Mission Report

IMPROVING AID EFFECTIVENESS IN UZBEKISTAN

A Review of Existing Aid Effectiveness Challenges and Opportunities

Jörg Nadoll

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Abbreviations and Acronyms

AsDB	Asian Development Bank
AE	Aid Effectiveness
CG	Central Government
CO	Country Office
DAC	Development Assistance Committee (of the OECD)
EUD	European Union Delegation
FDI	Foreign Direct Investment
FGO	Foreign Government Organization
GDP	Gross Domestic Product
GIZ	Gesellschaft für International Zusammenarbeit (German Technical Cooperation Agency)
GOU	Government of Uzbekistan
HDI	Human Development Index
IDA	International Development Association
IFI	International Financial Institution
IFEI	International Financial and Economic Institution
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
KOICA	Korea International Cooperation Agency
LHS	Left-hand side (of charts and equations)
LM	Line Ministry
MDA	Ministries, Departments and Agencies
MFERIT	Ministry of Foreign Economic Relations Investment and Trade
MIS	Management Information System
MOE	Ministry of Economy
MOF	Ministry of Finance
MOH	Ministry of Health
NGO	Non-Governmental Organization
MTEF	Medium-Term Expenditure Framework
OECD	Organization for Economic Cooperation and Development
Oliy Majlis	Parliament of Uzbekistan
PFM	Public Financial Management
RHS	Right-hand side (of charts and equations)
SDC	Swiss Agency for Development and Cooperation
SDG	Sustainable Development Goal
UN	United Nations
UNDP	United Nations Development Program
WB	World Bank
WHO	World Health Organization
VAT	Value Added Tax

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Executive Summary

1.   **Foreign aid plays an important role in Uzbekistan's development process**. Uzbekistan is a lower-middle income country with stable economic growth of around 8 percent in recent years. Public debt is low and debt sustainability is not of concern. In absolute terms, Official Development Assistance (ODA) provided to Uzbekistan has increased in recent years, amounting to US$ 324 million in 2014. This was equivalent to 0.5 percent of Uzbekistan's gross national income in the same year. Although Uzbekistan is not aid dependent, foreign aid plays an important role in the country's development process. Through its focus on poverty reduction and human development ODA can address needs that other financial flows cannot, because other flows often require high economic returns in short periods of time. Furthermore, foreign aid can catalyze other flows and leverage them to reach the Government's development goals. Foreign aid also allows accessing knowledge and policy advice required to tackle complex development challenges. The long-term impact and developmental value of sharing knowledge and innovative ideas can be much higher than the monetary value of the underlying technical assistance. However, empirical evidence shows that the effectiveness of foreign aid depends on the quality of institutions in the recipient country and the manner in which it is provided.

2.   **This report assesses aid effectiveness challenges and opportunities in Uzbekistan against the background of internationally agreed aid effectiveness principles**. Cross-country analyses have identified a number of aid effectiveness principles and good practices in aid management, including country *ownership* of the development agenda, *alignment* of foreign aid with national priorities and systems, *harmonization* of donor practices, and *results-orientation* of development activities. During a series of high-level international conferences held in Paris (2005), Accra (2008) and Busan (2011), a large number of aid providers and recipients have agreed to follow these principles. Global monitoring mechanisms have been developed to assess to what extent aid effectiveness principles are actually adhered to in different countries, and to promote dialogue at country level on how to make aid more effective. Uzbekistan is not a signatory to these international agreements and has not participated in any of the global aid effectiveness surveys. This deprives the country of points of international comparison and of a means to bring itself and development partners to conform to international good practice.

3.   **In the absence of readily available, detailed quantitative data on foreign aid flows – Uzbekistan did not participate in any of the global Paris Declaration Monitoring surveys – this assessment included an aid effectiveness *perception* survey.** The questionnaire-based survey asked participants to rate on a scale from 1 (low) to 5 (high) to what extent internationally recognized aid effectiveness principles are adhered to in Uzbekistan according to the participants' perception of the situation on the ground. The findings of the perception survey were then compared with other pieces of available information. The results of the assessment are presented in this report.

4.   **The survey revealed that Government and development partners have different perceptions of the effectiveness of foreign aid provided to Uzbekistan**. An aid effectiveness perception survey carried out in November 2016 showed considerable differences in the perceptions of Government and donors, especially regarding the degree of results-orientation and alignment of foreign aid, as well as the perceived quality of government-donor dialogue and the efficiency of the national aid coordination arrangements. In general, Government agencies assess the existing aid

effectiveness situation as being more positive than development partners do. Different perceptions of aid effectiveness challenges reveal a need for more open dialogue among all partners in order to arrive at a common understanding of what constitutes effective aid in the context of Uzbekistan and to find mutually acceptable solutions to perceived problems.

5.   **Despite differences in the weight given to individual aid effectiveness categories, there are similarities in the rating patterns of Government and donors**. For example, both groups gave comparatively lower ratings to four categories, namely the perceived degree (i) to which country systems are used, (ii) of donor harmonization, (iii) of joint missions, and (iv) of joint analytical work. These similarities could provide entry points for aid effectiveness dialogue between Government and development partners. Both groups could agree on joint targets reflecting the desired level of improvement in these areas and define indicators to measure progress. Mutual commitments on how improvements will be made could be captured in a Partnership Agreement, outlining a joint vision for improving development cooperation in Uzbekistan.

6.   **Government and development partners should discuss their expectations regarding development results and agree on joint results frameworks**. Both, Government and donor agencies appear eager to achieve results, yet at different levels. At least with regard to its requests for foreign assistance, the Government tends to focus on short-term and tangible results at output-level, while most development partner agencies are encouraged by their headquarters to aim for longer-term institutional changes, requiring achievement of results at outcome and even impact level. In the absence of joint results frameworks that focus on high level results, present a clear means-ends relationship connecting outputs to outcomes and impacts, and that are widely communicated to all stakeholders that are meant to contribute to high level results, there is a considerable risk that envisioned development results will not be achieved, despite delivery of a large number of individual project outputs. It seems as if both, the Government and its development partners would benefit from open discussions about sectoral results frameworks, mutual expectations regarding the type and level of results to be achieved jointly and the related underlying assumptions.

7.   **The Government's preference for a bilateral approach to donor coordination may result in missed opportunities**. The Government manages its aid relationships primarily on a donor-by-donor basis. While this approach is conducive to good bilateral relations, it increases inter-ministerial coordination challenges and bears the risk of missing opportunities and under-utilizing potential synergies that are more likely to emerge during collective dialogue between Government representatives and groups of development partners active in the same sectors. Competition among development partners, as well as their different mandates, procedures and interests tend to undermine self-coordination by donors. Interviews revealed that donor coordination (outside the UN framework) happens mainly on ad hoc basis and involves mostly consultation, but little actual cooperation or even collaboration. Therefore, the Government should consider complementing its bilateral approach to donor coordination more proactively with multilateral ones. These are more likely to promote synergies between individual aid-funded projects, which in turn tend to increase the developmental value of foreign assistance as a whole.

8.   **Government-led mechanisms for collective dialogue and donor coordination should be strengthened**. Regular collective dialogue is an important instrument to foster aid effectiveness, in particular alignment, coordination and mutual accountability. While there is continuous Government-donor dialogue, many development partners would welcome more frequent,

Government-led *collective* dialogue structured around (sector) results frameworks. Although initial experiences with joint Sector Working Groups have been mixed, they provide an opportunity to build on that the Government should seize proactively. Formulating prioritized, well-sequenced and costed sector strategies that contain realistic results frameworks, as well as establishing platforms for collective dialogue should be considered as creating an enabling environment for aid mobilization and more effective development cooperation, leading to better development results.

9. **Development partners could be more proactive in addressing some identified aid effectiveness challenges themselves**. Although perceptions of aid effectiveness challenges vary among development partners, there are some similarities in rating patterns that could provide entry points for aid effectiveness dialogue among development partners. In this regard, development partners seem to agree that there is a need to improve coordination, e.g. regarding analytical work, and to increase harmonization of their procedures to reduce transaction costs for the Government. Development partners could establish platforms for more frequent dialogue among themselves, in parallel to continued efforts to strengthen collective dialogue with the Government.

10. **Uzbekistan's aid coordination architecture could be further developed around the international sustainable development agenda.** On 25th September 2015, the 193 Member States of the United Nations unanimously adopted the new 2030 Agenda for Sustainable Development, including 17 Sustainable Development Goals (SDGs), which aim to end poverty, hunger and inequality, take action on climate change and the environment, improve access to health and education, and build strong institutions and partnerships. Uzbekistan has already taken initial steps to localize the SDG agenda. This provides an opportunity to further strengthen the national aid coordination architecture by linking national planning, resource mobilization and collective dialogue with a universally agreed results and cooperation framework. SDG-based national and sectoral development strategies are likely to foster better coordination among donors and greater alignment of foreign aid (and other flows) with national priorities. Collective dialogue among donors and between donors and the Government could be organized around those parts of the comprehensive and universally agreed SDG agenda that are most relevant to Uzbekistan.

11. **The planned set-up of an online aid information management system provides an excellent opportunity to improve aid coordination and evidence-based collective dialogue.** A crucial precondition for enabling the Government to coordinate development partners and manage aid flows effectively is the availability of accurate and timely aid data. Comprehensive aid data that is accessible to various Government institutions, including line ministries, and development partners could inform discussions within Sector Working Groups, which could play a crucial role in reviewing the efficiency and effectiveness of aid activities against the background of joint results frameworks.

12. **The Government could consider complementing its primarily project-based aid mobilization mechanism with a programmatic one**. Uzbekistan's aid mobilization mechanism is primarily built around a project proposal roster consisting of a list of vetted and approved proposals requesting project aid for different sectors. While this approach has apparently led to increased mobilization of grant resources, many donors find it difficult to allocate and firmly commit funding on this basis, in particular in case of projects encompassing primarily stand-alone procurement of goods. It could be considered to present project proposals within coherent (SDG-based) programmatic frameworks (at sectoral or thematic level) that show how desired project outputs are intended to contribute to higher level results to be achieved over a 3-5 year timeframe. Donors

could be invited to submit aid proposals in support of the programmatic framework as a whole, in addition to committing funding for pre-approved projects. This would broaden the basis for aid mobilization and allow the Government to capitalize on innovative approaches based on international good practices to achieve medium-term development results.

13.   **Ongoing public financial management reforms could provide an opportunity for strengthening results-orientation, alignment and aid mobilization.** Ongoing public financial management reforms aim to strengthen medium-term strategic planning, expenditure prioritization and results-orientation by introducing ministry-level strategic plans linked to a medium-term budgetary framework. These strategic plans should define results at outcome and impact level and outline a realistic roadmap (theory of change) for achieving these results, including required outputs (products and services). Apart from improving expenditure prioritization and results-orientation of public service delivery, such strategic plans would also improve aid mobilization and could become the basis for joint results frameworks of Government and development partners. In future, projects proposed for aid funding could be presented in the context of programmatic frameworks provided by the strategic plans that link project outputs to higher-level results.

14.   **The Government could consider carrying out a functional review of its aid coordination arrangements in the context of ongoing public financial management reforms.** Many development partners expressed concerns regarding the Government's aid management procedures and consider them as being overly complex, causing delay and potentially reducing the effectiveness of foreign aid. While an in-depth assessment of all relevant aid management regulations and procedures was beyond the scope of this assignment, there appear to be both overlaps between and fragmentation of core aid management functions. Fragmentation of responsibilities for aid management functions increases inter-ministerial coordination challenges and can result in inefficiencies and reduced effectiveness of the overall system. Consecutive steps taken by the Government to improve the system by passing new regulations addressing individual issues may inadvertently have led to increasing its complexity. Ongoing public financial management reforms provide a good opportunity for a holistic review of mechanisms in place to manage public resources, domestic and foreign. Greater expenditure prioritization and results-orientation of spending agencies should also extend to foreign aid. This would – among others – require strengthening roles and responsibilities of line ministries in aid management.

15.   **The Government could consider formulating a consolidated statement of aid policies.** While different rules and regulations related to aid management exist, there is currently no single, consolidated statement of aid policies that outlines the Government's priorities regarding the provision of foreign assistance, including preferred aid modalities, basic principles to be followed, the main criteria, procedures and corresponding roles and responsibilities for the provision, acceptance, coordination and management of foreign assistance, etc. An aid policy that adds to clarity regarding development cooperation priorities and approaches, as well as the roles and responsibilities of Government and donor agencies along the aid cycle and that is implemented by effective and transparent institutions should enable the Government to derive greater benefit from the assistance provided by its partners, and to reduce the often high transactions costs associated with this assistance. It is also likely to have a positive effect on aid mobilization. The formulation of an aid policy could be informed by findings of an in-depth analysis of aid data captured in the planned AIMS, a holistic functional review of existing Government-internal aid management

arrangements, and – potentially – the findings of a more comprehensive aid effectiveness assessment building on global assessment frameworks such as the Paris Declaration monitoring survey.

16. **While UNDP should continue its aid effectiveness work, the project focus should be adjusted and activities better linked with ongoing public financial management reforms.** In light of the findings of this review, future UNDP support to strengthen aid effectiveness in Uzbekistan should focus on the following: (i) improving aid coordination and evidence-based dialogue through the set-up of an online aid information system; (ii) strengthening donor coordination by establishing platforms for continuous dialogue and information exchange, (iii) promoting and facilitating Government-donor dialogue, and (iv) strengthening the Government's aid management capacities. In principle, development activities aiming to achieve the same results should be managed together, regardless of the source of funding. Aid is more effective if it supports and complements development activities funded from the state budget. This requires that aid is provided in a way that allows assessing its impact on the budget. Moreover, many aid management and aid effectiveness challenges, for example the perceived limited focus on higher level results in aid spending, seem to reflect broader public sector/ financial management challenges. Against this background, it is advisable to continue selected initiatives to strengthen aid effectiveness under UNDP's upcoming PFM reform support project, instead of under a separate aid effectiveness project.

1. Introduction

1.2 About this Assignment

1.   **Foreign aid plays an important role in Uzbekistan's development process**. Although Official Development Assistance (ODA) provided to Uzbekistan is equivalent to only about 0.5 percent of gross national income (GNI) its developmental role should not be underestimated.[3] Development is not only about physical capital, it is also about human capital. Investments in human capital (incl. health and education) increase labor productivity and will affect growth in the long term. ODA, which is focused on poverty reduction and human development, addresses needs that other financial flows cannot, because they often require high economic returns in short periods of time. Furthermore, foreign aid can catalyze other flows and leverage them to reach the Government's development goals. It also allows accessing knowledge and policy advice required to tackle complex development challenges, and helps developing capacities at institutional, organizational and human levels in a way that most other external flows do not.

2.   **A key factor determining the effectiveness of foreign aid is the manner in which it is provided**. Empirical literature suggests that the effectiveness of foreign aid to contribute to the economic and social development of a country chiefly depends on two factors: (i) the quality of institutions and polices in the recipient country, and (ii) the manner in which aid is provided.[4] The extent to which foreign aid is aligned with national priorities, provided in a coordinated manner to avoid gaps and overlaps, as well as strengthening rather than undermining national institutions crucially determines whether or not it helps or hinders the national development agenda.

3.   **UNDP Uzbekistan is implementing a project to increase the effectiveness of foreign aid coming into the country**. The project has three main components: (i) Development and implementation of a Partnership Agreement, (ii) improving aid coordination at sector level through formulation of sector strategies and set-up of sector working groups, and (iii) improving aid transparency and coordination through set-up of an aid information management system (AIMS). The original implementation period was January 2014 to December 2015. Due to implementation delays, the project duration was extended by 18 months and is now scheduled to be completed end of May 2017.

4.   **While focusing on the installation of the AIMS, UNDP would like to use the project extension period to finalize some of the other project deliverables**. In this context, an analytical report titled: "*An Analysis of the Aid Coordination System in Uzbekistan*" was prepared by a national consultant. Government representatives raised concerns regarding the report, arguing that it is unduly criticizing the Government's existing aid coordination system, while offering insufficient analysis of the impact of donor behavior on the effectiveness of aid provided to Uzbekistan.

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[3] In this report the terms "foreign aid" and "foreign assistance" refer to "Official Development Assistance (ODA)", unless specifically stated otherwise. ODA is defined as "*those flows to countries and territories which are provided by official agencies, including state and local governments, or by their executive agencies; and which are (i) administered with the promotion of the economic development and welfare of developing countries as their main objective; and (ii) are concessional in character and conveys a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent)*". *Source*: OECD (2008). *Is it ODA? Factsheet.* Available under: https://www.oecd.org/dac/stats/34086975.pdf, [downloaded on Dec. 4, 2016].
[4] See for example: Collier and Dehn 2001; Collier and Hoeffler, 2002; Burnside and Dollar 2004, as well as Deutscher and Fyson 2008; OECD 2007, 2008 and 2012.

5.   **Against this background, an international consultant was recruited to assess aid effectiveness in Uzbekistan**. Building on existing assessments, this report is meant to (i) explain aid effectiveness principles and international good practices, (ii) outline options for measuring aid effectiveness at country-level, (iii) provide a more balanced analysis of existing aid effectiveness challenges and opportunities in Uzbekistan, (iv) make concrete recommendations on how the effectiveness of aid provided to Uzbekistan could be increased, and (v) outline options for UNDP to continue its support in this area after the end of its current project.

6.   **The assignment employed a number of approaches to collect the information required to assess foreign aid practices in Uzbekistan against a set of internationally recognized aid effectiveness principles**. This aid effectiveness assessment followed the principles of methodological triangulation. Insights from a comprehensive review of relevant background studies, government regulations and other documents were validated through semi-structured interviews with representatives from Government and development partner agencies during a country visit from November 21-25, 2016. (Refer to Annex 1 for a list of people met and to Annex 2 for the bibliography). In the absence of readily available, detailed quantitative data on foreign aid flows – Uzbekistan did not participate in any of the global Paris Declaration Monitoring surveys – the assessment included an aid effectiveness *perception* survey. The questionnaire-based survey asked participants to rate on a scale from 1 (low) to 5 (high) to what extent internationally recognized aid effectiveness principles are adhered to in Uzbekistan according to the participants' perception of the situation on the ground. The findings of the Perception Survey were then contrasted with other pieces of available information. The results of the assessment are presented in this report.

1.2 About this Report

7.   **This report is divided into seven chapters**. The introduction outlines the background and objectives of the assignment and explains the methodology used to address its various tasks. Chapter 2 provides an overview of the international aid and development effectiveness agenda, including major principles and practices agreed upon during a series of international conferences. Against this background, Chapter 3 describes different frameworks used to measure aid effectiveness at country level. Chapter 4 provides and overview of Uzbekistan's aid environment and outlines the role of foreign aid against the background of Uzbekistan's economic and fiscal situation. Chapter 5 discusses aid effectiveness challenges and opportunities in Uzbekistan based on the findings of an aid effectiveness perception survey, a comprehensive document review and semi-structured interviews with representatives of Government and development partner agencies. Against this background, Chapter 6 presents recommendations on how the effectiveness of aid provided to Uzbekistan could be increased. Chapter 7 outlines options for UNDP to continue its support towards improving aid and development effectiveness in Uzbekistan.

2. The International Aid and Development Effectiveness Agenda

8.   **This chapter provides an overview of the global discourse on aid and development effectiveness.** Uzbekistan has not signed the Paris Declaration on Aid Effectiveness – a landmark agreement attempting to redefine aid relationships and practices – or any of the subsequent international development cooperation agreements. This deprives the country of the opportunity to leverage global commitments made by aid providers to improve aid practices at country level. This chapter summarizes the main stages of the global aid effectiveness discourse, explains the main principles agreed and commitments made by 168 countries, territories and organization that already signed the Paris Declaration,[5] and outlines the related benefits that signatories have experienced. The principles and good practices defined in these agreements form the background against which aid practices in Uzbekistan are assessed in later parts of this report.

9.   **Persisting dissatisfaction with ODA performance has led to a series of international High Level Forums (HLF): in Rome (2003), Paris (2005) and Accra (2008) to examine these and other issues affecting the quality of aid and propose actions to improve its outcome.** Successive international conferences, initially organized by the Working Party on Aid Effectiveness of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD), provided a platform for providers and recipients of development assistance to exchange views on how foreign aid could become more effective. The continuous international dialogue, which was informed by comprehensive analytical work, led to the identification, agreement, reconfirmation and refinement of a set of aid effectiveness principles and good practices (Table 1). The key issues of this policy dialogue can be summarized as follows:

- Foreign assistance should be provided and managed with a clear *focus on achieving development results*;

- Foreign assistance should be *aligned with national development strategies*, which should clearly indicate national development requirements and priorities through operational plans that define expected outcomes and related financing requirements;

- Foreign assistance should be *delivered through effective national institutions and systems*;

- Foreign assistance should be provided by development partners through *harmonized plans and procedures for planning, programming and financing*;

- Foreign assistance should be *predictable and untied*;

- Aid relationships should be transformed to *partnerships based on mutual accountability*;

- Effective development depends on inclusive partnerships of all actors, including governments of developing countries, donors, civil society and the private sector.

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[5] For a complete list countries, territories and organizations adhering to the Paris Declaration see:
http://www.oecd.org/dac/effectiveness/countriesterritoriesandorganisationsadheringtotheparisdeclarationandaa a.htm.

Table 1: Overview - Global Aid Effectiveness Conferences

Resulting Agreement	Agreed Principles, Priorities, Policies
Rome Declaration (2003)	- Ensuring that development assistance is delivered in accordance with partner country priorities. - Reviewing and amending policy, procedures and practice to facilitate harmonization. Such as by reducing donor missions, reviews and reporting. - Implementing progressively good practice principles in development assistance delivery. - Intensifying donor efforts to work through delegated cooperation and increasing the flexibility of staff to manage country programs and projects more effectively and efficiently. - Developing incentives to foster recognition of the benefits of harmonization. - Providing support for country analytic work in ways that will strengthen government leaderships and ownership of development results. - Mainstreaming country-led efforts to streamline donor procedures and practices including demand-driven technical cooperation. - Applying good practice principles - including alignment with national budget cycles and poverty reduction strategy reviews - in providing budget, sector or balance of payments support.
Paris Declaration (2005)	*Ownership*: Developing countries set their own strategies for poverty reduction, improve their institutions and tackle corruption. *Alignment*: Donor countries align behind these objectives and use local systems. *Harmonization*: Donor countries coordinate, simplify procedures and share information to avoid duplication. *Results*: Developing countries and donors shift focus to development results and results get measured. *Mutual accountability*: Donors and partners are accountable for development results. *Global monitoring mechanism* (12 indicators).
Accra Action Agenda (2008)	*Ownership*: Countries have more say over their development processes through wider participation in development policy formulation, stronger leadership on aid coordination and more use of country systems for aid delivery. *Inclusive partnerships*: All partners - including donors in the OECD Development Assistance Committee and developing countries, as well as other donors, foundations and civil society - participate fully. *Delivering results*: Aid is focused on real and measurable impact on development. *Capacity development* - to build the ability of countries to manage their own future - also lies at the heart of the AAA.
Busan Outcome Document (2011)	*Ownership of development priorities by developing counties*: Countries should define the development model that they want to implement. *A focus on results*: Having a sustainable impact should be the driving force behind investments and efforts in development policy making *Partnerships for development*: Development depends on the participation of all actors, and recognizes the diversity and complementarity of their functions. *Transparency and shared responsibility*: Development cooperation must be transparent and accountable to all citizens *New framework for development cooperation* that embraces traditional donors, South-South co-operators, the BRICS, civil society organizations and private funders *New global monitoring mechanism* (10 indicators)

Sources:

1. Rome Declaration: https://www.oecd.org/dac/effectiveness/31451637.pdf
2. Paris Declaration: https://www.oecd.org/dac/effectiveness/34428351.pdf
3. Accra Action Agenda: https://www.oecd.org/dac/effectiveness/34428351.pdf
4. Busan Outcome Document: http://www.oecd.org/dac/effectiveness/49650173.pdf

10.   **International development cooperation surged in the early 1960s amidst post-war optimism and enthusiasm**. It has since continued to evolve and is recognized as one of the key factors in advancing global development. But success has not always been evident: lack of coordination, overly ambitious targets, unrealistic timeframes and budget constraints, as well as political self-interest have too often prevented aid from being as effective as desired.

11.   **The continuous effort towards modernizing, deepening and broadening development co-operation and the delivery of aid has been marked by four notable events: the High Level Fora on Aid Effectiveness in Rome, Paris, Accra and Busan in 2003, 2005, 2008 and 2011 respectively**. These high-level events have rooted the formulation of principles towards effective aid that led in 2011 to the Busan Partnership Agreement endorsed to date by over 100 countries as the blueprint for maximizing the impact of aid. The formulation of these principles grew out of a need to understand why aid was not producing the development results everyone wanted to see as well as to step up efforts to meet the ambitious targets set by the Millennium Development Goals (MDGs); and now by the Sustainable Development Goals (SDGs).

2.1 First High Level Forum (Rome, 2003)

12.   **The First High Level Forum marked the first occasion at which the principles for aid effectiveness were outlined in a concrete declaration**. The Rome Declaration was centered around these principal commitments:

- Ensuring that development assistance is delivered in accordance with partner country priorities;
- Reviewing and amending policy, procedures and practice to facilitate harmonization. Such as by reducing donor missions, reviews and reporting;
- Implementing progressively good practice principles in development assistance delivery;
- Intensifying donor efforts to work through delegated cooperation and increasing the flexibility of staff to manage country programs and projects more effectively and efficiently;
- Developing incentives to foster recognition of the benefits of harmonization;
- Providing support for country analytic work in ways that will strengthen government leaderships and ownership of development results;
- Mainstreaming country-led efforts to streamline donor procedures and practices including demand-driven technical cooperation;
- Applying good practice principles - including alignment with national budget cycles and poverty reduction strategy reviews - in providing budget, sector or balance of payments support;
- Promoting harmonized approaches in global and regional programs.

2.2 Second High Level Forum (Paris, 2005)

13.   **The Second High Level Forum on Joint Progress toward Enhanced Aid Effectiveness (Harmonization, Alignment, and Results) marked the first time that donors and recipients both agreed to commitments and to hold each other accountable for achieving these**. The commitments were laid out in the Paris Declaration. Beyond its principles on effective aid, the Paris Declaration defines a practical, action-oriented roadmap to improve the quality of aid and its impact on development. It puts in place a series of specific implementation measures and establishes a monitoring

system to assess progress and ensure that donors and recipients hold each other accountable for their commitments. The event marked the launch of the *Paris Declaration Monitoring Survey* (see Chapter 3) which tracked the implementation of the commitments made in Paris. Evidence from these monitoring surveys was used to inform the subsequent forums in Accra and Busan.

14.   **The Paris Declaration outlines the following five fundamental principles for making aid more effective**:

(1) *Ownership*: Developing countries set their own strategies for poverty reduction, improve their institutions and tackle corruption. Aid is most effective when it supports a country-owned approach to development; aid is less effective when countries feel that aid policies and approaches are driven by donors that provide assistance. In the context of the Paris Declaration, ownership specifically concerns a country's ability to carry out two, interlinked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

(2) *Alignment*: Donors base their overall support on partner countries' national development strategies, institutions and procedures. For aid to be effective, it must be aligned with national development strategies, institutions and procedures. The Paris Declaration envisions donors basing their support fully on country partner aims and objectives. The Paris Declaration encourages donors to increasingly use strengthened country systems (for public financial management, procurement, environment, monitoring and evaluation, and other country systems) so that partner countries are empowered to develop institutions that can implement and account for their development policies and resource use to citizens and parliaments.

(3) *Harmonization*: Donors aim to be more harmonized, collectively effective and less burdensome especially on those countries, such as fragile states, that have weak administrative capacities. This means, for instance, establishing common arrangements at country level for planning, funding and implementing development programs. Donor countries coordinate, simplify procedures and share information to avoid duplication. A key aim of the aid effectiveness agenda is to decrease the transaction costs of delivering aid, especially those that burden developing countries by requiring them to manage multiple programs using different donor procedures.

(4) *Managing for Results*: Developing countries and donors shift focus to development results and results get measured. Both donors and partner countries manage resources and improve decision-making for results. Donors should fully support developing countries efforts in implementing performance assessment frameworks that measure progress against key elements of national development strategies.

(5) *Mutual accountability*: Donors and partners are accountable for development results. The Paris Declaration introduced the concept of mutual accountability – that aid is more effective when donors and partner governments are not only accountable to their respective publics for the use of resources to achieve development results, but are also accountable to each other for better management of aid. Donors and developing countries pledge that they will hold each other mutually accountable for development results as outlined in the aid effectiveness pyramid below.

Figure 1: Paris Declaration Principles

Source: OECD DAC (http://www.oecd.org/dac/effectiveness/36364587.pdf)
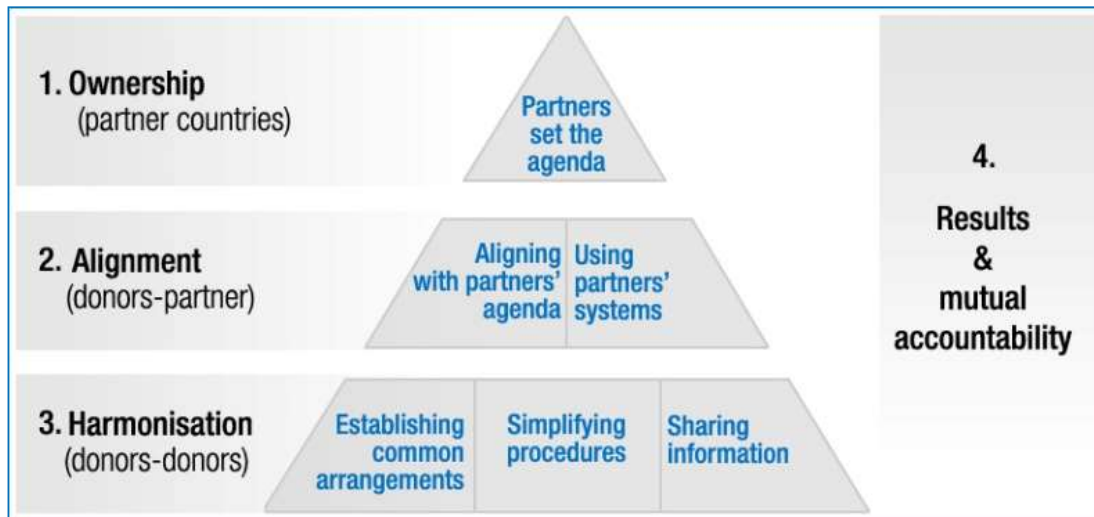
15.   **The principles set out in the Paris Declaration are based on decades of experience.** By implementing these principles, the countries and organizations that endorsed the Paris Declaration are making major breakthroughs in improving aid effectiveness, tackling issues that have hampered development for decades. These principles have helped to establish global norms for development co-operation, to disseminate positive aid practices already proven in donor organizations and developing countries, and to promote a common vision and framework for further reforms. By setting out norms and legitimizing good practice, they have contributed to greater transparency and have reduced the extent to which aid is donor-driven. On an even broader scale, the application of the Paris Declaration principles has contributed to better, more constructive partnerships among developing countries and donors.

16.   **At the same time, these principles are not limited to aid**. The experience of developing countries that have put the principles into action show that they have not only helped to ensure that aid is better managed, but also to strengthen core state functions, for example by improving the management of all public expenditure, procurement and accountability. Evidence from independent evaluations suggests that efforts to improve aid effectiveness have had a wider-reaching impact on institutions and in turn development results, although the contribution of such efforts to meeting the needs of the poorest people has been more limited.

17.   **The principles embodied in the Paris Declaration have been adapted by a growing number of stakeholders to specific needs or situations, including civil society and parliaments**. While aid is only one of many sources of finance that can support development processes at the country level, experience also points to the relevance of the Paris Declaration principles to a diverse range of development activities, including South-South cooperation.

2.3 Third High Level Forum (Accra, 2008)

18.   **The Third High Level Forum emphasized the need to deepen implementation towards the goals set in 2005 in the Paris Declaration, along with a set of priority areas for improvement**. To strengthen and deepen implementation of the Paris Declaration, the Accra Agenda for Action (AAA)

takes stock of progress and sets the agenda for accelerated advancement towards the Paris targets. It proposes the following four main areas for improvement:

(1) **Ownership**: Countries have more say over their development processes through wider participation in development policy formulation, stronger leadership on aid co-ordination and more use of country systems for aid delivery.

(2) **Inclusive partnerships**: All partners - including DAC donors and non-DAC donors, developing countries, as well as o, foundations and civil society - participate fully.

(3) **Delivering results**: *Aid is focused on real and measurable impact on development.*

(4) **Capacity development** to build the ability of countries to manage their own future.

19.   **The principles put forward in the Paris Declaration and Accra Agenda for Action have gained support across the development community, changing aid practice**. It is now the norm for aid recipients to forge their own national development strategies with their parliaments and electorates (ownership); that donors support these plans (alignment); and streamline their efforts in-country (harmonization); for development policies to be directed to achieving clear, monitorable goals (managing for development results); and for donors and recipients to be jointly responsible for achieving these goals (mutual accountability). These principles have also served as the foundation for other commitments, tailored to specific contexts: the Bogotá Statement (concentrating on effective aid principles in South-South co-operation), Istanbul Principles (on the role of civil society) and the Dili Declaration (on effective aid in fragile and conflict-affected states).

2.4 Fourth High Level Forum (Busan, 2011)

20.   **The Fourth High Level Forum on Aid Effectiveness marked a turning point in international discussions on aid and development.** This event brought together over 3000 delegates to take stock of the progress made in delivering aid and furthering development activities across the globe, and to make collective plans for the future of aid and development for all stakeholders.

21.   **The forum culminated in the signing of the Busan Partnership for Effective Development Co-operation by ministers of developed and developing nations, emerging economies, providers of South-South and triangular cooperation and civil society.** The Busan Outcome Document does not really contain substantially new or more far-reaching commitments than previous agreements. It suggests no radical new thinking or action. It does, however, draw more countries and other actors together behind clear principles on aid and marks a shift of paradigm from aid effectiveness to development effectiveness. The Document reaffirms four shared principles: (i) ownership of development priorities by developing countries; (ii) focus on results; (iii) inclusive development partnerships; and (iv) transparency and accountability. The Outcome Document calls for using approaches that aim to manage - rather than avoid - risks. At the same time, it points out that aid is only part of the solution and highlights the need to rethink how and on what aid is spent, so that aid catalyzes development. Inequality and inclusive growth is a common thread throughout the Document, consistent with messages coming out of the G20 and other major policy-setting fora.

22.   **The Busan Partnership for Effective Development Cooperation establishes for the first time an agreed framework for development cooperation that embraces traditional donors, South-South cooperators, the BRICS, civil society organizations and private funders**. Why is this important? The coming era of development will not be defined by traditional aid. By seeking principles that can govern

all finance flows, even eventually private ones, the world moves beyond esoteric debates about whether flows, such as climate finance, non-ODA official flows and complex blends of private-public flows, should be treated as aid or not. However, the risk of expanding the mandate to all flows is that traditional donors might take their eyes off the ball with regard to aid effectiveness. Conversely, the Paris Declaration failed to link aid effectiveness principles to concrete development outcomes, and to capture the key political changes in a fast-changing world. In Busan, a first – but important – step was made to address these shortcomings.

23. **The Global Partnership tracks progress in the implementation of Busan commitments for more effective development cooperation through its monitoring framework comprised of a set of 10 indicators**. These indicators focus on strengthening developing country institutions, increasing transparency and predictability of development cooperation, enhancing gender equality, as well as supporting greater involvement of civil society, parliaments and private sector in development efforts (See Chapter 3 for details).

24. **The Global Partnership represents a change in the global development cooperation architecture.** The OECD-DAC's centrality in setting development policy has been reduced over the last few years, and the outcome of the negotiations in Busan confirmed that trend. The OECD-DAC Working Party on Aid Effectiveness was dissolved and replaced by a new, inclusive and representative Global Partnership for Effective Development Cooperation that embraces traditional donors, South-South co-operators, the BRICs, CSOs and private funders. The Global Partnership is led by three Ministerial-level Co-Chairs (currently Ministers from Malawi, Mexico and the Netherlands), and supported by a Steering Committee composed of 21 members. The Steering Committee prepares the ministerial-level meetings and meets two or three times a year. The Steering Committee's work is carried out transparently, ensuring that all members of the Global Partnership are consulted. The Steering Committee comprises representatives of recipients and providers of development cooperation, as well as private sector and civil society stakeholders. The Global Partnership is supported by a full-time Secretariat jointly staffed by UNDP and the OECD.

25. **Until now, two High-Level Meetings of the Global Partnership for Effective Development Cooperation have been held.** The first High-Level Meeting (Mexico City, 2014) reaffirmed the importance of effective development cooperation in meeting the MDGs and as a key part of the 'how' of the next global development framework. The second High-Level Meeting is scheduled to take place from November 28 to December 1, 2016 in Kenya, Nairobi. It aims to amplify the positive impact of development cooperation over the next 15 years. The Nairobi Outcome Document is meant to help shaping how existing and new development actors can partner to implement Agenda 2030 and realize the SDGs.

26. **In parallel to high-level meetings on aid and development effectiveness, a series of international conferences on financing for development have been held**, **the first in Monterrey in 2002**. 2000 was a landmark year for international development efforts, with the UN membership agreeing on a global development agenda through 2015, framed around reaching the Millennium Development Goals (MDGs). Subsequently, a UN high-level conference on "*Financing for Development*", held in Monterrey in 2002, reached agreement on the key priorities for policy action by advanced and developing economies (Table 2). The need for the Monterrey Summit emerged out of the Latin American and Asian financial crises, but also in response to the perception that the world faced a general crisis of development, making it impossible for many countries to meet the Millennium Development Goals (MDGs) agreed to in 2000. The overall aim of the summit and the consensus that

resulted from it was to create a blueprint for a more socially just globalization project. The Monterrey Consensus resolved to: make development financing a global endeavor, mobilize both domestic resources (taxes and savings) and international resources (Foreign Direct Investment [FDI] and other private flows), utilize international trade to drive development, increase official development assistance (ODA), make debt sustainable and enhance "the coherence and consistency of international monetary, financial and trading systems".[6]

27.   **Five years after Monterrey, in 2007, the General Assembly resolved to hold a follow-up conference in late 2008 in Doha, Qatar, to review the implementation of the Monterrey Consensus.** Although it could not have been foreseen by the General Assembly at the time, the Doha Review Conference took place in the context of another financial crisis, this time global and even more serious. During the Review Conference the Monterrey goals were reaffirmed, but the resulting Declaration did not include much in the way of new agreements. Regarding FDI, the Declaration refined previous language to stress that it needed to be directed to the right sectors and that an enabling environment had to be created within each country. As expected, no increases to ODA were made, but the text was made stronger regarding the need to meet previous commitments. Perhaps the only area in which the Declaration went significantly beyond Monterrey was in linking the promotion of gender equality to women's economic empowerment and effective and equitable development. This linkage, however, entailed no specific commitments.

28.   **The Third International Conference on Financing for Development was held in Addis Ababa in 2015.** The summit came at a crucial time, just months before the UN General Assembly in September, when the Sustainable Development Goals (SDGs) were about to be formally agreed, and was to bring the framework and means to finance the SDGs.[7] A considerable challenge given the world's increasingly volatile financial outlook. The Addis Ababa Action Agenda (AAAA) moves sustainable and inclusive development to the center of development finance. Compared to previous financing-for-development agreements the document outlines a more comprehensive and forward-looking development agenda, including goals to end poverty and hunger, protect the environment, and promote inclusive economic growth and social inclusion. The Agenda also recognizes the importance of aligning climate, humanitarian and development finance and puts stronger emphasis on countries' domestic resources, arguing that for developing countries, tax is one of the most effective and predictable ways to finance their own development. The AAAA also contains strong commitments on transparency and data, and contains strong language on effectiveness and transparency for all financial flows, which could be a starting point for discussions around accountability mechanisms for all financial flows for development, including private finance. Addis was never meant to be a pledging conference; however, what was agreed remained below expectations. Ambitious numeric targets on domestic spending, tax collection and ODA included in the first ('zero') draft were struck down in the early phases of negotiations by a large coalition of developed and developing countries. Most targets are now expressed in non-numeric terms and are thus harder to monitor (e.g. regarding domestic tax reform). Others are formulated as voluntary commitments. For example for ODA, one of the few remaining numeric targets, the document reaffirms the commitment by many developed countries to achieve the target of 0.7 percent of ODA/GNI.

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[6] Monterrey Consensus, paragraph 4.
[7] On 25th September 2015, the 193 Member States of the United Nations adopted the new 2030 Agenda for Sustainable Development, including 17 Sustainable Development Goals (SDGs), which aim to end poverty, hunger and inequality, take action on climate change and the environment, improve access to health and education, and build strong institutions and partnerships. For more details refer to: https://sustainabledevelopment.un.org/sdgs.

Table 2: Overview - Global Financing for Development Conferences

Resulting Agreement	Agreed Principles, Priorities, Policies
Monterrey Consensus (2002)	- Rich countries renewed their pledge to increase development assistance to 0.7% of national income, provided poor countries took concrete steps to improve governance and adopt sound policies for growth. - Mobilizing domestic financial resources for development. - Mobilizing international resources for development: foreign direct investment and other private flows. - International Trade as an engine for development. - Increasing international financial and technical cooperation for development. - External Debt. - Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development.
Doha Declaration (2008)	- Domestic resource mobilization: the importance of national ownership of development strategies and of an inclusive financial sector, as well as the need for strong policies on good governance, accountability, gender equality and human development. - Mobilizing international resources for development: the need to improve the enabling environment and to expand the reach of private flows to a greater number of developing countries. - International trade as an engine for development: the importance of concluding the Doha round of multilateral trade negotiations as soon as possible. - External debt: the need to strengthen crisis prevention mechanisms and to consider enhanced approaches for debt restructuring mechanisms. - Addressing systemic issues: the need to review existing global economic governance arrangements, with a view to comprehensive reforms of the international financial system and institutions.
Addis Ababa Action Agenda (2015)	- A comprehensive set of policy actions by Member States, with a package of over 100 concrete measures to finance sustainable development, transform the global economy and achieve the Sustainable Development Goals. - A new global framework for financing sustainable development that aligns all financing flows and policies with economic, social and environmental priorities and ensures that financing is stable and sustainable. - A new social compact to provide social protection and essential public services for all - A global infrastructure forum to bridge the infrastructure gap - An 'LDC package' to support the poorest countries - A Technology Facilitation Mechanism to advance to the SDGs - Enhanced international tax cooperation to assist in raising resources domestically - Mainstreaming women's empowerment into financing for development

Source: UNDESA: http://www.un.org/esa/ffd/ (accessed: Nov. 30, 2016)

3. Measuring Aid Effectiveness

29.   **Measuring the effectiveness of foreign aid requires a clear understanding of what constitutes effective aid.** Better aid often means very different things for providers and recipients. For countries that receive foreign aid, it might mean receiving predictable, non-repayable and un-earmarked financial resources, without donor conditions regarding their use. For countries and organizations that provide foreign aid, it might mean allocating funding to countries that need it most and are more likely to make best use of it in line with the specific norms and interests of the provider. Depending on the perspective of what constitutes effective aid, the focus of measurement will be different.

30.   **This chapter presents several frameworks used to measure aid effectiveness.** The first two sections describe global monitoring frameworks that are the result of international consultations surrounding the Paris Declaration on Aid Effectiveness (2005) and the Busan Partnership Agreement (2011). Global monitoring frameworks are naturally the result of compromises. Chosen indicators have to be acceptable and measurable across a wide range of highly diverse countries, as well as able to indicate change in areas and practices that diverse stakeholders believe are important for aid to be effective. Therefore, global indicators may not cover all aspects that might be considered important for aid to be effective in a specific country. Consequently, some developing countries have adjusted these global monitoring frameworks by developing additional indicators reflecting their specific aid effectiveness challenges and priorities. Rwanda's donor performance assessment framework, which is described in the third section, is one example in this regard.

3.1 Paris Declaration Monitoring Survey

31.   **Partner countries and donors decided at the Paris High-Level Forum on Aid Effectiveness to monitor progress against 12 indicators** (Table 3). Eight indicators were measured through country-level surveys, with separate questionnaires for the Government and the Development Partners. The remaining four indicators (PDI 1, PDI 2a, PDI 2b, and PDI 8) were assessed through desk reviews (by the World Bank and the OECD) and made available as a point of reference during the survey process at country level. In total, there have been three rounds of monitoring (2006, 2008 & 2010).

32.   **The main purpose of these Surveys was to track and encourage progress in implementing the Paris Declaration at country level**. In doing so, the Surveys were meant to build, as far as possible, on existing local processes with a view to:

- Supporting broad-based dialogue at country level on how to make aid more effective.
- Building a common understanding on how more effective aid contributes to achieving development results.
- Providing an accurate description of how aid is managed.

Table 3: Paris Declaration Indicators and Targets

	Indicators	Targets
1	Partners have operational development	**At least 75% of partner countries** have operational development strategies.

	strategies		
2a	Reliable public financial management (PFM) systems	**Half of partner countries** move up at least one measure (i.e., 0.5 points) on the PFM/CPIA (Country Policy and Institutional Assessment) scale of performance.	
2b	Reliable procurement systems	**One-third of partner countries** move up at least one measure (i.e., from D to C, C to B or B to A) on the four-point scale used to assess performance for this indicator.	
3	Aid flows are aligned on national priorities	**Halve the gap** — halve the proportion of aid flows to government sector not reported on government's budget(s) (with at least 85% reported on budget).	
4	Strengthen capacity by coordinated support	**50% of technical co-operation flows** are implemented through coordinated programs consistent with national development strategies.	
5a	Use of country public financial management systems	For partner countries with a **score of 5 or above** on the PFM/CPIA scale of performance (see Indicator 2a).	**All donors** use partner countries' PFM systems; and **Reduce the gap by two-thirds** – A two-thirds reduction in the *% of aid* to the public sector not using partner countries' PFM systems.
		For partner countries with a **score between 3.5 and 4.5** on the PFM/CPIA scale of performance (see Indicator 2a).	**90% of donors** use partner countries' PFM systems; and **Reduce the gap by one-third** — A one-third reduction in the *% of aid* to the public sector not using partner countries' PFM systems.
5b	Use of country procurement systems	For partner countries with a **score of 'A'** on the Procurement scale of performance (see Indicator 2b).	**All donors** use partner countries' procurement systems; and **Reduce the gap by two-thirds** — A two-thirds reduction in the *% of aid* to the public sector not using partner countries' procurement systems.
		For partner countries with a **score of 'B'** on the Procurement scale of performance (see Indicator 2b).	**90% of donors** use partner countries' procurement systems; and **Reduce the gap by one-third** — A one-third reduction in the *% of aid* to the public sector not using partner countries' procurement systems.
6	Avoiding parallel PIUs	**Reduce by two-thirds** the stock of parallel project implementation units (PIUs).	
7	Aid is more predictable	**Halve the gap —** halve the proportion of aid not disbursed within the fiscal year for which it was scheduled.	
8	Aid is untied	**Continued progress over time.**	
9	Use of common arrangements or procedures	**66% of aid flows** are provided in the context of program-based approaches.	
10a	Missions to the field	**40% of donor missions** to the field are joint**.**	

10b	Country analytic work	**66% of country analytic work is joint.**
11	Results-oriented frameworks	**Reduce the gap by one-third —** Reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third.
12	Mutual accountability	**All partner countries** have mutual assessment reviews in place.

Source: https://www.oecd.org/dac/effectiveness/34428351.pdf (accessed: Nov. 30, 2016)

33.   **The Paris Declaration Monitoring Framework was adjusted in 2011**. Findings from the three rounds of monitoring informed the preparation for the High-Level Forums in Accra and Busan. Over the years, the focus of the global discourse evolved from aid to development effectiveness. Establishing inclusive development partnerships at country level, involving not only government and donor agencies, but also civil society and private sector representatives in the development dialogue and process, emerged as a new principle of effective development cooperation. Consequently, the monitoring framework was adjusted after the Third High-Level Forum in Busan.

34.   **Evidence gathered on the implementation of the Paris Declaration shows that while progress has been made, it has not been to the extent and pace foreseen in 2005**. Global progress on meeting the agreed 2010 targets depends on the individual efforts of donors and developing countries to implement their commitments. Important variations in effort are evident across both donors and developing countries. The impact of reforms has been greatest where countries have developed action plans to meet their commitments, based on their own needs, context and development priorities. The 2011 Survey found the following:[8]

   ▪ The proportion of countries with sound national development strategies in place has tripled since 2005.
   ▪ High-quality results-oriented frameworks to measure progress against national development priorities are in place in one quarter of countries surveyed in 2005.
   ▪ Efforts to improve support to capacity development have been mixed. While donors met the target on coordinated technical cooperation, support for capacity development often remains supply-driven, rather than responding to developing countries' needs.
   ▪ Over one-third of all developing countries participating in the 2011 Survey showed an improvement in the quality of their public financial management systems over the period 2005-10. At the same time, one-quarter of them saw setbacks in the quality of these systems.
   ▪ Donors are using developing country systems more than in 2005, but not to the extent agreed in Paris. In particular, donors are not systematically making greater use of country systems where these systems have been made more reliable.
   ▪ Overall, donors did not make progress in further untying aid.
   ▪ Little progress has been made among donors to implement common arrangement or procedures and conduct joint missions and analytical work.
   ▪ Aid is becoming increasingly fragmented. The country-level aid shares of many donors are smaller than their global aid shares. Moreover, at country level, many donors finance a large number of financially small projects, especially in social sectors, thereby contributing to aid fragmentation at sector level.

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[8] Source: OECD 2012.

- The medium-term predictability of aid remains a challenge in developing countries because donor communication of information on future aid to individual governments remains isolated rather than being norm.

3.2 Global Partnership Monitoring

35. **Following the Fourth High Level Forum in Busan (2011) a new monitoring framework was developed, which partially builds on Paris Declaration indicators, but also includes new indicators**. The Global Partnership for Effective Development Cooperation was established at the Fourth High Level Forum on Aid Effectiveness in Busan, in 2011. It is an inclusive political forum bringing together governments, bilateral and multilateral organizations, civil society and representatives from parliaments, local governments, foundations and the private sector from around the world that are committed to strengthening the effectiveness of development cooperation to produce maximum impact for development. The Global Partnership's monitoring framework tracks progress achieved in implementing the four agreed effective development cooperation principles: *ownership, focus on results, inclusive partnerships and transparency and accountability*.

36. **The Global Partnership monitoring framework is comprised of 10 indicators** (Table 4) focusing on strengthening developing country institutions, increasing transparency and predictability of development cooperation, enhancing gender equality, and supporting greater involvement of civil society, parliaments and private sector in development efforts. It includes indicators from the Paris Declaration Survey, together with indicators introduced as a result of the Busan Partnership Agreement. The monitoring framework consists of: (i) indicators measured using data collected at the level of individual developing countries and aggregated to offer an overview of global progress; (ii) and indicators drawing on other sources of information and established through desk reviews and other mechanisms. Some indicators rely on quantitative data, while other indicators are monitored through a qualitative approach.

37. **The Global Partnership monitoring framework attempts to measure progress towards aid *and* development effectiveness.** In addition to selected Paris Declaration Indicators (PDI) measuring alignment and predictability of aid flows, the new monitoring framework contains several indicators of inclusiveness, such as indicator 2 (measuring CSO engagement), indicator 3 (measuring private sector engagement) and indicator 8 (measuring gender equality). This reflects a wider conceptual understanding of development cooperation, taking into account that coordinated efforts of several stakeholder groups beyond government and donors, as well as several sources of financing beyond foreign aid are required to achieve sustainable national development.

38. **The Global Partnership monitoring framework seeks to capture behavior change**. It focuses on "how" stakeholders engage in development cooperation. It complements other international accountability frameworks which monitor "what" results and outcomes stem from development co-operation (e.g. the monitoring of progress with the Millennium Development Goals and Sustainable Development Goals).

39. **The Global Partnership monitoring exercise is expected to provide evidence on progress, opportunities and obstacles in the implementation of commitments for more effective development cooperation agreed in Paris, Accra and Busan** in order to:

- Support accountability for the implementation of development cooperation commitments;

- Stimulate and inform multi-stakeholder dialogue around how to improve the effectiveness of development cooperation at national, regional and international levels;

- Promote agreement on ways to enhance implementation of development cooperation commitments and support accountability at the national level.

Table 4: Busan Development Cooperation Indicators and Targets

Indicator	Description	Target
Indicator 1 Development co-operation is focused on results that meet developing countries' priorities	Extent of use of country results frameworks by cooperation providers	*All providers* of development co-operation use country results frameworks
Indicator 2 Civil society operates within an environment which maximizes its engagement in and contribution to development	A preliminary assessment of CSO Enabling Environment building on qualitative, multi-stakeholder information The indicator is structured around a four module questionnaire, covering the following dimensions: (1) Space for multi-stakeholder dialogue on national development policies; (2) CSO development effectiveness: accountability and transparency; (3) Official development co-operation with CSOs; and (4) Legal and regulatory environment.	*Continued progress over time*
Indicator 3 Engagement and contribution of the private sector to development	A three-dimensional index providing a measure of the quality of public-private dialogue. The indicator construction relies on a combination of globally-sourced quantitative scores and country-sourced qualitative assessments on the country context for inclusive public-private dialogue processes.	*Continued progress over time*
Indicator 4 Transparency: information on development co-operation is publicly available	Measure of state of implementation of the common standard by co-operation providers	*Implement the common standard* – All development cooperation providers are on track to implement a common, open standard for electronic publication of timely, comprehensive and forward-looking information on development co-operation
Indicator 5(a) Development co-operation is more predictable – Annual Predictability	Proportion of development co-operation funding disbursed within the fiscal year within which it was scheduled by co-operation providers; and Halve the gap – halve the proportion of aid not disbursed within the fiscal year for which it was scheduled (Baseline year 2010)	*Halve the gap* – halve the proportion of development co-operation funding not disbursed within the fiscal year for which it was scheduled. By 2015: 90% of funding is disbursed as scheduled.
Indicator 5(b) Development co-operation is more predictable – Medium-term Predictability	Proportion of development cooperation funding covered by indicative forward spending plans provided at country level	*Halve the gap* – halve the proportion of development co-operation funding not covered by indicative forward spending plans. By 2015: plans cover 92% of estimated

		funding for 2016, 85% for 2017 and 79% for 2018.
Indicator 6 Aid is on budgets which are subject to parliamentary scrutiny	% of development co-operation funding scheduled for disbursement that is recorded in the annual budgets approved by the legislatures of developing countries	*Halve the gap* – halve the proportion of development co-operation flows to the government sector not reported on government's budget(s) (with at least 85% reported on budget) (Baseline year 2010)
Indicator 7 Mutual accountability among development co-operation actors is strengthened through inclusive reviews	% of countries that undertake inclusive mutual assessments of progress in implementing agreed commitments	*All developing countries* have inclusive mutual assessment reviews in place (Baseline year 2010)
Indicator 8 Gender equality and women's empowerment	% of countries with systems that track and make public allocations for gender equality and women's empowerment	*All developing countries* have systems that track and make public resource allocations for gender equality and women's empowerment (Baseline year 2013)
Indicator 9(a) Effective institutions: country systems are strengthened	Quality of developing country public financial management systems	*Half of developing countries move up at least one measure* (i.e. 0.5 points) on the PFM/CPIA scale of performance (Baseline year 2010)
Indicator 9(b) Effective institutions: developing country systems are used	Use of country public financial management and procurement systems	*Reduce the gap.* [use the same logic as in Paris – close the gap by two-thirds where CPIA score is >=5; or by one-third where between 3.5 and 4.5] (Baseline year 2010)
Indicator 10 Aid is untied	% of aid that is fully untied	*Continued progress over time* (Baseline year 2010)

Source: http://effectivecooperation.org/wp-content/uploads/2015/10/2015-Monitoring-Guide_-final1.pdf (accessed: Nov. 30, 2016)

40.   **Findings from the monitoring are meant to feed into preparations for the Global Partnership High-Level meetings.** Until now, two rounds of monitoring took place, the first in 2013-14 and the second in 2015-16.[9] Different stakeholders are expected to report data during the monitoring exercise. See (Table 5) for details.

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[9] Findings of the two monitoring rounds can be found at: http://effectivecooperation.org/monitoring-country-progress/explore-monitoring-data/.

Table 5: Roles of Stakeholders in Monitoring Busan Indicators

	Indicators	Gov.	Providers	CSOs	Private Sector	Trade Unions
1	Development co-operation is focused on results that meet developing countries' priorities	■	■			
2	Civil society operates within an environment that maximizes its engagement in and contribution to development	■	■	■		
3	Engagement and contribution of the private sector to development	■	■	■	■	■
5a	Development co-operation is more predictable (annual)		■			
5b	Development co-operation is more predictable (medium-term)	■				
6	Aid is on budgets which are subject to parliamentary scrutiny	■	■			
7	Mutual accountability strengthened through inclusive reviews	■				
8	Gender equality and women's empowerment	■				
9b	Use of developing country PFM and procurement systems		■			

Source: http://effectivecooperation.org/wp-content/uploads/2015/10/2015-Monitoring-Guide_-final1.pdf (accessed: Nov. 30, 2016)

41.   **Building on global monitoring frameworks, some countries have developed country-specific monitoring frameworks to assess aid effectiveness and promote mutual accountability.** Consistent with the focus of the Busan Partnership agreement on implementation at country level, developing countries are encouraged to agree on their own country-specific frameworks for monitoring progress and promoting mutual accountability. While the majority of developing countries used global indicators – resulting primarily from agreements made in Paris (2005) and Busan (2011) – few countries have come up with additional indicators reflecting local aid effectiveness challenges and related objectives. Table 6 (below) presents an example from Rwanda. Some countries have incorporated global indicators into their national aid information management systems (e.g. Burundi, Cambodia, Malawi, Rwanda and Pakistan) and track progress annually, while global surveys are only carried out every other year.

Table 6: Rwanda: Donor Performance Assessment Framework (FY 2012-13)

Results Area		Indicator
A. Financing national strategies in support of the MDGs and Vision 2020		Volume of ODA on-budget
	A1	% of ODA recorded in the national budget (PD Indicator 3) (ratio inverted where % of disbursements > % budgeted)
	A2	% of ODA for Government sector delivered by GoR agencies
B. Use of national systems and institutions for strengthened ownership, sustainability and reduced transaction costs	B1	% of ODA disbursed using GoR budget execution procedures (PD Indicator 5a)
	B2	% of ODA disbursed using GoR auditing procedures (PD Indicator 5a)
	B3	% of ODA disbursed using GoR financial reporting system (PD Indicator 5a)
	B4	% of ODA disbursed using GoR procurement system (PD Indicator 5b)
C. Facilitating longer-term planning and implementation	C1	% of ODA covered by indicative forward spending plans provided at country level

	C2	Non-binding indication of future aid to cover at least 3 years ahead, on a rolling basis and according to GoR fiscal year (Y/N)
through predictable development financing	C3	% of ODA delivered in the year for which it was scheduled (PD Indicator 7)
D. Reduction of transaction costs and strengthening of partnerships through the adoption of harmonized approaches	D1	Number of missions without GoR authorization held during Silent Period
	D2	% of total missions that are joint (PD Indicator 10a)
	D3	% of donor analytical work that is coordinated (PD Indicator 10b)
E. Streamlining delivery at the sector level through effective use of comparative advantage	E1	Average number of sectors of intervention per donor (aggregate and individual DP level) as per division of labor (DoL)
	E2	Percentage of their total aid portfolio for the country that the funding to 3 DoL sectors, general budget support and sector budget support represents (individual DP level)
G. Budget support provided in a manner that enhances ownership, predictability and reduces transaction costs	G1	Donors informing the Government of the anticipated volume of budget support, both general and sector, to be provided over the next 3-year MTEF period at least 6 months prior to the beginning of the fiscal year in question (Y/N)
	G2	Budget Support Donors confirming to the Government within 6 weeks of the completion of the backward looking review the exact amount, including the amount granted under a variable tranche (if applicable) to be disbursed in the next fiscal year (Y/N)
	G3	% of budget support disbursed within the first quarter of the GoR fiscal year
	G4	% of budget support disbursed within the first 6 month of the GoR fiscal year for which it was scheduled
	G5	Donor adheres fully to common conditionality (CPAF and sector budget support MoUs) (Y/N)
	G6	Donor adheres fully to partnership framework (Y/N)
	G7	% of budget support disbursed in or before the month it was scheduled and within the GoR fiscal year it was planned

Source: http://www.devpartners.gov.rw/index.php?id=25 (accessed: Dec. 1, 2016)

42.   **In 2008, the Government of Rwanda (GoR) and its Development Partners agreed to enhance its mutual accountability framework through the Donor Performance Assessment Framework (DPAF).** The DPAF provides a joint tool for the monitoring of donor performance against their national-level and international commitments on the volume and quality of development assistance provided to Rwanda. The DPAF forms a part of a mutual review process designed to strengthen mutual accountability at the country level. The DPAF reviews the performance of bilateral and multilateral donors against a set of established indicators on the quality and volume of development assistance to Rwanda. DPAF indicators are embedded in Rwanda's aid information management system. The primary forum for dialogue around the DPAF is the Development Partners Coordination Group (DPCG), bringing together all donors and all aid modalities. The DPCG is composed of GoR Permanent Secretaries, Heads of bilateral and multilateral donor agencies, as well as representatives of civil society and the private sector. The meetings of the Group are co-chaired by the Permanent Secretary and Secretary to the Treasury.

4. Aid Patterns and the Role of Foreign Aid in Uzbekistan

43.   **This chapter shortly describes Uzbekistan's aid environment and the relevance of foreign aid against the background of the country's economic and fiscal situation**.

4.1 Uzbekistan's Economic and Fiscal Situation[10]

44.   **Uzbekistan is a lower middle-income, resource rich, landlocked country, strategically located in the heart of Central Asia.** Its population of about 31.5 million (2015), about half of whom live in urban areas, account for about forty percent of Central Asia's total. It is the world's sixth largest cotton producer, and fourth largest raw cotton exporter. Other important commodities include natural gas, gold, copper and uranium.

45.   **Despite a generally subdued performance in the developing Europe and Central Asia (ECA) region, Uzbekistan's economy continues to grow strongly.** In 2014, output expanded by 8.1 percent, slightly higher than the 8 percent growth rate registered in 2013. With this, real GDP growth averaged 8.3 percent per annum between 2008 and 2014, making Uzbekistan one of the fastest growing economies in the ECA region and among middle-income countries during this period.

46.   **Output performance in 2014 reflected buoyant domestic demand driven by supportive government policies**. GDP growth was reflected across all sectors, with construction, services, and agriculture the most dynamic. Construction expanded by 18.3 percent, services by 15.4 percent, agriculture by 6.9 percent, and industry by 5.7 percent. However, growth was projected to decrease in 2015. On the demand side, private consumption rose after a 20 percent nominal increase in minimum wages, pensions, and social allowances, ahead of the 6.2 percent official consumer price index (CPI) inflation and the 9 percent inflation (World Bank 2015). Net remittances declined by 18.9 percent, i.e., down to 5.1 percent of GDP in 2014 from 6.4 percent of GDP in 2013 (Table 7). Investment in fixed capital has been stable around 23 percent over the last four years and is expected to grow in 2015.

Table 7: Uzbekistan: Key Economic Indicators, 2011–15

| Indicators	2011	2012	2013	2014[e]	2015[f]
GDP growth, %	8.3	8.2	8.0	8.1	7.6
GDP per capita, current US$	1,545	1,719	1,878	2,038	2,146
Population (mid-year), million	29.3	29.8	30.2	30.8	31.1
Gross investment in fixed capital, % of GDP	23.5	22.8	23.2	23.3	26.1
Inflation (official CPI, eop), % change	7.3	7.0	6.8	6.2	6.3
Current account balance, % of GDP	5.8	1.2	1.9	1.6	0.3
Fiscal balance, % of GDP	8.8	5.1	3.8	2.6	2.0
FDI (net), % of GDP	3.6	1.7	1.7	1.0	1.0
Labor remittances (net), % of GDP	5.9	6.8	6.4	5.1	3.6
External debt, % of GDP	18.6	17.3	16.5	17.0	17.1

Source: World Bank 2015.
Notes: e: preliminary or estimate; f: forecast

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[10] This section is largely based on World Bank 2015.

47. **Public and publicly guaranteed debt is low, and debt sustainability is currently not of concern**. Current account surpluses over the past decade have translated into rapidly falling indebtedness, with external debt also declining rapidly from 64 percent of GDP in 2001 to around 17 percent of GDP in 2012–14 (Figure 2). External debt has been serviced comfortably, and the debt service ratio was around 5 percent of exports in 2012–14. Uzbekistan remains a net creditor to the world despite its massive capital needs, with foreign assets at more than 14 months of imports of goods and services in 2014. Given high international reserves, the Government is not expected to borrow domestically in the medium term (World Bank 2015). To finance its 2015 public investment program, the Government is likely to continue borrowing externally, but the total Uzbek external debt-to-GDP ratio at 17 percent in 2014 is projected to increase only slightly (World Bank 2015).

Figure 2: Uzbekistan: Debt and Debt Service, 2003–14 (in percent)
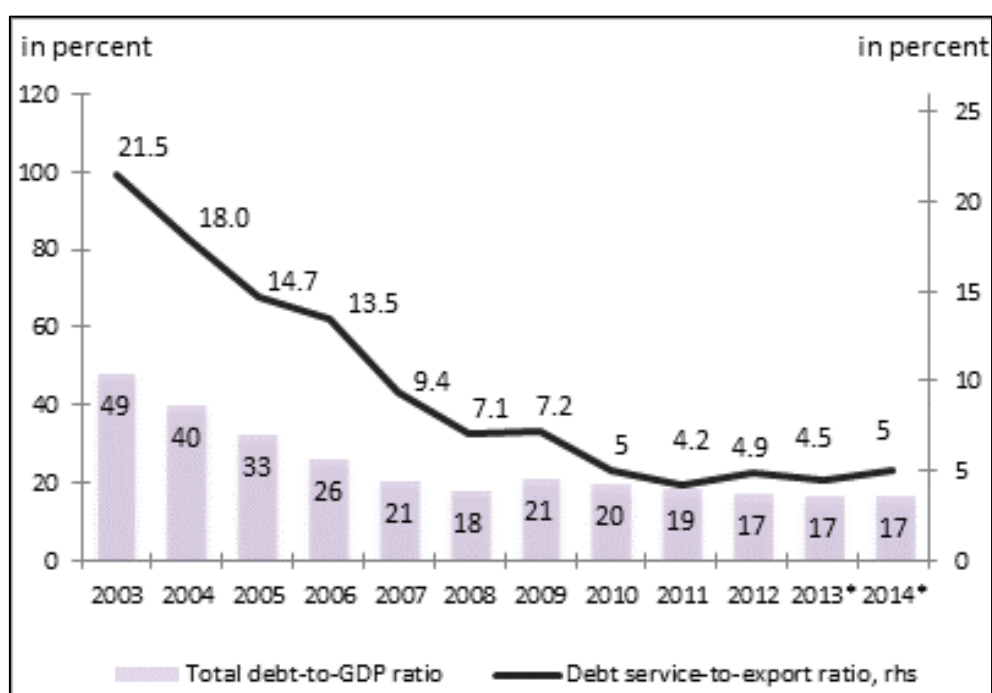
Source: World Bank 2015.

Note: External debt includes public, publicly guaranteed and non-guaranteed debt.

48. **The consolidated fiscal balance, including the Fund for Reconstruction and Development (FRD), remained in surplus by an estimated 2.6 percent of GDP in 2014**. Lower tax revenues (reflecting tax cuts for firms and individuals), together with lower resource fund (FRD)[11] revenue from weaker gold export prices and higher public capital spending, have resulted in a lower overall state budget surplus (including the FRD), estimated to have been 2.6 percent of GDP in 2014, down from an estimated 3.8 percent of GDP in 2013 (Figure 3).

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[11] The state FRD was created in mid-2006 with the main objectives of: (i) accumulating revenue in excess of the established cut-off prices on mineral resources, mainly gold and copper; and (ii) stimulating investment and economic development by extending long-term loans to banks for co-financing strategic government-selected projects. Since its creation, the FRD had accumulated US$15 billion in assets by 2014, most of which are managed abroad by the Central Bank of Uzbekistan as part of the international reserves. The remainder is used for domestic lending in foreign exchange of imported capital and intermediary goods under government projects. (*Source*: World Bank 2015).

49.   **Public capital spending was quite stable at 4.2 percent of GDP in 2013 and was expected to have increased to 4.5 percent of GDP in 2014.** The US$ 47 billion investment program for 2011–15, which the Government adopted to alleviate the impact of the global crisis and to upgrade industry and infrastructure, was in progress in 2014, with co-funding by the FRD. Public spending on health at 3.1 percent of GDP in 2014 was much higher than the average 1.7 percent of GDP in lower-middle-income countries (World Bank 2015). Public spending on education at 7.5 percent of GDP in 2014 was the highest in the Central Asia and Caucasus region and on par with Organization of Economic Cooperation and Development (OECD) countries; however, the return on these expenditures is unknown, as the quality of education in Uzbekistan is not rated internationally and cannot be compared with other countries (World Bank 2015).

Figure 3: Uzbekistan: Consolidated Budget, 2004–15 (in percent of GDP)
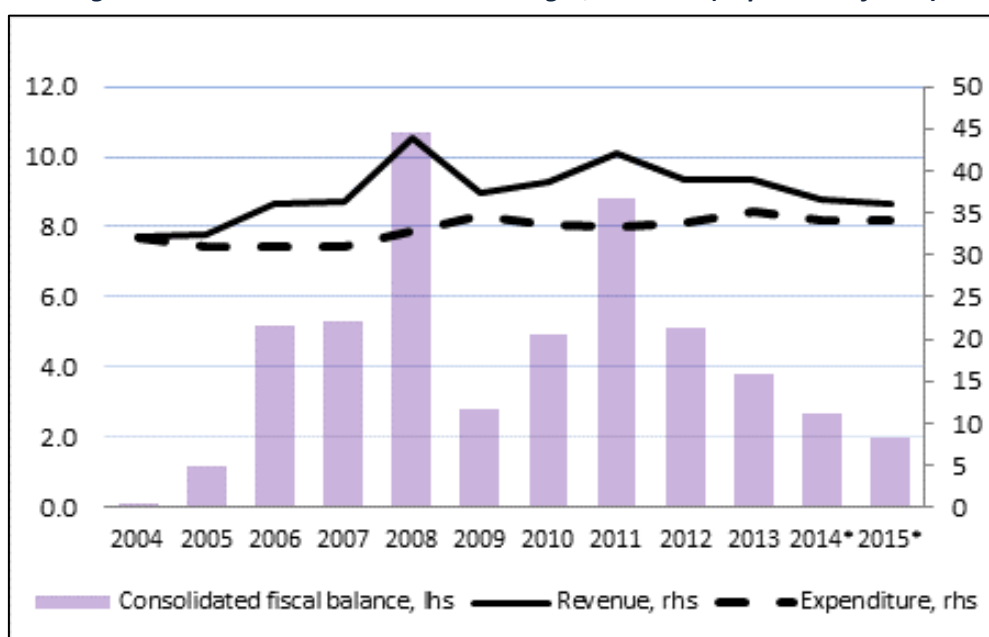
Source: World Bank 2015.

50.   **Poverty declined from 27.5 percent of the population in 2001 to 14.1 percent in 2013 and is expected to have declined further to 13.7 percent in 2014.**[12] These declines were due to rapid per capita economic growth, sustained annual increases in salaries and remittances, incomes from micro and small businesses, and the Government's targeted support programs. Net remittances from labor migrants have helped many families in Uzbekistan keep poverty at bay.

51.   **However, despite the accelerated decline in poverty since 2005, the elasticity of poverty reduction to GDP growth remains relatively low**. In 2002–13, per capita GDP grew 197 percent and poverty declined by 48.7 percent. A 1 percent increase in per capita GDP in Uzbekistan is associated with a 0.5 percent decrease in the poverty rate on average, which is lower than the average estimate for developing countries (where a 1 percent increase in per capita GDP brings a 0.6–3.5 percent decrease in the poverty rate). There are several potential explanations for this: (i) low productivity growth in labor-intensive agriculture, which still employs one-fourth of the population and most of the poor but is subject to numerous implicit taxes and restrictions on exports and economic activity; (ii)

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[12] As measured by the Uzbekistan national poverty line of minimum food consumption equivalent to 2,100 kilocalories per person per day. The State Statistics Committee of Uzbekistan conducts regular household budget surveys (HBSs), the results of which are not available to the public.

considerable informality in the labor market; (iii) few working adults per family; and (iv) regional divergences (richer regions grow faster). When the Government endorsed the Millennium Development Goals for 2011–15, its main goals were to halve poverty (compared to the 2001 level) and halve the number of underweight children under 5. This translates into a targeted reduction of the national poverty rate to 13.5 percent of the population by 2015 (World Bank 2015).

4.2 Uzbekistan's Aid Environment

52.   **In absolute terms, ODA flows to Uzbekistan have increased over the last five years**. Net ODA provided to Uzbekistan has increased from US$ 231 million in 2010 to US$ 324 million in 2014 (Table 8). However, as a percentage of Gross National Income (GNI), ODA flows have remained stable at roughly 0.5 percent. It is noticeable that the bilateral share of ODA has significantly decreased from 60 percent to 38 percent over the same time period. This means that the overall increase in the total aid volume is due to a significant rise in multilateral ODA.
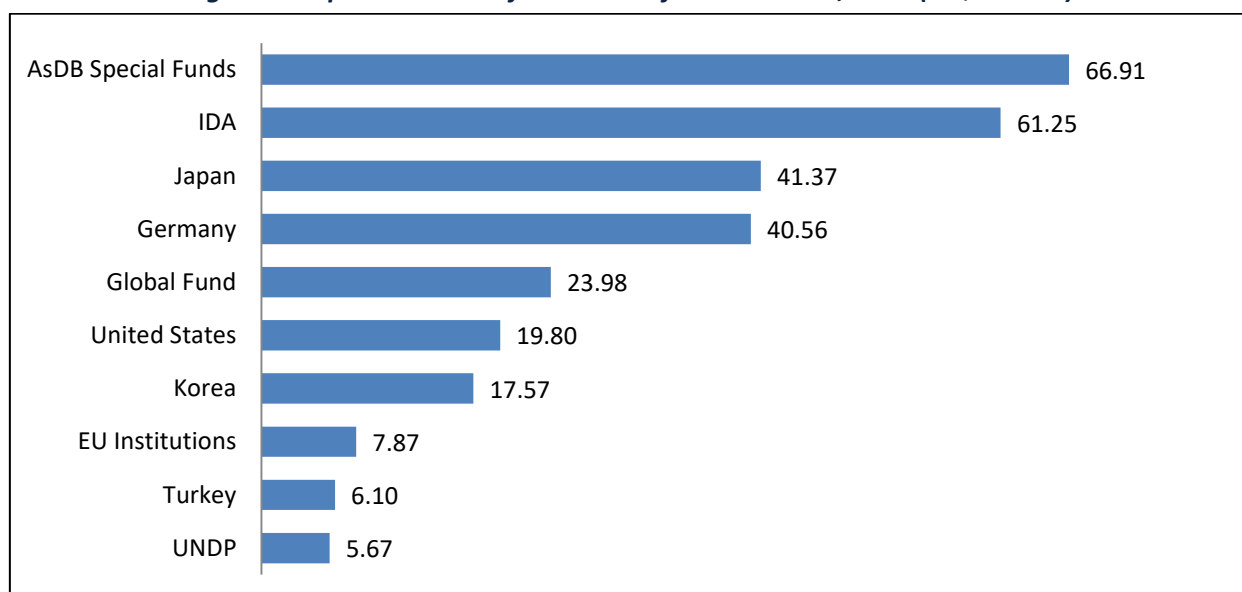
Table 8: Uzbekistan: ODA and Private Flows, 2010-14

	2010	2011	2012	2013	2014
Net ODA (US$ million)	231	203	255	293	324
Bilateral share (gross ODA)	60%	44%	41%	45%	38%
Net ODA / GNI	0.6%	0.4%	0.5%	0.5%	0.5%
Net Private flows (US$ million)	29	- 57	120	264	-401

Source: OECD DAC: http://www.oecd.org/dac/stats (accessed: Nov. 29, 2016).

53.   **One important element of Uzbekistan's aid environment is its diverse development partner structure**. Uzbekistan receives aid from diverse multilateral (regional and international) and bilateral agencies, including DAC donors, non-DAC donors and so called "emerging donors", as well as vertical funds (e.g. the Global Fund) and foundations. Out of Uzbekistan's 22 development partners, 17 provide a "significant" contribution. A donor is considered to provide a significant contribution if (i) the donor provides a higher share of aid to the partner country than the donor's overall share of global aid, or (ii) the donor is among the largest donors that cumulatively account for at least 90 percent of the partner country's aid.[13] The fact that the majority of Uzbekistan's development partners provide significant contributions reflects the relevance partners attribute to their development cooperation with Uzbekistan. Figure 4 (below) presents the top ten donors of gross ODA in 2013. It should be noted that Figure 4 ranks donors by the monetary value of their aid contribution, without distinguishing by the type of aid, such as grants and loans. ODA includes grants, "soft" loans (where the grant element is at least 25 percent of the total) and the provision of technical assistance. While some donors provide only grants, the aid portfolio of other donors consists of grants and loans. If loans would be deducted, a slightly different ranking would emerge. Besides, the monetary value of aid is not necessarily equivalent to its developmental value for the recipient. For example, the long-term impact and value of the sharing of relevant knowledge and innovative ideas can be much higher than the monetary value of the underlying technical assistance. Moreover, technical assistance can multiply the impact and benefit of financial assistance.

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[13] For details see OECD 2011.

Figure 4: Top Ten Donors of Gross ODA for Uzbekistan, 2013 (US$ million)

Donor	Value
AsDB Special Funds	66.91
IDA	61.25
Japan	41.37
Germany	40.56
Global Fund	23.98
United States	19.80
Korea	17.57
EU Institutions	7.87
Turkey	6.10
UNDP	5.67

Source: OECD DAC: http://www.oecd.org/dac/stats (accessed: Nov. 29, 2016).

54.   **Bilateral ODA to Uzbekistan is focused on economic infrastructure development**. In 2011-12, the vast majority of bilateral aid was allocated to economic infrastructure development, followed by the education sector, productive sectors (incl. agriculture, forestry, fishing and industry) and the health sector (Figure 5).

Figure 5: Uzbekistan: Bilateral ODA by Sector, 2011-12

Legend:
- Education
- Health and population
- Other social sectors
- Economic Infrastructure & Services
- Production
- Multisector
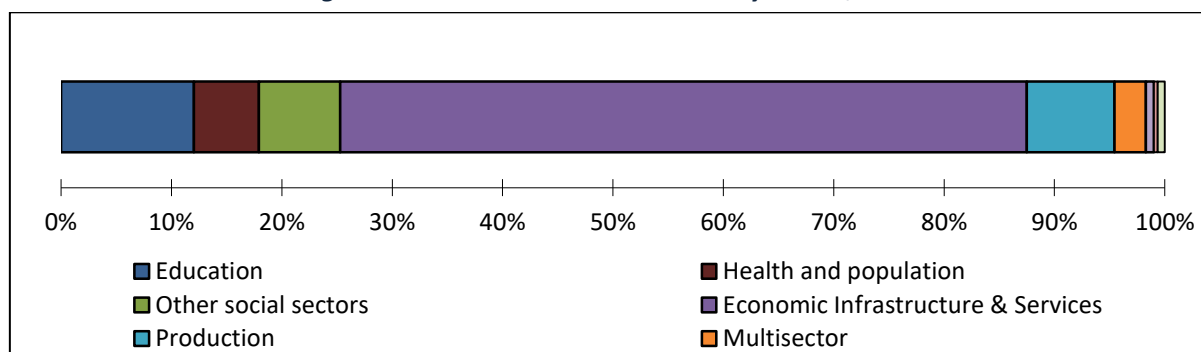
Source: OECD DAC: http://www.oecd.org/dac/stats (accessed: Nov. 29, 2016).

55.   **Despite increasing aid flows in absolute terms, Uzbekistan can be considered as being under-aided**. Considering institutional performance, population size and needs, especially in comparison to other lower-middle income countries, it can be argued that Uzbekistan is under-aided (Table 9).

Table 9: ODA per Capita: Selected Lower-Middle Income Countries

Country	Total Population in million (2015)	Poverty headcount ratio at national poverty lines (% of population)	GNI per capita, PPP, in current international US$ (2015)	HDI Rank (2014)	CPIA Rating (2015)	ODA per capita in current US$ (2014)
Bolivia	10.7	38.9 (2013)	6840	119	3.5	64
Cambodia	15.6	17.7 (2012)	3290	143	3.4	52
Cote d'Ivoire	22.7	46.3 (2015)	3240	172	3.3	42
Georgia	3.7	14.8 (2012)	9410	76	N.A.*	151
Ghana	27.5	24.2 (2012)	4070	140	3.6	42
Honduras	8.1	64.5 (2013)	4740	131	3.5	76
Nigeria	182	46 (2009)	5800	152	3.4	14
Pakistan	189	29.5 (2013)	5350	147	3.2	16
Sri Lanka	21	6.7 (2012)	11,480	73	3.4	24
Uzbekistan	31.3	14.1 (2013)	6110	114	3.4	11
Vietnam	91.7	13.5 (2014)	5690	116	3.7	47

Sources: http://data.worldbank.org/ and http://www.oecd.org/dac/stats/idsonline (accessed: Nov. 30, 2016).

* Note: data not available.

56.   **Uzbekistan receives less aid per capita than other lower middle income countries with institutional frameworks of similar quality**. Uzbekistan can be considered as being under-aided in relative terms, when looking at net ODA per capita in comparison to other lower middle income countries whose policy and institutional frameworks are considered to be of the same "quality" as Uzbekistan's policy and institutional framework. Quality refers to how conducive that framework is to fostering poverty reduction, sustainable growth, and the effective use of development assistance. The quality of a country's present policy and institutional framework is assessed by the World Bank's Country Policy and Institutional Assessment (CPIA). The CPIA rates countries against a set of 16 criteria grouped in four clusters: (i) economic management; (ii) structural policies; (iii) policies for social inclusion and equity; and (vi) public sector management and institutions. In 2015, Uzbekistan received an overall CPIA rating of 3.4 on a scale from 1 (low) to 6 (high).[14] The same rating was given to three other lower middle income countries: Cambodia, Nigeria and Sri Lanka. While net ODA per capita in 2014 amounted to US$ 52 in Cambodia, US$ 14 in Nigeria and US$ 24 in Sri Lanka, it was only US$ 11 in Uzbekistan. On average, ODA per capita received by lower middle income countries in 2014 was US$ 18 (Table 10, below).

57.   **In light of global trends, Uzbekistan should receive more aid per capita given its population size**. Empirical evidence shows that globally aid allocations reflect a systematic bias in favor of less populous countries. As a consequence, in terms of aid received per capita, highly populous countries receive less compared to less populous countries (OECD 2013). Nonetheless, Uzbekistan with a population of 31.5 million (in 2015) still received less ODA per capita than Nigeria, which has a population of 182 million (in 2015).

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[14] *Source*: http://data.worldbank.org/data-catalog/CPIA. The average rating in 2015 for all lower middle income countries was 3.3.

58.   **Although ODA should be allocated according to identified needs, Uzbekistan receives less aid per capita than other lower middle income countries with a higher degree of human development**. With regards to needs – another criterion commonly considered in the context of aid allocations – it is noticeable that Sri Lanka with a population of 21 million (in 2015) received more than double ODA per capita than Uzbekistan, although its HDI rank in 2014 was 73, while Uzbekistan ranked 114, indicating greater human development needs.

Table 10: Uzbekistan: Selected Aid Ratios

Net ODA received in 2014:	Per capita (current US$)	% of GNI	% of gross capital formation
Uzbekistan	11	0.5	2.2
Lower middle income countries (average)	18	0.9	3.2

Source: http://www.oecd.org/dac/stats/idsonline (accessed: Nov. 30, 2016).

59.   **Globally, aid allocations vary significantly from one country to another**. The fact that some countries are "under-aided" is in part a consequence of the complexity of the current global development cooperation system, where aid allocation practices are to a large extent un-coordinated. There is no single agreed definition or aid allocation benchmark that could be used to identify under-aided countries. Globally, most aid allocation approaches are, to varying degrees, inspired by the approach of "poverty-efficient aid allocations", a term introduced by Collier and Dollar (2000) that describes the principle that aid should be allocated to countries where there is more poverty and where aid is expected to have more impact on poverty and growth (i.e. in good policy environments). This approach is by no means universal, however, and not necessarily embedded in the approaches of other providers of development cooperation such as emerging donors and non-official donors (private foundations and NGOs). Aid allocation decisions are generally unilateral, meaning that in making aid allocation decisions, donors do not usually factor in information on what others are doing or planning to do. Hardly any donor, bilateral or multilateral, builds into its allocation approach an analysis of whether a given country is – by whatever criteria considered applicable – over or under-funded when all other aid is considered (OECD 2013).

60.   **Foreign aid still plays an important role in Uzbekistan**. In light of Uzbekistan's strong economic and fiscal performance over recent years, as well as the comparatively low shares of aid in relation to gross national income and gross capital formation, some people might put the relevance of ODA provided to the country into question (Table 10). This would be shortsighted. Through its focus on poverty reduction and human development ODA addresses needs that other financial flows cannot, because they often require high economic returns in short periods of time. Furthermore, foreign aid can catalyze other flows and leverage them to reach the Government's development goals. Foreign aid also allows accessing specialized knowledge and policy advice required to tackle complex development challenges. Transfer of specialized knowledge, for example through technical assistance, can multiply the benefits of other flows. It can be argued that the role of foreign aid changes with increasing economic and social development of a recipient country. For example, global experience suggests that aid is less used to finance the purchase of equipment and more for supporting policy and institutional reforms that are meant to provide an enabling environment for sustainable growth, including by encourage more private investments. Whether aid flows remain relevant depends less on economic progress, but rather on the type and focus of aid, as well as on the specific manner in which it is provided.

5. Aid Effectiveness Challenges and Opportunities in Uzbekistan

61.   **This chapter discusses aid effectiveness challenges and opportunities in Uzbekistan**. Based on findings from a document review, a questionnaire-based perception survey and semi-structured interviews with representatives of government and development partner agencies, this chapter assesses to what extent internationally recognized aid effectiveness principles and good practices are followed in Uzbekistan.

5.1 Background

62.   **Data on the effectiveness of foreign aid provided to Uzbekistan is patchy**. The country is not a signatory to the 2005 Paris Declaration on Aid Effectiveness (or subsequent agreements such as the 2008 Accra Agenda for Action; and the 2011 Global Partnership for Effective Development Cooperation), did not formally endorse related commitments and did not participate in the global surveys to monitor progress against global targets to improve aid and development effectiveness. This deprives the country of points of international comparison and of a means to bring itself and development partners to conform to international good practice. It also makes it difficult to assess to what extent aid effectiveness principles (such as ownership, alignment, results-orientation, donor coordination and harmonization, as well as mutual accountability) are adhered to in Uzbekistan. This would require collecting a considerable amount of qualitative and quantitative data (see Chapter 3).

63.   **In the absence of readily available data, this review used an** *Aid Effectiveness Perception Survey* **to gather qualitative and quantifiable information on the perceived adherence to globally recognized aid effectiveness principles.** The Survey comprised semi-structured interviews and questionnaires that asked individual development partner and government agencies to rate the perceived degree of alignment, harmonization, results-orientation, and predictability of foreign aid, as well as the perceived degree to which development partners coordinate technical cooperation activities, missions and analytical work and use country systems, as well as the perceived quality of government-donor dialogue and the perceived efficiency of the government's aid coordination mechanism on a scale from 1 (low) to 5 (high). The development partner questionnaire (see Annex 3) was sent out prior to the country visit.[15] Government agencies were asked identical questions during interviews.[16] Without requiring equally detailed quantitative data on aid flows, the Survey questions address the same issues that are monitored by global aid effectiveness surveys. The main purpose of the Survey was to assess mutual perceptions of the Government and its development partners regarding the quality of aid effectiveness mechanism, obstacles to aid effectiveness and options to improve it.

64.   **It should be noted that this survey measures people's** *perceptions***, which are not necessarily based on objectively verifiable data**. Besides, different ratings might be the result of different understandings of aid effectiveness concepts. Therefore, the findings presented below should be interpreted with caution. The main intention of Figure 6 (below) is to provide a snapshot of the perceptions of government and development partners, in order to identify areas of convergence and divergence, which can inform the formulation of future (joint) actions to increase aid effectiveness in

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[15] Development partner questionnaires have been filled by the European Union Delegation, GIZ, KOICA, JICA, Embassy of Russia, Embassy of Switzerland, UNESCO, UNDP, UNODC, WHO and the World Bank.
[16] Interviews were held with representatives from MoF, MoFA, MoE, MFERIT, MoH and MoAWR (see Annex 1).

Uzbekistan. The following analytical narratives combine answers given in the questionnaires and during interviews, but are not meant to provide a comprehensive analysis of all aspects related to aid relationships and aid effectiveness in Uzbekistan. In order to obtain more quantifiable and verifiable data, as well as more detailed information on the extent to which aid effectiveness principles defined in international agreements such as the Paris Declaration (2005), the Accra Action Agenda (2008) or the Busan Outcome Document (2011) are adhered to in Uzbekistan, a full-fledged Paris Declaration Monitoring Survey[17] or a Global Partnership Monitoring Survey[18] should be carried out.

5.2 Findings

65.   **The Survey revealed that perceptions of aid effectiveness vary between the Government and its development partners**. Figure 6 (below) shows the average ratings given by development partners and government agencies. It reveals considerable differences in the perceptions of Government and donors, especially regarding the degree of results-orientation, alignment, and harmonization of foreign aid. In general, Government agencies assess the existing aid effectiveness situation as being more positive than development partners do. In this context, Government agencies also gave higher ratings to the quality of government-donor dialogue and the efficiency of the national aid coordination arrangements.

Figure 6: Uzbekistan: Results of 2016 Aid Effectiveness Perception Survey
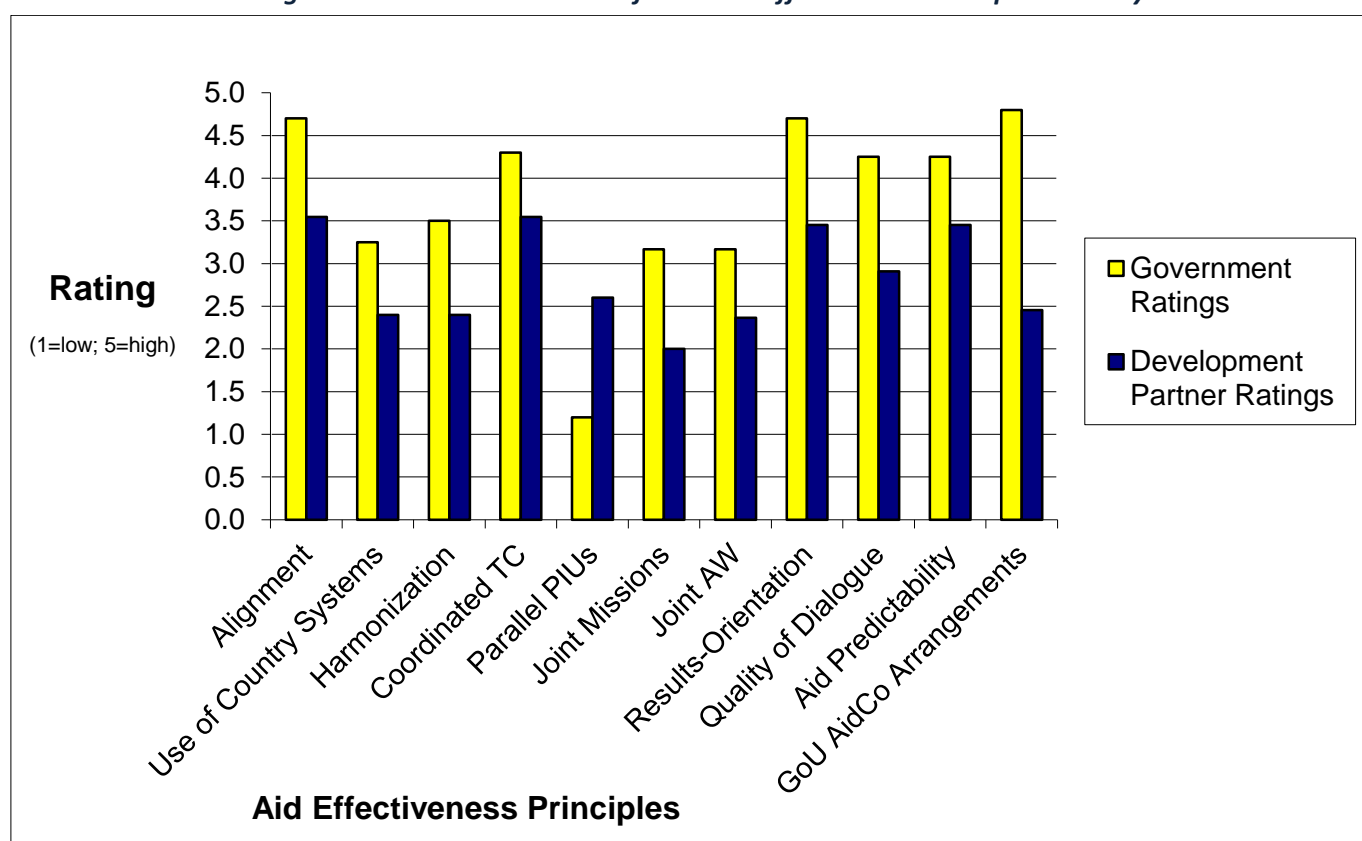
Source: Author's compilation based on Aid Effectiveness Perception Survey responses.
Note: The chart shows average ratings.

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[17] For information see: http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm.
[18]   Guidelines   are   available   under: http://effectivecooperation.org/wp-content/uploads/2015/10/2015-Monitoring-Guide_-final1.pdf.

66. **Despite differences in the weight given to individual categories, there are some similarities in the rating patterns.** For some categories, there are only small differences in ratings given by Government and donors. For example, both Government and development partners gave comparatively lower ratings to four categories, i.e. the perceived degree (i) to which country systems are used, (ii) of donor harmonization, (iii) of joint missions, and (iv) of joint analytical work. Although Government agencies seem to perceive related issues as being less severe than development partner agencies, these aspects particularly deserve being looked into in light of the relative weight given to them by both stakeholder groups. Similarly, both Government and development partner representatives gave comparatively higher ratings to aid predictability and coordinated technical cooperation. This is a positive finding. Similarities in rating patterns provide entry points for collective dialogue about aid effectiveness challenges and opportunities.

67. **It should be noted that the ratings reflect perceptions, and the point of reference, as well as the underlying expectations, may be different between the different stakeholders involved**. The Government appears primarily interested in increasing resource mobilization and efficiency of project implementation. Many development partners are interested in engaging in more frequent, open dialogue with Government in order to inform its policy making in line with their own mandates and in improving overall coordination of development activities. Government agencies do not see major aid coordination challenges and consider existing procedures as adequate, while development partners perceive some of these procedures as causing implementation challenges. There seems to be a need for systematic dialogue about the role of aid and about what constitutes effective aid in the context of Uzbekistan according to the views of all stakeholders.

68. **Perceptions of aid effectiveness challenges also vary among development partners**. Figure 7 (below) reveals that aid effectiveness perceptions among development partners vary. For example, while one development partner rated joint missions as weakest category, this category received the highest rating by a different development partner. It would be fruitful to further explore how such starkly contrasting ratings could occur. Overall, this reflects a need for more information sharing and more systematic dialogue among development partners on aid effectiveness issues in Uzbekistan. In the absence of a common perception of what the main challenges are, finding possible solutions suitable to all (or at least the majority) will be difficult.

69. **However, there are some rating patterns that could provide entry points for aid effectiveness dialogue among development partners.** There is some agreement among development partner groups on which areas need improvement. Over half of all development partners rated the perceived use of country systems, as well as the degree of join missions and joint analytical work as 'low' (rating vale of 1-2). Similarly, almost half of all development partners rated the perceived degree of donor harmonization as 'low' (rating value of 1-2). Aid predictability, alignment and coordinated technical cooperation are the categories which ten out of eleven development partners that participated in the survey rated 3 or higher.

Figure 7: Uzbekistan: Aid Effectiveness Perceptions of Development Partners, 2016
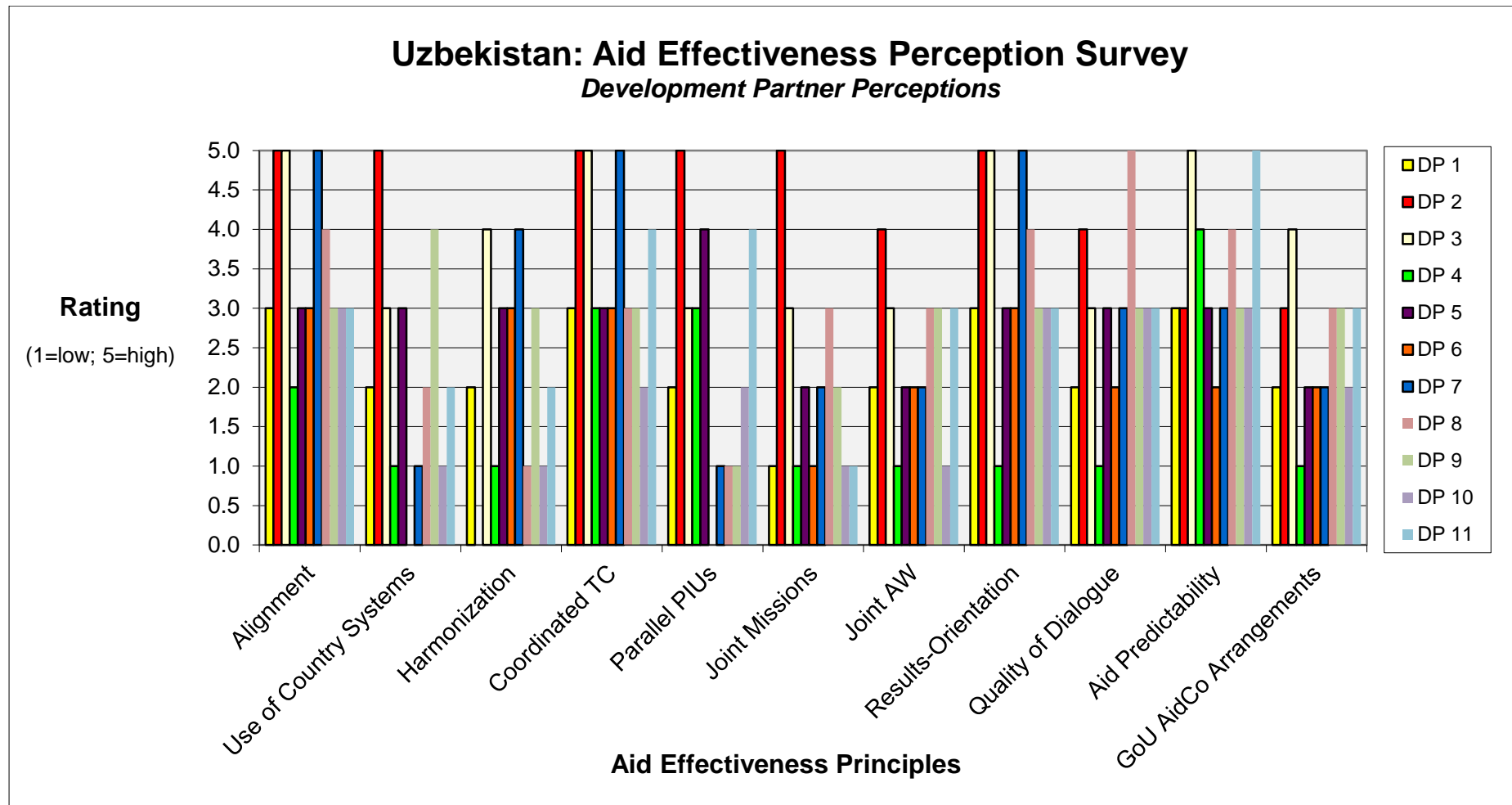
Source: Author's compilation based on development partner responses to the 2016 Aid Effectiveness Perception Survey.

Note: Development partners (i.e. DP1, DP2, etc.) are shown in non-alphabetical, random order.

5.2.1 Results-Orientation and Alignment

70. **The Paris Declaration as well as Accra and Busan commitments called on donors and partner countries to make a joint commitment to managing for development results – i.e. to manage resources according to desired results.** This implies defining desired results and measuring progress toward them, as well as using information on results to improve decision making and performance. It also implies strengthening capacity to undertake such management and helping to increase the demand for a focus on results (i.e. adopt a results-based monitoring framework). Specifically, the Busan commitment states that, where initiated by the developing country, transparent, and country-level results frameworks should be adopted as a common tool among all concerned actors to assess performance based on a manageable number of output and outcome indicators drawn from the development priorities and goals of the developing country.

71. **The Survey revealed a noticeable difference in the perceived degree of results-orientation of foreign aid provided to Uzbekistan.** While interviewed Government agencies perceive foreign aid as being highly results-oriented and well-aligned with national and sectoral priorities, development partners see a greater need for improvement in both areas.

72. **According to some development partners, the absence of adequate, long-term government strategies undermines results-orientation and alignment of foreign aid.** Several donors expressed uncertainty about the Government's medium and long-term development goals and mentioned ad hoc requests for assistance by Government counterparts. Together with reported challenges to find relevant country-level data, this makes it difficult for development partners to plan future development assistance and ensure its alignment with national and sectoral priorities.
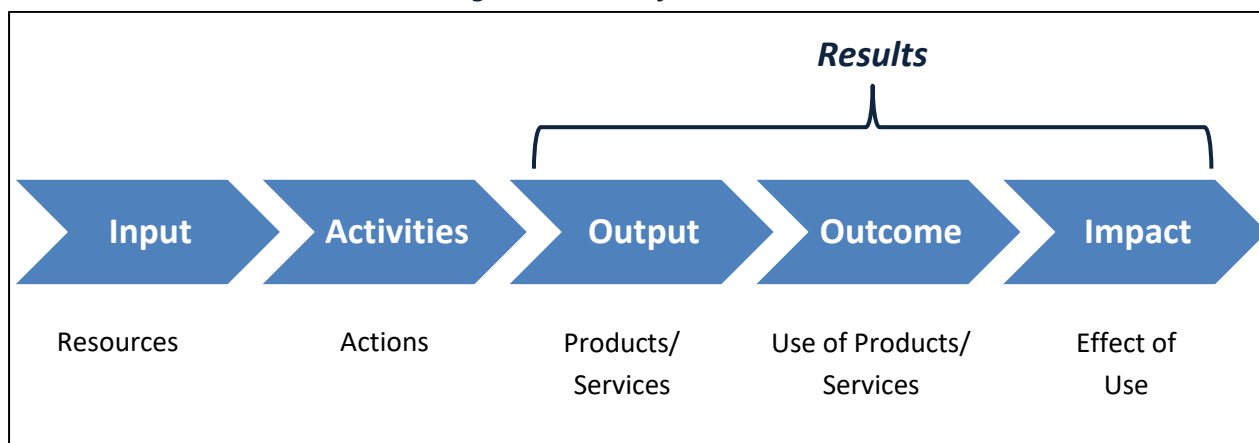
73. **In contrast, Government representatives pointed out that strategies, decrees and programs indicating Government priorities exist at various levels**. For example, the Ministry of Economy (MoE) produces a multitude of sectoral and regional plans and strategies. National programs are formulated for all sectors listing projects and related budget. Moreover, the Government prepares a list of vetted project proposals seeking foreign funding on an annual basis. Consequently, the main issue does not seem to be a lack of strategy documents, but rather the linkage between these strategies and projects, as well as the type of results envisioned in them.

74. **Both, Government and development partners appear eager to achieve results, yet at different levels**. Results can be placed on a continuum ranging from *products and services* (i.e. outputs; such as set-up of a new health care facility) over the *use* of these products and services (i.e. outcome; such as healthier workforce) to the ultimate *effect of such use* (i.e. impact; such as higher labor productivity) (Figure 8). At least with regard to its requests for foreign assistance, the Government tends to focus on short-term and tangible results at output-level, while most development partner agencies are encouraged by their headquarters to aim for longer-term institutional changes, requiring achievement of results at outcome and even impact level. Moreover,

the Government is strongly interested in hardware components delivering tangible goods.[19] In contrast, some development partners see their role in knowledge transfer and provision of advisory services in contribution to institutional reforms. Consequently, the expectations about results to be achieved can be different, especially if frequent collective dialogue about how donor outputs are meant to contribute to higher-level results is lacking.

Figure 8: Levels of Results

Input	Activities	Output	Outcome	Impact
Resources	Actions	Products/ Services	Use of Products/ Services	Effect of Use

Source: Author's illustration

75.   **There seems to be a need for more collective dialogue about (joint) results frameworks and underlying assumptions regarding the related means-ends relationships.** Given the general volatility of foreign aid, the Government's preference for using external assistance to achieve rather short-term, tangible results at output-level is understandable. However, in the absence of joint results frameworks that focus on high level results, reflect a clear means-ends relationship connecting activities to outputs, and especially outputs to outcomes and impacts, and that are widely communicated to all stakeholders that are meant to contribute to higher-level results, there is a considerable risk that envisioned higher-level results will not be achieved despite delivery of a large number of individual outputs. In other words, the end-result may be smaller than the sum of the intermediate results. It seems as if both, the Government and its development partners would benefit from open discussions about (sub-)sectoral results frameworks, mutual expectations regarding the type and level of results to be achieved jointly and the related underlying assumptions. The Government's ongoing effort to localize the international 2030 Agenda for Sustainable Development seems to provide an opportunity for discussions with development partners about joint results frameworks.

76.   **Formulation of a national development strategy would improve focus on inter-sectoral issues.** While the Government produces plans, strategies and programs at sectoral and sub-sectoral levels, there is currently no overarching national development plan that would provide a coherent policy framework for these (sub-)sectoral strategies and would allow to capitalize on benefits and synergies resulting from an inter-sectoral approach. The Government could use the ongoing effort to nationalize the Sustainable Development Goals (SDGs) in order to adopt an inter-sectoral approach to its policy framework.

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[19] The majority of project proposals listed in ANNEX № 3 to Resolution of the Cabinet of Ministers of the Republic of Uzbekistan N 275 dated 20 October 2009 seek the provision of equipment.

5.2.2 Use of Country Systems

77.   **Aid that is donor-driven and fragmented is less effective**. For aid to be effective, it must make use of national development strategies, as well as use and help strengthen capacity in national systems, such as those for procurement and public financial management. Donor signatories to the Paris Declaration committed to use country systems and procedures to the maximum extent possible. Where use of country systems is not feasible, additional safeguards and measures should be established in ways that strengthen rather than undermine country systems and procedures. Donors committed to avoid activities that undermine national institution building, such as establishing parallel structures. Aid recipients that signed the Declaration committed to undertake reforms that may be necessary to ensure that national systems, institutions and procedures for managing aid and other development resources are effective, accountable and transparent.

78.   **Survey results suggest that Government and development partners should engage in dialogue about the use of country systems.** Interestingly, according to the perceptions of interviewed Government representatives, development partners use country systems to a greater extent than donors themselves perceive using them. This could reflect a different understanding of what is meant by "country systems". According to the Paris Declaration, country systems and procedures typically include national arrangements and procedures for public financial management, accounting, auditing, procurement, results frameworks and monitoring. Admitting that country systems are hardly used, development partners commonly referred to national PFM and procurement procedures. In contrast, Government representatives consider "country systems" to be used more widely since the entire attraction, negotiation and acceptance of foreign aid is based on national regulations. It seems as if the use of country systems – as defined in the Paris Declaration – is limited.

79.   **With support from development partners, the Government has taken noticeable measures to gradually strengthen PFM and procurement systems.** For example, under its PFM Reform Strategy covering the period 2007-2018, the Government has made good progress in implementing a GFSM-compliant classification and coding system, creation of a dedicated Treasury unit within the Ministry of Finance, the establishment of a treasury single account (TSA), consolidation of extra-budgetary funds and extra-budgetary special accounts of budget entities into the TSA. Furthermore, commitment and payment controls have been improved and the legal framework strengthened. Moreover, transparency and efficiency of the procurement system has been improved through the introduction of e-procurement systems. Furthermore, the Government of Uzbekistan has established a solid accounting and control framework for grant aid in recent years.

80.   **International assessments confirm the increasing quality of Uzbekistan's budgetary and financial management systems**. The World Bank's Country Policy and Institutional Assessment (CPIA) rated the quality of Uzbekistan's budgetary and financial management as 4 on a scale from 1 (low) to 6 (high) in 2014 and 2015.[20] This criterion assesses the extent to which there is: (i) a

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[20] Source: http://data.worldbank.org/data-catalog/CPIA. The CPIA rates countries against a set of 16 criteria grouped in four clusters: (a) economic management; (b) structural policies; (c) policies for social inclusion and equity; and (d) public sector management and institutions. The criteria are focused on balancing the capture of the key factors that foster growth and poverty reduction, with the need to avoid undue burden on the assessment process. For more information see:
http://pubdocs.worldbank.org/en/203511467141304327/CPIA-Criteria-2015.pdf

comprehensive and credible budget, linked to policy priorities; (ii) effective financial management systems to ensure that the budget is implemented as intended in a controlled and predictable way; and (iii) timely and accurate accounting and fiscal reporting, including timely audit of public accounts and effective arrangements for follow up. Uzbekistan's overall CPIA rating in 2015 was 3.4, which places it slightly above the average CPIA rating of lower middle income countries of 3.3.

81.   **Nonetheless, development partners make only limited use of country systems, which does not seem to be a major concern for the Government.** Only few development partners indicated that they make use of country systems, and only to a limited extent. Insufficient transparency and efficiency are stated as reasons for not using them. For the Government, increasing the use of country systems by donors does not seem to be a priority. In fact, existing Government regulations explicitly allow and even encourage the use of donor regulations and systems. For example, Resolution N 251 of the Cabinet of Ministers (dated 15.11.2005) states that "*procurement of goods and services using grant funds shall be performed according to the procedures of international financial and economic institutions and foreign government organizations (…)*".

82.   **There does not seem to be a major problem with parallel donor structures in Uzbekistan**. When providing development assistance, some donors establish specific project implementation units (PIUs), i.e. dedicated management units designed to support development projects or programs. A PIU is said to be "parallel" when it is created at the behest of the donor and operates outside existing country institutional and administrative structures. In the short term, parallel PIUs can play a useful role in establishing good practice and promoting effective project management. However, in the long run, parallel PIUs often tend to undermine national capacity building efforts, distort salaries and weaken accountability for development. Survey and related interviews revealed that neither Government nor development partners perceive the degree of use of parallel PIUs to be high. While PIUs are established for many projects, they tend to be mostly embedded in the implementing ministries and agencies.

83.   **Nonetheless, there appears to be a need to review management arrangements of aid-funded projects**. While PIUs are common for loan-funded projects, they are not always established in case of grant-funded projects. Some line ministries indicated that personnel constraints make it, at times, difficult for them to put adequate project management arrangements in place, since officials have to perform related responsibilities in addition to their day-to-day tasks. While not each project requires a separate PIU, it was suggested that the additional staffing required to adequately implement several grant-funded projects falling under the same implementing agency could be met by establishing one PIU for and funded jointly by several projects. While such kind of pooling arrangement would be well in line with global aid effectiveness principles, it may require are greater harmonization of donor procedures in order to be workable. While some ministries expressed a need for more PIUs (especially with regard to grant-funded projects), the MoF recognized a need to "optimize" the use of PIUs in case of loan-funded project. In the latter case, there is a feeling that the number of PIUs could be reduced. Especially if a single donor finances several projects, it could be explored whether some of the PIU experts (e.g. on procurement and financial matters) could be shared by several projects. Apparently, AsDB, IDB and WB used to have joint PIUs in the health sector and the agriculture sector in the past. Similar approaches could be explored for the future.

5.2.3 Aid Fragmentation

84.   **Government and development partners should look into signs of aid fragmentation.** Fragmentation of foreign aid often results in considerable coordination challenges and reduces aid effectiveness (Easterly and Pfutze 2008) by presenting additional challenges to harmonizing and aligning aid, which results in rising transaction costs for recipient countries and donors;[21] by potentially creating wasteful duplication and overlap in the delivery of aid; and by potentially causing competition for scare skills in recipient countries. The degree of fragmentation of a sector depends on three factors: (i) the number of development partners that are active in the sector, (ii) the number of projects in the sector and (iii) the average financial size of these projects.[22] A sectoral aid portfolio is considered to be fragmented if it consists of a large number of development partners that are implementing a large number of financially small projects. The relative number of development partners and projects, as well as the relative financial size of projects in a given sector can be calculated by looking at the country's total aid budget, as well as the total number of projects and development partners active in the country.[23]

85.   **There are signs of aid fragmentation in social sectors.** It was not possible to accurately calculate the degree of aid fragmentation at sector level during this assignment due to the lack of access to sufficiently detailed aid data. However, looking at the aid information presented in the 2010 Development Cooperation Report on Uzbekistan (UNDP 2010), there are signs of aid fragmentation in the education sector and the health sector. Both sectors are supported by a considerable number of development partners that are implementing a large number of projects, which on average appear to cost less than US$ 1 million.[24] On the positive side, most donors focus their assistance on a limited number of sectors. Nonetheless, there seems to be a need to address the proliferation of financially small projects in social sectors. This issue should be analyzed in more detailed. Once the planned aid information management system has been established, it should be easy to assess the degree of sector-level aid fragmentation in Uzbekistan.

5.2.4 Donor Coordination & Harmonization

86.   **Decades of global experience show that poor coordination of aid increases the cost for both donors and partner countries, and significantly reduces the value-added of aid**. Harmonization of aid delivery procedures and adoption of common arrangements help reduce duplication of effort and lower the overall transaction costs associated with aid management. Under the Paris Declaration, donors committed to harmonize their activities and to implement, where

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[21] For a detailed discussion on the contribution of aid fragmentation to increasing transaction costs see Acharya et al. (2004, p. 7-8).

[22] In line with empirical evidence, it can be argued that the lower the average financial project size, the higher weigh the transaction costs associated with the assistance.

[23] For more details please refer to: Nadoll and Hussain (2008).

[24] This initial assessment should be underwritten with a caveat since the 2010 DCR may not accurately reflect the actual composition of sector-level aid portfolios. In the context of the health sector, it should be noted that the degree of sector fragmentation appears less severe if a grant by the German Government of roughly US$ 31 million is counted as a single project, which according to the DCR accounts for 61% of the total sectoral aid portfolio. In the context of this assessment, this grant has been excluded from the calculation of the average financial size of aid-funded projects in the health sector, since the majority of all other projects was of considerable smaller financial size.

feasible, common arrangements at country level for planning, funding (e.g. joint financial arrangements), disbursement, monitoring, evaluating and reporting to government on donor activities and aid flows. Moreover, donors committed to provide technical cooperation that is coordinated with partner country strategies and programs. This approach aims to strengthen capacities while also responding to the needs of partner countries. Successful capacity development is led by the recipient country.

87.   **Survey results reveal that the degree of coordination among development partners could be improved**. While both Government and development partners perceive the degree of coordinated capacity development as medium to high, many development partners indicated that the degree of coordination among donors with regard to analytical work and especially missions is rather low. In general, the level of coordination seems to be higher among UN agencies, which can build on well-established UN-wide coordination mechanisms, and lower among bilateral agencies, where similar coordination platforms are mostly missing. Most donor coordination outside the UN framework appears to be ad hoc and mostly limited to consultation, rather than actual collaboration.

88.   **The Government's preference for a bilateral approach to donor coordination may result in missed opportunities**. The Government manages its aid relationships primarily on a donor-by-donor basis. Related roles and responsibilities are shared among several government agencies (see section 5.2.7). While this approach is conducive to good bilateral relations, it increases inter-ministerial coordination challenges and bears the risk of missing opportunities and under-utilizing potential synergies that are more likely to emerge during collective dialogue between Government representatives and groups of development partners active in the same sectors. Competition among development partners, as well as their different mandates, procedures and interests tend to undermine self-coordination by donors. Therefore, the Government should consider complementing its bilateral approach to donor coordination more proactively with multilateral ones. Government-led collective dialogue mechanisms, such as sector working groups, have proven to be effective coordination mechanisms in different countries (see below).

89.   **Especially development partners perceive the degree of harmonization of donor practices as low.** Government officials perceive the degree of harmonization to be greater among providers of loans than among providers of grants. The Government's flexibility with regard to accommodating different donor procedures may have served as a disincentive for donor harmonization in Uzbekistan. While donor perceptions of high fiduciary risks mostly explain the absence of budget support in Uzbekistan, the Government's declared preference for a traditional project approach seems to be the main reason for the very limited use of other program-based approaches. Government agencies consider projects as a better tool to achieve results than pooled funding or other programmatic arrangements. However, evaluations of aid effectiveness pointed to a number of well-known shortcomings of traditional project-based assistance, including: (i) excessively high transaction costs due to different management procedures, reporting and accounting requirements; (ii) small potential for achieving higher-level impact, since results pursued by individual projects are limited and specific to the project, and (iii) financing of multiple independent projects, often with weakly aligned objectives, has contributed to suboptimal efficiency of spending.[25]

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[25] See for example: European Commission (2005) and Lawson, A. et al. (2002).

5.2.5 Development Dialogue

90.   **An important instrument to foster aid effectiveness, in particular alignment, coordination and mutual accountability is regular collective dialogue.** Dialogue is a discourse between stakeholders on particular issues aimed at learning, exchanging of information and views and guiding the (development) policy and decision making process. High quality and regular dialogue between the Government and development partners is crucial for the successful (i.e. efficient and effective) implementation of national/ sectoral development plans and programs. Collective dialogue is the foundation of effective development cooperation partnerships. Collective dialogue and coordination mechanisms seek to promote alignment, simplification and rationalization around the national calendar of policy and consultative processes. Collective dialogue can be used to: (i) strengthen partnerships around common goals; (ii) improve public policy choices and the effectiveness of the Government's planning, budgeting and public service delivery; (iii) strengthen national ownership and the Government's role as leader in the development process; (iv) improve information sharing among agencies and thus facilitate the adoption of consolidated views; and (v) improve aid mobilization and allocation in line with national priorities. The quality of dialogue largely depends on mutual trust and adequate arrangements for preparation and follow-up of individual meetings. Sector/ thematic working groups are a core element of any aid coordination and collective dialogue mechanism.

91.   **On the positive side, it should be noted that there is continuous government-donor dialogue in Uzbekistan**. Most donors indicated that they are in constant bilateral dialogue with Government counterparts. For example, inter-governmental commissions under the auspice of the Ministry for Foreign Economic relations, Investment and Trade (MFERIT) have been established for most bilateral donors. The Ministry of Economy (MoE) organizes regular dialogue with multi-lateral donors such as the UN, for example through the UNDAF Steering Committee. While some development partners perceive this dialogue as being slow and bureaucratic, others highlighted the pragmatic nature of dialogue at the technical level.

92.   **However, the Survey revealed a noticeable difference in perceptions among Government and development partners regarding the quality of government-donor dialogue in Uzbekistan.** While Government officials mostly perceive government-donor dialogue to be of high quality, many development partners see room for improvement. The visible difference in ratings (see Figure 6) reflects different expectations regarding the nature of government-donor dialogue.

93.   **Development partners would welcome more *collective* dialogue, including on policy issues, while the Government tends to favor *bilateral* discussions focusing on technical aspects**. A main reason for the differences in perceptions is probably the different degree of importance that Government and development partners assign to *collective* dialogue. The Government focuses primarily on bilateral dialogue with individual development partners, while the latter feel a need for more regular collective dialogue between the Government and a group of development partners in order to foster coordination and a common understanding of issues and opportunities.

94.   **Initial experience with joined Sector Working Groups has been mixed**. Three Sector Working Groups (SWGs) have been established with the help of UNDP's Aid Effectiveness Project in the following (sub-)sectors: education, health and water. These working groups are meant to be chaired by a Government agency and co-chaired by a development partner agency, and were

envisioned to serve as platforms for communication and coordination, while reducing bureaucracy on all sides. While most people spoken to during this assignment stated that they perceive such groups as being generally useful, many voiced dissatisfaction with the actual performance of the SWG. Some groups rarely met. Government officials highlighted that donor counterparts kept changing from meeting to meeting and did not always have adequate authority to discuss future plans. Development partner representatives expressed a desire for greater Government leadership of working groups and collective dialogue structured around development policy issues and (sector) results frameworks.

95.   **Establishing collective dialogue mechanisms always takes time; often, especially for government agencies.** Traditionally, interactions between the Government and its development partners have mainly taken place through very formal and highly structured events. Against this background, SWGs are uncharted waters, especially for Government officials. Due to the high degree of centralization of public sector management, individual public servants tend to be generally rather risk-averse and very cautious during discussions. This limits the opportunities for open dialogue and undermines the effectiveness of SWG as collective decision-making tool. Besides, government agencies may feel over-burdened with the additional task of coordinating donors and managing development dialogue through sector working groups. Development partners will have to make an extra effort to demonstrate the added value of working groups and to assist government counterparts in developing the necessary capacity to lead them and use them to achieve greater development effectiveness.

96.   **Government and development partners should discuss their mutual expectations of sector working groups.** It seems too early to give up. Given the importance of dialogue for building trust and creating a common understanding of development challenges and priorities, which is crucial for aid mobilization and coordination, the differences in perceptions regarding the quality of dialogue between Government and development agencies in Uzbekistan should be an issue of concern for both sides. SWGs present a unique opportunity to exchange views, improve coordination and develop better working relationships built on mutual trust. Some government officials have clearly realized this. Many development partners voiced a desire for more frequent dialogue and some mentioned good discussions during working group meetings. It seems the time is ripe for a frank discussion within the groups about what worked and what did not, as well as about mutual expectations for the future. Such reviews could be facilitated by UNDP's Aid Effectiveness Project. A lot will depend on the chemistry and collaboration between the co-chairs. Since the donors' desire for collective dialogue currently appears to be greater than that of government agencies, donor co-chairs clearly have a special role to play in facilitating government-led working groups.

97.   **Co-Chairs should ensure the formulation of forward-looking, results-oriented work plans and issue-based agendas for SWGs**. In principle, sector-level dialogue should be led by the relevant Government ministry/ agency. Potential capacity shortages should be addressed by the designated donor co-chair, including by providing/ financing a dedicated secretariat. Agreed terms of reference, chairing and other meeting arrangements, as well as a clear work plan, advanced preparation and formulation action-oriented minutes are important for the effective functioning of working groups. This requires a capable secretariat to support the co-chairs in meeting preparation and follow-up (see Annex 4 for suggestions on how SWGs could be strengthened). Empirical evidence shows that working groups are most effective if they are organized around a joint results framework. Some countries made good experience with "joint assistance strategies" or "partnership agreements" that

identify government priorities, donors' comparative advantages and allow for an independent review of progress in delivering on both donor and recipient commitments towards the achievement of joint results. A partnership agreement is a governance mechanism that improves coordination and also fosters increased accountability between partners, which is crucial for effective aid relationships.

5.2.6 Aid Predictability

98.   **Although aid commitments and disbursements appear erratic, both Government and donor representatives perceive aid predictability to be medium to high.** Data captured in the OECD's creditor reporting system reveals great fluctuations of ODA commitments and disbursements made to Uzbekistan during recent years (Figure 9). Nonetheless, Government officials rated the degree of aid predictability as rather high, while perceiving the predictability of loans higher than the one of grants. Many development partners declared that they provide the Government with forward disbursement plans. While implementation delays occur, most donors stated that there is little variance between planned and actual disbursements. Nonetheless, donors perceive the degree of aid predictability to be lower than Government officials do.

Figure 9: Uzbekistan: ODA Commitments and Disbursements, 2001-14
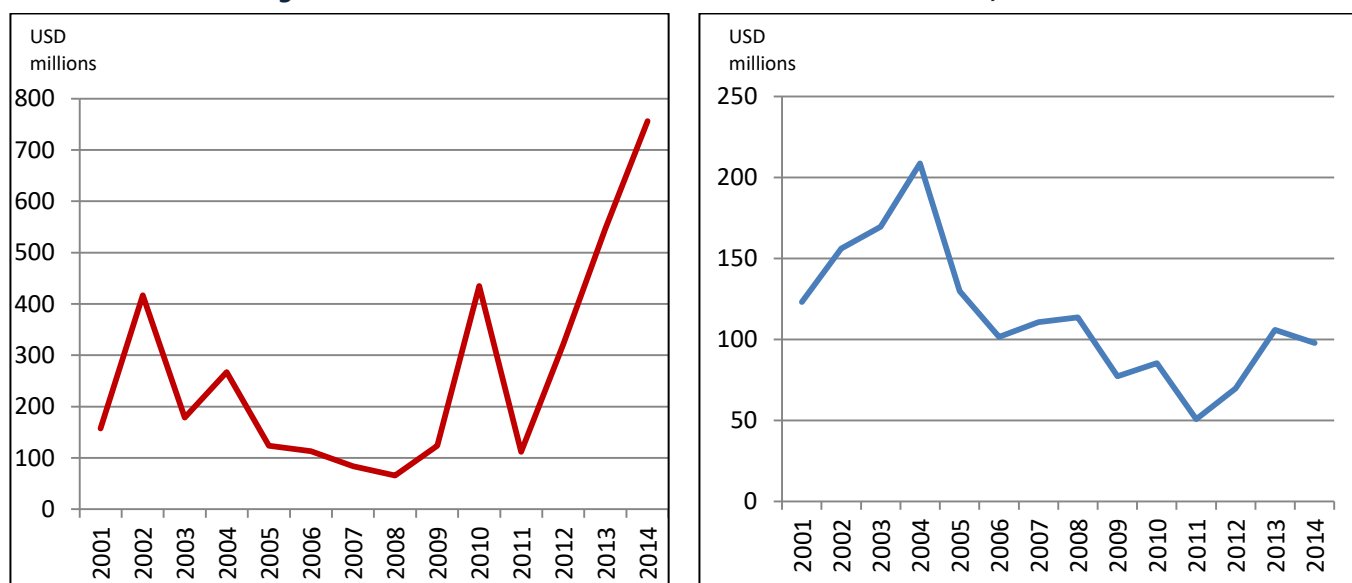
Source: OECD DAC: http://stats.oecd.org (accessed: Nov. 29, 2016)

99.   **In general, aid predicatbility differs from partner to partner**. DAC donors report their forward spending plans to the OECD (Table 11). The length of forward spending plans varies between 2 and 4 years. In some donor countries, aid budgets are subject to annual appropriation by parliament, reducing the actual length of firm spending plans to one year. In most cases, forward spending plans are dependent on the existence of operational projects. Consequently, there can be considerable variance between multi-year commitment figures contained in a cooperation agreement and actual disbursements. In-year predictability requires that accurate and reliable information on planned disbursements is provided to government authorites at a point in time that

allows assessing the impact of aid flows on fiscal policies and the annual budget. This, in turn, often requires greater alignment of donor financial years with the financial years of recipient countries.

Table 11: OECD Survey on Donor's Forward Spending Plans for Uzbekistan

Disbursement Year	2015	2016	2017	2018	2019
US Dollar, Millions, 2015	469.08	368.27	391.19	402.21	413.38

Source: OECD DAC: http://stats.oecd.org (accessed: Nov. 29, 2016)

5.2.7 National Aid Coordination Arrangements

100. **The Government has established a comprehensive aid coordination mechanism that development partners perceive as being too complex.** All interviewed Government representatives considered the national aid coordination mechanism as being efficient. In contrast, a large number of donors expressed concerns regarding the Government's aid management procedures and consider them as being overly complex, bureaucratic and causing delay.

101. **Project approval, disbursement and implementation could be further streamlined to close the disbursement-to-commitment gap and ensure projects are less stop-and-go than currently the case.** During interviews, some development partners stated that the Government's project approval process is opaque to them (criteria are not explicit) and rather long, resulting in projects starting towards the end of their programming period. However, some donors seem to have found ways to align their internal programming and approval cycles with those of the Government. Moreover, there appears to be a shortage of project implementation partners, due to tight regulations regarding (local and international) NGO registration and challenges in attracting private sector companies to implement development projects.

102. **The functions of regulating, mobilizing, coordinating and controlling of foreign assistance are divided between several ministries**. Within individual ministries, different departments perform a range of aid management activities. Presidential Decree No. 1005 of 2008 defines the general framework for aid coordination in Uzbekistan and assigns the overall responsibility for management of grants for humanitarian and technical assistance to the Ministry of Finance (MoF). The MoF Aid Coordination Department was specifically established to improve aid coordination and is primarily responsible for collecting and processing aid information in order to monitor whether aid is used for the agreed purpose and whether disbursements are made on time.[26] Other functions of the Department include developing proposals for establishing cooperation with donors; coordinating the process of development and implementation of technical assistance projects; as well as developing and implementing activities to reduce the time of clearance and acceptance of technical assistance by recipients. It also acts as 'go-between' for some development partners. The Treasury Department of the MoF is responsible for accounting of foreign funds, while the Main Control and Audit Department of the MoF is responsible for auditing whether foreign funds have been utilized appropriately. Resource mobilization is primarily entrusted to the Ministry of Foreign Affairs (MoFA), the Ministry of Foreign Economic Relations, Investment and Trade (MFERIT), and line ministries,

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[26] The full name of the Aid Coordination Department is "Department for Coordination, Accounting and Control of the Targeted Use of Humanitarian Aid and Technical Assistance Funds".

while coordination of projects is entrusted to the MoF and the Ministry of Economy (MoE), with the latter being responsible for assessing whether project proposals are in line with national priorities. The latter also serves as main counterpart for international financial institutions, while the MFERIT and the MoFA serve as counterparts for bilateral donors, as well as UN agencies and international organizations, respectively, and facilitate communication between donors and line ministries, especially in the context of aid mobilization. MFERIT and MoFA are also responsible for finalization, endorsement and approval of the annual list of projects proposals for which external funding is sought. In line with Resolution No. 29 (dated 24.01.1994) by the Cabinet of Ministers, a National Coordinating Unit for the Coordination of the Technical Assistance of the European Union Commission in Uzbekistan (NCU) was established.

103. **While an in-depth review of the entire regulatory framework related to aid mobilization, negotiation, coordination, management and evaluation was beyond the scope of this assignment, a few observations on the existing aid management arrangements are presented below:**

(1) *There seems to be some fragmentation of roles and responsibilities for the mobilization, negotiation and administration of foreign aid across different agencies of the Government*. Different ministries act as counterparts for different donors, which increases the inter-ministerial coordination challenge. For example, *coordination of projects* is entrusted to both the MoF and the MoE, *identification and elaboration* of projects with donors is entrusted to the MoF, the MoE, the MoFA and the MFERIT; and the *communication* function between line ministries and donors is assigned to the MoFA and the MFERIT. International experience suggest that it is beneficial to designate a nodal agency that functions as "single-entry window" for all development partners that provide or seek to provide technical or financial assistance to the country. The Aid Coordination Department of the MoF does not entirely fulfil this function yet, due (i) the exclusion of loans from its mandate, (ii) the limited number of staff in relation to its assigned tasks, and (iii) the lack of adequate information management tools. Fragmentation of responsibilities for aid management functions can result in inefficiencies and reduced effectiveness in the overall system. It might also reduce the Government's ability to take informed decisions. Interviews with development partners revealed that (line) ministries are not always entirely aware of all project under implementation in a certain sector. This reflects inter-ministerial coordination and communication challenges. A functional assessment of the national aid management arrangements should be considered, ideally in the context of a systematic review of the public investment management system as whole. In principle, processes related to aid-funded investment projects should be aligned with processes in place for identifying, appraising, selecting and monitoring investment projects financed by the state budget, including state targeted funds.

(2) *The Government's aid mobilization mechanism is primarily project-focused*. In recent years, the Government has taken measures to streamline and improve its aid mobilization process. The process is built around a project proposal roster consisting of a list of vetted and approved project proposals covering various sectors/ themes and reflecting the Government's aid priorities over a 3-year timeframe (Figure 10).[27] The list is circulated

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[27] For example, Resolution of the Cabinet of Ministers No. 190 (dated 11.07.2014) seeks grant assistance for the timeframe 2014-16. Three separate lists are prepared. The first contains projects for a funding agreement

among development partners on an annual basis for consideration. In addition, donors are encouraged to propose projects of their own. The project proposal roster seems to work for some donors and has apparently resulted in increased mobilization of grant resources. Many other donors, however, find it difficult to allocate and firmly commit funding on this basis, in particular in case of projects essentially encompassing stand-alone procurement of goods. It is not clear to what extent individual projects on the list are linked to envisioned high-level results defined in coherent sectoral/ thematic development strategies that are based on comprehensive situation analyses, contain a clear theory of change and a dedicated budget. Against this background, it should be considered to further refine the aid mobilization mechanism by seeking foreign aid not only on the basis of primarily output-focused project proposals, but also through outcome-oriented programmatic frameworks (at sectoral/ thematic) level. It could be considered to present project proposals within coherent programmatic frameworks (at sectoral or thematic level) that show how desired project outputs are intended to contribute to higher level results to be achieved over a 3-5 year timeframe. Donors could be invited to submit aid proposals in support of the programmatic framework as a whole, in addition to committing funding for pre-approved projects. This would broaden the basis for aid mobilization and allow the Government to capitalize on innovative approaches based on international good practices to achieve medium-term development results.

Figure 10: Uzbekistan: Mechanism for Development of Project Proposal Roster

Source: MoF (2015).

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has already been secured. The second contains projects for which a donor has been identified, but no funding agreement is in place yet. The third contains projects for which no donor has been identified yet.

(3) *Loan-funded project are considered separately from grant-funded projects*. Functional responsibilities for grant-funded and loan-funded projects are assigned to different ministries/ departments. In this respect, it is for example noticeable that the Aid Coordination Department is only responsible for grant-funded technical assistance and humanitarian aid, but not for loan-funded projects. While different fiscal implications justify a separate treatment of loans and grants, it is nonetheless advisable to assess every new project in the context of the entire sectoral/ thematic project portfolio, regardless of funding type and source, to avoid overlaps, promote synergies and ensure maximum development impact.

(4) *There seem to be overlaps in the assignment of aid-related information management functions*. Resolution N 251 assigns responsibility for the collection and processing of information on foreign assistance to the State Statistics Committee, the Treasury, the Aid Coordination Department. It seems advisable to review the information flow and related tasks with a view to reduce redundancies. In principle, the establishment of a single, central information repository should be considered.

6. Recommendations for Improving Aid Effectiveness in Uzbekistan

104.   **Based on the findings of previous chapters this one makes recommendations on how the effectiveness of foreign aid provided to Uzbekistan could be improved**. While in some cases either the Government or the donors might be better positioned to initiate the required change, it should be noted that improving aid effectiveness is a joint responsibility. Open dialogue between Government and development partners about what works well and what could be improved is a necessary starting point for defining a joint agenda, and for its successful implementation thereafter.

6.1 Strengthen Results-Orientation of Development Cooperation

105.   **Government and development partners appear to focus on different levels of results.** At least with regards to its requests for foreign assistance, the Government tends to focus on short-term and tangible results at output-level, while most development partner agencies are encouraged by their headquarters to aim for longer-term institutional changes, requiring achievement of results at outcome and even impact level. Moreover, the Government is strongly interested in hardware components delivering tangible goods. In contrast, some development partners see their role in knowledge transfer and provision of advisory services in contribution to institutional reforms.

106.   **Government and development partners should clarify their expectations regarding development results to aim for and agree on joint results frameworks.** For aid to be effective, it needs to be aligned with national development priorities. Donors are, at times, uncertain about the Government's medium to long term priorities and the strategy followed to achieve them. This makes alignment difficult and may reduce desirable synergies between development assistance and development activities funded through the state budget. There appears to be an opportunity to increase the focus of Government agencies on higher level results and to improve alignment of foreign aid with these results in the context of the ongoing localization of the SDG agenda and ongoing public financial management reforms.

107.   **The Government has already realized the need to strengthen results-orientation in public sector management.** Ongoing public financial management reforms aim to strengthen medium-term strategic planning, expenditure prioritization and results-orientation of (line) ministries by introducing strategic plans linked to a medium-term budgetary framework. These strategic plans should define results at outcome and impact level and outline a realistic roadmap (theory of change) for achieving these results, including required outputs (products and services). The expected outputs would need to be accurately costed. Progress towards achieving envisioned results should be assessed through annual performance reviews, informed by reports by spending agencies describing what has been delivered, how it will be used and what it will contribute to, as well as how much did it cost. Apart from improving expenditure prioritization and results-orientation of public services, such strategic plans would improve aid mobilization and could become the basis for joint results frameworks of Government and development partners. In future, projects proposed for aid funding could be presented in the context of a programmatic framework provided by the strategic plans that link project outputs to higher-level results. The development of strategic plans for line ministries could build on ongoing efforts by the Government to localize the Sustainable Development Goals.

108.   **Improvements in aid effectiveness are linked to wider public financial management reforms.** The introduction of strategic plans will have a positive effect on aid mobilization, alignment of aid with sectoral/ thematic development priorities and results-orientation of development activities. The introduction of program budgeting linked to strategic plans is, over time, expected to lead to an easing of external, ex ante controls. The efficiency of line ministries is expected to be strengthened by their increasing budgetary discretion and managerial authority, while holding them accountable for agreed results. This would facilitate the necessary shift from an input- and process-oriented, as well as compliance-based approach to a results-oriented and more entrepreneurial approach geared towards problem-solving, instead of "problem-shifting". This is also likely to foster line ministries' ownership and leadership of sectoral development agendas, which in turn would strengthen their role in development cooperation partnerships. Such changes in public sector management would facilitate a rationalization of Government-internal aid arrangements, with line ministries playing a stronger role in managing their aid portfolios.

6.2 Establish an Aid Information Management System

109.   **Establish an aid information management system and give development partners access to project-level information on planned and ongoing activities by sector, donor and geographic location.** A crucial precondition for enabling the Government of Uzbekistan to coordinate development partners and manage aid flows effectively is the availability of accurate and timely aid data, as well as the ability of government staff to analyze the data, as well as package and present it in a way that allows informing and influencing decision-making. There is a lack of comprehensive and timely data that is available to all concerned stakeholders to inform evidence-based dialogue. Information management on the Government side could be further streamlined. Against this background, it is recommended that an aid information management system (AIMS) that allows tracking and recording of all foreign assistance (grant and loans; financial and in-kind) be established. An AIMS is an IT application (usually a database, which is often web-based) that allows standardized recording of and reporting on aid flows. Accurate information on all aid inflows (loans and grants) is crucial to enable governments to better plan, coordinate and manage development assistance. An AIMS can support governments in meeting their information and reporting requirements.

110.   **An AIMS usually tracks information on financing, implementation and progress towards results of an aid activity.** Most AIMS have a couple of common features and functionalities such as an online (& offline) data entry module, a flexible reporting module, as well as integrated charts and maps. An AIMS allows informed decision-making on aid allocations and can help reducing aid fragmentation and duplication of efforts. It facilitates results monitoring, as well as the review and potential rationalization of assistance portfolios of individual donors. Further, an AIMS can support evidence-base dialogue with development partners and contribute to transparency and mutual accountability. Consequently, an AIMS can play a crucial role in improving aid effectiveness. It can foster harmonization of partners' systems and procedures, as well as promote alignment of external assistance with national development priorities. AIMS can provide an interface between the PFM system of an aid recipient country and information stored in donor systems. They foster harmonized reporting of aid provided or planned, as well as reporting back to donors on how the funds have been used. An AIMS is thus a tool of mutual accountability with the potential to increase the

predictability of aid and to reduce administrative burdens for recipients and donors alike. As a general principle, an AIMS should be owned, managed and maintained by the Government, while development partners are the custodians of the data and responsible for regularly entering and updating information on their assistance portfolio. Further, the data captured in an AIMS should in principle be accessible to everyone, i.e. government and development partner agencies, as well as media and civil society in order to foster transparency and accountability. Refer to Figure 11 (below) for graphical illustration of the basic concept of an aid information management system.

Figure 11: Concept of an Aid Information Management System
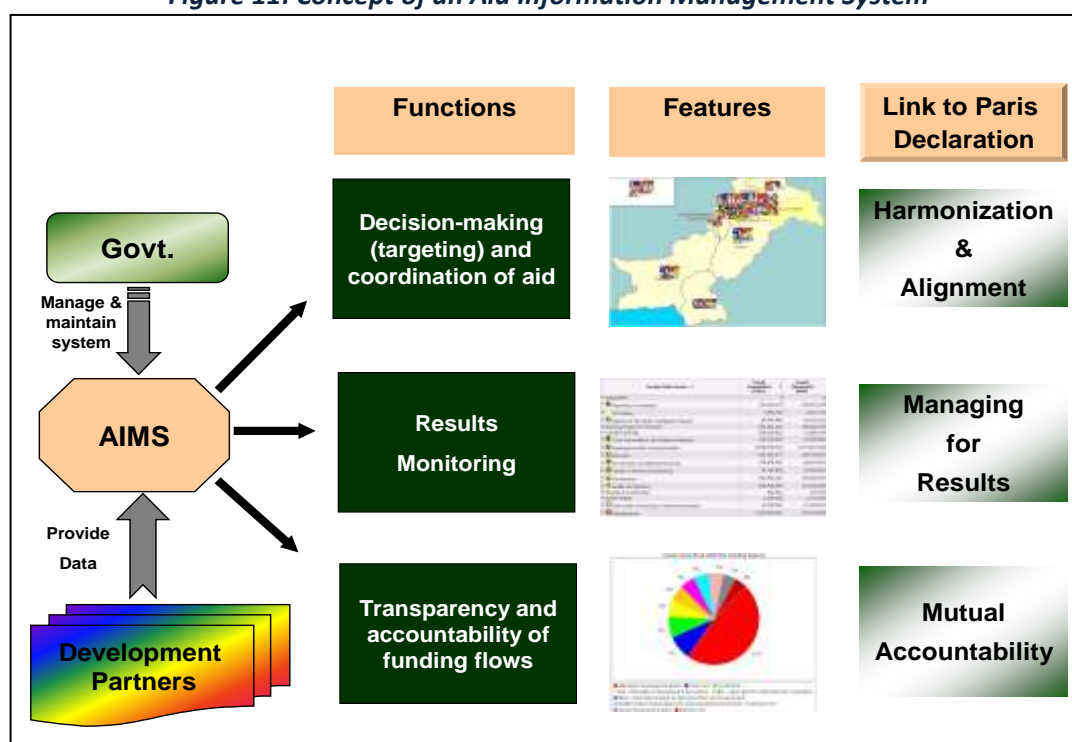
Source: Author's illustration

111. **What type of information is usually recorded?** The type of information captured in an AIMS depends on the information and reporting needs of concerned stakeholders, essentially the Government and its development partners. Hence, the decision on the data fields to be included in the system should be based on a comprehensive information needs assessment. Usually, an AIMS tracks project-level information on aid flows (commitments, disbursements, expenditures) by donor, implementer, sector and geographic location. Box 1 (below) outlines common data fields of an AIMS.

Box 1: Common Data Fields of an AIMS

Project management information
  – General project information (title, ID, description)
  – Duration (Start & End Date)
  – Sector and Sub-Sector (classification required)
  – Geographic Location
  – Project status
  – Contact information
**Financial information**

–   Type of assistance (project support, budget support, etc.)

–   Type of funding (grant, loan, etc.)

–   Donor information (name, type)

–   Implementer information (name, type)

–   Project costs (currency & exchange rate)

–   Amounts committed and disbursed (currency & exchange rate)

Results information

–   Expected outputs

–   Performance indicators

–   SDG contributed to; Paris Declaration indicators

Source: Author's compilation

112.   **What has to be taken into consideration?** 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 integral part of an information management cycle, comprising data *collection*, data *storage* & *processing* and *application/ use* of the information gained through the analysis. (Refer to Figure 12 for an illustration of the information management cycle).

113.   **It takes more than an IT tool.** 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, influence behavior and potentially result in changes in the approach taken by an institution, in order to ensure that a defined objective is achieved. Consequently, an Information Management System (IMS) is just a tool and data collection just a means to an end. Information is collected as a basis for analysis that can inform decision-making.

Figure 12: Information Management Cycle
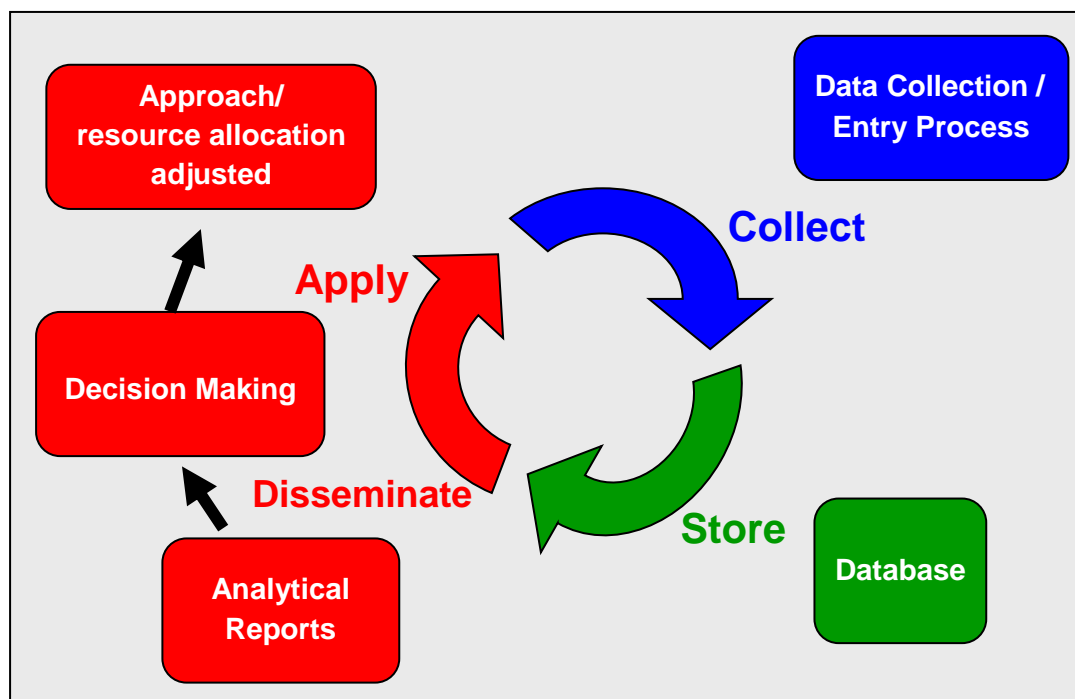
Source: Author's illustration

114.   **Sound processes are important**. Information systems consist of four elements: (i) *technology*, (ii) the *information* captured in and processed through the system, (iii) *people* who use the system and give it purpose, and (iv) work *processes* that are undertaken to use and maintain the system (Heeks 2006). Past experiences show that too much emphasis is often placed on the IT application, 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 *sound business procedures* and maintained by *dedicated people* that manage the process designed to link the tool to organizational objectives.

115.   **People are at the core of an information system**. Any IT system requires dedicated and well-trained people to operate and maintain it. In addition to IT skills, it has to be ensured that the people managing the system have sufficient 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.

116.   **It needs more than IT capacities.** 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 kind of data is required and how it can be analyzed and used to inform decision-making.

117.   **Three core functions have to be fulfilled to establish an AIMS**. 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 IMS is functioning effectively as a tool to support decision-making. These functions are: (i) data collection & entry, (ii) system maintenance, and (iii) data analysis & dissemination. Consequently, 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, which define the data collection/ 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.

118.   **Software and hardware have to be compatible and suitable for the existing IT environment**. For example, web-based systems are not really useful in areas with limited internet connectivity and frequent power cuts. IT staff need to be trained in using software and hardware effectively, and in fixing potential technical problems.

119.   **Mechanisms have to be put in place to ensure frequent data quality control, as well as data analysis and preparation of analytical products.** The later 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.

120.   **Assess and, if necessary, adjust existing business procedures.** 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 new business procedures, which should not be defined by IT requirements, but by the organizational objective. 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?

- Which existing procedures are inefficient and should be rationalized to avoid the IT tool only automates inefficiency? Doing the wrong things faster is no improvement.
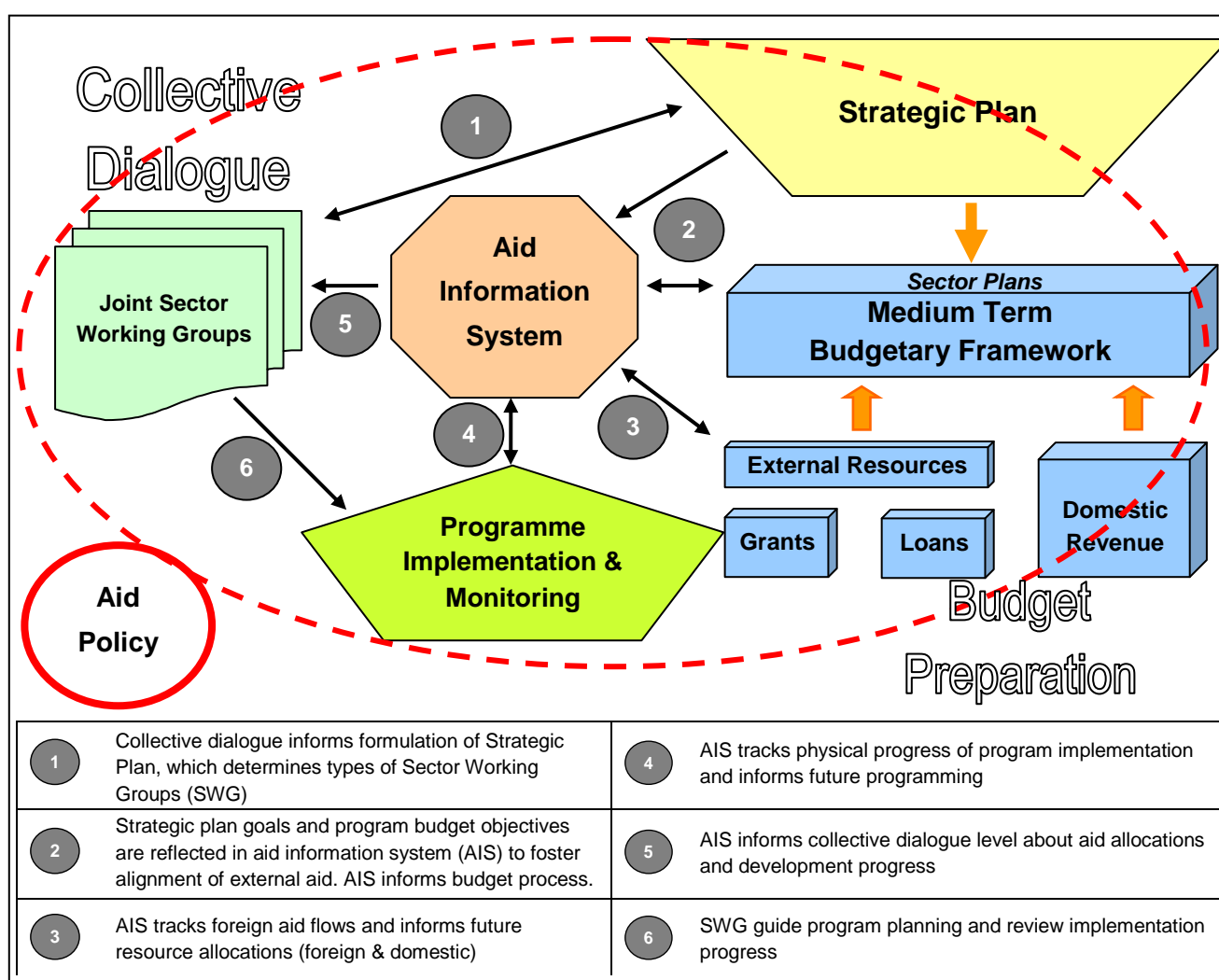
121. **Find an appropriate institution to host the system.** It is critical to anchor an AIMS in an appropriate institutional context where it is supported by relevant and effective operating procedures, agreed terminology, and where people are trained to maintain and use it. The system should have a 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, as well as for budget preparation and execution. Therefore, an AIMS is usually best placed within the Ministry of Finance, which has the most comprehensive mandate for 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. This will also contribute to inter-ministerial coordination and collaboration.

122. **Institutionalize a data exchange process.** 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. Therefore, 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 keeping it alive. Further, it has proven to be helpful, if the national government makes data provision a formal requirement (e.g. through an aid policy) 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 identify agencies that have recently updated their data and agencies that have not.

123. **Integrate AIMS in the national aid coordination architecture.** An AIMS needs to be established as an integral part of the national aid coordination architecture (Figure 13). 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 strategy and related sectoral strategies. 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 allocated 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 (joint results frameworks) and related mutual agreements. Working Groups, in turn, guide programming and review program 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.

Figure 13: Key Elements of an Effective Aid Coordination System

1	Collective dialogue informs formulation of Strategic Plan, which determines types of Sector Working Groups (SWG)	**4**	AIS tracks physical progress of program implementation and informs future programming
2	Strategic plan goals and program budget objectives are reflected in aid information system (AIS) to foster alignment of external aid. AIS informs budget process.	**5**	AIS informs collective dialogue level about aid allocations and development progress
3	AIS tracks foreign aid flows and informs future resource allocations (foreign & domestic)	**6**	SWG guide program planning and review implementation progress

Source: Author's illustration

124.   **A word of caution.** Global experiences show that many governments face problems when implementing IT projects.[28] In fact, the majority of IT projects implemented in the public and private sector fail. There are a number of reasons why IT projects tend to fail comparatively often. Some of the most common reasons are summarized in Box 2 (below). In general, people tend to over-estimate the problem solution capability of IT tools, while under-estimating the time, financial and other resources required for developing, installing and maintaining it.

Box 2: Why IT Projects Fail

- Unclear objectives and/or change of objectives during the project
- Technical complexity of the information system
- Too many project components (coordination problem)
- Unrealistic time or resource estimate
- Too much focus on tools and not enough on people and process(es)
- Lack of (or weak) institutional capacity – not only IT-related!
- Lack of (or weak) government commitment

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[28] See for example OECD (2001).

> - Lack of executive support and user involvement
> - Lack of communication infrastructure (do all stakeholders clearly understand the system objectives, as well as its terminology and underlying concepts, and their respective roles and responsibilities?)
> - Lack of (or weak) legal/ regulatory framework (defining roles and responsibilities regarding data collection, etc.)

Source: derived from Dorsey 2000, OECD 2001, Heeks 2006.

125.   **Recommendations for establishing an AIMS can be summarized as follows:**

✓ Start designing the system with regard to the questions the system should answer, e.g. what type of reports shall the system be able to generate and how will the data be used?

✓ Keep the number of data entry fields as small as possible and avoid over-complexity.

✓ Analyze and, if required, rationalize business procedures *before* developing the AIMS.

✓ Involve end-users in the design, development and testing of the AIMS.

✓ Secure political support from senior management and identify 'champions' among the target/ user group.

✓ Identify the most suitable government agency to host the AIMS and manage related processes.

✓ Make sure that the system is compatible with the existing IT infrastructure.

✓ Assess which capacities beyond IT require strengthening (e.g. analytical skills).

✓ IT systems are just tools that will not by themselves increase performance in the absence of sound business procedures and well-trained people.

✓ Institutionalize the system within the broader aid coordination architecture.

6.3 Strengthen Government-led Donor Coordination

126.   **Organize regular collective dialogue with development partners to improve resource mobilization and aid effectiveness.** High quality and regular dialogue between the Government of Uzbekistan, development partners and domestic stakeholders is crucial for the successful implementation of national and sectoral development plans and strategies. Collective dialogue can be used to: (i) strengthen partnerships around common goals; (ii) improve public policy choices and the effectiveness of the Government's planning, budgeting and public service delivery; (iii) strengthen national ownership and the Government's role as leader in the development process; and (iv) improve information sharing among agencies and thus facilitate donor coordination. The link between sustainable development and effective partnerships is also reflected in the SDG agenda. SDG 17 contains a specific target related to enhancing multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals.

127.   **The collective dialogue and coordination mechanism could comprise platforms at national and sectoral/ thematic level**. Government-led joint working groups at sectoral and thematic level should form the core of the collective dialogue mechanism. These groups could meet at quarterly basis (or more frequently if deemed necessary) and would ideally be co-chaired by one

representative from a relevant Government ministry and one representative from a relevant development partner agency. In addition, a High-Level Development Cooperation Group comprising (Deputy) Ministers and Heads of Agencies/ Ambassadors could be convened on annual or semi-annual basis to discuss national development priorities and related inter-sectoral issues, as well as the role of external assistance in this context. In principle, all collective dialogue should be organized around (SDG-based) national/ sectoral development results frameworks that would guide aid allocation, allow measuring (joint) progress and foster mutual accountability for results.

128.   **Build on existing Sector Working Groups**. The existing SWGs provide a good starting point. It is 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 SWGs are intended as coordinating and supporting bodies and are not intended to substitute for or duplicate the functions of Government ministries and agencies. Line ministries retain primary responsibility for: (i) the assessment of national needs in their sector; (ii) the development of policies designed to meet those needs in a quick, sustainable and cost effective manner; (iii) the coordination and management of programs and projects that operationalize those policies. SWGs 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.

129.   **In principle, SWG can play a number of potential roles**. It is for the ministry and development partner members, led by the Chair, to decide which of these roles are appropriate in their particular SWG.

- *Sector/thematic diagnostic work*. The SWG 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 terms of reference and take comments. New diagnostic work should draw on existing studies and avoid repeating them.

- *Strategy development.* Support the development of a medium-term strategy which can provide a common policy and programming framework for Government and development partners.

- *Resource mobilization.* Assist the Government in identifying funding gaps and achieving effective resource mobilization to meet those gaps.

- *Aid Tracking.* In advance of meetings, SWGs could circulate reports generated through the Aid Information Management System (AIMS – still to be established) summarizing existing funding commitments and, where possible, pipeline projects and programs, and take responsibility for updating and correcting the database. The use of AIMS-data for evidenced-based dialogue should become a common feature of SWG meetings, with the aim to minimize overlaps and gaps in externally financed projects and programs.

- *Progress Monitoring.* Assess available mechanisms for monitoring progress in implementing the sector strategy and monitoring the performance of the investment portfolio. If necessary, recommend actions for improvement and support their implementation.

- *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 SWGs, taking account of Government inputs and those of development partners.

- *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 SWG meetings, through the website, through the AIMS and through short "show and tell" verbal presentations.

6.4 Carry out a Functional Analysis of Existing Aid Coordination Arrangements

130.   **The existing aid management arrangements have evolved over time.** The Government has continuously taken measures to refine its aid management arrangements by issuing new regulations in response to specific shortcomings identified. In this context, aid management roles and responsibilities have been assigned to an increasing number of Government agencies. While the definition of core functions appears sensible, there seems to be a need to holistically review the allocation of these functions to individual agencies, as well as the respective work flows along the aid management cycle, in order to avoid a piecemeal approach to development cooperation management.

131.   **The Government should carry out a holistic functional analysis of its aid management arrangements with a view to streamlining and rationalizing related procedures, as well as roles and responsibilities.** It was beyond the scope of this assignment to review Government-internal aid management arrangements and the related regulatory framework in detail. However, information gathered during interviews and document review led to the conclusion that the existing arrangements result in both overlaps between and fragmentation of core aid management functions, thereby reducing efficiency and effectiveness of development cooperation management. It is advisable to carry out a holistic functional review of existing arrangements, ideally in the context of ongoing and planned public financial management reforms; to ensure proper alignment between objectives and processes related to the management of domestic and external resources.

6.5 Consider Formulating an Aid Policy

132.   **An aid policy would increase regulatory clarity and coherence from the perspective of development partners**. The regulatory framework for development cooperation in Uzbekistan consists of a large number of individual legal acts. However, there is currently no single, consolidated statement of aid policies that outlines the Government's priorities regarding the provision of foreign assistance, including preferred aid modalities, basic principles to be followed, the main procedures and corresponding roles and responsibilities for the provision, acceptance, coordination and management of foreign assistance, etc. The process of formulating an aid policy would provide a good opportunity to review and potentially rationalize the existing regulatory framework, leading to simplification, as well as greater coherence and consistency. The formulation of an aid policy could be informed by findings of an in-depth analysis of aid data captured in the planned AIMS, a holistic functional review of existing Government-internal aid management arrangements, and – potentially

– the findings of a more comprehensive aid effectiveness assessment building on global assessment frameworks such as the Paris Declaration monitoring survey.

133. **An aid policy should enable the Government to derive greater benefit from foreign assistance**. An aid policy that adds to clarity regarding development cooperation priorities and approaches, as well as the roles and responsibilities of Government and donor agencies along the aid cycle and that is implemented by effective and transparent institutions should enable the Government to derive greater benefit from the assistance provided by its partners, and to reduce the often high transactions costs associated with this assistance. It is also likely to have a positive effect on aid mobilization. It is sometimes objected that the adoption of an aid policy is an unnecessary diversion because the Government's priorities are already expressed in various strategy documents and national programs. This objection rests on a misunderstanding. It is not the purpose of an aid policy to cover the same ground as these planning documents. Rather, it is designed to ensure that the aid received is of such a type, and is so deployed, as to maximize its contribution to the priorities set out in national and sectoral strategies.

134. **A national aid policy should allow the Government to take stronger ownership and leadership of the development cooperation dialogue process, potentially leading to a Partnership Agreement**. In line with positive experiences made in other countries, it was suggested that the Government could sign a Partnership Agreement with its development partners. This Agreement would define development cooperation relationships between Government and donors on the basis of mutually agreed "partnership principles", reflecting internationally recognized aid effectiveness principles and good practices outlined in this report. Government officials are uncertain regarding the content and added value of such an agreement. In this respect, it is advisable for the Government to reflect on its own development cooperation priorities and consolidate them in an aid policy before engaging into dialogue on a Partnership Agreement. A Partnership Agreement could be considered as a joint "response" by Government and development partners to the aid policy. A Partnership Agreement is expected to facilitate the implementation of the aid policy. While the aid policy is a *unilateral* statement of priorities and intent by the Government, the Partnership Agreement is a *joint* declaration of intent to improve the effectiveness of development cooperation in line with aid policy and based on mutually agreed principles and actions.

135. **There is no blueprint or set model for an aid policy.** Items that might go into such a document include:

- Background and Rationale
- Guiding Principles and Objectives
- Preferred Assistance Modalities
    - Aid Modalities
    - Financial Terms, incl. borrowing ceilings
    - Rationalization of development assistance
    - Vertical Funds
- Aid Prioritization/ Acceptance Criteria
- Aid Reporting Modalities
- Roles and Responsibilities of Government Institutions
- Dialogue Mechanism
- Mutual Accountability Mechanism

136.   **With regard to an aid policy, it is critical to strike a balance between comprehensiveness and practicability**. Not all aspects concerning aid coordination and management have to be addressed in the aid policy document itself. Some could be dealt with in complementing guideline and regulations. Therefore, the aid policy could be a succinct document that merely provides a framework of irrevocable, core principles regarding the provision of foreign assistance. In a way, it could serve as a "guidebook" to underlying regulations.

137.   **Formulation of an aid policy is not simply a technocratic exercise to be undertaken by a small group of officials and advisers**. The process is itself important, for a number of reasons. First, it can contribute to the building of greater trust and transparency. While the Government must retain control over what is finally put into the policy, there is a need to convince donors as far as possible about its provisions and also to make sure that it is based on a realistic understanding of donor perspectives. It is similarly important to ensure that the several agencies of Government affected by it feel that they have been properly consulted and that this is not just a central dictat of which they have no ownership. Therefore, the formulation process should follow a "whole-of-government" approach. Second, a potentially revised (and possibly more efficient) distribution of responsibilities for dealing with aid across Government agencies will need to be negotiated, not merely announced. The following outline of a possible process for the preparation of an aid policy is designed with these considerations in mind, i.e. as a consensus-building process. A five-stage process is suggested:

(1) Formulation and distribution of a substantial concept note, which would serve as basis for consultation. The concept note should state the objectives of the envisioned aid policy, explain the process to be followed to prepare it, set out a statement of issues to be addressed and provide initial ideas about what policies might best resolve these issues. This could include setting out alternative lines of policy, for discussion.

(2) The holding of two day-long workshops for stakeholders from (a) Government agencies and (b) development partner agencies (including UN agencies and prominent (I)NGOs), to solicit reactions to the concept note (although it should always be made clear that the final decision on content will rest with the Government). This activity could be augmented by soliciting written reactions from a wide range of stakeholders, within a specified timeframe.

(3) Revision of the concept note in the light of feedback received and up-grading of the concept note into a first draft of the aid policy, which does not yet commit the Government. Distribution of the draft policy for feedback to Government agencies and development partners.

(4) A second round of consultation meetings, either separate for Government agencies and development partners, as in Stage 2, or a joint meeting. At this stage, consideration should also be given to the implications of an aid policy for the status, location, resourcing and training of those who would be responsible for its implementation.

(5) Finalisation of the aid policy for consideration and approval by the Cabinet of Ministers (and Parliament). Preparation of an action plan for the implementation of the aid policy.

138.   **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. An aid policy is just one element within the

national aid coordination architecture. While it can be an expression of ownership, it is primarily a roadmap. By itself it will add little value in the absence of clear and well-articulated development strategies at national and sectoral levels that are linked to a medium-term budgetary framework, as well as sound organizational structures and institutional arrangements for the coordination and management of foreign assistance. The policy should determine how the different elements of the national aid coordination architecture are linked and supposed to interact to improve the effectiveness of the development process. The formulation process provides an opportunity to review existing aid management practices (potentially including a functional analysis of existing arrangements), to rationalize procedures and the assignment of functions (if required), and to present a consolidated view of the Government's perspective of how development cooperation in Uzbekistan should be management.

7. Options for Future UNDP Support to Improving Aid Effectiveness

139. **This section outlines possibilities for future UNDP support to improving aid effectiveness in Uzbekistan.** Over the last three years, UNDP has implemented an Aid Effectiveness Project attached to the MoF and comprising three main components: (i) development and implementation of a Partnership Agreement, (ii) improving aid coordination at sector level through formulation of sector strategies and set-up of sector working groups, and (iii) improving aid transparency and coordination through set-up of an aid information management system (AIMS). The project design appears to be rather ambitious in light of the lack of an adequate enabling environment. Government officials had very little exposure to the international aid effective discourse, and related topics had not been widely discussed at national level prior to UNDP's Aid Effectiveness Project. Moreover, the MoF does not seem to be the adequate counterparts for some planned project activities, such as the formulation of sector strategies. Consequently, the Project Team experienced several challenges, resulting in project implementation being delayed. The project duration was extended by 18 months and is now scheduled to be completed end of May 2017. However, it is unlikely that all envisioned results can be achieved, even within the extended timeframe.

140. **Since the project's overall rationale remains relevant, UNDP should continue its aid effectiveness work.** This assessment, including the aid effectiveness perception survey, revealed a need for systematic dialogue between Government and development partners on what constitutes effective aid and on how perceived challenges can be addressed. In light of its mandate and its multi-sectoral approach, UNDP seems uniquely positions to pursue aid effectiveness initiatives, including by acting as facilitator between Government and other development partners, and to strengthen the Government's aid management capacities. Besides, the remaining project duration of roughly six months is insufficient to ensure sustainability of the AIMS once it is developed and launched. Data entry, validation and analysis need to be institutionalized, including by developing the necessary capacities in the MoF. Discontinuing the aid effectiveness work after the end of the project would not only result in missed opportunities, but also in sunk costs.

141. **However, the project focus should be adjusted in light of past experiences and findings of this review.** It seems the Aid Effectiveness Project was designed based on international experience and good practices, but apparently without taking country realities fully into account. The lack of detailed data and country-level discourse on aid effectiveness issues might explain why some envisioned results proved very difficult to achieve. Past experiences and the findings of this review reveal a need for the project focus to be adjusted. The formulation of sector strategies, although important, should be pursued under the upcoming PFM reform project to increase chances that future strategies are adequately linked to medium-term expenditure frameworks. The main focus of future aid effectiveness work should be on strengthening the information base on development cooperation in Uzbekistan, on using enhanced information to inform evidence-based dialogue and increase donor coordination, as well as on strengthening the Government's aid management capacities. This will provide a better platform for potential future dialogue on entering into a Partnership Agreement, based on development cooperation principles agreed in Paris, Accra and Busan.

142. **Besides, future aid effectiveness activities could be better linked with ongoing public financial management reforms.** In principle, development activities aiming to achieve the same results should be managed together, regardless of the source of funding. Aid is more effective if it supports and complements development activities funded from the state budget. This requires that aid is provided in a way that allows assessing its impact on the budget. Moreover, many aid management and aid effectiveness challenges, for example the perceived limited focus on higher level results in aid spending, seem to reflect broader public sector/ financial management challenges. Against this background, it is advisable to continue selected initiatives to strengthen aid effectiveness under UNDP's upcoming PFM reform support project, instead of under a separate aid effectiveness project.

143. **Against this background, future UNDP support to strengthen aid effectiveness in Uzbekistan could focus on the following**: (i) improving aid coordination and evidence-based dialogue through the set-up of an online aid information system; (ii) strengthening donor coordination by establishing platforms for continuous dialogue and information exchange, (iii) promoting and facilitating Government-donor dialogue, and (iv) strengthening the Government's aid management capacities.

7.1 Strengthening Aid Coordination by Improving Aid Information

144. **Improving aid coordination and evidence-based dialogue.** The first step is the set-up of an online aid information management system (AIMS). Following the recent selection of a developer, there will be a need to facilitate communication between the IT firm and concerned Government agencies to finalize the system specification requirements and to customize the application according to local requirements, including by providing feedback on preliminary versions. Moreover, UNDP support will be required to establish suitable procedures for data entry, validation and analysis. As soon as the database application contains adequate data, UNDP should support the Government in producing analytical reports based on data captured in the system (e.g. sector/ donor profiles, fragmentation analyses, etc.) and in using these reports to inform Government-donor dialogue on aid mobilization and allocation.

7.2 Strengthening Donor Coordination Mechanisms

145. **Improving donor coordination by establishing platforms for regular dialogue and information exchange.** Frequent consultation is a prerequisite for increasing cooperation and collaboration among donors, which may over time result in an increased use of harmonized approaches and greater coherence between individual results agendas. During interviews, many development partners expressed a desire for frequent consultation, as well as appreciation for UNDP's donor coordination efforts in the past. In light of the findings of this review, there seems to be a need to strengthen donor dialogue and coordination in parallel to continued efforts to strengthen collective dialogue between Government and development partners. Experiences form other countries suggest that dialogue and information sharing platforms should be established as follows:

(1) *Development Partner Forum:* comprising of Heads of Agencies and focusing on overarching and inter-sectoral development cooperation issues. The DP-Forum would serve as a

consultation and coordination mechanism for development partners (DPs) in Uzbekistan and is meant to provide space to review and analyze issues. It would provide a platform for on-going dialogue and decision-making among DPs on development challenges in Uzbekistan, national/ sectoral plans and strategies, DP country programs, new development initiatives and challenges experienced during program implementation. It could meet quarterly or semi-annually and (initially) be convened by the UN Resident Coordinator. It will be crucial to proactively reach out to non-DAC and non-traditional donors to ensure a comprehensive membership. A competent, efficient and well-resourced Secretariat will be required to assure adequate preparation and follow-up of DP-Forums to ensure these meetings are meaningful and add value. Meeting agendas, minutes and other background documents should be made publically available to ensure transparency. It could be considered to establish an executive committee (comprising e.g. 3-5 people representing different development partner groups) to ensure meeting agendas are balanced, taking into account interest and concerns of all stakeholders. The executive committee would play a strategic role in ensuring an inclusive process of defining priority items for meeting agendas and in assuring quality of the necessary preparatory work, in order to maximize the effectiveness and efficiency of collective dialogue.

(2) *Sector Working Groups:* Sector/ thematic working groups are a core element of any aid coordination and collective dialogue mechanism. Working Groups (WGs) are designed to contribute towards effective and coordinated implementation of national policies, strategies, plans and programs. They have three main functions: (i) provide a forum for policy dialogue and information exchange, (ii) facilitate donor and aid coordination, (iii) support results monitoring. Three joint WGs have already been established. The experience has been mixed. DPs could start meeting among themselves in the same setting. Apart from focusing on DP-specific issues, DP-WGs could prepare for joint meetings with Government counterparts on sectoral/ thematic issues. DP Co-Chairs of joint SWGs should also serve as Chairs of DP-only WGs. DPs could decide to establish more WGs, depending on their needs. Donor dialogue could be organized around the SDG agenda, potentially building on the already existing and well-functioning UN coordination system. DP WGs are meant to complement, not replace joint Government-DP working groups.

(3) *Aid Effectiveness Portal:* The set-up of a joint web-portal should be considered. The portal could comprise dedicated sector pages that could be maintained by the respective SWGs and contain, for example, reports based on AIMS data, relevant Government and donor strategies, analyses, project documents and evaluations, as well as minutes of SWG and other coordination meetings, etc. The Portal is meant to become an up-to-data repository of relevant information on development cooperation in Uzbekistan.

7.3 Promoting Regular Collective Government-Donor Dialogue

146. **Promoting and facilitating regular collective dialogue between Government and development partners.** UNDP should continue its efforts to institutionalize regular collective dialogue between Government and development partners. This could include the following:

(1) *Suggest set-up of Government-DP Forum* comprising high-level representatives from Government (at Deputy Minister Level) and development partner agencies (at Heads of

Agency level). The Forum would provide a platform for ongoing dialogue between the Government and DPs on the country's development challenges, national plans, polices and strategies, new development initiatives, and program implementation challenges. It could serve resource mobilization and management-for-results functions. The Forum could meet on annual basis, or more frequently if required.

(2) *Revitalize joint SWGs*: As a first step to revitalize joint SWG, the UNDP team could facilitate lessons learned exercises with all SWG, resulting in the formulation of SWG-specific issue lists and of action plans to make SWG more effective. (See Annex 4 for further suggestions for strengthening SWGs). In principle, sector-level dialogue should be led by the relevant Government ministry/ agency. Potential capacity shortages should be addressed by the designated donor co-chair. Consequently, the main role of an aid effectiveness project is to facilitate the initial set-up of the collective dialogue structure, by advising on terms of reference, chairing and other meeting arrangements. Apart from that, there is little an aid effectiveness project can do to facilitate the actual collective dialogue on sector-specific issues. In this respect, the project team seems to have taken appropriate measures already. Given the identified challenges, the project should continue its efforts to further institutionalize the existing SWGs, including by advising co-chairs on their respective roles and responsibilities, ensuring quick replacement of donor co-chairs in case respective individuals have been re-assigned, encouraging the publication of meeting minutes and facilitating the formulation of forward-looking, results-oriented action plans and issue-based agendas. The effectiveness of a SWG should be gauged by its contribution to the achievement of development results. Therefore, joint development results should be at the center of SWGs' activities. These results could be derived either from existing sector plans or from ministries' development programs (which are envisioned to be transformed into fully-fledged strategic plans as part of the ongoing PFM reform). Depending on results of discussions with Government Co-Chairs, it could be consider to organize SWG meetings initially only on semi-annual basis. DP-SWG meetings could be used to prepare for joint Government-DP meetings. UNDP should also actively facilitate the use of AIMS data to inform SWG discussions.

(3) *Suggest set-up of a joint Aid Effectiveness Working Group* to exchange views on aid effectiveness challenges and consider options to address them. The differences in perceptions identified in this report demonstrate a need for systematic dialogue between Government and development partners on what constitutes effective aid, on the perceived extent to which the current situation deviates from the desired situation and on suitable ways to bridge the gap between the two. The WG would promote harmonization and alignment of activities and contribute to a shared understanding of aid effectiveness policies, concepts and approaches among the Government and DPs, and promote the application of aid effectiveness principles in foreign assistance policies, programs and projects. Ideally, the WG should comprise representatives from MoF, MFERIT, MoFA and MoE, as well as selected line ministries, and representatives of bilateral and multilateral development agencies.

7.4 Strengthening Government Aid Management Capacities

147.   **Strengthening the Government's aid management capacity.** This should include continued support to the MoF Aid Coordination Department, including regarding set-up, management and maintenance of AIMS. In this context, capacity development activities could be foresee to enhance skills in data analysis, packaging and presentation, as well as in outreach, communication, negotiation, aid mobilization and facilitation of collective dialogue, etc. Other relevant departments from central and line ministries could be involved in related training events. In addition, UNDP could support the Government in carrying out a functional review of existing aid management arrangement, in formulating an aid policy, and in identifying options to increase the recording of aid flows in the state budget.

Annex 1: List of People Met (not in order of seniority)

Name	Position	Agency
Government of Uzbekistan		
Mr. Jakhongir G. Normukhamedov	Head, Department for Cooperation with International Financial Institutions	Ministry of Economy
Mr. Ziyod Mirakhmedov	Director, Aid Coordination Department	Ministry of Finance
Mr. Alisher Karimov	Deputy Chief, Department for Cooperation with International Financial Institutions and Donor-States	Ministry of Foreign Economic Relations, Investment and Trade
Mr. Bekzod Ibragimov	Lead Specialist, Information and Analysis Department	Ministry of Foreign Economic Relations, Investment and Trade
Mr. Ulugbek M. Agzamov	Head, International Financial and Economic Organizations, and United Nations Department	Ministry of Foreign Affairs
Mr. Zakhid A. Salikhov	Deputy Director, Foreign Investment Department	Ministry of Agriculture and Water Resources
Mr. Djamshed Djabriyev	Head, Investment Projects Coordination Department	Ministry of Health
Mr. Ulugbek Khayrullaev	Deputy Head, External Economics Activities Department	Ministry of Health
Mr. Alisher Aliev	Senior Specialist, Investment Projects Coordination Department	Ministry of Health
Development Partners		
Mr. Stefan Priesner	UN Resident Coordinator and UNDP Resident Representative	UNDP
Mr. Kamolkhon Inomkhodjayev	Program Associate	UNDP
Mr. Tulkin Radjabov	Project Manager, UNDP Aid Effectiveness Project	UNDP
Ms. Ledia Lazeri	Representative, a.i.	WHO
Mr. Jamshid T. Gadoev	National Professional Officer	WHO
Mr. Torsten Brezina	Country Director	GIZ
Mr. Djakhongir Djuraev	Programme-Institutional Liaison Advisor	GIZ
Mr. Stefan Kloetzi	Ambassador	Embassy of Switzerland
Mr. Thierry Umbehr	Regional Water Sector and DRR Advisor	SDC
Ms. Dildora Abidjanova	National Program Officer	SDC
Mr. Jean-Loius Veaux	Programme Manager, Rural Development	EU Delegation
Mr. Doniyor Kucharov	Project Manager, Cooperation Section	EU Delegation
Mr. Hwang Insung	Deputy Country Director	KOICA
Ms. Ji-In Lee	ODA Specialist/ Project Manager	KOICA
Mr. Rustambek Muhtarov	Project Manager	KOICA
Mr. Katsutoshi Fushimi	Chief Representative	JICA
Mr. Malik Mukhitdinov	Program Officer	JICA
Mr. Fazliddin Kh. Rakhimov	Procurement Specialist	World Bank
Ms. Irina Tsoy	Communications Associate	World Bank

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Aid Effectiveness Perception Survey

Uzbekistan, November 2016

Development Partner Questionnaire

ABOUT THIS QUESTIONNAIRE

UNDP is supporting the Government of Uzbekistan in identifying concrete measures to improve aid effectiveness in the country. In this context, a mission will visit Uzbekistan from 21st to 25th November 2016. One objective of this mission is to make a preliminary assessment of aid relationships in Uzbekistan. Against this background, the Government of Uzbekistan and its Development Partners are requested to complete separate questionnaires, which will complement information gathered through interviews.

The main **purpose** of this survey is to assess mutual perceptions of the Government of Uzbekistan and its Development Partners regarding the quality of aid relationships, obstacles to aid effectiveness and options to improve it. The findings of this survey are expected to:

❑ Support broad-based dialogue at country level on how to make aid more effective.
❑ Contribute to the preparation of an action plan to improve aid effectiveness at country level.

Answers will be consolidated and findings shared at an aggregated level. Statements will NOT be associated with individual agencies.

Please refer to <u>Annex 1</u> for guidance and definitions.

Please send the filled questionnaire to <u>jorg.nadoll@gmail.com</u> by 15th November 2016, at the latest.

Thank you for your cooperation!

Name of Development Partner: [Type here]

> **<u>Question 1</u>: Do existing plans and policies of the Government of Uzbekistan foster results-orientation and alignment of foreign assistance with national/ sectoral development priorities?** (Please elaborate).

[Type here]

Perceived degree of results-orientation of foreign aid (Please mark with 'X').					Perceived degree of alignment of foreign aid with national/ sectoral priorities (Please mark with 'X').				
High				*Low*	*High*				*Low*
[5]	[4]	[3]	[2]	[1]	[5]	[4]	[3]	[2]	[1]

Question 2: To what extent does your agency rely on and use country systems (PFM, procurement)? (Please indicate reasons for not using them).

[Type here]

Perceived degree of use of country systems by *all* partners (Please mark with 'X').	*High*				*Low*
	[5]	[4]	[3]	[2]	[1]

Question 3: To what extent does your agency coordinate capacity development activities with other Development Partners? (Please indicate possible reasons for coordination challenges, e.g. have relevant country authorities communicated clear capacity development objectives as part of broader national or sector strategies?).

[Type here]

Perceived degree of coordinated capacity development by *all* partners (Please mark with 'X').	*High*				*Low*
	[5]	[4]	[3]	[2]	[1]

Question 4: How many *parallel* project implementation units (PIUs) did your agency make use of in calendar year 2015? (Please indicate reasons for using them).

[Type here]

Perceived degree of use of *parallel* PIUs by *all* partners (Please mark with 'X').	*High*				*Low*
	[5]	[4]	[3]	[2]	[1]

Question 5: To what extent does your agency make use of program-based approaches?
(Please indicate what percentage out of your total aid budget you provided (a) as budget support and (b) in support of other program-based approaches during calendar year 2015).

[Type here]

Perceived degree of harmonization among partners (Please mark with 'X').	*High*				*Low*
	[5]	[4]	[3]	[2]	[1]

Question 6: To what extent do Development Partners coordinate (a) missions and (b) analytical work? (Please give examples of missions/ analytical work that your agency conducted jointly with another partner during calendar year 2015, if any).

[Type here]

Perceived degree of joint missions by development partners (Please mark with 'X').					**Perceived degree of joint analytical work by development partners** (Please mark with 'X').				
High				*Low*	*High*				*Low*
[5]	[4]	[3]	[2]	[1]	[5]	[4]	[3]	[2]	[1]

Question 7: How efficient are the Government's aid coordination arrangements? (What works well, what could be improved? Please elaborate)

[Type here]

Perceived degree of efficiency of GoU's aid coordination arrangements (Please mark with 'X').	*High*				*Low*
	[5]	[4]	[3]	[2]	[1]

Question 8: Please list existing mechanisms for regular Government-Partner dialogue and indicate to what extent they are functioning and meet your expectations. (Please indicate reasons why they might not be functioning as expected).

[Type here]

Question 9: How do you assess the quality of existing Government-Partner dialogue? (Please elaborate).
[Type here]

Perceived quality of GoU-DP dialogue (Please mark with 'X').	*High*				*Low*
	[5]	[4]	[3]	[2]	[1]

Question 10: How do you assess the predictability of aid flows? A) Does your agency communicate multi-year disbursement plans to the Government? B) To what extent vary disbursement plans from actual disbursements on annual basis? (Please elaborate and indicate reasons for potential variations).
[Type here]

Perceived degree of predictability of aid flows (Please mark with 'X').	*High*				*Low*
	[5]	[4]	[3]	[2]	[1]

Question 11: In your opinion, what are the main obstacles or challenges for aid effectiveness in Uzbekistan?
[Type here]

Question 12: What should the Government of Uzbekistan do to improve aid effectiveness?
[Type here]

Question 13: What should Development Partners do to improve aid effectiveness?
[Type here]

Thank you for your cooperation!

Please send the filled questionnaire to jorg.nadoll@gmail.com by 15th November 2016.

GUIDANCE & DEFINITIONS

Who should complete the questionnaires?

The questionnaire should be completed by ALL bilateral and multilateral development agencies providing official development assistance to the country. Each development agency should complete ONE questionnaire.

Official Development Assistance (ODA) includes all transactions as defined in OECD-DAC Statistical Directives para. 35, including official transactions that:

→ Are administered with the promotion of the economic development and welfare of developing countries as its main objective; and

→ Are concessional in character and convey a grant element of at least 25%.

Guidance for Question 4

PROJECT IMPLEMENTATION UNIT (PIU)	When providing development assistance in a country, some development partners establish Project Implementation Units (They are also commonly referred to as project management units, project management consultants, project management offices, project co-ordination offices etc.). These are dedicated management units designed to support the implementation and administration of projects or programmes. PIUs typically share the following key features:
	→ PIUs are TYPICALLY required to perform subsidiary (rather than principal) tasks with regard to the implementation of a project or programme: monitoring and reporting on technical and/or financial progress, accounting, procurement of works, goods and services, drawing-up of terms of reference, contract supervision, detailed design or equipment specification.
	→ PIUs are often established at the request of a donor following the inception of a project or programme.
	→ The staff of PIUs vary considerably in size and composition. Staff size can vary from 1 to as many as 200 but most count less than 10 professional staff. Although a significant number of PIUs make use of government staff, most PIUs rely on staff recruited outside the civil service (e.g. long-term local consultants).
	→ A distinction is made here between a PIU and technical advice provided directly to national administrations.

PARALLEL PIU	A PIU is **parallel** when it is created and operates outside existing country institutional and administrative structures at the behest of a development partner. In practice, there is a continuum between parallel and integrated PIUs. The criteria below have been designed to help development partners draw a line within this continuum and identify with greater certainty parallel PIUs.

Development partners are invited to review all their development activities with a view to determining how many PIUS are parallel. For the purpose of this survey, PIUs are said to be parallel when there are ***three or more "Yes"*** to the four questions below (anything less counts as integrated):

1. Are the PIUs accountable to the external funding agencies/donors rather than to the country implementing agencies (ministries, departments, agencies etc)? (Y/N)

2. Are the terms of reference for externally appointed staff determined by the development partner (rather than by the country implementing agencies)? (Y/N)

3. Is most of the professional staff appointed by the development partner (rather than the country implementing agencies)? (Y/N)

4. Is the salary structure of national staff (including benefits) higher than those of civil service personnel? (Y/N)

Based on: OECD/DAC Guidelines for 2008 Paris Declaration Survey

Guidance for Question 5

PROGRAMME-BASED APPROACH (PBA)	Programme-based approaches (PBA) are a way of engaging in development co-operation based on the principles of co-ordinated support for a locally owned programme of development, such as a national development strategy, a sector programme, a thematic programme or a programme of a specific organisation. Programme based approaches share the following features: (i) Leadership by the host country or organisation; (ii) A single comprehensive programme and budget framework; (iii) A formalised process for donor co-ordination and harmonisation of donor procedures for reporting, budgeting, financial management and procurement; (iv) Efforts to increase the use of local systems for programme design and implementation, financial management, monitoring and evaluation.

Development partners can support and implement programme-based approaches in different ways and across a range of aid modalities including budget support, sector budget support, project support, pooled arrangements and trust funds.

In order to decide if a specific support programme is considered as a programme-based approach, development partners are invited to review the following questions (ALL 4 criteria must be met):

1. Is the host country or organisation exercising leadership over the programme supported by donors? (Y/N)

2. Is a single comprehensive programme and budget framework used? (Y/N)

3. Is there a formal process for donor co-ordination and harmonisation of donor procedures for ***at least two*** of the following systems: (i) reporting, (ii) budgeting, (iii) financial management and (iv) procurement? (Y/N)

4. Does your support to the programme use ***at least two*** of the following local systems: (i) programme design, (ii) programme implementation, (iii) financial management and (iv) monitoring and evaluation? (Y/N)

Based on: OECD/DAC Guidelines for 2008 Paris Declaration Survey

Annex 4: How to Strengthen Sector Working Groups

This Annex outlines some concrete measures that SWGs and especially SWG Co-Chairs might find useful to (re-)energize their SWGs and increase SWG effectiveness and efficiency in contributing to development results. Success will obviously depend on dynamic leadership and active membership based on a shared understanding that coordination and collective action are important to achieve higher level development results.

☑ **Clarify SWG purpose**: Members should discuss the rationale for having their WG and clarify their related expectations. Members should agree on a common purpose and define concrete annual targets that determine SWG activities (Be ambitious!). Each SWG should have clear terms of references defining its role and functioning, as well as a <u>results-oriented</u> work plan.

☑ **Hold each other to account**: SWGs should be places for Government and DP agencies to work together towards achieving joint development results. This requires that all members are committed to actively contribute to SWG meetings and activities. Hence, people assigned as SWG members are expected to engage with other members and to make a contribution to achieving shared objectives. In this respect, SWG members should hold each other to account for their contributions.

☑ **Agree on joint results and indicators in line with the sector development/ investment plan**, map and align project/ program-level results and monitoring frameworks accordingly, and organize joint performance reviews regularly.

☑ **Review chairing arrangements**: each SWG should be co-chaired by one DP representative and one Government representative, whereby roles and responsibilities of both co-chairs should be clarified in the ToRs for each WG. Co-Chairs should be at the appropriate level, i.e. Heads of Agency and (Deputy) Minister.

☑ **Ensure advance preparation**: based on their results-oriented work plans, SWGs should set dates and prepare indicative agendas for several meetings ahead. It has proven useful to organize preparatory meetings prior to actual SWG meetings during which both Co-Chairs discuss and agree on the agenda and identify specific activities that have to happen in advance of the SWG meeting, such as invitation of external speaker and review of presentations/ papers that are meant to inform discussions on substantive topics. It is useful to divide the agenda into operational and substantive issues. Inviting external speaker to talk about a substantive topic is likely to make meetings more interesting for members, enhancing participation and enriching SWG discussions.

☑ **Prepare action-oriented minutes** with a clear format listing issues, progress, agreed action points, timelines and who is responsible after each meeting. Minutes should be prepared within approximately one working week of the meeting and circulated among SWG members, as well as published on relevant websites. Progress against actions points agreed during the previous meeting should be reviewed at the beginning of each meeting.

☑ **Establish a capable Secretariat:** each SWG should have a capable Secretariat whose roles include at a minimum: organizing and distributing agendas, preparing and distributing minutes, ensuring these and other documents are on relevant websites, preparing background documentation. It also may include preparing the annual report SWG activities. These are demanding roles and need to be adequately resourced. Co-Chairs need to agree on suitable arrangements for secretariat support.

☑ **Think about the appropriate composition of the SWG**: In principle, SWG Co-Chairs should be responsible for determining SWG membership. However, in order to achieve purposeful and informed dialogue, it is necessary that WGs consist of:

- Well informed, technically or substantively competent, and adequately high-level Government 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.

- DPs should be represented at an appropriate and competent level. DPs might agree and coordinate between themselves so that not every DP supporting a sector needs to attend the WG;

- The Government Co-Chair needs to be fully committed, with authority within the host ministry, and be able to deal with matters arising on the spot as well as to guide discussions smoothly;

- The DP Co-Chair must be at a senior professional level within its organization, competent in the field and willing to relate information to all other DPs. DPs should manage their own arrangements for nominating or replacing their Co-Chair but, in the interest of continuity, a Co-Chair is normally expected to support the SWG for at least two years;

- Technical Advisors working within the Government structure (embedded TAs) should participate and contribute along with Government representatives, but should not function as DP Co-Chairs;

- Each SWG 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 WG.