
ARMENIA

INTRODUCTION

ARMENIA is a lower-middle income country with a gross national income (GNI) of USD 3 100 per capita (2009) which has grown at an average rate of 7% per annum since 2005 (WDI, 2011). It has a population of 3.1 million, 1% of whom (31 000 people) currently live under the 1.25 dollar-a-day income poverty line (WDI, 2011).

The global financial crisis of 2008-09 substantially affected the development and economy of Armenia, with GNI per capita growth dropping from 6% in 2008 to -13% in 2009 (WDI, 2011). However, Armenia has successfully made a full switch to a market economy, which hopefully will lead to better standards of living in the future.

Net official development assistance (ODA) to Armenia in 2009 totalled USD 528 million (OECD, 2011). The top five donors contributed 85% of Armenia's core ODA (OECD forthcoming). ■

SUMMARY OF PROGRESS

PROGRESS ON THE PARIS DECLARATION INDICATORS depends on improvements by both donors and partner governments. In 2010, there were both achievements and failures in making aid more effective. Two out of ten indicators with applicable targets have been met. Public financial management systems have been improved since 2005 and the 2010 target of 4.5 has been met. Progress on untied aid was significantly setback in 2007 and the 2010 target has not been met. However, there is a positive trend, which suggests a basis for continued improvement. Of the other indicators with 2005 baseline data, performance on operational development strategies has been static, while the score for results-oriented frameworks has decreased. ■

ABOUT THE SURVEY

THIS CHAPTER ASSESSES PROGRESS against the quantitative indicators provided by the Survey on Monitoring the Paris Declaration, drawing on data provided by the government and donors, the OECD and the World Bank. In addition to this, it draws on qualitative evidence submitted to the OECD by the national government which incorporates feedback from donors and other stakeholders.

The 2011 Survey responses cover ten donors and 85% of Armenia's core ODA. The country report was developed by the Ministry of Economy of the Republic of Armenia with UNDP Armenia and the OECD. Armenia did not participate in 2006 and 2008 surveys. The lessons learnt from the survey process will feed into an action plan that will address challenges identified. Armenia has demonstrated a good level of commitment and a number of achievements despite having participated in the survey for the first time in 2011. ■

TABLE 1:
Baselines and targets
for 2010

	INDICATORS	2005 REFERENCE	2007	2010 ACTUAL	2010 TARGET
1	Operational development strategies	C	C	C	B or A
2a	Reliable public financial management (PFM) systems	4.0	4.0	4.5	4.5
2b	Reliable procurement systems	Not available	Not available	Not available	No Target
3	Aid flows are aligned on national priorities	--	--	84%	85%
4	Strengthen capacity by co-ordinated support	--	--	51%	50%
5a	Use of country PFM systems	--	--	43%	No Target
5b	Use of country procurement systems	--	--	21%	No Target
6	Strengthen capacity by avoiding parallel PIUs	--	--	5	No Target
7	Aid is more predictable	--	--	80%	No Target
8	Aid is untied	99%	45%	70%	More than 99%
9	Use of common arrangements or procedures	--	--	51%	66%
10a	Joint missions	--	--	10%	40%
10b	Joint country analytic work	--	--	55%	66%
11	Results-oriented frameworks	C	C	D	B or A
12	Mutual accountability	Not available	Not available	N	Y

TABLE 2:
Learning from success
and challenges

	ACHIEVEMENT OR CHALLENGE	LESSON OR PRIORITY ACTION
Ownership	Challenge: A comprehensive long-term national development strategy (NDS), the “Sustainable Development Programme”, has been established. However, there are difficulties regarding implementation owing to the long time horizon. Therefore, the SDP is unlikely to adequately guide implementation strategies and must rely on supplementary support.	Priority action: Clearly link the NDS to sector and sub-national strategies in terms of prioritisation and sequencing.
Alignment	Achievement: Over half of technical assistance is aligned on national priorities, although there is room for improvement.	Lesson: The Ministry of Economy initiated a survey among its employees regarding the needs and future directions of capacity building. Individual capacity development plans were developed as a result.
Harmonisation	Achievement: A significant proportion of country analytic work is co-ordinated.	Lesson: Recent experience has demonstrated that joint analytical work assists in reaching a broader common understanding and better policy recommendations through a more comprehensive assessment of socio-economic issues in Armenia.
Managing for results	Challenge: The development information collected by Armenia in support of their future monitoring and evaluation framework is not of adequate quality and does not yet appear to be tracking the goals and targets set in the NDS.	Priority action: Certain measures can be taken to support the implementation of the monitoring and evaluation system such as reporting progress against the NDS in a unified way and improving the sources and quality control mechanisms regarding data collection.
Mutual accountability	Challenge: Mutual accountability is yet to be established	Priority action: Establish suitable implementation mechanisms and mutual accountability scenarios. Based on existing reviews and reports there is a need for taking radical and new measures towards the implementation of agreements.

OWNERSHIP

AID IS MOST EFFECTIVE when it supports a country-owned approach to development. It is less effective when aid policies and approaches are driven by donors. In the context of the Paris Declaration, ownership concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

Indicator 1 assesses the operational value of a country's development strategy. In particular, it looks at the existence of an authoritative country-wide development policy (*i.e.* a unified strategic framework), the extent to which priorities are established, and whether these policies are costed and linked with the budget. All of these features are important to harness domestic resources for development, and to provide a basis for the alignment of aid to development priorities. Each country has provided evidence against these criteria, and this has been translated into a score by the World Bank using the same methodology as in the 2006 and 2008 surveys. A five-point scale runs from A (highest score) to E (lowest score). The Paris Declaration targets 75% of partner countries achieving a score of A or B by 2010.

In 2010, Armenia received a rating of C for the operational status of its national development strategy, below the 2010 target and no improvement from previous years. Armenia's national development strategy (NDS) has a long-term vision. Despite its comprehensiveness, it is not clear how the NDS effectively guides sector and sub-national strategies in terms of prioritisation and sequencing. The link between the NDS and the medium-term expenditure framework and annual budget is at the preliminary stage.

Armenia's Sustainable Development Programme (SDP) covering 2008-21 serves as both an NDS and a long-term vision. The SDP is comprehensive and detailed but poses difficulties regarding implementation owing to the long time horizon. Therefore, the SDP is unlikely to adequately guide implementation strategies and must rely on supplementary support. It is not clear how the NDS can effectively link with sector and sub-national strategies, especially in terms of timing and sequencing. It should be noted, however, that the NDS has been used as a reference for sectoral concept papers, annual programmes, and action plans of line ministries.

The NDS includes prioritised targets and a system to address sequencing to achieve targets. In order to achieve the prioritised targets, after policy directions and tools are identified, action plans outlining responsible agencies and timing are developed. However, it is not clear how the prioritised targets of the NDS are implemented. There is strong evidence that both the Millennium Development Goals and cross-cutting issues have been appropriately addressed by the government's development strategy.

While the NDS is used as a reference for the medium-term expenditure framework and the annual budget, lack of costing makes the strategic link between the NDS and the budget difficult. The performance orientation plan in budgeting appears to be preliminary, and needs full implementation to be effective. ■

ALIGNMENT

AID THAT IS DONOR DRIVEN AND FRAGMENTED is less effective. For aid to be effective, it must make use of national development strategies and use and help strengthen capacity in national systems, such as those for procurement and public financial management. The Paris Declaration envisions donors basing their support fully on partner countries' aims and objectives. Indicators 2 through 8 of the Paris Declaration assess several different dimensions of alignment.

On alignment two out of four indicators with applicable targets have been met (reliability of public financial management systems and strengthening capacity through co-ordinated technical support). Alignment of aid flows to national priorities narrowly missed the 2010 target by a percentage point. A setback in untied aid is evident over the past five years, with a decrease from 99% to 70%.

INDICATOR 1
Do countries have operational development strategies?

INDICATOR 2
Building reliable
country systems

Indicator 2 covers two aspects of country systems: public financial management (PFM) and procurement. Do these systems either adhere to good practices or are there plans for reform? If countries have reliable systems, donors are encouraged to use them for the delivery and management of aid. This helps to align aid more closely with national development strategies and enhances aid effectiveness.

INDICATOR 2a
How reliable are
country public financial
management systems?

Indicator 2a of the Paris Declaration assesses whether PFM systems meet broadly accepted good practices or whether credible reform programmes are in place. The assessment is based on the World Bank's Country Policy and Institutional Analysis (CPIA) score for the quality of PFM systems, which uses a scale running from 1 (very weak) to 6 (very strong).

To score highly, a country needs to perform well against all three of the following criteria: a comprehensive and credible budget linked to policy priorities; an effective financial management system to ensure that the budget is implemented as intended in a controlled and predictable way; and timely and accurate accounting and fiscal reporting, including timely and audited public accounts with effective arrangements for follow up. Meeting the global 2010 target requires half of partner countries to move up at least one measure (*i.e.* 0.5 points) between 2005 and 2010.

There has been progress on reliable public financial management (PFM) systems in Armenia since 2005 and the score has increased from 4.0 to 4.5, meeting the target. According to the assessment report, significant improvements have been recorded in the budget process since 2003. Formulation of the budget is linked to government policies across different areas derived from long-term strategic policies and public medium-term expenditure frameworks. Realising the importance of implementing comprehensive PFM reforms, the government developed 'The Strategy for Reforming the Public Finance Management System', which lays out a wide scope of reforms in the public finance management system from 2011-20. Although some improvements in PFM systems have been achieved in the budget execution process, there are still outstanding issues impeding future progress, especially in the field of control. In particular, while the tool of internal auditing has been introduced in state institutions, it is not yet fully consistent with recognised international standards.

INDICATOR 2b
How reliable are country
procurement systems?

Indicator 2b was first measured in 2008 by 17 countries. The process is one of self-assessment, using the Methodology for the Assessment of National Procurement Systems developed by the OECD-DAC Task Force on Procurement. The methodology includes baseline indicators to compare a country's systems to internationally accepted good practice and also a new set of indicators to assess overall performance of the system, compliance with national legislation and standards and whether there is a reform programme in place to promote improved practices. The results are expressed as grades on a four-point scale running from A (the highest) to D (the lowest). The 2010 target is for a third of partner countries to move up at least one measure (*i.e.* from D to C, C to B or B to A) although not all countries will perform an assessment.

Armenia did not complete the self-assessment on the reliability of its procurement systems in 2010. However, the government has approved a strategy on procurement reforms. In late 2010, Armenia also signed up to the World Trade Organization's Agreement on Procurement. This signals that the public procurement system in the country is in full compliance with leading international procurement standards.

INDICATOR 3
Aligning aid flows on
national priorities

Comprehensive and transparent reporting on aid, and its use, helps ensure that donors align aid flows with national development priorities. When aid directed to the government sector is fully and accurately reflected in the national budget it indicates that aid programmes are well connected with country policies and processes. This also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens.

As a proxy for alignment, indicator 3 measures the percentage of aid disbursed by donors for the government sector that is included in the annual budget for the same fiscal year. The indicator reflects two components: the degree to which aid is aligned with government priorities, and the extent to which aid is captured

in government's budget preparation process. Budget estimates can be higher or lower than disbursements by donors and are treated similarly for the purpose of measuring indicator 3 despite the different causes.

The 2010 target is to halve the proportion of aid flows that are not currently reported on government budgets, with at least 85% of aid reflected in the budget.

	Government's budget estimates of aid flows in 2010 (USD m) a	Aid disbursed by donors for government sector in 2010 (USD m) b	2005		2007		2010 *		Total aid disbursed through other donors (USD m)
			(for reference)		(for reference)		(%)		
							c = a / b	c = b / a	
Asian Dev. Bank	34	22	--	--	--	--		65%	0
GAVI Alliance	0	0	--	--	--	--	0%		0
Germany	18	11	--	--	--	--		64%	0
Global Fund	4	3	--	--	--	--		85%	0
IMF	56	56	--	--	--	--	100%		0
IOM	0	1	--	--	--	--	0%		0
Japan	21	80	--	--	--	--	26%		0
United Nations	11	12	--	--	--	--	93%		0
United States	66	66	--	--	--	--	100%		0
World Bank	90	95	--	--	--	--	94%		0
Average donor ratio			--	--	--	--	63%		
Total	282	336	--	--	--	--	84%		0

* Ratio is $c = a / b$ except where government's budget estimates are greater than disbursements ($c = b / a$).

In 2010, 84% of Armenia's incoming aid was accurately estimated in the budget, meeting the target. All the major donors except Japan performed relatively well, although the average donor ratio is lower, reflecting poor performance from smaller donors. For some donors, the amount of aid distributed is less than government estimates. There are a number of reasons for gaps between estimated and actual disbursements. First, the state budget does not include all government receipts, with part being reported as extra budgetary account revenues. Another issue arises in the reporting of grants. In this regard, most of the procurements from donor funding do not follow national procedures. In order obtain thorough and timely information on aid disbursements Armenia should establish a mechanism for putting aid on budget.

For many countries, aid is a vital source of revenue and resources. Being able to predict aid disbursements – both in terms of how much aid will be delivered and when – is important to enable countries to manage public finances and undertake realistic planning for development. The Paris Declaration calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable manner according to agreed schedules.

Indicator 7 examines the in-year predictability of aid for the government sector by measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in their accounting system as having been disbursed. Indicator 7 therefore assesses two aspects of predictability. The first is the ability of donors to disburse aid according to schedule. The second is the ability of government to record disbursements for the government sector as received in its accounting system. Indicator 7 is designed to encourage progress in relation to both, with the aim of halving the proportion of aid not disbursed (and not captured in the government's accounting system) within the fiscal year for which it was scheduled by 2010. The ultimate goal is to improve not only the predictability of disbursements, but also the accuracy with which they are recorded in government systems – an important element to support ownership, accountability and transparency.

TABLE 3
Are government budget estimates comprehensive and realistic?

INDICATOR 7
Providing more predictable aid

TABLE 4
Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in 2010	Aid scheduled by donors for disbursement in 2010	2005		2007		2010*		For reference: Aid disbursed by donors for government sector in 2010	For reference: % of scheduled aid disbursements reported as disbursed by donors in 2010**	
	(USD m)	(USD m)	(for reference)	(for reference)	(for reference)	(for reference)	(%)	(%)	(USD m)	(%)	(%)
	a	b					c = a / b	c = b / a	d	e = d / b	e = b / d
Asian Dev. Bank	22	25	--	--	--	--	87%		22	87%	
GAVI Alliance	0	0	--	--	--	--	0%		0	91%	
Germany	14	10	--	--	--	--		72%	11		87%
Global Fund	3	5	--	--	--	--	51%		3	66%	
IMF	56	56	--	--	--	--	100%		56	100%	
IOM	0	1	--	--	--	--	0%		1	50%	
Japan	67	80	--	--	--	--	83%		80	100%	
United Nations	10	18	--	--	--	--	58%		12	68%	
United States	66	66	--	--	--	--	100%		66	100%	
World Bank	84	135	--	--	--	--	62%		95	71%	
Average donor ratio			--	--	--	--	61%				82%
Total	308	387	--	--	--	--	80%		336		87%

* Ratio is $c=a/b$ except where disbursements recorded by government are greater than aid scheduled for disbursement ($c=b/a$).

** Ratio is $e=d/b$ except where disbursements recorded by donors are greater than aid scheduled for disbursement ($e=b/d$).

Eighty percent of scheduled aid was recorded in public accounts in 2010. Among major donors in this regard the IMF and the United States score 100%, followed by the Asian Development Bank and Japan at around 85%. The World Bank and United Nations score around 60%. To improve the situation the Ministry of Finance, in co-operation with the World Bank and a number of other international organisations, prepared a public financial management measurement report in 2008. This report shed light on the reasons behind disbursement deviation from the predicted amount of budget support. Stakeholders participating in the survey focussed on budget support and noted that all direct budget support is planned in the medium-term expenditure framework under the revenues envisaged in the state budget proposal. Moreover, current practices do not enable the accurate planning of budget support disbursements during the year, causing deviations between planned revenues and actual budget outturns. Reasons for discrepancies include incomplete financial information provided by donors for budgeting and reporting on project and programme aid, the timeliness of in-year budget reports, and the limited proportion of aid managed using national procedures.

INDICATOR 4
Co-ordinating support to strengthen capacity

Capacity constraints present significant challenges to development and poverty reduction efforts and their sustainability. These relate both to aid management capacities (the ability of the government to capture, co-ordinate and utilise aid flows more effectively) and also to broader capacities for the design and implementation of policies and service delivery.

Under the Paris Declaration donors committed to providing technical co-operation that is co-ordinated with partner country strategies and programmes. This approach aims to strengthen capacities while also responding to the needs of partner countries. Successful capacity development is led by the partner country.

Indicator 4 focuses on the extent to which donor technical co-operation (an important input into capacity development) is country-led and well co-ordinated. It captures the extent to which technical co-operation is aligned with objectives articulated by country authorities, whether country authorities have control over this assistance, and whether arrangements are in place to co-ordinate support provided by different donors. The Paris Declaration target is for 50% of technical co-operation flows to be implemented through co-ordinated programmes that are consistent with national development strategies by 2010.

Building capacity within the public sector is a declared priority of the Armenian government. In 2010, 51% of technical co-operation was deemed to be co-ordinated and consistent with Armenia's national development strategies, meeting the 2010 target of 50%. Germany scores highest at 100%, followed by the World Bank

	Co-ordinated technical co-operation (USD m)	Total technical co-operation (USD m)	2005	2007	2010
	a	b	(for reference)	(for reference)	(%)
					c = a / b
Asian Dev. Bank	0	0	--	--	--
GAVI Alliance	0	0	--	--	--
Germany	5	5	--	--	100%
Global Fund	0	0	--	--	--
IMF	0	0	--	--	0%
IOM	1	1	--	--	100%
Japan	1	2	--	--	74%
United Nations	5	8	--	--	64%
United States	16	45	--	--	36%
World Bank	11	12	--	--	94%
Total	34	66	--	--	51%

TABLE 5
How much technical co-operation is co-ordinated with country programmes?

(94%), the United Nations (64%) and United States (36%). The Ministry of Economy recently initiated a survey among its employees regarding the needs and future directions of capacity building. Individual capacity development plans have been developed as a result. However, capacity development programmes also face many challenges including the absence of a consolidated policy; insufficiently identified and assessed capacity building needs in the public sector; unpredictable, unbalanced or inflexible funding and staffing; and the existence of uncompetitive salaries in the public sector in relation to the private sector and international organisations. Currently the government is increasingly guiding capacity building initiatives, but co-ordinated technical co-operation as part of country programmes and joint capacity building is not intensively used.

Donor use of a partner country's established institutions and systems increases aid effectiveness by strengthening the government's long-term capacity to develop, implement and account for its policies to both its citizens and its parliament. The Paris Declaration commits donors to increase their use of country systems that are of sufficient quality, and to work with partner countries to strengthen systems that are currently weak. Indicator 5 is directly linked to indicator 2 on the quality of public financial management (PFM) and procurement systems.

INDICATOR 5
Using country systems

	Aid disbursed by donors for government sector (USD m)	Public financial management						Procurement			
		Budget execution	Financial reporting	Auditing	2005	2007	2010	Proc. systems	2005	2007	2010
		(USD m)	(USD m)	(USD m)	(for reference)	(for reference)	(%)	(USD m)	(for reference)	(for reference)	(%)
a	b	c	d			avg(b,c,d)/a	e			e / a	
Asian Dev. Bank	22	22	22	22	--	--	100%	0	--	--	0%
GAVI Alliance	0	0	0	0	--	--	0%	0	--	--	0%
Germany	11	9	9	9	--	--	79%	9	--	--	79%
Global Fund	3	3	0	0	--	--	33%	3	--	--	100%
IMF	56	56	0	0	--	--	33%	0	--	--	0%
IOM	1	0	0	0	--	--	0%	0	--	--	0%
Japan	80	68	68	68	--	--	86%	68	--	--	86%
United Nations	12	0	0	0	--	--	1%	0	--	--	0%
United States	66	0	0	0	--	--	0%	0	--	--	0%
World Bank	95	95	0	0	--	--	33%	0	--	--	0%
Total	336	254	91	91	--	--	43%	72	--	--	21%

TABLE 6
How much aid for the government sector uses country systems?

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding for the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting and auditing) as a proportion of total aid disbursed for the government sector. The 2010 target is set relative to indicator 2a on the quality of PFM systems. For partner countries with a

INDICATOR 5a
Use of country public financial management systems

score of 5 or above on indicator 2a scale the target is for a two-thirds reduction in the proportion of aid to the public sector not using the partner country's PFM systems. For partner countries with a score between 3.5 and 4.5 on indicator 2a, the target is a one-third reduction in the proportion of aid to the public sector not using partner country's PFM systems. There is no target for countries scoring less than 3.5.

In 2010, 43% of aid used Armenia's PFM systems, although no target was applicable. Only three out of ten donors used more than two-thirds of Armenia's PFM systems when providing funding to the government sector (the Asian Development Bank, Germany and Japan). Donors such as the United Nations and the United States did not use any of the country's PFM components. In recent years specific reforms have been implemented in the areas of financial management and national competitive bidding procurement for projects. These reforms successfully resolved several procedural complications with the opening of foreign currency accounts for donor-financed projects, as well as adopting software allowing online management of the treasury account. This has led the World Bank to increase its use of country systems.

INDICATOR 5b
Use of country
procurement systems

Indicator 5b follows a similar graduated target to indicator 5a which is set relative to indicator 2b on the quality of procurement systems. For partner countries with a procurement score of 'A', a two-thirds reduction in the proportion of aid for the public sector not using the country's procurement systems and for partner countries with a procurement score of 'B' to reduce the gap by one-third.

Only 21% of aid was channelled through country procurement systems in 2010, however, no target was applicable. With the exception of Japan, the Global Fund and Germany, no donors made use of country systems. With the aim of establishing an efficient, cost-effective, transparent, and credible procurement system and encouraging its use, the government approved a formal strategy on procurement reform, and a procurement law was adopted by the parliament in December 2010. An electronic procurement system was installed in March 2011. Despite the possible challenges concerning the use of country systems in terms of corruption, fiduciary, development, and reputational risks for both donors and the government, the strengthening and use of the country procurement systems should be viewed as being in the interest of both parties.

INDICATOR 6
Avoiding parallel
implementation
structures

When providing development assistance, some donors establish dedicated management units or implementation units (PIUs) to support development projects or programmes. A PIU is said to be "parallel" when it is created by 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, PIUs often tend to undermine national capacity building efforts, distort salaries and weaken accountability for development.

To make aid more effective, the Paris Declaration encourages donors to "avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes." Indicator 6 is a count of the number of parallel PIUs being used in partner countries. The 2010 target is to reduce by two-thirds the number of parallel PIUs in each partner country.

According to the information provided by donors, five parallel project implementation units were in operation in 2010. It is clear that the existence of parallel PIUs in the country should not be viewed as a response to weak governance, as they were formed following the decision of the government that a parallel structure was the optimal mode of project implementation. However, it should be noted that donors felt there was a degree of ambiguity when determining whether PIUs were parallel or not.

In 2011, one of these parallel PIUs (the Millennium Challenge Account Armenia) will stop functioning. Some stakeholders at the country-level stress that the closure of any PIU in an advanced stage of implementation is not reasonable. Greater alignment could be facilitated through a set of implementation arrangements within the government's respective structures, which would stimulate the use of national financial and procurement systems and give rise to mutual accountability. At the same time, the transfer and/or distribution

	Parallel PIUs		
	2005 (for reference)	2007 (for reference)	2010 (units)
Asian Dev. Bank	--	--	0
GAVI Alliance	--	--	0
Germany	--	--	0
Global Fund	--	--	0
IMF	--	--	0
IOM	--	--	0
Japan	--	--	0
United Nations	--	--	4
United States	--	--	1
World Bank	--	--	0
Total	--	--	5

TABLE 7
How many PIUs are parallel to country structures?

of the corresponding functions should be carried out in full compliance with the existing capacities, taking into account the strengths and weaknesses of ministries and government agencies.

Aid is “tied” when restrictions are placed on the countries that goods and services may be purchased from, typically including the donor country and/or another narrowly specified group of countries. Untied aid not only improves value for money and decreases administrative burdens, but also supports the use of local resources, country systems and the harmonisation of donor support provided through pooled or joint aid instruments and approaches.

Data on the extent to which aid is tied are based on voluntary self-reporting by donors that are members of the OECD’s Development Assistance Committee (DAC). The Paris Declaration target is to continue progress towards untying all aid between 2005 and 2010.

INDICATOR 8
Untying aid

	Total bilateral aid as reported to the DAC in 2009	Untied aid	2005 (for reference)	2007 (for reference)	Share of untied aid
Austria	1.0	0.9	1%	96%	94%
Belgium	0.1	0.1	100%	100%	100%
Canada	0.0	0.0	--	18%	--
Denmark	0.0	0.0	100%	31%	--
Finland	0.0	0.0	100%	--	--
France	1.8	1.8	100%	13%	100%
Germany	20.3	20.3	72%	100%	100%
Greece	0.6	0.2	100%	0%	29%
Ireland	0.0	0.0	100%	100%	--
Italy	0.5	0.5	--	--	100%
Japan	11.9	11.9	100%	100%	100%
Korea	0.0	0.0	--	--	--
Luxembourg	0.0	0.0	100%	--	100%
Netherlands	0.0	0.0	98%	100%	--
Norway	5.0	5.0	100%	100%	100%
Spain	0.0	0.0	89%	0%	--
Sweden	0.5	0.5	100%	100%	100%
Switzerland	0.6	0.6	81%	100%	100%
United Kingdom	0.5	0.5	100%	100%	100%
United States	55.7	26.3	91%	27%	47%
Total	99	69	99%	45%	70%

TABLE 8
How much bilateral aid is untied?

Source: OECD Creditor Reporting System.

In 2010, the level of untied aid was 70% up from 45% in 2007, but down from 99% in 2005. The United States, which is a significant donor, has particularly low levels of untied aid. Among other major donors, Japan and Germany have the highest possible scores on untied aid (100%). In Armenia, issues regarding untied aid are discussed at the project negotiation stage. Because only some donors have explicit policies on untying their aid, untied aid is not regulated at the same level for all donors. This might partly explain the increase in tied aid since 2005. However, the decrease in tied aid since 2007 underscores that if major donors continue to untie their aid then the target for this indicator could be reached within five years. ■

HARMONISATION

POOR CO-ORDINATION OF AID increases the cost to both donors and partner countries and significantly reduces the real value of aid. Harmonisation of aid delivery procedures and the adoption of common arrangements help reduce duplication of effort and lower the transaction costs associated with aid management. The Paris Declaration focuses on two dimensions of aid as a proxy for assessing overall harmonisation: the use of common arrangements within programme-based approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and co-ordinate analytic work.

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A good mechanism for aid co-ordination can be described as one that has shared objectives and integrates the various interests of stakeholders. Indicator 9 assesses the degree to which donors work together – and with partner governments and organisations – by measuring the proportion of total ODA disbursed within programme-based approaches (PBAs). In practice, there are many different approaches and modalities which can use PBAs and harmonisation takes place at various levels.

At one level, the partner country is responsible for defining clear, country-owned programmes (*e.g.* a sector programme or strategy) and establishing a single budgetary framework that captures all resources (both domestic and external). At another level, donors are responsible for taking steps to use local systems for programme design and implementation, financial management, monitoring and evaluation. Finally, partner countries and donors are jointly responsible for donor co-ordination and harmonisation of donor procedures. The 2010 target is that two-thirds of aid flows are provided in the context of PBAs.

INDICATOR 9 Using common arrangements

TABLE 9
How much aid is
programme based?

	Programme-based approaches			Total aid disbursed (USD m) d	2005 (for reference)	2007 (for reference)	2010 (%) e = c / d
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c = a + b				
	Asian Dev. Bank	0	0				
GAVI Alliance	0	0	0	0	--	--	100%
Germany	0	0	0	11	--	--	0%
Global Fund	0	4	4	4	--	--	100%
IMF	56	0	56	56	--	--	100%
IOM	0	0	0	1	--	--	0%
Japan	68	10	78	81	--	--	96%
United Nations	0	8	8	15	--	--	54%
United States	0	33	33	91	--	--	36%
World Bank	0	6	6	95	--	--	6%
Total	124	62	186	367	--	--	51%

In 2010, 51% of aid was delivered in programme-based approaches. Armenia is therefore close to the 66% target. Amongst major donors in this regard, The IMF and Japan channel almost all their aid through PBAs, while the United Nations, World Bank and United States make considerably less use of PBAs. Based on the figure for 2010, it seems that budget support constitutes the majority of programme-based arrangements (USD 124 million out of USD 186 million total aid distributions).

A common complaint of partner countries is that donors make too many demands on their limited resources: country authorities spend too much time meeting with donor officials and responding to their many requests. The Paris Declaration recognises that donors have a responsibility to ensure that, to the greatest extent possible, the missions and analytical work they commission are undertaken jointly – *i.e.* that the burden of such work is shared. The 2010 target is that 40% of donor missions to the field are conducted jointly.

INDICATOR 10a
Joint missions

	Co-ordinated donor missions* (missions) a	Total donor missions (missions) b	2005* (for reference)	2007* (for reference)	2010* (%) c = a / b
Asian Dev. Bank	0	20	--	--	0%
GAVI Alliance	0	0	--	--	--
Germany	0	7	--	--	0%
Global Fund	0	4	--	--	0%
IMF	0	3	--	--	0%
IOM	0	3	--	--	0%
Japan	0	1	--	--	0%
United Nations	23	60	--	--	38%
United States	0	0	--	--	--
World Bank	4	80	--	--	5%
Total	18	178	--	--	10%

TABLE 10
How many donor missions are co-ordinated?

* The total of coordinated missions has been adjusted to avoid double counting. A discount factor of 35% is applied.

With 10% of joint missions co-ordinated in 2010, Armenia is significantly away from the target goal of 40%. Out of the ten donor partners only two (the United Nations and the World Bank) conducted joint missions, and even then at a relatively low level (38% and 5% respectively). This signals that the government needs to initiate better co-ordination amongst donors and assert stronger leadership. Initially, the efforts towards joint missions were undertaken by those countries having endorsed the Paris Declaration. However, the figures for 2010 show that the majority of donors have not adequately carried through with reforms. In future, the increased use of joint country missions in pursuit of cost-effectiveness will probably lead to closer co-operation between different donors financing complementary projects. This will have time-saving spillover effects for respective government entities.

Country analytic work is the analysis and advice necessary to strengthen policy dialogue, and to develop and implement country strategies. It includes country or sector studies and strategies, country evaluations and discussion papers. The Paris Declaration foresees that donors should conduct analytic work jointly where possible as it helps curb transaction costs for partner authorities, avoids unnecessary duplicative work and helps to foster common understanding. Indicator 10b measures the proportion of country analytic work that is undertaken jointly. The 2010 target is that 66% of country analytic work is carried out jointly.

INDICATOR 10b
Joint country analytic work

Fifty-five percent of the total donor analytical work is co-ordinated, not far from the target goal of 66%. The United States, the Asian Development Bank and the Global Fund were the only donors that co-ordinated 100% of their analytical work; with the exception of the United Nations, all other donors co-ordinated more than half of their analytic works in Armenia. It should be noted that the policy to accomplish greater joint country analytic work was authored by donor organisations. Recent experience has demonstrated that joint analytic work assists in reaching a broader common understanding and better policy recommendations through a more comprehensive assessment of socio-economic issues in Armenia. ■

TABLE 11
How much country
analytic work is
co-ordinated?

	Co-ordinated donor analytic work* (units) a	Total donor analytic work (units) b	2005* (for reference)	2007* (for reference)	2010* (%) c = a / b
Asian Dev. Bank	3	3	--	--	100%
GAVI Alliance	0	0	--	--	--
Germany	1	2	--	--	50%
Global Fund	1	1	--	--	100%
IMF	0	4	--	--	0%
IOM	1	4	--	--	25%
Japan	0	0	--	--	--
United Nations	47	60	--	--	78%
United States	12	12	--	--	100%
World Bank	0	2	--	--	0%
Total	49	88	--	--	55%

* The total of coordinated missions has been adjusted to avoid double counting. A discount factor of 25% is applied.

MANAGING FOR RESULTS

INDICATOR 11
Do countries have
results-oriented
frameworks?

BOTH DONORS AND PARTNER COUNTRIES should manage resources according to well-defined, desired results, measuring progress toward them and using information on results to improve decision making and performance. Achieving this implies strengthening capacity to undertake such management and emphasising a focus on results. Countries are expected to develop cost-effective and results-oriented reporting and performance assessment frameworks, while donors commit to use them and refrain from requiring separate reporting.

Indicator 11 assesses the quality of a country's results-oriented frameworks. In particular, it considers the quality of the information generated, stakeholder access to information, and the extent to which the information is utilised within a country level monitoring and evaluation system. The government provides evidence against these criteria through the survey, and this is translated by the World Bank into a score running from A (highest score) to E (lowest score).

The Paris Declaration 2010 global target is to reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third.

The overall score on results-based monitoring frameworks was assessed a D, leaving the target unmet and a setback from 2007. This low score reflects the incomplete implementation of monitoring and evaluation (M&E) for the national development strategy (NDS).

The development information collected by Armenia in support of their future monitoring and evaluation framework is not of adequate quality and does not yet appear to be tracking the goals and targets set in the NDS. Certain measures can be taken to support the implementation of the monitoring and evaluation system such as reporting progress against the NDS in a unified way and improving the sources and quality control mechanisms for the collection of development information.

The trajectory of improvements in this area is unclear. While some information is provided by stakeholders, future improvements can increase the dissemination tools and information available (*e.g.* progress reports on achieving the national development strategy). The monitoring and evaluation system for the NDS has been designed but due to various constraints, has not yet been successfully implemented. This indicates preliminary progress but with significant challenges ahead. The monitoring and evaluation system will be most effective if it tracks inputs, outputs, and outcomes against targets and benchmarks on multiple levels. The monitoring and evaluation system will achieve maximum utility if policy makers use it in order to adjust strategies and policies accordingly. ■

MUTUAL ACCOUNTABILITY

STRONG AND BALANCED MECHANISMS that support accountability are required at all levels for aid to be most effective. Donors and partner country governments should be accountable to their respective publics and to each other for implementing their commitments on aid, its effectiveness, and the results to which it contributes.

Indicator 12 examines whether there is a country-level mechanism for mutual assessment of progress on partnership commitments, including on aid effectiveness. There are three criteria that must all be met: the existence of an aid policy or strategy agreed between the partner country government and donors; specific country-level aid effectiveness targets for both the partner country government and donors; an assessment towards these targets undertaken by both partner and donors in the last two years, and discussed in a forum for broad-based dialogue.

The 2010 target is for all partner countries to have mutual assessment reviews meeting these criteria in place.

The mid-term donor-government partnership is grounded on the bilateral partnership strategy papers, in which the development targets are set according to the priorities of the Sustainable Development Programme (SDP), the Government Program 2008-2012 and the Mid-term Fiscal Expenditure Program.

The country partnership strategy papers include proposed actions outlining the implementing agencies with respective responsibilities and timeframes. However, along with the development of the country strategy papers, both parties need to set up proper implementation mechanisms and mutual accountability scenarios. Based on the reviews and reports there is a need for taking radical and new measures towards the implementation of agreements. Donors usually adjust their actions and approaches to the country situation its socio-economic policies and development forecasts.

Domestic country realities influence various decisions such as the targeting of stakeholders and the cost structure of projects. Another tool applied by the government to promote mutual accountability are donor co-ordination meetings. A donor co-ordination meeting on achievements and future actions in this area was held in August 2010 and has been followed by similar meetings. A number of donors participate in the SDP steering committee and working group meetings and bring their valuable input into the SDP implementation and the drafting of associated policy documents. Furthermore, the government has developed a website to raise public awareness and to increase transparency on donor-government partnerships. ■

NOTES

The quantitative information presented in this chapter is taken from data provided by national co-ordinators up to 31 July 2011, following the data validation process with stakeholders at the country level. It was not possible to modify or correct any data received after this date.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

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INDICATOR 12

Mutual accountability

