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"WHAT'S WRONG WITH ODA TODAY?

The Paris Declaration and Lessons Learned

from the EU "Asia Urbs" Project in Cambodia"

ABSTRACT

This essay examines the effectiveness of Official Development Assistance (ODA) by taking a closer look at the EU's Asia Urbs project where the author interned for three months in 2007. This project focused on decentralizing Cambodia's political administration, increasing good governance for its citizens, and building capacities for the delivery of transparent and client-oriented public services. In the essay, the Asia Urbs project is assessed by applying the five overarching goals of the Paris Declaration on Aid Effectiveness: Ownership, Alignment, Harmonization, Managing for Results, and Mutual Accountability.

However, it turns out that the worthwhile goals of the Paris Declaration are not only difficult to achieve, but can be inherently contradictory, particularly in the area of improving good governance as one of the key prerequisites for development. Trade-offs between different goals might have to be faced: in fact, too much ownership can impede project effectiveness. However one deals with the dilemma of how to include the government in promoting good governance, ODA actors must maintain a careful balance between political ideals and practical solutions for the problems of the poor.

While acknowledging the difficulty in evaluating projects aimed at promoting good governance, three factors are identified as important for successful ODA: first, client satisfaction, since citizens can assess best what they need; second, sustainability, since only projects that continue after the donors have left create lasting public value; and third, transparency of the project results, since ODA actors can learn from previous mistakes only if evaluations of what worked and what didn't are documented and made available online.

WHAT IS ASIA URBS?

Asia Urbs was a multilateral development project aimed at promoting political decentralization and building regional capacities for good governance in Cambodia. It involved various key players: on the one side, the main financier, the European Commission, together with two European local administrations, the Rhein-Sieg district of Germany and the city of Spoleto in Italy; on the other side, the two Cambodian pilot districts, Battambang and Siem Reap, and various national authorities of the Royal Government of Cambodia; and as support, the German Konrad Adenauer Foundation (KAS), and the consulting firm BBJ from Berlin. The entire project took place over eight years, from 2000 to 2008. "Asia Urbs III: Strengthening Pilot Administrations" was the second extension of the original project. Its objective was to further decentralize the Cambodian political system by assisting in the transfer of political power and decision-making authority to local government, building up capacities inside the two district administrations, and creating various instruments for people's participation.

The two pilot districts that the Asia Urbs activities focused on were the district administrations of Battambang and Siem Reap, the two biggest and most important cities and districts in Cambodia next to its capital Phnom Penh. Each of these two cities has a very different appearance and faces its own distinctive private sector developments. Battambang seems like a sleepy Cambodian town to the few tourists who come to visit, but in fact, with about 150,000 inhabitants it's the country's second-biggest city and an important hub for both transport and all kinds of local businesses. Named the Rice Bowl of Cambodia, the district also boasts a strong agricultural sector, producing 300,000 tons of rice for sale in 2007, next to various subsidiary and industrial crops, livestock breeding, and fishing.[1] Siem Reap has a totally different make-up: world-famous Angkor Wat, said to have been the world's biggest human settlement one thousand years ago, attracts more than a million tourists a year, and their number is still growing. The tourism industry is by far the most important employment sector here, and construction of new hotels and restaurants has taken on a rapid pace. The expat community (foreigners who have settled in the country, usually running their own bar, guest house or NGO) is also far bigger here than in Battambang.

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[1] Retrieved Mar, 21, 2009 from http://www.battambang-town.gov.kh/en/battambang_cambodia.html

The main goals of the Asia Urbs project were to achieve "more democracy and good service for the citizens" as well as "socio-economic development in Province and District through local self-administration".[2] New instruments have been developed in each district to reach this goal, with varying success. The post of an ombudsman, whom citizens can turn to with complaints about their government, has been created. A district council has been formed that works together with the district governor and the district administration and thus ensures more people's participation; it functions as the voice of the locals and brings these together with their district authority to create better communication and accountability for the district administration's decisions. For this purpose, a spokesperson has been installed whose responsibility it is to ensure a better flow of information to the citizens about the political process and ongoing activities in the district. A Job Placement Agency (JPA) was established to promote employment opportunities and bring together job seekers and employers, and to train young Cambodians in job application skills. Workshops have been held to introduce a new, more transparent and more efficient district budgeting system. A master plan for the district's future infrastructure development on the local level has been developed; and so on.

Asia Urbs' mission in its second and last extension was to foster the proper functioning and further development of these newly implemented facilities. The plan was to build the district administration's capacity to provide good governance to its citizens in the form of more transparent and efficient public services, and thus reinforce the exchange between, and the participation of, the governed and the governing on the district level. The relationship between citizens and their local government had up to then often been characterized by a feeling of distrust and being neglected, not cared about or even looked down upon by the citizens. This relationship was supposed to be changed and improved compared to its current status. The underlying idea was to reintroduce the concept of citizens as customers and the administration as the agency whose role it is to serve them, and which has the capacity to do so.

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[2] The Asia Urbs project's website www.cambodiantowns.net has unfortunately not been maintained since last year; this is another indicator of the lack of *sustainability* of ODA efforts.

Consequently, Asia Urbs' most successful achievement was the creation of the new One Window Service Office (OWSO) in each of the pilot districts, which allows citizens to receive government services such as registration of motor vehicles, shops or restaurants as well as official certifications and notarizations directly from their local district administration. Furthermore, these services are offered for a publicly displayed set price, which doesn't change according to the daily mood of the processing officer. It was planned to have the OWSO finance itself by keeping the fees it collects and reinvesting these back into the respective district administration, instead of handing these funds further up to the national government in Phnom Penh. However, this issue had not been resolved by the end of the project. Next to the OWSOs' very satisfied clients, the World Bank's intention to finance setting up more OWSOs in every district in Cambodia in the coming years is yet another indicator of the success of this new institution.

WHAT IS ODA? HAS IT WORKED SO FAR?

The Organization of Economic Co-operation and Development (OECD), comprising thirty high-income countries committed to the principles of representative democracy and free-market economy,[3] defines Official Development Assistance (ODA) as follows:

> *Flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 percent (using a fixed 10 percent rate of discount). By convention, ODA flows comprise contributions of donor government agencies, at all levels, to developing countries ("bilateral ODA") and to multilateral institutions. ODA receipts comprise disbursements by bilateral donors and multilateral institutions.[4]*

Thus, ODA comprises three main elements: first, it must come from the "official", i.e. public sector; second, its main goal must be to promote economic development and

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[3] These are Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States.

[4] OECD Glossary of Statistical Terms, Official Development Assistance (ODA)

welfare; and third, it must be concessional in nature (i.e. loans must include a grant element of at least 25%).

Unfortunately, despite all the good efforts of donors and some success stories – in particular in the health sector[5] – many problems remain with ODA today. Statistical data doesn't offer a very favorable picture of its usefulness: although aid as a percentage of GDP has increased from just over 5 percent to more than 15 percent from 1970 to 1999, during the same time period economic growth in Africa fell from a healthy 16% to below zero – negative growth – and only rose to a meager 0.1 percent in the last five years.[6] In comparison, today's economic success stories, particularly in Asia – the so-called "tiger states", India, and of course China – have enjoyed rapid economic growth while aid flows have decreased during the same time period. Booth (2005) finds that from 1970 to 2000 aid was roughly halved in Asia and the Pacific; at the same time, "national income per capita has grown fourfold in South Asia […] and about eightfold in East Asia and the Pacific… Growth was highest when aid was falling most quickly."[7]

Many critics are skeptical about the effectiveness of ODA and speculate that it might even be harmful in its current form. Some critics even question the underlying assumption of ODA: that it can promote economic growth and development and thus raise the standard of living of the poor. In some respects, economist Peter Bauer summed up the distrust towards ODA best when he claimed "government-to-government transfers […] are an excellent method for transferring money from poor people in rich countries to rich people in poor countries."[8]

William Easterly (2006), one of today's most prominent critics of ODA, doesn't call for the total abolition of aid but criticizes current unsuccessful ODA practices of developed (OECD) countries. He sees huge deficits in donors' feedback mechanisms, which don't take into account the needs of the poor as their "clients"; he criticizes a lack of accountability, since projects are shared among many different aid agencies, so that

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[5] E.g. the near-elimination of smallpox, mass vaccinations against measles, water blindness etc.; in: Easterly: The White Man's Burden, 2006, p. 213

[6] Ibid., p. 40

[7] Booth 2005: Aid, Trade and Governance: Can We Make Poverty History?

[8] Blundel et al. 2006: *A Tribute to Peter Bauer,* IEA Occasional Paper 128

nobody in particular is responsible for results; and he warns about crafting grand utopian plans instead of implementing practical piecemeal solutions. In his view, donors need to experiment more and change aid concepts according to a more rigorous external evaluation; development agencies should take into account what has worked and what has not, and act on this knowledge.

WHAT ARE THE MAIN AREAS OF ODA IN NEED OF IMPROVEMENT, ACCORDING TO THE PARIS DECLARATION?

In the wake of the United Nations Millennium Declaration and the Millennium Development Goals (MDG) and possibly also because of the criticism national ODA agencies have faced, there has been a lot of talk among donors about how to make ODA more effective.

The Paris Declaration on Aid Effectiveness from the Second OECD-DAC High Level Forum in 2005 defines the main goals of improvement in five areas (Ownership, Alignment, Harmonization, Managing for Results, and Mutual Accountability) and specific indicators to measure the success of their implementation.

1. *Ownership* means that "partner countries exercise effective leadership over their development policies" and thus make them their own. This should prevent development strategies from being forced upon countries from outside.
2. *Alignment* should ensure that development strategies "fit" the partner country. "One size fits all" development policies should be avoided in favor of country-specific capacity building that strengthens public financial management capabilities and the national procurement system. Furthermore, aid should be "untied" from overly specific purposes so that the partners can decide where assistance is most needed.
3. *Harmonization* means the "donor's actions are more […] transparent and collectively effective". This includes the donor's implementation of common arrangements, simplifying procedures, and a more effective "division of labor" toward mutual development goals.

4. *Managing for results* embodies the commitment to improve resource management and enhance decision-making through better information. Basically this means more effective evaluation procedures based on cost-effective indicator measurements, in order to make better decisions based on the specific circumstances on the ground.

5. *Mutual Accountability* means "donors and partners are accountable for development results". This includes partners strengthening the role of parliaments in devising development policies and budget decisions, and including various development actors in the decision-making process; donors commit to "provide timely, transparent and comprehensive information on aid flows so as to enable partner authorities to present comprehensive budget reports to their legislatures and citizens".

WHAT PROBLEMS WERE ENCOUNTERED IN APPLYING THE PARIS DECLARATION'S GOALS IN THE COURSE OF THE ASIA URBS PROJECT?

Ownership

Of course it is desirable to give partners a sense of belonging in a development project, on an institutional as well as individual level. As World Bank president Robert Zoellick said in his speech at the Lee Kuan Yew School of Public Policy about ownership: "Only if people feel it's theirs are they going to make it work." But here a huge problem arises: if the subject is good governance, how are you going to make a government "own" a project if the decision-makers are a significant part of the problem in the first place? Isn't the donor responsible for supervising the problematic situation in order to make sure there are effective and desirable results? It seems as if donors always face a trade-off – which is, in fact, quite common in public policy in general – between democracy (in the process of developing and implementing the program) and efficiency (of the program's outcome itself).

In the Asia Urbs project, this became visible when Asia Urbs was negotiating the financial authority of the new One Window Service Office (OWSO). The national authorities responsible for regional administration and development were not willing to grant these new agencies the right to keep the incoming new revenues as a source of

income for local administration in order to increase the range of services and the administration's quality in general. They claimed that the OWSO staff's expertise in handling these revenues was not adequate, despite specific budget management workshops conducted by Asia Urbs for regional administration officers. The issue could not be resolved by the end of the project, so the local administrations' capacity to provide public services to its citizens was decreased.

Furthermore, the success of these agencies and their apparent freedom from corruption also depended on an ODA-backed competitive salary, which would not have been available had the Royal Government of Cambodia implemented the program by itself.[9] Again, the partner's "ownership" of good governance instruments financed by ODA seems to increase the likelihood of abuse and often diminishes its effectiveness.

Alignment

One of the key areas of alignment is capacity building for public financial management (PFM). This was also one of the priorities of the Asia Urbs project: officials from German and Italian local governments carried out various budget management and public financing workshops for regional administration officers. Unfortunately, the problem here was not with education or technical implementation, but political will: as mentioned above, the national authorities were not willing to grant the regional administration financial authority. The development of good governance practices through political decentralization was the main goal of the donors, i.e. the European Commission and local authorities in Germany and Italy. But the Cambodian partner authorities had very different ideas and interests concerning the matter and were not willing to give up additional revenues at the national level.

Furthermore, the Paris Declaration calls for aid to be "untied". But how can this work when the donor and the partner don't have the same strategy? Does the donor impose the desired use for funds after all – or does the donor trust in the partner to decide what matter deserves the most urgent attention? This problem of different interests is even more difficult to resolve if the aim is to promote good governance in a country with a

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[9] These ODA-backed salaries again constitute a trade-off, this time between short-term efficiency (freedom from corruption) and long-term sustainability (how long do donors intend to back up salaries?).

huge corruption problem – as is the case in Cambodia, which ranked 162nd among 179 countries on Transparency International's "Corruption Perception Index" in 2007.

Another goal of alignment is the country-specific approach. As desirable as e-government might be from the donor's perspective, in Cambodia the use of IT is still limited, especially in the public sector. The web portals of both Battambang's and Siem Reap's district administration are online, but don't show much activity apart from a few tourism-oriented event updates – and even less participation from citizens and the business sector, for whom the special services and online marketplaces have been installed.[10] Unfortunately, the project's very own website is not being administered and has not been accessible for almost a year now. A key component of successful development, which is admittedly difficult to achieve, is sustainability, i.e. the continuation of new institutions or technological installations after the donor has left. In terms of public online activities and the provision of online information and evaluation data about the Asia Urbs project to the interested public, this goal of sustainability has not been met.

Harmonization

Harmonization is important to avoid "double work" by two agencies that are not cooperating with each other, so that resources can be used efficiently. The Asia Urbs project cooperated with various experienced German actors in the area of development in Cambodia and elsewhere, including the Konrad Adenauer Foundation (KAS), the German Development Association (ded), BBJ Consulting and various officials from the German and Italian district administrations. Headquartered in the KAS office in Phnom Penh, Asia Urbs drew on the support of all these institutions to keep administration costs low and permanent foreign staff small (only the Project Director herself and some of the interns were non-Cambodian).

The Asia Urbs project didn't cooperate closely with any other specific foreign aid agency. This might have decreased aid effectiveness through a lack of cooperation, but perhaps it also increased effectiveness, since Asia Urbs seemed to be the only large-

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[10] See www.battambang-town.gov.kh and www.siemreap-town.gov.kh

scale good governance project in Cambodia, and thus there was no need to divert attention to other areas covered by other aid agencies.

Managing for results

ODA agencies and partner countries should be able to objectively evaluate whether their programs are genuinely "delivering development". Since this term could be interpreted in many different ways, clear, precise and quantifiable indicators are needed in order to make sure the project is on the right track and to see whether the chosen development policies are resulting in positive changes.

However, this is extremely difficult in the area of good governance, since clear indicators are difficult to measure here. The level of empowerment a citizen receives is much more difficult to compute than the GDP per capita. It seems as if the only straightforward cost-effective way of measurement is "client/customer satisfaction" – which Asia Urbs did, in fact, choose as well. It turns out that the citizens using the OWSO were very satisfied with this new public service. However, there was very little feedback from clients about the new service of the ombudsman and the new public information services for the citizens, since public awareness of the existence of these services has remained low. The usefulness of the establishment of these unused services is unclear, since there might be more demand for these institutions in the future.

Mutual accountability

Donors and partners should both be held responsible for results, including transparency; access to information on previous, present and future efforts; and rigorous objective evaluation to ensure accountability for the outcomes of ODA. The accountability issue is one of the most difficult, but also one of the most important. How can ODA work if no one is responsible for the results in the end? How is effective evaluation conducted, who shall carry it out, to whom will it be delivered, and for whom shall it be accessible? What are the consequences of these evaluations? These are important questions.

The Asia Urbs project was extended twice to a total of eight years. On the one hand, many tried-out services failed. The ombudsmen went largely unnoticed, or were not

trusted enough to be approached with criticism of the local government. Better communication between district administrations and citizens was also difficult to achieve, although two spokespersons were elected. The job placement agencies (JPAs) were not able to attract employers and thus couldn't effectively connect job seekers to jobs. Some instruments were introduced only during the last year of the project, making their continuation after its end highly unlikely – although sustainability is the key principle of successful good governance measures.

On the other hand, the resulting OWSOs were highly acclaimed, and the World Bank, which will provide 20 million U.S. dollars through its Demand for Good Governance (GDFF) project, will finance their extension to other districts in Cambodia.[11] District councils that meet regularly have been formed, and citizen meetings including the district governor, the ombudsman and the council have been introduced. Many public administration workshops on topics ranging from budget financing to micro-project management have been conducted, bringing administration officials from Germany, Italy and Cambodia together to learn from one another. The job placement agencies held well-received job application seminars for young Cambodians with a mixed staff of Cambodian officials and European interns.

This shows that the evaluation of the Asia Urbs project is complicated, since clear measurements of success are very difficult to devise. Governance is a process rather than a static picture with clearly visible indicators that can measure and "quantify" the situation on the ground. Furthermore, since the Asia Urbs staff itself does much of the evaluation, this could create the dangers of moral hazard: if the continuation of the project depends on internal evaluation, the results obviously might be presented in a more favorable way. However, viewing this situation from the other side, it would be difficult for externals to evaluate Asia Urbs at all: since there is no clear story "told" by statistical data, the possibilities of external evaluation are limited – which is not to say that this would make objective review any less important or critical.

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[11] Retrieved Dec. 21, 2008 from
http://web.worldbank.org/external/projects/main?pagePK=64283627&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P101156

What is definitely missing, though, is easily accessible documentation of the project results that is available online to an interested public or academics worldwide. The only source of online information on the entire project is the short overview of Europe Aid, provided in the Appendix, which lacks any kind of rigorous data on the extent to which the original project objectives were achieved, what these objectives have been, how they were quantified and measured and, most importantly, which policy strategies worked and which didn't. If this information is not made transparent and accessible for anybody who is interested – which is a requirement of good governance implementation – other ODA actors in the field or even the agency itself cannot "use" this project to improve the next development undertaking. This decreases the effectiveness as well as the sustainability of ODA.

CONCLUSION – WHAT CAN WE LEARN?

The practical experience of promoting good governance in the Asia Urbs project in Cambodia puts the Paris Declaration's goals into perspective. While acknowledging their desirability, it will greatly improve aid effectiveness if ODA actors and institutions are clear not only about what they would like to achieve, but also what goals are possible and realistic. As can be seen in the area of ownership, any ODA donor must honestly face the trade-offs between democracy/ownership of the project process and the efficiency of its implementation when considering how much government cooperation is desirable to reach results for their clients. In the area of delivering good governance, this presents a particular paradoxical dilemma, since government itself might impede an improvement in governance. When governance reform seems unlikely to happen, it might be wise to help poor individuals directly instead of wasting resources attempting to transform the political system. In any case, a careful balance must be maintained between political ideals and practical solutions for the problems of the poor.

It is difficult to measure results in the area of good governance, since the endeavor to improve the quality of policies and public services and increase people's participation is a dynamic process without definite quantifiable stages of development. However, three criteria play an important role in success.

1. First, the *clients' satisfaction* is central to the evaluation of public sector reform. Who can assess the value of public services and the degree of citizen participation better than the citizens themselves?

2. Second, *sustainability* is another key criterion of successful ODA; only if the project can be continued after the donors have left is lasting public value created. This includes extensive capacity building and a sober financial plan for the project's maintenance.

3. And third, a creative trial-and-error approach to ODA projects should be embraced. However, it must include *transparency* in the sense that results are made easily available to the interested public and academic researchers online – and it must also include what didn't work and the resulting conclusions, so that other ODA actors can learn from the mistakes others made.

The lesson to be learned here is not how unfruitful or unsuccessful ODA is (although it certainly can be). It is to show how a pragmatic approach, with realistic goals and honestly faced trade-offs, coupled with a carefully evaluated trial-and-error method with documented results which are acted on, will increase the effectiveness of Official Development Assistance to stimulate economic growth, create good political frameworks, and raise the standard of living for the poor.

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EuropeAid

Project reference

KH/Asia-Urbs/01 (90688)

EC Partner

- **Rhein-Sieg-Kreis**, *Germany*

Facts and figures

- Duration: **2004-2007**
- EC contribution: **€750 000**
- **1 Window Service office** opened to the public
- **Ombudsman elected**
- **District councils formed** in both provinces
- Appointment of **2 spokespersons** for district administrations
- **e-Government portals** for administration, business and citizens went public
- **Establishment of regular citizens meetings** with district council, district governor and ombudsman

Good Governance

Bringing government closer to the people

"Due to the administration reforms, we have removed ourselves from bureaucracy and have come closer to the citizens."

Sieng Suthong, Deputy Governor of Battambang Province

Context: A move towards decentralization

Until the first democratic elections of Commune Councils in February 2002 th administrative system in Cambodia was completely centralized. After the commur elections, selected powers and responsibilities were transferred to the newly electe Councils, whereas the administration of the districts remained completely under th centralized system.

Objective: Building trust in local government

The two Cambodian partner towns in this project, Battambang and Siem Reap, are fa growing urban areas of high economic importance. Therefore, they were chosen as ro models for decentralized governmental structures, which should result in better publ service delivery and more people's participation at the district level. The approach of th initiative, funded through the EU's Asia Urbs programme is important for the formulatic and implementation of Cambodia's decentralization strategy as well as its democrat development.

Impact: Opening the window to local government

The project has achieved a number of milestones. The delivery of public services at th local level, such as the registration of motorbikes, shops, restaurants and guesthouses being successfully implemented through 'One Window Services' which bring loc government services together under one roof.

The appointment of the District Councils from among the elected members of the Commur Councils, and the selection of the Ombudsman with the participation of local civil societ representatives, were significant steps towards a strong and democratic publ administration on the sub-national level.

Communication with the people is essential for building trust in local government. Th appointment of a spokesman, communicating decisions, strategies and proceedings, as a official source of information in the districts is another important measure to bri democracy and transparency to the local level. On a broader scale, the development of th local administrations in the pilot districts of Siem Reap and Battambang is contributing the participatory principles that sub- national governance are based on.

MDG 8: Partnership for development