

The survey sought to measure objective evidence of progress against 13 key indicators of progress 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.

Bolivia’s new government has indicated that it intends to play a strong role in co-ordinating development assistance and donors (especially the bilaterals) appear to be interested in strengthening partnerships. Most donors are seeking a common approach to budget assistance in order to support the government’s reform agenda. To this end, a group of donors¹ has formed a task team to facilitate the design of a national action plan on harmonisation and alignment. The current uncertainty about the status of the Bolivian poverty-reduction strategy (PRS), the *Estrategia Boliviana de Reducción de la Pobreza* (EBRP), makes it difficult for donors to rely on it for the purposes of programming assistance. However, the situation is expected to be clarified in the nationwide consultation process, the “National Dialogue 2004”, and a revised PRS was expected to be available by the end of 2004.

OWNERSHIP

A CLEAR AGENDA ON HARMONISATION

The government’s priorities, officers and agenda have changed frequently since 2000 due to rapid turnover (four presidents in approximately four years). Bolivia’s current government has been able to establish a clear agenda and has set up five working groups to cover (i) budgetary support, (ii) fiscal deficit, (iii) poverty-reduction strategy paper (PRSP), (iv) national dialogue and (v) harmonisation. The last of these is responsible for setting harmonisation and alignment priorities and it receives inputs from a range of different sector working groups, such as the education and health sector groups.

Each working group comprises government and donor representatives, and is headed by a joint chair. The chairs of each working group and the Vice-Minister of Public Investment and External Financing make up a steering group which establishes methodologies, monitors results and assures consistency with government policies.

The fragility of the political situation will require a cautious approach on the part of donors if ownership is not to be undermined. As one donor comments:

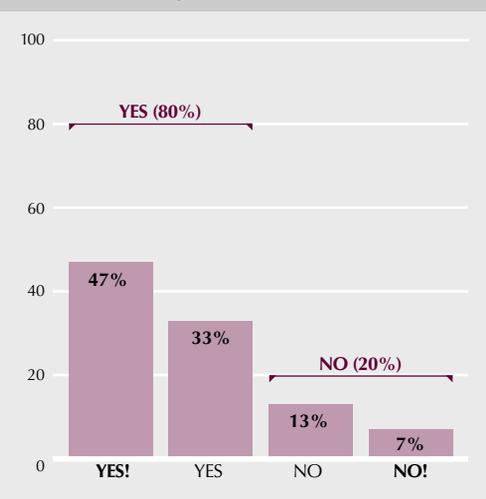
The dialogue process in itself is encouraging, although it still has many flaws - mainly its donor-driven approach and its distance from real public policies and government economic plans which, it should be noted, are non-existent due to the political crisis Bolivia is undergoing since last year.

According to this survey, 80% of donors support the current government’s agenda (see Figure 3.1 – Indicator 1).

1. Canada, Netherlands, Sweden, Inter-American Development Bank, United Nations Population Fund, US Agency for International Development, World Bank, and the Bolivian Vice-Ministry of Public Investment and External Financing.

FIGURE 3.1
INDICATOR 1

Are donor's supportive of the government's harmonisation agenda?



FORMAL GOVERNMENT-LED FRAMEWORK FOR DIALOGUE AND CO-ORDINATION

The new government set the working agenda for the current co-ordination process (which started in March 2004) when it invited all donors to a workshop to agree on a common agenda. It has challenged donors to take a proactive role in the meetings and in the overall scope of the work. In consultation with donors, the government is preparing a national action plan on harmonisation and alignment, which will be part of the government's proposal at the consultative group meeting scheduled for February 2005 and will be presented at the High-Level Forum 2005.

Indicator 2 suggests there is scope for improving the dialogue process (see Table 3.1).

TABLE 3.1
INDICATOR 2

Is government co-ordinating aid?	
Is there a formalised process for dialogue?	YES
Is government proactive?	YES
Is government in the driving seat?	YES!
Do donors' rules support harmonisation?	YES
76%	
% of donors who take part in co-ordination	

CAPACITY DEVELOPMENT

Indicator 3 measures the extent to which donors are supporting capacity development. Table 3.2 provides a snapshot of the capacity weaknesses that have been identified as well as whether they are being addressed, and if the level of support is appropriate.

The government recognises that capacity weaknesses exist in procurement, budget formulation, execution, reporting and review and aid co-ordination. Diagnostic reviews, including a public expenditure review (PER) and a country financial accountability assessment (CFAA), are helping to establish the nature of weaknesses and to develop action plans to address them.

Though the World Bank provided technical support to develop new procurement regulations, these are yet to be used. The Inter-American Development Bank (IDB) is providing support to the decentralisation of the government's financial management system - the Integrated System of Management and Administrative Modernisation (*Sistema Integrado de Gestión y Modernización Administrativa* [SIGMA]).

TABLE 3.2
INDICATOR 3

Capacity development		
► Have weaknesses been identified?		
In public financial management	YES	
In budget planning and execution	YES	
In co-ordination of aid	YES	
► Are weaknesses being addressed?		
In public financial management	YES	
In budget planning and execution	YES	
In co-ordination of aid	YES	
► Is the level of support appropriate?		
In public financial management		NO
In budget planning and execution	YES	
In co-ordination of aid		NO

ALIGNMENT

RELIANCE ON PARTNERS' NATIONAL DEVELOPMENT STRATEGIES

The Bolivian poverty-reduction strategy, the EBRP, was approved by the cabinet in February 2001 and submitted to the boards of the World Bank and the International Monetary Fund (IMF) in June 2001. It reflects a broad consultative process conducted through the National Dialogue 2000 and has four primary pillars. It aims to:

- Expand employment and income generation opportunities.
- Develop capabilities.
- Increase safety and protection for the poor.
- Promote social integration.

There are additional cross-cutting issues such as gender, the environment and the rights of indigenous people. One bilateral donor notes that the current PRS is:

... very broad, poorly aligned to national budgets, and its implementation has been limited. In addition with two changes of government since the original PRS, there is lack of clarity about whether it is the current framework for poverty reduction.

The current uncertainty about the status of the EBRP makes it difficult for any donor to rely on it for the purposes of programming assistance.

This being said, 95% of donors reported relying on the PRS when programming assistance, as measured by Indicator 4 (see Figure 3.2). The situation is expected to be clarified in the "National Dialogue 2004", a nationwide consultation process scheduled to run between June and December 2004. As a product of this consultation, a national development strategy (including a revised EBRP) was expected to be available by the end of 2004.

BUDGET SUPPORT IS ALIGNED WITH PARTNERS' PROCEDURES

Until 2004, the Bolivian government had a multi-annual framework in place for budget support, until then it had typically been used as a short-term fiscal gap-filling measure. For example, several donors provided emergency budgetary support in October 2003 to help reduce the budget deficit.

In 2004, the government and seven donors (Canada, Germany, Netherlands, Sweden, the European Commission, DFID and USAID, signed a MoU agreeing to a common framework for multi-annual budget support, based on a common performance-evaluation matrix.

Indicator 5 measures the extent to which budget support is predictable and aligned with partners' procedures (see Table 3.3).

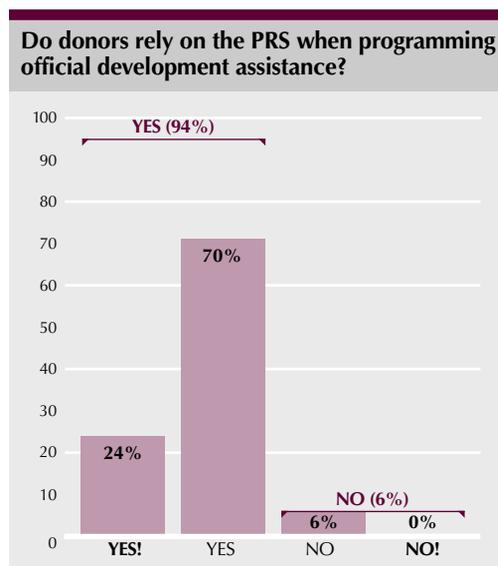
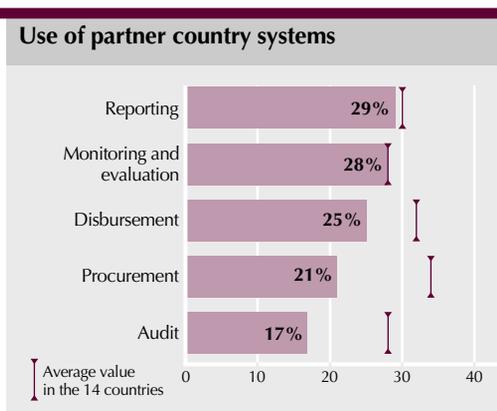


FIGURE 3.2
INDICATOR 4

TABLE 3.3
INDICATOR 5

Is budget support predictable and aligned?				
Are budget support donors making:	YES!	YES	NO	NO!
► multi-annual commitments?	Germany IDB	Denmark Netherlands Sweden	Belgium Switzerland United Kingdom United Nations	Canada Spain United States World Bank
► timely commitments?	Netherlands IDB World Bank	Germany	Belgium Canada Denmark Sweden United Kingdom United States United Nations	
► timely disbursements?	Canada Sweden United Kingdom United States IDB World Bank	Belgium Denmark Germany Netherlands	United Nations	

FIGURE 3.3
INDICATOR 6



PROJECT SUPPORT

Indicator 6 measures the degree to which donors rely on partner country systems when providing project support (see Figure 3.3). In comparison with other countries surveyed, Bolivia’s systems are used slightly below average.

Donors noted that national procurement systems are complicated and unclear. A recent procurement decree provided for positive discrimination to support Bolivian enterprises; however, the status of this is currently under review. The government is working to harmonise its procurement procedures with those of the World Bank and IDB, in co-operation with both banks.

According to donors, they use national disbursement systems more than any other. For example, 50% of World Bank projects currently use the treasury’s unique account for the processing of its payments. More projects would also do so were it not for delays caused by the Vice Ministry of Treasury in setting up relevant accounts. The government noted, however, that reporting and monitoring and evaluation (M&E) systems are used more frequently.

As the government’s SIGMA financial management system is being decentralised, it is being used to report on a few donor projects involving decentralised agencies.

TABLE 3.4
INDICATOR 8

Alignment with sector programmes					
	Health	Education	Water	Transport	Agriculture
► Are sector systems in place?					
Is government leading in the sector?	YES!	YES!	YES!	YES!	YES!
Does a clear sector policy exist?	YES	YES!	YES	YES	YES
Is a sector medium-term expenditure framework (MTEF) in place?	NO!	YES!	YES!	YES	NO!
Is there sector co-ordination?	YES!	YES!	YES!	YES!	YES!
Is a sector monitoring system in place?	NO	YES	YES	YES	NO!
Are systems being harmonised?	NO!	YES	YES	YES	NO!
► Are donors supporting the sector systems?					
Are the systems aligned with government policies?	YES	YES	YES	YES	YES!
Are funds integrated into the MTEF?	YES	NO	YES	NO	YES
Are donors using the government monitoring system?	NO	YES	YES	NO	YES

SECTOR SUPPORT

Indicator 8 measures donor support to sectors in key policy areas (see Table 3.4).

Health sector

Though the different governments have been setting out guidelines in the health sector, donors report that they are insufficient and the policy is ill-defined. The lack of sector policy development processes has continued, in spite of good donor co-ordination and a willingness to support such a process. The government's limited institutional capacity in the health sector is hampering progress.

Education sector

A sector-wide education strategy was recently formulated. The Netherlands was the first donor to contribute to a basket funding mechanism supporting the new five-year plan (2004-2008) and other donors are expected to follow suit. Donor co-ordination mechanisms in the sector are reported to be effective. Bolivia has also been invited to join the Education for All – Fast Track Initiative.

Water sector

A strategy exists for water supply and sanitation, but not yet for integrated water resources management. A water sector task force exists comprising donor and government representatives and a preliminary sector-wide approach (SWAp) is now in place, although it still requires further definition. Canada has financed a sector-wide information system, which will be used as a survey tool for the whole sector.

Transport sector

The government has developed a Transport and Roads Master Plan, with IDB assistance. This maps a route towards greater harmonisation in the sector.

Rural development

A rural development and agriculture strategy has been under preparation for some time but does not yet provide a clear framework. The sub-sectoral area of Agricultural Technology Development (*Sistema Boliviano de Tecnología Agropecuaria* [SIBTA]) does have a clear policy and institutional framework that seven donors are supporting through a common funding mechanism.

HARMONISATION

As mentioned above, the government has set out the working agenda for the new coordination process and invited donors to take a proactive role in meetings and in the overall scope of the work. A national action plan on harmonisation and alignment is under preparation, in consultation with donors.

An OECD-commissioned report dated November 2003 highlighted a number of outstanding actions and the implications of not undertaking them. It is not clear how many of these have been taken on board and what progress has been made. There appears to be an ongoing risk that harmonisation and co-ordination efforts are inconsistent and concerns about corruption and lack of confidence in the current PRS may deter progress.

Bolivia was one of the four countries included in the Overseas Development Institute's "Politics and PRSP Approach Synthesis Paper". The recommendations of that report covered four areas, which are applicable to the harmonisation process in Bolivia and elsewhere:

- The overwhelming importance of context.
- Domestic strategies and political cycles.
- Interpreting the requirement of participation.
- Political dialogue.

The October 2004 consultation process may help to map the way forward. Wider information exchange and clearer dialogue may be key factors to secure the success of this process.

TABLE 3.5
INDICATOR 7

Are donors streamlining conditionality?	
Direct budget support	YES!
Health sector	NO
Education sector	YES
Water sector	YES
Transport/road sector	YES
Rural development agriculture	NO

STREAMLINING CONDITIONALITY

Indicator 7 looks at the extent to which donors have streamlined conditionality when providing development assistance in a number of specific areas (e.g. budget support, sector level) (see Table 3.5).

The 2004 budget support MoU provides a common performance-evaluation matrix with a streamlining of conditionalities. Streamlining of conditions for sector support varies by sector:

- In the rural development and health sectors, conditions are established on an individual basis with each donor active in the sector. In the case of credits, conditions regarding the execution of goals are arranged.
- A SWAp mechanism has been in place in the education sector since 1993. A basket-funding arrangement led by the Netherlands is currently financing the SWAp, and other donors are expected to join the initiative.
- The Vice Ministry of Water and Basic Sanitation is leading a preliminary SWAp in the water sector, for which the European Commission has provided budgetary support. Arrangements for its implementation have been established with Canadian International Development Agency (CIDA), the IDB, World Bank and the *Gesellschaft fuer Technische Zusammenarbeit* [GTZ].
- A Transport and Roads Master Plan is currently working as a preliminary SWAp in the transport/road sector, providing a good example of government–donor co-ordination.

DELEGATED CO-OPERATION

Indicator 9 shows that 38% of donors claim to be party to an agreement to perform tasks on behalf of other donors. A further 19% reported doing so, with reservations (see Table 3.6). For example, Italy reports delegating tasks such as project formulation, procurement, disbursement and monitoring and evaluation to United Nations (UN) agencies. The IDB is not currently party to a delegated co-operation agreement; however, in the past it has performed specific tasks for several bilateral agencies and is planning to use such a mechanism again.

DONOR FIELD MISSIONS

In 2003, the number of donor missions to Bolivia exceeded 240 (see Figure 3.4 – Indicator 10). Approximately 10% of all missions were undertaken jointly between donors and five donors (IDB, UN, Germany, Japan and the World Bank) and accounted for 70% of the total missions.

STREAMLINING DIAGNOSTIC REVIEWS

In the period 2001-03, ten diagnostic reviews were undertaken in Bolivia (see Table 3.7 – Indicator 11); two involved more than one donor and produced an action plan.

A joint PER was conducted by Denmark, Netherlands, United Kingdom and the IDB, and its second draft was discussed in March 2004. It focussed on four issues:

- Municipal finance (led by Germany).
- Pension systems (IDB).
- Multi-annual budgeting (World Bank).
- Public institutional reform (Denmark).

The four donors also contributed to a CFAA that was scheduled to be delivered to the government by the end of May 2004 and led to subsequent discussions.

Other diagnostic reviews conducted in this period included a HIPC (Heavily Indebted Poor Countries) Expenditure Tracking Assessment, an IMF ROSC (Report on the Observance of Standards and Codes) Fiscal Transparency Review and a United Nations Development Programme (UNDP) Country Assessment in Accountability and Transparency (CONTACT).

Who is delegating co-operation?			
YES!	YES	NO	NO!
Germany	Italy	Belgium	Canada
Japan	IDB		Denmark
Switzerland	United Nations		Netherlands
United Kingdom			Spain
United States			Sweden
World Bank			European Commission

TABLE 3.6
INDICATOR 9

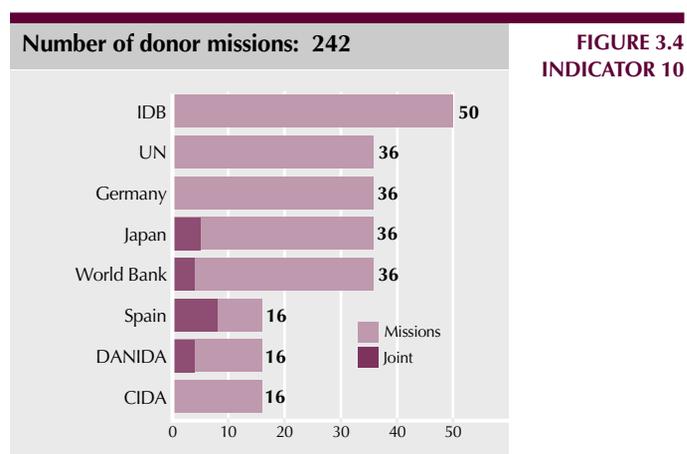


FIGURE 3.4
INDICATOR 10

Are diagnostic reviews being streamlined?	
Diagnostic reviews (2001-03)	Was it undertaken jointly?
CFAA	YES
PER	YES
IMF ROSC	NO
HIPC Tracking Assessment	NO
UNDP CONTACT	YES

TABLE 3.7
INDICATOR 11

**TABLE 3.8
INDICATOR 13**

Who is sharing country analytic work?			
YES!	YES	NO	NO!
United States IDB World Bank	Denmark Japan Netherlands Switzerland United Kingdom IMF United Nations		Belgium Canada Germany Italy Spain Sweden European Commission

DISCLOSING INFORMATION

A critical dimension of the harmonisation and alignment agenda is donors’ ability to share information on aid flows (Indicator 12) and analytic work (Indicator 13). As previously elucidated, procedures have been agreed for the notification of disbursements for budget support. In the health sector, progress towards good notification is being made through the basket-funding mechanism and in the education sector through the preliminary SWAp. In the water, transport and rural development sectors, each donor makes their own notification arrangements with the government.

Indicator 12a measures the extent to which donors provide multi-annual indications of aid flows. The survey results show that 47% of donors claim to notify the government on indicative disbursements they plan to release over at least a three-year period. Indicator 12b measures the extent to which donors notify the government about actual disbursements. Over half of donors (65%) claim to provide comprehensive and regular information about in-country disbursements. Donors point out the lack of a government medium-term expenditure framework.

With regard to sharing information on their country analytic work, 18% of donors regularly do so via the country analytic work Web site (see Table 3.8 – Indicator 13). Analytical work is also shared by donors on their own Web sites, either internationally or at the national level (e.g. the World Food Programme’s Bolivia Web site - www.pma.org.bo), or in donor co-ordination forums.

ACRONYMS

CFAA	Country financial accountability assessment
CIDA	Canadian International Development Agency
DANIDA	Danish International Development Agency
EBRP	<i>Estrategia Boliviana de Reducción de la Pobreza</i> (Bolivia)
HIPC	Heavily indebted poor countries
IDB	Inter-American Development Bank
IMF	International Monetary Fund
IMF ROSC	International Monetary Fund’s Report on the Observance of Standards and Codes
M&E	Monitoring and evaluation
MoU	Memorandum of understanding
MTEF	Medium-term expenditure framework
OECD	Organisation for Economic Co-operation and Development
PER	Public expenditure review
PRS	Poverty-reduction strategy
PRSP	Poverty-reduction strategy paper
SIGMA	<i>Sistema Integrado de Gestión y Modernización Administrativa</i> (Integrated System of Management and Administrative Modernisation) (Bolivia)
SWAp	Sector-wide approach
UN	United Nations
UNDP CONTACT	United Nations Development Programme’s Country Assessment in Accountability and Transparency