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OVERVIEW

OF THE SURVEY RESULTS

The survey sought to measure objective evidence of progress against 13 key indicators on harmonisation and alignment (see Foreword). A four-point scaling system was used for all of the “Yes/No” questions:

1. “Yes without reservations” represented here as: **YES!**
2. “Yes with reservations”: represented here as: **YES**
3. “No with reservations” represented here as: **NO**
4. “No without reservations” represented here as: **NO!**

Specific technical criteria were suggested to guide responses (See Annexes). Respondents were also invited to provide a brief explanation when they expressed reservations (Categories 2 and 3 above). The qualitative information they provided has informed this chapter.

This chapter presents a summary of the results of the Survey on Harmonisation and Alignment that was undertaken in 14 countries from May to September 2004. It should not be read in isolation, but alongside the 14 country chapters. The survey shows that partner countries and donors are working together to improve co-ordination and aid effectiveness, but will need to further increase their efforts to effectively implement the Rome Agenda. Furthermore, alignment will remain an unfulfilled promise if donors do not take steps to clarify how they should adapt their country programmes to reflect poverty-reduction strategies, and if they do not do more to rely on country systems to deliver aid. Partner countries will also need to be more assertive in exercising their leadership. In many cases, they will also need to develop systems that are more transparent and accountable, which would in turn encourage donors to more seriously consider relying on host country procurement, audit and other systems. Finally, there is not enough evidence that harmonisation initiatives have helped curb transaction costs. Indeed, over the short term at least, they may have actually increased these costs.

OWNERSHIP

In aid-dependent countries development programmes often take place in the context of a partnership between partner countries and donors. While both partners and donors have common development objectives, they are not accountable to the same institutions. On one hand, partner countries have legitimate interests in exercising autonomy of action: their governments should be accountable to their parliaments and citizens. On the other hand, donors have legitimate concerns regarding good management and the impact of the aid they provide in support of partners’ development programmes; they are accountable to their own governments and parliaments. This can create a tension between partner countries and donors.

One important way of strengthening ownership is for governments to demonstrate genuine accountability to their citizens and to expand the definition of “ownership” to include not just government but civil society as well.

In the context of this survey, “ownership” is defined as the effective exercise of partners’ authority over their development programmes including when they rely, entirely or partially, on external resources to implement them. Achieving this requires a concerted effort on behalf of partners and donors to clarify and formalise their respective roles and responsibilities within their partnership.

For partners this means establishing authoritative policies, policy tools and processes, including:

- A clear development policy and strategy (e.g. a poverty-reduction strategy [PRS]).
- An operational budget and a medium-term expenditure programme (e.g. a budget and a medium-term expenditure framework [MTEF]).
- A monitoring system that measures progress towards the achievement of policy objectives and results (e.g. a performance assessment framework).
- A government-led process for co-ordinating aid and moving towards harmonised and aligned systems at the country and sector levels (e.g. action plan on harmonisation and alignment).

For donors this means aligning their programmes on partners' policies and building on their policy tools, systems and processes to manage and co-ordinate aid rather than creating parallel systems that meet donor requirements only. It also means that donors should provide support to help partners build their own capacity to implement their development policies.

While all of these features are critical to the achievement of country ownership, and are addressed under various headings in this report, this chapter seeks more specifically to answer three questions:

- Have partner countries established a clear agenda on harmonisation?

- Has a formal government-led framework for encouraging dialogue been established and is the government firmly in the driving seat?
- Are capacity-development issues being actively addressed and are donors actively supporting partner country efforts?

A CLEAR AGENDA ON HARMONISATION

Partner countries exercise effective ownership not only by formulating clear development policies — in a PRS for example — but also by co-ordinating development assistance. This means that they are required to establish a government policy on processes for managing aid and communicating it to donors. In this connection, the Rome Declaration encouraged partner countries to “design country-based action plans for harmonisation ... that will set out clear and monitorable proposals to harmonise development assistance.”

The main objectives of action plans on harmonisation is to improve aid effectiveness by rationalising aid delivery, reducing the administrative costs of managing multiple donor processes and making sure that aid is provided in ways that best support national development strategies and priorities. In this respect the **Ethiopian** action plan stated, for example, that:

The overall objective guiding the preparation of this action plan is to enhance aid effectiveness through aid harmonisation and co-ordination, as a fundamental component of achieving poverty reduction and the Millennium Development Goals in Ethiopia. Both donors and the government agree that a comprehensive harmonisation programme is required.

The survey sought to assess progress accomplished by governments in establishing action plans on harmonisation. According to the survey, **9 out of the 14 countries examined had already completed action plans** (see Table 1.1). In the other five countries, action plans were either under preparation or being finalised.

TABLE 1.1
INDICATOR 1

Have country action plans on harmonisation been completed?		
YES!	YES	NO
Fiji Tanzania Vietnam	Bolivia Cambodia Ethiopia Kyrgyz Republic Nicaragua Zambia	Bangladesh Morocco Mozambique Niger Senegal

While a small number of countries such as **Tanzania** (see Chapter 13) had already engaged in systematic processes for harmonising aid delivery in the late 1990s, the main impetus for developing action plans came from the Rome High-level Forum in February 2003.

The brief lapse of time — about 12 months — within which these action plans have been developed suggest rapid progress. By the same token, it also indicates that a powerful momentum to develop new action plans is building. This creates real opportunities as well as risks.

On one hand, experience in the 14 countries clearly shows that the elaboration of action plans on harmonisation provides a useful opportunity to engage in constructive dialogue with a broad range of stakeholders at the country level. **Nicaragua** has been a very good example of this (see Chapter 10).

On the other hand, there is also a risk that action plans are either donor driven or are only elaborated to comply with the Rome Declaration. Both cases are more likely to achieve internationally acceptable documents than they are likely to foster constructive (though often difficult and protracted) dialogue between partners and donors.

Finally, the emergence of these action plans poses an important question: how should they be articulated with the PRSs?¹ In other words, should they be standalone processes or integral parts of the PRS? An interesting answer is provided by an independent evaluation of the poverty-reduction strategy paper (PRSP) initiative undertaken in 2004 by the World Bank's Operations Evaluation Department (OED). In its final report, the OED recognises the need for PRSs to better address process issues around co-ordination of aid in support of the PRS. In particular the report calls for "clearer partnership frameworks around PRSPs, with accountabilities for both countries and partners."²

One important conclusion is that there is a real need to nest action plans on harmonisation within the broader framework of the PRS as a means of ensuring that policies on the way aid is managed are not separated from policies on development.

FORMAL GOVERNMENT-LED FRAMEWORK FOR DIALOGUE AND CO-ORDINATION

Government-led frameworks for encouraging dialogue and co-operation between governments and donors are an important feature of most action plans on harmonisation. **Ethiopia** (see Chapter 5) provides a good example of how a well-established dialogue process might be organised (Box 1.1).

The survey sought to measure progress in establishing government-led frameworks for donor co-operation by asking governments and donors to collectively answer two questions:

- Is there a formalised process for overall co-ordination and policy dialogue?
- Does government exercise an appropriate level of leadership over the process?

Responses provided to the first question are presented in Table 1.2.³

Only four countries were fully satisfied that co-ordination processes were firmly in place. In the other 10 countries, there were significant reservations as to the operational value of these frameworks.

Is there a formalised government-led dialogue process?			TABLE 1.2 INDICATOR 2
YES!	YES	NO	
Cambodia	Bangladesh	Morocco	
Ethiopia	Boliva	Mozambique	
Vietnam	Fiji	Niger	
Zambia	Kyrgyz Republic	Senegal	
	Nicaragua		
	Tanzania		

1. PRS is used here, and in the rest of the report, as a generic term that designates poverty-reduction strategies or equivalent national development frameworks.

2. World Bank, Operations Evaluation Department (OED) (2004), *The Poverty Reduction Strategy Initiative: An Independent Evaluation*, Washington, p. xiii.

3. Co-ordination at the sector level is discussed in the last section of this chapter (Indicator 8).

Furthermore, in all 14 countries, there was broad collective agreement (including among government representatives) that government leadership over the dialogue process left much to be desired — except to some extent in Bolivia and Ethiopia. This does not necessarily mean that governments lack the willingness to co-ordinate aid, but rather that many may lack the resources to do it effectively. As one government representative put it, “The prolifer-

ation of projects across the ministries and provinces, as well as outside of the government, makes it extremely difficult to take a strong co-ordinated lead.”

It is worth noting that in addition to government-led co-ordination mechanisms, donor-only co-ordination mechanisms have also proved to be effective in enhancing aid effectiveness in a number of countries. These donor co-ordination groups seek to harmonise and rationalise their activities in support of PRS processes by agreeing on common positions on a range of topics (conditionality, performance assessment frameworks, etc.). To date, these donor groups have been created particularly for budget support, but they’ve also sprung up in cases where there are strong sector programmes.

BOX 1.1**Moving towards harmonisation and alignment – the Ethiopian approach**

The Ethiopian Consultative Group meeting in December 2002 led to a striking level of agreement between the government and donors about the need for enhanced dialogue structures. It was agreed that the PRSP offers opportunities for both to work from a common platform, although with different obligations: the government will lead while donors support. The PRSP presents the possibility for each party to hold the other accountable for meeting their obligations. The basic model for Ethiopia comprises: (i) a high-level government-donor forum (HLF); (ii) subsidiary joint groups covering sectors and process; and (iii) a permanent secretariat.

The HLF will be the key structure for enabling mutual accountability and better policy dialogue, held via quarterly meetings and aiming to take an overall view and to facilitate ongoing government-donor dialogue with its agenda structured around three sessions: PRSP implementation, harmonisation and policy discussion. The permanent secretariat will:

- Undertake the logistics to support HLF meetings.
- Ensure effective vertical communications between HLF and subsidiary groups and horizontal communications between subsidiary groups.
- Provide a point of contact for information on any aspect of the dialogue process at any time.
- Continuously monitor the dialogue process, addressing shortcomings on an ongoing basis and provide a short report to the forum each quarter.

CAPACITY DEVELOPMENT

Implementing the harmonisation and alignment agenda signifies that donors will be placing increasing reliance on partner country systems and procedures to manage and co-ordinate development assistance. This requires robust administrative systems at the country level. In some countries, appropriate and effective systems are already in place. In others, additional efforts are required to strengthen capacity development.

Admittedly, any attempt to measure capacity development in quantitative terms is fraught with methodological and substantive difficulties and must be considered with caution. Capacity development is a cross-cutting issue that covers a broad range of issues. The approach adopted by the survey was to narrow the focus to three areas that are of particular relevance to the harmonisation and alignment agenda. These are: (i) public financial management; (ii) budget formulation and execution; and (iii) co-ordination of aid.⁴

⁴ To simplify the presentation, these three areas have been bundled into a single generic category in this chapter. Please refer to the country chapters for more detailed information.

Are donors supporting capacity development?			
	Have weaknesses been identified?	Are weaknesses being addressed?	Is the level of donor support appropriate?
Bangladesh	YES!	YES!	YES!
Bolivia	YES	YES	NO
Cambodia	YES!	YES!	YES
Ethiopia	YES	YES!	NO
Fiji	NO	NO	NO!
Kyrgyz Republic	YES!	YES!	YES!
Morocco	YES!	YES	NO!
Mozambique	YES	YES	NO
Nicaragua	YES!	YES	NO
Niger	NO	NO	YES
Senegal	YES!	NO	NO!
Tanzania	YES!	YES!	YES!
Vietnam	YES!	YES!	YES
Zambia	YES!	YES	NO

TABLE 1.3
INDICATOR 3

The survey then proceeded in three steps. Respondents were asked to:

- Identify strengths and weaknesses in partners' capacity.
- Assess efforts to build capacity where weaknesses had been identified.
- Determine whether the level of support for capacity development was appropriate.

Responses provided to these three questions in all 14 countries are presented in Table 1.3 and are analysed below.

Identifying strengths and weaknesses

Capacity weaknesses were clearly identified in 9 of the 14 countries. Weaknesses have been identified in the areas of public financial management and budget processes (13 out of 14 countries) and relatively less in the area of aid co-ordination (10 out of 14 countries). In this connection, diagnostic reviews, such as public expenditure reviews (PERs), provide one of the main sources of information on strengths and weaknesses in public administrations.

It is widely acknowledged that the value of these diagnostic reviews is considerably enhanced when partner countries are fully involved and have ownership of these reviews. In this regard, the survey shows that many diagnostic reviews are conducted in ways that do not fully associate partner countries in the various stages of the review—planning, conducting, quality assurance and review. Thus, there appears to be considerable scope for improving partners' ownership over the process and conclusions. A good example of this is in **Tanzania** where the government and donors have redefined the traditional PER from a study that primarily fulfils fiduciary requirements to one that is part of the government's work plan and informs the annual budgetary decision-making cycle. In this model, donors carry out a supportive role under the government's leadership.

Addressing weaknesses, building capacity

On a more positive note, the survey shows that **in the 11 countries where weaknesses had been identified, work was underway to build capacity.** However, three countries (Fiji, Niger and Senegal) indicated that insufficient attention had been devoted to developing capacity.

In **Fiji**, the main problem is that capacity-building needs have been insufficiently identified. Various capacity development activities are taking place but have not been articulated in a comprehensive manner with clear objectives and prioritisation (see Chapter 6). In this respect, neither the government's action plan on harmonisation nor its strategic development plan detail capacity-development requirements. Both donors and the government agree that current levels of capacity building are unlikely to meet the government's needs.

In **Niger** the problem is similar; too many capacity-development programmes are set in the context of donors' individual programmes and are not sufficiently articulated to comprehensive government-led capacity-development programmes (see Chapter 11). In order to

address this challenge, an initiative known as a public expenditure management and financial accountability assessment review (PEMFAR), to be conducted by the government, the European Commission and the World Bank, will serve as a basis for strengthening Niger's public finance systems.

In **Senegal**, capacity-development needs have been recognised in each of the three areas examined by the survey and diagnostic tools have been deployed to help identify specific bottlenecks (see Chapter 12). However, the survey clearly suggests that the process is moving slowly, partly due to the scale of the reforms needed and also, according to the government, due to the extensive administrative procedures donors have to go through before mobilising resources. It is expected that once operational, the Senegalese Joint Committee on Harmonisation should boost the reform process.

Level of donor support for partners' capacity-development efforts

The existing level of support for capacity building was considered to be fully appropriate in three countries (Bangladesh, Kyrgyz Republic and Tanzania) and insufficient in three other countries (Fiji, Morocco and Senegal).

While the questionnaire asked respondents to express their views on the volume of donor support, in practice it is difficult to separate the question of *how much* support is provided from the question of *how* it is provided. The role of donors is to *facilitate* rather than direct the process of turning broad goals and strategies into an actionable plan to strengthen capacity development. Thus, donors need to recognise that they have little ability to create incentives for capacity development where they do not already exist. Striking the balance between respecting partners' capacity-development efforts and creating additional incentives is both difficult and essential to achieving genuine impact. Box 1.2 provides an interesting example of how capacity development was built upon in **Vietnam**.

BOX 1.2

Supporting ownership in Vietnam

The Japan International Cooperation Agency (JICA) has been providing technical support for Vietnam's tax reform since the mid-1990s. In this context, JICA took a number of steps to support ownership. Firstly, at the request of the Vietnamese authorities, the area of co-operation between Japan and Vietnam was narrowed down — to focus on the introduction of personal income tax. Secondly, in order to help the government make an informed decision on appropriate choices for Vietnam, the Japanese experts, rather than proposing blueprints, presented the government with alternative personal income tax models based on viable examples drawn from other Asian countries.

Are PRSs in place and are they operational?				TABLE 1.4 INDICATOR 4
	Has government completed a PRS?	Is it operational?	Is there an annual progress review of the PRS?	
Bangladesh	NO	NO	NO	
Bolivia	YES!	YES	YES	
Cambodia	YES!	YES	YES	
Ethiopia	YES!	YES!	YES!	
Fiji	YES	YES	YES	
Kyrgyz Republic	YES!	YES!	YES!	
Morocco	YES	YES	YES	
Mozambique	YES!	YES	YES	
Nicaragua	YES!	YES	YES	
Niger	YES!	YES	YES	
Senegal	YES!	NO	YES	
Tanzania	YES!	YES	YES	
Vietnam	YES!	YES!	YES!	
Zambia	YES!	YES	YES	

ALIGNMENT

Alignment is the commitment made by donors to base development assistance on partner countries' national strategies, institutions and processes. For the purpose of this survey, three criteria were used to assess the degree of alignment in each of the 14 countries:

- Do donors use partners' national development strategies as the framework of reference for programming country assistance?
- Is budget support aligned with partners' budget cycles and provided in a predictable way?
- Is project support delivered using partners' systems and procedures?

RELIANCE ON PARTNERS' NATIONAL DEVELOPMENT STRATEGIES

An overarching principle of the harmonisation and alignment agenda is that donors should support country-owned poverty-reduction strategies — or an equivalent national development plan — and base their programming on the needs and priorities identified in these. In practice,

this means two things: (i) that PRSs are in place and are operational; and (ii) that donors are aligning their support with these PRSs.

Are PRSs in place and are they operational?

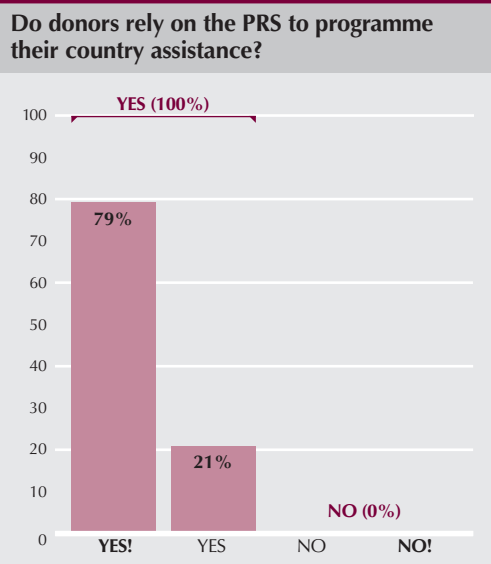
The donors' ability to effectively align with a country's strategies will depend to a large extent on the operational value of the PRS. This has been assessed in the survey by posing three questions:

- Has the government completed a PRS?
- Is it an operational policy tool?
- Is there a national process for reviewing the progress of the PRS on an annual basis?

Responses to these questions are presented in Table 1.4. The main finding is that **PRSs are currently in place in nearly all of the 14 countries, but are of qualified operational value.**

Bangladesh was the only country in the survey where government and donors agreed, with reservations, that a PRS had not yet been completed (see Chapter 2). It should be noted, however, that in the case of Bangladesh an interim PRS was released in 2003 and a full PRS is under development and was expected to be completed by the end of 2004.

FIGURE 1.1
INDICATOR 4



In 11 countries there was an unqualified agreement that the PRS had been completed (this includes interim PRSs). What does this mean? In most cases, this means that documents of acceptable quality had been completed regardless of whether or not they were considered to be good operational policy tools. In fact, most countries had serious reservations about the operational quality of the PRSs. In only three countries (Ethiopia, Kyrgyz Republic and Vietnam) was there an agreement that the PRS had clear action-oriented priorities supported by clear quantitative and qualitative targets.

Where indicators were included in the PRS or the PRS performance assessment framework, **a serious problem has been the attempt (often nurtured by donors) to track an unreasonable number of indicators for which data were not available.** Another problem highlighted by the survey is insufficient prioritisation and costing of programmes in the PRS. In this connection, the OED notes in its review of 25 PRSs that “In almost all PRSs, the assumptions underlying the costing are not discussed, nor is any attempt made to relate the cost of activities in achieving desired outcomes.”

One reason for this is that the PRS is often not based on sound analytical foundations, particularly in the area of macroeconomic analysis. This is often due to the weakness and lack of institutional capacity in partner countries’ statistical systems.

As a result, in most countries (with the exception of Ethiopia, Kyrgyz Republic and Tanzania), **the PRSs do not provide a strong basis for performance assessment; nor are they supported by robust annual progress reviews (APRs) that provide clear guidance on how to reorient PRS strategies.**

Alignment of donor support

One of the most interesting findings of this survey is that **donors have clearly internalised the principle of aligning their programming on the needs and priorities identified in the PRSs.** Three-quarters of all the donors consulted reported that they relied exclusively on the PRS to programme their country assistance and only a fifth chose to express reservations (see Figure 1.1). This is the case, for example, when donors disagree with specific items of partner country policies (*e.g.* government’s resettlement policies).

However, this finding should be tempered. **There is little evidence that donors have adapted their programmes in support of PRS priorities.** There are a number of reasons for this. First, the scope of PRSs are typically very broad and do not create many constraints for most donors. Second, the weakness of the annual PRS monitoring mechanisms means that governments do not have the policy tools that could help them improve or adjust their development policies. As a result, PRSs sometimes become inert policy documents. Third, donors have not specifically defined how they should change the *contents* of their country programmes to reflect PRSs and inflections in the PRS.

While this is generally the case, there are a few notable exceptions. Ethiopia and Tanzania offer good examples of effective government-donor dialogue and processes in support of the PRS (see Box 1.3).

Effective use of the PRS process – the Tanzania case**BOX 1.3**

The government of Tanzania developed its full PRS in 2002 and most development assistance has since been focused on implementing it. A number of donors have allocated a substantial proportion of their aid envelopes in the form of budget support based on the PRS. A joint health sector programme review and a joint review of the PRS were completed in November 2002.

The PRS includes targets and indicators, which inform all programming decisions that are aligned with PRS priorities. Eleven bilateral agencies along with the African Development Bank, the European Commission and the World Bank have allocated a substantial proportion of their official development assistance (ODA) to Tanzania in the form of budget support for the PRS. The group has adopted a common performance assessment framework with which focuses on results, improved public expenditure management and capacity building.

The harmonisation agenda is well established in Tanzania, and the support provided to the PRS by many donors through budget support has helped to drive it forward. Efforts are focusing on strengthening the link between the PRS and the government budget (through strengthening the link between the PER and the PRS annual reviews), coming to an agreement on a common performance assessment framework, establishing sector working groups in priority sectors and linking the country/portfolio annual review processes to existing in-country review processes.

BUDGET SUPPORT IS ALIGNED WITH PARTNERS' PROCEDURES

Budget support is provided in all 14 countries and is often viewed by partner governments as a motion of confidence in support of the country's development policies and processes. When budget support is provided, it is very important that it be delivered in accordance with partners' budget procedures and over a timeframe that is consistent with partners' financial planning horizon. Three criteria were used to assess this:

- Donors make multi-annual funding commitments.
- Donors provide timely commitments.
- Donors make timely disbursements.

Responses to these questions are presented in Table 1.5. **The survey shows that 60% of donors provide multi-annual commitments and provide timely commitments; 67% disburse budget support on schedule.** More detailed information on budget support is also available in the 2004 Strategic Partnership with Africa (SPA) Budget Support Survey undertaken in 18 African countries.

Multi-annual funding commitments

As they allow partners to plan their medium-term macroeconomic and fiscal projections, multi-annual funding commitments are very important. Table 1.5 shows that a significant proportion of donors reported making multi-annual funding commitments. In the case of bilateral donors, this is often subject to annual parliamentary approval. Several respondents noted that partner countries were not always able to realise the full benefit of multi-annual commitments because effective medium-term expenditure frameworks were not always in place.

Timely commitments

Budget support donors were also asked whether commitments made in 2003 on budget support took place at a time that allowed partner governments to take them into account in their budget preparation. A large majority of donors responded positively (Morocco and Senegal scored less well on this account). Only a minority of donors responded negatively — usually smaller donors whose budget support procedures are in the early stages of development.

TABLE 1.5
INDICATOR 5

	Is budget support predictable and aligned?					
	Donors making multi-annual commitments		Donors making timely commitments		Donors making timely disbursements	
	%	(number)	%	(number)	%	(number)
Bangladesh	40%	(2)	75%	(3)	100%	(4)
Bolivia	42%	(5)	36%	(4)	83%	(10)
Cambodia	50%	(3)	50%	(2)	20%	(1)
Ethiopia	69%	(9)	78%	(7)	100%	(8)
Fiji	100%	(4)	67%	(2)	100%	(2)
Kyrgyz Republic	60%	(3)	80%	(4)	80%	(4)
Morocco	67%	(2)	50%	(2)	75%	(3)
Mozambique	79%	(11)	54%	(7)	33%	(1)
Nicaragua	46%	(6)	67%	(6)	75%	(6)
Niger	71%	(5)	57%	(4)	50%	(1)
Senegal	50%	(3)	25%	(1)	50%	(2)
Tanzania	93%	(13)	93%	(13)	93%	(13)
Vietnam	58%	(7)	57%	(4)	57%	(4)
Zambia	20%	(1)	50%	(2)	50%	(1)
AVERAGE	60%	(5.3)	60%	(4.4)	69%	(4.3)

BOX 1.4

A joined-up approach to budget support – the Mozambique G15

Budget support had a pioneering role in the establishment of a joint donor group (since 1997) and of a joint dialogue mechanism. Considerable progress has been made in the last year with the alignment of donors who provide budget support to government systems, and also in harmonisation amongst these donors. This culminated in the signing of a memorandum of understanding between the government and the budget support donors in April 2004. The 15 donors who provide budgetary support (13 bilateral donors, the European Commission and the World Bank) have formed a common group (known as the G15) and in 2004 they undertook a joint review of performance. The G15 use the government's annual evaluation document to report on PRSP implementation and have agreed to a common performance-assessment framework with the government to measure performance.

Timely disbursements

An important criterion for the quality of budget support is whether funds are disbursed on donors' schedule. Late disbursement of programme support is a source of unpredictability and undermines the PRS process. The survey reveals that in most cases donors have delivered on schedule. **The main reason for making late disbursements is government failure to meet policy-related conditions.** Other reasons include failure to meet process requirements (e.g. administrative problems).

While late disbursements are not common, the implications can be quite serious. One government, for example, reported significant problems due to back-loading of donor disbursements in the fourth quarter of 2003, causing problems for government monetary policy and attempts to control inflation.

Other important issues

Finally, it is important to note that alignment of budget support goes well beyond the challenge of synchronising calendars of commitments and disbursement. One way of optimising alignment of budget support is to establish common arrangements such as in **Mozambique** (Box 1.4).

PROJECT SUPPORT

One of the cornerstones of the Rome Agenda is that development assistance should be provided in ways that build partners' sustainable capacity to develop, implement and account for these policies to their citizens and legislature.⁵ This means increased reliance on partners systems and procedures to manage aid.

Reliance on partner country systems is most relevant when donors provide project or sector support. In most cases, funds released directly into partners' budgets are automatically managed in accordance with national procedures and systems. The survey asked donors and partner countries to indicate the share of the total number of projects that was managed according to national procedures in the following areas:

- Public procurement.
- Disbursement and accounting.
- Reporting arrangements (financial and non-financial).
- Project and programme monitoring and evaluation (M&E) systems.
- Audit arrangements.

Responses to the survey are presented in Figure 1.2).

On average only about 30% of the portfolio of projects is managed according to national procedures. Results range from 28% for auditing to 34% in the case of procurement. Interestingly, no single donor reported using national systems in all five categories indicated above. In most countries, a significant number of donors reported that they do not use country systems for any of their projects.

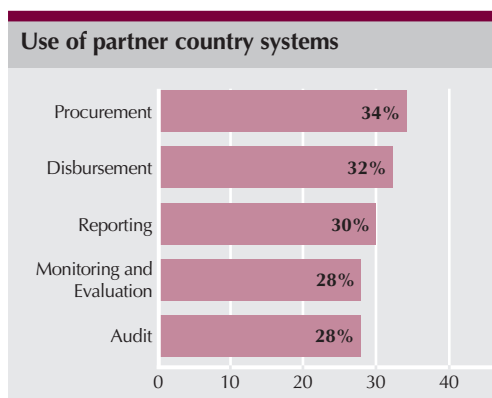


FIGURE 1.2
INDICATOR 6

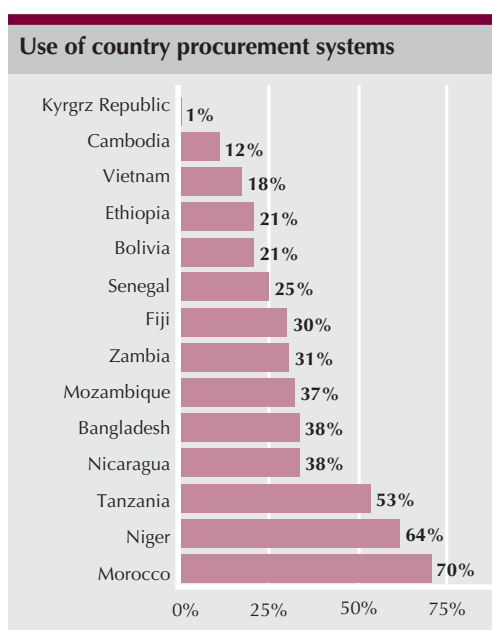


FIGURE 1.3
INDICATOR 6

Figure 1.3 shows that **there are very significant disparities between the 14 countries on the use of partner country procurement systems.**

It is clear from these numbers that there is a need to strengthen country systems so that donor countries can make more use of them. It is also the responsibility of donors to recognise the need for capacity building in partner countries and to ensure that their procedures do not undermine partner country efforts to build transparent, accountable systems.

5. The Rome Declaration invited partners to “undertake the necessary reforms to enable progressive reliance by donors on their systems and procedures”.

HARMONISATION

Harmonisation is the commitment by donors to rationalise their multiple (and often uncoordinated) activities in ways that maximise the collective efficacy of aid under country ownership. In this regard, the survey sought answers to the following questions:

- Are efforts being made to streamline conditionality and diagnostic reviews?
- Are donors rationalising their activities by relying on other donors to perform specific tasks (delegated co-operation)?
- Are field missions being co-ordinated?
- Are donors disclosing information on aid flows and sharing country analytic work?

STREAMLINING CONDITIONALITY

One of the good practices endorsed at the Rome High-level Forum on Harmonisation is that donors should establish a single framework that streamlines donors' conditionality. The purpose of this framework is to clarify the

conditions and the circumstances under which donors might suspend or adjust the volume of development assistance they provide. The potential benefits of this are numerous: improving transparency of donor activities, increasing predictability of aid and enhancing a government's ability to plan development assistance. It also helps donors avoid presenting a government with an excessive number of potentially conflicting conditions.

The survey clearly shows that there is little evidence that donors are streamlining conditionality (see Table 1.6). The only unqualified examples of donors streamlining conditionality were mainly in the context of budget support (Bolivia, Cambodia and Mozambique) and two cases at the sector level in **Zambia** (See Box 1.5).

Where conditionality has been streamlined, the process is often linked to its development and rationalisation, in the context of the PRS process and performance-assessment frameworks. APRs also offer real opportunities for establishing conditionality frameworks (e.g. Tanzania).

TABLE 1.6
INDICATOR 7

	Where is conditionality streamlined?					
	Budget support	Sector level				
		Health	Education	Water	Transport	Rural development
Bangladesh	YES	YES	YES	NO!	NO!	NO!
Bolivia	YES!	NO	YES	YES	YES	NO
Cambodia	YES!	NO!	NO!	NO!	NO!	NO!
Ethiopia	NO	NO	NO	NO	NO	NO!
Fiji	NO!	NO!	NO!	NO!	NO!	NO!
Kyrgyz Republic	NO!	NO!	NO!	NO!	NO!	NO!
Morocco	NO!	NO!	NO!	NO!	NO!	NO!
Mozambique	YES!	YES	YES	NO	YES	YES
Nicaragua	NO	NO	NO	NO	NO	NO
Niger	NO	NO	NO	NO	NO	NO
Senegal	NO!	NO!	NO!	NO!	NO!	NO!
Tanzania	NO	NO!	NO	NO!	NO!	NO!
Vietnam	YES	NO	NO	YES	NO	NO
Zambia	NO!	YES!	YES!	NO!	NO!	NO!

DELEGATED CO-OPERATION

Delegated co-operation occurs when one donor (a lead donor) acts with authority on behalf of one or more other donors (the delegating donor). The Rome Declaration encouraged donors to intensify their efforts to work through delegated co-operation at the country level as a means of reducing transaction costs and enhancing aid effectiveness through greater use of the comparative advantages of individual donors. The level and form of delegation might vary considerably, ranging from responsibility for one element of the project cycle to a complete sector programme or even a country programme.

The survey reveals that there are few examples of delegated co-operation (see Figure 1.4). Only 42% of donors across 14 countries reported that they were delegating co-operation.

Such arrangements are most common in the context of common donor groups, for example the Like-Minded Donor Group in **Vietnam** where members take lead responsibility for different tasks. The Department for International Development (DFID) is the lead agency for public sector financial reform and Switzerland is the lead agency for public administration reform. In many countries, the United Nations (UN) leads in several programme areas, with activities financed through pooled-funding mechanisms.

DONOR FIELD MISSIONS

Donor missions have been defined by the survey as follows:

- Missions undertaken by officials from the head office to the recipient country.
- Missions that involved a request from donors to meet with officials from the recipient country of destination (excluding workshops, conferences and informal meetings).

Donors were asked to indicate approximately the number of missions in 2003 and how many of these were conducted jointly with other agencies. Findings are presented in Figure 1.5.

In average, more than 200 donor missions were fielded to the 14 partner countries.

Significantly, on average, **less than 10% of these missions were carried out jointly**. This is an area in which donors might make greater efforts.

Health and education sector approaches in Zambia

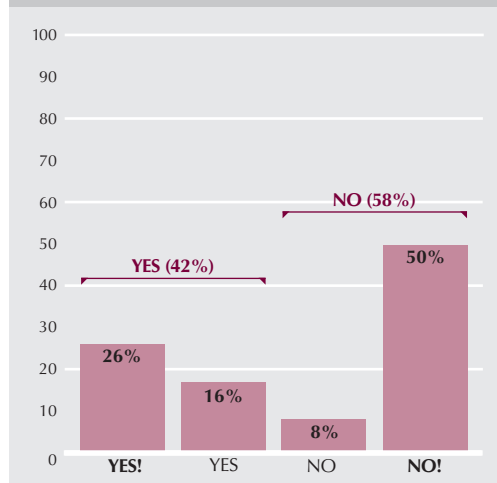
BOX 1.5

In Zambia the health and education sectors both have well-developed sector-wide approaches (SWAps). These are supported by clearly articulated government sector policies in these areas, well-developed MTEFs, good donor co-ordination mechanisms and government performance-management systems. Both SWAps are well supported by donors (90% support the health sector and 82% the education sector) and progress towards harmonisation in both sectors is good.

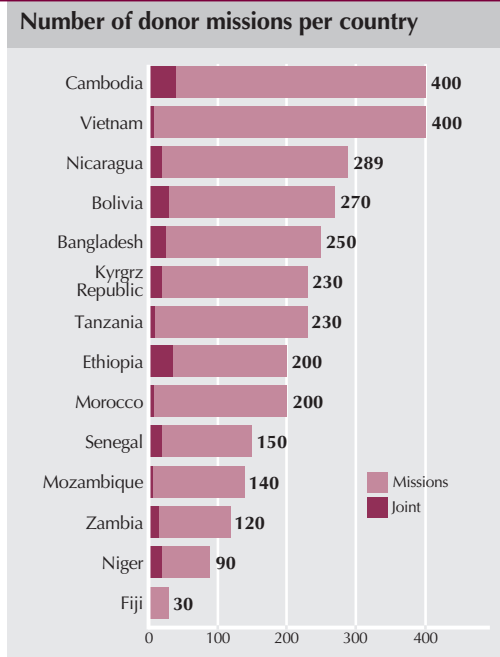
Donor support provided as part of the SWAps makes use of procurement, disbursement, reporting and M&E arrangements mutually agreed between the partner government and participating donors. These can include new systems that did not exist previously or were underdeveloped before, notably in reporting.

Are donors delegating co-operation?

FIGURE 1.4 INDICATOR 9



**FIGURE 1.5
INDICATOR 10**

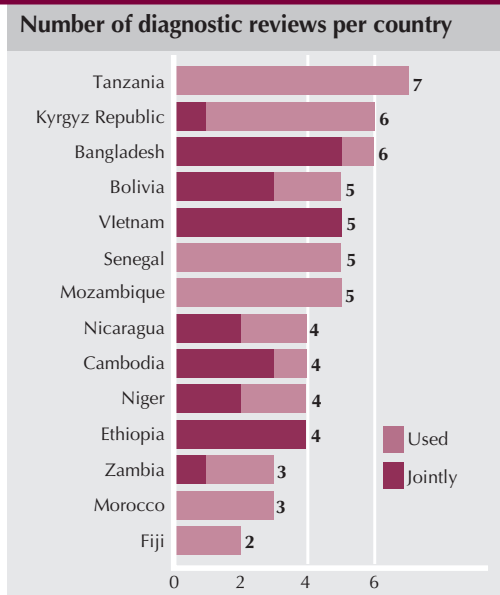


STREAMLINING DIAGNOSTIC REVIEWS

The growth in diagnostic products in recent years and the lack of co-ordination in their application has led to duplication of donor efforts and high transaction costs for partner countries. This can make it more difficult to arrive at a shared agenda between partner governments and the donor community on how to support development. For this reason, donors should seek to streamline diagnostic reviews and reduce the number of separate reviews.

The survey asked which reviews were undertaken and how many of these involved more than one donor. Figure 1.6 presents the results in all 14 countries. **The average number of reviews per country was 4.7 of which 38% were undertaken jointly.** The number of reviews varies considerably by country ranging from two in Fiji to seven in Tanzania.

**FIGURE 1.6
INDICATOR 11**



DISCLOSING INFORMATION

The survey sought to measure the extent to which donors disclose information on aid flows and share their country analytic work (e.g. sector or macroeconomic analysis). Table 1.7 presents the main findings in all 14 countries.

Notification of aid flows

Providing partners with full information on aid flows enables them to integrate development assistance into macroeconomic and budgetary management and to improve the planning of their development policies. In this context, the survey sought to establish whether:

- There were clear arrangements between donors and partners on how donors disclose information on aid flows.
- Donors made multi-annual commitments for all modalities of aid delivery (not only budget support).
- Donors notified actual disbursements.

The survey shows that agreements on procedures for notifying disbursements are frequently made in the context of sector programmes or budget support groups rather than at the country level. Consequently, progress within each country varies by sector as well as by donor.

Conclusions from survey responses about donor missions should be drawn with caution at this point, however. Although a definition of a donor mission was provided in the questionnaire, it is apparent from responses that interpretations varied across responding organisations. Until definitions are more refined, these numbers may not provide an adequate basis for comparison across countries.

Are donors disclosing information?					TABLE 1.7 INDICATOR 12 AND INDICATOR 13
	Information on planned and actual aid flows			Do donors share country analytic work?	
	Are there clear arrangements?	Are donors making multi-annual commitments?	Did donors notify actual disbursements?		
Bangladesh	NO	YES	YES	YES	
Bolivia	YES	YES	YES!	NO	
Cambodia	YES!	YES	YES!	YES	
Ethiopia	YES	YES!	YES!	NO	
Fiji	NO	YES	YES	NO	
Kyrgyz Republic	NO!	YES	YES	YES	
Morocco	NO!	YES	YES	YES	
Mozambique	YES	YES	YES!	NO	
Nicaragua	NO!	YES	YES!	NO	
Niger	NO!	YES	YES	NO	
Senegal	NO	YES	YES!	NO	
Tanzania	YES!	YES!	YES!	NO	
Vietnam	NO	YES	YES!	YES	
Zambia	NO	YES!	YES	YES	

The Aid Management Platform (AMP) in **Ethiopia** (see Box 1.6) is one of the few examples of a broad country-level initiative for managing information on aid flows.

Sharing country analytic work

Country analytic work encompasses the analysis and advice necessary to strengthen policy dialogue, develop and implement country strategies in support of sound development assistance. It typically includes country or sector studies and strategies, country evaluations, discussion papers, etc. Good analytic work is essential for well-focused development policy and programmes. Donors have a role in ensuring that analytic work they commission is disseminated and more readily available (subject to disclosure policies).

The survey measured efforts made by donors in disseminating their country analytic work on public Web sites such as the “Country Analytic Web Site” (*www.countryanalyticwork.net*). The survey shows that there is considerable scope for improving the dissemination of country analytic work.

The AMP in Ethiopia

BOX 1.6

Working within the spirit of partnership and dialogue of the Rome Declaration, a team from the Development Gateway, OECD, the United Nations Development Programme (UNDP) and World Bank is working with the government of Ethiopia and the existing donors’ network to:

- Examine and recommend an appropriate institutional framework and ICT-based systems to enhance the effective and efficient management of external assistance.
- Study the existing pattern of aid co-ordination and management and understand the basis of key donors’ aid allocation/commitments, disbursements and co-ordination procedures.
- Identify links to existing systems, notably the debt management system and procedures for providing standardised donor information on aid plans and delivery.
- Develop and demonstrate the proof of concept which will establish detailed requirements for a full scale AMP in Ethiopia that can also serve as a model for testing in other countries.

**TABLE 1.8
INDICATOR 8**

	Alignment with sector programmes					
	Education			Health		
	Clear sector policy?	Are donors aligning?	Donors' funds are integrated in sector MTEF?	Clear sector policy?	Are donors aligning?	Donors' funds are integrated in sector MTEF?
Bangladesh	YES!	YES!	NO!	YES!	YES	NO!
Bolivia	YES!	YES	YES!	YES	YES	NO
Cambodia	YES!	YES!	YES	YES!	YES!	YES
Ethiopia	YES!	YES!	YES	YES!	YES!	NO
Fiji	YES	YES!	NO!	YES	YES!	NO!
Kyrgyz Republic	NO	YES	YES!	YES!	YES!	YES
Morocco	YES	YES!	NO!	YES	YES!	NO!
Mozambique	YES	YES!	NO	YES	YES!	NO
Nicaragua	YES	YES!	NO	YES	YES!	NO
Niger	YES!	YES!	YES	NO	YES!	YES
Senegal	YES	YES!	YES!	YES	YES!	YES
Tanzania	YES!	YES!	YES!	YES!	YES!	YES!
Vietnam	YES	YES!	NO	NO	YES	NO
Zambia	YES!	YES!	YES!	YES!	YES!	YES!

Donors reported that they share country analytical work in many ways other than through the Country Analytic Web Site, including their own agency Web sites, through hard copies distributed to local donor and government stakeholders and through other country-specific fora. For example, in the Kyrgyz Republic and in Tanzania, country Web sites have been launched and are expected to support dissemination of country analytical work.

HARMONISATION AND ALIGNMENT AT THE SECTOR LEVEL

The survey also looked at aspects of harmonisation at the sector level in each country surveyed. Indicator 8 records the overall progress made towards harmonisation in the health, education, water, transport and rural development sectors of each country according to donor and partner country perspectives.

Table 1.8 presents the survey findings only in the areas of health and education: full results are analysed in each of the country chapters. It should be noted that typically more progress has been achieved in health and education than in other sectors such as rural development or transport.

ACRONYMS

AMP	Aid management platform
APR	Annual progress review
DFID	Department for International Development (United Kingdom)
HLF	High-level government-donor forum
JICA	Japan International Cooperation Agency
M&E	Monitoring and evaluation
MTEF	Medium-term expenditure framework
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OED	Operations Evaluation Department (World Bank)
PEMFAR	Public expenditure management and financial accountability assessment review
PER	Public expenditure review
PRS	Poverty-reduction strategy
PRSP	Poverty-reduction strategy paper
SPA	Strategic Partnership with Africa
SWAp	Sector-wide approach
UN	United Nations
UNDP	United Nations Development Programme

