. While some of this LTA is strictly speaking not a PIU, it shares many of the negative implications of parallel structures, including distorted salary and incentive schemes, skewed accountability relationships and increased tensions among ministry staff. It has been realized that the continued reliance on LTAs to perform line functions is unsustainable and initial steps have been taken to design an exit strategy.⁴² However, looking at experiences from other countries, integrating related

⁴⁰ One example stated in discussions with different interviewees was the insistence by donors in placing disproportionate amounts of money in anti HIV/AIDS programmes, while other medical priorities remain severely under-funded.

⁴¹ According to the Survey guidelines, a PIU is considered to be parallel "*when it is created and operates outside existing country institutional and administrative structures at the behest of a donor*". In general, the term "PIU" refers to foreign-assisted project units that take many forms – such as Project Coordinating Unit, Project Management Unit, Project Implementation Unit, Policy Advisory Units, Project Implementation Cells or Technical Implementation Units – and that may be found in different locations inside or outside government, and sometimes within the donor agency itself.

⁴² Bernard-Carter, Phil & Koroma, Sidi (2008). Design of an Exit Strategy and Arrangements for Transitional DP Support for Remuneration of Contract PFM Staff.

staff into government institutions might turn out to be a very challenging task. (Refer to Annex 11 for more details).

There is an inherent dilemma in using PIUs, which can be stated succinctly as a simple paradox: PIUs hold out the immediate promise of efficient project management and operations, but may over time exacerbate the very management problems in host governments that made them necessary in the first place. A major criticism of PIUs has been that they circumvent government structures. By purporting to demonstrate public sector performance at its best, they actually downgrade the public sector. The experience is that such by-passing is not neutral; it often undermines the legitimacy and effectiveness of the designated institution – making it harder for mechanisms of domestic accountability to become established.

A major assumption is that PIUs get absorbed when the project closes, but the reality is sometimes quite different. PIU absorption into government is often problematic. In most cases, much of the skills and experience accruing to PIU staff are lost to the host government agency. Even when PIUs enhance service delivery, they are parallel organizations, artificially created, with vested interests and competing incentives. Among the most difficult aspects of the PIU dilemma is the ingenuity with which designers, managers and implementers disguise the main problem of incentives. The reality is inescapable, superior performance carries with it commensurate expectations of reward. In consequence, incentives for project personnel vary from in-kind (e.g. food, transportation, allowances, housing and study tours) to financial supplementation – either directly through project budgets or through more comprehensive salary-topping schemes.

Consequently, PIUs, once established, are likely to become an obstacle for longer-term institution-building, because they distort salary structures and incentive schemes and have a tendency to become like ‘immovable objects’ in the organizational structure that prevent the reorganization of an institution along functional lines. Due to their higher capacity, PIUs often combine a mix of functions that should in principle be performed by separate units, e.g. design and monitoring.

Further, PIUs skew accountability relationships and thus undermine democratic processes and national ownership. Ultimately, loyalty of PIU staff will be higher to the ‘foreign’ institution that pays the salary than to the ‘national’ institution, whose performance they are supposed to enhance. National ownership is likely to become an empty shell if a policy document demanded by the donors from the government is written and implemented by donor-funded staff, regardless if they sit in a government office or not.

Unfortunately, there is no easy solution to this dilemma, which calls for a pragmatic approach. Simply abolishing all PIUs would mean that many core government functions cannot be performed adequately – at least in the short-term. Hence, a longer term phase-out is required – one that focuses on building up public sector capacities and reduces salary imbalances. As a first step, development partners should agree on common price norms regulating the financing of local personnel (e.g. salaries, transport, accommodation, etc.) in development cooperation projects and

programmes, in order to avert harmful competition for scarce local capacity that can lead to an erosion of country capacity.⁴³

Low aid predictability and erratic funding flows

The *third* notable aspect with regard to the results of the 2008 Paris Declaration Survey is the very low extent to which donors are providing predictable funding. Although some donors commit to provide long-term assistance to Sierra Leone, actual annual disbursements often do not match with commitments and planned disbursements, leading to either under-spending or over-spending of many donors, which results in limited in-year predictability for the GoSL. Overall, funding flows are quite erratic. There have been several cases, where donors delayed or suddenly stopped the disbursement of funds, especially during the election period in 2007. One example is the interruption of budget support disbursements in 2007, which severely affected the implementation of other projects (refer to section 3.4 for details). Another example is the sudden cessation of disbursements by two donors out of the three donors in the context of the multi-donor funded project “*Support to the Development Assistance Coordination Office*”, which highlights the fact that project support can be as volatile as budget support. Severe effects on the project implementation were this case prevented, as the remaining donor decided to fill the funding gap. Volatile aid funding can undermine attempts to build more institutionalized and predictable policy and budget processes, and as such reinforces patronage networks.

Power imbalance fosters one-dimensional accountability relationship

Fourthly, and related to the previous point, the Survey finds that Sierra Leone has not yet put in place a joint framework to assess government and development partner performance in strengthening aid effectiveness. The effectiveness of aid largely depends on the quality of relationships between aid ‘provider’ and the aid ‘recipient’. Much of the focus on the Paris Declaration to date, however, has been on issues surrounding donor harmonization and coordination. Hence, there has been a tendency to view the problems associated with aid delivery as being overly technical whilst ignoring the power relations and political issues.⁴⁴ The fact that the government of Sierra Leone is so highly dependent on aid (and at the same time carries limited weight in the international community) clearly poses a challenge for real shifts in power relations to take place. If the government is not able to challenge the demands of donors, the much promoted concept of ‘partnership’ between a developing country government and its donors remains simply a nice theory but is meaningless in practice. For example, the fact that no sanctions exist if donors do not deliver on what they promised makes the concept of ‘mutual accountability’ – that donors have signed up to – extremely weak.

Conceptually, accountability can be seen as having two components: *answerability* (the obligation of power-holders to justify their decisions and actions) and

⁴³ For an example on cost norms from Vietnam see Alcaide, Maria Delfina; Snaz-Ramos, Silvia (2007). Vietnam’s Laboratory of Aid. Donor Harmonization: Between Effectiveness and Democratization. FRIDE Working Paper No 42, September 2007.

⁴⁴ While the term ‘mutual accountability’ becomes more and more the “*key term in the aid architecture*”, actual progress is still weak due to the lack of a political perspective in the context of foreign assistance. Mutual accountability is probably the least recognized of five focus areas in the Paris Declaration on Aid Effectiveness. Meyer, Stefan and Schulz, Nils-Sjard (2008): Ownership with Adjectives. Donor Harmonization: Between Effectiveness and Democratization. Synthesis Report, FRIDE Working Paper 59, March 2008.

enforceability (the existence of mechanisms for punishing poor performance or abuse of power).⁴⁵ *Answerability* requires information to be available for external actors to monitor the performance of power-holders, as well as their capacity to carry out such analysis and to raise concerns. Hence, transparency is a pre-condition for accountability. While progress regarding answerability has been made in some aid recipient countries through the use of aid tracking systems (such as the DAD) and mutually signed aid compacts and independent monitoring groups, the options for an aid-dependent country to sanction donors that do not live up to their promises remain limited. *Enforceability* requires not only the existence of mechanisms through which abuse of power or poor performance can be sanctioned, but also mechanisms to rectify wrong decisions and influence present and future policies and actions. In this respect, the concept of accountability essentially entails the concrete possibility to demand and initiate change. International forums and mechanisms, such as the OECD/DAC peer reviews, have helped to narrow the gap between answerability and enforceability. Some developing countries have had good experiences with replicating similar mechanisms at country level, e.g. by agreeing with development partners on a 'localized' version of the Paris Declaration that defines clear steps to be taken to improve aid effectiveness and contains corresponding mutual commitments of the government and development agencies. Progress against implementing the respective actions is monitored through a joint government-development partner committee and through an *independent monitoring group*. (See section 3.4 for further details). However, with regard to fostering the enforceability of commitments beyond this approach of using peer pressure, the government would ultimately need to be willing (and able) to refuse aid proposals that are not in line with its preferences and priorities, and expel agencies that continuously violate a mutually agreed code of conduct.

Differences in understanding of national ownership concept

The level of aid dependency also means that the government has very little power or space to negotiate with donors – no interviewee could think of a case where the government had refused aid because it did not like the terms on offer. This makes it difficult to assert full ownership of the national development process. Development agencies in Sierra Leone, as well as in other countries, are obviously struggling with the concept of national ownership, which is often interpreted very narrowly. Donors frequently refer to 'ownership' when they would like the government to 'take the lead' on a specific issue. However, donors demand more 'leadership', mainly where they would like to see the government take action on issues high on the donors' agenda. But, in fact they are frequently unwilling to fully accept government leadership and ownership and often undermine it through interventions that are not in line with national priorities, unpredictable aid disbursements, and fragmented aid delivery through parallel structures.

There are two main issues with the common understanding of the concept of ownership: *first*, many development partners seem to follow the concept used in the Paris Declaration, which in a way assumes the presence of a unitary state – a country whose organs of power are governed as one single unit: however no such state exists. Most states in the North and in the South are bound by a web of involvements, rights and obligations that have deepened in both layer and complexity over the past

⁴⁵ See De Renzio, Paolo and Mulley, Sarah (2006): Promoting Mutual Accountability in Aid Relationships, ODI Briefing Paper, April 2006.

decades. Such interdependence sees sovereign decisions exercised at supra-national levels, national levels and, in some cases where powers have been devolved, sub-national levels. Legislature, executives, judiciaries, armed services and law enforcement agencies, civil society and private sectors with roots in any given country can play a role at one or more of these levels.⁴⁶ In Sierra Leone, the complexity of this scenario is further increased by the significance of informal networks and patronage systems that play a key role in decision making at all levels.

The *second* issue with the way the concept of ownership is regularly understood and applied is that ownership is seen as a given, i.e. an established fact that simply needs to be recognized, which is in fact not the case. Ownership is a goal that must be striven for. This is particularly difficult for a country that is heavily dependant on foreign assistance and whose government institutions are weak. National ownership can not be engendered simply through participatory stakeholder consultations. But it can easily be undermined by well-meaning development agencies acting on behalf of the host government and its citizens in the assumption that they know what is best for the country. The negative implications of such a narrow understanding of national ownership are further aggravated by ad hoc approaches that focus on short-term results. It seems many local representatives of development agencies in Sierra Leone are (or feel to be) under constant pressure from their HQs to demonstrate progress – of whatever kind.⁴⁷ This makes fostering of *national* ownership a real challenge.

Lack of mutual trust

Aid relationships in Sierra Leone are characterized by huge asymmetries and a significant lack of trust between the GoSL and development ‘partners’. The limited confidence of development partners in the government finds its expression in the comparable high amount of aid that is channeled through NGOs, the limited use of country systems and the preference for using parallel structures, as well as the high number of conditionalities, in particular in the context of budget support. The GoSL has difficulties to get timely and detailed information on what development agencies are doing, which makes the government suspicious. Further, the government is concerned with donors’ conditionalities impinging upon its sovereignty. Hence, a ‘chicken and egg’ situation exists with the prevalent lack of trust between the government and the donors, and donors’ continuing to affix heavy conditionalities to their aid, setting up parallel project units to control their aid and trying to mould policy-making, which undermines national ownership and distorts accountability relationships.

State fragility revisited

This chapter started with looking into aspects that constitute state fragility. It was pointed out that *lack of capacity* and *lack of political will* are the two most commonly stated characteristics of a fragile state.⁴⁸ Weak government institutions, as well as ‘local politics’, characterized by informal networks, patronage systems, entrenched corruption, etc. are often considered as one of the reasons for slow development

⁴⁶ Hannan, Abdul (2007). The Paris Declaration and National Ownership: From de Jure to de Facto, UNDP Staff Opinion, No 1, October 2007.

⁴⁷ This leads to a focus on quick and visible deliverables, with the well-known consequences: new hospitals without nurses, new schools without teachers or electricity.

⁴⁸ It is crucial to further analyze and define both elements in the country context, as people tend to have very different perceptions regarding these rather unspecific terms.

progress in Sierra Leone. While capacity constraints and local elites do play an important role in determining policy decisions in many countries, it is crucial to consider other factors contributing to progress or lack of it, as well. In the context of Sierra Leone, this assessment revealed that development agencies are also part of the problem. It can be argued that 'development partner politics' in Sierra Leone result in unpredictable and erratic funding flows, uncoordinated and ad hoc approaches focusing on short-term results, a high degree of aid fragmentation at sector level, and skewed accountability relationships undermining democratic governance. These politics are more likely to stabilize the status quo, instead of contributing to change. One explaining factor might be the variegated profiles of development agencies. A look behind the branded identities reveals policy making at HQs in tension with country-level missions, each with different sets of interests. Further, high staff turnover and stated difficulties in recruiting high-quality staff contribute to capacity constraints within development agencies. Hence, fragile state characteristics can, in a way, be found both within state institutions and within development partner agencies.

Given the lack of mutual trust, the high level of aid dependency coupled with weak government structures and capacities, and the resultant donor behavior, which is not always conducive to fostering national ownership, state-building and mutual accountability, it is not surprising that Sierra Leone has not moved forward more quickly in improving the aid system and in implementing more effective aid coordination and management mechanisms.

The following chapter reviews key elements of Sierra Leone's aid coordination architecture and makes recommendations on how to strengthen and improve them. In light of the above discussion it is clear that related proposals for technical solutions to identified problems can only make a difference if both, the government and its development partners, have the political will and establish the required capacities to implement them.

Recommendations

- ✓ *Stay engaged.* Sierra Leone is in a transitional period. State capacity is improving and reform efforts have made some progress, but the situation remains fragile and capacity-constrained. It is in these gradually reforming contexts where the attention of development partners often flags and the provision of aid can decline just at the point where it may be most productively used. Long-term predictable engagement is of key importance.
- ✓ In fragile situations, aid needs to be assessed both in terms of its contribution to development goals and its contribution to state-building. A strategy for engagement in Sierra Leone therefore requires making aid more effective, including through strengthening the delivery capacity of the state institutions - but more fundamentally it has to involve strengthening the accountability, responsiveness and legitimacy of state institutions.
- ✓ In light of the significant lack of trust and the risk of getting stuck in a 'blame-game', where each side waits for the other to make the first move, it is recommended that a *Joint Aid Effectiveness Action Plan* be formulated, which outlines concrete actions to be taken by both GoSL and development partners and defines related timelines and responsibilities. The action plan does not have to be a comprehensive document, but could start as a simple results matrix, with indicators and timelines. It would serve as a main tool to facilitate the

- implementation of the aid policy and would form the basis of a mutual accountability framework. A joint GoSL-development partner *task force on harmonization and aid effectiveness* should be formed and assigned to prepare the plan, as well as facilitate and monitor its implementation.
- ✓ Further, it is recommended that an *Independent Monitoring Group* (IMG) be established, consisting of renowned external experts. This group would periodically carry out independent assessments of the progress made and thereby contribute to mutual accountability. The establishment of an IMG should be part of the mutual commitments agreed upon in the aid effectiveness action plan. (Refer to section 3.4 for more details).
 - ✓ It is important that development agencies are much more aware of the influence of local politics on growth and development, as well as of the resulting timescales required for state-building. Taking the importance of local politics into account may require a rethinking of common approaches to growth and good governance. Good governance, as typically practiced by development agencies, has often been based on an unspoken assumption that it is possible and desirable to transplant institutional models from OECD countries to the developing world. However, experience has shown that OECD-type institutions are often not suited to developing countries, and work differently in different social and political environments.
 - ✓ Development agencies need to develop shared approaches to political economy analysis, which is a prerequisite for effective engagement and a “do no harm” approach.
 - ✓ Development agencies should prioritize country knowledge. This might require them to reduce the number of bilateral programmes or otherwise rationalize country coverage, and to make some far-reaching changes in human resource management policies. Increasing the amount of time that individual members of staff currently spend in country would be a good starting point. It is striking that the programming cycle and the regular tour of duty of international staff of most agencies is significantly shorter in fragile states than in other programming countries, although the former clearly need longer term dedicated support.
 - ✓ Development agencies should make serious efforts to reduce sector fragmentation, by concentrating their support on a few sectors. The donor mapping exercise by the EC and EU member states is a useful first step, but it needs to be followed up by concrete actions that result in actual re-allocation of intervention areas.
 - ✓ Development agencies should provide timely and disaggregated information on their assistance, in order to enable the government to record foreign aid in the domestic budget and foster its alignment with national priorities, as well as to give the government a chance to address the coordination challenge.
 - ✓ The Government of Sierra Leone should carefully consider the potential negative implications of ‘broadening the donor base’. In this regard, the government should make sure that it has the necessary strategy, mechanisms and capacities in place to ensure that this approach does not increase the coordination challenge and fragmentation of aid and investments.
 - ✓ Development agencies should make a greater effort to ensure predictability of funding flows in particular with regard to actual versus planned disbursements both annually and within the programme/ project cycle.

- ✓ Development agencies should be more sincere about fostering national ownership, while realizing that it is not an established fact, but a goal that requires dedicated activities by the government and development agencies to be achieved. This includes providing the government with the necessary political space to make use of the enhanced fiscal space.
- ✓ Development agencies should put special emphasis on strengthening domestic accountability by strengthening CSOs, media and parliament, while being careful not to undermine this accountability by attaching too many conditionalities and parallel structures.⁴⁹ Development agencies could do much more to limit the potential damage of their own behavior on local incentives for progressive change. There is good recent research by ODI and others⁵⁰ into the way different aid modalities can support local 'ownership' of development efforts by working through and helping to strengthen local policy-making capacity and management systems. Their recommendations, which include taking a much longer term and less risk-averse view of general budget support, deserve to be taken seriously. In the past, simplistic and over-ambitious claims have been made for how budget support could strengthen domestic accountability. But if expectations were more realistic, then offering more predictable funding channeled through government systems could support more institutionalized planning, budgeting and expenditure management processes. This in turn could have an impact on a) government's ability to make and implement effective policies, and b) incentives for different groups to organize to try to influence those processes and demand greater accountability.
- ✓ Development agencies should reassess the way in which they support civil society. It appears as if much NGO support is applied through a scattershot approach, based on an optimistic assumption that strengthening the counter power of progressive civil society activists is bound to do some good. Firstly, donors should be engaging with a broader range of groups: not just NGOs that share a poverty reduction or human rights agenda, but local organizations that are membership based, have the capacity to organize effectively and have interests (in a range of public or semi-public goods) that overlap with those of donors. These could include business, farmers, professional associations, taxpayer organizations, religious groups, women's groups, trade unions and journalists. Secondly, donors should be paying attention not just to strengthening the demands of civil society on government, but to the interaction between the two. Governments need citizens' organizations to aggregate interests and channel demands if they are to mediate effectively, and design and implement good policies. Societal groups will only organize if they feel this will be worthwhile. So the issue that donors need to bear in mind in designing aid modalities or project interventions is how these might affect the opportunities and incentives for constructive state-society engagement. In particular, how could action by the state (to make tax regimes fairer, budget processes more predictable and transparent, policy processes more consultative) stimulate organization of citizens?

⁴⁹ However, it is critical to ensure that building up civil society's capacity to demand is accompanied by appropriate measures to enhance government's capacities to supply.

⁵⁰ Good Governance, Aid Modalities and Poverty Reduction, a 2 year research programme commissioned by the Advisory Board for Irish Aid, led by ODI with the Christian Michelson Institute and the ESRC (see www.odi.org.uk).

- ✓ Linked to this, donors should prioritize issues of taxation and public expenditure management. Tax in particular is a highly strategic issue, with the potential to mobilize taxpayer groups that have the interest and capacity to engage in bargaining with government, and to demand policy changes as well as increased accountability. There has been recent work by the OECD / DAC on links between taxation and governance, which emphasizes the importance of how tax is collected, not just how much.⁵¹ Moving from a situation where taxation is often narrowly based, regressive, and coercive is challenging, especially in poor agrarian societies with large informal sectors. But a recent initiative by senior African tax officials provides a basis for action. The communiqué⁵² from a conference in Pretoria (in August 2008) highlights the links between taxation and state building, and the need to mobilize domestic tax resources as a key mechanism to allow developing countries to escape aid or single resource dependency, and to reinforce government legitimacy and effectiveness, promote growth and reduce inequality.

⁵¹ OECD (2008). Governance, Taxation and Accountability: Issues and Practices.

⁵² International Conference on Taxation, State Building and Capacity Development in Africa, Pretoria Communiqué, 29 August 2008. This initiative is significant because it is African led, by a group with capacity to act, with the prospect of political backing, and with potential benefits for politicians, bureaucrats, citizen taxpayers and users of public services.

3.0 Review of Sierra Leone's Aid Coordination Architecture

This chapter reviews four key elements of Sierra Leone's aid coordination architecture: (1) the institutional arrangements for aid coordination and management within government; (2) the collective dialogue and coordination mechanisms between the government and its development partners; (3) the systems and procedures for aid tracking and analysis; (4) the regulatory framework for the provision, coordination and management of foreign assistance.

3.1 Institutional Arrangements for Aid Coordination & Management

This section reviews the existing institutional arrangements for aid coordination and management in Sierra Leone, with a particular focus on essential functions, as well related structures and procedures established by the Government of Sierra Leone to perform them. After a short analysis of the main aid coordination functions and how they should be divided between concerned government ministries, the section makes a proposal for the assignment of functions within the Ministry of Finance and Economic Development.

3.1.1 Situation Analysis

There is a large fragmentation of responsibilities for the mobilization, negotiation and administration of aid across agencies of government in Sierra Leone, leading to inefficiencies and reduced effectiveness in the overall system. Different donors interact with different ministries. For example, the international financial institutions (IFIs) and the European Commission (EC) sign aid agreements with the Ministry of Finance and Economic Development (MoFED). Some traditional bilateral donors also sign agreements with MoFED, while others sign directly with the line ministry that either receives the assistance or is responsible for the sector targeted by the foreign aid-funded project. Non-DAC donors, such as India, Nigeria and China, in contrast, negotiate and sign their aid agreements with the Ministry of Foreign Affairs and International Cooperation (MoFAIC).

Within government there sometimes appears to be only partial awareness of what other ministries are doing even if they are engaged in the same sector or if there are cross-cutting issues. This derives partly from a functional orientation within ministries whereby each ministry stakes a claim to a particular functional territory and is concerned with defending that territory as distinct from exploring cooperative or even whole-of-government perspectives. This results in a silo effect across government which impedes effective communication. The situation may be compounded by a pronounced tendency to concentrate decision-making in upper levels of ministries, with limited delegation of authority to middle and lower levels of management. The government is trying to address this challenge through inter-ministerial committees. However, their effectiveness to tackle the issue seems sub-optimal, especially as the silo effect cannot only be observed across government, but also within individual ministries.

Within the MoFED, the Economic Affairs Division (EAD) is responsible for the administration of projects and programmes funded by IFIs and multilateral donors, as well as tracking related aid disbursements. Further, separate donor desks, which were previously part of the former Ministry of Development and Economic Planning (MoDEP) and do not seem to be fully integrated in the new MoFED yet, are responsible for the administration of UN and NGO projects and programmes. The different units operate independently of one another, while information on foreign assistance tracked by them is submitted annually to the Budget Bureau. There is no dedicated government agency or mechanism that could ensure that the information provided by all units is used to coordinate the entire foreign assistance portfolio and align it with national development priorities. This is of particular importance for sector and project prioritisation and for considering the longer term fiscal implications of aid, recurrent-cost implications and especially debt servicing capacity. Besides, there is no specific unit assigned to administer and coordinate assistance provided by bilateral donors.

Partly as a consequence of the civil war, there is a shortfall in domestic technical and managerial skills and heavy reliance on relatively few individuals in government, many of which are contract staff and fall under the category of so called Local Technical Assistance (LTA). Contract staff is often part of a donor-funded project implementation unit (PIU) and receives a salary which is many times higher than that of civil servants, resulting in severe tensions between the two groups and increasing frustration of the latter.⁵³

In order to support the effective and transparent coordination and management of foreign assistance, the Government of Sierra Leone (GoSL) needs to ensure that its business processes and structures allow it to perform the following functions effectively and efficiently:

- Formulation of national development objectives, policies, strategies and plans
- Formulation of operational sector development plans
- Donor liaison and resource mobilization
- Appraisal of foreign assistance proposals
- Negotiation of foreign assistance proposals
- Administration, including signing of legally binding agreements and monitoring of their implementation
- Coordination of development projects and programmes implemented by line ministries/ departments and development partners
- Monitoring and evaluating of national development projects and programmes, including tracking of disbursements and expenditures

⁵³ For details, please refer to Bernard-Carter, Phil & Koroma, Sidi (2008): Design of an Exit Strategy and Arrangements for Transitional DP Support for Remuneration of Contract PFM Staff.

3.1.2 Proposed Assignment of Central Aid Coordination Functions

The proposals outlined in this report for improving institutional arrangements for development/ aid coordination in Sierra Leone have largely to do with questions of organizational redesign and, in particular, organizational structure.⁵⁴ The following suggestions build on the *Consultative Aid Policy Document* presented by the GoSL during the DEPAC meeting in May 2009. The proposal further takes into account the existing arrangements, as well as lessons learned from other countries' experiences. (Refer to Annex 12 for a graphical illustration).

The *Office of the President* is responsible for formulating national development objectives, policies and strategic plans.

The MoFED is designated as having the lead aid coordinating role. However, it is recognized that various other MDAs have important roles to play, particularly in the delivery of services associated with aid.

With regard to key stages of the 'aid business cycle' the following assignment of functions is suggested:

(1) Identification and Initial Conception

Where MDAs have identified a clear need for foreign assistance, which is consistent with their strategic plans, they may engage in *initial discussions* with interested partners with a view to developing a respective assistance proposal. However, at this stage MDAs should neither enter into negotiations nor sign agreements.

(2) Formulation of Proposals

MDAs will inform MoFED (responsible donor desk) once specific proposals are being developed, indicating target area(s) and potential donor(s). Provided the MoFED does not express serious concerns, the MDA should finalize the proposal in collaboration with the development partner. The concerned line ministry is responsible for technical soundness and other aspects of quality assurance. The concerned Sector Specialist in the Development Division of the MoFED should be involved in the formulation, if required, and otherwise kept informed.

The line ministry should inform the Sector/ Technical Working Group about the ongoing formulation of a new proposal, which should be invited to review it once it is finalized.

(3) Assessment & Approval

The finalized proposal is sent to the MoFED for an initial review and subsequently submitted by the MoFED to the Appraisal Committee for assessment and approval.

In cases where the proposal is sent to the MoFED by a development partner or the concerned MDA has already identified a potential donor, correspondence is copied to the MoFAIC if bilateral donors are involved, at which point it has the right to raise objections.

⁵⁴ The report takes a conventional view of organizational structure, which encompasses, first, the division of the work that needs to be done by the organization into logical work units (sometimes called differentiation), and second, the systems employed to manage the work that is done within and between units (sometimes called integration) - see Blunt, Peter (1986), *Human Resource Management*. Melbourne: Longman Cheshire.

In cases where the proposal is sent to the MoFED by a MDA and a potential donor has not yet been identified, the MoFED will identify a potential donor in consultation with the MoFAIC if bilateral donors are involved. In cases where a bilateral agreement does not yet exist between the GoSL and the potential donor, MoFAIC will take the lead in contacting the new donor country with the aim to establish diplomatic relations and sign a memorandum of understanding regarding future economic cooperation. A respective MoU has to be reviewed by the Office of the President and the MoFED before signing.

(4) Negotiation and Signing

Once the proposal is approved, MoFED takes the lead in negotiating the financial terms with the concerned development partner. Once satisfactory negotiations have been concluded, the Minister of Finance will sign the agreement on behalf of the GoSL, except in cases where donors require this to be done by the Minister of Foreign Affairs. In the latter case, the proposal is sent to the MoFAIC by the MoFED, which as the lead aid coordinating agency is responsible for managing all administrative aspects related to the aid cycle.

(5) Administration/ Monitoring of Cooperation Agreement

The MoFED (Development Division) is responsible for overseeing the fulfillment of the agreement, including monitoring of disbursements as well as the related paper work and liaison with the development partner.

(6) Implementation and Reporting

The line ministry or other MDA designated as the primary recipient of an assistance package or most closely involved with it is responsible for implementation. It will regularly inform MoFED (Development Division) on aspects of implementation requiring attention, for example where disbursements or the delivery of goods and services are delayed. The line ministry and/ or planning agency is responsible for M&E, in line with the provisions in the agreement in question.

The donor is responsible for entering and updating information on its assistance to Sierra Leone in the Development Assistance Database in line with the Standard Operating Procedures.

(7) Role of Collective Dialogue and Coordination Mechanisms

Collective dialogue and coordination mechanisms should be closely linked to the entire aid business process. The (bi-annual) *Consultative Group (CG) Meeting* provides a platform for collective dialogue on strategic issues related to Sierra Leone's national development objectives and strategic plans, including negotiations on total multi-annual aid budgets. The *Development Partnership Committee (DEPAC)*, which should meet quarterly or at semi-annually, is the highest forum for collective dialogue between GoSL and development partners in-country. The DEPAC provides a platform for collective dialogue and decision making on tactical issues related to development coordination. It should play a crucial role in formulating the PRSP and in monitoring progress regarding its implementation, including identification of overall funding gaps and potential overlaps. DEPAC discussions should be informed by the work plans of *Sector/ Technical Working Groups (S/ TWGs)*. S/ TWGs are the main platforms for collective dialogue and decision making on operational issues. They should play a crucial rule in formulating sector plans and

monitoring progress regarding their implementation, including formulation and review of individual projects under the sector plan.

Refer to section 3.2 for more detailed suggestions on strengthening collective dialogue and coordination mechanisms.

It should be considered that the government may find it difficult to change embedded incentive systems linked to uncoordinated donor funding. For instance, line ministries that are used to receive funding directly from many different donors (at times without informing either the other donors or the MoFED) may resist a more centralized coordination effort, as it may lead to a reduction in funds. Good change management combined with strong leadership by senior politicians and civil servants will be required. It would be helpful, therefore, if the MoFED would develop a higher degree of client- and service-orientation, with regard to supporting line ministries in developing sector plans and mobilizing the necessary external resources to implement them.

3.1.3 Proposed Aid Coordination & Management Functions of MoFED

While the effective and transparent coordination and management of foreign aid requires a 'whole-of-government' approach, MoFED has a key role to play in the overall process, given its central responsibility in the domestic budget process, including its mandate to plan and oversee the use of all public resources, domestic and foreign. In this respect, MoFED should review its current structure to ensure that the necessary aid coordination and management functions can be performed adequately.

The merger of the former Ministry of Development and Economic Planning (MoDEP) with the Ministry of Finance, as well as the establishment of a parallel structure in form of the Development Assistance Coordination Office (DACO) resulted in a sub-optimal assignment of functions, creating gaps and overlaps in the aid coordination and management process. The merger, as well as the establishment of PIUs apparently happened against the background of an underperforming MoDEP, which was not able to perform all of its assigned functions properly. In order to ensure that the merger results in a unified budgetary process, which contributes to the appropriate allocation of recurrent expenditures to capital expenditures, as well as the alignment of domestic and foreign resources with national development priorities, the MoFED needs to restructure and strengthen its "Development Division". In this respect, it is suggested that the existing units be clustered under two separate Departments within the Development Division, a *Development Cooperation Department* and a *Research, Planning and M&E Department*. With regard to the overall structure of the MoFED, these two Departments could either report to a Permanent Secretary (Planning & Development), who reports to the Financial Secretary, or to a Development and Planning Secretary, who would be at the same level as the Financial Secretary and report directly to the Minister. The second option is more likely to avoid potential delays in the processing of foreign aid, as not all decisions would have to be made by a single person, i.e. the Financial Secretary, which could help to avoid creating a major bottleneck. However, there may be implications involving financial control that require all such decisions to go through the Financial Secretary, and such a move might be counterproductive to the full implementation of the merger.

The Development Cooperation Department would mainly comprise of separate development partner desks, probably best structured in four sections, which act as counterparts for line ministries and development partners regarding all aspects related

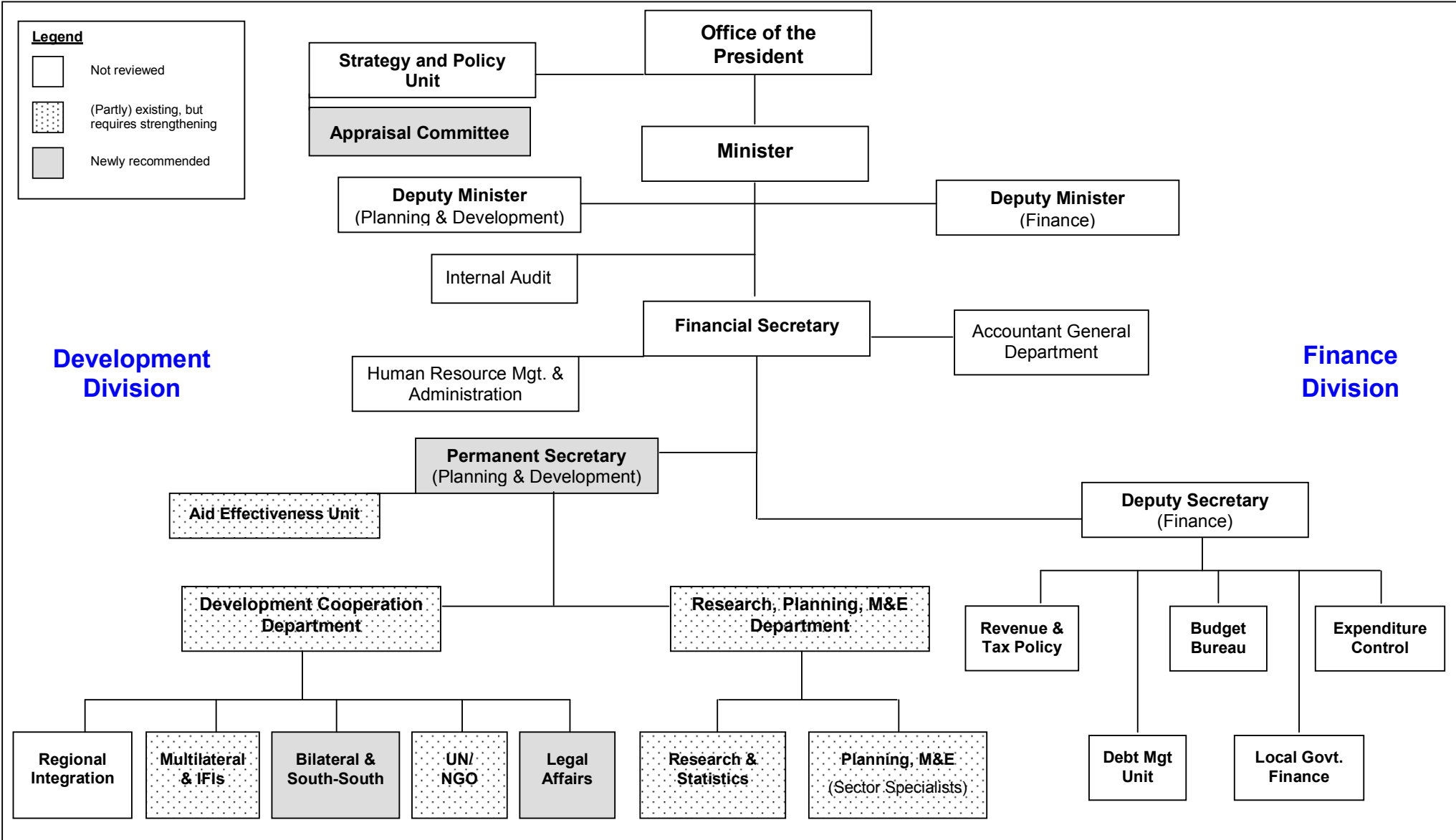
to the administration of foreign assistance. While the Development Cooperation Department would be the main government institution responsible for aid coordination, the Research, Planning and M&E Department is meant to play a key role in the management of foreign assistance through its central planning, monitoring and evaluation functions.

In addition to the two Departments, it is suggested that an Aid Effectiveness Unit be established, which is meant to act as facilitator to foster information sharing between and within the Departments, in order to ensure policy coherence and avoid gaps and overlaps in the provision of foreign assistance.

A proposal regarding a possible clustering of existing units of the Development Division by functions is presented in Box 13. The proposed organizational structure was designed against the background of the existing units and with the intention of clustering key functions in a way that is most likely to support the central business processes.

It should be noted that the main purpose of the organigram is to highlight key functions that need to be performed and therefore assigned to individual (groups of) persons, as well as to demonstrate how existing units could be clustered to improve coordination and management of foreign assistance. It is not meant to determine the exact size and number of individual units, which will depend on the number of people assigned to perform each function.

Box 13: Proposed Clustering of Key Functions within the Ministry of Finance and Economic Development



3.1.4 Proposed Structure and Functions of the Development Division

The Development Division within the MoFED could either be headed by a Permanent Secretary, who reports to the Financial Secretary, or by a Development and Planning Secretary, who reports directly to the (Deputy) Minister. The second option is recommended from a pure organizational theory point of view, as the Development Division is meant to perform a specific set of functions that are different from those of the Finance Division and require senior level leadership. The efficiency and effectiveness of GoSL's aid coordination and management procedures might be reduced if all important decisions regarding foreign assistance and domestic resources would have to go through only one person, i.e. the Financial Secretary, who would become the linchpin and potentially the bottleneck in the system. However, there are reasonable concerns among ministry staff that having two managers at permanent secretary level might lead to a split within the ministry, which would contradict the intentions of the merger of MoF and MoDEP. It seems critical that the Development Division is headed by a senior government official, who is able to interact with the heads of development partner agencies on 'equal footing'. Therefore, it is recommended that a new position be established at permanent secretary level. The Permanent Secretary (Planning and Development) would report to the Financial Secretary, while the former could be recruited at a lower grade than the latter.

In any case, the Development Division should perform the following functions and could be structured as follows:

(1) Development Cooperation Department

The Development Cooperation Department (DCD) would be primarily responsible for coordinating external assistance. It could be divided into four sections (Multilateral/IFIs, Bilateral & South-South, UN/ NGO and Regional Integration) that follow all aspects of economic and development cooperation with external partners from resource mobilization over negotiation of and agreement on external funding flows to monitoring of disbursements. In addition, the DCD could be responsible for reviewing multilateral and bilateral agreements on economic cooperation with regard to their legal implications for Sierra Leone. A small legal unit could be established for this purpose.

The DCD should be responsible for the administration of foreign-aid projects and programmes and perform primarily a coordinating and facilitating function. Where diplomatic relations have already been established, the DCD should act as the main counterpart of development partners in administrative matters related to the provision of foreign assistance. It should receive development and funding proposals from line ministries and development partners and should be responsible for managing the administrative side of the project/ programme cycle from resource mobilization to completion, including monitoring of commitments and disbursements. In this regard, individual desk officers should be trained in the use of the Development Assistance Database and given responsibility for reviewing the data entered by their respective development partner counterpart, as well as for following up with the development partner to ensure that data is entered in a timely and accurate manner.

Depending on the nature of the external funding (ODA, foreign investment, etc) the DCD should work in close collaboration with the Ministry of Foreign Affairs, the Ministry of Trade and Industry and other concerned line ministries.

Key functions:

- Mobilization and negotiation of external assistance, in liaison with Ministry of Foreign Affairs and line ministries;
- Coordination and administration of external assistance, including monitoring of disbursements;
- Reviewing of memorandums of understandings and other multilateral and bilateral agreements on economic cooperation with regard to their legal implications;
- Liaise with Debt Management Unit on external assistance including loans and export credits.

(2) Research, Planning and M&E Department

The Research, Planning and M&E (RPME) Department could consist of an Economic Research and Statistics (ERS) section and a Planning and M&E (PME) section. The main function of the former should be to develop and manage macroeconomic policies. The ERS section should be based on the existing Economic Planning and Research Unit (EPRU), which should be strengthened through secondment of a Statistician from Statistics Sierra Leone (SSL). The PME section should consist of sector specialists that work in close collaboration with the proposed Strategic Planning and Policy Commission (see below for function) regarding the formulation of national development objectives, policies and strategic plans, as well as with line ministries and district council regarding the formulation of sector and district development plans. An M&E Unit within the PME section should be responsible for monitoring and evaluation of national development projects.

The RPME Department should support the Budget Bureau in preparing the capital budget.

Sector Specialists of the PME Section should participate in Sector/ Technical Working Group meetings, next to representatives from line ministries and development partners.

Key functions:

- Develop and manage macroeconomic policies;
- Support line ministries/ line departments in development of sector/ local development plans;
- Monitor and evaluate national development projects;
- Maintain Development Assistance Database and manage the data entry process in close collaboration with the donor desk officers;
- Monitor aid flows and prepare analytical reports, such as sector & donor profiles.

(3) Aid Effectiveness Unit

The Aid Effectiveness Unit (AEU) should perform some of the functions that were previously performed by DACO, such as acting as secretariat for DEPAC. In addition, the AEU should perform knowledge sharing functions and act as facilitator within the Development Division to ensure coherence between the sections of the DCD, in order to avoid gaps and overlaps between development assistance portfolios of individual

development partners. Further, the AEU should foster close collaboration between the DCD and the RPME Department, in order to ensure alignment of external assistance with development needs. Finally, the AEU should spearhead and monitor the implementation of the national aid effectiveness agenda, including implementation of Paris Declaration Survey, supporting formulation and monitoring of an Aid Effectiveness Action Plan to support the implementation of the aid policy, etc.

Key functions:

- Spearhead and monitor implementation of national aid effectiveness agenda;
- Foster knowledge sharing between units of the Development Cooperation Department, as well as between the Development Cooperation Department and the Research, Planning and M&E Department, in order to ensure policy coherence, as well as to avoid gaps and overlaps in development assistance;
- Perform secretariat functions for DEPAC and the proposed National Appraisal Committee.

(4) Assignment of Other Functions

Certain functions related to aid coordination and management should be performed outside of the MoFED. These functions include the strategic decision-making regarding the allocation of foreign assistance to different sectors and geographic locations. In this respect, it is suggested that a National Appraisal Committee be established under the Office of the President.

National Appraisal Committee

The National Appraisal Committee should meet bi-monthly (or quarterly) to review proposals for development projects and programmes submitted by line ministries or development partners. It could be decided that only proposals over a certain financial volume will have to be submitted to the National Appraisal Committee, while proposals for financially smaller projects would be reviewed and approved by the MoFED, in collaboration with other concerned government institutions.

Proposals for review by the National Appraisal Committee should be submitted through the Development Cooperation Department, which would undertake a pre-review of the proposal with regard to completeness of documentation and potential overlaps with other proposals. In cases where a proposal is submitted by a line ministry, the DCD would identify a suitable donor, if applicable. The Development Cooperation Department should be responsible for ensuring that the list of proposals submitted to a donor for funding, matches the priority areas and comparative advantages of the respective donor.

As Sector/ Technical Working Groups become more effective, it is expected that the majority of proposals submitted for approval will have been widely discussed and endorsed by the respective working group beforehand.

The Aid Effectiveness Unit should provide secretariat functions to the National Appraisal Committee.

Composition:

- Representative of Strategic Planning and Policy Commission
- Financial Secretary

- Permanent Secretary (Planning & Development)
- Representative of State Bank
- Director of Debt Management Unit
- Aid Effectiveness Unit (Secretariat)
- Relevant Section Officers of the DCD
- Relevant Sector Specialists
- Representatives from MoFAIC and relevant line ministries
- Representative of Chamber of Commerce (on demand)
- Experts from universities and institutes (on demand)

Key function:

- Assess project and programme proposals submitted by line ministries and development partners regarding, alignment with national development priorities, feasibility and sustainability.

In detail, the National Appraisal Committee would:

- Appraise projects proposed and endorsed by Pillar Working Groups;
- Ensure projects are in line with the National Development Plan (PRSP),
- Prioritize projects;
- Match donor and domestic funding to projects;
- Ensure that approved projects are within the overall fiscal envelope of the government and do not incur undesirable fiscal burdens;
- Make recommendations for project approval, taking into account the existing portfolio of donor-funded projects in Sierra Leone;
- Make recommendations for project approval to the Office of the President

3.1.5 Suggestions for Reforming the Existing Structure

As mentioned above, the suggestions for clustering certain functions are made with a view to increasing effectiveness and accountability. In this regard, the term section does not necessarily imply establishment of a separate organizational unit with a dedicated head. The main organizational unit for the Development Cooperation Department should be the development partner desk. Different desks could be clustered according to the partner type. Bigger clusters might justify the appointment of a section head. It should be noted that individual partner desks did exist in the former MoDEP, whereby individual officers were assigned responsibility for a particular (group of) development agency(ies). However, similar units within the former MoF did not follow the same principle, but worked with overlapping responsibilities, i.e. several officers were responsible for the same development agencies and functions. While this type of collective responsibility may appear to be more flexible, it undermines accountability and is counterproductive to fostering effectiveness and efficiency. Accountability requires clear assignment of responsibility for action. Hence, specific development agencies and the related functions outlined above should be assigned to individual officers. The re-organization of the Development Division within the MoFED should happen against the background of existing units.

In this regard, it is suggested that the Economic Affairs Division (EAD) be renamed the Multilateral & IFI Section. While EAD has in the past already performed functions related to the administration of assistance provided by multilateral agencies and international financial institutions, including monitoring of disbursements, it seems necessary to review and, if necessary, enhance its staffing and skill level to ensure the Section can perform wider *coordination* functions as outlined above.

While an NGO desk already exists within the MoFED, it seems necessary to enhance its capacities to ensure it can effectively coordinate and monitor the activities of at least the largest International NGOs, as well as those undertaken by various UN agencies. The suggested new unit, which would absorb staff and functions previously performed by the NGO desk and the UN desk, could be named UN/ NGO Section.

At the moment, it seems that there is no dedicated unit within MoFED that is responsible for coordinating and monitoring the activities of bilateral development agencies. Given the size of the contributions made by bilateral agencies in the form of financial and technical assistance, it seems critical to establish a dedicated Bilateral Section, which would be responsible for coordinating all bilateral assistance, including that provided by non-DAC donors under the umbrella of South-South Cooperation.

Currently, there is no dedicated unit in MoFED in charge of legal affairs. Given the fact that MoFED signs a large number of contracts and agreements on behalf of the GoSL, it seems critical to develop adequate legal capacity in the Ministry. In this regard it is suggested that a legal expert be seconded from the Office of the Attorney-General permanently into the MoFED.

DACO, which was established as a parallel structure, initially under the Office of the Vice President and now within the MoFED, should be dismantled, and its functions related to PRSP monitoring should be transferred to the Planning and M&E (PME) Section under the Research, Planning and M&E (RPME) Department. Functions related to facilitating collective dialogue and fostering aid effectiveness should be transferred to the new Aid Effectiveness Unit suggested above. Depending on the concrete functions performed in the past, the remaining DACO staff should be transferred to the appropriate sections proposed under the new organizational structure.

With regard to establishing the Research, Planning and M&E Department, the existing Economic Planning and Research Unit would form the core of the new Research and Statistics Section. Staffing and skill level would need to be reviewed with regard to the functions outlined above. It might be necessary to enhance statistical capacities, for example by seconding 1-2 statisticians from Statistics Sierra Leone into the Research and Statistics Section.

Currently, it seems there is no sufficiently staffed and equipped unit that could form the basis of the suggested Planning and M&E (PME) Section. As this section is meant to play a key role in supporting the preparation of the PRSP and in translating the PRSP in operational sector plans and district development plans, as well as in monitoring physical progress regarding the implementation of these plans, special emphasis should be given to strengthening its capacity by recruiting a number of highly qualified and experienced sector specialists, starting with priority sectors identified in PRSP-II.

It should be noted that the currently existing PIUs might impede a restructuring of the MoFED along more sensible functional lines. These PIUs do not only contain the majority of better skilled staff, but are also likely to consist of individuals with considerable influence based on strong informal networks and close relationships with senior politicians. Given their higher salaries, PIU staff will potentially feel threatened by the thought that their unit will be reorganized and might obstruct the process.

3.2 Collective Dialogue and Coordination Mechanisms

Looking at the heterogeneous development partner structure in Sierra Leone (presented in section 2.2), comprising of bilateral and multilateral agencies, DAC and non-DAC donors, few big and many small development agencies, and a considerable number of NGOs and CSOs, it is obvious that effective mechanisms for collective dialogue and coordination are required, in order to ensure synergies and prevent gaps and overlaps between the various foreign aid activities, as well as to reduce transaction costs.⁵⁵ Currently, the GoSL has to deal with a multitude of different funding and implementation mechanisms, as well as different reporting procedures due to the limited degree of alignment with government systems, as well as the limited extent of harmonization and insufficient coordination between development partners. This situation results in overburdening of already weak national capacities, exacerbated by the high number of missions 'descending' upon government institutions and competing for the scarce time of senior civil servants. This situation is further aggravated by the high number of ad hoc approaches practiced by many development partners.

Weak coordination at various levels has been identified as one of the major challenges for effective planning, allocation and management of foreign assistance. Regular strategic dialogue on development priorities and aid allocations between the government and its development partners is vital to improve coordination and foster alignment of foreign assistance. While the PRSP and emerging sector plans play a key role in outlining national development priorities, continuous dialogue between the government and its development partners is required, in order to reach a mutual understanding on how exactly each partner can best support national development efforts in a coordinated manner.

This section reviews existing mechanisms for collective dialogue and coordination in Sierra Leone and makes recommendations on how these could be strengthened.

3.2.1 Situation Analysis

Sierra Leone has the basic structure of a good formal machinery of dialogue (see Box 14 below). While specific elements, such as individual Sector Working Groups, seem to work well according to the view of some interviewees, the overall effectiveness of the collective dialogue and coordination mechanisms is limited. Essentially, existing dialogue forums have been unable to overcome the considerable lack of mutual trust between GoSL and its development partners. Furthermore, they have not been successful in improving coordination of foreign assistance with a view to increasing synergies through closer collaboration and reducing overlaps and fragmentation.

Collective dialogue mechanisms

The *Consultative Group* (CG) exists at the highest political level. This forum has taken place annually since 2005 and is effectively a place where donors review the progress made by the government during the previous year and make aid pledges for the coming year. The 2006 Consultative Group was held in Sierra Leone for the first time, having previously been held in London and Paris. Donors were allegedly very frank in expressing their concerns about government corruption at this meeting. The

⁵⁵ A recent mapping exercise by GTZ identified over 250 different aid organizations in one district.

government of Sierra Leone in turn “urged donors to make more efforts to be more transparent by supplying on a regular basis the required data on their activities, commitments and disbursements to facilitate effective planning, execution and monitoring of government programmes”.⁵⁶ The next CG meeting is scheduled to take place in London in November 2009. Overall, CG meetings have been important vehicles for high-level dialogue on strategic issues and for reaching agreements on the broader reconstruction and development agenda, including international funding contributions to support its implementation.⁵⁷ While CG meetings commonly are the place to agree on the broader cooperation framework, their practical relevance for the day-to-day collaboration between the various agencies on the ground is usually limited. Hence, CG meetings are more effective when they are linked to a functioning, government-driven dialogue and coordination mechanism in-country. In theory, Sierra Leone has the basic ingredients to promote such linkages. However, the currently low quality of country-level dialogue, which is partly caused by a lack of effective leadership, and the fact that development partners have a tendency to create ad hoc, short-term mechanisms to fast-track preparations for such high-level events, prevents the establishment and use of such linkages.

At the national level, the *Development Partnership Committee* (DEPAC) serves as a high-level forum for dialogue between GoSL and development partners involving Ministers and Heads of Agencies. CSOs and other stakeholders are invited based on the agenda under discussion. The DEPAC is meant to meet on a quarterly basis. However, before the last meeting in May 2009, the DEPAC had not met since a period of almost 2 years. The uncertainty within the course of the election and subsequent formation of a new government was stated as the main reason. The Development Assistance Coordination Office (DACO) is responsible for providing secretarial support to the DEPAC. Judging from the comments by different interviewees and the first-hand impressions made during the last DEPAC meeting, it seems that the quality of the dialogue needs to be enhanced considerably, in order to improve its contribution to coordination. The parties appeared to be paying lip service to each other, while avoiding topics that could be controversial. Participants tended to make individual statements, instead of engaging in a real discussion.

Below the level of DEPAC, collective dialogue and coordination mechanisms are organized around sectors or themes and geographic locations. Under PRSP-I, *Pillar Working Groups*, based on priority ‘pillars’ of the PRSP, were established. It is foreseen that PRSP-II will follow the same approach, although the corresponding groups have been renamed into ‘*Priority Working Groups*’. In both cases, some Pillar/Priority Working Groups actually cut across a number of different sectors, which required the establishment of ‘sub-groups’ per sector. With regard to the available minutes of meetings, it seems Pillar Working Groups were active until the end of 2006 and initially worked well. However, only few Sector Working Groups, primarily in those sectors with pro-active ministries, continued to meet beyond 2006. There is no evidence that Pillar or Sector Working Groups provided substantive inputs into DEPAC meetings. Further, according to interviewees, there has not been sufficient

⁵⁶ Consultative Group meeting for Sierra Leone, November 29-30, 2006, Communique.

⁵⁷ From a global perspective, CGs, while evolving from being largely pledging sessions, often tended to lack a strategic, forward-looking, results focus and sometimes degenerated into sessions where development partners were seen to be “ganging up” on the government. See: OECD (2005): A Review of Consultative Group and Round Table Processes to Promote Mutual Accountability and Scale Up Aid Delivery. OECD-DAC/ World Bank Meeting, Room Document 3, December 2005.

collective dialogue during the formulation of PRSP-II. As in most areas of the country, these pillar working groups were not very active in 2007 because of the elections, but also because relevant people were also very involved in the “Peace Building Fund”, a new UN-managed fund. This fund was meant to be a flexible mechanism for injecting money into the country as a means of filling gaps and promoting peace for a 12-month period, during and after the elections, which was identified as a particularly sensitive period. This fund has its own steering committee but it uses the PRSP sub-working groups to make the initial selection of project proposals. To avoid too much duplication, this arrangement was preferred over the original plan of setting up a special Technical Committee.⁵⁸

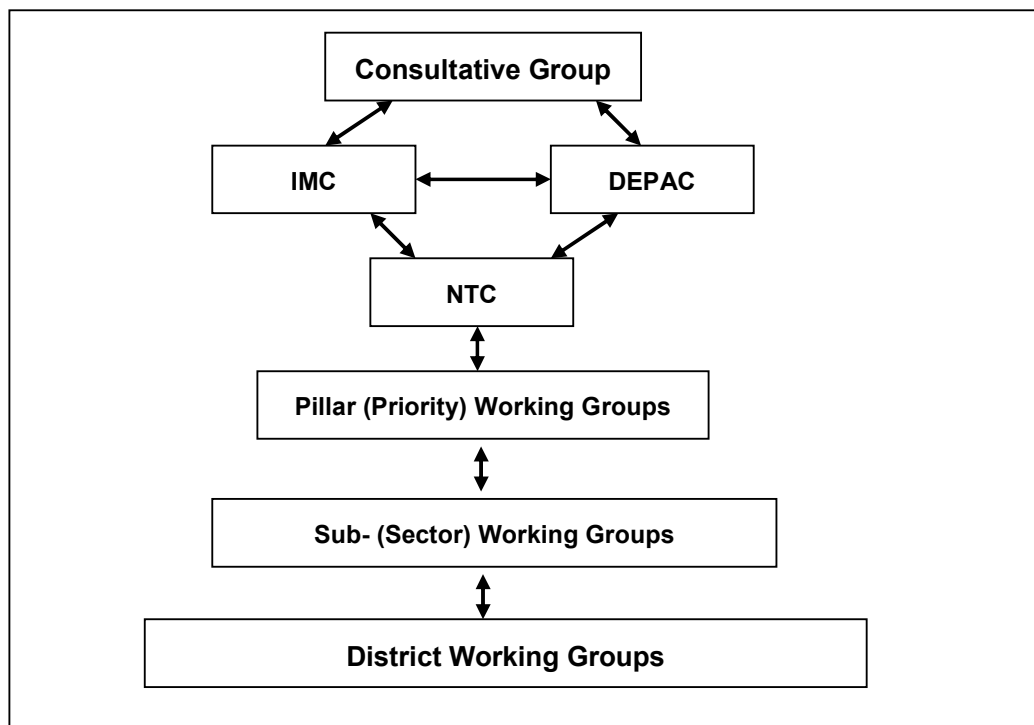
In addition, *District Working Groups* (DWG) were established to ensure the concerns of lower tiers of government were adequately taken into account. DWG were meant to meet monthly and comprised of representatives from the District Council, the Paramount Chiefs, key district sector representatives, CSOs, Statistics Sierra Leone and the Decentralization Secretariat. In the past, it seems that not all districts had functioning working groups as intended. Some DWGs had only just been constituted and some were meeting prior to the build-up to the elections but then ceased their activities. In addition to disruptions caused by the elections, reported problems include shortcomings in a number of areas including capacity, resources, independence, incentives and technical know-how. However, in some cases regular meetings took place and information collected at district level was fed into the Pillar Working Groups.

Inter-Ministerial Committee (IMC) and National Technical Committee (NTC)

An Inter-Ministerial Committee had been established under the Chairmanship of the previous Vice President. The committee comprises: the MoFED; Ministry of Education, Science and Technology; Ministry of Agriculture, Food Security and the Environment; Ministry of Health and Sanitation; Ministry of Works; and Ministry of Youths and Sports. The IMC was initially established to oversee the decentralization process. However, the mandate was expanded to cover the implementation and monitoring of the PRSP. Effective inter-ministerial coordination is a shortcoming in many developing and developed countries. This mission was unable to verify the current status of the IMC, but it is recommended that such a mechanism for effective coordination between ministries be revived or re-established, as the time of Cabinet members is usually in short supply.

The National Technical Committee (NTC) comprises of the technical heads of selected ministries, departments and agencies of government as well as representatives of civil society and NGOs involved in the implementation of the PRS. The NTC started meeting after the PRSP was finalized in April 2005. The primary mandate was to ensure that all relevant documentation for the November 2005 CG meeting was prepared and distributed in a timely manner. The NTC met fortnightly and eventually produced the Results Matrix and the Activity Matrix that were presented at the CG meeting. The committee also coordinated the preparatory activities for CG side meetings. The NTC was revived after the CG meeting but only met to discuss and endorse the reports produced by the PRSP Pillar Working Groups. It is unclear if the NTC is still active.

⁵⁸ EURODAD (2008). *Old habits die hard: Aid and accountability in Sierra Leone*, p. 13.

Box 14: Theoretical Framework for Government-Partner Dialogue

Source: EURODAD (2008), p. 14.

In addition to these mechanisms for dialogue and coordination between the GoSL and development partners, there are several isolated efforts by some groups of development partners to coordinate activities among themselves and foster harmonization of their procedures.

Coordination and harmonization among development partners

UNCT: Within the UN, which forms the largest development partner group by number of agencies, coordination is supposed to be ensured by the UN Country Team (UNCT). While UN heads of agencies meet weekly, it was mentioned during the interviews that programmatic issues were hardly ever discussed at these meetings, which tend to focus on administrative issues. Further, it was pointed out that there has been a lack of leadership for some time.⁵⁹ In contrast to the usual practice in other countries, UN agencies in Sierra Leone decided that the format of the United Nations Development Assistance Framework (UNDAF) is not suitable as common programme document for Sierra Leone. Instead, a ‘*Joint Vision for Sierra Leone of the United Nations’ Family*’ was formulated, which is intentionally written in response to the PRSP to foster alignment with national priorities, and outlines the ongoing and planned contributions of all UN agencies within four programmatic areas. The ‘Joint Vision’ also describes concrete efforts for harmonization and better coordination between UN agencies, among others, through a joint multi-donor trust fund, a joint strategic planning unit, joint regional field offices, as well as joint outreach initiatives and operational support services.

⁵⁹ The vacuum in UN leadership was only filled after the ERSG was confirmed as UN Resident Representative in January 2008.

MDBS Group: According to the 2008 Paris Declaration Survey, roughly 13% of ODA to Sierra Leone in 2007 was provided as budget support. The four donors that make use of this aid modality, AfDB, DFID, EC and WB, have formed a Multi Donor Budget Support (MDBS) Group, in order to coordinate and harmonize their activities. This collaboration resulted, for example, in joint missions and joint assessments using PEFA as a common framework.⁶⁰ Initially, all donors had different conditions and used a large number of different benchmarks, which have meanwhile been harmonized and reduced.⁶¹ Coordination and harmonization efforts among this donor group have been very effective and now even go beyond the budget support framework. For example, there are a number of joint programmes between the EC and DFID, as well as between WB, AfDB and DFID; the latter is in the area of decentralization. Further, the EC and DFID are working on harmonizing their implementation procedures, and AfDB and WB are in the process of developing a joint assistance strategy.

EU: The EU member states form another specific donor group in Sierra Leone, although smaller in number than in other countries. However, although certain arrangements for coordination and collaboration have already been institutionalized at HQ-level, corresponding efforts between the respective agencies at country-level have been limited in the past. At HQ-level, EU member states adopted an 'EU Code of Conduct on Complementarity and Division of Labor' in May 2007. The Code consists of eleven guiding principles and, among others, encourages EU member states:

- *To establish, in each priority sector, a lead donorship arrangement responsible for coordination between all the donors in the sector, with a view to reducing the transaction costs,*
- *To establish delegated cooperation/partnership arrangements through which a donor has the power to act on behalf of other donors concerning the administration of funds and dialogue with the partner government on the policy to be implemented in the sector concerned.*

As in other developing countries, the local representations of the EU member states in Sierra Leone have been rather slow in implementing the Code of Conduct. Recent related activities in Sierra Leone include a mapping exercise to document all development interventions funded and/or implemented by EU member states and the EC.

It is noticeable that coordination and harmonization efforts in Sierra Leone are currently rather isolated. For example, three different donor groups (EU, UN, IFI) have prepared separate joint programme documents. It is unlikely that these documents, as well as the preparation and the implementation of the corresponding programmes, are based on the same principles and mechanisms, which might make it difficult to combine them into a single harmonized document. While harmonization

⁶⁰ The public expenditure and financial accountability (PEFA) tool was developed through the collective efforts of several development partners towards assessing and developing critical public financial management (PFM) reform systems through the provision of a common pool of information to measure and monitor progress of PFM reforms.

⁶¹ Initially, the combined number of benchmarks amounted to 44, which was reduced to 31. While the harmonization and reduction of benchmarks is a laudable achievement, the number is still very high. It should be noted that the excessive number of policy conditionalities does not only impinge on national sovereignty, but also imposes large burdens on already over-stretched senior civil servants and contributes to the unpredictability and volatility of aid flows, with all its negative consequences on the implementation of the public investment programme.

efforts should in general be appreciated and encouraged, there is a potential risk in these isolated approaches by specific donor groups, as it might make GoSL's efforts to achieve broader harmonization based on its own preferences and priorities in future more difficult. Development agencies that go through long internal negotiation processes, resulting in trade-offs, agreements on terminology, programme areas, procedures, etc, might be unwilling to revise their compact. The result could be 'harmonized' blocks that act almost like cartels.

Although coordination and harmonization efforts between specific donor groups have been ongoing, it was repeatedly stated during interviews that there had been a lack of overarching leadership among development partners for long time, which could have brought the various efforts together under one umbrella. Also, an inclusive donor coordination forum is required to integrate also those development partners that primarily rely on purely bilateral arrangements or work entirely through NGOs. While initially no donor was willing to take the lead, it was also mentioned by donor representatives that not all agencies were initially ready to accept and follow the lead of others. This seems to reflect common challenges to better donor coordination: many bilateral donors pursue specific political interests, which they see at risk under a common leadership. Besides, there is the justified concern that stronger harmonization will reduce the visibility of individual agencies, which have to justify their tax-funded intervention abroad to constituencies at home. But without a certain amount of calculated risk, and without donors' willingness to move from individual attribution of aid efforts to contributions to collective efforts on outcomes, the lasting local capacities required for development will not emerge and the impact of development aid is likely to be short-lived.

Part of the problem is that there is a considerable disconnect between headquarters' policies and in-country practices of different development partners. Policy commitments made at the global level are not yet sufficiently translated into operational business procedures at the field level that would ensure organizations fully live up to the Paris Declaration principles. Another part of the problem has to do with the current incentive structure, which is based on the amount of programme funds spent. Instead of providing staff, especially at country level, with the necessary incentives to implement the Paris Declaration, the pressure to commit and disburse funds, the lack of flexibility on staff time and high staff turnover, etc. creates incentives that reward short-term outputs over long-term results and collective gains. Hence, development agencies are less inclined to spend time on coordination – especially not on a time-consuming leading role – because their staff is ultimately not judged by the time spent in meetings, but by the amount of programme funds spent. A better incentive structure is required.

More recently, the Executive Representative of the UN Secretary General (ERSG) has started to play a more proactive role in coordinating development partners. Together with the country director of the World Bank, the ERSG chairs a development partners meeting, which is meant to improve coordination, even in the absence of strong government leadership. This dialogue forum, which is attended by DAC and non-DAC donors alike, has the potential to become an effective tool for broader aid coordination in Sierra Leone. It seems crucial to allocate sufficient human capacity to ensure adequate logistical and administrative support for advance preparation, note taking and follow-up.

Coordination of NGOs and CSOs

There seems to be suspicion by the GoSL with regard to NGOs and a lack of trust between civil society organizations (CSOs) and the government. According to the NGO desk within the MoFED, 95 international and 199 local non-governmental organizations (NGOs) were registered in Sierra Leone in 2008. In addition to NGOs, a large number of CSOs is active in Sierra Leone.

In order to facilitate and better coordinate the activities of NGOs and CSOs in Sierra Leone, different associations have been established to provide a common platform. The Sierra Leone Association of Non-Governmental Organizations (SLANGO) is a consortium of local and international NGOs, whose primary role is to ensure cooperation among its members. SLANGO aims to ensure that NGO interventions in the national development process are effectively coordinated to avoid duplicity of efforts and achieve a sustainable impact on target beneficiaries. At the time this report was written, 51 NGOs were listed as member organizations on SLANGO's website.

In an attempt to facilitate CSO activities and to foster related dialogue and information sharing in the context of the national development and the decentralization process in Sierra Leone, a platform called 'ENCISS' (Enhancing the Interaction and Interface between Civil Society and the State to Improve Poor People's Lives) was established with support from development partners, primarily DFID.

According to the perceptions of people interviewed during the in-country mission, both platforms work fairly well. It was, however, pointed out that there have been certain frictions in the past. For example, ENCISS was accused of 'representing' CSOs during conferences, although it is only meant to function as a facilitating platform and not to speak on behalf of civil society.

Looking at its membership, it becomes clear that SLANGO is representing only a small portion of the entire NGO community active in Sierra Leone and its role was described as 'limited' by some interviewees who also pointed out that a more structured way to support SLANGO is required.

In addition to the two umbrella organizations mentioned above, NGOs tend to organize themselves around specific themes in order to foster collaboration. Examples are the Budget Advocacy Network, the Network Movement for Justice and Development and the National Accountability Group. In contrast, CSOs seem to lack a coherent strategy, and collaboration similar to that practiced among NGOs is less common. A weak funding base and general volatility of aid flows were stated as main reasons by interviewees. There seems to be some competition among CSOs for funding, which impedes broader collaboration and information sharing. One way to overcome the low predictability of institutional support to CSO would be to set up a joint fund. Similarly, a certain degree of 'unease' between national and international NGOs was mentioned during interviews. This observation was explained against the background that international NGOs tend to have a strong leverage over national NGOs, due to the fact that the former have far more funding on which the latter are depending.

In addition to these efforts by CSOs and NGOs to coordinate themselves, the GoSL attempts to coordinate and engage with them through the collective dialogue mechanisms mentioned above and through the NGO desk, which was formerly part of the Ministry of Development and Economic Planning and has been integrated in the

Ministry of Finance and Economic Development within the course of the merger. The NGO desk, which is currently understaffed, basically coordinates the mandatory registration process and the granting of tax and duty waivers. While NGO activities are to some extent monitored, the NGO desk does not perform any actual coordination role. It is estimated that roughly 30% of foreign development assistance is channeled through NGOs, which is a comparably large portion. The GoSL is concerned about the extent to which NGO assistance is aligned to national priorities and about the cost-effectiveness of such fragmented aid delivery. Further, there is concern about so called 'briefcase NGOs', which only register to obtain a duty waiver, but do not really have a development purpose. In order to address its concerns, the GoSL has drafted an NGO policy. While this mission was not provided with a copy of the draft policy, discussions with representatives from the NGO desk and others gave the impression that the policy, if implemented, will become an instrument of control, rather than of coordination. Instead of (only) intensifying requirements for registration and imposing other front-end controls, GoSL should outline concrete measures to integrate NGOs in the development process, including into existing mechanisms and procedures. For example, NGOs (beyond a certain funding threshold) should be asked to report on their activities through the Development Assistance Database. It is positive that the draft aid policy clearly states GoSL's recognition of the "crucial role that NGOs play in the development of the country". In this spirit, NGOs should be systematically included in existing dialogue and coordination mechanisms.

3.2.2 Recommendations for Strengthening Collective Dialogue and Coordination Mechanisms

This section makes conceptual- and operational-level recommendations on how existing collective dialogue and coordination mechanisms could be strengthened.

In principle, *Consultative Group* (CG), as well as national dialogue forums such as the DEPAC should be part of a country's annual process of monitoring PRS implementation, be in line with the country's budget cycle and sensitive to the role they may play in supporting or undermining domestic accountability.⁶² The last point is an issue that seems to require particular attention in Sierra Leone, given the high degree of aid dependency and the existence of numerous donor-funded parallel structures.

Crucial elements for enhanced collective dialogue and coordination forums at international and national level, i.e. Consultative Group and DEPAC are:

- A *country-level results matrix* that broadly encapsulates measurable growth and poverty reduction outcomes in the country and is based on the country's PRSP and contains a limited number of prioritized development outcomes and the actions needed to achieve them to be supplemented by a costing/needs assessment and a capacity assessment matrix;
- A *resource matrix* overlaid on the country results matrix that clearly identifies the activities and financial support that development partners are committing to and disbursing against, in each of the monitored areas. This should be accompanied by a review of partner country contribution (internal resources): (a) possible use of

⁶² See: OECD (2005): A Review of Consultative Group and Round Table Processes to Promote Mutual Accountability and Scale Up Aid Delivery. OECD-DAC/ World Bank Meeting, Room Document 3, December 2005.

- potentially available macro-economic and fiscal space (enlarging fiscal space), identifying the maximum amount of resources that can be raised both domestically and externally; (b) actual flows of disbursements vs. commitments and the national budget; (c) remaining resource needs to achieve set goals;
- A *mutual accountability framework* based on mutually agreed upon systematic country and donor performance assessments (benchmarks) with periodic assessments by *independent observers* (Tanzania and Mozambique provide good country examples), mutual accountability arrangements that meet domestic accountability requirements and identify donor accountability requirements;
 - A *joint strategy/framework implementation plan* to include resource requirements as well as a capacity assessment and capacity development plan⁶³ with defined indicators of progress and backed by allocated resources for this purpose (Zambia provides a good country example);
 - A *monitoring instrument* to monitor aid flows and predictability, provide data for policy purposes, identify additional resources needed to scale up results, identify the sequencing of financial and non-financial support to address absorptive constraints and/or further strengthen strategy formulation and implementation, ensure transparency and accountability of resource management;
 - *Linkage to country budgetary cycle and domestic accountability processes*,⁶⁴ especially in direct budget support (DBS) environments, to include active participation by representatives of the legislative branch, civil society and the media in the aid coordination meetings;
 - An *accompanying communication strategy* to ensure a broad involvement of all national stakeholders in the process (Tanzania provides a good country example).

Suggestions to improve collective dialogue at national level

Looking at the current functioning of CG and DEPAC in Sierra Leone, it seems that a stronger (re-)institutionalization of both mechanisms is required. This relates to the frequency with which the DEPAC meetings are held, as well as with regard to the resources allocated to preparing and following up on respective meetings. In order to serve as a real forum for dialogue that fosters coordination, it is crucial to share agendas and substantive background documents sufficiently in advance.

It is recommended to establish a stronger link between the Priority/ Sector Working Groups and the DEPAC meetings, as well as between DEPAC and CG. The Aid Effectiveness Unit, which should provide secretarial functions to the DEPAC (as suggested in section 3.1), should be responsible for monitoring Sector Working Group progress and facilitating the selection and packaging of key issues and recommendations identified by the Sector Working Groups for presentation to the DEPAC. Alternatively, a short report on progress against the work plans of individual

⁶³ Despite decades of investment by aid donors in capacity development – possibly as much as 25 percent of global ODA in recent years, or more than US\$15 billion a year – there has been very little results to show.

⁶⁴ In highly aid-dependant countries, where aid assistance accounts for 25-50 percent of total budgetary expenditures (or more) and an even higher percentage of public investments, it is self-evident that aligning donor assistance with the country's budgetary process is the "acid-test" for ceding ownership of the development process to the recipient country.

Sector Working Groups could be a standard agenda item for each DEPAC meeting. However, depending on the ultimate number of working groups, a selection of key discussion points emerging from the working groups through the Aid Effectiveness Unit might be more suitable.

It is strongly recommended to revive the DEPAC Task Force on (Donor) Harmonization and Aid Effectiveness that was established in the past. The Task Force should be assigned the primary responsibility to prepare a *Joint Aid Effectiveness Action Plan* (please refer to section 3.4 for details), as well as to facilitate and monitor its implementation.

Suggestions regarding the role and functioning of Technical Working Groups

Below the level of CG and DEPAC, collective dialogue and coordination mechanisms are usually organized around sectors or themes and geographic locations. In Sierra Leone, 'Pillar Working Groups' (now referred to as 'Priority Working Groups') based on 'pillars', i.e. priority areas of the PRSP were established for PRSP-I and are also foreseen for PRSP-II. In both cases, some Pillar/ Priority Working Groups actually cut across a number of different sectors, which required the set-up of 'sub-groups'. In addition, District Working Groups were established to ensure the concerns of lower levels of government are adequately taken into account.

In order to streamline structure and terminology, it is suggested that *Technical Working Groups* (TWG) be established (using that terminology). A TWG provides a forum for dialogue by bringing together GoSL Institutions and development partner representatives involved in a specific policy sector (e.g. health) or cross-cutting theme (e.g. employment creation). It is proposed that a limited number of joint TWGs be established around key sectors and themes, which reflect priorities identified in the PRSP. Such working groups would be chaired by the relevant line ministries, while a selected development partner would act as co-chair and play the role as 'lead facilitator' with regard to other development partners active in the sector. (Refer to Annex 13 for a detailed description of the suggested role and functioning of TWGs).

From MoFED's perspective, participation by AEU and Sector Specialist in TWGs will provide the ministry with a more complete picture of the overall foreign assistance provided to Sierra Leone. It will provide opportunities for re-defining resource mobilization strategies. Further, it will increase competition among development partners, which is expected to improve GoSL's bargaining position. Currently, MoFED is mainly dealing with development partners on a bilateral basis, which makes it difficult to assess an offer for assistance within a sector context, which is critical for the implementation of a holistic development strategy.

With regard to the establishment of TWGs, it will be critical to avoid putting too much emphasis on structures and procedures, which may detract the focus away from substantive matters. Individual groups need enough flexibility to define their terms of reference and work plans. Members of these technical working groups need to be at the appropriate level, which would usually involve technical experts.

The TWGs are intended as coordinating and supporting bodies and are not intended to substitute for or duplicate the functions of ministries and agencies. Line ministries retain primary responsibility for:

- The assessment of national needs in their sector;

- The development of policies designed to meet those needs in a quick, sustainable and cost effective manner;
- The management of ensuring programmes and projects that operationalize those policies.

TWGs provide a mechanism and process that can assist ministries in bringing together their partners to reinforce and support these functions, and help elaborate options for consideration and implementation by government. Below are listed a large number of potential roles that TWGs could play, and it is for the ministry and development partner members, led by the Chair, to decide which of these roles are appropriate in their particular TWG.

- *PRSP Linkages.* Identify PRSP strategies, priorities and indicators that fall within the remit of the TWG. Identify data sources that are relevant to monitoring progress in implementing the PRSP.
- *Sector/Thematic Diagnostic Work.* The TWG should agree whether progress in the sector or thematic area requires additional diagnostic work to be completed, or whether a sufficient body of analysis exists. If a development partner is willing to sponsor additional diagnostic work, it should be encouraged to share draft TORs and take comments. New diagnostic work should draw on existing studies and avoid repeating them.
- *Strategy.* Support the development of a medium term strategy to achieve the sector goals set out in the PRSP which can provide a common policy and programming framework for government and development partners.
 - In sectors or sub-sectors seeking progress towards sector wide approaches, identify the obstacles to progress, including at the level of policies, implementation, monitoring, laws and regulations, and agree on time-bound actions to overcome them.
 - Support the development of a costed, prioritized and sequenced medium-term expenditure framework (and public investment programmes to achieve sector and PRSP goals) which integrates domestic and foreign resources. Assess and seek to reinforce the linkages between plan, budget allocation and budget outturn.
 - Assist the government in identifying funding gaps and achieving effective resource mobilization to meet those gaps.
- *Aid Tracking.* In advance of meetings, TWGs could circulate tables from the DAD summarizing existing funding commitments and, where possible, pipeline projects and programmes, and take responsibility for updating and correcting the database. The use of DAD-data for evidenced-based dialogue should become a common feature of TWG meetings, with the aim to minimize overlaps and gaps in externally financed projects and programmes.
- *Implementation of Joint Aid Effectiveness Action Plan.* Given that progress on aligning development assistance with country priorities and systems takes place primarily at the sector level, TWGs can identify the implications of the Action Plan for that sector and assist the responsible line ministries in defining actions, responsibilities and timeframes in order to achieve the Action Plan targets. Further, TWG could monitor annual progress in implementing the Action Plan at sector level.

- *Support to Capacity Development Framework.* The TWGs could support ministries to develop a Capacity Development Framework that identifies and prioritizes the capacity development measures required to achieve sector objectives, identifies ongoing capacity development programmes, and outlines a coordinated programme for capacity development that is prioritized and sequenced. This may include a detailed mapping of the roles and responsibilities of different departments.
- *Progress Monitoring.* Assess available mechanisms for monitoring progress in implementing the sector strategy and monitoring the performance of the investment portfolio and taking account of this information through mid-term corrections. If necessary, recommend actions for improvement and support their implementation. Facilitate reporting to central coordinating agency, i.e. MoFED.
- *Ensure Cooperation Across Sectors and Themes.* Promote linkages across sectors and themes. Identify where linkages and collaboration or complementary services are required between ministries and across TWGs, taking account of government inputs and those of development partners. Identify the implications for policy, legislation, regulation and investments within the sector in order to achieve the gender, environment, human rights and other cross-cutting objectives set out in the PRSP.
- *Linkages with CG and DEPAC Meetings:* TWGs workplan should ensure that the TWGs have an agreed substantive “product” to contribute to CG and DEPAC meetings that will support substantive debate and progress.
- *Information Sharing:* Promote the effective sharing of information between and within government and between government and development partners and among development partners. Seek to achieve this through circulating written information in advance of TWG, through the website, through the Development Assistance Database and through short “show and tell” verbal presentations.

Suggestions to enhance the effectiveness of Technical Working Groups

Listed below are a number of concrete actionable recommendations that are meant to improve the effectiveness of existing (and new) working groups.

- *Clarification of purpose:* each TWG should have clear terms of references defining its role and functioning (see Annex 13 for suggestions) and a results-oriented work plan. It is critical to avoid a too heavy emphasis on structures and procedures, which have proven to distract the focus away from substantive matters.
- *Clear chairing arrangements:* the term Chair should be reserved for the ministry chair of TWGs, with the term Co-Chair used for development partners. The roles of both should be clarified in improved ToRs for each TWG, which have true ownership by the relevant ministries;
- *Advance preparation,* TWG should prepare work plans and agendas indicating topics for several meetings ahead;
- *Action-oriented minutes* with a clear format listing issues, progress, agreed action points, timelines and who is responsible should be prepared after each meeting. Progress against actions points agreed during the previous meeting should be reviewed at the beginning of each meeting;
- *TWG Website:* Consideration should be given to establishing simple websites for each TWG, either on the Chair ministry's home page or as part of the DEPAC

website. Currently, there is no single site which would alert government and development partners when the next working group meeting is scheduled and would provide easy access to agendas, minutes and other relevant documentation. Maintaining and harnessing the institutional memory of working groups is a serious challenge given the stickiness of information (it stays in people's head and leaves with them) and the relatively rapid turnover of staff. In this context, it is further recommended that a *mission calendar* be established at a central website. Mission plans of individual development partners should be discussed during TWG meetings, with the aim of identifying opportunities for reducing and combining missions.

3.3 Aid Information Management System

This section reviews the existing arrangements for tracking foreign aid flows to Sierra Leone and makes recommendations on how to improve them. The assessment and recommendations are made against the background of relevant lessons learned in other countries that have established similar Aid Information Management Systems (AIMS) and related procedures.⁶⁵

3.3.1 Situation Analysis

In 2005, a LAN-based Development Assistance Database (DAD) was established in the Development Assistance Coordination Office (DACO), which at the time was reporting to the Vice President's Office. DAD tracks project-level information on results and funding flows (commitments and disbursements) by donor, implementer, sector and location. DAD is an off-the-shelf aid tracking tool, developed by a US-based IT firm. The system had already been used in other countries, e.g. Afghanistan, before it was established in Sierra Leone.

The DAD was used to track foreign assistance, whereby DACO collected data through an Excel spreadsheet and entered it directly in the system. Within a few months, however, it became apparent that hosting the database locally was impossible, due to the insufficient IT environment. The option to host the system elsewhere was considered, but not pursued due to lack of funding. Ultimately, the system was abandoned and the server shut down.

As soon as new funding became available through the multi-donor funded project "Support to the Development Assistance Coordination Office", DAD was revived. In 2007, a web-based version of DAD was installed, whereby the system was hosted on servers located within the premises of the system developer in the US. The web-based version allows development partners to enter data directly into the system, thereby avoiding a parallel paper-based process. However, due to the limited internet connectivity in Sierra Leone, development partners experienced technical problems entering the data and complained about the slow speed of the system. A solution to this issue was found through the deployment of an offline data entry module.

While DACO organized several training sessions, the system was never officially launched and data entry happened basically on a voluntary basis. Standard Operating Procedures that would define roles and responsibilities regarding data entry and validation did not exist until May 2009. DACO experienced difficulties in getting

⁶⁵ For international lessons learned in aid tracking see: Agustina, CD (2007). *Tracking the Money: International Experience with Financial Information Systems and Databases for Reconstruction*. Nadoll, Jorg (2006). *Lessons learned from establishing aid information management systems to support nationally-led aid coordination*, Discussion Paper. Nadoll, Jorg; Accascina, Gabriel; Cox, Aidan; Silovic, Dasa; Hammond; Brian Petras; Rudolphe (2006). *Role of Aid Information Management Systems in Implementing the Paris Declaration on Aid Effectiveness at the Country Level*. OECD DAC Working Party on Aid Effectiveness. Room Document 6, July 2006. Amin, Samia; Cox, Marcus; Goldstein, Markus (2008). *Using Data against Disasters: Overview and Synthesis of Lessons Learned*. In: Amin, Samia; Goldstein, Markus (ed.), *Data Against Natural Disasters. Establish Effective Systems for Relief, Recovery, and Reconstruction*, World Bank, Washington, DC., pp. 1-22. McKeon, Jock (2008). *World Bank: Tracking Reconstruction Funds in Indonesia after the 2004 Earthquake and Tsunami*. In: Amin, Samia; Goldstein, Markus (ed.), *Data Against Natural Disasters. Establish Effective Systems for Relief, Recovery, and Reconstruction*, World Bank, Washington, DC, pp. 143-183.

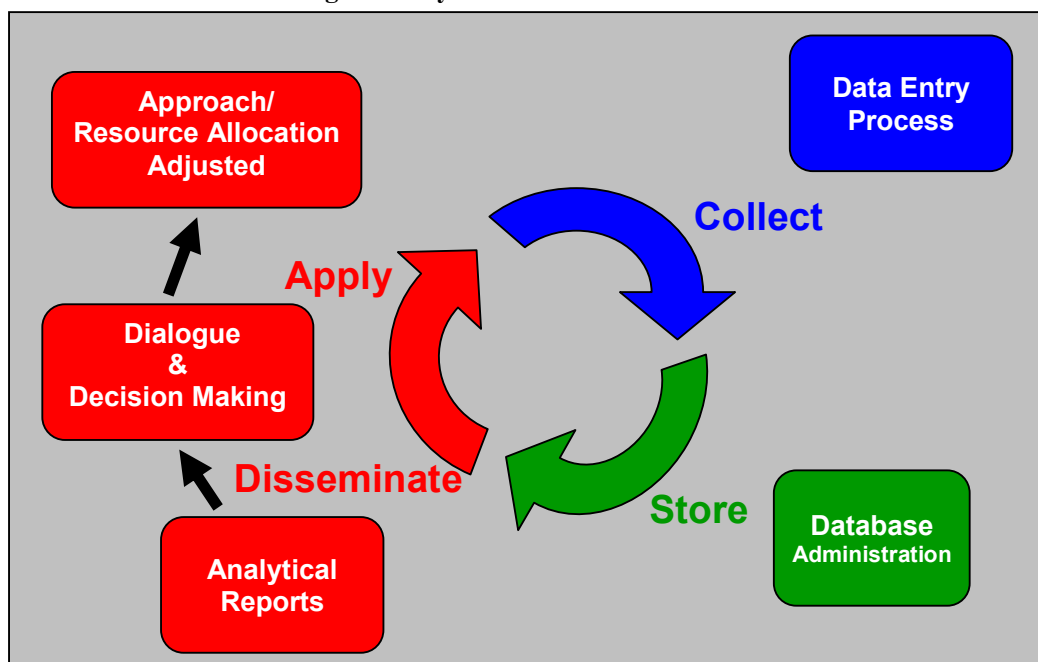
complete and sufficiently disaggregated data from the development partners in time, which affected its capability to produce analytical reports. To date, DACO has formulated three annual Development Assistance Reports for 2004/05, 2006 and 2007. These reports are primarily descriptive and indicate aggregated disbursements by donor and sector. One reason for the comparably low data quality is that the Data Entry Focal Persons assigned by the development partners are often administrative staff that do not have sufficient understanding of the programmatic side of the projects they are entering into the system.

Interviews with development partners revealed a general lack of understanding of the underlying concept and system logic of DAD among data providers, as well as uncertainty regarding key definitions, such as 'commitment' and 'disbursement'. Further, some partners expressed frustration about the fact that they receive requests for the same kind of data from different government institutions.

3.3.2 Establishing and Managing an Aid Tracking Tool

Aid tracking is primarily an information management task and requires sound process management. In order to be of benefit to an institution and effectively support its objectives, any information management system has to be an integral part of an information management cycle, comprising data *collection*, data *storage / processing* and *application* of the information gained through the analysis. Refer to Box 15 (below) for an illustration of the information management cycle.

Box 15: Information Management Cycle



The information management cycle is based on the premise that information is collected, stored and processed, in order to support the preparation of analyses that can inform decision-making and ultimately lead to potential changes in the behavior of or approach taken by an institution, in order to ensure that a defined objective is achieved. Consequently, an AIMS like the Development Assistance Database is just a

tool and data collection just a means to an end. Information on foreign aid flows is collected as a basis for analysis that can inform dialogue with development partners, in order to influence decisions regarding future aid allocations, based on identified gaps and overlaps.

Analyzing an IT tool against the background of the specific information management cycle that the system is meant to support, highlights an important fact: effective information management requires two components: system (IT) and process (guidelines & people). Past experiences show that too much emphasis is often placed on the system, which is sometimes regarded as a 'magical box' that will solve all problems by itself. An IT tool on its own will add little value, if it is not built on existing business procedures and maintained by dedicated people that manage the process designed to link the tool to organizational objectives.

Looking at the key elements of the information management cycle, it can be deduced that three core functions have to be fulfilled, in order to ensure that an AIMS is functioning effectively as a tool to support decision making. These functions are:

- (1) *Data collection & entry*
- (2) *System maintenance*
- (3) *Data analysis & dissemination*

Before establishing an IT tool, it is important to assess/ map the business procedures it is meant to support, as well as to identify the related information needs, i.e. the type of reports required. Ideally, the following questions should be answered before an AIMS is designed and established:

- What kind of information is required?
- What types of reports need to be generated?
- What kind of data needs to be collected frequently?
- Who collects, enters and analyzes the data?
- How and by whom is data quality controlled?
- How is information disseminated?
- How is the use of information facilitated?
- Which features and characteristics should the system have, in order to best respond to the reporting requirements and function effectively in the given environment?
- Where will the system be hosted, and who will own and operate it?

Adequate structures, mechanisms and procedures have to be put in place to ensure that the three functions mentioned above are being performed. These include standard operating procedures (SOP), which define the data entry process, as well as related roles and responsibilities. Further, a data entry user manual, including a glossary that defines critical terms, has to be developed, on which basis data providers have to be adequately trained. Software and hardware have to be compatible and suitable for the existing IT environment. IT staff need to be trained in using software and hardware effectively, and in fixing potential technical problems. Mechanisms have to be put in place to ensure frequent data quality control, as well as regular generation and dissemination of standard and tailored reports. The latter should be part of a wider communication & dissemination strategy, which ensures that analyses of data captured in the system are strategically linked to collective dialogue mechanisms (e.g.

sectoral or thematic working groups), as well as to decision-making processes regarding the allocation of domestic resources, essentially the domestic budget process.

Challenges in establishing an AIMS may arise if business procedures are not functioning properly, not followed or not well documented. Experiences suggest that it is difficult to use an IT tool as a catalyst for the development and institutionalization of business procedures, which should not be defined by IT requirements, but by the organizational objective.

Any IT system requires dedicated and well-trained people to operate and maintain it. In addition to related IT skills, it has to be ensured that the host institution has sufficient outreach capacity to gather the necessary data, as well as analytical, writing, packaging and presentation skills, in order to facilitate the manipulation and actual use of the data, as well as its transfer into information that is helpful for decision-makers. It is critical to avoid a one-dimensional focus on IT and IT skills. While the respective team needs to have the appropriate skills to maintain the system technically, it is more important that the team has the capacity to use the system substantially, which requires analytical and packaging skills, as well as knowledge in resource management, donor relations, aid coordination and development concepts. A common mistake is to place an AIMS in an IT department under the responsibility of a Database Manager, supported by a team of Data Collectors or Data Entry Operators. Information Management Systems need to be under the responsibility of thematic experts that know what data is required and how it can be analyzed and used to inform decision making.

It is critical to anchor an AIMS in an appropriate institutional context where it is supported by relevant and effective operating procedures, agreed terminology, and where people are trained to maintain and use it. The system should have a clear institutional owner that has the authority to issue system guidelines and impose system rules and procedures on national and international actors, as well as adequate capacity to operate the system and analyze the data. In order to increase the chances for sustainability, an AIMS should be linked to established mechanisms and business procedures for resource mobilization and collective dialogue (e.g. consultative groups, sector working groups), as well as for budget preparation and execution. Hence, an AIMS is usually best placed within the Ministry of Finance, which has the most comprehensive mandate on aid coordination & management and a genuine role in gathering respective data. However, it has to be ensured that other ministries have full access to the system and data, in order to avoid duplication of systems and multiple requests to development partners for the same data.

Collecting data from different stakeholders can be cumbersome. It is critical that data providers get something back, in order to have an incentive and see the benefits of their efforts. Hence, the regular preparation and dissemination of meaningful information products based on the totality of the data captured in the system constitutes an important incentive for data providers, which would otherwise only see their own part, but not the full picture. The frequent preparation and dissemination of analytical reports based on the data entered by various actors reinforces the information management cycle and helps to keep it alive. Further, it has proven to be helpful, if the national government makes data provision a legal requirement or links it to the approval of proposed projects. The effect of this measure can be aggravated through the regular publication of technical reports that indicate the data quality and

that will identify agencies that have recently updated their data and agencies that have not. In this regard, the DAD team in Sri Lanka has made positive experiences with an innovative data quality score card system. In Indonesia, the authorities linked the granting and extension of visas to provision and updating of data by the visa requesting agency.

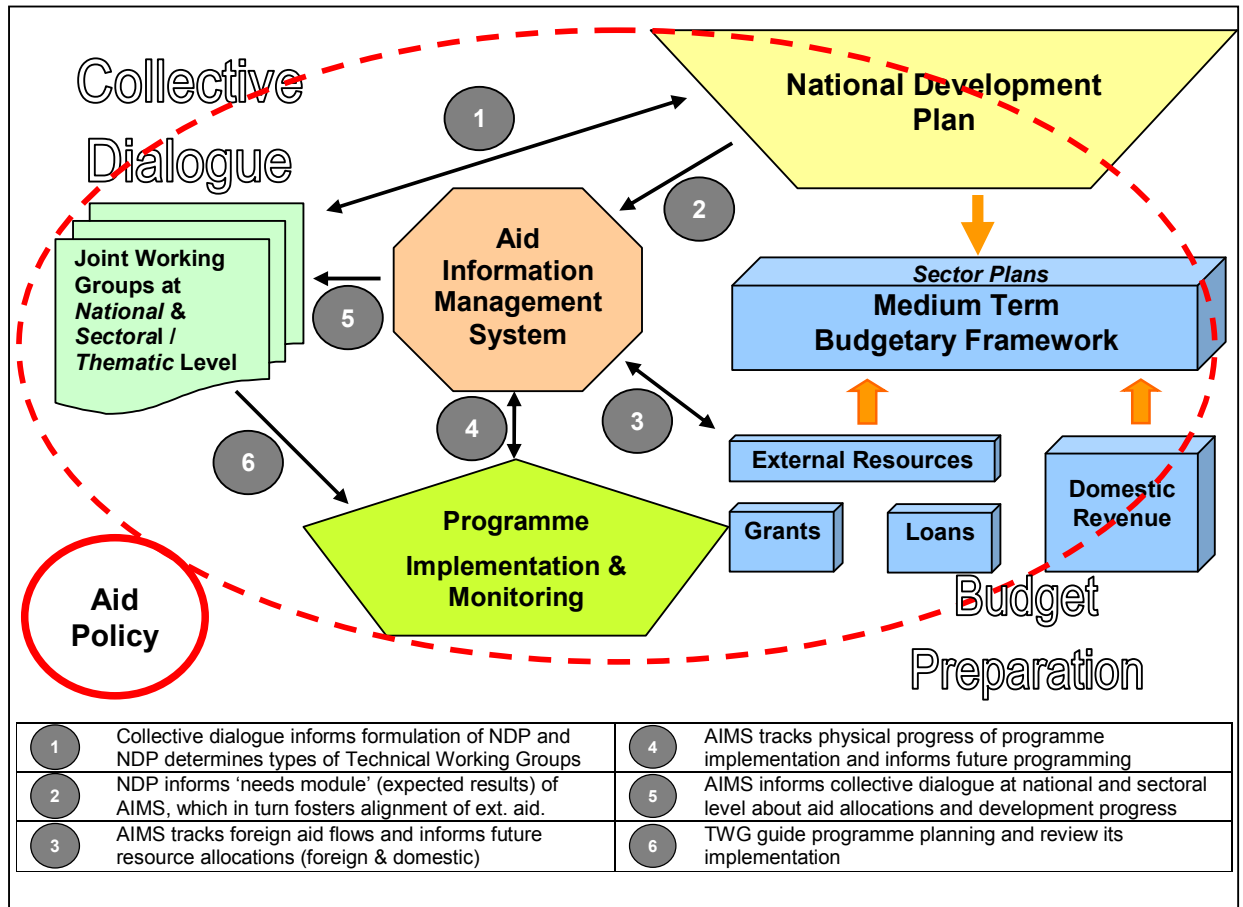
An Aid Information Management System needs to be established as an integral part of the national aid coordination architecture. Ultimately, the main purpose of an AIMS is to support the effective allocation and coordination, as well as transparent and accountable use of foreign assistance in line with national development priorities and respective domestic budget allocations. Consequently, an AIMS should allow tracking of funding flows against the background of the national development plan. Further, it should be linked to the Financial Information Management System used to prepare the domestic budget and to monitor its execution, in order to promote complementarity of domestic and foreign funding in support of the same objectives. In order to foster alignment of external assistance with national priorities, policies, plans and procedures, dialogue mechanisms should be established at national, as well as at sectoral and thematic levels. If such dialogue mechanisms exist, it is important that the AIMS is established as tool to support and inform these mechanisms by providing regular reports showing progress, gaps, overlaps or bottlenecks concerning the shared development agenda and related mutual agreements. Working Groups, in turn, guide programming and review programme implementation. An aid policy that outlines the preferences of a national government regarding the types of assistance, the financial terms, the aid instruments, etc, as well as other general rules regarding the provision of foreign assistance and thereby defines the national aid architecture should also determine the role of the AIMS within this architecture and the respective responsibilities of government and development partners. (Refer to Box 16 for a graphical illustration).

Based on the above discussion, an *AIMS Operationalization Matrix* was developed, which is presented in Annex 14. The matrix indicates the core functions and outlines the corresponding structures, mechanism and procedures that need to be put in place, as well as the corresponding capacities that need to be developed, in order to ensure that the three functions can be performed and an AIMS becomes, thus, operational.

An AIMS is considered to be operational if:

- *System is technically functioning* (easily accessible, smooth navigation through data entry screens, smooth report generation, no calculation errors, no technical bugs);
- *System contains data of sufficient quality* (timeliness, completeness, level of disaggregation, degree of double-counting);
- *Data is regularly analyzed and used to prepare information products.*

Box 16: AIMS as an Integral Part of the National Aid Coordination Architecture



3.3.3 Recommendations for Improving Aid Tracking in Sierra Leone

Based on a comprehensive review of DAD Sierra Leone, as well as of the process established to manage and maintain it, against the background of the matrix introduced above, the following recommendations can be made:

- (1) **Institutionalize the data entry process.** Statements made by various development partners during the interviews indicate that the data entry process has not been sufficiently institutionalized. DAD is not yet an integral part of the wider aid coordination architecture and does not effectively function as a tool to inform evidence-based dialogue. There is a perception among many development partners that DAD is not functioning properly.

While the system itself is de-facto functioning, navigating between different pages is very cumbersome due to the limited internet connectivity in Sierra Leone. The system performs well if accessed from outside of Sierra Leone. It seems that negative perceptions, as well as connectivity challenges could be addressed through better process management, by a dedicated and pro-active team with a high degree of client-orientation. In this regard, the following actions should be taken:

- *Review the Standard Operating Procedures (SOP).* The SOP should clearly indicate the dates at which the focal persons should enter/ update the data. A list of focal persons should be shared with all development partners to facilitate data entry in case of co-funded projects. In order to avoid double-counting and ensure data integrity, only 'donors' should enter and update project – not implementers. Every 'funding agency' should only report on its own (core) resources. The SOP and data entry manual should clearly state a help desk (e-mail and phone number) for user support as well as fixed dates for regular training sessions.
- *Prepare a more user-friendly data entry manual* that includes definitions for each field and guides users step-by-step through the data entry module. Data entry manuals, SOP and offline data entry module should be made available through the DAD website itself.
- *Proactive outreach through donor desks.* The individual donor desks (mentioned in section 3.1.4) should primarily be responsible for following up with their respective counterparts on issues related to entering and updating data in DAD, as part of their liaison and coordination functions. Especially non-DAC donors should be encouraged to enter data on their assistance.
- *Promote use of offline data entry module.* Not all development partners seem to be aware of the offline module, which seems to be critical to enhance the user-friendliness of DAD. The unit responsible for managing the DAD-related processes should pro-actively approach development partners to rollout the offline module among all partners.
- *Prepare data quality reports.* In order to quickly identify (and name) partners, whose data is incomplete, it is recommended to regularly prepare and publish 'data quality reports'.
- *Agree to report on 'programmable aid'.* GoSL seems to be concerned about the mismatch between the amounts reported in DAD and the amounts actually spent on goods and services. The reason for the

mismatch seems to be overheads or programme support costs that are charged to fund overall operating expenditures, locally and at headquarter level. Including these amounts in the commitment figures inflates the aid budget. It is therefore suggested to agree to report only on 'programmable aid'.

- *Conduct a user satisfaction survey*, in order to get a better sense of current problems, constraints and expectations of the different stakeholders, including MoFED, line ministries and development partners. The results could be shared during a workshop for data entry focal persons.
- (2) **Align data entry process with budget cycle.** Under-estimating the burden related to data collection and data entry is a common mistake. Being at times challenged by requests for information on foreign assistance from senior government officials, e.g. in the President's Office, ministries hosting an AIMS would prefer if the development partners update the data almost daily. In reality, evidence-based decisions on aid allocations are not taken on a daily basis and often not even on a monthly basis. In this respect, it seems sufficient if data is updated quarterly or even half-yearly. Less burdensome reporting requirements are more likely to ensure the continuous buy-in and support from data providers. In order to institutionalize a data entry process, it should be aligned to other established government processes, such as the budget cycle. In this regard, information could be requested twice a year, to inform the budget preparation and to allow annual reporting.
- (3) **Prepare tailored, demand-driven analytical products.** It seems that many development partners do not generate DAD reports by themselves. Hence, it is difficult for them to see the added value of entering data into the system. It is therefore critical that the unit responsible for managing DAD pro-actively prepares and disseminates reports that respond to the needs of data providers, in order to give them an incentive for entering data. Currently, DAD has only been used to prepare rather descriptive annual reports on foreign assistance. In order to actually use DAD as a tool to inform collective dialogue and decision-making, it seems critical to frequently prepare and disseminate high-quality analytical products that respond to information needs of various stakeholders, such as succinct partner, district and sector profiles (refer to Annex 15 for a sample sector profile), or fragmentation analyses that could form the basis for evidence-based dialogue on division of labor and other issues. Line ministries should be recognized as an important 'client' for such reporting and analytical services.
- (4) **Link data analysis to Priority and Sector Working Group discussions.** In order to promote evidence-based collective dialogue, DAD reports need to be systematically shared with and reviewed by Priority and Sector Working Groups, as well as by district councils. DAD reports on the respective Priority area/ sector could be posted on the P/ SWG website. Together with improving the 'product line', a *communication and dissemination strategy* should be developed. Apart from publishing reports on the current DACO websites, report packages could be distributed on a CD. Further, it is possible to link DAD to a web-portal through which links to 'live' DAD reports can be generated. These links to tailored reports, that are newly generated each time somebody clicks on

the hyperlink, can be posted on websites of line ministries or Sector Working Groups.

- (5) **Train local IT staff in DAD software.** Currently, the GoSL has to rely on the US-based software developer for technical support, which significantly contributes to the maintenance costs. In other countries that use DAD, the developer has provided training in the DAD software to local IT staff (from the hosting ministry and/or a selected local IT firm). A three-week training enables local staff to make changes to the system, such as adding a filter or data entry field, independently. Further, local staff is better equipped to handle potential technical problems. This option should in particular be considered once the DAD servers are relocated to Freetown, which is likely to increase national ownership of the system.
- (6) **Consider limited system enhancements.** In principle, it is critical to keep the scope of the AIMS small and simple. The decisive question is: what information is essential to inform decision-making in the given political and institutional environment. In this regard, the level of disaggregation is a key strategic choice. In principle, greater disaggregation supports more accurate analysis. However, it also increases the burden of data collection and entry. There is an obvious trade-off among data quality, cost in time and money, and system responsiveness. It is often possible to optimize two of these elements in negotiating this trade-off, but not all three. With this note of caution in mind, it is suggested to consider the following system enhancements (listed in order of perceived importance):
 - *Consider adding multi-year commitment breakdown.* At the moment, commitments are entered on an aggregated basis for a number of years, usually for the project duration. In order to assess in-year predictability by calculating the disbursement ratio, it would be required to break down the total committed amount into yearly allocations, i.e. the annual total budget figure. Related enhancements have already been made to other DAD system, in the past, e.g. in Pakistan. It is recommended that this feature be added to the DAD Sierra Leone, as it helps to assess how much external funding can be expected in a specific year, which gives a better idea of resource mobilization needs. Further, it would inform policy dialogue on aid predictability throughout the programme cycle. At the moment, DAD Sierra Leone contains a similar breakdown for 'project costs'. However, actual commitments are sometimes different from project costs. It is recommended to base system calculations on commitments, instead of on project costs. In addition, the yearly commitment breakdown could be combined with a planned disbursement schedule, whereby the user would be asked to indicate in which quarter(s) disbursements related to the yearly commitment allocations are foreseen to be made.
 - *Allow entry of disbursements only up to ALLOCATED committed amount.* In some cases, data providers do not allocate the entire committed amount to specific sectors and geographic locations. The unallocated amount of funding is then shown as 'unspecified' in respective reports. While it might be possible that a donor is not fully aware of the allocation details at the time of making the commitment, one can assume that disbursements are only made for interventions targeting a specific sector and location. In this regard, it should be ensured that disbursements can only be entered up

to the allocated committed amount. If a data provider tries to enter a disbursement that exceeds the allocated committed amount, the system could request him to change the respective commitment allocation first. If expenditure tracking is added (see below) the same logic should apply, i.e. expenditures can only be entered up to the disbursed amount. It has to be ensured that 'unspecified' is not treated by the system in the same way as a sector or location. Hence, while commitments can be made to unspecified sectors and locations, disbursements (and expenditures) cannot.

- *Consider changing 'modality' into 'type of assistance' and 'assistance type' into 'funding type'.* Currently, the data entry module contains a field named 'modality' which gives the user the following options to choose from:
 - Grant – General Budget Support
 - Grant – Project Support / Financial
 - Grant – Project Support / In-Kind
 - Loan – General Budget Support
 - Loan – Project Support / Financial

Further, the data entry module contains a field named 'assistance type' which gives the user the option to choose between 'grant' and 'loan'. This solution seems to be redundant and incomplete at the same time.

It is suggested to rename 'modality' into 'type of assistance' and give the user the option to choose between:

- Emergency and Relief Assistance
- Food Aid
- Programme/Budgetary Aid or Balance of Payments Support
- Free-Standing Technical Cooperation
- Investment Project
- Investment Project with Technical Cooperation Component

It is suggested to rename 'assistance type' into 'funding type' and allow the user to choose between 'grant' and 'loan'.

- *Consider adding expenditure tracking.* The system currently tracks only commitments and disbursements, which reflect funding flows from donor to implementer. While the comparison of disbursements with commitments is sufficient to analyze overall resource allocation patterns and useful to assess donor behavior, it does not allow any further analysis regarding the actual use of funds. In many cases, a third agency (second-level implementer) is ultimately responsible for delivering the goods and services defined in the project document. In order to assess transaction related delays and bottlenecks, it is useful to track the second disbursement, i.e. from the implementing agency to the executing agency, which could be referred to as 'expenditure'. While this would provide a better picture as to when donor funding actually 'reaches the ground', it should be kept in mind that there might be more than two levels of transactions (i.e. 1st from donor to first-level implementer, 2nd from first-level implementer to second-level implementer, etc). Besides, in order to track 'actual expenditure', i.e. funds directly spent on the provision of goods and services, one would need to record the 'spending' of the actual

executing unit, which might be the second-level implementer or another agency further down the transaction chain.

With regard to the majority of project arrangements, it seems that adding a third layer would still be useful, as number of donors seem to disburse funds directly to an executing agency. Hence, recording 'expenditure' would reflect the actual spending of the executing agency.

- *Consider adding Paris Declaration Indicators.* DAD's contribution to improving aid effectiveness can be further enhanced by adding a Paris Declaration Indicator module. (See Annex 16 for an example.) In DAD Pakistan, the donor questionnaire from the Paris Declaration Monitoring Survey has been translated into a separate data entry screen, which, combined with the other information recorded in the system, allows a more comprehensive analysis of foreign assistance provided to the country, which can inform evidence-based dialogue on harmonization, alignment and mutual accountability, in line with international commitments. (*Note:* The data entry screen will expand to enable recording more detailed information for Indicator 5a – 9, in line with the PD survey, in case a user ticks 'yes').

In case the responsible government authorities feel that adding all Paris Declaration Indicators in the way shown below involves too much work, simply tracking (joint) missions and analytical work should be considered, either within DAD or outside. If only missions/ analytical work are supposed to be recorded, it is recommended this is done through a separate website, i.e. outside of DAD, as it can be argued that not all missions (or analytical work) are directly linked to a particular ongoing project.

3.4 Regulatory Framework for Foreign Assistance

In recent years, many aid receiving countries have formulated some sort of regulatory framework that defines the countries' preferences regarding the provision of foreign assistance (type, volume, modality), as well as corresponding roles and responsibilities of government institutions and development partners in the aid process.⁶⁶ (A review of different types of regulatory frameworks, i.e. law, policy, and joint assistance strategy, is presented in Annex 17).

Given the comparably high ratio of foreign aid to domestic budget and the significant role of foreign aid in the national development process in Sierra Leone, it is felt by the GoSL and development partners alike that a government statement of aid policy is required to improve the effectiveness of aid given to Sierra Leone. As part of the preparatory process, the joint Task Force on Donor Harmonization and Aid Effectiveness commissioned a consultant to make recommendations regarding the potential content and formulation process of such a policy document in March 2007.⁶⁷ Based on these recommendations, the GoSL formulated a consultative draft 'Policy on Overseas Development Aid', which was shared with development partners during the DEPAC meeting in May 2009.

3.4.1 Comments on GoSL's Draft Aid Policy

This section makes concrete comments in response to the questions put forward in the draft aid policy document that was shared during the DEPAC meeting in May 2009.

Clarify roles and responsibilities within the aid process

With regard to the current uncertainty among many development partners (and potentially also many MDAs), it seems critical that the roles and responsibilities of government institutions and development partners throughout the entire cycle of aid-funded projects/ programmes be defined more clearly (refer to section 6.7 in the Consultative Document). The section should define the concrete steps to be taken, as well as responsibilities for negotiation, approval & signing, administration and reporting with regard to grant and loan assistance. Respective roles and responsibilities might be defined under separate headings such as:

- Identification and initial conception
- Formulation of proposals
- Assessment and approval
- Negotiation and signing
- Administration
- Implementation and reporting

(Refer to section 3.1.2 of this Report for suggestions on content in each of these areas).

⁶⁶ Country examples include: Mozambique, Rwanda, Tanzania, Zambia, Afghanistan, Cambodia, Nepal, Vietnam, Moldova.

⁶⁷ See: Killick, Tony (2007). Towards an Aid Policy for Sierra Leone. A Report to the Task Force on Donor Harmonization and Aid Effectiveness.

This section also seems to be the right place to formally establish DAD as the single repository for aid information. The aid policy should define the timelines for reporting, but leave detailed procedures to the SOP. However, in order to reconfirm GoSL's commitment to transparency, the policy could state the type of regular standard reports that will be prepared and published by the government to inform working group discussions.

The approval mechanism, which is currently addressed in section 6.8.4, should be explained in the same section as roles and responsibilities. Approval criteria should be clearly stated, in order to provide adequate guidance to development partners. Regarding the approval process, it should be stipulated that new proposals should be discussed within the concerned sector working group, before formal submission for approval by the GoSL. *Aid prioritization criteria* could include the following:

- Conformity with fiscal responsibility law – reduction of external debt
- Complementation of GoSL resources in achieving national priorities as defined in relevant documents, such as PRSP and sector plans
- Provision of necessary financial and technical resources to Sierra Leone to help Sierra Leone sustain a high-growth trajectory
- Contribution to attaining regional balance – targeting underdeveloped and/or disadvantaged areas
- Implementation modality – making use of national capacities and resources
- Degree to which assistance is tied

Also, as one of the challenges under section 4 of the Consultative Document, consider listing the lack of a clearly defined aid process. The attempt to establish clear procedures, that are likely to (re)enforce the position of the MoFED as central entry and coordination point, might initially trigger frustration among and frictions with line ministries.

Budget support is not a panacea – express preference for an ‘aid mix’

The draft aid policy states that GoSL's first preference is to receive aid as direct budget support.⁶⁸ In general, budget support is considered to address some of the shortcomings of traditional project-based assistance and to increase national ownership and strengthen national institutional capacity; reduce transaction costs; improve coordination; and make ODA disbursement and delivery more flexible.

According to a recent review of budget support to Sierra Leone, it contributed to growth in the post-conflict period, allowed for increased spending on health, education and economic services and as a consequence better development results in these areas. It also contributed to significant improvements in public financial management.⁶⁹

⁶⁸ Direct Budget Support (DBS) is defined as a method of financing a partner country's budget through a transfer of resources from a donor to the partner government's national treasury. The funds thus transferred are managed in accordance with the recipient's budgetary procedures. Hence, direct budget support is a form of financial assistance provided directly to a partner country's budget using its own allocation, procurement and accounting systems. OECD (2006). *Harmonizing Donor Practices for Effective Aid Delivery*, Chapter 2, Vol. 2.

⁶⁹ Lawson, Andrew (2007). *DFID Multi-Donor Budget Support to Sierra Leone, 2004-2007*, London: ODI.

These findings are largely in line with those of a recent independent multi-country evaluation of budget support, which shows that this system of delivering aid can be an effective way to strengthen the management of public financial systems in developing countries.⁷⁰ (Refer to Box 17 for a summary of key findings).

Box 17: Lessons Learned from Country Experience with Budget Support

Empirical evidence and current evaluations of DBS at country level point to the following key issues and lessons:

- **All forms of budget support reinforce the centrality of the budget process**, and tend to empower Ministries of Finance. It also has the potential to strengthen national planning and budgeting systems and bring greater coherence among them. However, in the process, line ministries may be disempowered, and their ability to negotiate directly with donors curtailed.
- **DBS has increased government control over external assistance and externally funded activities, but it has also provided donors with increased access to and involvement in setting the policy agenda in countries.** Using the PRSP as the frame of reference for DBS has resulted in strengthening the influence & effectiveness of PRSPs.
- **DBS has facilitated coordination of aid** as it requires governments to make allocation decisions concerning donor resources in congruence with own public funds, which under a project system would have been undertaken directly with contractors and may not even have been recorded centrally with the government.
- **Budget support can be stopped more quickly than other aid instruments**, and political or crisis driven factors which can raise political or public opinion concerns on the part of donors, has sometimes led to donors delaying, canceling or reducing budget support tranches leading to immediate volatility and unpredictability of financing.

However, the study also highlights some shortcomings:

While there are numerous voices claiming that a higher percentage of foreign aid should be provided as budget support, it is essential to refrain from unrealistic expectations and keep in mind that to be effective budget support requires some basic conditions to be in place. Benefits from providing aid through budget support are therefore likely to materialize only in the medium term to longer term.

There seems to be a latent risk that donors are pursuing too many objectives through budget support, which can easily lead to inconsistencies, mutual frustrations and failure. A lot of expected benefits of budget support are medium to longer term and depend on the existence of adequate structures and procedures, as well as the degree of predictability with which funds are provided by donors.

Budget support has proven to be a highly volatile aid modality. In principle, budget support should enable donors to provide governments with greater certainty about funding flows over the medium term. This, in turn, gives governments the assurance needed to plan service delivery improvements. However, the fact that budget support is both high-profile aid and highly flexible from the donor's perspective makes it

⁷⁰ Joint Evaluation of General Budget Support (1994-2004). Burkina Faso, Malawi, Mozambique, Nicaragua, Rwanda, Uganda, Vietnam. Final Inception Report, 20 May 2005. <http://www.oecd.org/dataoecd/47/51/35074789.pdf>. This joint evaluation looks at the use and effectiveness of general budget support, by drawing on the experience of seven countries. The independent evaluation was carried out by the University of Birmingham on behalf of more than thirty donor and partner countries. It was initiated and supported by the OECD's Development Assistance Committee's Evaluation Network.

more of a challenge to deliver predictability. There is evidence that, in the short term, aid has become less predictable. Given that donors consider budget support as a more risky and less visible aid modality, they often request more 'policy dialogue' and information during aid negotiations and closer monitoring during implementation.

In fact, the GoSL experienced this volatility and the resultant negative consequences in 2007 when some budget support funds were disbursed late and more than a third of donor funding that had been promised as budget support was not disbursed at all, which caused a chain reaction.⁷¹ Donors officially stated technical and procedural reasons for delayed payments. However, the fact that funding flows were interrupted during the election period, when the general uncertainty made many donors apparently more risk-averse, could be seen as an indication of how volatile budget support actually is. Delayed payments had direct consequences for the implementation of other parts of the public investment programme. The so-called "standard aid projects" that are on-budget but primarily funded by donors are conditional upon a 10% counterpart fund from the government. Sometimes the government does not have the available cash to pay the counterpart contribution and donors will not disburse project funds until the local contribution has been paid. This causes a delay in the project – although the origin of the delay may actually be the delay in the disbursement of budget support.

The effectiveness of budget support largely depends on the amount and type of conditionalities attached and the way they are managed by donors, as well as on the capacities of government institutions, including those responsible for implementing an aid-funded activity. Project-based assistance has the advantage that it (mostly) delivers clear results, including in areas where local capacity is limited. Many of the negative effects of projects that work outside of the regular government system could be addressed through clear regulations regarding approval and reporting requirements. Hence, the government of Sierra Leone should recognize the value of other aid modalities, such as project-based assistance, as a means of introducing new approaches and technologies, as well as fast tracking service delivery in areas of limited national capacity.

In sum, it is recommended that preference for a *mixed aid portfolio* be expressed instead of stating budget support as first preference. The aid effectiveness action plan could include targets for the preferred 'aid mix' per sector.

⁷¹ A number of different reasons were given for why budget support had not been paid, including a negative IMF review of the PRGF agreement and the need to wait for some audit reports. Due to a drop in domestic revenue – partly caused by the conflict in neighboring Guinea and the election-related slow-down in trade, but also delays in donor financing – the IMF stated that Sierra Leone was semi off-track with regard to the macroeconomic targets. This assessment resulted in a further delay of donor financing, which forced the government to borrow funds on the domestic market, partially to meet spending targets defined in the PRSP (another budget support condition). This left Sierra Leone caught between a rock and a hard place. Meeting PRSP targets – to fulfill BS conditions – required the government to increase borrowing, which made it more likely for Sierra Leone to miss more IMF fiscal conditions, which would lead to another negative review, which would result in further delays in donor financing. For a detailed description of the events see EURODAD (2008). *Old Habits Die Hard. Aid and Accountability in Sierra Leone.*

Feel free to go beyond international principles and reserve right to say 'no'

While international agendas such as the Paris Declaration or the Accra Agenda for Action are useful frameworks for reference within an aid policy, the GoSL should feel free to go beyond the principles defined in international documents.

The final policy document should establish clear conditions on the acceptance of aid and include a statement on GoSL's right to refuse aid that is not aligned with its priorities.

Regarding the volume of aid, the policy could indicate the principle objective that aid should be complementary and sufficient to fill the gap between the estimated resource requirement for the PRSP and the estimated domestic resources, while concrete multi-annual targets could be stated (and mutually agreed on) in the joint aid effectiveness action plan.

Division of labor

In the policy document, the division of labor section could be combined with the current section 6.8 under the suggested new title: Aid Coordination and Collective Dialogue. The aid policy could state that the main framework for aid allocations to a specific sector will be sector development plans. Instead of going into details, the policy could just express GoSL's objective to reduce sector fragmentation and transaction cost through the introduction of a division of labor. Further details regarding 'lead donor concept', 'delegated cooperation', criteria for defining comparative advantage, number of sectors, etc. should rather be addressed in the aid effectiveness action plan, as further consultations with development partners will be required.

The *comparative advantage* could be determined by a development partner's established international and field office expertise, based on past successful experience in a particular sector, thematic area or sub-sector. It should also include in-depth knowledge of local conditions at mission level. It should neither depend on a development partner's funding capacity nor on its geographical area of interest.

Other selection criteria that could be taken into account for sectors or thematic areas are:

- Organisational capacity;
- The appropriate total number of development partners in a sector or thematic area, taking into account the size, nature, needs in line with government of Sierra Leone's policies, and capacity of the sector or thematic area of concern;
- Development Partners' willingness to cooperate with each other in a particular sector or thematic area;
- Development partner's headquarter mandate;
- The extent of decentralised authority enabling field offices to make decisions; and
- Willingness to sustain support and invest in the agency's competencies in the long-term.

With regards to taking on a leading role, factors that could be considered in addition to the above are:

- Organisational capacity to assume leadership;

- The willingness of other development partners to recognise and trust a development partner as leader; and
- The distribution of lead responsibilities among development partners so as to facilitate equitable sharing of work.

Technical Assistance

Given that a large percentage of foreign aid to Sierra Leone is spent on technical assistance (TA), clear regulations are critical. The aid policy should clearly define the process, as well as corresponding roles and responsibilities for TA demand and TA management.

In general, it is helpful to distinguish between different types of technical assistance (TA), for example local vs. international and free-standing TA vs. investment-related TA. *Free-standing technical cooperation* is the provision of resources aimed at the transfer of technical and managerial skills or of technology for the purpose of building up general national capacity *without reference to the implementation of any specific investment projects*. Free-standing TA should ideally be provided in accordance with a national capacity development plan, which would need a dedicated custodian, which could be the Human Resources Management Office (HRMO). However, a lot of TA is actually investment related and largely inseparable from the respective investment project or programme, which would be coordinated, at the macro level, by the MoFED. Instead of stating that 'TA will be coordinated within the framework of the HRMO', it seems advisable to stay with the general principle that the MoFED is the central aid coordinating body for all external assistance. In the case of (free-standing) TA, the HRMO will be involved in the identification and approval process.

Currently, there is insufficient data available on the amount and type of TA provided to Sierra Leone. In this regard, it is recommended that the DAD data entry module be adjusted to better capture aid provided in form of TA – free-standing and investment-related.

Capacity development is a complex phenomenon, and the success of TA personnel as necessary and sufficient ingredients for supporting it should not be assumed. Having an explicit theory of action with an understanding of how different models of change can contribute to capacity development should increase the chance of success. With regard to experiences and lessons from other countries, the following recommendations can be made regarding the use and management of TA:⁷²

- It is critical for the government to have a clear capacity development strategy, including all levels of government, which defines the role of TA within the strategy and the focal point for channeling TA demand.
- The government should use strategic and operational plans at national, sector and sub-sector levels as a basis for assessing capacities and for determining the potential contribution of TA personnel.
- It is helpful to distinguish between TA personnel who develop capacity or provide advice, and those who perform tasks in lieu of local personnel. It is recommended

⁷² For more details see Land, Tony (2007). Joint Evaluation Study of Provision of technical Assistance Personnel. What can we learn from promising experiences? Synthesis Report. European centre for Development Management, Discussion Paper No 78, September 2007.

to clarify the many different roles and functions that TA personnel can perform and to provide a common basis on which to discuss strategies and needs.

- A key determinant of TA effectiveness is country management of TA personnel. Decisions about recruitment and deployment should ideally be a country responsibility, negotiated openly with development partners and based on full access to information. Once deployed, TA personnel should be unambiguously accountable to the government.
- Good design is crucial, including a proper diagnosis, determining the appropriate mix of 'direct' and 'indirect' approaches and knowing when to shift from one to the other.
- It is essential to deploy appropriate personnel with both substantive expertise and process, especially inter-personnel skills. However, it is also critical to realize and be open about the limits to what any external intervention can achieve, especially in complex and politically sensitive environments.⁷³ In this regard, it is important to be realistic about the time needed for capacity development to take place, as well as to recognize that TA provision can never be a substitute for fundamental reform of public service.
- It is critical to avoid perverse incentives that might encourage TA personnel to focus on tangible results at the expense of less tangible and measurable processes of capacity development.

Non-Governmental Organizations

In principle, NGOs should follow the same basic procedures as other development partners. It might be useful to mention in the policy that this entails the same reporting requirement through DAD, at least for International NGOs. (Refer to section 3.2 for comments on the draft NGO policy).

Coordination and collective dialogue mechanisms

It seems recommendable to outline only the main structure of collective dialogue mechanisms in the aid policy document (DEPAC, SWG, DWG) and leave the details for the aid effectiveness action plan. While it seems advisable to keep the coordination and dialogue mechanisms as light as possible and start with setting up respective working groups in priority areas/ sectors around the PRSP, it should be noted that 'human development' encompasses a number of individual sectors (and ministries) that might require separate individual working groups. In general, it is recommended that sector working groups be established in priority areas and follow the budget framework. This does not exclude a PRSP focus and seems to be a more 'durable' structure. Besides, it would reinforce the centrality of the budget process.

3.4.2 Implementing the Aid Policy

An aid policy is not a panacea. It should be kept in mind that no document, however well written, will be able to change ground realities overnight. Given the country's high degree of aid dependency and its rather heterogeneous development partner structure, it will be very difficult for the GoSL to subsume all partners under one

⁷³ This seems to be a critical point for Sierra Leone, where staff turnover is comparably high and many development agencies, as well as Government officials mentioned the difficulty to attract and recruit high-quality staff.

common aid policy framework that is specific enough to add value. It seems obvious that some non-DAC donors will not immediately be willing to follow the same rules as DAC donors – especially as some DAC donors still lag behind with regard to their full implementation. Hence, the aid policy would either need to foresee a number of exceptions or the GoSL would find it difficult to implement it universally. Both would affect the credibility and effectiveness of the aid policy.

Therefore, the following is recommended:

Formulate a succinct aid policy

It is suggested to aim for a succinct aid policy document that defines basic principles, the main procedures and corresponding roles and responsibilities for the provision, acceptance, coordination and management of foreign assistance. The policy should be concrete, but at the same time broad enough to encompass the entire development partner community. The current draft provides a good starting point.

Formulate a joint aid effectiveness action plan

In order to facilitate the actual implementation of the policy, it is recommended that a *joint aid effectiveness action plan* be formulated, which could combine *localized* Paris Declaration principles with operational targets regarding the provision, coordination and management of foreign assistance. The action plan would have a dual function: *first*, it would serve as a tool to facilitate the implementation of the aid policy; and *second*, it would form the basis of a mutual accountability framework.

The action plan, which could take the form of a simple results matrix, would be mutually signed by the GoSL and those development partners that are ready to commit to concrete actions to improve aid effectiveness in Sierra Leone. The action plan would be a ‘living document’ that would be adjusted in line with changing realities on the ground - and would progress towards more advanced targets. The action plan would define concrete steps the GoSL and development partners commit to undertake, together with timelines and measurable targets, for example regarding the phasing out of (parallel) PIUs. The Task Force on (Donor) Harmonization and Aid Effectiveness could act as steering committee on behalf of the DEPAC. The Aid Effectiveness Unit would be responsible for process facilitation (as proposed in section 3.1).

Establish an independent monitoring group

In light of the limited level of trust between GoSL and its development partners, it is further recommended that an *Independent Monitoring Group* be established. Useful lessons can be learned from the Tanzanian experience, where a group of renowned independent experts was invited to make an independent assessment of development cooperation and issues relating to partnership.⁷⁴ (Refer to Annex 18 for some lessons learned). Independent assessment and monitoring of development partnerships acknowledges the inherent imbalance in aid relations. It promotes an authentic perspective on development assistance and identifies major stumbling blocks to delivering on Paris Declaration obligations. Monitoring therefore offers a concrete way forward for strengthening both national ownership and sustainable/meaningful

⁷⁴ Philip Courtndage (2004): Restoring Balance to Development Partnerships: Independent Monitoring in Tanzania.
<http://www.devoid.org/index.cfm?module=Library&page=Document&DocumentID=5227>.

capacity development. No matter the context, either a strained or a constructive dynamic to government-partner relations can derive significant added value from regular monitoring of existing commitments and in anticipating future challenges.

In the case of Sierra Leone, the monitoring framework could be provided by the joint aid effectiveness action plan, which could quantitatively and qualitatively go beyond the targets defined in the Paris Declaration, which do not always adequately address all issues at country level. The local action plan could, for example, define concrete targets for implementing a division of labor, including necessary preparatory steps to be taken. The Paris Declaration monitoring survey is primarily a self-assessment which necessarily leads to biased results. Further the Paris Survey is meant to be conducted in 2010 for the last time, while making respective progress in Sierra Leone is likely to take a little longer. An Independent Monitoring Group could form a key element of a mutual accountability mechanism, which needs to be fully established.

4.0 Summary of Key Findings and Recommendations

This chapter summarizes some of the key findings and recommendations resulting from the review of Sierra Leone's aid coordination architecture presented in this report. It should be noted that this section is a short synopsis and the reader is encouraged to go to the main body of the report for more details.

General Findings

- ✓ Sierra Leone shows signs of state fragility. The country's formal institutions still have limited capacity. Informal institutions such as personal patronage networks and social forms of governance are prominent. Sierra Leone's political system and its economy are dominated by a relatively narrow group of influential actors.
- ✓ In light of the above, it is important that development agencies are much more aware of the influence of local politics on growth and development, as well as of the resulting timescales required for state building. Development agencies need to practice shared approaches to political economy analysis, which is a prerequisite for effective engagement and a "do no harm" approach. Development agencies must base their approaches on a thorough understanding of political incentives and the factors that influence these incentives. This may require a rethinking of common approaches to growth and good governance. Good governance, as typically practiced by development agencies, has often been based on an unspoken assumption that it is possible and desirable to transplant institutional models from OECD countries to the developing world. However, experience has shown that OECD-type institutions are often not suitable to developing countries, and work differently in different social and political environments. The importance of understanding and adequately addressing local politics may further require development agencies to make organizational changes, for example regarding staffing structure, recruitment procedures and internal incentives. Many development agencies experience a high staff turnover and use ad hoc approaches with a focus on short-term results, instead of long-term approaches that are based on a thorough understanding of political realities.
- ✓ Sierra Leone's development partner community and its aid patterns are diverse. Development partners are seriously divided among themselves by:
 - *The scale of programme and aid modality.* Only 5 donors provide the majority of the total assistance; four of them provide some of their aid as budget support, while the fifth channels all its aid through NGOs.
 - *The enthusiasm for the international aid effectiveness agenda,* with some anxious to take this further and others generally content with things as they are.
 - *The extent to which authority has been decentralized* to local donor representatives.
- ✓ There is a high fragmentation of foreign assistance at sector level, which is characterized by a large number of donors that fund a large number of small projects. This results in considerable coordination challenges for the GoSL and reduces aid effectiveness by: (i) presenting additional challenges to harmonizing and aligning aid, which results in rising transaction costs; (ii) creating wasteful duplication and overlap in the delivery of aid; (iii) and causing competition for scarce skills at country level.

- ✓ The GoSL is struggling to get adequate information on aid flows. Development agencies should provide timely and disaggregated information on their assistance, in order to enable the government to record it in the domestic budget and foster alignment, as well as to give the government a chance to address the coordination challenge.
- ✓ In light of the weak capacity and concerns regarding fiduciary risks, development partners tend to establish parallel structures, which create tensions in the civil service and undermine national ownership, domestic accountability and longer-term institution-building. Due to the high degree of aid dependency, the power relation between the GoSL and its 'partners' is very asymmetrical. Numerous conditionalities imposed by the largest donors result in one-dimensional accountability of the government to the donors and impede domestic accountability of the government to its citizens. Development agencies should put special emphasis on strengthening domestic accountability by strengthening CSOs, media and Parliament.
- ✓ Aid relationships in Sierra Leone are characterized by a significant lack of trust between the GoSL and development partners. The limited confidence of development partners in the government finds its expression in the comparably high amount of aid that is channeled through NGOs, the limited use of country systems and preference for parallel structures, as well as the high number of conditionalities, in particular in the context of budget support. The GoSL has difficulties to get timely and detailed information on what development partners are doing, which raises its suspicions.
- ✓ Development agencies need to realize that ownership is not an established fact that simply needs to be recognized, but a goal that must be striven for. National ownership can easily be undermined through interventions that are not in line with national priorities, unpredictable aid disbursements, and fragmented aid delivery through parallel structures.
- ✓ Sierra Leone is in a transitional period. State capacity is improving and reform efforts have made some progress, but the situation remains fragile and capacity-constrained. It is in these gradually reforming contexts where the attention of development partners often flags and the provision of aid can decline just at the point where it may be most productively used. Long-term predictable engagement is of key importance.

GoSL's Institutional Arrangements for Aid Coordination

- ✓ There is a large fragmentation of responsibilities for the mobilization, negotiation and administration of aid across agencies of government, leading to inefficiencies and reduced effectiveness in the overall system.
- ✓ It is recommended that the MoFED be designated the lead coordinating agency for all external assistance. In this regard, it is further recommended that a post for a Permanent Secretary be established, who would head the Development Division of the MoFED and report to the Financial Secretary.
- ✓ It is recommended that existing units within MoFED be strengthened and re-clustered along functional lines to form a Development Cooperation Department as part of the Development Division. The department should be structured by development partner desks that act as main counterparts for corresponding donor

and development agencies and are responsible for coordination and administration of external assistance.

- ✓ It is recommended that a Research, Planning and M&E Department be established, whose functions should be to develop and manage macroeconomic policies; to support line ministries/ departments in development of sector/ local development plans; and to monitor and evaluate national development projects. The department should consist of a team of sector specialists and could be established by enhancing the existing units within MoFED.
- ✓ It is recommended that an Aid Effectiveness Unit (AEU) be established, which should perform some of the functions that were previously performed by DACO, such as acting as secretariat for DEPAC. In addition, the AEU should perform knowledge sharing functions and act as facilitator within the Development Division to ensure policy coherence, in order to avoid gaps and overlaps between development assistance portfolios of individual development partners. Finally, the AEU should spearhead and monitor the implementation of the national aid effectiveness agenda, including implementation of the Paris Declaration Survey, supporting formulation and monitoring of an Aid Effectiveness Action Plan to support the implementation of the aid policy, etc.
- ✓ Further, it is recommended that a National Appraisal Committee be established under the Office of the President, comprised of representatives from different central and line ministries, as well as from other government agencies and external institutions, such as universities. The main function of the committee would be to review and approve foreign aid and investment proposals.

Collective Dialogue and Coordination Mechanisms

- ✓ Sierra Leone has the basic structure of a good formal machinery of dialogue. While specific elements seem to work well, such as individual Sector Working Groups (SWGs), the overall effectiveness of the collective dialogue and coordination mechanisms is limited. It is crucial that better linkages be established between dialogue mechanisms at different levels, especially between the CG and DEPAC, as well as between DEPAC and SWGs. Further, the operational effectiveness of many working groups should be enhanced through: better advance preparation, action-oriented minutes, and wider information sharing, for example through SWG websites.
- ✓ The number of Sector Working Groups should be kept small. It is critical to avoid putting too much emphasis on structures and procedures, which has proven to distract the focus away from substantive matters. SWGs should play a key role in formulating sector plans, including related capacity development strategies; appraisal, coordination and monitoring of programmes and projects; verification of DAD data; and implementation of a joint aid effectiveness action plan. In this regard, it is critical that each SWG has clear terms of reference and a results-oriented work plan.
- ✓ Harmonization efforts by development partners are at a very early stage and often cover only certain donor groups. While harmonization efforts should in general be appreciated and encouraged, there is a potential risk in these isolated approaches by specific donor groups, as it might make GoSL's efforts to achieve broader harmonization based on its own preferences and priorities in future more difficult. Development agencies that go through potentially long internal negotiation

processes, resulting in trade-offs, agreements on terminology, programme areas, procedures, etc, might be unwilling to revise their compact. The result could be 'harmonized' blocks that act almost like cartels.

Aid Information Management System

- ✓ The Sierra Leone Development Assistance Database (DAD) is a useful tool to track foreign aid provided to the country. However, its effectiveness as a tool to support aid coordination and foster alignment is currently limited due to the fact that many development partners do not enter data into the system in a timely and sufficiently disaggregated manner and because of insufficient process management by the MoFED, as the institutional host of the system.
- ✓ It is recommended that the government firmly institutionalize the data entry process, by linking it to the budget cycle and making data provision mandatory. Further, more proactive outreach to development partners is required through the proposed development partner desks, as well as proactive and client-oriented preparation of analytical products, such as sector, district and partner profiles by the proposed Aid Effectiveness Unit.
- ✓ Further, it is recommended that implementing a limited number of system enhancements to increase its analytical capacities be considered. The suggested enhancements include the possibility to breakdown multi-year commitments into yearly allocations (potentially combined with a planned disbursement schedule), as well as the possibility to track 'expenditures' and Paris Declaration indicators. The latter would include an electronic calendar where development partners could record their planned missions and analytical works, with the aim to coordinate both better.

Regulatory Framework for Foreign Assistance

- ✓ It is recommended that a succinct aid policy document be formulated that focuses basic principles and defines the main procedures and corresponding roles and responsibilities for the provision, acceptance, coordination and management of foreign assistance. The policy should be concrete, but at the same time broad enough to encompass the entire development partner community. The current draft provides a good starting point.
- ✓ In order to facilitate the actual implementation of the policy, it is recommended that a *joint aid effectiveness action plan* be formulated, which could combine *localized* Paris Declaration principles, with operational targets regarding the provision, coordination and management of foreign assistance. The action plan would be a 'living document' that would be adjusted in line with changing realities on the ground and would progress towards more advanced targets. The action plan would define concrete steps the GoSL and development partners commit to undertake, together with timelines and measurable targets, for example regarding the phasing out of (parallel) PIUs. The action plan would have a dual function: *first*, it would serve as a tool to facilitate the implementation of the aid policy; and *second*, it would form the basis of a mutual accountability framework.
- ✓ Further, it is recommended that an *Independent Monitoring Group* be established, consisting of renowned external experts. This group would periodically carry out independent assessments of the status of aid relationships and the progress made with regard to improving aid effectiveness and implementing the mutual

commitments made in the joint action plan and thereby contribute to mutual accountability.

- ✓ Finally, this report makes a number of recommendations on the draft aid policy document presented during the DEPAC meeting in May 2009:
 - The government should express its preference for an 'aid mix', instead of stating budget support as first priority;
 - The roles and responsibilities within the aid process should be further clarified, potentially along the lines suggested in this report;
 - The government should reserve the right to refuse aid that is not aligned with its priorities;
 - The aid policy should clearly define the process, as well as corresponding roles and responsibilities for TA demand and TA management;
 - The details regarding a division of labor should rather be addressed in the action plan than in the policy document.

Annex 1: Preliminary Reconciliation of Project Structure

The following results framework was reconciled on the basis of the three different results frameworks that were part of the original project document

Goal: To enhance GoSL's capacity and systems for development planning, coordination and monitoring

Outcomes	Outputs	Indicators/Targets/Activities
1. SL-PRSP effectively implemented and monitored	IMC/NTC fully functional	IMC/NTC hold quarterly meetings and determine progress of the PRS
	Comprehensive PRSP monitoring framework developed	Baseline for all PRSP indicators established Monitoring and Evaluation Units in key MDAs established
	Strengthened capacity for PRSP implementation	Improved capacity in DACO and key MDAs
2. GoSL's aid coordination & management capacity and systems strengthened	Effective dialogue and coordination mechanisms established	DEPAC holds quarterly meetings
		Sector working groups hold regular meetings and contribute to development planning and monitoring
		CG results matrix updated quarterly
		Government/Civil Society exchange forum meets regularly
	Effective aid tracking system established	Reports on development assistance published regularly
		CD encyclopaedia published regularly
NGO database established	Reports on NGO activities published regularly	
Aid Policy prepared	Draft submitted to Cabinet	
DACO's capacity enhanced	Training, study tours, workshops/ seminars	

Annex 2: Terms of Reference

FINAL EVALUATION OF THE PROJECT SUPPORT TO DEVELOPMENT ASSISTANCE COORDINATION OFFICE (DACO)

April 2009

1. BACKGROUND AND RATIONALE:

After a decade long conflict, in anticipation of the inflow of large amounts of donor funding to assist the emergency and recovery process of the country, it was underscored by the Government of Sierra Leone and the development partners that an efficient and effective mechanism for aid coordination should be designed and put in place.

As a result, in 2005 the Government decided to set up the Development Assistance Coordination Office (DACO) as the central hub for the new aid coordination mechanism under the authority of the Vice President. In 2006, UNDP, DFID and the European Commission (EC) jointly agreed to provide financial and technical support to the DACO under the UNDP project 'Support to the Development Assistance Coordination Office', in achieving the following objectives:

- Coordinate the activities of the Inter-Ministerial Committee (IMC) and the National Technical Committee (NTC) for steering the implementation of the Poverty Reduction Strategy Paper (PRSP).
- Set up and coordinate a system for monitoring and evaluation of programmes identified in the PRSP.
- Support capacity building for the implementation of the PRSP.
- Coordinate and analyse development assistance into Sierra Leone and facilitate Government/Donor dialogue through the Development Partnership Committee (DEPAC), the CG and other appropriate structures or mechanisms.
- Develop a communication strategy to facilitate greater dissemination of development assistance information as well as the activities of the PRSP to the public.

Since its establishment until the end of the project period in June 2008, the DACO has made significant contributions to improving the aid management architecture in Sierra Leone. It led to the development of improved the coordination of donor assistance through the introduction of the Development Assistance Database (DAD), produced annual donor assistance reports and convened regular donor coordination meetings. The DACO was also instrumental in the implementation of the Paris Declaration in Sierra Leone, and successfully completed the Paris Declaration Monitoring Survey, which was presented at the Accra High Level Forum on Aid Effectiveness in September 2008.

Despite these successes, the effectiveness of the DACO has also been challenged by a number of changes in the development scene in the country. With the change of government in September 2007, the Ministry of Finance and the Ministry of Development and Economic Planning were merged. It was also decided that the DACO, which had been insulated from these central ministries, would be integrated back into the new Ministry of Finance and Economic Development (MoFED). In addition, the Strategy and Policy Unit (SPU) was created under the Presidency, with a mandate to provide strategic advice, coordinate the government's policies and monitor the performance of the Ministries. The SPU claimed responsibility over the aid policy, while 'aid management' will rest within the MoFED. However, these institutional changes within the Government have not resulted in the optimal and rationalised aid management architecture, and there is a need to gain further clarity on roles and responsibilities. The recent government reshuffle is also likely to have an impact on the configurations of national and management stakeholders

Another challenge is the growing visibility and contributions of Southern development partners or 'emerging donors' from Asia, the Middle East, Africa and South America. While these donors have increasingly been providing diverse technical and financial assistance, they do not necessarily follow the conventional aid provision mechanism. The Government is yet to define the best modalities of engaging with these increasingly important actors, in order to maximize benefits and accelerate the development efforts of the country.

Moreover, there are growing grassroots activities and support provided through the non-government organisations (NGO) in Sierra Leone, and the country has greatly benefited from these assistances. In order to realise the principles of the Paris Declaration, the government needs to find an optimal approach to properly account for the NGO assistance.

Finally, as the OECD DAC's Principles for Good International Engagement in Fragile States and Situations indicate, there is a growing consensus that post-conflict countries should pay special attention to the issues pertinent to their particular contexts in order to enhance national aid effectiveness. For example, the Principles refer to the importance of the nexus between security, political and development objectives and the need to develop state capacity as the central objective in order build the legitimacy and accountability of the state and deliver the basic services. Based on these recognitions, and following the Accra Action Agenda adopted in September 2008, the Government of Sierra Leone volunteered to be one of the five pilot countries⁷⁵ to monitor the implementation of the Principles, to complement the Paris Declaration indicators.

As the project to support DACO ended in December 2008, in line with the UNDP's standard programme management policy, it is proposed that the end of project evaluation take place.

⁷⁵ along with Afghanistan, CAR, DRC, and Timor-Leste

2. OBJECTIVES

The objectives of this evaluation are therefore:

- To evaluate the achievements of the project in relation to its planned outputs as set out in the donor project documents and annual work plans
- To assess the impact of the project, its contributions to the overall and specific objectives as laid out in the donor project documents
- Assess all challenges in project implementation and management, including the respective contributions of all involved partners as well as recommendations on modalities to strengthen the partnership in the future
- To provide lessons learned and recommendations for future programming
- To review the emerging and evolving aid environment, and make recommendations on the best modalities to enhance the effectiveness of aid coordination and management in Sierra Leone

3. SCOPE AND ISSUES TO BE ADDRESSED

The evaluation will cover the following key areas in line with the OECD/DAC evaluation criteria. Partnership is included as another criterion. Below are indicative questions for each criterion:

***Relevance:** the extent to which the DACO activities are suited to the priorities and policies of the country at the time of formulation*

- Did the project design properly address the issues eminent in 2005/6?
- Did the project objective remain relevant throughout the project implementation phase, where a number of changes took place in the development scene globally and in Sierra Leone?

***Effectiveness:** the extent to which project activities attain its objectives*

- How many and which of the projects outputs were delivered as planned?
- To what extent has the project contributed towards overall aid effectiveness of Sierra Leone?

***Efficiency:** measurement of the outputs in relation to the inputs.*

- Was the project management structure appropriate to the objective and activities of the project?
- Could a different type of intervention lead to similar results at a lower cost?
- Where the funds utilized as planned?

***Sustainability:** the benefits of the DACO related activities that are likely to continue after the project fund has been exhausted*

- Will the outputs delivered through the projects be sustained by national capacities, after the end of the project duration?

- To what extent did the progress had catalytic effects on the national actors to engage in further aid effectiveness activities and donor support?
- Have the follow up support after the project duration been discussed and formalised?

Partnerships: *the extent to which the project brings together the relevant stakeholders to achieve the project objectives*

- Which partners did the project bring together to promote the aid effectiveness agenda in the country?
- How effective was the Government's interaction with the donors in facilitating the policy dialogues on aid effectiveness?
- Were the resource mobilisation processes smooth and in synch with the project requirement?

The evaluation results will be used in future planning by the Government of Sierra Leone and will also help donors to effectively support Government interventions in aid effectiveness and harmonization.

4. METHODOLOGY

Generally, the evaluation exercise will be wide-ranging and participatory, entailing a combination of comprehensive desk reviews, interviews and document analysis.

Based on the objectives and scope mentioned above, the consultants identified will further elaborate a methodology and plan for this assignment, which will be approved by UNDP, EC and DFID Senior Management.

It is intended that the methodology will take into account the following, namely;

- Project document and work plans for a description of the intended results, the baseline for the results and the indicators and benchmarks used. Obtain information from the UNDP, EC and DFID country offices gathered through monitoring and reporting on the outputs; this will help inform the evaluation with regards to achievements and potential impacts.
- Desk review of existing documents and materials such as support documents, assessments, and a variety of temporal and focused reports. In particular it will review the annual reports, interviews with key informants and gather information on what the projects have achieved with regard to the output and strategies used.
- Interviews with beneficiaries, participating ministries, departments and agencies, donors and UNDP, as well as the gathering of information on achievements versus objectives.
- Visits to selected institutions and briefing and debriefing sessions with the Government and UNDP, as well as donors and partners.

- Validation of information on the status of the results culled from contextual sources such as work plans or monitoring reports. To do this, the consultants may use key informant interviews or focus group discussions during the evaluation that seek key respondents' perceptions on a number of issues, including their perception of whether an outcome has been realised.

5. TEAM COMPOSITION AND COMPETENCIES

Team will comprise of 3 consultants as follows:

- International Consultant identified by the supporting donors (DFID & EC)
- International Consultant identified by UNDP
- A national consultant identified by the Government of Sierra Leone

The Consultants should have a Post-graduate Degree specializing in economic development, management, political science or an equivalent field or discipline. The consultants should also have extensive experience in conducting high-level evaluations, preferably relating to reorganization of operational processes and restructuring. Finally, they should have a thorough knowledge of aid coordination, effectiveness and harmonisation issues, preferably in the post-crisis countries.

6. KEY DELIVERABLES

At the end of the assignment, the consultants will deliver the evaluation report (in line with the UNDP evaluation report format and quality control checklist for its content) containing;

- Executive Summary
- Introduction
- Description of the evaluation methodology
- An analysis of key achievements
- key lessons learnt from the project, highlighting the main factors which may hamper impacts
- Recommendations, which includes key elements for future programme framework
- Assumptions made during the evaluation and study limitations,
- Conclusions and recommendations
- Annexes: ToR, visits, people interviewed, documents reviewed, etc.

7. DURATION

The total duration of the Final Evaluation will be 3 weeks, taking place in May 2009.

8. TENTATIVE ACTIVITIES AND TIMEFRAME:

The tentative activities of the evaluation will involve:

- Week 1: Desk review for the evaluations and relevant documents; Meetings with key government actors and donors.
- Week 2: Write up of draft report and a briefing session with Government and donors to discuss findings.
- Week 3: Finalisation and submission of the report (following the stated evaluation period).

9. KEY STAKEHOLDERS

Key stakeholders to be consulted include the following:

Development Partners

- DFID
- EC
- UNDP
- WORLD BANK

Government

- Strategy and Policy Unit, Office of the President
- Ministry of Finance and Economic Development

10. MANAGEMENT ARRANGEMENTS

DACO will provide an office space for the consultants for the entire period of the evaluation. The Evaluation team will report to UNDP, EC and DFID at the end of each week. At the end of the evaluation period, the team will provide a briefing session to the representatives of the DACO, the MoFED and UNDP, DFID and EC.

11. LIST OF DOCUMENTS TO BE REVIEWED (NOT EXHAUSTIVE)

For the desk review, the following documents will need to be reviewed:

- DACO Project document and annual work plans.
- Signed agreements between UNDP and the donors.
- DACO annual reports.
- Development Assistance reports on Aid Coordination 2003 – 2006 and draft 2007.
- Annual progress report on PRSP Implementation.
- Encyclopedia 2005 – 2007.
- Minutes of Pillar working group meetings.
- UNDP annual reports to the donors
- UNDP South-South Cooperation Report
- UNDP Southern Development Partners Report
- EC/UNDP Contribution Agreement and DFID/UNDP Memorandum of Understanding

TOR AMENDMENT (May 2009)

1. Background

Following discussions with stakeholders over the course of the mission, the need for an expanded forward-looking element of the review exercise has become apparent. In particular, the Ministry of Finance and economic Development has clearly and repeatedly expressed its desire to see the review produce concrete and substantial recommendations for improvements to the aid management architecture which can be considered ahead of the upcoming meeting of the Consultative Group (CG) meeting in London 18-19 November 2009.

2. Deliverables

While acknowledging the limited time for in-depth comprehensive review, the team is expected to deliver a substantial analysis of the current aid management architecture and a clear set of recommendations for how to strengthen it going forward. This should be presented as the second half of the evaluation report, drawing on the results of the evaluation to illustrate challenges and opportunities.

While the TOR will not guide the structure or conclusions of that analysis, the report should include comments specifically on (a) the draft AID Policy presented at the DEPAC meeting on 20 May (b) any changes in the institutional arrangements required to enhance the efficiency and effectiveness of aid management, including but not limited to the functions served by DACO (c) the role of the DAD and the draft SOP presented at the DEPAC.

Annex 3: List of People Met

Individual	Position/ Organization
Government of Sierra Leone	
Ministry of Finance and Economic Development	
Samura Kamara	Minister of Finance and Economic Development
Richard Konteh	Deputy Minister
Sheku Sambadeen Sesay	Financial Secretary
Sahr L. Jusu	Director, Public Debt Management Unit
Matthew Dingie	Director of Budget
Kawasu Kebbay	Director, DACO
Sheka Bangura	M&E Unit. DACO
Ellie Cockburn	ODI Fellow, DACO
Peter N. Sam-Kpakra	Deputy Secretary, Economic Affairs Division
Amadu Jalloh	Deputy Director
Conor Doyle	ODI Fellow, Economic Policy and Research Unit
Bashiru Sheriff	NGO Desk
Ministry of Presidential & Public Affairs	
Joseph M. Koroma	Minister, Senior Aide & Principal Advisor to President
Ministry of Trade & Industry	
Susan Kayonde	Trade Policy Analyst
Ishmail K. Yillah	Legal Counsel
Abdul Kamara	EIF NIU Coordinator
Ministry of Foreign Affairs & International Cooperation	
Obai Taylor-Kamara	Coordinator, South-South Cooperation
Abdulai Bayraylay	Personal Assistant to the Minister
Said Nallo	SAS and Personal Assistant to DDG
Amad Mousaray	Ag. Director, Middle East & Asia Division
Strategy and Policy Unit, Office of the President	
Abduk Rahman Turay	Coordinator
Herbert M'cleod	Principal Advisor
Public Sector Reform Unit, Office of the President	
Llewellyn Olowale Williams	Senior Management Analyst
Statistics Sierra Leone	
Philips S. Amara	Director, Economic Statistics Division
Sahr Entua Yambasu	Senior Statistician
Sonnia Jabbi	Statistician
Gbogboto B. Musa	Statistician
Mwabuma Gegbe	Statistician
Sylvester Kpalun	Statistician
Babajenis H. Aaron-Johnson	Statistician
Ministry of Agriculture, Forestry & Food Security	
Amara Idara Sheriff	Deputy Director General
Ministry of Health	
Dr Magnus Ken Gborie	Director Planning
Yayeh Conteh	Aid Coordination Officer

Individual	Position/ Organization
Makeni District Council Office	
Mr Touray	Makeni District Council Officer
<i>Development Partners</i>	
Michael von Schulenburg	Executive Representative of UN Secretary General
Laura Marconnet	Coordination Officer, UN Integrated Peace Building Office in Sierra Leone
Bernard Mokam	Country Director, UNDP
Samuel Harbour	Deputy Country Director, UNDP
Adusei Jumah	Economics Advisor, UNDP
Peter Zetterstrom	Programme Specialist, UNDP
Naoya Kuboshima	Programme Officer, UNDP
Dominic O'Neill	Head of Office, UK DFID
Andrew Felton	Deputy Head of Office, UK DFID
Helen Appleton	Social Development Advisor, UK DFID
Kate Orrick	State Building Team, UK DFID
Alaine Williamson-Taylor	State Building Team, UK DFID
Hans Allden	Head of Delegation, European Commission
Marc de Bruycker	Head of Operations, EC
Linda Williams	Project Officer, EC
Philip Jackson	EC Verification Team
James Walsh	EC Verification Team
Kevin D. Gallagher	Representative, FAO
Prince M.A. Kamara	National Coordinator, FAO
Stephen Bainous Kargbo	Head of Operations, UNIDO
Rita Weidinger	Country Representative, GTZ
Lorenz Pohlmeier	Coordinator, GTZ
Peter Kluczny	Adviser for EU Fragility Initiative, GTZ
Angelina Diesch	Economist, GTZ
Engilbert Edmundsson	Country Manager, World Bank
Yusuf Bob Foday	Economist, World Bank
Anders Jensen	Monitoring and Evaluation Specialist, World Bank
Godson O. Echegile	High Commissioner, Nigeria High Commission
Zhang Junpeng	Attaché, Embassy of the People's Republic of China
Jia Jianxin	Embassy of the People's Republic of China
Elisa Cavacece	Development Attaché, Irish Aid
Mary McKeown	Development Consultant, Irish Aid
Edward Benya	Development Specialist, USAID
Jene Jalloh	Programme Development Specialist, USAID
Hans Persson	Programme Officer, SIDA
<i>NGOs</i>	
Sybil Bailor	Director ENCISS
Shellac Sonny-Davies	Coordinator, SLANGO
Amadu Sidi Bah	Advocacy Officer, Christian Aid

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Annex 5: Variables Influencing Political Incentives⁷⁶

Structure of the economy. This has a fundamental bearing on the configuration of interest groups and their influence on political incentives. For example, a smallholder agriculture-based economy may not generate the same kind of pressures on politicians to deliver economic growth as a more urbanized and service-based economy. In mineral and oil-rich economies there is a particular risk of looting, and in such cases where political leaders can easily plunder natural resources, they will face weak incentives to deliver economic growth.

Source of government revenue. In natural-resource-rich or aid-dependent countries, governments gain easy access to revenues without having to rely on taxpayers. In such cases there will be strong incentives to generate growth in the revenue-productive sectors, but weak incentives to deliver growth in the broader economy. Furthermore, where governments do not have to answer to taxpayers, public spending is likely to be motivated by patronage rather than growth priorities. The experience of being taxed can mobilize taxpayers and constitute a source of pressure on government for improved performance. These links are not, however, automatic, and depend critically on the nature of the tax regime, the time horizon of politicians and the ability of taxpayers to organize themselves to demand accountability.

The use of violence. Political elites seek a monopoly on violence and have a strong interest in preventing other groups from threatening the regime or creating instability by fighting each other. Hence, the capacity and propensity of different groups to organize violence has a strong influence on political incentives and growth outcomes.

Collective action. Collective action can be negative for growth where it leads to extractive rent-seeking by small elite groups, but it may be positive where it evolves into a process of bargaining around issues of broader public interest and where there are opportunities for a wide range of non-state organizations to participate.

Public expectations of government. Public expectations of government are particularly important and hard to shift when based on a long-established record of disappointing performance. If it is widely recognized that the government has weak implementation capacities, then there will be limited incentives to organize collectively to advocate policy improvements. This may lead to a vicious cycle of low public expectations of government, weak policy-making and non-delivery.

Attitudes of political leaders towards business. The breath and nature of the business interest of political leaders are clearly relevant to whether they have incentives to nurture growth or to protect their own narrow, short-term interests by placing restrictions on potential competitors.

Nature of the bureaucracy. Fragmented and ill-disciplined bureaucracies are likely to take unofficial payments wherever they can, leading to a tragedy-of-the-commons situation that is particularly damaging to investments.

⁷⁶Taken from: Williams, Gareth; Duncan, Alex; Landell-Mills, Pierre and Unsworth, Sue (2009). Politics and Growth. Development Policy Review, 2009, 27 (1), p. 5-31.

Annex 6: OECD/DAC Principles for Good International Engagement in Fragile States and Situations (excerpt)

- 1. Take context as the starting point.** It is essential for international actors to understand the specific context in each country, and develop shared view of the strategic response that is required. It is particularly important to recognize different constraints of capacity, political will and legitimacy. (...)
- 2. Do no harm.** International interventions can inadvertently create societal divisions and worsen corruption and abuse, if they are not based on strong conflict and governance analysis. (...) Aid budget cuts in-year should only be considered as a last resort for the most serious situations.
- 3. Focus on state-building as the central objective.** International engagement will need to be concerted, sustained and focused on building the relationship between state and society, (...) by supporting the legitimacy and accountability of states (...) and by strengthening the capacity of the states to fulfill their core functions (...).
- 4. Prioritize prevention.** Action today can reduce fragility, lower the risk of future of conflict and other types of crises, and contribute to long-term global development and security. (...) A greater emphasis on prevention will also include (...) looking beyond quick-fix solutions to address the root causes of state fragility (...)
- 5. Recognize the political-security-development nexus.** The political, security, economic and social spheres are interdependent. Importantly, there may be tensions and trade-offs between objectives, particularly in the short-term, which must be addressed when reaching consensus on strategies and priorities. For example, focus on peacebuilding in the short-term, to lay foundations for progress against MDGs in the longer-term. (This requires a whole of government approach by donors and policy coherence within the administration of each international actor.)
- 6. Promote non-discrimination as a basis for inclusive and stable societies.** International interventions in fragile states should consistently promote gender equality, social inclusion and human rights.
- 7. Align with local priorities in different ways in different contexts.** Where governments demonstrate political will to foster development, but lack capacity, international actors should seek to align behind government strategies. Where capacity is limited, the use of alternative aid instruments – such as international compacts or multi-donor trust funds – can facilitate shared priorities and responsibilities for execution between national and international institutions. (...) Where possible, international actors should seek to avoid activities which undermine institution-building, such as developing parallel systems (...).
- 8. Agree on practical coordination mechanisms between international actors.** This can happen even in the absence of strong government leadership. It is important to work together on: upstream analysis; joint assessments; shared strategies; coordination of political engagement. Practical initiatives can take the form of joint donor offices, an agreed division of labour among donors, delegated cooperation agreements, multi-donor trust funds; and practical initiatives such as the establishment of joint donor offices and common reporting and financial requirements.
- 9. Act fast ... but stay engaged long enough to give success a chance.** Assistance to fragile states must be flexibility enough to take advantage of windows of opportunity and respond to changing conditions on the ground. (...) International engagement may need to be of longer-duration than in other low-income countries. Capacity development in core institutions will normally require an engagement of at least ten years. Since volatility of engagement (...) is potentially destabilizing for fragile states, international actors must improve aid predictability.
- 10. Avoid pockets of exclusion.** International engagement in fragile states needs to address the problems of “aid orphans” - states where there are no significant political barriers to engagement but few donors are now engaged and aid volumes are low.

Annex 7: Non-DAC and Emerging Donors⁷⁷

Non-DAC and emerging donors are becoming increasingly important as ODA providers. New donors bring with them more resources to help developing countries reach their MDGs. At the same time, new challenges for harmonization and alignment are created. Non-DAC donors are a fairly heterogeneous set of countries, which can be broadly classified into four groups:⁷⁸ (i) OECD countries which are not members of DAC, such as Korea, Mexico, Turkey and several European countries; (ii) new European Union countries which are not members of the OECD; (iii) Middle East and OPEC countries, particularly Saudi Arabia; and (iv) non-OECD donors that do not belong to any of the previous groups, including Brazil, China, India and Russia. Two of the most important policy challenges related to non-DAC and emerging donors are: (i) the limited availability of data regarding their aid volumes and terms; and (ii) their diverse approaches to harmonization and alignment.

Insufficient data on non-DAC ODA makes it difficult to accurately assess aid volumes and prospects from these sources. Non-DAC OECD countries alone are expected in aggregate to double their current ODA levels to over \$2 billion by 2010⁷⁹. Available information suggests that non-DAC donors have been particularly involved in humanitarian aid. In response to the Indian Ocean tsunami in early 2005, for example, 70 non DAC donors responded with pledges of support. A recent ODI study⁸⁰ found that non-DAC donors accounted for up to 12 percent of official humanitarian financing in the period 1999-2004 (based on data from OCHA's Financial Tracking System), focused their efforts in a few countries (i.e., Afghanistan, Iraq, North Korea and the occupied Palestinian Territories), and preferred bilateral aid over multilateral routes.

Although a number of non-DAC donors signed the Paris Declaration, harmonization challenges remain paramount. The degree to which DAC approaches and norms regarding the provision of aid financing are applied by different non-DAC countries varies across the four country groupings described above. Manning (2006) highlights three main risks for low-income countries (LICs) associated with insufficient harmonization between DAC and non-DAC donors: (i) LICs – particularly those with enhanced “borrowing space” in the wake of MDRI – might find it easier to borrow on inappropriately non-concessional terms; (ii) LICs may also have increased opportunities to access low-conditionality aid that could help postpone much needed reforms; and (iii) if good practices in project appraisal are not followed, increased aid could translate partly into more unproductive capital projects in LICs. These risks could be mitigated by means of a strong, coordinated effort to implement the principles and targets of the Paris Declaration.

⁷⁷ IDA (2008). Aid Architecture: An Overview of the Main Trends in Official Development Assistance Flows

⁷⁸ See Manning, R. (2006). “Will ‘Emerging Donors’ Change the Face of International Co-Operation?”, *Development Policy Review*, 24(4).

⁷⁹ See Manning (2006), *op. cit.*, p. 373.

⁸⁰ Harmer, A. and L. Cotterrell (2005). Diversity in Donorship: The changing landscape of official humanitarian aid. The Humanitarian Policy Group at the Overseas Development Institute.

Annex 8: 2008 Disbursements by Geographic Location

District / Donor Agency	Project Cost* (USD)	Disbursed (USD)	# of Projects**	# of Implementers
		2008		
Total	\$1,532,152,288	\$92,351,814	222	
Unspecified	\$1,452,530,623	\$76,176,906		
African Development Bank (AfDB)	\$1,530,000	\$0	6	6
Department for International Development (DFID)	\$73,968,335	\$22,445,575	31	23
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	\$2,485,000	\$0	2	3
European Commission (EC)	\$51,152,707	\$0	33	24
German Embassy	\$0	\$0	2	1
Global Environment Facility	\$8,583	\$13,171	2	1
Global Fund	\$0	\$1,865,766	1	1
Government of Japan	\$119,959	\$0	1	1
Government of Norway	\$0	\$651,914	1	1
IDA	\$0	\$2,383,741	1	1
IFAD	\$0	\$0	1	1
International Monetary Fund (IMF)	\$13,121,328	\$0	1	1
Irish Aid	\$5,267,355	\$3,684,209	18	10
Islamic Development Bank (IDB)	\$0	\$0	3	4
KfW banking group (KfW)	\$485,000	\$0	1	1
Peacebuilding Fund	\$6,372,955	\$6,449,146	7	1
To be specified	\$119,959	\$0	1	1
UNAIDS	\$297,500	\$0	1	2
UNDP	\$4,751,435	\$4,473,862	17	2
UNICEF	\$6,600,000	\$5,674,887	3	2
US Embassy	\$0	\$13,533	2	6
USAID	\$3,984,886	\$3,283,046	5	5
World Bank	\$1,256,540,000	\$25,238,056	18	11
World Food Programme (WFP)	\$25,725,621	\$0	2	3
Bo	\$42,293,163	\$1,402,469		
Unspecified	\$5,114,707	\$0	2	1
Department for International Development (DFID)	\$244,542	\$0	1	1
European Commission (EC)	\$3,088,293	\$0	1	2
Peacebuilding Fund	\$8,000,000	\$1,283,998	1	1
UNDP	\$120,000	\$22,007	1	1
World Bank		\$96,464	1	1
World Food Programme (WFP)	\$25,725,621	\$0	2	3
Bombali	\$36,835,301	\$1,002,754		
Department for International Development (DFID)	\$2,996,272	\$0	1	1
European Commission (EC)	\$2,706,244	\$0	3	3
US Embassy	\$70,000	\$7,432	1	17
USAID	\$9,617,830	\$795,322	1	1

World Bank	\$0	\$200,000	1	1
World Food Programme (WFP)	\$21,444,955	\$0	5	3
Bonthe	\$28,786,893	\$21,667		
Department for International Development (DFID)	\$2,996,272	\$0	1	1
World Food Programme (WFP)	\$25,725,621	\$0	2	3
Eastern province wide	\$0	\$0		
USAID	\$65,000	\$21,667	1	1
Kailahun	\$51,907,359	\$1,768,831		
Unspecified	\$200,000	\$0	1	1
Department for International Development (DFID)	\$0	\$94,312	1	1
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	\$2,423,000	\$0	2	3
European Commission (EC)	\$5,098,908	\$0	2	3
Irish Aid	\$0	\$0	1	1
KfW banking group (KfW)	\$2,423,000	\$0	2	3
US Embassy	\$0	\$7,733	1	5
USAID	\$12,717,830	\$1,570,322	5	4
World Bank	\$0	\$96,464	1	1
World Food Programme (WFP)	\$29,044,621	\$0	4	3
Kambia	\$15,336,363	\$22,007		
Unspecified	\$3,103,599	\$0	1	1
European Commission (EC)	\$3,088,293	\$0	1	2
Japanese International Cooperation Agency (JICA)	\$2,652,137	\$0	5	4
UNDP	\$120,000	\$22,007	1	1
World Food Programme (WFP)	\$6,372,334	\$0	4	2
Kenema	\$52,670,190	\$3,205,623		
Unspecified	\$5,114,707	\$0	2	1
Department for International Development (DFID)	\$422,999	\$0	2	2
European Commission (EC)	\$228,319	\$0	1	1
Irish Aid	\$160,714	\$0	3	1
Peacebuilding Fund	\$8,000,000	\$1,283,998	1	1
UNDP	\$300,000	\$254,839	1	1
USAID	\$12,717,830	\$1,570,322	4	4
World Bank	\$0	\$96,464	1	1
World Food Programme (WFP)	\$25,725,621	\$0	2	3
Koinadugu	\$24,970,779	\$1,679,245		
Unspecified	\$200,000	\$0	1	1
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	\$1,800,000	\$0	1	2
European Commission (EC)	\$2,010,615	\$0	1	1
KfW banking group (KfW)	\$1,800,000	\$0	1	1
US Embassy	\$70,000	\$12,459	2	22
USAID	\$12,717,830	\$1,570,322	5	4
World Bank	\$0	\$96,464	1	1
World Food Programme (WFP)	\$6,372,334	\$0	4	2
Kono	\$49,895,769	\$1,734,536		

Unspecified	\$3,303,599	\$0	2	1
African Development Bank (AfDB)	\$857,562	\$0	1	1
Department for International Development (DFID)	\$244,542	\$0	1	1
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	\$2,423,000	\$0	2	3
European Commission (EC)	\$2,010,615	\$0	1	1
Irish Aid	\$0	\$0	1	1
KfW banking group (KfW)	\$2,423,000	\$0	2	3
UNDP	\$120,000	\$22,007	1	1
US Embassy	\$70,000	\$7,432	1	17
USAID	\$12,717,830	\$1,570,322	6	5
World Bank	\$0	\$134,775	2	2
World Food Programme (WFP)	\$25,725,621	\$0	2	3
Moyamba	\$9,778,057	\$7,432		
Unspecified	\$3,103,599	\$0	1	1
Department for International Development (DFID)	\$6,604,458	\$0	1	1
US Embassy	\$70,000	\$7,432	1	17
Northern province wide	\$65,000	\$21,667		
USAID	\$65,000	\$21,667	1	1
Port Loko	\$24,618,554	\$7,432		
Unspecified	\$3,103,599	\$0	1	1
US Embassy	\$70,000	\$7,432	1	17
World Food Programme (WFP)	\$21,444,955	\$0	5	3
Pujehun	\$35,517,513	\$94,312		
Unspecified	\$3,103,599	\$0	1	1
Department for International Development (DFID)	\$0	\$94,312	1	1
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	\$1,800,000	\$0	1	2
European Commission (EC)	\$3,088,293	\$0	1	2
KfW banking group (KfW)	\$1,800,000	\$0	1	1
World Food Programme (WFP)	\$25,725,621	\$0	2	3
Southern province wide	\$65,000	\$21,667		
USAID	\$65,000	\$21,667	1	1
Tonkolili	\$24,201,325	\$2,349,216		
African Development Bank (AfDB)	\$857,562	\$0	1	1
USAID	\$9,617,830	\$795,322	1	1
World Bank	\$4,250,000	\$1,549,254	1	1
World Food Programme (WFP)	\$6,372,334	\$0	4	2
Unallocated	\$0	\$0		
Unspecified	\$3,103,599	\$0	1	1
US Embassy	\$0	\$4,640	1	5
Western Area	\$38,104,409	\$1,936,663		
Arab Bank for Economic Development in Africa (BADEA)	\$0	\$0	2	2
Department for International Development (DFID)	\$3,078,146	\$0	3	3
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	\$3,324,000	\$0	2	3

European Commission (EC)	\$3,088,293	\$0	1	2
International Organisation for Migration (IOM)	\$514,500	\$0	4	1
Irish Aid	\$357,143	\$0	1	1
KfW banking group (KfW)	\$3,324,000	\$0	2	2
Kuwait Fund	\$0	\$0	1	1
OPEC	\$0	\$0	2	1
Peacebuilding Fund	\$9,305,706	\$1,761,888	4	1
UNDP	\$40,000	\$40,000	1	1
World Bank	\$0	\$134,775	3	3
World Food Programme (WFP)	\$15,072,621	\$0	1	3
Western Area Rural	\$190,000	\$29,457		
Irish Aid	\$0	\$0	1	1
UNDP	\$120,000	\$22,007	1	1
US Embassy	\$70,000	\$7,450	1	17
Western Area Urban	\$2,346,118	\$869,929		
Unspecified	\$596,118	\$0	1	1
UNDP	\$1,750,000	\$862,196	2	1
US Embassy	\$0	\$7,733	1	5

Source: Development Assistance Database. Data status: June 9, 2009

* Shows recorded project costs for those projects under which disbursements have been made in 2008

** The report shows the correct number of projects (co-)funded by each donor. Note that the sum of the numbers of projects per district is higher than the total number of projects shown at the top of the report, because several projects might cover multiple districts.

Annex 9: 2008 Disbursement by Sector

Sector / Donor Agency	Project Cost* (USD)	Disbursed (USD)	# of Projects **	# of Implementers
		2008		
Total	\$1,532,152,288	\$92,351,814	222	
00 - Unspecified	\$28,400,811	\$696,892		
Department for International Development (DFID)	\$401,474	\$0	5	6
European Commission (EC)	\$1,057,713	\$0	2	3
International Organisation for Migration (IOM)	\$514,500	\$0	4	1
Irish Aid	\$601,503	\$601,503	1	1
UNDP	\$100,000	\$95,389	1	1
World Bank		\$0	1	1
World Food Programme (WFP)	\$25,725,621	\$0	2	3
011 - Public Financial Management	\$26,030,913	\$30,009,204		
African Development Bank (AfDB)	\$930,000	\$0	2	3
Department for International Development (DFID)	\$24,110,479	\$19,859,369	5	3
European Commission (EC)	\$950,434	\$0	1	2
UNDP	\$40,000	\$39,192	1	1
World Bank	\$0	\$10,110,643	2	2
012 - Transparency and democracy	\$40,750,723	\$3,983,430		
Unspecified	\$16,000,000	\$0	1	1
Department for International Development (DFID)	\$15,383,900	\$0	6	9
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	\$485,000	\$0	1	1
European Commission (EC)	\$2,422,850	\$0	4	5
Irish Aid	\$1,913,973	\$330,827	9	5
KfW banking group (KfW)	\$485,000	\$0	1	1
Peacebuilding Fund	\$200,000	\$7,808	2	1
UNDP	\$1,200,000	\$965,461	4	1
US Embassy	\$0	\$19,334	1	5
USAID	\$2,660,000	\$2,660,000	4	4
013 - Capacity Building of government agencies	\$10,434,651	\$8,113,818		
Unspecified	\$3,103,599	\$0	1	1
African Development Bank (AfDB)	\$0	\$0	1	2
Department for International Development (DFID)	\$1,591,516	\$0	5	5
European Commission (EC)	\$2,768,060	\$0	4	6
Islamic Development Bank (IDB)	\$0	\$0	1	2
Peacebuilding Fund	\$150,000	\$136,815	1	1
UNDP	\$2,821,476	\$2,980,039	7	1
World Bank	\$0	\$4,996,964	2	2
014 - Security Sector	\$27,121,157	\$1,773,228		
Unspecified	\$3,011,108	\$0	2	1

Department for International Development (DFID)	\$21,862,107	\$188,624	3	2
Peacebuilding Fund	\$2,247,942	\$1,584,604	4	1
015 - Decentralization	\$3,095,545	\$3,415,978		
Department for International Development (DFID)	\$14,402	\$2,586,206	1	1
European Commission (EC)	\$131,143	\$0	1	2
UNDP	\$450,000	\$329,772	2	1
USAID	\$2,500,000	\$500,000	1	1
016 - Justice Sector Development	\$14,277,744	\$3,164,360		
Department for International Development (DFID)	\$6,910,878	\$0	3	3
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	\$1,524,000	\$0	1	1
European Commission (EC)	\$661,911	\$0	3	3
Irish Aid	\$357,143	\$0	3	2
KfW banking group (KfW)	\$1,524,000	\$0	1	1
Peacebuilding Fund	\$2,999,812	\$2,783,073	2	1
UNDP	\$300,000	\$361,953	1	1
US Embassy	\$0	\$19,334	1	5
051 - Private Sector Development	\$13,116,655	\$153,638		
Department for International Development (DFID)	\$6,289,795	\$0	4	2
European Commission (EC)	\$786,860	\$0	1	1
German Embassy	\$0	\$0	1	1
UNDP	\$40,000	\$40,000	1	1
World Bank	\$6,000,000	\$113,638	1	1
052 - Youth Development	\$10,220,029	\$2,874,218		
Unspecified	\$4,284,788	\$0	3	1
Department for International Development (DFID)	\$178,457	\$0	1	1
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	\$2,623,000	\$0	2	3
Government of Japan	\$119,959	\$0	1	1
Irish Aid	\$0	\$0	1	1
KfW banking group (KfW)	\$623,000	\$0	1	2
Peacebuilding Fund	\$2,080,907	\$2,414,736	1	1
To be specified	\$119,959	\$0	1	1
UNDP	\$119,959	\$0	1	1
US Embassy	\$70,000	\$4,957	1	17
World Bank	\$0	\$454,525	4	3
053 - Agriculture, Rural development and Food Security	\$54,868,788	\$11,852,075		
Unspecified	\$987,703	\$0	2	2
African Development Bank (AfDB)	\$600,000	\$0	2	2
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	\$623,000	\$0	1	2
European Commission (EC)	\$3,286,123	\$0	6	6
IFAD	\$0	\$0	1	1
Irish Aid	\$2,255,639	\$2,255,639	1	1
Islamic Development Bank (IDB)	\$0	\$0	1	1

Japanese International Cooperation Agency (JICA)	\$1,694,872	\$0	2	1
KfW banking group (KfW)	\$623,000	\$0	1	2
UNDP	\$820,000	\$775,656	2	1
US Embassy	\$70,000	\$14,870	1	17
USAID	\$12,182,830	\$4,291,819	4	3
World Bank	\$6,000,000	\$4,514,091	3	3
World Food Programme (WFP)	\$25,725,621	\$0	2	3
054 - Infrastructure	\$60,289,516	\$6,321,918		
Unspecified	\$200,000	\$0	1	1
African Development Bank (AfDB)	\$857,562	\$0	3	4
Arab Bank for Economic Development in Africa (BADEA)	\$0	\$0	2	2
Department for International Development (DFID)	\$0	\$0	2	2
European Commission (EC)	\$19,371,954	\$0	4	2
German Embassy	\$0	\$0	1	1
IFAD	\$0	\$0	1	1
Kuwait Fund	\$0	\$0	1	1
OPEC	\$0	\$0	2	1
Peacebuilding Fund	\$8,000,000	\$3,851,994	1	1
UNDP	\$1,000,000	\$0	1	1
US Embassy	\$70,000	\$4,957	1	17
World Bank	\$30,790,000	\$2,464,967	8	6
055 - Macroeconomic Management	\$39,556,013	\$0		
European Commission (EC)	\$16,434,685	\$0	1	1
International Monetary Fund (IMF)	\$13,121,328	\$0	1	1
World Bank	\$10,000,000	\$0	1	1
081 - Health	\$1,273,381,956	\$14,064,463		
African Development Bank (AfDB)	\$0	\$0	1	1
Department for International Development (DFID)	\$0	\$0	1	1
European Commission (EC)	\$4,254,416	\$0	4	4
Government of Norway	\$0	\$651,914	1	1
Irish Aid	\$656,954	\$496,240	6	2
Japanese International Cooperation Agency (JICA)	\$529,915	\$0	1	1
UNICEF	\$6,600,000	\$5,674,887	3	2
USAID	\$11,502,716	\$3,228,161	3	3
World Bank	\$1,220,000,000	\$4,013,261	2	1
World Food Programme (WFP)	\$29,837,955	\$0	4	3
082 - HIV/AIDS	\$26,641,482	\$1,922,295		
Department for International Development (DFID)	\$543,809	\$0	1	1
European Commission (EC)	\$302,052	\$0	1	1
Global Fund	\$0	\$1,865,766	1	1
Irish Aid	\$0	\$0	2	1
UNDP	\$70,000	\$56,529	1	1
US Embassy	\$0	\$0	1	1
World Food Programme (WFP)	\$25,725,621	\$0	3	3
083 - Education	\$32,295,489	\$2,593,655		

Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	\$1,800,000	\$0	1	2
European Commission (EC)	\$256,898	\$0	1	1
IDA	\$0	\$2,383,741	1	1
Islamic Development Bank (IDB)	\$0	\$0	1	1
Japanese International Cooperation Agency (JICA)	\$85,470	\$0	1	1
KfW banking group (KfW)	\$1,800,000	\$0	1	1
UNAIDS	\$297,500	\$0	1	2
US Embassy	\$70,000	\$9,914	1	17
World Bank	\$0	\$200,000	1	1
World Food Programme (WFP)	\$27,985,621	\$0	3	3
084 - Water and Sanitation	\$1,987,530	\$84,847		
Department for International Development (DFID)	\$0	\$0	1	1
European Commission (EC)	\$1,425,650	\$0	3	3
Japanese International Cooperation Agency (JICA)	\$341,880	\$0	1	1
UNDP	\$150,000	\$74,933	1	1
US Embassy	\$70,000	\$9,914	1	17
085 - Environment	\$8,115,068	\$1,327,798		
European Commission (EC)	\$1,316,485	\$0	3	3
Global Environment Facility	\$8,583	\$13,171	2	1
USAID	\$2,540,000	\$540,000	3	3
World Bank	\$4,250,000	\$774,627	1	1
128 - Humanitarian	\$2,010,615	\$0		
European Commission (EC)	\$2,010,615	\$0	1	1

Source: Development Assistance Database. Data status: June 9, 2009

* Shows recorded project costs for those projects under which disbursements have been made in 2008

The report shows the correct number of projects (co-)funded by each donor. Note that the sum of the numbers of projects per sector is higher in the total number of projects shown at the top of the report, because several projects might receive funding from multiple donors.

Annex 10: Considerations regarding the ‘narrow donor base’

During the interviews, senior civil servants repeatedly stated their government’s desire to “broaden Sierra Leone’s donor base”, by fostering South-South Cooperation, including proactive outreach to non-DAC donors, and by attracting more private sector investment. At least two arguments could be made in support of such a motion. *First*, the fact that only few donors, which are increasingly coordinating and harmonizing their activities, provide the majority of foreign assistance could result in increased aid volatility. A *second* argument for expanding the donor base could be that the majority of aid is allocated to the same sectors and that the allocation patterns reflect global priorities of the international donor community rather than local preferences. In fact, there are some indications that this might be the case in Sierra Leone. The biggest donors are all DAC donors, which are guided by the same international development agenda that has led to a strong focus on social sectors at the expense of investment in infrastructure and other “productive sectors”.⁸¹ Government officials stated during interviews that especially non-DAC donors such as China, India and Nigeria are more responsive to the preferences articulated by the government.

In sum, there seem to be good arguments for proactive outreach to mobilize new donors and attract other kinds of investment – for example, investments in infrastructure (China) and placement of health care professionals (Nigeria). However, with regard to the already fragmented aid delivery and experiences from other countries, a word of caution seems appropriate.

Adding more actors to the already diverse development partner community is likely to increase the coordination challenges, as well as the degree of aid fragmentation, which would probably result in overall reduced effectiveness of foreign assistance and investment. As long as the GoSL experiences difficulties in coordinating and aligning its current development partners, it should carefully consider the possible implications of inviting more actors to enter the scene.

Looking at global trends, the following can be observed: The economic liberalization of the past two decades has pushed economic power towards transnational corporations for whose investments developing countries compete – encouraging a ‘race to the bottom’ of the tax ladder. This has altered and sometimes erased the content of democratic reforms in many countries. One consequence of becoming competitive in the global investment market is that states lack the tax base from which to expand delivery of goods and

⁸¹ While aid data indicates that there was a strong focus of foreign assistance on good governance, security and peace in the past, it should be noted that support to these areas is critical for a country that emerges from eleven years of war and is still a fragile state. (Refer to section 2.1 for a discussion on the fragile state dimension). Given the conclusion of the Sierra Leone Truth and Reconciliation Commission that poor governance had been one of the main root causes of the conflict, it is not surprising that donors have invested heavily in improving governance structures. The Development Assistance Report 2007 prepared by DACO indicates that 52% of all disbursements went to Pillar 2 (Food Security and Job Creation). However, a large part of the amount spent under Pillar 2 was actually used to provide technical assistance to the GoSL to reduce administrative barriers for foreign investments. Hence, one can question the effects on promoting small and medium enterprises and job creation. In light of the fact that the UN estimates that unemployment in Sierra Leone stands at approximately 65% and high unemployment was a contributing factor to the civil war, questions remain as to whether job creation per se is sufficiently prioritized.

services that confers on them political legitimacy in the eyes of their electorates. This is a real risk for Sierra Leone as well. Besides, experience from other countries seems to indicate that local producers often cannot compete with foreign firms and are likely to be pushed out of the market. While consumers might benefit from lower prices as a result of this competition, it is questionable if this development would actually be beneficial for the national economy as a whole. This would require that foreign investments, whose returns would need to be appropriately taxed, result in the creation of jobs for Sierra Leoneans, which would allow broadening the tax base. The GoSL would need to increase its tax efforts, while avoiding a situation where taxation is narrowly based and regressive.

There is no doubt that non-traditional donors such as China, India and Nigeria have a different kind of skills and know-how to offer based on their own experiences as developing countries. Their approaches to development, which are often very pragmatic and results-oriented, should be seen as complementary to the ones pursued by traditional DAC donors. In order to harness these particular experiences, while limiting the risk of increasing the coordination challenge, it is recommended that ‘trilateral cooperation agreements’ be extended, whereby a non-traditional donor collaborates with a traditional one.⁸² Overall, it is crucial to integrate non-DAC and other emerging donors into collective dialogue and coordination mechanisms at country level, in order to foster synergies and increase mutual understanding of each others programmes and procedures. In this regard, non-DAC donors to Sierra Leone should be encouraged to enter information on their assistance into the Development Assistance Database.

⁸² For a detailed discussion on potential opportunities for Sierra Leone from increasing South-South Cooperation see Barut, Jean (2009). Expanding Development Financing in Sierra Leone through South-South Cooperation. Mission Report for UNDP.

Annex 11: The PIU Dilemma

Reasons for using PIUs⁸³

There are strong incentives for donors to work through PIUs, and for governments to accept them. PIUs can provide opportunities for highly competent government executives to shine, and engage in meaningful and rewarding project work. Donors are seldom willing to commit resources in the absence of clear lines of communication, on-time delivery of acceptable quality products, and clear and timely financial accountability. As long as criteria for project success are centered on management processes and producing results in the short-term, it is likely that PIU-type units will continue to be used. This will be especially true in crisis situations, where immediate and effective responses are indispensable.

The pressure from donor agencies on the host government to meet management standards is also seen as a positive stimulus, despite its top-down character and imposition of cultural patterns of organization and administration. Employees are rewarded not for the long-term sustainable development that occurs on their watch, but for getting projects approved by donor agencies, for the disbursement of funds, and for meeting the output targets in the project design. PIUs are seen as a legitimate mechanism for achieving stated development goals in circumstances where crucial skills, experience and support facilities are lacking.

Advantages of using PIUs

PIUs usually work well in the short term; compensate for host-country institutional shortcomings; allow greater flexibility in hiring, paying, managing, and motivating personnel; ensure direct monitoring, and accountability to funding agencies; ease language barriers between donors and host-country government staff; inhibit ballooning of government entities around aid flow; and protect against mismanagement and corruption in procurement.

Disadvantages of using PIUs

There are several downsides to the use of PIUs, which merit repeating. PIU shortcomings are:

- Weakening of line departments,
- Creating parallel super-ministries,
- Stripping government of staff with proficiency in donor language,
- Promoting a culture of PIU-hopping,
- Lowering morale in civil service,
- Difficulties in re-absorption of PIU staff and functions,
- Lengthening project implementation,
- Strengthening loyalty to donor agencies rather than to country priorities, and thereby distort domestic accountability,
- Contributing to 'donor-ship' rather than to 'national ownership',
- Postponing and potentially preventing civil service reform.

Steps to alleviate PIU shortcomings

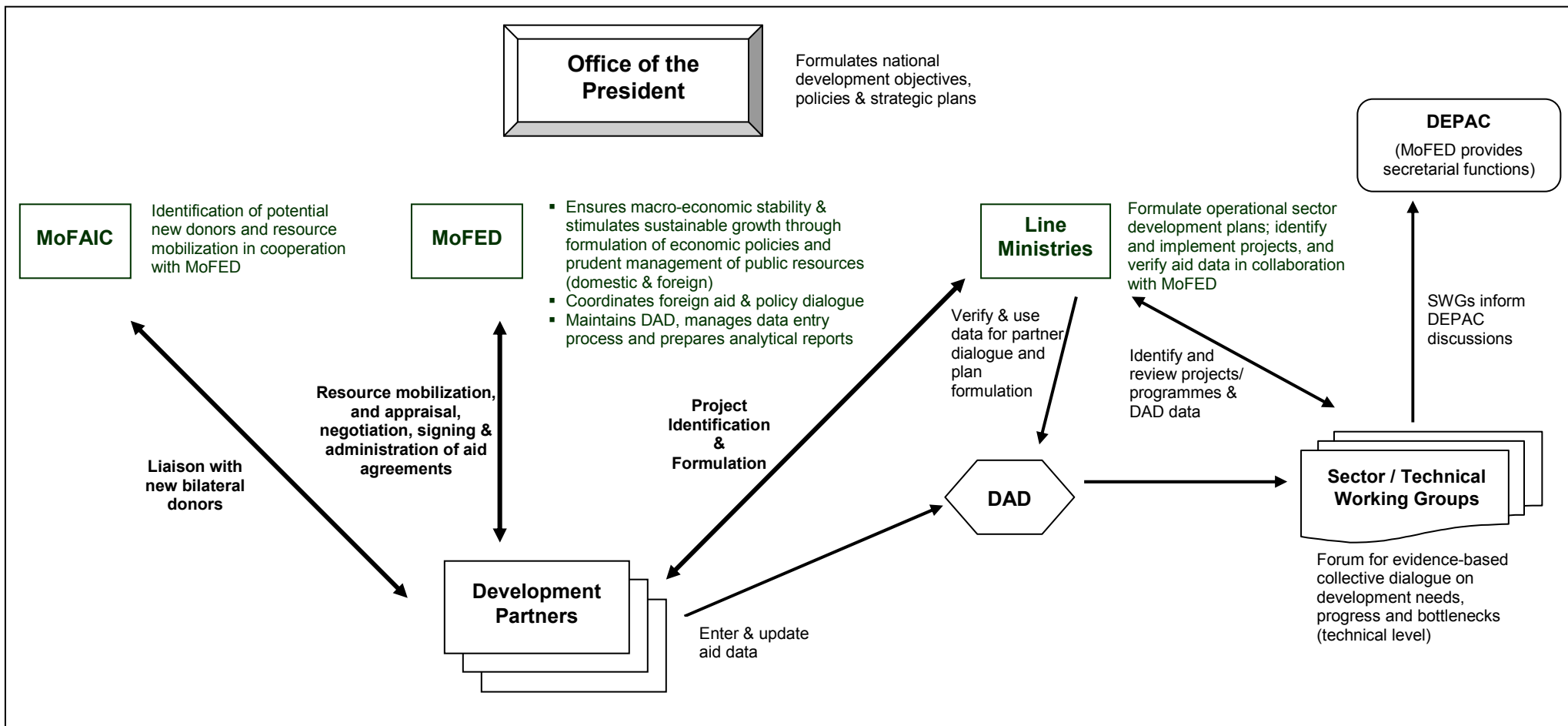
- *Pre-plan for project implementation:* spend more pre-project time on understanding and preparing for project implementation, such as substantial upfront efforts for participative management training and preparatory restructuring of the host agency in the public sector. This will mean addressing the issues of longer-term capacity development during project design in an explicit manner.
- *Link PIUs to host agency, not to donor agency:* PIU identification with the relevant public

⁸³ For more details see UNDP (2003). The PIU Dilemma: How to Address Project Implementation Units. <http://www.undp.org/policy/docs/policynotes/pov-PIU-final4.doc>

sector agency must be overtly acknowledged (no business cards with donor logo). The link of PIUs to sub-national constituencies and local authorities charged with project implementation must be made as explicit as possible.

- *Identify an exit strategy:* make explicit the strategy of how to incorporate parallel institutions into the government structure as part of the PIU design. This requires clear sunset provisions and time-bound tenures from the outset of the project; as well as assuring adequate funds in the host agency budget to secure carryover of PIU functions.
- *Avoid hiring from another PIU:* One way to avoid the proliferation and extended use of PIUs, and thus contributing to government brain drain, is to avoid hiring staff from other PIUs. In all cases, PIU staff hiring should be a transparent and competitive process.
- *Harmonize PIU with administration of host agency, not that of donor agency:* align PIU policies, procedures, functions and reporting schedules with standard government operations. The PIU procedures should be seen to be working within the host agency, and not be tailored to fit the needs of the donor agency.

Annex 12: Proposed Aid Coordination Architecture



Annex 13: Draft Guidelines on the Role and Functioning of Technical Working Groups

Background

Dialogue is a discourse between stakeholders on particular issues aimed at learning, exchanging of information and views and guiding the development policy making process. High quality and regular dialogue between the government of Sierra Leone, development partners and domestic stakeholders is crucial for the successful implementation of national development plans and strategies, particularly if it is based on already existing national processes. Collective dialogue can be used to:

- Strengthen partnerships around common goals;
- Improve public policy choices and the effectiveness of GoSL's planning, budgeting and public service delivery;
- Strengthen national ownership and the GoSL's role as leader in the development process;
- Improve information sharing within their agencies and thus facilitate the adoption of consolidated views; and
- Facilitate GoSL's accountability to the citizens of Sierra Leone.

Dialogue between the government of Sierra Leone and its development partners should be guided by the following *principles*:

- Dialogue should take place under government leadership at the respective level, i.e. national, sector and/or local government, through good coordination and organisation providing predictability and an appropriate level of participation.
- Dialogue should involve all relevant stakeholders in order to facilitate national ownership, and stakeholders should have a clear understanding of the objectives of each dialogue forum and their roles and responsibilities therein.
- All stakeholders should participate in dialogue forums with the view to facilitate domestic accountability.
- Dialogue should be open and frank and based on mutual trust and respect in order to allow for a fruitful exchange of views and, where necessary, for formulating a consensus. Every participant should have an equal opportunity to share its views.
- Collective dialogue and coordination mechanisms seek to minimise transaction costs through simplification and rationalization around the national calendar of policy and consultative processes.
- Issues discussed in dialogue forums should be subject to thorough scrutiny in order to enhance accountability and the quality of final agreements.
- Information should be shared among stakeholders in a transparent, timely, clear and accessible manner. This includes advance communication and dissemination of material in preparation of dialogue forums.
- Each dialogue forum should establish follow-up mechanisms to ensure that dialogue is translated into actions and dialogue outputs feed into policy making.

Technical Working Groups (TWG) are intended to serve primarily as coordinating and supporting bodies; they are not intended to substitute for or to duplicate the functions of ministries and agencies. TWGs are accountable to their host ministries and agencies, whose representative will act as Chair. The Chair will be supported by one or more ‘lead facilitators’, chosen by the development partners. As part of the mechanism to promote aid effectiveness, TWGs would also have reporting responsibility with respect to the implementation of the Joint Development Effectiveness Action Plan.

1. Composition of TWGs

TWG Chairs are responsible for determining TWG membership but, in order to achieve purposeful and informed dialogue, it is necessary that TWGs consist of:

- (i) Well informed, technically or substantively competent, and adequately high level GoSL representatives, who are mandated to represent the views of their institution and who are able to provide required information and to facilitate follow-up action within their own institution.
- (ii) Development Partners should also be represented at an appropriate and competent level. Development Partners might agree and coordinate between themselves so that not every Development Partner supporting a sector needs to attend the TWG;
- (iii) The Chair needs to be fully committed, with authority within the host ministry, and to be able to deal with matters arising on the spot as well as to guide discussions smoothly; in addition the Chair must be associated or familiar with some or all of the Development Partner assisted programmes in the sector;
- (iv) The Development Partner-chosen lead facilitator(s) must be at a senior level within their organization, competent in the field and be willing to relate information to all other Development Partners. Development Partners should manage their own arrangements for nominating or replacing the lead facilitator but, in the interest of continuity, a lead facilitator is normally expected to support the TWG for at least two years;
- (v) Technical Advisors working within the GoSL structure (embedded TAs) should participate and contribute along with GoSL representatives, but should not function as Development Partner lead facilitator(s);
- (vi) Each TWG may invite NGOs and civil society representatives where they have a clear operational role and are providers of specific assistance and/or services related to the sector or where they make a specific contribution to the work of the TWG.

2. Size of TWGs

Having too many members in a TWG is not conducive to meaningful dialogue. It is suggested that:

- (i) An optimum size to facilitate dialogue is about 10 – 15 persons;
- (ii) Where it is necessary to have a larger number of members, it would be useful to constitute a "core group" of not more than 10-15 persons which could meet more regularly and report to the plenary; Development Partner facilitators in such core groups can keep other Development Partners informed of progress and developments;
- (iii) It would also be useful to constitute small "sub-groups" within any TWG to address more detailed issues, either on a time-bound or permanent basis.

3. Subjects or sectors to be covered

TWGs are mainly theme or sector based and related to PRSP priorities. Where cross-sectoral themes are to be addressed, the composition of sub-group should be considered, including meetings among core members of relevant interconnected TWGs.

4. Criteria for formation of TWGs

The criteria for formation of TWGs could be established as follows:

- (i) TWGs should cover clearly identifiable sectors or themes, with sub-groups where necessary to deal with individual components;
- (ii) There must be clearly identifiable substantive targets that the TWG would help achieve through its own work;
- (iii) The subject or theme to be covered should not be too diffused, making it difficult to assign clear responsibilities or to monitor progress across several GoSL ministries or agencies;
- (iv) Where adequate coordination and GoSL-Development Partner information-sharing mechanisms already exist, there is no need to create parallel or additional mechanisms.

5. Roles and Functions of TWGs

TWG functions should be included in the Terms of Reference and Action Plan. They may include some or all of the following:

(1) Foster PRSP Linkages

- (i) Identify PRSP strategies, priorities and indicators that fall within the remit of the TWG;
- (ii) Identify cross-cutting issues that the work of the TWG is expected to support, either through activities within the sector or through collaboration with other GoSL Ministries or TWGs;
- (iii) Identify relevant available data sources for PRSP monitoring and agree on any additional analytical work that the TWG might support to enhance PRSP reporting and monitoring;

- (iv) Based on an GoSL appraisal of development assistance, promote alignment with national priorities and strategies;
- (v) Where necessary, align planning cycles with those of the PRSP and the Budget process.

(2) Develop Sector/Thematic Strategies

- (i) Support the development of a sector strategy or programme that promotes the attainment of PRSP targets (including issues of a cross-cutting nature), supports routine work functions, and which addresses capacity development needs;
- (ii) Identify relevant support, and appropriate modalities, directed to the development, implementation, financing, monitoring and review of the sector strategy;
- (iii) Establish and monitor Joint Monitoring Indicators that are linked to PRSP targets.

(3) Plan & Monitor Financing

- (i) Maintain a record, derived from DAD Sierra Leone, of all on-going Development Partner funded activities that are relevant to the TWG;
- (ii) Identify pipeline projects – and potential Development Partner funding - that will address priority activities included in the sector plan or strategy;
- (iii) To the extent that it is feasible, cost priority activities and identify funding sources and gaps, working with MoFED in its capacity as GoSL's aid coordination focal point;
- (iv) Discuss the sector Medium-Term Expenditure Framework (MTEF) as a basis for programming comprehensive GoSL and Development Partner support.

(4) Foster Capacity Development

- (i) Capacity development activities should be located in the context of GoSL's Public Sector Capacity Building Strategy:
 - a) Develop a coherent capacity development strategy, based on a needs assessment and functional review, that addresses capacity development at institutional, organizational and individual levels;
 - b) Identify and agree on a rational and GoSL-led programme for providing technical assistance;
 - c) Establish and monitor indicators that will inform progress toward capacity development.

(5) Promote Aid Effectiveness

- (ii) In the context of the Joint Development Effectiveness Action Plan, identify relevant activities that will promote aid effectiveness. This may include but need not be limited to:
 - a) Establishment of a programme-based approach to guide project development/programmatic support in the context of the sector strategy and to coordinate resource mobilization efforts;
 - b) Lead a dialogue on aid modalities that are appropriate for the sector/thematic work supported by the TWG, identifying opportunities for more efficient forms of channeling Development Partner assistance, including a 'donor division of labour'; delegated partnerships; basket funding etc;
 - c) Coordinated and rational use of technical cooperation (see capacity development above);
 - d) Monitoring the use of PIUs, and in the context of broader capacity development work;
 - e) Monitor missions and analytical work, promoting joint approaches informed by the TWG Action Plan to the fullest extent possible;

(6) Reporting and Review

- (iii) Identify and agree on a modality for reviewing TWG and/or sector progress, ideally on a joint basis.

6. Conduct of Meetings

The following points may guide the work of TWGs:

- (i) Meetings should have a clear agenda with documentation shared in advance to the fullest extent possible;
- (ii) All participants should be provided with an opportunity to inform the TWG of important developments;
- (iii) TWGs should meet as often as is deemed appropriate;
- (iv) Preparatory meetings between the Chair and the lead facilitators – as well as between Development Partners – may ensure a more focused and productive TWG dialogue;
- (v) The Chair, or his/her nominated representative, and the lead facilitators should maintain regular contact between meetings to ensure timely follow-up on agreed actions;
- (vi) A Secretariat should be appointed and facilitated. Their role will include keeping records of each meeting, document sharing and serving as the aid coordination focal point;

7. Support Structures

A well-organized and properly led unit within the lead ministry or agency should organize meetings, keep records or minutes of meetings of TWGs and sub-groups, and conduct follow-up with line ministries and agencies responsible for carrying out agreed actions. To avoid adding new layers to the existing structure, this secretariat should be an integral part of the host ministry or agency, such as the planning department. The unit should also be the designated contact point for the lead facilitator or other TWG members on behalf of the Chair.

Annex 14: AIMS Operationalization Matrix

Functions	Questions	Required Structures, Procedures and Mechanisms	Capacity Requirements
Data Entry	<ul style="list-style-type: none"> ▪ What kind of data needs to be collected and with which frequency? ▪ Who collects and enters data? ▪ How and by whom is data quality controlled? 	<ul style="list-style-type: none"> ▪ Standard Operating Procedures, which define the data entry process, incl. related roles and responsibilities ▪ Data entry/ user manual, incl. glossary that defines critical terms ▪ User-friendly and easily accessible data entry format ▪ User training 	<ul style="list-style-type: none"> ▪ Outreach capacity (dedicated small team of people) ▪ Communication, presentation and training skills
System Maintenance	<ul style="list-style-type: none"> ▪ Who owns and operates the system? ▪ Where is the system hosted? ▪ What are the system's characteristics? 	<ul style="list-style-type: none"> ▪ System administration and troubleshooting ▪ Management of user rights ▪ Server management ▪ Data back-up strategy ▪ User support (help desk) ▪ System adjustment/ modification 	<ul style="list-style-type: none"> ▪ IT skills (qualified database manager) ▪ Adequate IT environment
Data Analysis/ Dissemination	<ul style="list-style-type: none"> ▪ What kind of information is required? ▪ What types of reports are required? ▪ How easily can reports be generated/ customized and accessed? By whom? ▪ Who analyzes the data? ▪ How is information disseminated? ▪ How is use of information facilitated? 	<ul style="list-style-type: none"> ▪ Frequent data integrity checks ▪ Regular generation and wide dissemination of standard reports ▪ On-demand analytical reports ▪ Website, CDs, etc. ▪ Communication/ dissemination strategy ▪ Link to national planning & budgeting process, as well as collective dialogue and oversight mechanisms 	<ul style="list-style-type: none"> ▪ Analytical skills (qualified aid analyst) ▪ Writing, packaging and presentation skills

Annex 15: Sample Snapshot Sector Profile (Pakistan)

Sector Background							Public Sector Health Expenditure					
<p>While basic health indicators for Pakistan have improved over the last 15 years, they are still below those of other countries with similar per capita income.</p>							<p>National budget allocations to the health sector have been increased continuously over the years, for example, from 22.08 billion rupees in 1999-2000 to 50 billion rupees in 2006-2007. However, despite the increase in absolute terms, health-related domestic expenditure remained rather static as percentage of GDP.</p>					
Health Indicators	1990-91	2000-01	2004-05	PRSP Target 2005-06	MTDF Target 2009-10	MDG Target 2015	Fiscal Years	Public Sector Expenditure (Federal and Provincial)			Percentage Change	Health Expenditure as % of GDP
						Total Health Expenditure		Development Expenditure	Current Expenditure			
Under 5 Mortality Rate	140	105	100	80	77	52	1999-00	22.08	5.89	16.19	6.1	0.58
Infant Mortality Rate	102	77	73	63	65	40	2000-01	24.28	5.94	18.34	9.9	0.58
Maternal Mortality Ratio	550	350	400	300-350	300	140	2001-02	25.41	6.69	18.72	4.7	0.57
Contraceptive Prevalence Rate	12	30	36	41.7	51	55	2002-03	28.81	6.61	22.21	13.4	0.59
Total Fertility Rate	5.4	4.1	3.5	3.7	2.7	2.1	2003-04	32.81	8.50	24.31	13.8	0.58
Proportion of deliveries attended by Skilled Birth Attendants	18	40	48	75	60	>90	2004-05	38.00	11.00	27.00	15.8	0.57
							2005-06	40.00	16.00	24.00	5.3	0.51
							2006-07	50.00	20.00	30.00	25	0.57

Source: Millennium Development Goals Report 2006

Source: Planning & Development Division

Sources of Foreign Aid in 2006				Managers of Foreign Aid in 2006		Top Five Aid Activities in 2006		
<p>63% of the total disbursements made in 2006 to the health sector came from multilateral funding sources. ADB is the largest funding source followed by the World Bank and the USA.</p>				<p>The majority of the foreign assistance provided to the health sector was disbursed to government agencies, followed by INGOs.</p>		<p>The five largest projects account for 77% of the total amount disbursed to the health sector in 2006.</p>		
Funding Source	Disbursed (USD)					Project	Funding Source	USD
Total	433,309,577	168,156,526	265,153,051			Balochistan Devolved Social Services Program	ADB (Asian Development Bank)	136,138,000
ADB (Asian Development Bank)	164,313,051	2,500,000	161,813,051			Budgetary Support	USA Gov	78,000,000
WB (World Bank)	108,470,000	5,130,000	103,340,000			Second Partnership for Polio Eradication	WB (World Bank)	46,700,000
USA	82,978,088	82,978,088	0			NWFP Development Policy Credit	WB (World Bank)	46,520,000
Germany	31,126,505	31,126,505	0			PAK/000873 - SD 171025 National Health and Population Welfare Facility	UK Gov	26,205,451
UK	26,205,451	26,205,451	0					
UN (United Nations)	7,550,448	7,550,448	0					
Japan	6,000,000	6,000,000	0					
Canada	4,269,420	4,269,420	0					
EC (European Commission)	2,396,614	2,396,614	0					

Source: Development Assistance Database Pakistan

Source: Development Assistance Database Pakistan

Source: Development Assistance Database Pakistan

2006 Disbursements by Sub-Sector		Degree of Fragmentation in 2006		2006 Disbursements by Region	
<p>Almost 89% of the total disbursed funds in 2006 were allocated to a specific health sub-sector. The largest share out of this went to 'Primary Health'.</p>		<p>Foreign aid to the health sector is <i>highly fragmented</i>.</p>		<p>51% of the total disbursements to the health sector in 2006 were allocated to a specific geographical location. The largest portion out of this was disbursed for health-related activities in Balochistan (36%), followed by NWFP (11%).</p>	
Sub-Sector	USD			Province or Area	USD
Total	433,309,577			Total	433,309,577
Other	136,154,888			Countrywide	207,467,654
Primary Health	112,061,624			Balochistan	155,648,884
Unallocated	54,052,911			NWFP (North-West Frontier Province)	46,586,575
Maternal Health	36,807,069			FANA (Federally Administrated Northern Areas)	12,171,349
Infectious Disease Control	29,151,997			Federal Capital Territory	6,055,113
Child Health	18,078,088			Unallocated	4,336,347
Secondary Health	8,981,224			Punjab	593,500
Medical Services	8,021,775			Sindh	448,914
Administration	8,000,000			FATA (Federally Administrated Tribal Areas)	1,240
Tertiary Health	8,000,000				
Food and Nutrition	8,000,000				
Training and Capacity Building	6,000,000				

Source: Development Assistance Database Pakistan

Source: Development Assistance Database Pakistan

Source: Development Assistance Database Pakistan

Annex 16: Using an AIMS to Track Paris Declaration Indicators

Help Close

Contact Help Desk at +92 (0)51 920 60 46 dadpakistan@ead.gov.pk

PROJECT DETAILS	PROJECT FUNDING	KEY INDICATORS	PARIS DECLARATION INDICATORS	NOTES AND ATTACHMENTS
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Please enter information related to the Paris Declaration on Aid Effectiveness so that the commitments of both the Government and its partners to more effective aid can be monitored in line with the indicators included in the Declaration.

The Paris Declaration can be viewed [here](#) and all 12 indicators can be downloaded [here](#)

PARIS DECLARATIONS INDICATORS

Total Commitment	0												
Point of Delivery Donor *	Q1: Who is the "Point Of Delivery Donor" for the purpose of monitoring the Paris Declaration? --- Select --- Q2: What percentage or amount out of the total committed amount was disbursed to the "Government Sector" as defined for the purpose of monitoring the Paris Declaration? <input type="text"/> % <input type="text"/> USD												
Indicator 4 <i>Technical Cooperation</i>	Q3: What percentage or amount out of the total committed amount was disbursed for technical cooperation? <input type="text"/> % <input type="text"/> USD Q4: What percentage or amount out of the total committed amount was disbursed through coordinated technical cooperation programmes? <input type="text"/> % <input type="text"/> USD												
Indicator 5a <i>Use of National Public Financial Management System</i>	Q5: Does this project use the Government's public financial management system? <input type="radio"/> Yes <input type="radio"/> No												
Indicator 5b <i>Use of National Procurement Procedures</i>	Q10: Does this project use the Government's procurement system? <input type="radio"/> Yes <input type="radio"/> No												
Indicator 6 <i>Use of PIU</i>	Q12: Does this project use a Project Implementation Unit? <input type="radio"/> Yes <input type="radio"/> No												
Indicator 9 <i>Programme-Based Approach</i>	Q14: Is this project part of a programme-based approach? <input type="radio"/> Yes <input type="radio"/> No												
Indicator 10a <i>Please record any mission that was funded by this project</i>	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="width: 5%;"><input type="checkbox"/></th> <th style="width: 35%;">Mission Title*</th> <th style="width: 10%;">Start Date</th> <th style="width: 10%;">End Date</th> <th style="width: 10%;">Joint Mission</th> <th style="width: 30%;">Participating Partner</th> </tr> </thead> <tbody> <tr> <td><input type="checkbox"/></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> Delete Add	<input type="checkbox"/>	Mission Title*	Start Date	End Date	Joint Mission	Participating Partner	<input type="checkbox"/>					
<input type="checkbox"/>	Mission Title*	Start Date	End Date	Joint Mission	Participating Partner								
<input type="checkbox"/>													
Indicator 10b <i>Please record any relevant analytical work supported by this project. (if relevant, please attach/upload this</i>	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="width: 5%;"><input type="checkbox"/></th> <th style="width: 40%;">Title of Analytical Work*</th> <th style="width: 15%;">Date</th> <th style="width: 15%;">Joint with other partner?</th> <th style="width: 25%;">Participating Partner</th> </tr> </thead> <tbody> <tr> <td><input type="checkbox"/></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> Delete Add	<input type="checkbox"/>	Title of Analytical Work*	Date	Joint with other partner?	Participating Partner	<input type="checkbox"/>						
<input type="checkbox"/>	Title of Analytical Work*	Date	Joint with other partner?	Participating Partner									
<input type="checkbox"/>													

Source: www.dadpak.org

Annex 17: Types of Regulatory Frameworks

Different countries have chosen different types of regulatory frameworks, for example: *statutory law* (Vietnam), *policy* (Rwanda, Nepal) and *joint assistance strategy* (Tanzania, Zambia). While the delineation between the different types of documents is not always clear-cut, and some may be used complementarily, it seems sensible to think about the different types of frameworks and their potential advantages and disadvantages in the context of Sierra Leone.

Foreign Assistance Law

A law is (usually) approved by Cabinet and formally enacted by Parliament, which makes it a declaration of will by the whole of government. While a law could be the result of wider consultations with different stakeholders, it is in the end a unilateral, authoritative act of government, which usually foresees sanctions in case of disobedience. A law is generally binding for all subjects that fall under it, while exceptions need to be stated in the law or in separate legislation (in civil law countries) or determined in related jurisdiction. In order to maintain the overall rule of law, a government has to enforce the law by imposing foreseen sanctions in case the law was broken. If a government is unable or unwilling to enforce the law, it should refrain from enacting it.

Foreign Assistance Policy

A policy is usually approved by Cabinet, but not necessarily by Parliament. A policy is usually the result of broad consultations with different stakeholders, including civil society and development partners, but ultimately announced unilaterally by the government. A policy document does not generally foresee sanctions in case the policy is not adhered to. Hence, a policy does not have the same authoritative and binding character as a law, and leaves concerned stakeholders more flexibility. However, too much flexibility with regard to interpretation of and adherence to the policy will ultimately undermine its intention and make its implementation impossible, which is likely to weaken government's credibility.

Joint Assistance Strategy

A joint assistance strategy is usually approved by Cabinet, but not necessarily by Parliament and is the result of broad consultations with a wide range of stakeholders, including civil society and development partners.⁸⁴ The decisive difference to the other two types of regulatory frameworks is that a joint assistance strategy is usually signed by both the government and its development partners, which makes it a mutually binding agreement. A joint assistance strategy can foresee mutually agreed sanctions. However, given the asymmetry between the two parties to the accord – in particular in case of an

⁸⁴ The term Joint Assistance Strategy is sometimes also used for harmonization efforts among a specific donor group. In this report, the term Joint Assistance Strategy is only used for joint efforts between development partners and the host government. Harmonization without alignment and government leadership/ engagement might have negative implications for a national government, whose bargaining power might be further reduced when facing a 'harmonized' donor block, which might de facto rather act as a cartel.

aid-dependent country like Sierra Leone – it is unlikely that they will reach agreement on mutually acceptable sanctions. The experiences with joint assistance strategies (JAS) are mixed. While in Tanzania the Ministry of Finance took the lead, the process in Zambia was mainly donor driven. Although process and content was slightly different from country to country, a main purpose of the JAS is to improve donor coordination, by, among other things, identifying donors' comparative advantage and introducing a single review cycle. A JAS is usually also intended to replace individual country strategies of participating donors. Some lessons learned from Uganda, Tanzania and Zambia are summarized below.

Lessons Learned from Country Experience with Joint Assistance Strategies⁸⁵

- In Tanzania, **the process was seen as highly sensitive from the donor perspective**, since it may lead to very challenging changes in their aid portfolio and modus operandi – provided government leadership in this area is actually accepted.
- **Slow progress on the issues of complementarity and division of labor.** While the issue was covered in all documents to some extent, none went so far as actually defining a concrete structure, which reflects the complications and political sensitivity associated with this topic.
- In Uganda, **development partners insisted on maintaining 'political space' to manoeuvre**, which made it difficult to set ambitious targets and deadlines. The requirement for some donors to involve relevant units at their respective HQs further complicated and prolonged the process.
- **JAS processes have generally been longwinded with relatively little concrete results.** Consequently, there was a constant risk of losing momentum. At the same time, there was a risk of raising uncertainty among stakeholders, e.g. smaller donors feared being squeezed out once a division of labor was agreed (or imposed).
- **JAS processes resulted in an increased understanding of each other's position.** The mapping of donor projects/ programmes, as well as overall strategies and procedures was considered particularly useful.
- **Starting the process as early as possible is helpful, ideally in parallel with PRSP formulation.** Changing the course of a donor agency is a bit like changing the course of a super tanker – there is a long time gap from turning the steering wheel to actual change of course.
- **Allocating sufficient staff capacity is essential**, as preparation of a JAS consumes time and resources.
- Country experiences illustrate that **governments may not necessarily have to drive the JAS process from the very outset.** In all three countries a division of labor between the government and the donors has been established at a very early stage, where the government has taken responsibility for preparing the PRSP and the donors have taken responsibility for preparing the JAS in response to the PRSP.

The first pitfall is to try and implement a JAS when the country's own capacities for planning, aid coordination and negotiation are too weak. The exercise often ends up being

⁸⁵ Ministry of Foreign Affairs (Danida)/ European Commission, DG Development (2005): Joint Assistance Strategies in Tanzania, Zambia and Uganda, Final Report.
http://www.aidharmonization.org/download/255437/Joint_AssistanceStrategy.pdf

mostly (sometimes exclusively) donor-led. Recent experiences indicate that many of the ‘donor-donor’ components of the Paris Declaration (harmonization, donor-led division of labor) were taking precedence over the national ownership principle. If the process is not nationally-owned and if the country does not have the negotiation and leadership capacities to ensure that it is framed within a nationally-owned development strategy, then the JAS will likely end up being perceived as a means for a group of donors to "gang up" and impose their own development agenda.

The Paris Declaration clearly indicates that *division of labor* is a key issue on the harmonization agenda. However, none of the three countries mentioned above have found a solution to the division of labor issue, which reveals the high degree of political interest and political economy involved. In this regard, it appears obvious that in order to move forward on this issue there are several essential tasks ahead which should be approached in an open and transparent manner. For example, the government needs to clarify its own position, e.g., on who it would like to collaborate with in each sector – Ministry of Finance versus line ministries. Development partners need to clarify their position internally (with their respective HQs), internal technical capacity/ human resources, and together with other development partners regarding the number of sectors to be present in, phasing in and out arrangements, use of joint modalities, definition of ‘lead donor’, ‘silent partnership’, etc.

Political buy-in from HQ is essential. Decisions concerning the sectors in which to lead, in which to be ‘silent’ partner, what ‘lead donorship’ entails, etc. are so important, given their legal, financial and operational implications, that HQs need to be actively involved early on. Political buy-in is also essential considering the likelihood of less individual visibility of donors as part of a joint assistance strategy.

Political buy-in from line ministries in the recipient country is also important, as they need to gradually adjust and accept a new scenario in which development assistance is moving away from individualized project-based and programme assistance in collaboration with individual line/ sector ministries towards one point-of-entry with the Ministry of Finance as the ministry responsible for the national budget.

Against this background, it is recommended that a *combination of tools* be used. GoSL should formulate a succinct aid policy document that defines basic principles, the main procedures and corresponding roles and responsibilities for the provision, acceptance, coordination and management of foreign assistance. The policy should be concrete, but at the same time broad enough to encompass the entire development partner community. The current draft provides a good starting point.

In order to facilitate the actual implementation of the policy, it is recommended that a *joint aid effectiveness action plan* be formulated, which could combine *localized* Paris Declaration principles with operational targets regarding the provision, coordination and management of foreign assistance. The action plan would have a dual function: *first*, it would serve as a tool to facilitate the implementation of the aid policy; and *second*, it would form the basis of a mutual accountability framework.

Annex 18: Lessons Learned from Country Experience with Independent Monitoring⁸⁶

1. The mere fact of conducting an independent monitoring exercise underlines the intent and commitment of both sides to the partnership and this, in itself, can strengthen aid relations. Independent monitoring can therefore provide vital impetus and goodwill where relations are strained.
2. Independent monitoring can bring balance to aid relations. If the politics of aid mean that it is unrealistic to expect any real endogenous 'balancing of the scales' at a national level, then genuine external and independent monitoring can bring significant insights and help to create conditions for moving the partnership onto firmer ground.
3. Global experience tells us that assessing either government performance or aid effectiveness is increasingly a false dichotomy. Increasing flows of direct budgetary support also underline this realization. Monitoring 'development effectiveness' is therefore required – particularly in heavily aid dependent economies – as a necessary part of assessing the inextricably intertwined efforts of government and its partners in delivering a poverty reduction programme. Monitoring also assists in promoting civil society, an important third pillar in the development dialectic, to hold both government and its partners to account.
4. The recommendations of an independent monitoring exercise must be translated into a compact of agreed actions and responsibilities. A concrete, attainable and benchmarked series of actions, ideally to be located in established national processes will: (i) institutionalize the exercise; (ii) make implementation simpler; and (iii) lead to reduced transaction costs of aid and increased effectiveness.
5. The incentive to adopt 'quick fixes' might undermine the need to seek longer-term sustainable responses to aspirations of ownership and stronger local capacity. Governments need to be sincere, and more assertive with partners, in their reform efforts while the partners need to be realistic about the long-term nature of these reforms.
6. Given the concerns above, independent monitoring can secure a longer-term view and take the partnership to a higher level, supporting critical insights into issues relating to ownership and capacity. Continued high-level dialogue increases the probability of successfully implementing the Rome Declaration agenda and increasing the effectiveness of aid over the longer-term.
7. After an appropriate period of ad hoc commissioned reports, it is desirable to institutionalize the independent monitoring exercise at the earliest possible time. The lessons of these exercises can then inform a national policy on the role of development assistance in supporting national efforts to build capacity to implement a fully-owned poverty reduction programme.

⁸⁶ Philip Courtndage (2004): Restoring Balance to Development Partnerships: Independent Monitoring in Tanzania.

<http://www.devoid.org/index.cfm?module=Library&page=Document&DocumentID=5227>.