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**MEETING THE ROME COMMITMENTS ON HARMONISATION AND ALIGNMENT
FOR AID EFFECTIVENESS**

PROGRESS, CHALLENGES, AND OPPORTUNITIES

DAC High Level Meeting, 15-16 April 2004

This report of the Chairs of the Working Party on Aid Effectiveness and Donor Practices (Mr. Michel Reveyrand, France) and the Task Team on Harmonisation and Alignment (Mr. Bo Westman, Sweden and Mr. Colin Bruce, World Bank) has been prepared to inform DISCUSSION under agenda item 2b of the HLM agenda [DCD/DAC/A(2004)5]: The Challenge of the Millenium Development Goals: Assessing Progress on Aid Volume and Effectiveness.

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I. Introduction

1. As part of the Monterrey Consensus (2002) and as set out in the Rome Declaration (February 2003), the international development community has committed to deliver and manage aid more effectively so as to increase development impact. An ambitious programme of action was identified and committed at Rome with a central focus on implementation at country-level. This programme places emphasis on country ownership and government leadership, attaches importance to capacity building, and recognises diverse aid modalities. Key elements of this programme are:

- aligning development assistance on partner countries' national development strategies, priorities, and systems;
- streamlining donor policies, practices and procedures to facilitate harmonisation;
- implementing good practice principles¹ in development assistance delivery;
- intensifying delegated cooperation;
- increasing flexibility of country-based staff to manage country programmes;
- developing incentives within donor agencies to foster management and staff recognition of the benefits of harmonisation;
- promoting stronger partnerships with governments and among donors in country analytic work;
- providing budget, sector support when possible and appropriate; and
- promoting harmonisation in global and regional programmes.

2. Since the High-Level Forum in Rome, the Working Party on Aid Effectiveness and Donor Practices (WP-EFF), comprised of bilateral donor agencies and multilateral institutions, with partner country representation, has begun working to facilitate and assist country-led efforts for harmonisation as needed. It has also emerged as the focal point for (i) self-evaluation and reporting among WP members on progress achieved that will be informed by country indicators aligned with Rome commitments, (ii) generating peer pressure for achieving the objectives set out in Rome, (iii) identifying constraints to action, and (iv) facilitating practical solutions to implementation challenges.

¹ See Harmonising Donor Practices for Effective Aid Delivery: Good Practice Papers; OECD, 2003.

3. This note reflects the discussions at the fourth meeting (24-25 February 2004) of the Task Team on Harmonisation and Alignment (Task Team) in which 13 partner countries participated, and information collected from donors, multilateral institutions, and other sources, including supplementary information provided by Task Team members following the February meeting. It summarises progress, challenges and opportunities seen, and also discusses the planning for a Second High-Level Forum which the Government of France will host in Paris in early 2005. This information is being brought to the attention of the DAC High-Level Meeting [and to the Development Committee Meeting on 25 April to be confirmed] to inform and contribute to the discussions on aid and development effectiveness. A full report will be prepared for the Paris Forum that will be discussed at the DAC Senior Level Meeting at the end of this year.

4. This note is organised into five sections. After this introduction (Section 1), Section 2 highlights the key message. Section 3 describes the implementation experience to date, covering progress as well as challenges, including concerns raised by partner countries. Section 4 describes opportunities at the global, headquarters, and country levels to improve implementation. Section 5 provides the conclusions.

II. Key Message

5. Some progress has been achieved. Indeed, a range of harmonisation activities is taking place in even more countries than were envisaged at the time of the Rome Forum. However, with a few notable exceptions, the alignment and harmonisation agenda has not yet been sufficiently internalised both by donors and developing countries through changes in development agencies' operational policies, procedures, and staff incentives. As a result, there is a continuing divide between overall policy, detailed operational procedures, and country level practices which need to be addressed. Hence much remains to be done, bilateral donor agencies, multilateral institutions, and partner countries will need to scale up actions to meet the commitments set out in Rome, exercising leadership in their respective areas of responsibility and domains of influence.

III. Implementation and Challenges

6. Findings from a variety of sources, including *inter alia* discussions with partner countries, experiences at country-level, reporting among donors and institutions indicate the progress to date as well as the challenges that remain.

A. Progress to Date

7. **Intensified Interest.** The attention by donors and multilateral institutions at headquarters, and particularly by partner countries, has intensified beyond the expectations of the Rome Declaration. This is reflected in a multiplicity of activities across a wide range of countries: formation of government/donor working groups; development and initial implementation of joint government-donor action plans for harmonisation and alignment; preparation of joint multi-donor country assistance strategies; development of harmonised approaches to budget support operations; growing interest in sector support as a harmonisation tool; and more streamlined project implementation and management procedures. For many low and middle-income countries, the increased focus on strengthening and using improved country systems is gaining some traction. However, this will require tighter operational links, to the outcomes of the fiduciary and other diagnostic assessments, including harmonised agreement on acceptable benchmarks and coordinated capacity building support in the area of procurement. Meanwhile, the *Global Fund to Fight AIDS, Tuberculosis, and Malaria* and *Education For All-Fast Track Initiative* are beginning to explore how the harmonisation and alignment good practices could be integrated in their country operations.

8. Action Plans of donors, institutions and frontier countries. Donor agencies individually as well as collectively have initiated the process of preparing harmonisation action plans. More than half of the OECD-DAC Members and some multilateral institutions have completed the process. While the level of detail varies among these action plans, they are consistent with the commitments made in the Rome Declaration. These action plans include: communication to staff about the Rome commitments and their importance; actions to review policies and procedures for internal change in line with good practice principles; and alignment and harmonisation behind country-led processes — frameworks, priorities, systems and procedures — as key steps to improve aid effectiveness. Several partner countries have articulated their plans for harmonisation and alignment, often jointly with donor agencies. Capacity constraints on both sides, however, in some cases have limited the pace of this process.

9. Illustrations of harmonisation efforts at country level.

- In Vietnam, the government in consultation with the Like Minded Donor Group, a group of two multilateral and three bilateral development banks, the EU, and other interested donors, is implementing the 14 items of its recently revised action plan, under the aegis of the Partnership Group for Aid Effectiveness. This action plan includes improving partner countries institutional framework for utilising ODA, aligning donors activities with the national development plans and the poverty reduction strategy, and adopting financial management and procurement good practices.
- In Ethiopia, bilateral and multilateral donors are aligning assistance with the country's growth and poverty reduction strategies, discussing harmonisation modalities for budget and programmatic operations, working toward common arrangements for sector support, and requirements for financial reporting, standard bidding documents, common thresholds for national and international competitive bidding, and common thresholds for post and prior reviews. These are important steps being taken in support of the government's harmonisation programme and action plan.
- In Fiji, the government has completed its strategic development plan and has invited donors to align themselves behind its objectives and priorities, including with its budget calendar and cycle. In Cook Islands and Niue, Australia and New Zealand will, starting from July of this year, implement a single co-funded programme. Partner countries will benefit from both donors' expertise in the region and also from decreased administrative requirements.
- The EU is developing strategies for an enhanced co-ordination and harmonisation in 4 pilot countries, Vietnam, Mozambique, Morocco and Nicaragua – all of which are closely involved in the DAC Task Team. In several other countries, the World Bank is helping to facilitate the dialogue between governments and local donors on harmonization priorities and their implementation.
- The Nordic plus countries² Harmonisation in Practice (HiP) programme in Zambia is an example of a concerted multi-donor effort — with leadership provided by the agency heads— to support a partner country to develop and implement a broad based harmonisation programme. This programme is now being expanded to include other interested bilateral and multilateral donors.
- The SPA action learning programme in Ethiopia, Rwanda and Senegal, and the detailed 19 country survey recently carried out by the SPA-6 Budget Support Working Group focusing

² Sweden, Norway, Denmark, Finland, Iceland, Netherlands, UK, and Ireland

on donor alignment with country priorities and systems, have contributed much to the better understanding of issues in aligning budget support operations with country poverty reduction strategy processes and with budget cycles. The IMF and the World Bank are working closely with the SPA in these efforts.

- The United Nations agencies operating at country level have been pursuing a unified approach towards national development goals, through various tools to simplify and improve collaborative functioning of the agencies' preparation, implementation, monitoring and evaluation of country programs. In Benin, for example the UNDP, UNFPA, UNICEF, WFP and other UN partners are focusing on collaborative and joint programming, coordinated implementation, including joint missions. Also, FAO, UNFPA, WHO, UNDP, UNICEF, UNHCR have adopted a comprehensive monitoring and evaluation tool and indicators designed to monitor PRSP implementation and progress towards MDGs.
- The World Bank and the African Development Bank have agreed that Country Financial Accountability Assessments (CFAAs), a key financial diagnostic tool, will be undertaken jointly from now on in the Africa region. Similarly, Country Procurement Assessment Reports (CPARs) in a number of countries are being prepared jointly by the World Bank, the Inter American Development Bank, the Asian Development Bank and bilateral donors.

10. Concrete Examples of Progress. Some particularly promising examples of country implementation progress are:

- In Tanzania, the government and donors have agreed to front-load budget support, with the result that 70 percent of the support was disbursed by the second quarter of its 2002/3 financial year and 90 percent in the first six months of its 2003/4 budget year. This substantially reduced the interim costs of financing during the year and allowed resources to be used better for pursuing the MDGs³.
- In Bangladesh, 13 donors previously had 27 different projects for primary education, disbursed through 33 different special accounts. During 2003, 11 donors decided to support a sector wide approach. The AsDB and the Netherlands led the donor side of this effort, with other bilateral donors and the World Bank pooling funds to the extent possible. In addition, two bilateral donors and UNICEF provide project-type aid that is well aligned with the overall plan and complementary to the pool funding arrangements. It uses the Government's newly upgraded procurement system, effective July, 2003, for all local procurement (that is, 85 percent of total procurement). The programme relies on common financial management arrangements, joint missions and reviews, only three accounts for disbursing funds, and in some instances delegated authority. This integrated programme is aligned with the PRSP.

11. Monitoring. To assist in monitoring the commitments made at Rome, the Task Team during the past several months has developed a survey instrument containing a number of indicators of harmonisation progress. The questionnaire is being field tested during February and March 2004 in Vietnam, Nicaragua and Ethiopia, and results of an initial round of the questionnaire covering 14 countries should be available in early summer.⁴ At a broader level, a tracking tool developed for the Task Team is reporting activities in

³ Reported by the representative of Tanzania to the 4th Meeting of the Task Team on Harmonisation and Alignment Meeting, 24-25 February.

⁴ The additional countries to be surveyed are Bangladesh, Bolivia, Cambodia, Fiji, Kyrgyz Republic, Morocco, Mozambique, Niger, Senegal, Tanzania and Zambia.

over 50 partner countries involving 18 bilateral donors and 16 multilateral institutions⁵. This is corroborated by data from other sources. For example, a recent review⁶ reports that as of January 2001 harmonisation actions were being taken in only 10 percent of 48 CDF countries reviewed growing to 21 percent by January 2003. An update using more recent information from the tracking tool indicated that by January 2004, actions were being taken in 30 percent of the CDF countries reviewed.

B. Challenges and Concerns

12. While it is widely understood that implementation of the Rome commitments would not occur ‘in a day’, there is impatience among many partner countries — especially among relatively good performers. The common thread appears to be that partner countries do not yet see that harmonisation and alignment are well institutionalised or supported by adequate incentive structures across the development community. Progress to date is still most evident where the initial conditions were favourable, and where the partner country ownership/leadership had already emerged, strong donor coordination had already begun to stimulate some level of harmonisation between donors, and there was a coincidence of having the right staff (partner countries and donors) at the right place. Broader and accelerated implementation across all partner countries, and across all development partners, requires systematic attention to implementing the good practices identified and review of the experiences to date, which is the agenda for the Task Team, and necessary follow-up action. In this connection, it is becoming increasingly apparent that donors need to give more attention to how to adapt principles of harmonisation and alignment to “difficult partnerships”. In these countries, which are characterised by varying degrees of weak governance, weak capacity, and lack of commitment to poverty reduction, and which are often conflict ridden, donors are reluctant to align behind partner country priorities and strategies. The Learning and Advisory Process (LAP)⁷ is addressing issues of donor co-ordination and harmonisation in these countries working closely with the Task Team.

13. Issues identified by partner country representatives and broadly shared by donors also include:

14. **Communication.** Corporate commitments to harmonisation and alignment are not yet translated into concrete actions in support of harmonisation or strong support among local representatives and staff⁸. There continues to be a knowledge gap between headquarters and field offices. This is being reported widely notwithstanding the fact that importance is being given to communications in the donor agency action plans and efforts are being made by many agencies to disseminate information on harmonisation. In some cases, donors also note challenges in communication between partner government central ministries that oversee the harmonization and alignment process, and sectoral and sub-national government agencies, many of which have critical implementation responsibilities.

15. **Practical Know-how and Capacity Constraints.** Knowing what to do to harmonise and knowing how to do it are not the same. As a result, long decision lags on actions remain a considerable issue in country implementation. Issues identified by partner country representatives include the lack of practical information on options, experiences and lessons of other countries, including operational road

⁵ See aidharmonisation.org website, developed by the World Bank and hosted by the Global Development Gateway.

⁶ “Getting Serious about the MDGs: A Comprehensive Development Framework Progress Report,” CDF Secretariat, 2003. The 48 countries reviewed were those that had completed a PRSP or I-PRSP before end-October 2002.

⁷ The LAP is co-sponsored by the DAC Network on Governance and on Conflict, Peace and Development Co-operation, and is a joint venture with the World Bank, UNDP, and European Commission.

⁸ See section 3 --coordination of policies and harmonization of procedures --of the “Translating the Monterrey Consensus into Practice”, Report of the European Commission, March 5, 2004.

maps on the transition of moving from reliance on donor requirements to use of partner country systems. Some partners also need short-term assistance to elaborate and operationalise action plans for alignment and harmonisation; and some will need incremental longer term assistance for strengthening systems in fiduciary and other areas.

16. **Early Win and Country Incentives.** Emerging experience in country implementation suggests strongly that there are unexploited opportunities to simplify, use harmonised procedures, reduce excessive monitoring and reporting requirements as well as to improve aid effectiveness of activities being launched. For example, more could be done to energise and sustain long term progress by streamlining the aid delivery system bilaterally between a partner country and individual donors. Also, the partner country itself could take the initiative in identifying specific measures and proposing arrangements to donors for improved harmonization. A related issue is to agree on clear benchmarks for standards and performance assessment criteria for partner countries. The absence of a clear prior link so far between progress on reforms conducive to harmonisation and alignment, and the speed of delivery, volume and predictability of external inflows is an issue often voiced by partner countries.

IV. Opportunities for Action

17. The previous section provided a cross section of issues raised by donors and partner countries through their participation in the Task Team and in various other fora. This list is by no means exhaustive, and not all the constraints and issues raised have ready solutions, or even an institutional home for addressing them. But the current level of attention of donors and partner countries to issues of alignment and harmonisation presents a number of opportunities for addressing constraints at the global, institutional and country levels. Some of the opportunities for taking concrete action to address the concerns raised by partner countries are discussed below:

18. **DAC Working Party on Aid Effectiveness and Donor Practices.** The WP-EFF is addressing aid effectiveness in five related areas: harmonisation/alignment, public financial management, procurement, aid untying and managing for development results. The work of the Task Team on harmonisation and alignment is discussed extensively in this note. The Task Team involves directly in its work 14 partner country representatives and also in-country donor representatives who are active in leading in-country harmonisation and alignment processes. This work focussing on facilitating and supporting implementation of the Rome Commitments both at the country and headquarters levels is being assisted and coordinated by a small secretariat team⁹. The WP-EFF is also working in close collaboration with others in related areas, including the Strategic Partnership with Africa. The Joint Venture on Public Financial Management is focusing on country level capacity and standards, as well as on improving predictability of aid flows, and financial-management issues of budget support. The OECD-DAC/World Bank Joint Venture on Strengthening Procurement Capacities in Developing Countries is attempting to develop a system to benchmark, monitor and evaluate partner country procurement systems as well as more effective ways to create sustainable procurement capacity. A special session on Untying and Procurement was held on 12 March, 2004. The Joint Venture on Managing for Development Results is focusing on carrying forward the Marrakech Memorandum and the Core Principles adopted at a major international conference in Marrakech sponsored by the DAC and the Multilateral Development Banks on 4-5 February 2004.

19. **Communication and Incentives.** The further development and wider use of the country implementation tracking tool, and the aidharmonisation.org website mentioned above that was launched in February 2004, would be helpful in this regard. This web-based tool provides access to a large body of

⁹ This same team also provides support to the WPP-EFF work in general, and to the JV-PFM in particular.

available information, knowledge, and practice on harmonisation experience. There is also a need to review the effectiveness of the communication channels and the approach used to date, with an eye to improving them. A number of donors are bringing in field staff to headquarters for orientation in harmonized approaches. In March 2004, around 25 experts from multilateral and bilateral agencies joined headquarters and field based World Bank colleagues in Washington for a week-long Fiduciary Forum in which harmonization was a consistent theme throughout. Consideration is also being given to expanding such exercises as well as training opportunities in the field, bringing in several country teams to share experience and lessons learnt. Some other donors are measuring staff performance against implementation of their agency's action plans.

20. **Lack of know-how to operationalise.** The Task Team and its country facilitation team, established in February 2004¹⁰, is geared to assist in shared learning from case studies on harmonisation, disseminating best practice, including innovations and experience in implementation. It plans to facilitate wider use of available templates such as common financial reporting formats, harmonisation friendly MOUs, and support multi-donor facilitation. It can also help to convene technical teams to address knotty cross country issues such as financial arrangements underpinning budget support or sector wide approaches, or monitoring and assessment of the PRS processes. Other institutions will also assist, including the SPA. As part of the Task Team's work programme, the European Commission and UNDP are co-leading a Joint Country Learning Assessment (JCLA) team involving other interested bilateral donors, together with the Government of Nicaragua, with the aim of supporting learning by doing and facilitating collaboration and harmonisation in the field. Meanwhile, the World Bank is providing facilitation services—in close collaboration with the Task Team—that offer lessons of initiating and implementation experience on harmonisation in a range of countries which can then be tailored to individual country circumstances.

21. **Staff Support and Incentives.** Alignment and harmonisation take time and require considerable perseverance. Steps can still be taken by senior management that sets clear direction and helps empower and support harmonisation processes, to put appropriate delegated authority at the field level, and to recognise staff's work toward harmonisation, including through personnel evaluation systems.

22. **Partner Country Incentives.** In the process of developing joint road maps for harmonisation at partner country level, clear goal posts should be identified for reform efforts. As the quality of their financial accountability and management systems, procurement regimes, and performance monitoring and evaluation systems improve, and capacity to use aid effectively increases, these efforts should result in increased reliance on country systems (as envisaged in the Rome Declaration), higher aid allocations (in keeping with the Monterrey Consensus), and more predictable aid disbursements (which is good practice).

¹⁰ See Room Document 1: Facilitating Implementation. The TT agreed that in-country processes are central to make concrete progress on harmonisation and alignment. In this regard it emphasised the value of relying on lead facilitators for each of the 14 partner countries. A country facilitation team will be composed of the following members: a) In-country Partner country facilitator nominated by the government who would normally be a senior official in charge of aid co-ordination and harmonisation; b) In-country donor facilitator nominated by the donor community at country level, in consultation with the government, to interact with the TT. The donor facilitator may be a bilateral donor (e.g. chairing a sector/budget support group or leading a donor consortia), a multilateral organisation e.g. UNDP, WB, EC (chairing/co-chairing the in-county development assistance group), or a combination of both. c) A member of the secretariat team with lead responsibility for country facilitation and support. Facilitation services for countries beyond the 14 are also being provided by, for example, the World Bank.

23. **Second High-Level Forum on Harmonisation and Alignment for Aid Effectiveness**¹¹. Finally, participants in Rome agreed to meet again in early 2005 to take stock of progress toward implementing the Rome Declaration. The intention is to use the event and, just as importantly, regional workshops, joint learning from case studies and technical discussions, and other activities during the period leading up to it, to deepen the consensus for progress and to accelerate action in key areas. The Government of France has offered to host a second High Level Forum which would be sponsored by the OECD/DAC, the four regional development banks, the United Nations, and the World Bank. Substantive planning and overall organization will take place through a Steering Committee — chaired by the World Bank, comprised of representatives from France, a multilateral development bank (likely the Asian Development Bank), the United Nations, the European Commission, three bilaterals (Denmark, Japan, United States), three partner countries (Bangladesh, Ethiopia and Nicaragua) and the DAC Secretariat. In addition, a Core Group—chaired by France, including the World Bank and the DAC Secretariat—will be responsible for the practical organization and logistics for the event.

V. Conclusions

24. Progress has been made since Rome, and could intensify in coming months with continued focus on country level implementation issues. The Task Team recognises that sustained and accelerated success will depend heavily on country leadership and actions by local donor representatives on the ground, with appropriate delegated authority from their headquarters. However, it also recognises the critical role it can play in facilitating and assisting the process when needed through knowledge sharing, networking to solve policy and operational problems, monitoring of donor actions, and in reporting promptly and widely on progress, challenges and opportunities. It remains strongly committed to playing this role effectively, collaboratively, and efficiently.

¹¹ The title of the Forum remains to be formally decided.