

## **US Action Plan on Harmonization**

The United States is committed to supporting efforts by the donor community to improve the effectiveness of development aid through harmonization. A significant part of this commitment is our active engagement in the OECD Development Assistance Committee's efforts to foster progress on harmonization in support of the goals and principles set out by the Rome Declaration and the Monterrey consensus.

In all cases, the United States strongly support efforts by donors and partner countries to align strategic priorities, coordinate development activities, and, where practical, harmonize business systems to reduce the burden on both donors and partner countries. It should be recognized that donors have different comparative advantages and preferences and that there are diverse assistance modalities appropriate to different circumstances, objectives, and donor capacities. The objectives of development programs include poverty reduction, economic growth, addressing the issues surrounding global public goods, good governance, response to fragile and failing states, and strategic objectives in support of regional stability and conflict resolution.

The following sections outline the priorities, accomplishments and plans of the USG in support of harmonization efforts.

### **Ownership and Leadership of Partner Countries**

The United States recognizes the importance to development assistance of partner country ownership and leadership. Partner country ownership is reflected in sound economic policies, democratic institutions, and investments that are in the popular interest. Whenever possible, donor priorities and activities must be consistent with national poverty reduction strategies.

- The United States is actively engaged in improving the effectiveness and predictability of its development assistance by working to align its assistance with national priorities, using program-based approaches (PBAs). This is essential not only because it allows the partner government to define strategies and directions for poverty alleviation and development but also because it ensures some degree of consistency among bilateral and multilateral donor strategies beyond that brought about through donor coordination.
- While recognizing the importance of partner country ownership, the United States emphasizes that development assistance is not exclusively a government-to-government activity. The USG provides assistance to governments and to civil society and the private sector in partner countries, and has evidence that a program approach allows for harmonization of all partner activities within the program framework. In addition to USG assistance, private donors in the United States and other parts of the world provide a significant amount of assistance.

- An important part of donor efforts to harmonize should be to define how to include non-state donors in the process of harmonization. We would also like to emphasize that harmonization can and should take place **for all aid modalities and that the call for harmonization is not a call for increasing reliance on budget support.**
- The US considers the Poverty Reduction Strategy Papers (PRSPs) an opportunity for donors to come to agreement on growth strategies and policy priorities. USAID analyzed 27 PRSPs to identify what role they envisioned for the private sector in poverty reduction. The study examined both the role of the private sector in the formulation of the PRSP and the role of the private sector as described in the content. It was concluded that the private sector generally played a substantive role in formulating PRSPs and that the need for private-sector involvement in poverty reduction was well-recognized. Examples of countries that have explicitly supported private sector involvement and economic growth in PRSPs in their strategies include Uganda, Ghana, and Honduras.

## **Capacity Building**

Capacity Building is an essential component of partner country ownership and leadership.

- As part of our efforts to contribute to capacity building, where partner countries demonstrate commitment and consistent good performance, we are prepared to join other donors in relying increasingly on their management and accountability systems. We shall also offer technical assistance to develop accountability and management capacities that can provide the required quality of reporting and oversight.
- The Millennium Challenge Account (MCA) announced by President Bush in March of 2002 is predicated on this principle. The MCA recognizes the need for country ownership, financial oversight, and accountability for results at both the country and program levels to ensure effective assistance.
- In order to reduce the burdens on partner countries that can arise from stringent accountability requirements, and increase their capacity to meet reporting requirements, the US supports efforts to streamline and coordinate reporting requirements in cooperation with other donors.
- Capacity building efforts must include both state and non-state actors and should encourage international linkages among members of civil society, including universities, NGOs, and the for-profit private sector. The USG is committed to increasing accountability through transparency of information and through support for advocacy groups, a free media, and active professional associations, and other essential civil society institutions.

- Strengthening civil society and involving non-state actors in economic growth and development are significant components of USAID work. A well developed civil society that is engaged with the government is an essential component of an effective democracy and USAID has continued to devote significant resources to encouraging strengthening of democracy and improved governance. As part of its efforts to ensure that this work is harmonized with that of other donors, the US has supported the inclusion in Good Practice Principles emphasis on the importance of involving the private sector and civil society as donors and partners in poverty reduction.

### **Donor Coordination and Harmonization Efforts**

Knowledge Management -- the systematic process of finding, selecting, organizing, distilling and presenting information in a way that improves comprehension in a specific area of interest – is increasingly an integral part of USAID work. It involves acquiring, storing and utilizing knowledge for problem solving, dynamic learning, strategic planning and decision making, protecting intellectual assets from decay, adding to Agency intelligence and providing increased flexibility. Knowledge management helps USAID gain insight and understanding from its own experience.

- USAID is in the midst of redefining its knowledge management functions with the intention of fostering much greater sharing of analytic information especially among donors and partner countries. These efforts include establishment and maintenance of a website containing information and links to other sites concerning USAID program operations and policies.
- Good knowledge management is essential to empowering our representatives in the field to make effective policy and program decisions. This contributes to harmonization by allowing missions the decision-making ability to coordinate with other donors in country on policy and implementation issues.
- We are also committed to promoting discussion of harmonization issues in all appropriate donor fora. In addition to information sharing, the United States will continue to be an active participant in DAC activities, including Working Parties and Senior and High level meetings. USAID will be chairing the DAC Poverty Network (POVNET) over the next year and is actively engaged in several other Working Parties and Networks, including the Working Party on Aid Effectiveness and Donor Practices, the Working Party on Statistics, and several other subsidiary bodies.
- The US will also remain actively involved in ongoing efforts to identify and vet appropriate indicators with which to measure progress in harmonization.

## **Review of Policies and Procedures**

As part of serious engagement in on-going harmonization efforts, the United States shall continue to revise policies and procedures in ways that are consistent, as appropriate, with DAC Good Practice Principles (GPPs.)

- We consider flexibility and decision-making capacity at the field level essential to effective donor coordination and harmonization. We would like to note that as one of the most decentralized donor agencies, USAID delegates considerable decision-making authority to its field staff. Efforts are being made, however, to identify areas where flexibility and decentralization can be increased.
- With the input of mission staff, we will work to ensure that reporting requirements and performance measures used by the mission are consistent with country-level harmonization among donors and alignment of donor practices with national poverty reduction strategies.
- In this context, at their discretion, USAID field missions have supported the participation of local civil society through the intermediation of US Private Voluntary Organizations. Field staff and USAID programs have also been instrumental in the planning and implementation of Poverty Reduction Strategies (PRSs) to advocate for economic measures that favor private sector-led economic growth.

## **Accomplishments and Ongoing Efforts**

In an effort to assess the progress of harmonization activities at the country-level, the United States sent questionnaires in February 2003 to several missions asking mission personnel to identify areas and activities in which harmonization was progressing and to discuss perceived impediments.

- Detailed responses were received from missions in several regions, many of which indicated that the US was playing a significant role in donor coordination efforts. As an example, USAID Jordan was responsible for establishing a donor working group to foster communication among donors.
- The US is also currently leading efforts to generate donor cooperation and support for famine prevention efforts in Ethiopia and other famine-threatened regions, and is committed to promoting famine as a significant agenda item at the US hosted G8, in 2004.
- The US has also been an active participant in Strategic Partnership with Africa (SPA) activities. We co-chair the Sector Support Working Group and have sent representatives to missions assessing the alignment of sector programs with national poverty reduction strategies.

- The US is an active member of the Learning Network on Program-Based Approaches (LENPA), an informal network of partners working to promote best practice in program-based approaches. The primary focus for USAID in this network has been to broaden the range of actors considered integral to PBAs, to include civil society and for-profit private sector actors.
- The US remains committed to increasing joint work among donors, especially at the country-level, including analysis, assessments, evaluations, monitoring, and reporting. Finally, efforts to establish an inter-agency USG working group on issues relating to harmonization and alignment continue.