DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE

Working Party on Aid Effectiveness and Donor Practices

INCENTIVES FOR HARMONISATION AND ALIGNMENT

Phase 2 Proposal - Looking at Country-Level Incentives

This proposal is submitted FOR DISCUSSION under agenda item 3: Discussion of the WP EFF Work Programme and Organisation (2005-06).

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INCENTIVES FOR HARMONISATION AND ALIGNMENT

PHASE 2 PROPOSAL

Explaining Progress and Obstacles: Looking at Country-Level Incentives

This proposal builds on the first phase of the work on ‘Incentives for Harmonisation in Aid Agencies’, presented at the Task Team meeting of November 2004, and seeks members’ inputs and support for a second phase focused on country-level incentives.

1. The first phase has focused on the importance of agencies’ internal incentive systems in promoting harmonisation and alignment. Positive elements that were registered in the study included the efforts undertaken by Senior Management in all agencies to make sure that harmonisation is perceived as a priority; the introduction of new and more flexible aid modalities which are “inherently” harmonised; and the existence of international mechanisms which contribute to creating better conditions for harmonisation to take roots. Negative factors included the lack of consistency between political commitments and statements on one side, and the need for wider reform measures at the institutional and individual level on the other, to make sure incentives systems are coherently in favour of harmonisation. Moreover, they included a lingering resistance to change, especially in organisations characterised by a bureaucratic, compliance-driven approach, and a lack of sufficient support and guidance in terms of policy guidelines and advice to be provided by headquarters to country offices.

2. The results of the study demonstrated the usefulness of complementing questionnaire-based surveys and self-reporting mechanisms with more penetrating enquiries based on research methods better fitted to the analytical purpose of understanding the factors preventing faster progress in harmonisation and alignment. However, the scope of the study was constrained by a number of factors. First of all, the tight timetable made it impossible to include more than six agencies, and limited the number of interviews that were carried out with country office staff. Secondly, its narrow focus on the headquarters level of the agencies involved meant that no attention was given to the role that partner governments play in shaping harmonisation opportunities at country level, which in turn influence the incentives faced by agency staff at country level. It is abundantly clear that partner governments’ attitudes towards harmonisation are also shaped by incentive systems, which can work in favour of or against harmonisation.

3. As some of the recent survey results confirm, development partnerships remain an aspiration, not a fact, in most aid-dependent countries. Divergences of interest between donors and recipients can still be substantial. Both technical capacity constraints and the structure of political incentives help to make policy processes and accountability weak in most heavily-aided countries. Countries where governments assume leadership of aid harmonisation in an assertive way are still relatively rare. In this context, many development institutions have genuine difficulty in visualising how they might reform their conditionality and the attendant processes and procedures to be consistent with the harmonisation agenda. Under these conditions, the objective of closer alignment with country processes under government leadership is inherently challenging.
To respond to these necessities, it is proposed that a second phase of this work be undertaken, with the specific intent to explore country-level incentives and dynamics.

4. Some of the main questions that the second phase should address include:

- What are the main factors promoting or hindering harmonisation and alignment efforts for institutions and individuals in partner governments? Who are the main actors involved? What incentives do they have to promote alignment and harmonisation by donors? And how do they differ from one institution to another?
- What are the incentives that country office staff face which are generated by the local context? What is the relative importance of local context as opposed to HQ policies in shaping individual behaviour? What are the incentives at work to promote coordination among donors at country level? What can be done when the partner government is not interested in harmonisation?
- How do partner government and donor policies on the choice of different aid modalities influence the incentives for and against harmonisation and alignment?
- How can donors come to a better understanding of what shapes opportunities for harmonisation and alignment in different country contexts?

5. The second phase of the work should aim to provide some insight and tentative answers to these questions through a limited number of country case studies looking at “incentives for harmonisation and alignment at country level”. Apart from highlighting factors that explain progress and obstacles to harmonisation and alignment efforts at country level, this further study would assist partner governments who want to take the lead in harmonisation and alignment efforts in understanding how best to design a successful strategy.

6. The methodology and framework used for the first phase will be updated and modified to fit the collection of country-level data, both within partner government agencies and donor country offices. The study will not focus on specific aid agencies, as in phase 1, but on a set of countries which will be selected in order to reflect a good variety of ongoing efforts by both the donor community and recipient governments in harmonisation and alignment, and where clearly there are tensions, hesitations and complex interactions at play. They should also cover a cross-regional perspective. For example, African cases could include Zambia, Ethiopia, Mali or Malawi. In Latin America, Nicaragua, Jamaica, Honduras or the Dominican Republic could be considered. In Asia, Laos, Vietnam, Pakistan or Bangladesh could be included.

In order to take this work forward, firm commitments are required from a core group of supportive donors prepared to provide the necessary financial resources. A timetable and budget estimates are provided in the Annex.
## TENTATIVE TIMETABLE AND BUDGET

### Tentative Timetable

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### Tentative Budget

**Country case studies**

(including one international and one local researcher, travel & subsistence, research assistance and in-country workshops)

Approx. € 45,000 each

**Overall coordination, resource people, synthesis and reporting**

(including senior researchers, research assistance and publications)

Approx. € 45,000

**Total Budget including six country case studies**

Approx. **€ 315,000**