

DAC PEER REVIEWS AND HARMONISATION AND ALIGNMENT — OVERVIEW AND FINDINGS IN 2004 —

I. INTRODUCTION

1. As agreed by the Working Party on Aid Effectiveness and Donor Practices and its Task Team on Harmonisation and Alignment (H&A), DAC Peer Reviews are used as one instrument for reporting on progress in implementing the Rome commitments. A tracking exercise was introduced in 2003 as a first attempt and on-going efforts are being made toward a systematic and structured approach of this issue in Peer Reviews.

2. Five Peer Reviews of DAC member countries are conducted each year. Since 2004, specific questions on the implementation of H&A principles have been introduced in the questionnaires and reviewed countries are asked to address this issue in their memorandum. During capital visits, extensive discussions on H&A are held with key actors in the national development co-operation system.

3. Furthermore, as part of the Peer Review process, eight to ten developing countries are visited each year. Discussions with the reviewed DAC member country representation, as well as meetings with donors on harmonisation issues and with partner governments on alignment and co-ordination issues are organised regarding the implementation of the Rome commitments at local level. This generates insight on how the collectivity of donors and the partner government work together and supports an assessment of the performance of the reviewed donor in that context.

II. MAIN FINDINGS IN 2004

4. These elements inform both Peer Review reports and DAC discussions. In addition, a comparative approach can be built on the basis of the findings of each Peer Review. This paper provides an overview of the main findings on H&A in the Peer Reviews of France, Italy, Austria, Norway and Australia undertaken in the course of 2004. In addition to visits to headquarters for these five Peer Reviews, field missions were conducted to nine countries: Benin, Mauritania, Mozambique, Tunisia, Nicaragua, Bosnia & Herzegovina, Zambia, Papua New Guinea and Cambodia. Four of these countries (Mozambique, Nicaragua, Zambia and Cambodia) belong to the group of 14 partner countries associated to the Task Team on H&A. This overview is structured according to the three principle dimensions of the Rome Declaration, ownership, alignment and harmonisation.

5. **Ownership:** Among the nine partner countries visited, the four partners belonging to the group of countries associated to the Task Team on H&A were characterised by higher levels of ownership and thus were more advanced in implementing the Rome commitments as compared to non-Task Team partner countries. At the same time, donors are confronted with very different situations in terms of high/low levels of local ownership in partner countries, leading to very different roles/tasks the former have to take up. All Peer Reviews showed that if the partner country is not assuming responsibility and not taking up a strong leadership role in aid co-ordination and aid management, then the H&A process becomes very difficult. In situations where partner countries are face low capacity and weak institutions, donors need to actively co-ordinate among themselves and strengthen partner country capacity. However, only a few examples of capacity building were found in the five Peer Reviews.

6. **Alignment:** As the five Peer Reviews show, alignment has taken place to varying degrees. While examples of good practice exist, explicit alignment to locally-owned development strategies has taken place in very few cases so far and needs to be strengthened. The Reviews stress the need for aligning all aid modalities, including projects, to national and sector strategies. They also highlight the fact that the

adoption of a programme-based approach does not necessarily lighten the administrative burden that aid management poses on partner countries. Donors use different channels at the same time, from SWAPs and budget support to project aid and, as a result, transaction costs for donors and partner countries have not been reduced to a great extent. In addition, the trend towards new modalities means that field office staff increasingly consult with mostly higher level officials from partner countries' ministries and from other donor representatives in-country, with less and less involvement in day to day operations and hence the risk of losing touch with local conditions. Finally, none of the five donor countries has established substantive multi-annual funding commitments. As a consequence, in all five Peer Reviews, the DAC recommended increasing aid predictability through assessing the possibility of multi-year funding commitments consistent with the beneficiary country's programming cycle.

7. **Harmonisation:** Four out of five DAC member countries reviewed have produced draft action plans on H&A, which will become effective in 2005 at the latest. However, only one donor had set up formal focal points in order to systematically promote H&A at headquarters and in the field. Delegated or silent partnerships are used by two of the five donors and are considered by a third. Reviews show that a number of conditions are required to improve harmonisation. Adequate decentralisation of authority to the field and enhanced human and financial capacities in field offices appear as key factors to implement harmonisation and ensure aid effectiveness. Furthermore, an organised and responsive system of communication and information sharing between headquarters and the field is required for further progress, and experience from the field should be more systematically taken into account at headquarters and at the international level. The deeper dialogue and closer co-ordination with partners and other donors within the framework of national poverty reduction strategies and programme approaches call for a different set of skills to that required for project implementation. Field offices must therefore be equipped with adequate authority and staff capacity for implementing H&A. However, only two donors have begun to offer staff training which explicitly takes into account H&A issues. Donors should also concentrate their support in a limited number of partner countries and sectors in order to increase results/impact and reduce transaction costs. Finally, DAC member countries should establish monitoring systems in order to measure progress in H&A.

III. FUTURE PROSPECTS

8. As one instrument for reporting on progress in implementing the Rome commitments on harmonisation and alignment, the 2004 Peer Reviews have shown that they can:

- Gather information from DAC member countries reviewed and from some partner countries in a structured way.
- Provide feedback on the progress of the country reviewed in H&A through Peer Review reports and DAC meetings, as well as through annual synopsis reports on progress toward H&A.