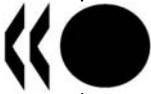


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Organisation de Coopération et de Développement Economiques  
Organisation for Economic Co-operation and Development

**24-Jul-2007**

**English - Or. English**

**DEVELOPMENT CO-OPERATION DIRECTORATE  
DEVELOPMENT ASSISTANCE COMMITTEE**

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**DAC PEER REVIEW CONTENT GUIDE**

**(Note by the Secretariat)**

*This is the final version of the DAC Peer Review Content Guide which serves as a reference for the preparation of peer reviews to take place in 2007 and 2008.*

Contact: Karen Jorgensen, E-mail: [karen.jorgensen@oecd.org](mailto:karen.jorgensen@oecd.org); Tel: 33 (0) 145249461; Fax: 33 (0) 144306144

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## **DAC PEER REVIEW CONTENT GUIDE**

### ***Background***

1. The Development Assistance Committee (DAC) of the OECD conducts reviews of the development co-operation efforts of each Committee member every 4-5 years. The Development Co-operation Directorate (DCD) provides analytical support and develops and maintains the conceptual framework within which the Peer Reviews are undertaken. The objectives of DAC Peer Reviews are to:

- Monitor members' development co-operation policies and programmes and assess their effectiveness against the goals and policies agreed in the DAC as well as internationally and nationally established objectives.
- Assist DAC members in improving individual and collective aid performance through mutual learning.
- To identify good practices, share experience and foster co-ordination.

2. Peer Reviews assess member country performance, not just that of the aid agency and look at both policy and delivery. The Reviews refer to internationally agreed benchmarks, DAC good practice papers and guidelines, and nationally selected reference points, wherever possible. Efforts are made to develop an integrated, system perspective on the co-operation activities of the country being reviewed.

### ***Purpose of the Guide***

3. The aim of the Guide is to provide a framework for all Peer Reviews, providing priority questions for each of the standard sections of the review as well as a framework for general or theme specific learning across several reviews. The Guide should be read in conjunction with the *Information Note on the DAC Peer Review Process* [DCD(2007)5], which describes the review process and the roles and responsibilities of the participants.

4. The special value of the Guide lies in its common analytical framework which permits reporting to the DAC on lessons learned. The DAC needs to signal issues of special interest at the start of a biennial cycle of reviews so as to permit the advance preparation and standard collection of information required for an organised presentation to the Committee at the end of the cycle.

5. The purpose of the Guide is, therefore:

- To serve as a reference for the preparation of the country memorandum preceding a review.
- To prepare both the examining team and the reviewed country to discussions at headquarters and in the field.
- To support identification of lessons learned after individual reviews, and thematic or issue synthesis following a series of reviews.

## CHAPTER 1

### STRATEGIC ORIENTATIONS

#### References

- *Gender Equality and Women's Empowerment in Development Co-operation*, DAC Guidelines (1999).
- Millennium Development Goals and Millennium Declaration (2000).
- *Poverty Reduction*, DAC Guidelines (2001).
- *Strategies for Sustainable Development*, DAC Guidelines (2001).
- Monterrey Consensus (2002).
- Principles and Good Practice of Humanitarian Donorship Principles (2003).
- Paris Declaration on Aid Effectiveness (2005).
- For EU countries: The European Consensus on Development (2005).
- Promoting Pro-poor growth policy statement (2006), endorsed at the DAC HLM on 5 April 2006.
- *Promoting Pro-Poor Growth: Policy Guidance for Donors*, DAC Guidelines and Reference Series (2006).
- Principles for Good International Engagement in Fragile States & Situations (2007).
- *The Challenge of Capacity Development: Working towards Good Practice*, DAC Guidelines and Reference Series (2006).
- *The OECD/DAC Handbook on Security System Reform (SSR): Supporting Security and Justice* (2007).
- DAC Action-oriented Policy Paper on Human Rights and Development (2007).

#### *Purpose*

6. An examination of an aid programme must begin with the political statements, policies and strategies that frame it and drive the shape and content of the overall development co-operation system. This framework will help the peer reviewer gain relevant insights into the evolution of the member country's aid system and its legal basis, overall organisation and current vision. It also covers efforts to influence public opinion and create public awareness in support of the aid programme as well as the role of parliament in policy for development co-operation. To appreciate changes in the system, it is important for the peer reviewer to know what steps have been taken to implement the DAC recommendations from the previous Peer Review.

#### *Headquarters issues*

- What is the historical and legal basis for development co-operation? How is development co-operation reflected in foreign policy? Are there conflicts between specific national interests and stated development objectives and/or achievement of sustainable broad-based development and attainment of the MDGs?
- What is the vision for and what motivates the country's development co-operation effort? How is this vision reflected in policy documents and annual reporting?
- Where is the focal point for development co-operation strategy and policy leadership within the national system? Is there sufficient capacity to formulate coherent strategies? How is parliament

involved in the formulation of development co-operation policy? Is there a development co-operation advisory body and what is its mandate? What public monitoring and accountability mechanisms and measures are in place?

- How are partner countries selected? Is selection influenced by effectiveness/impact factors? What is the optimal number of partner countries and is there a strategy to arrive at that number? What determines activities in non-partner countries? Are the exit strategies in place for either partner or non-partner countries?
- What are the key thematic or sector areas of focus and how are they chosen? Do they take into account cross-cutting issues?
- How have international commitments, including the Monterrey Consensus, the MDGs, and the Paris Declaration been reflected within the reviewed country's co-operation strategy? What is the approach to poverty reduction (and promoting sustainable economic growth) in developing countries in terms of priority setting and targeting? What influence have *DAC Guidelines on Poverty Reduction* had on policy and programming?
- Is there specific policy guidance on cross-cutting issues such as gender equity, good governance, human rights, HIV/AIDS, environment, capacity development or sustainable development? Do they reflect DAC guidelines? How are cross issues reflected in other organisational policies and strategies? How are they expected to be implemented (mainstreamed, special projects, sector/thematic programmes) and are special resources allocated to them? Do thematic or sector guidance documents reflect cross-cutting issues?
- What major changes have been made since the last Peer Review (policy statements, major development co-operation initiatives)?
- *For EU member States and G8 countries:* How did the country deal with development policy under its presidency?
- What is the level of public awareness of development issues and public support for aid? How are awareness and support measured? How do the authorities inform the public of development issues and development co-operation results? Is there a strategy and budget for public awareness and for communicating the vision? To what extent is civil society consulted and able to influence development policies?

### ***Field level issues***

- What opportunities does the Embassy/field office have to influence the agency's overall policy and strategy? How effectively are headquarters policies (including policies on cross-cutting issues) communicated to, and implemented on, the ground? Does headquarters policy enhance or detract from recipient country ownership? Are headquarters policies effectively grounded in field reality and local needs?
- To what extent are diplomacy and development perspectives successfully integrated to produce a cross-government approach to local issues of development?
- Is local civil society effectively used to influence reviewed country policy, strategy and action in the recipient country?

## CHAPTER 2

### POLICY COHERENCE

#### References

- *Poverty Reduction*, DAC Guidelines (2001).
- “Policy coherence for Development” - Statement from the 2002 OECD Council at Ministerial level.
- *Policy Coherence for Development: Promoting Institutional Good Practice*, The Development Dimension (2005).

#### *Purpose*

7. Aid alone will not secure development and poverty reduction in developing countries. The efforts of aid programmes, no matter how strong, will be undermined if government policies, both in donor and partner countries, are not supporting development objectives. Examining how DAC members go about promoting policy coherence for development, what institutional mechanisms are in place, and what degree of success they have achieved is, thus, an important aspect of peer reviews. This framework will help the peer reviewer analyse what efforts the reviewed country is making both at national level with respect to its own policies, and at field level with respect to promoting coherence among donors and within the partner government.

#### *Headquarters issues*

- Is there a political statement spelling out the government’s commitment to policy coherence for development? What priority is routinely given to development and coherence at the highest level of a government?
- Who are the key actors and institutions in policy formulation processes and what are the key issues and constraints to policy coherence within government? Are there effective cross-institutional co-ordination mechanisms to consult on policy options and to resolve policy conflicts or inconsistencies?
- What practical experience does the government have with achieving policy coherence across public institutions? What procedures (reporting, benchmarks, etc.) are in place to assess the effectiveness of the institutional structures? Can the agency give one or two examples which illustrate the effectiveness of the institutional structure?
- What mechanisms are used to prepare the country’s position on policies which are expected to have an impact on developing countries, *e.g.* within the WTO or the EU?
- To what extent does the government consult with all possible stakeholders on issues of policy coherence for development? Are these issues regularly monitored and reported on publicly?

- Is there sufficient capacity within government, including requisite staff, to define issues, analyse them effectively and channel them into policy processes?

***Field level issues***

- What is the reviewed country's approach to policy coherence for development in the partner country? Is there an overarching, integrated strategy, including political, trade, co-operation, migration or other aspects of the relationship? What mechanisms are used to co-ordinate within the Embassy/field office in order to ensure policy coherence and influence events and processes in the partner country? Does the Embassy/field office try to promote policy coherence in the partner country through its aid programme? Is there any co-ordination with other donors on these matters?

## CHAPTER 3

### ODA VOLUME, CHANNELS AND ALLOCATIONS

#### References

- Monterrey Consensus (2002).
- United Nations target of 0.7% of ODA/GNI (re-affirmed in Monterrey in 2002) and/or other commitments (e.g. the European Council Presidency Conclusions [16-17 June 2005]).

#### *Purpose*

8. Governments set targets and undertake international commitments for the level of their aid. While these sometimes differ from national to international target, it is important to examine whether, and how, the DAC member is meeting its stated goal. Administering the aid efficiently and effectively will require the use of several channels as well as multiple delivery modalities. The size of the programme and the character of partner countries will dictate what is an appropriate mix of channels and instruments.

9. The peer reviewer may therefore wish: i) to use data to track country performance against national and international commitments; ii) to assess how closely allocations reflect stated policy (*i.e.* includes comparing geographic, sectoral and thematic allocations against policy statements); iii) to consider the choice of modalities used (*i.e.* grants, loans, different financial instruments); and iv) review significant changes in aid levels as well as plans for meeting, or staying on, the set target.

#### *Headquarters issues*

##### *Overall aid volume*

- What is the member country's stated ODA target? What is actual ODA and the ODA/GNI ratio? What plan does the member country have for achieving its ODA/GNI target? What are the trends and what explains significant changes in ODA levels, if applicable?
- What is the composition of ODA, *i.e.* budgetary resources, debt relief, innovative sources? If debt relief represents a significant share of ODA, how does it affect the ODA target, and how will this share be replaced when the stock of debt is exhausted? How is the overall distribution of ODA by channel/instrument determined?

##### *Bilateral channels*

- What are the top partner countries (criteria, stated main countries, DAC data top recipients, income level, regions, total number of recipients, trend and concentration)? What is the share of ODA allocated to LDCs and to other poor countries?
- How is aid allocated and what are the main instruments and aid modalities? How are the sectoral/thematic priorities for ODA reflected in budget allocations? (top sectors, %, DAC

average, overall trend, policy, basic social services, ranking, government and civil society, HIV/AIDs, gender equity, sustainable development, humanitarian assistance, proportion of ODA untied).

- What is the total spending on national, international and southern NGOs and how does this compare with the DAC average? Are the development NGOs, whether advocacy/policy-based or operational, dependent upon public funds?

#### *Multilateral channels*

- What is the overall allocation to multilateral institutions (% , DAC average, ranking, trend)? What is the allocation by institution, *e.g.* of the United Nations system, the EU, the World Bank and Regional Development Banks? How are institutional allocations determined and how does this relate to performance? What part of the allocation is to the core budget and what part to thematic funds or budget lines?
- Is there a multilateral strategy? Does it include reference to cross-cutting issues and does it encompass issues of coherence between multilateral and bilateral assistance? How is responsibility for multilaterals shared between ministries?
- How does the member country support or encourage aid effectiveness within multilateral agencies? How are MDBs assessed? What kind of feedback is there from the field on multilateral performance?
- What is the member country's position with regard to new aid modalities such as direct or sector budget support or Global Funds (*i.e.* GAVI, GFATM, etc.), their role, funding levels and complementarity to existing instruments and institutions?

#### *Field level issues*

- How is aid allocated and what are the main instruments and aid modalities? What is the split between bilateral and multilateral partners and how is this determined? Which instruments (*e.g.* budget support, project funding, Technical Assistance) are used and to what is the share of each of them? Have there been any changes in the amount of assistance provided through the various instruments and if so what factors are driving these changes?
- What is the role of the field level office (as well as the headquarters office) in determining the amount of assistance a developing country receives, and how it is allocated (*i.e.* which sectors, themes, instruments)?

## CHAPTER 4

### ORGANISATION AND MANAGEMENT

#### References

- *Managing Aid: Practices of DAC Member Countries*, DAC Guidelines and Reference Series (2005).
- Review of the DAC Principles for Evaluation of Development Assistance (1998)

#### *Purpose*

10. Effective planning and delivery of, and accounting for the aid programme require sound organisation and management. This framework will help the peer reviewer assess whether the reviewed country's aid administration and organisation are appropriate to meet the goals and objectives set for the programme in an efficient and effective way. While the DAC has not issued guidance in this area of examination, sound organisational management principles would apply: planning to achieve objectives; adequate capacity; appropriate and efficient use of resources; delegated authority; careful monitoring, and evaluation results taken into account in further planning and implementation of the programme.

#### *Headquarters issues*

##### *Organisation*

- What are the historic and legal origins of this specific system of development co-operation organisation and management? Does the current organisational mandate promote efficient and effective operation?
- Which institutions and organisations are involved in development co-operation? What are the responsibilities of each institution? How do they related to, and co-ordinate with each other? Who plays the leadership role? How does this system ensure a common development vision and a logical, efficient allocation of tasks?
- Is the development co-operation organisation/agency appropriately decentralised (staff, delegation of authority) to address field-based aid management in line with the Paris Declaration? Are the lines of communication between headquarters and the field adequate and is headquarters organised so as to service field development co-operation needs in a timely and effective way? To what extent are funding decisions, including to NGOs, decentralised?
- To what extent are there clear institutional structures to support implementation of cross-cutting issues (leadership and management responsibility; technical capacity; reporting and monitoring systems, etc.)?

*Management*

- How is the programming process organised? How are partner country policies and strategies reflected in regional programme? How does headquarters expect country programmes to take account of partner country policies and strategies? What framework is in place for managing for development results? Does the agency apply a results-based management approach, and if so, how is this managed? What are reporting arrangements? What incentives are there to adhere to the aid agency's results framework objectives? Is there a relationship between delivery of results, performance assessment (unit/individual) and funding?
- How is the development budget constituted (*e.g.* single year, multi-year)? How is it planned, approved and managed? What part of the budget cycle is decentralised to field offices?
- What staff resources (size, skill mix, location) are employed by the overall development co-operation system and are they adequate? Does development co-operation have sufficient critical mass within its parent ministry or within government as a whole? Does management regularly anticipate human resource needs (integrated planning, budgeting)? Is there a multi-year plan for recruitment and staff development linked to future strategic orientations? Is there a career track for development professionals or some other system that retains experienced professionals over time? Is staff management performance based on, and are there adequate incentives for, productive behaviour?
- What is the policy regarding the recruitment and use of qualified local and third country staff?
- How does the agency report on administrative costs? What is the ratio of administrative to programme expenditure?
- Is there a policy framework that defines the relationship with national and southern civil society organisations? What process is used to select NGOs and other entities for ODA support and is this support provided on a multi-year basis? Are there any attempts to guide NGO programming to particular partner countries or in favour of particular sectors/themes, including principles of aid effectiveness? How are NGOs monitored and evaluated?

*Evaluation*

- What is the agency's evaluation policy? Is the policy known within the agency and how is it followed? Who identifies priorities for the agency's evaluation plan, and how? What financial and staff resources are dedicated to evaluation? Are evaluation staff specialists, or drawn from the agency? Do evaluation processes take account of cross-cutting issues?
- To what extent is the evaluation process independent of management and political leadership? Is it transparent enough to ensure its credibility and legitimacy? Who are the main users of the evaluations (within and outside the agency)? Are evaluation findings consistently made public?
- How does the country evaluate the results of its co-operation activities and of partner organisations it funds? How do evaluation findings and recommendations feed into policy making and operations?

### ***Field level issues***

#### *Organisation*

- How much authority does the field office have over programme development, budget allocation and execution decisions? Is it appropriate and in line with stated policy? What is the division of responsibility between headquarters and the field office and how is effective communication between the two ensured?
- What is the division of labor regarding the aid programme within the Embassy/office? How does the Embassy/office ensure that it has sufficient negotiation, programming, analytical and operational capacity?

#### *Management*

- How are government negotiations and consultations with the partner country organised? What is the structure used (*i.e.* the kind of agreements under international law that are concluded) for bilateral development co-operation with the respective partner country (*e.g.* framework agreements and project-related agreements or exchanges of notes)?
- What is the configuration of staff involved with delivering the aid programme in the partner country? Given normal requirements for periodic staff rotation, how is continuity and institutional memory maintained at an acceptable level? What is the policy regarding the use of local and third country professional staff, and how is it applied?
- How is efficiency of operations assessed? How closely does the selection of means of implementation follow overall strategy/targets set by headquarters?

#### *Evaluation*

- To what extent does the field office conduct evaluations mandated by headquarters and to what extent are they locally determined? How is independence of evaluations ensured? Who are the users of evaluations?
- Does the agency rely on local evaluators, or third party evaluators from partner countries? What is the scope for partner-led or joint donor evaluations? To what extent does the office rely on information from evaluations conducted by other donors?
- Do evaluations focus on outcomes and impact? How do evaluation results feed back into, and influence programme design and implementation? What are recent evaluations saying about programme impact on development and aid effectiveness?

## CHAPTER 5

### AID EFFECTIVENESS

#### References

- Untying ODA to the Least Developed Countries, DAC Recommendation (2001).
- *Harmonising Donor Practices for Effective Aid Delivery (Vol. I)* (2003), and *(Vol. II)*, DAC Guidelines and Reference Series (2006).
- Paris Declaration on Aid Effectiveness (2005).
- Emerging Good Practices in Managing for Development Results: SourceBook (2006).
- Principles for Good International Engagement in Fragile States & Situations, DAC (2007).

#### *Purpose*

11. The following framework will assist peer reviewer to assess the extent to which the agency is meeting the objectives agreed in the *Paris Declaration on Aid Effectiveness* and, thus, contributing to the internationally agreed goal of poverty reduction. Findings from this review will be valuable to the work currently monitored by the DAC Working Party on Aid Effectiveness.

#### *Headquarters issues*

- What specific steps have been taken to implement the agency's corporate action plan as part of the follow-up to the Paris Declaration? What kind of reform or changes does the agency need to make to meet the objectives of the Paris Declaration? Does the agency plan greater devolution of authority to the field as a result of emphasis placed on aid effectiveness?
- Has the action plan been shared with national public and other institutions involved in development co-operation as well as with parliament? Have specific instructions, guidelines and/or operational directives been disseminated to staff to stimulate implementation of the plan? What specific actions have been or are being organised to mobilise civil society organisations to share understanding of the Paris commitments and work in concert for better implementation results?
- What is the level of staff knowledge and understanding about aid effectiveness and its operational implications, particularly in the field? What types of incentives does the agency provide – *e.g.* for recruitment, appraisal and training – for management and staff to comply with harmonisation, alignment and a results orientation?
- How is aid effectiveness approached in fragile states, *e.g.* to what extent does the agency rely on upstream analysis, joint assessments, joint strategies and co-ordinated political engagement in those states?

## ***Field level issues***

### *Ownership*

- Does the partner country exercise leadership over its development policies and strategies? If not, what approach have bilateral and multilateral donors taken collectively, and what role is the agency playing in this effort? How does it contribute to strengthening the partner country's capacity to exercise its leadership and promote an inclusive approach to poverty reduction?
- Provided the partner country has operational national development strategies, development targets and reliable financial management systems, how does the agency, individually or with others, promote that country's efforts toward implementing its own commitments?

### *Alignment*

- How are the agency's development strategies (*e.g.* country programme, sectoral/thematic strategies) aligned with the partner's own development strategies? How were the agency's strategies elaborated?
- To what extent does the agency use the partner country's own systems and procedures, *e.g.* for public financial management, accounting, auditing, procurement, results and monitoring? Where this is not feasible, what safeguards and/or measures does it take to strengthen those systems and procedures? To what extent does it harmonise approaches with other donors when national systems do not meet mutually agreed levels of performance or are not used?
- To what extent, and why, has the agency put in place parallel implementation structures for day-to-day management and to implement aid-financed projects and programmes? How can such structures be integrated into government structures and/or phased out in the short to medium term?
- How does the agency address capacity development gaps and needs in the partner country, individually or together with other partners? If a country strategy and objectives for capacity development already exist, how does the agency align its financial and analytical support with those? What is the role and cost of foreign technical assistance in building institutional and human capacities in the partner country?
- Does the reviewed country provide tied bilateral aid to the partner country, and if so, how much and in which sectors?
- To what extent does the agency promote reliable aid commitments using multi-year frameworks? Is aid disbursed in a timely and predictable fashion and is information on aid flows provided in a transparent and comprehensive way to government? Are steps being taken to include project financing in the government's budget? Where direct support to government is not appropriate, is the agency providing reliable and predictable support to multi-donor mechanisms for aid delivery outside government systems?

### *Harmonisation*

- What is the level of the partner country's involvement in co-ordination mechanisms? Does it promote synergies between activities of bilateral and multilateral agencies and encourage common arrangements between donors?

- What are the common arrangements for planning, funding, disbursing, monitoring, evaluating and reporting on donor activities and aid flows and what steps has the agency taken to use those? To what extent and how is the agency involved in efforts to promote programme and sector-based approaches and budget support, multi-donor mechanisms in fragile states, and to share lessons learned within the development community?
- What is the division of labour among donors and what are the agency's specific comparative advantages? Is the agency taking leadership in some sectors/themes and has it delegated authority to other donors for the implementation of specific programmes and/or activities? To what extent does it co-ordinate missions and work together with other donors to harmonise procedures?
- How does the agency ensure that cross-cutting issues are addressed in sector/themes in which it takes the lead or participates?

#### *Managing for results*

- Does the partner country have a monitoring and evaluation system and to what extent is it used by government and external partners? If so, does the agency align its results-based management (or other results monitoring) system with the partner country's own performance assessment, monitoring frameworks and results-oriented reporting? Are there joint formats for periodic reporting in case donors cannot rely extensively on the partner country's statistical, monitoring and evaluation systems?
- Is there a development effectiveness assessment framework for all partners? Does the agency participate in periodic mutual reviews with the partner country and other donors?

#### *Overall effectiveness of the system*

- Is the overall development co-operation system efficient and effective in terms of delivering outputs and contributing to development outcomes in line with the country's objectives and internationally agreed benchmarks and objectives?
- To what extent is the implementation of the aid effectiveness agenda leading to the curbing of transaction costs for delivering aid; increased complementarity between donors and the rationalisation of the division of labour among them? To what extent is it contributing to decreasing the number of separate channels of aid delivery and enhancing greater coherence of the overall aid system in the partner country?
- To what extent has the implementation of the aid effectiveness agenda led to stronger and more accountable institutions at country level, in particular through increased use of country systems and more transparency on how development resources are used?

## CHAPTER 6

### SPECIAL ISSUES

#### **Purpose and background**

12. The purpose of this chapter is to promote shared learning on issues specifically chosen by the DAC for their importance to the current context of development. These topics will be used for all Peer Reviews over a two-year cycle, beginning with the biennium 2007-08, at the end of which an overview report will be presented to the DAC. For the biennium, one topic will be examined across all reviews, while a second topic will be chosen from a short list by the reviewed country and DAC examiners, in consultation with the Secretariat.

13. Hence, each Peer Review will include the topic of “capacity development”. Adequate country capacity is one of the critical missing factors in current efforts to meet the Millennium Development Goals (MDGs). This is now widely recognised by donor organisations and partner countries alike, as articulated in the 2005 *Paris Declaration on Aid Effectiveness*. As such, capacity development has emerged as a top priority for the DAC.

14. The short list for the 2007-08 cycle, from which a second topic may be chosen, contains two options: (i) Governance, Accountability and Anti-corruption and (ii) Conflict, Peace, Security and Fragile States. As fragile states are integral to the Paris Declaration, the relevant aid effectiveness issues in fragile states are given attention in Chapter 5. However, donors may wish to give extended coverage and analysis to this topic in this chapter.

15. Fragile and conflict-affected states account for a third of the world's poor living under a dollar a day. The governments in these countries lack either the will or capacity to provide essential services to their population and to reduce poverty. In most of these countries, violent conflict can wipe out the effects of donor investments in poverty reduction, and conflict prevention and peace-building strategies can, thus, be prerequisites to the effective use of aid. Donor involvement in the inter-related fields of conflict, peace, security and fragile states has expanded enormously in recent years.

16. The 2005 *Paris Declaration on Aid Effectiveness* highlights the fact that corruption and lack of transparency erode public support, impede effective resource mobilisation and allocation and divert resources away from activities that are vital for poverty reduction and sustainable economic development. Where corruption exists, it also inhibits donors from relying on partner country systems. Accountability and anti-corruption efforts are, thus, important issues for donor and partner countries alike, particularly in view of the prospects of significant increases in aid by 2010.

17. Finally, on an exceptional basis, and pending examiner and Secretariat agreement, the reviewed country also may propose an alternate second topic if it deems important to do so. Such topic, as applicable to the reviewed country, should offer learning opportunities for the Committee.

## Capacity development

### References

- *The Challenge of Capacity Development: Working Towards Good Practice*, DAC Guidelines and Reference Series (2006).
- *Harmonising Donor Practices for Effective Aid Delivery Vol. 2, Chapter 3 (for capacity development in Public Finance Management [PFM])*, DAC Guidelines and Reference Series (2006).

18. The following are some key considerations for Peer Reviewers:

- *Capacity* refers to the ability of people, organisations and society as a whole to manage their affairs successfully. This involves the ability to define strategies, set priorities, solve problems and achieve results. Capacity development is thus much broader than technical co-operation and should be considered an outcome, not an input.
- Capacity development is the primary responsibility of *partner countries*. Donors' responsibility is to provide support in ways that build its partners' ability to strengthen capacity in a sustainable manner. One way of achieving this is through the provision of co-ordinated capacity development programmes that are consistent with national development strategies.
- In order to make operational sense of generic concepts of capacity development, practitioners should begin by asking the question "capacity for what?" and focus on the specific capacities needed to accomplish clearly defined goals. A "*best fit approach*" then calls for a systematic effort to think through what might work in particular circumstances. This can be done by ensuring that adequate attention is given to individual and organisational issues as well as to the enabling environment.

### Headquarters issues

- Is there a shared understanding and accepted definition of what is meant by capacity development and the role that the agency can play to support it?
- Are there strategies in place for implementing the *Paris Declaration* commitments with respect to capacity development, specifically as regards (i) the strengthening of partner countries' capacity to exercise effective ownership and leadership over their development policies and strategies; (ii) aligning support with partner countries' capacity development objectives and strategies; (iii) harmonising support for capacity development; and (iv) strengthening capacities that are vital for the country systems (in particular arrangements and procedures for procurement and public financial management) and for the assessment of these systems (results frameworks, monitoring and evaluation systems).
- Do agency policies on local governance systems in a partner country (*i.e.* the rules, processes and behaviour by which interests are articulated, resources are managed and power is exercised) relate to the opportunities and limits for capacity development efforts? Does agency strategy address situations in which weak governance hinders capacity development? How does the agency ensure that capacity development is included in all programmes in countries with weak governance?

- Do pressures to demonstrate short-term results conflict with the need for long-term approaches to capacity development?
- Does the agency have the staff incentives, skills profile, operating procedures, tools (*e.g.* standard terms of reference for technical advisors) and instruments needed to support capacity development? Is this support consistent, predictable and in line with the commitments of the *Paris Declaration*?
- Are cross-cutting issues such as gender equality, also reflected in capacity development activities?
- Are attempts made to work with local consultants and/or local institutions to deliver capacity development support, rather than to import expertise from outside?

#### **Field level issues**

- What approaches to capacity development does the agency use (*e.g.* technical co-operation, training, South-South co-operation) and how does it support capacity development through its programmes?
- What analysis is used to build capacity development action? Are interventions based on a systematic effort to think through the specific country circumstances and the needs of the particular situation (applying a “best fit” approach)?
- Is support aligned with partner country objectives and strategies?
- Is there a special focus in support of capacities essential to the reliability and assessment of country systems? This includes arrangements and procedures for procurement and public financial management as well as those related to system performance, transparency and accountability. If so, how is this support provided?"
- Is agency support for capacity development harmonised with other donors? Are there examples of co-ordinated support by a donor including pooled funding arrangements?
- Are there specific activities that aim at strengthening partner countries' capacity to exercise effective ownership and leadership over their development policies and strategies (*e.g.* procurement, public financial management, results frameworks, monitoring and evaluation systems)?
- How much use is made of existing local capacities? Have attempts been made to work with local consultants and/or local institutions to carry out the capacity development programme, rather than importing expertise from outside?
- Does support for capacity development engage the private sector and civil society?
- How are intended outcomes of support for capacity development monitored, measured and evaluated? Are lessons learned fed back into programme management and future programme design?

## Governance, accountability and anti-corruption

### References

- OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997).
- Principles for Donor Action in Anti-Corruption (2006); Policy Paper on Anti-Corruption: Setting an Agenda for Collective Action (2006).

19. Based on work of the GOVNET approved by the DAC and SLM in 2006,<sup>1</sup> the following are some key considerations for Peer Reviewers:

- *Governance* refers to the way society manages its affairs, and involves principles of transparency, accountability, participation and legitimacy. Corruption appears as a *symptom or outcome* of wider problems with governance arrangements, arising when the political, economic, social and/or institutional features of an effective and accountable system of governance are not fully in place. Fighting corruption, thus, calls for a governance-centred approach.
- *Collective action* by donors is required to promote shared understanding of the challenge of strengthening accountability and fighting corruption in partner countries, to develop effective responses, and to ensure that all important entry points for action are adequately covered. Such a joint effort in support of country-led approaches should also extend to the development of clear baselines and targets and the assessment of progress.
- Combating entrenched networks of corruption requires a multi-stakeholder vision and coalition, including reformers from government, political parties, civil society and the private sector. While this can be challenging in countries where the government leadership is itself corrupt, the preferred approach is still to support domestic coalitions for reform with objectives and methods that suit the circumstances of the country.
- Donors have a responsibility to implement the *OECD Convention on Combating Bribery*, and thus need to work effectively within their own domestic environments to address their responsibilities on the “supply-side” of corruption.

### Headquarters issues

- Are activities to strengthen accountability and fight corruption grounded in a governance framework (whereby corruption is treated as a symptom of broader governance and accountability deficiencies)?
- Does this framework aim both to build coalitions for change and to develop the capacity of partners to deliver better quality governance?

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1. Principles for Donor Action in Anti-Corruption [DCD/DAC(2006)40/REV1]; Policy Paper on Anti-Corruption: Setting an Agenda for Collective Action [DCD/DAC/GOVNET(2006)3/REV2].

- What mechanisms are there for collecting, analysing and disseminating experience gained from governance and anti-corruption interventions (of both the donor in question and of other donor countries)?
- Is there a dedicated cadre of staff looking at governance issues, networked at HQ and in the field?
- How does the agency actively promote initiatives to address the supply-side of corruption? Is a whole-of-government approach taken to fighting corruption?
- How are cross-cutting issues, especially gender equality and women's empowerment, reflected in country programmes and anti-corruption activities?

#### **Field level issues**

- What programmes or activities to improve accountability and fight corruption does the agency support? Are they part of a partner-government, or partner-country coalition, strategy or plan?
- How does the agency's programme promote capacity development in key state institutions? Is this balanced with efforts to promote demand for good governance and accountability by engaging parliament, civil society and the private sector?
- How does the agency work with other donors on harmonised approaches to governance and corruption, particularly on joint assessments and joint donor responses to poor governance?
- Does regular donor-partner government dialogue allow for an open debate about governance, accountability and corruption?
- How are the root causes of corruption analysed and assessed and tracked over time using indicators and benchmarks?
- How are lessons learned fed back into programme management and future programme design?

## Conflict, Peace, Security and Fragile States

### References

- *Helping Prevent Violent Conflict*, DAC Guidelines (2001).
- *Security System Reform and Governance*, DAC Guidelines and Reference Series (2005).
- *Principles for Good International Engagement in Fragile States & Situations* (2007).
- *The OECD/DAC Handbook on Security System Reform (SSR): Supporting Security and Justice* (2007).

20. The following is designed to help Peer Reviewers assess how issues related to fragile states, conflict prevention, peace-building and security are integrated into DAC members' development programming and practice.

### Headquarters issues

- Does the agency work with agreed definitions of terms such as conflict prevention, peace building and fragile states? Does it have a policy on: i) fragile states; ii) conflict prevention and peace-building; iii) conflict sensitive development; and iv) security system reform?
- Is the problem of aid orphans – states where there are no significant political barriers to engagement, but few international actors are engaged and aid volumes are low – considered in resource allocation decision making?
- Is a whole-of-government approach taken to dealing with fragile states and conflict-affected countries in terms of organising responses to early warning of conflict and/or state fragility?
- What specific measures are there to ensure long-term, predictable engagement in fragile states and conflict-affected countries, e.g. 10-year plans or other multi-year commitments? How is work on fragile states and conflict-affected countries conducted and organised? If there are several departments/units involved, how do they work together? How are activities on humanitarian assistance, conflict prevention, peace building, and fragile states, connected? How is work on governance linked?
- How is work on fragile states and conflict-affected countries funded? Are there transition funding mechanisms to provide flexible support at short notice to shore-up peace-building activities/take advantage of windows of opportunity in fragile states and conflict-affected countries?
- How is the transition from a humanitarian situation to longer-term development planned for and managed? Are there institutional, budgetary and functional barriers between relief, rehabilitation, peace building and longer-term development co-operation, and if so, how are they overcome?
- In what way does conflict analysis underpin the design and implementation of all development programmes in conflict-affected countries (open as well as latent conflict)? How does conflict analysis inform a broader approach to working in conflict-affected countries (management arrangements including selection of staff; choice and mixture of aid instruments; monitoring and evaluation systems, etc.)? Are there mechanisms for institutionalising and regularly updating conflict analysis?

- Is a whole-of-government approach taken to dealing with fragile states and conflict-affected countries in terms of organising responses to early warning of conflict and/or state fragility? Is there a shared understanding of conflict dynamics through joint conflict analysis, and has this led to integrated planning and the development of strategic peace-building frameworks?
- What kind of conflict prevention interventions does the agency promote to avoid costly violent conflict? Does it consider taking conflict prevention approaches in its work in countries where there is not widespread and/or visible violent conflict? Is programming informed by appropriate and timely analysis?
- What kind of human resources, staff incentives, operating procedures and tools does the agency devote to supporting fragile states and conflict-affected countries? Is there a strategy for ensuring that sufficient staff, with the right mix of skills and experience, are available to support the agency's engagement in conflict-affected countries? To what extent do corporate policies and processes (such as resource allocation models or risk management matrices) enable/provide incentives for staff to work in conflict-affected countries?
- How are cross-cutting issues, especially gender equality, HIV/AIDS, and environment and natural resources, reflected in country programmes and activities related to conflict, peace, security and fragile states?

#### **Field level issues**

- How is agency policy on fragile states and conflict-affected countries integrated into country strategies and frameworks? How does the agency determine its objectives in fragile states? How does the agency manage the tensions between addressing state-building and conflict issues and making progress towards the MDGs?
- How does conflict analysis underpin development planning and management and is this analysis regularly updated? Does programming adequately consider regional conflict dynamics? Has the agency used conflict analysis to develop a strategic framework for conflict prevention and peace-building in conflict-affected countries (open or latent conflict)?
- What opportunities are there for harmonised and collective approaches and how are they used? (e.g. shared strategies based on joint conflict analysis, co-ordination of political engagement, multi-donor trust funds, joint donor offices, common reporting). How does the agency consider its own and others' comparative advantages in deciding on country-level programming?
- How far does the agency work to bring together the political, security and development aspects of the country's engagement?
- How does the agency support partner countries in their own efforts to promote coherence and joint work among ministries to address fragility and conflict issues?
- What informs the choice of partnerships in conflict and fragile states? Does the agency have regular dialogue with civil society actors? To what extent does it partner with and support government, civil society, private sector and other actors in partner countries?
- Where alignment behind government-led strategies is not possible due to particularly weak governance or conflict, what approaches does the agency take? Are there examples of partial alignment at the sectoral or regional level?

- How are activities and programmes monitored and evaluated? Are there specific indicators to measure the impact of those activities on state fragility and conflict as well as the conflict sensitivity of programmes? How does the agency disseminate experience and lessons learned, and how do these feed back into programme design and management?

## **Security System Reform**

### ***Headquarters issues***

- If there is a Security System Reform (SSR) policy or strategy, how does it define the co-operation between development, security, defence and foreign affairs objectives? Does the strategy reflect an agreed cross-government view concerning the provision of support to SSR processes? Does it incorporate the principles as defined in the *DAC Guidelines on Security System Reform and Governance (2005)*?
- Does the strategy take a comprehensive view of the security system and address issues such as improving access to justice and accountability/oversight? Does it include guidance on assessment, sequencing, implementation, and evaluation of SSR programmes? What working mechanisms across government are used to support security and justice reform?
- What type of capacity is available to support SSR within the agency and within other government departments? How are teams integrated to support SSR programmes? How is SSR funded?
- How are cross-cutting issues, especially gender equality and governance/public expenditure management, reflected in country programmes and activities related to SSR?

### ***Field level issues***

- How has the agency translated its policy on SSR into operational practice? To what extent and how are the practices outlined in the *(2007) DAC Handbook SSR: Supporting Security and Justice* (an outcome of the Implementation Framework for SSR process) followed?
- To what extent are issues of SSR mainstreamed into country programmes and as part of pre-deployment preparations? Is training provided, including to those participating in peace-keeping operations? Does the agency co-ordinate its interventions with other actors from across its own government and with other external partners?
- Who undertakes the implementation of SSR activities? If private contractors handle this, what level of oversight exists regarding adherence to the DAC guidelines?
- How are interventions related to SSR monitored and evaluated? Are there specific indicators to measure impact? How are lessons learned fed back into SSR planning processes and programmes and to what extent are those lessons shared with the development community in the field?

## ANNEX A

### HUMANITARIAN ASSISTANCE

1. The text below is an extract of the document DIR(2004)11. The DAC has agreed that the framework will be used until further notice. The framework groups the GHD principles under four headings:

1. **Humanitarian Policies**, embracing definitions, objectives, general principles and relation to development strategies.<sup>2</sup>
2. **Funding**, including priority setting, financial planning, predictability, flexibility and issues of increased un-earmarking of financial contributions.<sup>3</sup>
3. **Promotion of Standards and enhanced implementation**, focusing on the promotion of international guidelines and principles on humanitarian action, ensuring conformity with International Humanitarian Law and humanitarian guidelines and principles.<sup>4</sup>
4. **Learning and Accountability**, covering transparency in reporting and systems for evaluation and learning.<sup>5</sup>

2. These four headings are presented in separate sections below with questions relevant to the GHD principles:

#### Section One - Humanitarian Policies

- a) How and by what instance are the objectives of humanitarian action defined by the government under review? What type of actions can be covered by the definition?
- b) To what extent do the policy/policies reflect a commitment to respect the following:
  - i) Legal commitments under International Humanitarian Law (IHL) and other relevant bodies of law.<sup>6</sup>
  - ii) The core humanitarian principles of humanity and impartiality.
  - iii) The requirement of humanitarian organisations to maintain a position of neutrality in relation to a given conflict or political dispute; and more generally the requirement to maintain the independence of humanitarian action from other policy agendas?

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2. "The principles and Good Practice of Humanitarian Donorship", Paragraphs 1, 2, 3, 4, 5, 6, 7, 8, 9, 10

3. "The principles and Good Practice of Humanitarian Donorship", Paragraphs 5, 6, 11, 12, 13, 14

4. "The principles and Good Practice of Humanitarian Donorship", Paragraphs 14, 15, 16, 17, 18, 19, 20

5. "The principles and Good Practice of Humanitarian Donorship", Paragraphs 7, 21, 22, 23

6. International Humanitarian Law (IHL) is the body of rules which, in wartime, protects people who are not or are no longer participating in hostilities. Its central purpose is to limit and prevent human suffering in times of armed conflict. The four Geneva Conventions of 1949 and their two Additional Protocols of 1977 constitutes the principal instruments of humanitarian law.

- c) Do the existing policy/policies ensure a system that encourages flexible funding in relation to humanitarian needs?
- d) Do the existing policy/policies ensure a system that promotes timely funding?
- e) Do the humanitarian policy/policies take into consideration the need for strengthening of the capacity of affected countries and local communities to prevent, prepare for, mitigate and respond to emergencies?
- f) How are issues of recovery, return of sustainable livelihoods and transitions from humanitarian relief to recovery and development activities addressed?
- g) To what extent do policies recognise and support coordination? How is the role of the United Nations in providing leadership and co-ordination of international humanitarian action, and the special mandate conferred upon the International Committee of the Red Cross in situations of crisis and conflict recognised and respected?
- h) Are there mechanisms to ensure adequate involvement of beneficiaries in the design, implementation, monitoring and evaluation of humanitarian response?

### **Section Two - Principles on Funding Humanitarian Action**

- i) In relation to a given context, and more generally, how does the donor:
  - Arrive at decisions about allocating resources in a way that respects the principle of responding in proportion to needs?
  - Strive to ensure that funding of humanitarian action in high profile crises does not adversely affect the meeting of needs in ongoing crises?
  - Ensure predictable, flexible and timely funding?
  - Make choices between earmarking and non-earmarking of funds?
  - Make choices between multilateral and bilateral channels?
  - Make choices between implementing agencies, between northern NGOs and southern civil society organisations?
  - Contribute, on the basis of burden-sharing, to United Nations Consolidated Inter-Agency Appeals and to International Red Cross and Red Crescent Movement appeals?
  - Support the formulation of Common Humanitarian Action Plans (CHAP) as the primary instrument for strategic planning, prioritisation and co-ordination in complex emergencies?

### **Section Three - Promoting standards and enhancing implementation**

- j) How does the donor ensure that implementing humanitarian organisations adhere to good practice and commit themselves to promoting accountability, efficiency and effectiveness in implementing humanitarian action? How are the use of the Inter-Agency Standing Committee relevant guidelines and principles on Humanitarian Activities, the Guiding Principles on Internal Displacement and the 1994 Code of Conduct for the International Red Cross and Red Crescent Movement and Non-Governmental Organisations (NGOs) in Disaster Relief respected and promoted?

- k) How does the donor offer support to the implementation of humanitarian action, including the facilitation of safe humanitarian access?
- l) Are mechanisms for contingency planning by humanitarian organisations to strengthen capacities for response at local, national, regional and global levels being supported?
- m) How does the donor affirm the primary position of civilian organisations in implementing humanitarian action, particularly in areas affected by armed conflict and where peace keeping and/or military intervention is taking place?
- n) In situations where military capacity and assets are used to support the implementation of humanitarian action, how does the donor ensure that such use conforms with IHL and humanitarian principles, and recognises the leading role of humanitarian organisations?
- o) How are the 1994 Guidelines on the Use of Military and Civil Defence Assets in Disaster Relief and the 2003 Guidelines on the Use of Military and Civil Defence Assets to Support United Nations Humanitarian Activities in Complex Emergencies being implemented and supported?

#### **Section Four - Learning and Accountability**

- p) What is the current scope of evaluations of humanitarian action, what activities have recently been evaluated and how are the findings and recommendations being used to shape policy and programming decisions?
- q) Are there systems in place to support learning and accountability for the effective and efficient implementation of humanitarian action? How is learning across departments and agencies ensured when several arms of government are involved?
- r) To what extent does the donor encourage, support and participate in joint evaluations of international responses to humanitarian crises, including assessments of donor performance?
- s) To what extent is the involvement of beneficiaries in monitoring and evaluation of humanitarian response ensured?
- t) Do existing report systems ensure a high degree of accuracy, timeliness, and transparency in donor reporting on official Humanitarian Action spending, and encourage the development of standardised formats?



		A	<b>A two-thirds reduction</b> in the % of aid to the public sector not using partner countries' procurement systems.
		B	<b>A one-third reduction</b> in the % of aid to the public sector not using partner countries' procurement systems.
6	<i>Strengthen capacity by avoiding parallel implementation structures</i> — Number of parallel project implementation units (PIUs) per country.		<b>Reduce by two-thirds</b> the stock of parallel project implementation units (PIUs).
7	<i>Aid is more predictable</i> — Percent of aid disbursements released according to agreed schedules in annual or multi-year frameworks.		<b>Halve the gap</b> — halve the proportion of aid not disbursed within the fiscal year for which it was scheduled.
8	<i>Aid is untied</i> — Percent of bilateral aid that is untied.		<b>Continued progress over time.</b>
<b>HARMONISATION</b>		<b>TARGETS FOR 2010</b>	
9	<i>Use of common arrangements or procedures</i> — Percent of aid provided as programme-based approaches.		<b>66% of aid flows</b> are provided in the context of programme-based approaches.
10	<i>Encourage shared analysis</i> — Percent of (a) field missions and/or (b) country analytic work, including diagnostic reviews that are joint.		<b>(a) 40% of donor missions</b> to the field are joint.
			<b>(b) 66% of country analytic work is joint.</b>
<b>MANAGING FOR RESULTS</b>		<b>TARGET FOR 2010</b>	
11	<i>Results-oriented frameworks</i> — Number of countries with transparent and monitorable performance assessment frameworks to assess progress against (a) the national development strategies and (b) sector programmes.		<b>Reduce the gap by one-third</b> — Reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third.
<b>MUTUAL ACCOUNTABILITY</b>		<b>TARGET FOR 2010</b>	
12	<i>Mutual accountability</i> — Number of partner countries that undertake mutual assessments of progress in implementing agreed commitments on aid effectiveness including those in this Declaration.		<b>All partner countries</b> have mutual assessment reviews in place.

**Important Note:** In accordance with paragraph 9 of the Declaration, the partnership of donors and partner countries hosted by the DAC (Working Party on Aid Effectiveness) comprising OECD/DAC members, partner countries and multilateral institutions, met twice, on 30-31 May 2005 and on 7-8 July 2005 to adopt, and review where appropriate, the targets for the twelve Indicators of Progress. At these meetings an agreement was reached on the targets presented under Section III of the present Declaration. This agreement is subject to reservations by one donor on (a) the methodology for assessing the quality of locally-managed procurement systems (relating to targets 2b and 5b) and (b) the acceptable quality of public financial management reform programmes (relating to target 5a.ii). Further discussions are underway to address these issues. The targets, including the reservation, have been notified to the Chairs of the High-level Plenary Meeting of the 59th General Assembly of the United Nations in a letter of 9 September 2005 by Mr. Richard Manning, Chair of the OECD Development Assistance Committee (DAC).

**\*Note on Indicator 5:** Scores for Indicator 5 are determined by the methodology used to measure quality of procurement and public financial management systems under Indicator 2 above.