

# Round Table 2: Alignment

Donors base their overall support on partner countries' national development strategies, institutions and procedure.

*The Paris Declaration*

## Key Points from the Evaluation

1. Despite clear commitment to the principle, implementation of the various components of alignment set out in the Paris Declaration has been highly uneven. Both partner countries and development agencies give broad political support to aligning aid flows with national priorities, usually expressed in both formal agreements and measures to follow partner countries' high-level development plans and poverty reduction strategies. In practice the donors have been focusing on supporting those sector and thematic strategies and systems which are either demonstrably strongest, and/or most attuned to donor priorities.

2. Evidence is mixed at the level of actually changing aid allocations to back alignment with national priorities, and tangible support and behaviour changes among donors are still scattered when it comes to using and building reliable country systems, and avoiding parallel implementation structures. Among bilateral development partners, there is limited reported evidence of significant changes in aid predictability and less on untying. Experience around the use of country systems and the reduction of parallel Project Implementation Units argues for some flexibility and tailoring of what are often being interpreted (in some cases wrongly) as blanket targets and indicators from the Declaration.

3. Peer pressure at several levels is helping induce donors to change their behaviour to strengthen alignment with partner country priorities, systems and procedures. As the evaluations show, donor personnel on the ground tend to see the rationale for reforms more clearly than in headquarters, so their voice and feedback, when sufficiently empowered and heeded, can be a dynamic force for continuous improvement.

4. Overall, donors are willing and actively committed to engage in Alignment processes at the level of formal strategies, but less so when moving to operational arenas. There is no evidence that donors lack the basic capacity to move forward along most of the various dimensions of Alignment, but new transaction costs and different demands on staff skills and time are a constraint and require remedial steps, at least during a transitional period or perhaps even in the longer term. Few donors have specific incentives in place to achieve Alignment. Joint Assistance Strategies and joint formulation of country assistance strategies and procedures have simplified the tasks of alignment in several of the countries examined. At the same

time, major aspects of aid activity are still considered to fall outside the arrangements for alignment in most countries, including aid through non-governmental and even sector and sub-national government channels. Donor earmarking for special thematic interventions and cross-cutting initiatives remains common, even among donors that are highly-committed to the Paris Declaration objectives, and these are sometimes seen as "donor issues" that run counter to the commitment to alignment.

5. Active and sustained country leadership, driven from the political level, is the most important single pre-condition for Alignment to move forward beyond formal commitments to the operational level of building and using country systems and of coordinating capacity-strengthening initiatives.

“Notably, the Government of the Philippines reforms in Public Financial Management have been progressively adopted across levels of government since 2002, and have had positive impact on the transparency of the financial management system .... The low percentage use of the country's procurement system was quite bewildering.

*Philippines report* ”

“The (UK) rules permit the use of country systems where they offer reasonable fiduciary standards. Country offices are required to assess the fiduciary risks involved when choosing an aid modality, but can proceed with programmatic assistance despite known shortcomings, provided there is a credible process for strengthening the systems and the development benefits are shown to outweigh the fiduciary risk.

*UK report* ”

6. The real and perceived risks and relative weaknesses of country systems are serious obstacles to further progress with alignment. Efforts by most countries to strengthen national procedures and systems are not yet seen as giving sufficient assurance for donors to

rely upon them and not enough donors are ready to help strengthen these systems by actually using them, while managing any risks involved, as the Declaration prescribes. Donors are, however, ready to support further capacity-strengthening. Efforts underway to define and apply international standards or assessment tools in the fields of financial management and procurement should help in reducing reservations around the use of partner country systems. Further training of donor agency staff on adapting management practices to support Paris Declaration principles should also help.

It is recommended that partner countries and donor agencies take the following steps, derived from the evaluation, for the remainder of the Paris Declaration review period up to 2010, establishing a clear basis for the five-year assessment of progress and further course corrections as needed at that time.

It is recommended that **partner country authorities:**

**1. Announce, before the end of 2008, a manageable number of prioritized steps they will take to strengthen their leadership of aid relationships up to 2010, in the light of lessons from monitoring, evaluations and other stocktaking to date.**

**2. Build on the interim reviews of implementation in 2008 to ensure that they have in place a continuing transparent mechanism, ideally anchored in the legislature, for political monitoring and public participation around aid management and reform.**

**3. Give clear guidance to donors who are supporting capacity-strengthening on their priorities for assistance to manage aid more effectively, consistent with their main development concerns.**

This would require a coordinated plan or at least a prioritized list of key needs by the end of 2008. Such a resource would help to maintain momentum in priority areas, and also help secure and steer medium-term capacity-strengthening support from development partners and provide a basis for assessing their support. This will be only one step toward promoting more strategic and effective capacity-strengthening.<sup>1</sup>

**4. Work out, by 2010 at the latest, adapted systems of managing for results that will best serve their domestic planning, management and accountability needs, and provide a sufficient basis for harnessing donors' contributions.**

It is recommended that **development partner or donor authorities:**

**5. Update their legislatures and publics in 2008 on progress to date with aid effectiveness reforms, underlining the need and plans for further concrete changes to be implemented before**

**2010 to accept and support country leadership in aid implementation and greater donor harmonisation.**

These updates and plans should stress the need for a "mature risk management" approach – accepting and managing the risks that may sometimes be implied in these changes, and recognizing that ineffective aid is the most serious risk of all. In different donor systems, these steps might require legislative and/or regulatory changes or adaptations. They might focus on: specific provisions to accept partners' systems for financial administration, procurement, and performance management; rationalizing and harmonising within their own structures; greater decentralization of authority and/or staff and new hiring; or special (e.g. multi-year) budgetary allocations or commitments to provide more predictable aid.

**6. Before the end of 2008, announce their further detailed plans to delegate by 2010 to their field offices sufficient decision-making authority, appropriately skilled staff and other resources to support and participate fully in better-aligned and harmonised country-led cooperation.**

In most of the country and partner evaluations, delegating more authority to field officers has been consistently identified as the most important single step for donor agencies to improve the effectiveness of their aid in line with the commitments of the Declaration. In cases where donors have not been able to decentralize and may not be able to replicate the most successful models, they need to set out specific strategies to compensate as far as possible.

**7. Specify their concrete planned steps to improve, by 2010 at the latest, the timeliness, completeness and accuracy of their reporting and projections for aid flows to feed into the planning, budgeting and reporting cycles of partner countries, together with other donors. Make the needed provisions for multi-year allocations, commitments, or firm projections.**

**8. Provide supplementary budgets, staffing and training up to 2010 to help their own programs adjust for the transitional and new demands and transaction costs and learning needs that are being reported as major concerns in implementing the Paris agenda.**

When requested, they should strengthen their support to partner countries to make their own adjustments successfully. If necessary, the more advanced donors should also be prepared to moderate their expectations and pace of change to adapt to those of their partners.

**9. Allocate special resources (budgets and coordinated technical assistance) to support and reinforce countries' prioritized efforts to strengthen their own capacities to implement more effective cooperation. Work with partners to design and manage other interim means of implementation (such as project implementation units) so that they steadily enhance capacity and country ownership.**

<sup>1</sup> A special study of the best ways of handling the agenda of capacity strengthening needs would be a useful resource and should be carried out for Phase Two of the evaluation.