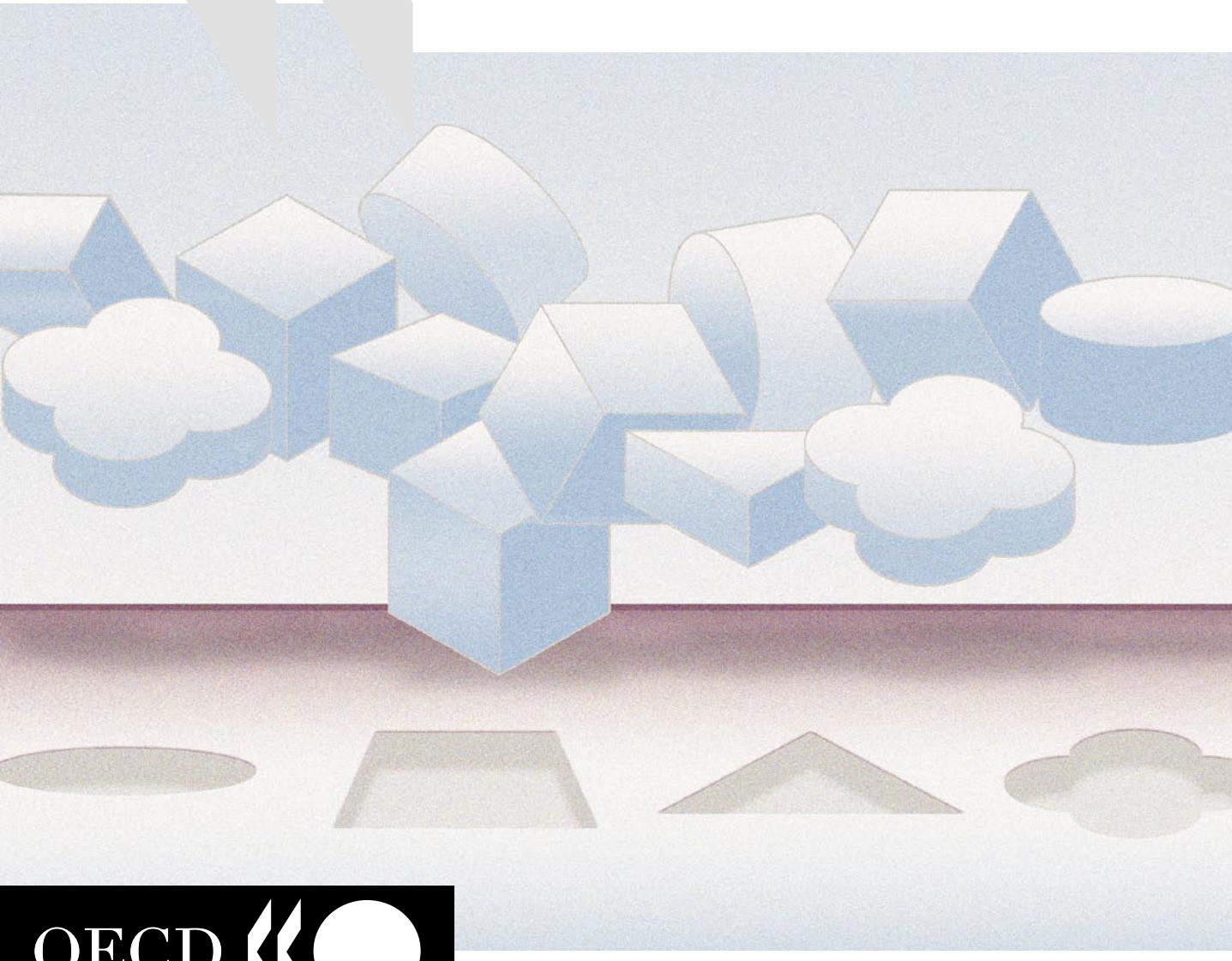
Survey on Harmonisation and Alignment of Donor Practices

MEASURING AID HARMONISATION AND ALIGNMENT IN 14 PARTNER COUNTRIES



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FOREWORD

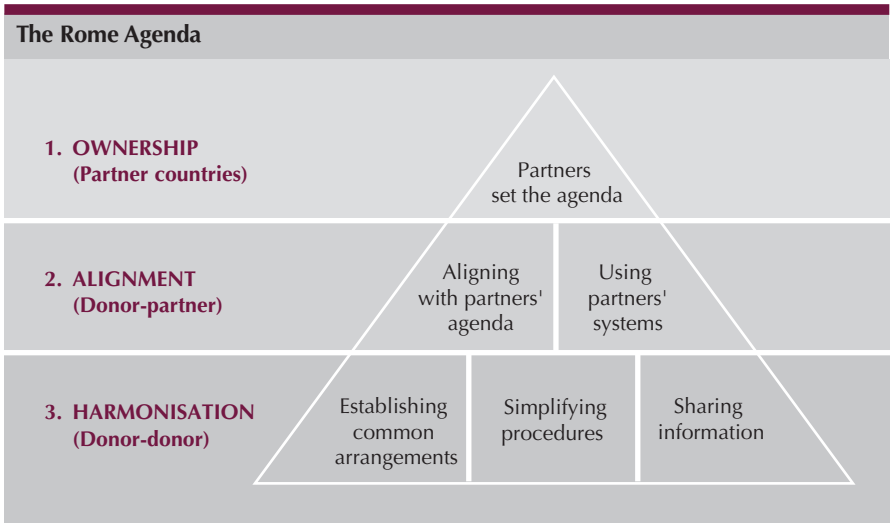
This report describes the progress achieved to date in implementing the commitments the development community made at the Rome High-level Forum on Harmonisation in February 2003. It has been prepared as a contribution to the second High-Level Forum on Aid Effectiveness held in Paris on 28 February 2 March 2005.

The report draws mainly, but not exclusively, from the results of the Survey on Harmonisation and Alignment undertaken between May and September 2004 in 14 partner countries. It is representative of a broad cross-section of development countries and activities. **More than 30 donors took part in the survey — they provided 88% of all aid flows in the 14 countries examined by the survey.** A grand total of 258 questionnaires were analysed and provide the substance of this report.

The questionnaire was designed to capture evidence of progress in implementing commitments made at the Rome High-level Forum on Harmonisation. Progress was measured against the three principal dimensions of the Rome Agenda (see Figure 0.1).

For each of these dimensions, the OECD Development Assistance Committee (DAC) Task Team on Harmonisation and Alignment has identified a limited set of indicators — contained in the Rome Declaration — that are of strategic importance to the enhancement of aid effectiveness (see Table 0.1).

FIGURE 0.1



In order to capture progress in the areas covered by the framework of indicators, a three-part questionnaire was developed. Part 1 of the questionnaire was completed by partners and donors jointly; it measures progress in establishing the basic building blocks of *effective partnerships* at the country level. Part 2 was completed by donors only; it measures progress made by *individual donors* in implementing the Rome agreements. Part 3 was completed by partner country representatives only; it captures *government perspectives* on donor practices. Combining these different perspectives on harmonisation and alignment has enhanced the objectivity of the survey. For more information on the methodology and questionnaire, please refer to Annex A.

TABLE 0.1 **Rome indicators of harmonisation and alignment**

OWNERSHIP	
Indicator 1	Partners set their agenda
Indicator 2	Partners lead national co-ordination processes
Indicator 3	Donors support capacity development
ALIGNMENT	
Indicator 4	Alignment with partners' national development strategies
Indicator 5	Budget support is aligned with partners' procedures
Indicator 6	Project support is delivered through partners' systems
HARMONISATION	
Indicator 7	Conditionality is streamlined
Indicator 8	Sector programmes are supported
Indicator 9	Reliance on delegated co-operation
Indicator 10	Donor field missions are co-ordinated
Indicator 11	Diagnostic reviews are streamlined
Indicator 12	Donors disclose information on aid flows
Indicator 13	Donors share country analytic work

While the main objective of the survey has been to document progress (or lack thereof) in implementing the Rome Agenda, other important objectives were also achieved. First, the survey was a way of communicating the Rome Agenda to development stakeholders at the country level; and addresses the hiatus in communication between donor headquarters and donor field staff. Second, the questionnaire was designed to stimulate dialogue at the country level between donors and partner countries on a number of important topics. Third, the survey has served to mobilise and galvanise efforts around a set of shared objectives in a number of countries. In conclusion, **the survey has both *measured* – and contributed to *promoting* - progress at the country level.**

Finally, some caution is required when interpreting the results presented in this report. This stems mainly from the methodology used by the survey.

First, it should be noted that the responses provided are, to a certain degree, *subjective.* The questionnaire did seek to measure *objective evidence* of progress by providing specific guidance for each question to help calibrate responses in a consistent way (see Annex A). However, in a number of cases responses have reflected the level of satisfaction, or dissatisfaction, with a process in a given country rather than an absolute measure of progress. For example, respondents have tended to give very positive responses where there has been perception of swift progress; and conversely, have responded somewhat negatively where progress has been less than expected — *e.g.* government has established a clear action plan but finalisation of the plan has been difficult or slow.

Second, in Part 1 of the questionnaire donors and partner countries were required to reach a consensus on responses to be provided. In some cases this has meant that the sharpness of the responses was blunted by the need to reach a consensus.

ACKNOWLEDGEMENTS

This report is based on the work of the OECD-DAC Task Team on Harmonisation & and Alignment, chaired by Bo Westman (Sweden) and Colin Bruce (World Bank). It was prepared by Crown Agents (Ben Fetton) drawing from the results of the DAC Survey on Harmonisation and Alignment that was undertaken in 14 countries in-between May and September 2004.

The Task Team is grateful to the governments of these countries whose active support and contributions have made the survey a real success.

The Task Team would also like to communicate its special thanks to the lead facilitators who managed the survey in the 14 countries:

Fisseha Aberrha, Nisha Agrawal, Victor Hugo Bacarreza, Elikana Balandyn, Marcelo Barron Arce, Ferid Belhaj, Bella Bird, Jorge Chediek, Daniel Contel, Philip Courtnadge, Pedro Couto, Dinara Djoldosheva, Duong Duc Ung, Mauricio Gómez Lacayo, Mohamed Kabbaj, Mitsuhiro Kagami, Peter Kerby, Hailemicheal Kinfu, Mette Knudsen, Connie Luff, Yakoubou Mamane Sani, Joyce Mapunjo, José Luis Martínez-Prada, Muhammad Mazid, Donal Murray, Felix Mutati, Ohene Owasu Nyanin, Robert Petri, Andrew Pope, Kees Rade, Mukanbetov Sanjar, Kristin Seljeflot, Thierno Seydo Niane, Tatiana Taborga, Gertjan Tempelman, Vincent Turbat, Paula Uliunaceva, S. Vandenbroeke, and Chhieng Yanara.

In six African countries, the survey was conducted in parallel with the Strategic Partnership with Africa (SPA) Survey on Budget Support. In these countries, the SPA survey and the DAC survey adopted common methodologies and a single process so as to simplify its overall management. The Task Team is particularly grateful for the support of the chairs of the SPA Budget Support Working Group, Gilles Hervio and Peter Dearden

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1 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 reseservations" 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 accountablility 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?

TABLE 1.1 INDICATOR 1

Have country action plans on harmonisation been completed?

YES!	YES	NO
Fiji	Bolivia	Bangladesh
Tanzania	Cambodia	Morocco
Vietnam	Ethiopia	Mozambique
	Kyrgyz Republic	Niger
	Nicaragua	Senegal
	Zambia	

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 plan**s (see Table 1.1). In the other five countries, action plans were either under preparation or being finalised.

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.

TABLE 1.2 INDICATOR 2

Is there a formalised government-led dialogue process?

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 proliferation 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.

TABLE 1.3
INDICATOR 3

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

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.

TABLE 1.4
INDICATOR 4

Are PRSs in place and are they operational?			
	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:

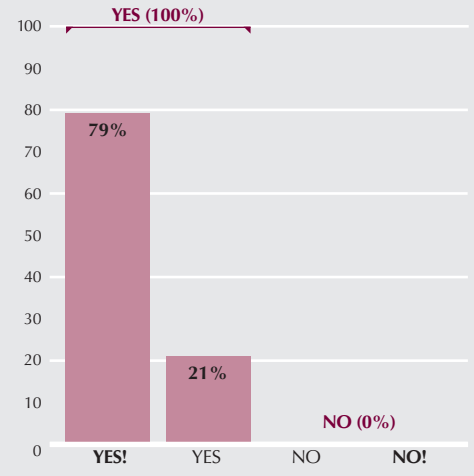
- Has the government completed a PRS?
- Is it an operational policy tool?
- Is there a national process for reviewing the progress of the PRS on an annual basis?

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

Do donors rely on the PRS to programme their country assistance?



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).

BOX 1.3

Effective use of the PRS process – the Tanzania case

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 disbursal 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

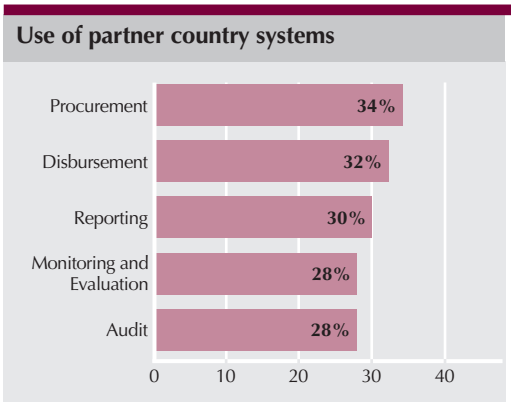


FIGURE 1.3 INDICATOR 6

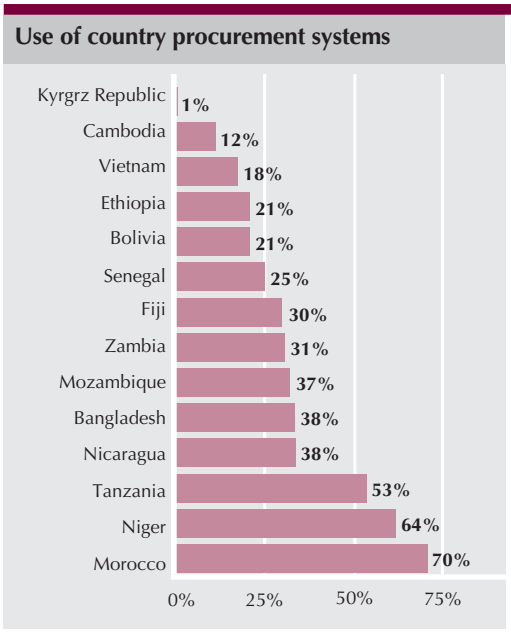


Figure 1.3 shows that **there are very significant disparities between the 14 countries on the use of partner country procurement systems**.

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.

BOX 1.5

Health and education sector approaches in Zambia

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.

FIGURE 1.4
INDICATOR 9

Are donors delegating co-operation?

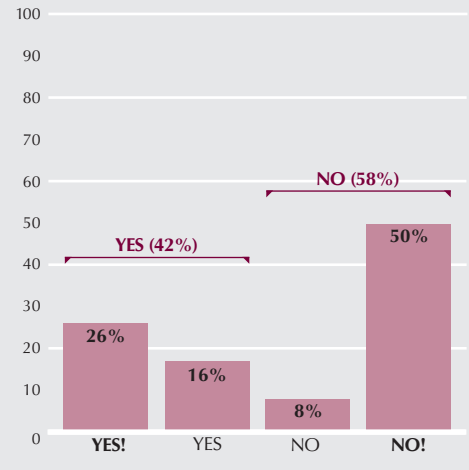


FIGURE 1.5
INDICATOR 10

Number of donor missions per country

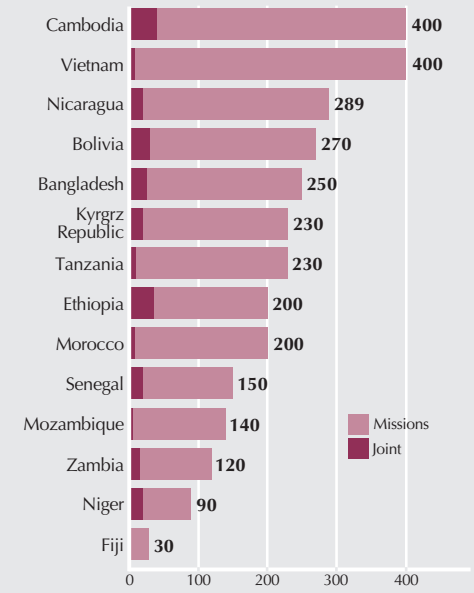
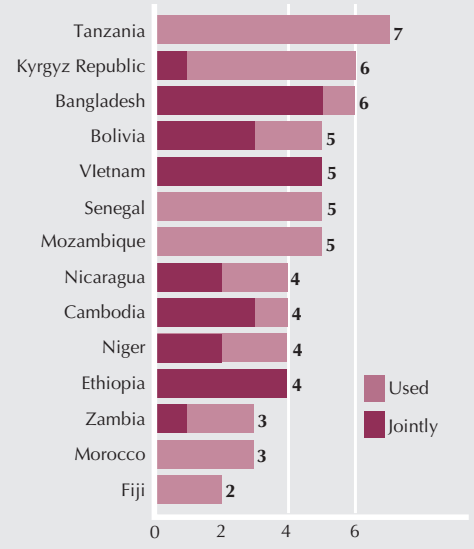


FIGURE 1.6
INDICATOR 11

Number of diagnostic reviews per country



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.

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.

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.

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.

BOX 1.6

The AMP in Ethiopia

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

2 BANGLADESH

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 reseservations" 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.

Harmonisation is still in its early infancy in Bangladesh and much remains to be done. The situation is reflected, for example, in the report of the 2004 Bangladesh Development Forum (BDF) that calls for stronger institutions and policies on the part of the government – and greater commitment to the poverty-reduction strategy (PRS) by the donors. So far, the government of Bangladesh has not set out its harmonisation agenda and co-ordination activities are still, in most cases, led by donors. There are, however, signals that the government is increasing its leadership. On the donor side, the degree of alignment with government priorities and systems is relatively low. While the interim PRS — completed in 2003 — is used as the framework of reference by all donors in Bangladesh, the survey shows that the great majority of donors had reservations with regard to its operational value. Donors felt that the PRS lacked clear priorities and a medium-term expenditure framework (MTEF). Having said this, there are encouraging signs that these weaknesses are currently being tackled by the new "PRS-in-process".

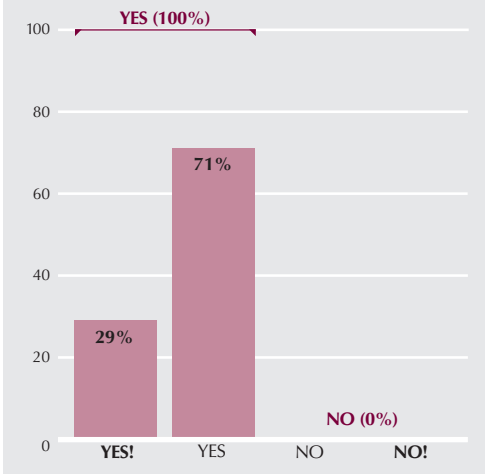
OWNERSHIP

A CLEAR AGENDA ON HARMONISATION

The government of Bangladesh is yet to establish its action plan on harmonisation, with one bilateral donor reporting that, to date, most efforts are "coming from the donor side". While local consultative groups and subgroups exist, these have been established by donors rather than by government (see Figure 2.1 – Indicator 1).

FIGURE 2.1
INDICATOR 1

Are donors supportive of the government's harmonisation agenda?



Respondents to the 2004 Survey on Harmonisation and Alignment indicated, however, that the government is currently elaborating its action plan on harmonisation. Efforts so far have focused more specifically on cross-cutting themes. For example, a task force on public financial management began operating in November 2004 and has drawn up a draft harmonisation action plan. In addition, a steering committee on aid governance is working towards harmonisation in project processing, documentation, audit and reporting.

FORMAL GOVERNMENT-LED FRAMEWORK FOR DIALOGUE AND CO-ORDINATION

Co-ordination of aid at the national level is undertaken in Bangladesh by a Local Consultative Group (LCG) which organises plenary meetings and includes various sector-specific subgroups (see Box 2.1 for a summary of Bangladesh's Aid Governance Initiative, an important part of the country's harmonisation progress, by LCG Bangladesh, an Internet-based forum for development dialogue and donor co-ordination).

While in principle government leadership is respected, in practice co-ordination remains very much donor-driven: government representatives, for instance, do not participate in some of the LCG subgroups and in the LCG plenary meetings which are chaired by the World Bank. In addition, a number of donors reported in the survey that the government failed to exercise an appropriate level of leadership (see Table 2.1 – Indicator 2).

TABLE 2.1 INDICATOR 2

Is government co-ordinating aid?		
Is there a formalised process for dialogue?	YES	
Is government proactive?		NO
Is government in the driving seat?	YES	
Do donors' rules support harmonisation?	**YES!**	

54%

% of donors who take part in co-ordination

TABLE 2.2 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	**YES!**	
In budget planning and execution	**YES!**	
In co-ordination of aid	YES	

CAPACITY DEVELOPMENT

Indicator 3 (see Table 2.2) invited respondents to identify areas where additional efforts in capacity development might be required. While weaknesses were identified in all three areas flagged by the questionnaire, there was a general agreement that in two out of those three areas, weaknesses are being addressed and the level of support is appropriate. Co-ordination of aid is the only area where it was generally considered that the level of donor support is not entirely sufficient.

ALIGNMENT

RELIANCE ON PARTNERS' NATIONAL DEVELOPMENT STRATEGIES

The government completed an interim PRS in 2003 and is developing a full poverty-reduction strategy paper (PRSP). While the interim PRS is used as the framework of reference by all donors in Bangladesh, the survey shows that 90% of them had reservations with regard to its operational value (see Figure 2.2 – Indicator 4). According to donors, the interim PRS lacks a clear sense of priorities and a MTEF.

Furthermore, donors generally consider that the current mechanism for reviewing the progress of the interim PRS, the annual BDF meeting, does not provide a basis on which they are willing or able to adjust their country programmes. For example, it does not systematically consider achievements against specific interim PRS performance targets or indicators. As a result, 67% of donors reported that their decisions to allocate resources were not influenced by the findings presented at the BDF. It is anticipated that this will change with the introduction of the new PRS.

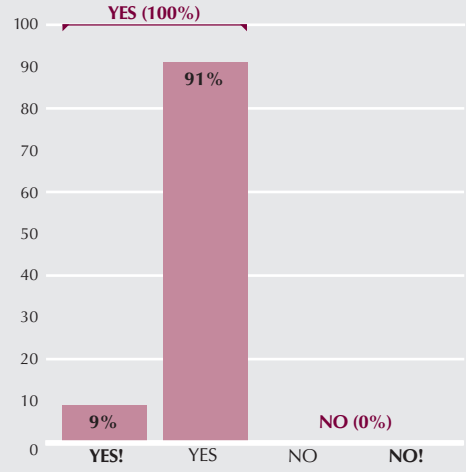
At the 2004 BDF, donors welcomed the fact that the "PRS-in-process" reflects strong government ownership and is prepared in a participatory manner — involving consultations through a thematic group approach with concerned ministries and agencies, the private sector, non-governmental organisations/community-based organisations and the international community. However, respondents noted that in order to ensure policy continuity, the PRS must be a

national document supported by all key stakeholders. Specifically, given its timeframe, the PRS will need to bridge the electoral cycle, and multi-party support for it will be essential. According to the report on the BDF meeting held in May 2004:

> Donors urged government to focus on implementation, good monitoring and evaluation, and to ensure that the medium-term expenditure framework fully reflects PRS priorities. Donors agreed that the PRS would provide the basis for external assistance to support the government's development priorities as well as its policy and institutional reform initiatives. Specifically, the Asian Development Bank (ADB)'s new Country Strategy and Program, now under preparation, will build on the PRS, and will be completed in early 2005, synchronising with the PRS process.

FIGURE 2.2 INDICATOR 4

Do donors rely on the PRS when programming official development assistance?



BOX 2.1

Bangladesh's Aid Governance Initiative

The Aid Governance Initiative, launched in 2003 in Bangladesh, is a joint venture of the government and development partners operating in Bangladesh to strengthen the quality of the administrative and implementing processes of donor-funded development activities. This follows the global trend for simplification and harmonisation of procedures, as laid out in the Rome Declaration 2003, and the OECD-DAC framework.

The initiative was also undertaken in recognition of the need for greater accountability of donor-funded programmes, as well as the wish to simplify procedures and eliminate inefficient or time-consuming practices that duplicate work (*e.g.* harmonisation of "project documents").

The point of departure for the Aid Governance Initiative was a survey conducted among the development partner members of the LCG in Bangladesh. The LCG members were asked to provide information on the areas related to programme implementation which presented the most difficulty in terms of accountability of funds. Four areas were identified as problematic: (*i*) audit; (*ii*) procurement; (*iii*) foreign-assisted training; and (*iv*) the need for harmonisation of project documents.

Against this background, three joint donor and government Aid Governance working groups were set up to address the first three issues. Harmonisation has since been addressed in a later stage. All groups met several times in the first half of 2003 and produced final reports with concrete recommendations and "best practices" to improve procedures in these areas. These have subsequently led to the adoption of new policies and procedures to improve accountability and efficiency of donor-funded aid programmes. Procurement and training concerns have, in particular, been met by substantial improvements. The fourth area of harmonisation and simplification of project documents is now underway.

The Aid Governance Working Groups reports were completed in time for the Bangladesh Development Forum in May 2003. Both the government of Bangladesh and their development partners have indicated a clear interest in continuing the dialogue. The subsequent adoption of new procurement and training policies – as a result of this process – has provided government and development partners with the means to improve efficiency and accountability. The work is ongoing.

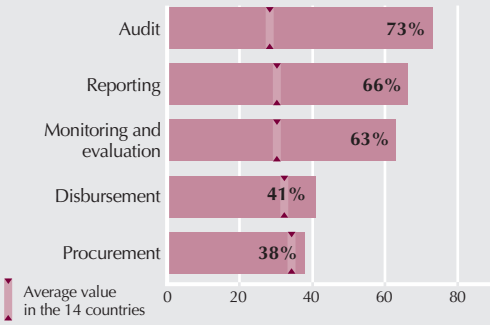
TABLE 2.3 INDICATOR 5

Is budget support predictable and aligned?

Are budget support donors making:	YES!	YES	NO	NO!
▶ multi-annual commitments?	Japan	World Bank	United Kingdom ADB	United States
▶ timely commitments?	Japan United Kingdom	United States	World Bank	
▶ timely disbursements?	Japan United Kingdom United States World Bank			

FIGURE 2.3 INDICATOR 6

Use of partner country systems



BUDGET SUPPORT

Japan, United Kingdom, United States, ADB and the World Bank are all involved to some degree in sector or budget support in Bangladesh (see Table 2.3 – Indicator 5). The ADB provides financial support in the form of policy reform-based programme loans and programme components of sector-development project loans. The United Kingdom also provides various types of sector support. In some cases, donors provide budget support on a multi-annual basis; however, given the lack of a well-developed MTEF, the government might not fully benefit from it. The World Bank provides an indicative multi-annual lending programme, but commitments are not aligned to the government budget cycle.

PROJECT SUPPORT

Indicator 6 measures the degree of reliance on country systems when providing project support. In this respect, Bangladesh's government systems are relied upon to a greater extent (see Figure 2.3), when compared to other countries in the survey.

In 2003, a new procurement regulation was introduced, which takes into account the harmonisation efforts of the multilateral development banks (MDBs) and their minimum requirements for local procurement. The regulation is applicable to all entities using public resources for procurement, and both MDBs and bilateral donors are being encouraged to use the government's new regulations for local and international procurement. As the aid harmonisation Web site states:

> Donors have adopted a concerted approach towards greater co-ordination and effectiveness of development assistance, mainly through the harmonisation of donor policies and procedures around existing and improved government systems and procedures. They focus on local capacity-building to support procurement reform and other initiatives, and on the use of improved GOB (Government of Bangladesh) systems. For example, the programme will adopt the GOB's newly reformed procurement system for national procurement. It will also aim at using common financial management arrangements and reporting, and adopting joint supervision strategies.

TABLE 2.4
INDICATOR 8

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

The extent to which this is resulting in increased use of government systems is currently unclear, as is the extent to which the MDBs procurement harmonisation is aligned with the wider harmonisation and alignment initiatives.

In the case of some projects, procurement systems are designed on the basis of co-financing agreements with international financial institutions; however, the capacity of the government's own systems is often weak. In the mid-1990s, the US Agency for International Development (USAID) conducted an assessment of several government systems in order to compare them with international standards. This concluded that the Bangladeshi systems failed to meet USAID's standards.

In several areas, government systems are used, albeit not relied on, as they are often supplemented by additional work. For instance, the ADB gives the example of private sector auditors being used to supplement the government's project audits.

SECTOR SUPPORT

Indicator 8 measures donor support to sectors in key policy areas (see Table 2.4).

Health sector

Several donors participate in a health sector programme which involves a pooled funding mechanism. The government has prepared a sector policy which is yet to be approved. Donors have expressed concerns over its clarity, the effectiveness of the government health sector planning unit and the extent to which the policy is focussed on key Millennium Development Goals targets. The Local Consultative Group meetings provide a forum for donor co-ordination and some donors who do not participate in the sector-wide approach use these to co-ordinate assistance in specific areas (*e.g.* HIV/AIDs). The previous sector policy included a performance monitoring system, which some donors are still partly using; however, an improved performance monitoring system is expected to be developed soon.

Education sector

An education sector programme exists with the Primary Education Development Programme (PEDP-II) as its major component. Several donors point out the lack of attention given by the government to non-formal education. The PEDP-II programme involves a performance monitoring system, though additional systems are required in other sector areas.

Water sector

The government approved a National Water Resources Management Plan in 2004. No sector MTEF currently exists and there is no formalised donor co-ordination by the government. Where donor co-ordination does take place, it is through a local consultative subgroup in which the government participates only intermittently. Sector performance monitoring systems are said to be inadequate.

Transport sector

Road infrastructure development is supported by several donors as part of rural market development and food aid programmes. There has been no clear government policy in the sector until recently, when the National Land Transport Policy was approved. It is anticipated that this will direct future donor support to the sector.

Rural development

The government has had an agriculture and rural development policy in place for many years, encompassing areas such as livestock, forestry and fisheries, and it has received substantial donor support. Several donors comment that the sector policies are unclear, partial, uncoordinated, and lack a proper supporting structure.

Other sectors

Several donors support the power sector and a sector programme is currently under development. However, the government's power sector policy is not very clear. Other sectors receiving donor support include governance, human rights and people trafficking, and private sector development.

TABLE 2.5 INDICATOR 7

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

TABLE 2.6 INDICATOR 9

Who is delegating co-operation?			
YES!	YES	NO	**NO!**
Canada Netherlands Norway Sweden United Kingdom United States ADB World Bank		Denmark	Australia Germany Japan Switzerland

HARMONISATION

STREAMLINING CONDITIONALITY

Indicator 7 (see Table 2.5) 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). Responses to the survey indicate that there is limited harmonisation of conditions in the health and education sectors (primary education only in the education sector), and no harmonisation of conditionality in the water, transport or rural development sectors. Government and donors are establishing regular reviews of budget support programmes, aimed at establishing common conditionalities and operations.

DELEGATED CO-OPERATION

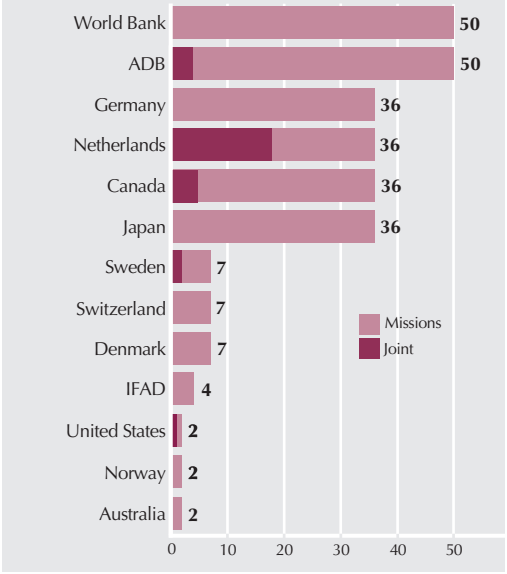
Indicator 9 shows that 61% of donors in Bangladesh claim to be party to an agreement to perform tasks on behalf of other donors (see Table 2.6). For example, Canada and the United Kingdom are implementing a delegated co-operation arrangement in respect of the Bangladesh financial management reform programme.

DONOR FIELD MISSIONS

In 2003, the number of donor missions to Bangladesh exceeded 250 (see Figure 2.4 – Indicator 10). Six organisations (World Bank, ADB, Germany, Netherlands, Canada and Japan) accounted for approximately 90% of the total number of missions. 10% of all missions were undertaken jointly. These figures do not include the UK Department for International Development (DFID) missions. The DFID activities in Bangladesh are indeed decentralised to the DFID's Dhaka office. Their reviews are consequently run from in-country resources and are not undertaken by officials from the DFID Head Office.

Number of donor missions: 250

FIGURE 2.4 INDICATOR 10



STREAMLINING DIAGNOSTIC REVIEWS

In the period 2001-03, seven diagnostic reviews were undertaken in Bangladesh (see Table 2.7 – Indicator 11). All of these except the UNDP CONTACT review were conducted by multi-donor teams.

Are diagnostic reviews being streamlined?

TABLE 2.7 INDICATOR 11

Diagnostic reviews (2001-03)	Was it undertaken jointly?
CFAA	YES
PER	YES
CPAR	YES
CPRM	YES
IMF ROSC	YES
ADB DSAA	YES
UNDP CONTACT	NO

DISCLOSING INFORMATION

A critical dimension of the harmonisation and alignment agenda is donors' ability to share information on aid flows (Indicator 12 – table not presented) and analytic work (Indicator 13).

The survey indicates that the government and donors have agreed on procedures for notifying disbursements in the context of budget support and also for assistance in the health sector. In the education sector, such an agreement exists with regard to support for primary education. No such arrangements exist with respect to the water or transport sectors. A few donors (15%) do not provide the government with any kind of information on actual disbursements.

The government is reported not to have provided an adequate format for donors to use in order to disclose information on actual disbursements, so donors tend to use their own reporting formats.

TABLE 2.8 INDICATOR 13

Who is sharing country analytic work?

YES!	YES	NO	NO!
Netherlands United States ADB	Australia Canada Denmark Norway Japan United Kingdom IFAD World Bank	Sweden	Germany

Most donors provide indications to the government as to what aid it can expect over a multi-annual time horizon. However, these generally represent pledges rather than commitments and are subject to change. For example, one bilateral donor "gives broad indications but may change priorities during a three-year period" and another "reserves the right to move money between projects to meet annual disbursement targets".

Donors share country analytical work in a number of ways, e.g. through their own Web sites, through the country analytic Web site or through relevant LCG subgroups (see Table 2.8 – Indicator 13). One multilateral donor points out that country analytic work is not published consistently and a bilateral donor makes the point that not all analytical work should necessarily be made available on the Internet.

ACRONYMS

ADB	Asian Development Bank
ADB DSAA	Asian Development Bank's Diagnostic Study of Accounting and Auditing
BDF	Bangladesh Development Forum
CFAA	Country financial accountability assessment
DAC	Development Assistance Committee (OECD)
CPAR	Country procurement assessment report
CPRM	Country programming review mission
DFID	Department for International Development (United Kingdom)
IFAD	International Fund for Agricultural Development
IMF ROSC	International Monetary Fund's Report on the Observance of Standards and Codes
LCG	Local consultative group (Bangladesh)
MDB	Multilateral development bank
MTEF	Medium-term expenditure framework
OECD	Organisation for Economic Co-operation and Development
PEDP-II	Primary Education Development Programme (Bangladesh)
PER	Public expenditure review
PRS	Poverty-reduction strategy
PRSP	Poverty-reduction strategy paper
UNDP CONTACT	United Nations Development Programme's Country Assessment in Accountability and Transparency
USAID	United States Agency for International Development

3 BOLIVIA

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 reseservations" 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 donors[1] 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 donors supportive of the government's harmonisation agenda?

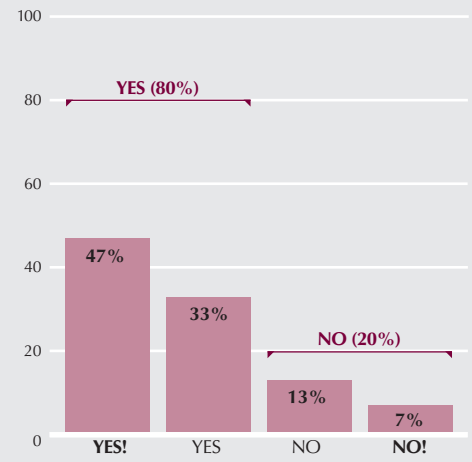


TABLE 3.1 INDICATOR 2

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	

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

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 pro-active 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 the dialogue process is functioning adequately (see Table 3.1).

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]).

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:

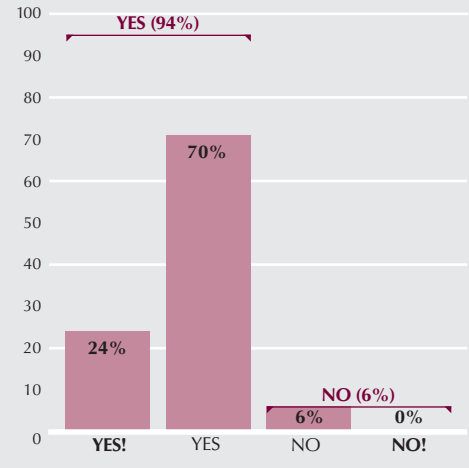
> …very broad, poorly aligned to national budgets, and its implementation has been limited. In addition, with two changes of government since the original PRS, there is lack of clarity about whether it is the current framework for poverty reduction.

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.

Do donors rely on the PRS when programming official development assistance?

FIGURE 3.2 INDICATOR 4



BUDGET SUPPORT IS ALIGNED WITH PARTNERS' PROCEDURES

It was not until 2004 that the Bolivian government had a multi-annual framework in place for budget support. Until then, budget support 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).

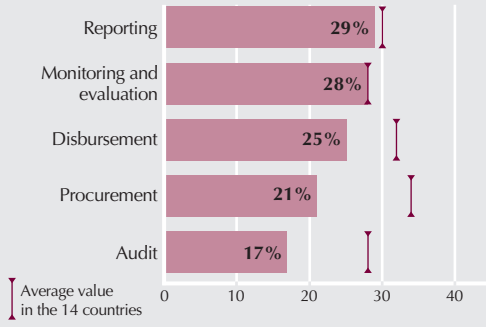
TABLE 3.3 INDICATOR 5

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

Use of partner country systems



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 below average.

Donors noted that national procurement systems are complicated and unclear. For example, a recent procurement decree provided for positive discrimination to support Bolivian enterprises but its status is currently uncertain. However, the government is working to harmonise its procurement procedures with those of the World Bank and IDB, in co-operation with both banks.

Concerning national disbursements systems, it seems that donors would use them more were it not for delays caused by the Vice Ministry of Treasury in setting up relevant accounts. However, 50% of the World Bank projects for example, already use the treasury's unique account for the processing of its payments.

The government noted that reporting and monitoring and evaluation (M&E) systems are used more frequently than disbursement, procurement and audit systems.

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?	**NO!**	NO	YES	NO	**NO!**
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 that 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. The European Commission has already provided budget support for it. Arrangements for its implementation have been established with the Canadian International Development Agency (CIDA), IDB, World Bank and the *Gesellschaft für Technische Zusammenarbeit* [GTZ]. 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.

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

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. 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.

An OECD-commissioned report dated November 2003 highlighted a number of outstanding actions on harmonisation in Bolivia 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. Besides, concerns about corruption and lack of confidence in the current PRS may deter progress.

Bolivia was also 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.

STREAMLINING CONDITIONALITY

Indicator 7 (see Table 3.5) 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).

The 2004 budget support MoU provides a common performance-evaluation matrix that streamlines conditionalities. Streamlining of conditions for sector support varies by sector. In the rural development and health sectors for example, conditions are established on an individual basis with each donor active in the sector, and in the case of credits, conditions regarding the execution of goals are usually arranged.

DELEGATED CO-OPERATION

Indicator 9 shows that around 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 (the IDB, the UN, Germany, Japan and the World Bank) accounted for 80% of the total missions.

Who is delegating co-operation?

TABLE 3.6 INDICATOR 9

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

STREAMLINING DIAGNOSTIC REVIEWS

In the period 2001-03, five diagnostic reviews were undertaken in Bolivia (see Table 3.7 – Indicator 11); three involved more than one donor. 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.

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).

Number of donor missions: 242

FIGURE 3.4 INDICATOR 10



Are diagnostic reviews being streamlined?

TABLE 3.7 INDICATOR 11

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

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 mentioned, procedures have been agreed for the notification of disbursements for budget support. In the health and education sectors, progress towards good notification is being made. In the water, transport and rural development sectors, each donor makes its own notification arrangements with the government.

TABLE 3.8 INDICATOR 13

Who is sharing country analytic work?

YES!	YES	NO	NO!
United States	Denmark		Belgium
IDB	Japan		Canada
World Bank	Netherlands		Germany
	Switzerland		Italy
	United Kingdom		Spain
	IMF		Sweden
	United Nations		European Commission

Indicator 12a (table not presented) 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 (table not presented) 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 donors' co-ordination forums.

ACRONYMS

CFAA	Country financial accountability assessment
CIDA	Canadian International Development Agency
DANIDA	Danish International Development Agency
EBRP	*Estrategia Boliviana de Reducción de la Pobreza* (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	*Sistema Integrado de Gestión y Modernización Administrativa* (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

4 CAMBODIA

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 reseservations" 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.

The government of Cambodia is heading up the partnership working group, established in December 2002, to address issues of partnership, co-ordination and harmonisation. To date, the working group has produced three significant reports on improving aid co-ordination. The group is also leading the process of restructuring the consultative groups: the government and donors have agreed to establish 17 joint technical working groups that will be chaired by the government and assisted by a lead (as well as an alternate) donor co-ordinator. In 2002, the National Assembly adopted the Second Socio-Economic Development Plan (SEDP-II). The National Poverty Reduction Strategy (NPRS) – the government's full poverty-reduction strategy paper (PRSP) prepared with stakeholder participation – was finalised in February 2003. Greater prioritisation and a streamlining of quantitative indicators at the sector level are required for progress to continue. In response to the government's concerns about the high transaction costs associated with multiple donor requirements, missions, and procedures, some recent harmonisation initiatives have also been introduced. The World Bank and the Asian Development Bank (ADB) are collaborating to produce joint operational procedures and a joint financial management manual designed for local government staff; the government, United Kingdom, ADB, United Nations (UN) and the World Bank are collaborating to prepare new assistance strategies; and the UN system in Cambodia has agreed to use the NPRS as the basis for its country-level planning rather than produce its own UN Common Country Assessment.

OWNERSHIP

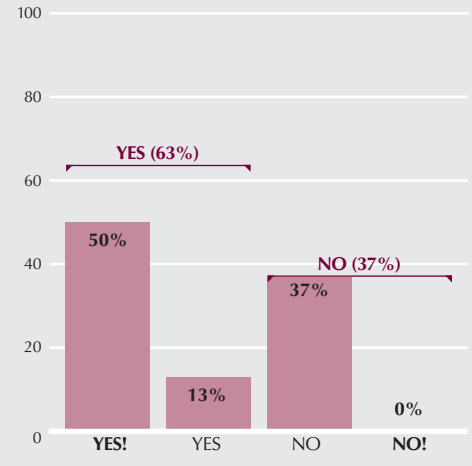
A CLEAR AGENDA ON HARMONISATION

The Royal Government of Cambodia (RGC) has completed the preparation of its harmonisation and alignment action plan, in close collaboration with donors and with assistance from the UN Development Programme (UNDP) and the World Bank. The plan was approved by the RGC at its Cabinet meeting on 19 November 2004. A partnership agreement, which aims at facilitating the implementation of the plan, was signed on 2 December 2004 (see Box 4.1). The plan was presented at the consultative group meeting on 6-7 December 2004.

The government currently has one major results-focussed document (the Cambodia Millennium Development Goals) and two major planning documents (the SEDP-II and the NPRS). While these documents are generally complementary, they are not yet fully evolved as harmonisation blueprints and need to be co-ordinated within themselves. The NPRS also needs to specifically identify actions and results in sectors and sub-sectors. For the period covering 2006-2010, the RGC has decided to develop a single national strategic development plan.

FIGURE 4.1 INDICATOR 1

Are donors supportive of the government's harmonisation agenda?



According to the results of the 2004 Survey on Harmonisation and Alignment, 63% of donors indicated that they are supporting the government's agenda (see Figure 4.1 – Indicator 1).

FORMAL GOVERNMENT-LED FRAMEWORK FOR DIALOGUE AND CO-ORDINATION

The Council for the Development of Cambodia (CDC) was established to co-ordinate all external investment. Since the government took the lead with donor co-ordination, an inter-ministerial steering committee to strengthen development partnerships has been established and the overseas development assistance managment information system has been

BOX 4.1

Declaration by the Royal Government of Cambodia and Development Partners on Harmonisation and Alignment – 2 December 2004

In December 2004, the government and 12 donors signed a declaration expressing their commitment to the Rome Declaration on Harmonisation and expressing their willingness to support the following:

- The alignment of donor programmes to government strategies such as the NRSP and SEDP-II and agreement to support the government to produce a National Strategic Development Plan (NSDP 2006-10).
- Work towards sector approaches where appropriate, with harmonised resources, the provision of technical assistance, and channels of delivery around one strategy. These will involve the strengthening of the role of civil society.
- Work to improve government systems, such as procurement and financial management.
- Harmonisation, streamlining and simplification of donor requirements.
- Production of a partnership report every six months.
- Increased delegated co-operation.
- A focus on results, rather than inputs.
- Work to have all analytical work undertaken with the relevant sector working groups, thus avoiding duplication and building government capacity.
- Provision of comprehensive information on aid flows to the government in a timely manner to allow integration into the budget cycle, in the context of a medium-term expenditure framework.
- Promote harmonised approaches across the wider region, *e.g.* through the Mekong River Commission and the Association of Southeast Asian Nations (ASEAN).

The declaration concludes with a commitment to implement the government's national action plan on harmonisation and alignment and to monitor progress in implementing the plan twice a year, through the consultative group. Both the government and donors commit to reforms to foster greater transparency and accountability.

strengthened and expanded. However, one bilateral donor noted that: "Despite the considerable co-ordination efforts by the CDC, there is still a long way to go in Cambodia with the development of the government's harmonisation agenda."

Another bilateral donor noted that, while it subscribes to the NPRS, "it was written by the World Bank without the participation of Cambodian nationals" (see Box 4.2).

Some improvements in donor co-ordination are reported to have been achieved since the government has taken the lead. In addition to the establishment of the inter-ministerial steering committee in 2001, a government-donor partnership working group was established in late 2002 in response to a government proposal at the consultative group meeting in June 2002.

While a donor harmonisation process exists, meetings tend to be called by the donors themselves rather than the government. The process is somewhat informal at present (see Table 4.1 – Indicator 2), with donors reporting that the government is yet to establish a formalised process of consultation and harmonisation (though the government has formally identified the CDC as its contact point). The lack of a formal process is attributed to the failure to form a government following the July 2003 elections.

TABLE 4.1 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

57%

% of donors who take part in co-ordination

BOX 4.2

Building government ownership in Cambodia – a case study from the PRSP Monitoring and Synthesis Project

Cambodia completed its full PRSP in December 2002. A Joint Staff Assessment was completed on 23 January 2003 and it went to the Boards in February 2003. One of the main issues for governmental ownership of the PRS process in Asia is the tensions between the Ministry of Planning (MoP) and the Ministry of Economy and Finance (MEF) (often linked to control of separate development and recurrent budgets). This issue is evident in Cambodia where the poverty-reduction strategy (PRS) was formulated by an inter-ministerial group under the chair of the Ministry of Planning. Initially, the MEF was not centrally engaged with the PRS process which was partly due to the inter-ministerial approach of the PRS process being somewhat at odds with their usual way of budgeting. The MEF tends not to include the MoP in its work, although it is now showing more interest in the PRS process and is engaging with the inter-ministerial group. The engagement of all the key central ministries is particularly important for linking the PRS with the budget. Although the medium-term expenditure framework tries to link the budget and the PRS process, at present it is not doing so. According to the NGO Forum in Cambodia, the PRS process has been notable for its inclusion of government officials in the process of preparing sectoral matrices. However, the NGO Forum also notes that those working on sectoral plans in line ministries were generally different than those in line ministry PRS teams. Outside the sectoral ministries, there has been minimal engagement in the PRS process by politicians. The National Assembly did not attend the first public event on the PRS despite having been invited and the PRS was not debated in the National Assembly. This is in direct contrast to the experience with the pre-existing national plan, the Social and Economic Development Plan, which was debated in the National Assembly.

CAPACITY DEVELOPMENT

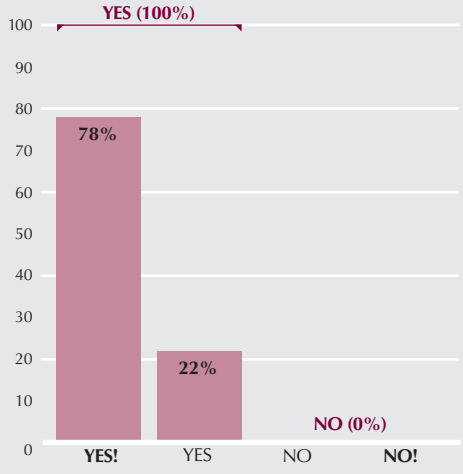
Indicator 3 invited respondents to identify areas where additional efforts in capacity development might be required (see Table 4.2 – Indicator 3). Weaknesses have been identified in public financial management, budget formulation, execution, reporting and review, and aid co-ordination; each weakness is being addressed, but the level of support does not seem to be high enough. A technical co-operation project to strengthen the government's overall capacity in a number of areas, including the formulation and implementation of fiscal and monetary policies and the management of public finances, is due to end in 2004. A new public financial management programme was launched by the RGC on 5 December 2004, and a number of donors have indicated a willingness to support it. A number of measures have been set out and implemented to strengthen the economic and public financial management while establishing good governance systems, including: (*i*) macroeconomic policy framework management; (*ii*) improving the budget system and public procurement; (*iii*) modernising the tax system; (*iv*) improving the public accounting system; (*v*) developing the audit system and inspection; (*vi*) privatising public enterprises; and (*vii*) strengthening state property management.

TABLE 4.2 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	YES
In budget planning and execution	YES
In co-ordination of aid	YES

FIGURE 4.2 INDICATOR 4

Do donors rely on the PRS when programming official development assistance?



ALIGNMENT

RELIANCE ON PARTNERS' NATIONAL DEVELOPMENT STRATEGIES

In 2002 the National Assembly adopted the SEDP-II and the NPRS, the government's first full PRSP prepared with stakeholder participation, was finalised in February 2003.

Both donors and the government recognise that although the national development strategies are clearly set out, they are not fully operational (see Figure 4.2 – Indicator 4). Donors state that greater prioritisation and a streamlining of quantitative indicators at the sector level is required. A medium-term expenditure framework (MTEF) has been established in some key sectors, though its linkage to budget execution remains limited.

One donor's comment, which is representative of many others, is "… since the NPRS does not clearly prioritise among sectors or reforms in need of support, the strategy offers too little guidance for programming purposes."

The first NPRS annual progress report, which documented the progress in implementing the NPRS in 2002–03, was approved by the Council of Ministers on 6 August 2004. Its coverage is limited to key priority areas (*e.g.* rural and agricultural development, education, health, and road infrastructure). It also attempts to reconcile the MDGs and the NPRS for 2005.

Is budget support predictable and aligned?

TABLE 4.3 INDICATOR 5

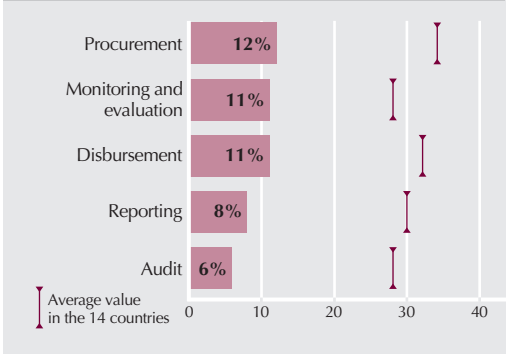
Are budget support donors making:	YES!	YES	NO	NO!
▶ multi-annual commitments?	World Bank	Sweden ADB		Germany New Zealand United Nations
▶ timely commitments?		ADB United Nations	Sweden World Bank	
▶ timely disbursements?	United Nations		Sweden ADB World Bank	Germany

BUDGET SUPPORT

Experimentation of the use of budget support as a delivery mechanism has been limited to date. In some instances, support is delivered outside government systems. For example, UNICEF believes that the government systems provide insufficient safeguards. In most cases where budget support was delivered, disbursements were contingent on performance indicators such as the timing of policy reforms, rather than being aligned with the government budget cycle (see Table 4.3 – Indicator 5).

Use of partner country systems

FIGURE 4.3 INDICATOR 6



PROJECT SUPPORT

Indicator 6 measures the degree to which donors rely on partners' systems when providing project support (see Figure 4.3 – Indicator 6). Cambodian government systems are relied on less often by donors than those of most other partner countries surveyed.

The government is reported to have limited reliable procurement procedures and most donors consequently use their own procurement systems. The ADB is assisting the government with the harmonisation of local competitive bidding for use on both ADB and World Bank projects. At present, only one of the World Bank's 17 projects uses national procurement systems and procedures.

In 1996, the ADB assisted the government in drafting a project accounting manual, which was adopted by the government for use for all ADB-financed projects. This manual details the ADB procedures and approvals for disbursements and is being harmonised so that it can be used by the World Bank as well.

To date, there is no clear structure within the Ministry of Economy and Finance (MEF) for reporting on loans, projects and technical assistance financing. The technical assistance provided by ADB on harmonisation will attempt to put a tracking mechanism in place, whereby the MEF will be able to monitor contract awards and disbursements.

There is no mechanism within line ministries to undertake monitoring and evaluation. Under some donor-financed projects, responsibility for monitoring and evaluation is located within the project implementation units – with limited success. UNICEF is using government systems

for the monitoring of sectoral performance, *e.g.* net enrolment rates and immunisation coverage, and is also providing capacity building for monitoring through the DevInfo application.

Under Cambodian legislation, line ministries are required to establish an internal audit function; however, most are still to do so, with the MEF and Ministry of Education being two exceptions. Government audit systems are generally recognised to be weak.

SECTOR SUPPORT

Health sector

A clear health sector policy exists which includes a MTEF, although donors consider it to be insufficiently comprehensive. There is a mechanism for donor co-ordination, with 82% of donors participating in it. A sector performance-management system (PMS) also exists and is currently being improved to make it more comprehensive. The consensus view of the donor community is that financial management needs strengthening in order to further advance the harmonisation agenda.

Education sector

The education sector is supported by 50% of donors. A clear government sector policy is in place, and relied upon by 67% of donors active in the sector. Another donor (the Food and Agricultural Organization [FAO]) comments that the government's policies and strategies are insufficiently clear for the donors to be able to rely upon them. The survey shows that 78% of donors participate in the formalised sector donor co-ordination process.

Water sector

A water sector policy is under preparation, but it is yet to be implemented. Donor co-ordination processes are currently also under development. There is no sector PMS and both donors and the government believe that, in the water sector, little progress is being made towards harmonisation at this time.

Transport sector

A transport/road sector policy has been drafted, but it is yet to be adopted by the government. Japan is leading a donor co-ordination process, but the only other donor participating is the ADB. Both the government and donors recognise there is little existence of any PMS and no MTEF. The donor view is that little progress is being made towards harmonisation in the transport sector.

Rural development

The government recognises agriculture and rural development as two of its four priority sectors for government spending; however, neither the Ministry of Agriculture, Forestry and Fisheries, nor the Ministry of Rural Development has a MTEF and the FAO comments that "there is no coherence between the official priority given to this sector and the government's commitment and public investment for the sector." The survey shows that 73% of donors regularly participate in sector co-ordination meetings, and Australia is currently engaged in formalising the donor co-ordination process. The donor view is that there is currently no agreed process for moving towards harmonised systems in place.

Other sectors

Other sectors enjoying donor support include the financial sector (particularly, the development of legal frameworks and the banking reform), power, decentralisation, local governance, democracy, public administration reform and de-mining. The government draws attention to the development of formalised donor co-ordination processes in local governance, land management and public financial management. It was noted that the Ministry of Women and Veteran Affairs has recently implemented an MTEF.

TABLE 4.4 INDICATOR 8

Alignment with sector programmes					
▶ **Are sector systems in place?**	**Health**	**Education**	**Water**	**Transport**	**Agriculture**
Is government leading in the sector?	**YES!**	**YES!**	**YES!**	NO	YES
Does a clear sector policy exist?	**YES!**	**YES!**	YES	NO	NO
Is a sector medium-term expenditure framework (MTEF) in place?	YES	YES	**NO!**	**NO!**	**NO!**
Is there sector co-ordination?	**YES!**	**YES!**	NO	N/A	YES
Is a sector monitoring system in place?	YES	YES	**NO!**	**NO!**	**NO!**
Are systems being harmonised?	YES	YES	**NO!**	**NO!**	**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?	NO	NO	NO	NO	**YES!**
Are donors using the government monitoring system?	NO	NO	NO	NO	NO

HARMONISATION

The government is committed to the harmonisation agenda and is taking the lead on the partnership working group. It has prepared a full NPRS with stakeholder participation but greater prioritisation and a streamlining of indicators at sectoral levels is still required. There has been increased collaboration between donors and many major donors have been collaborating to produce joint operational procedures. However, despite considerable efforts by the CDC, there is still much to be done to develop the government's harmonisation agenda. While a process exists, the initiative is often taken by the donors rather than the government.

According to the aid harmonisation Web site, since 1999 (the first full year of peace in 30 years in Cambodia), seven sector-specific harmonisation working groups have been formed:

- Forestry/Natural Resources.
- Demobilisation (which stopped meeting once its programme became operational).
- Public Administration.
- Fiscal Reform.
- Social Sectors (containing a number of sectoral subgroups).
- Governance.
- Government-Donor Partnership Working Group.

The site notes that:

> The implementation of common arrangements requires capacity at national and decentralised areas as well as internal government co-operation to develop and communicate the priorities around which donors can align. The indications are that progress is being made, but that there is considerable progress still to be made.
>
> The volume of donor missions to the country may be indicative of the level of assessment and diagnostic work that the donors consider necessary prior to any further development and implementation of common arrangements. This inevitably creates additional burdens for the country offices, as well as competing priorities. It also impacts on government capacity.

TABLE 4.5
INDICATOR 7

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

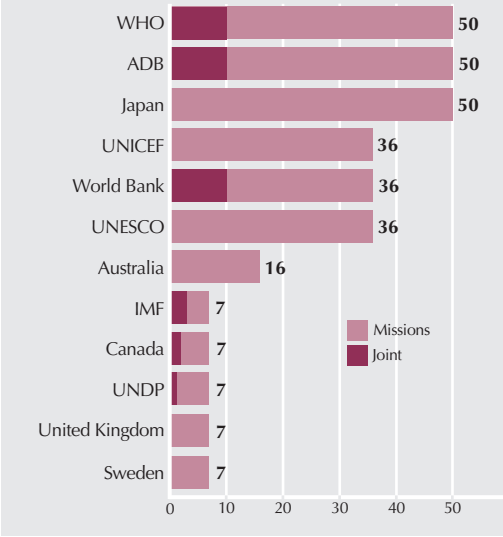
TABLE 4.6
INDICATOR 9

Who is delegating co-operation?

YES!	YES	NO	**NO!**
United Kingdom		IMF	Australia
ADB			Canada
United Nations			Denmark
World Bank			France
			Germany
			Japan
			New Zealand
			Sweden
			United States

FIGURE 4.4
INDICATOR 10

Number of donor missions: 309



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). The survey shows that concerning budget support, the International Monetary Fund (IMF) and the World Bank have established a common document concerning conditionality. There appear to be no such arrangements with regard to support for specific sectors (see Table 4.5).

DELEGATED CO-OPERATION

Indicator 9 shows that 29% of donors in Cambodia claim to be party to an agreement to perform tasks on behalf of other donors (see Table 4.6). The FAO for example is implementing technical assistance projects financed by other donors.

DONOR FIELD MISSIONS

More than 300 missions were reported in 2003 (See Figure 4.4 – Indicator 10). Seven organisations (the World Health Organization [WHO], ADB, Japan, UNICEF, World Bank, UNESCO, and Australia) accounted for 89% of the total number of missions. Around 10% of all missions were undertaken jointly.

STREAMLINING DIAGNOSTIC REVIEWS

In 2003, the ADB, World Bank and IMF, with significant contributions from the UK Department for International Development (DFID), International Labour Organization (ILO), Swedish International Development Cooperation Agency (Sida), UNDP and WHO, finalised a joint integrated fiduciary assessment and public expenditure review (IFAPER). Five other reviews were undertaken jointly between 2001 and 2003 (see Table 4.7).

DISCLOSING INFORMATION

A critical dimension of the harmonisation and alignment agenda is donors' ability to share information on aid flows (Indicator 12 – Table not presented) and analytic work (see Table 4.8 – Indicator 13).

The government and donors have agreed on procedures for notifying disbursements in the health and education sectors and for budget support. The CDC requests that donor information includes the actual and further year's planned disbursements.

Donors use a variety of methods for sharing analytical work. For example, they use the country analytic Web site (Canada), the UN Cambodia homepage (the FAO and UNDP) or otherwise circulate information by e-mail/hard copy through established in-country networks (Australia, New Zealand, United Kingdom).

Are diagnostic reviews being streamlined?

TABLE 4.7
INDICATOR 11

Diagnostic reviews (2001-03)	Was it undertaken jointly?	
CFAA	**YES**	
PER	**YES**	
CPAR		**NO**
HIPC Tracking Assessment	**YES**	
EACFM	**YES**	
Gender Assessment	**YES**	

Who is sharing country analytic work?

TABLE 4.8
INDICATOR 13

YES!	YES	NO	**NO!**
Denmark	Australia	Japan	France
ADB	New Zealand	Sweden	Germany
IMF	United Kingdom		Sweden
World Bank	United Nations		

ACRONYMS

ADB	Asian Development Bank
CDC	Council for the Development of Cambodia
CFAA	Country financial accountability assessment
CPAR	Country procurement assessment report
EACFM	Ex ante assessment of country financial management (European Commission)
DFID	Department for International Development (United Kingdom)
FAO	Food and Agricultural Organization
HIPC	Heavily indebted poor countries
ILO	International Labour Organization
IMF	International Monetary Fund
MDG	Millennium Development Goal
MEF	Ministry of Economy and Finance
MTEF	Medium-term expenditure framework
NPRS	National poverty reduction strategy
PER	Public expenditure review
PMS	Performance-management system
PRS	Poverty reduction strategy
PRSP	Poverty reduction strategy paper
RGC	Royal Government of Cambodia
SEDP-II	Second Socio-Economic Development Plan (Cambodia)
Sida	Swedish International Development Cooperation Agency
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WHO	World Health Organization

5 ETHIOPIA

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 reseservations" 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.

Harmonisation has been high on the Ethiopian government's agenda since 2002 and has been given broad public support by donors. Structures are now in place to support implementation, including a stronger process for government-donor dialogue and an active joint harmonisation "think-tank" task force. Real progress is being made in harmonising budget support around the government's financial calendar and a common matrix of indicators. But the government and donors now need to move from statements of intent to action. Indeed, it is only recently that the government released a detailed action plan for harmonisation; and many donors (especially non-budget-support donors) have done little in practice to harmonise their own country programmes. Unless the process is accelerated, which may require both government and donor representatives (including the United Nations [UN]) to play a greater role, there is a risk that the initial momentum behind harmonisation could be slowed, or lost.

OWNERSHIP

A CLEAR AGENDA ON HARMONISATION

It is generally agreed that there is a need for greater harmonisation and alignment in Ethiopia. A joint government-donor harmonisation action was officially presented to donors during the third High-level forum between the government and the donor community in May 2004 (for more information on the High-level forum, see chapter 1– Box 1.1). The plan is being discussed and is expected to be officially launched in early 2005. Critical indicators of progress made on harmonisation could be whether this plan is effectively monitored, refined and amended so as to capture lessons learned as well as emerging good practice. According to the results of the 2004 Survey on Harmonisation and Alignment, 95% of donors support the government of Ethiopia's agenda (see Figure 5.1 – Indicator 1).

FIGURE 5.1
INDICATOR 1

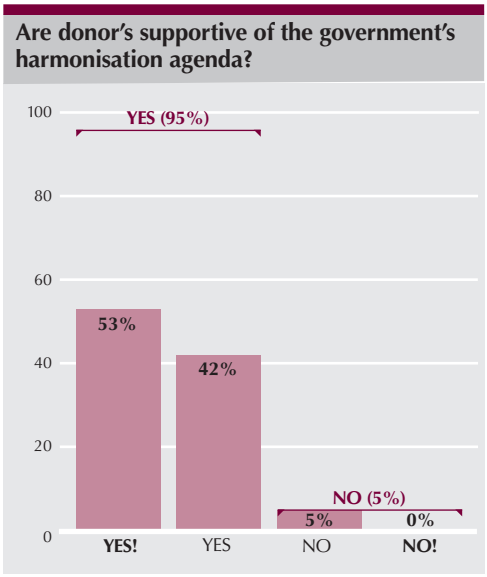


TABLE 5.1 INDICATOR 2

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?		NO

68%

% of donors who take part in co-ordination

FORMAL GOVERNMENT-LED FRAMEWORK FOR DIALOGUE AND CO-ORDINATION

A formalised process exists for overall co-ordination and policy dialogue, although it does not cover every sector. The government openly challenges donors to abide by its policies and to commit a greater proportion of official development assistance as budget support. It expects it will be easier to take a proactive approach in promoting the broader harmonisation agenda once a memorandum of understanding (MoU) has been agreed. This MoU will form part of the harmonisation action plan that will establish the "rules of the game". However, one donor notes that the draft MoU places insufficient burdens on signatories. As articulated in its response to the survey, the government view is that at this stage donor practices remain unreformed.

A July 2004 Ministry of Foreign Affairs press release stated that:

> At this crucial moment when Ethiopia is striving to implement the poverty-reduction strategy, it is essential that the government and the donors co-ordinate their efforts for efficient management of resources. In this regard the government has shown its willingness to make a commitment to avoid waste and to maintain transparency and accountability in its financial system. On the other hand, it requires an improvement in aid modalities from the donor community.

One bilateral donor commented that there are "strong voices from the MOFED (Ministry of Finance and Economic Development) on harmonisation, but uptake across the line ministries has been patchy at best".

The principal mechanism of donor co-ordination is the Development Assistance Group (DAG), co-chaired by the United Nations Development Programme (UNDP) and the World Bank. Support to the sustainable development and poverty-reduction paper (SDPRP), in the form of strategic support for implementation and strategic studies, is co-ordinated through this framework and it also provides a forum for information sharing and arranging multi-donor reviews and joint missions. Other joint government-donor groups are also being established to facilitate better co-ordination (see Table 5.1 – Indicator 2).

CAPACITY DEVELOPMENT

In 2003, the donor membership in the harmonisation task force (which is government-led) was Japan, the European Commission, and the UK Department for International Development (DFID). Since early 2004, the membership has grown to Canada, Sweden, Ireland, and the US Agency for International Development (USAID). Both the UNDP and the World Bank have facilitator roles. Membership is on a rotational basis and several other donors are interested in the harmonisation agenda. Weaknesses in government capacity to manage aid have been identified in public financial management and procurement, budget formulation, execution, reporting and review and, to a lesser extent, aid co-ordination (see Table 5.2 – Indicator 3). In each of these areas, improvements have been made to systems and processes over the last several years and weaknesses are being addressed. In the area of financial management, for example, several initiatives (including the public sector capacity building programme [PSCAP]) are addressing weaknesses. The Board of the World Bank recently approved its contribution to the PSCAP (the Bank will contribute USD 100 million of the total programme value of USD 400 million) and other donors are currently going through their own agency approval

processes. However, there is a recognition that these programmes may need to address broader and/or deeper issues. It will also be important to measure the impact of such programmes.

The government feels that the level of support available for capacity building does not match its needs, and that there is still much work to be done to enhance its capacity. The MOFED recently requested that donors finance large-scale in-house technical assistance for harmonisation support.

There do not appear currently to be any plans to address capacity weaknesses in aid co-ordination, other than through the Aid Management Platform (see Box 1.6 in Chapter 1).

ALIGNMENT

RELIANCE ON PARTNERS' NATIONAL DEVELOPMENT STRATEGIES

Ethiopia's national development framework (equivalent to a poverty-reduction strategy paper) is called the sustainable development and poverty-reduction paper. It provides a shared platform which aims to achieve accelerated growth to address poverty and food insecurity problems and to reach the Millennium Development Goals. Strategies are clearly stated and a national process is in place for reviewing annual progress in implementing the plan.

Of those donors surveyed, 75% (representing some 78% of gross official development assistance to Ethiopia) claimed to rely on the SDPRP to programme their development assistance (see Figure 5.2 – Indicator 4). However, one donor notes that probably all of them allocate priorities to sectors or themes different from those stipulated in the SDPRP. Furthermore, not all donors support all areas covered by the plan. To give two examples: while one bilateral donor's support is targeted at areas covered by the SDPRP, it places more emphasis upon democracy, human rights, civil society co-operation and gender issues; and while another's country assistance plan is based entirely upon the SDPRP, it does not support all of the activities proposed in that framework (*e.g.* resettlement).

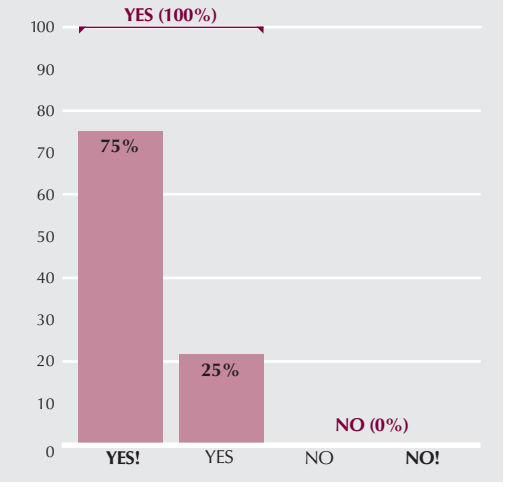
TABLE 5.2 INDICATOR 3

Capacity development

▶ **Have weaknesses been identified?**		
In public financial management	**YES!**	
In budget planning and execution	YES	
In co-ordination of aid		NO
▶ **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		NO
In co-ordination of aid		NO

FIGURE 5.2 INDICATOR 4

Do donors rely on the PRS when programming official development assistance?



The extent to which the SDPRP annual progress report (APR) influences donors' resource-allocation decisions varies considerably by donor, with some donors claiming to be responsive to it and others pointing to constraints caused by multi-annual funding plans that they have already agreed. The first APR in Ethiopia was produced in December 2003. The common donor view is that, while the production of the report represented progress *per se*, its quality and the consultative process surrounding its production were both too poor for the APR to influence resource-allocation decisions. Lessons were learned from the process by all concerned and a more substantive APR is anticipated for 2004.

BUDGET SUPPORT

Several donors are preparing to make multi-annual budget support commitments, partly because their budget support programmes in Ethiopia are in their infancy and have only just been, or are about to be, piloted.

Ethiopia is one of the three countries participating in an International Monetary Fund (IMF) pilot project which aims to establish a conceptual framework in order to align budget support assistance with the implementation of countries' poverty-reduction strategies. Alignment of budget support disbursements with the SDPRP annual review and budget cycle was expected to be achieved by June 2004.

A MoU that will establish a common relationship between budget support donors and the government is being prepared. The government and all donors have endorsed a common SDPRP policy matrix. While it is acknowledged that performance toward agreed targets in the health, education, water and transport sectors could influence budget support flows, it is not explicitly stated under which circumstances reductions or suspensions of disbursements may occur. One bilateral donor comments that:

> … as the MoU develops, it is probable that it will be a bit more specific about what the red lines are for disbursements; they are likely to be related to macroeconomic stability and public expenditure management (including public financial management and pro -poor spending).

BOX 5.1 **How budget support donors made disbursement decisions in 2004/2005**

DONOR	CRITERIA
World Bank	11 prior conditions.
Germany	11 prior conditions.
European Commission	**Fixed tranche disbursement** – Poverty-reduction growth facility (PRGF) on track, plus a qualitative judgement on APR and dialogue. **Variable tranche disbursement** – 12 indicators.
Sweden	**Core criteria:** PRGF and poverty-reduction support credit (PRSC) on track, plus a qualitative judgement on the APR, especially in the areas of human rights, governance and public financial management. **Subsidiary criteria:** 12 indicators.
Ireland	**Core criteria:** Qualitative judgement on the APR, including a focus on the area of democratic governance. **Subsidiary criteria:** 7 indicators, monitored with interest, but not conditions to disbursement.
Canada	**Core criteria:** Stable macroeconomic framework and qualitative judgement on the APR, with particular focus on food security/agriculture and governance/capacity building. **Subsidiary criteria:** Approximately 6 indicators, monitored with interest, but not strict triggers for disbursement.
United Kingdom	**Core criteria:** Public expenditure and public financial management indicators, macroeconomic framework on track and qualitative judgement on APR **Subsidiary criteria:** 4 indicators, monitored with interest, but not conditions to disbursement.
IMF	Qualitative judgement on APR, plus prior actions to be confirmed.

Is budget support predictable and aligned?

TABLE 5.3 INDICATOR 5

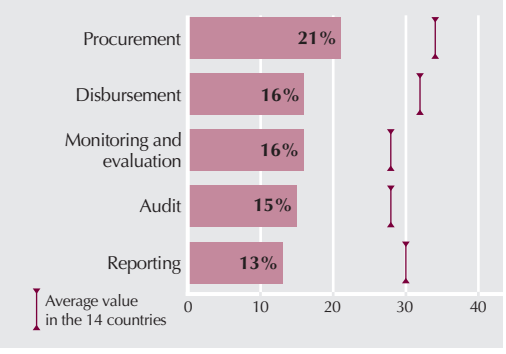
Are budget support donors making:	YES!	YES	NO	NO!
▶ multi-annual commitments?	Germany AfDB European Commission World Bank	Belgium Canada Ireland Japan United Kingdom	Netherlands Sweden United Nations	IMF
▶ timely commitments?	Germany European Commission World Bank	Japan United Kingdom AfDB IMF	Ireland Sweden	
▶ timely disbursements?	Germany Ireland Japan United Kingdom European Commission World Bank	AfDB IMF		

The development of a common framework for budget support provides the context for streamlining conditionality, reducing reporting requirements and parallel missions. Donor disbursement conditions are based on the policy matrix and the European Commission has designed its budget support operation explicitly around specific indicators within the indicator matrix and the APR process. There is the risk that the matrix becomes unwieldy: donors have suggested the inclusion of around 200 indicators. Thus, the budget support donors have agreed a reduced matrix of headline indicators with the government, but there is still an understanding that progress on the SDPRP as a whole (*i.e.* the full matrix) is the basis for support. Indeed, the joint budget support mission in the third quarter of 2004 used the full matrix as the basis for discussions.

Good co-operation between budget support and non-budget-support donors was reported during discussions around the SDPRP indicator matrix. Joint donor comments were made on the development of the indicator matrix, via the DAG. This is seen as a way of avoiding the development of a two-tier system among donors, which several explicitly warn against.

Use of partner country systems

FIGURE 5.3 INDICATOR 6



See Box 5.1 for a review of how budget support donors made disbursement decisions in 2004/2005 and Table 5.3 (Indicator 5) for a summary of the extent to which budget support is predictable and aligned with government procedures in Ethiopia, as measured by the 2004 survey.

PROJECT SUPPORT

Indicator 6 measures the degree to which donors rely on partners' systems when providing project support. In comparison with other countries surveyed, Ethiopian government systems were used less than average (see Figure 5.3).

Further monitoring and measuring will be required to objectively verify the extent to which the national systems are actually used, as well as areas where capacity is weak or fiduciary risk is high, or where donor support is being provided to strengthen capacity (and if so, the extent to which donors are co-ordinating their support.)

A July 2004 government press release commented that:

> If Ethiopia is to conduct effective planning, aid co-ordination and management, donor procedures need to be integrated into the government system. It is believed that rather than creating a parallel system for foreign assistance, development partners should adjust more to local procedures and where necessary help Ethiopia to bring its procedures up to international standards.

One bilateral donor, while endorsing the government's statement about donors needing to align with its systems, comments that donors are:

> … not getting a clear, strong message from the government about when in the calendar budget support contributions are needed in order to be reflected in regional allocations.
>
> ——[…]
>
> Recent discussions on the JBAR (Joint Budget and Aid Review) and budget support MoU are encouraging in this respect – for the first time we have a clear idea that indicative commitments are needed in October, firm commitments after the APR.

SECTOR SUPPORT

Health sector

Most donor respondents are active in the health sector to some degree. Some target their assistance to specific areas, *e.g.* the United Kingdom in HIV/AIDs and emergency response, and France supporting non-governmental organisation (NGO) projects in two specific regions. The survey shows that 69% of donors rely on the government's sector policy in planning their assistance. Little donor activity is integrated into the medium-term expenditure framework (MTEF), with only four donors (Austria, Belgium, Ireland and Italy) having significant proportions of their sector support in the MTEF. One bilateral donor comments that the MTEF is not yet fully operational. Problems of predictability of aid flows and timely release of funds are reported. A significant percentage (75%) of donors claim to both participate in formalised processes of co-ordination and to rely on government performance-monitoring systems. Some pooling arrangements for technical assistance exist.

A revised programme implementation manual which tackles some harmonisation issues is under development. The government considers that it exercises an appropriate level of authority in implementing health sector policy.

Education sector

A clear policy is stated in the education sector and over 80% of donors claim to rely on it in programming their assistance. As with the health sector MTEF, some donors comment that it is not yet fully operational. More than 75% of donors participate in a formalised process of donor co-ordination in the sector and use government performance-monitoring systems. A revised programme implementation manual is under development, which will consider harmonisation issues.

TABLE 5.4
INDICATOR 8

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

Water sector

The Water Sector Development Programme was formulated in 2002 and systems around it, such as formalised dialogue mechanisms and performance-monitoring systems, are currently under development. A government-donor water sector dialogue has been established and is attempting to reach agreement on sector harmonisation issues. At the present time, negligible donor support is integrated in the sector MTEF and, compared with other sectors, donor co-ordination and harmonisation issues are in their infancy.

Transport sector

The government has a clear roads sector policy, with established donor co-ordination processes, performance-management systems and agreed processes for moving towards greater harmonisation. Approximately 60% of donor respondents are active in the sector. Most of them participate in the formal co-ordination process, and all follow the national strategy.

Rural development

All donor respondents are active in the agriculture and rural development sector to some extent. Most action to date has focused on food security for the most vulnerable part of the population. Sector or sub-sector investment programmes have not been developed for higher potential agricultural and rural economic growth. A National Food Security Steering Committee is in place, involving some major donors. A Food Security Monitoring and Evaluation Plan is being developed by the Ministry of Agriculture and Rural Development, in consultation with donors.

Other sectors

Other sectors and themes receiving support from multiple donors include private sector development, governance, capacity building and gender. An example is PSCAP, the multi-sector, multi-donor programme designed to meet capacity-building needs to implement poverty-reduction strategies in a decentralised public service structure.

One bilateral donor comments that while it is true that the government has taken the lead in the development of sector strategies, line ministries have failed to show the same drive in pushing donors towards more harmonised financing mechanisms for those sectors. The donor see this as the key barrier to greater alignment and common financing mechanisms at the sector level.

TABLE 5.5
INDICATOR 7

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

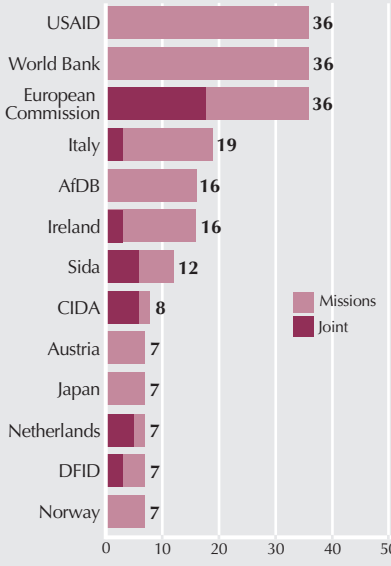
TABLE 5.6
INDICATOR 9

Who is delegating co-operation?

YES!	YES	NO	**NO!**
Austria	Germany		Canada
Ireland	Italy		Finland
United Kingdom	Japan		France
United States			Greece
IMF			Netherlands
United Nations			Norway
World Bank			Sweden
			AfDB
			European Commission

FIGURE 5.4
INDICATOR 10

Number of donor missions: 214



HARMONISATION

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). Responses suggest that streamlining to date has been poor (see Table 5.5).

DELEGATED CO-OPERATION

The survey shows that 37% of donors are party to such an agreement and perform tasks on behalf of other donors (see Table 5.6). Examples include Italian delegation of tasks such as procurement, disbursement and monitoring and evaluation to multilateral agencies such as the World Bank and the UN system in some circumstances and the Japanese co-operation with USAID in the context of HIV/AIDS programmes.

DONOR FIELD MISSIONS

Donors reported approximately 200 donor missions to Ethiopia in 2003, of which approximately 20% involved more than one agency (see Figure 5.4).

One bilateral donor noted that there is a need to identify some relatively "quick wins" if the government and donors are to stay fully engaged in the harmonisation agenda and suggests that one such "win" might be for the government to request a "quiet period" of three months during every year in which they would not meet with international missions.

STREAMLINING DIAGNOSTIC REVIEWS

Four diagnostic tools were deployed by joint donor teams, all of which were undertaken jointly (see Table 5.7). There is now a focus on capacity building to support the CFAA outcomes as part of an integrated CFAA/CPAR action plan. With alternative and combined tools being piloted, including those in initiatives such as public expenditure and financial accountability (PEFA), there will be a need to ensure that appropriate monitoring arrangements are in place.

TABLE 5.7
INDICATOR 11

Are diagnostic reviews being streamlined?

Diagnostic reviews (2001-03)	Was it undertaken jointly?
CFAA	**YES**
PER	**YES**
CPAR	**YES**
HIPC	**YES**

DISCLOSING INFORMATION

A critical dimension of the harmonisation and alignment agenda is donors' ability to share information on aid flows (Indicator 12 - Table not presented) and analytic work (Indicator 13).

In terms of arrangements for donor notification of disbursements, a financial calendar is in place and systems have been defined in the programme implementation manuals developed for some sectors. However, despite this, deviations from the plans remain common. Of donors who responded to the survey, 55% claim to notify the government on indicative disbursements it plans to release over at least a three-year period. Donors who answered with qualified responses included: one bilateral donor which signed an indicative five-year programme but later decided not to implement it fully; several whose programmes are new and so have not yet had the opportunity to provide such notification; some who advise on disbursements on a yearly basis; and one which claimed only to specify high-level policy directions, rather than specific project or programme disbursements.

TABLE 5.8
INDICATOR 13

Who is sharing country analytic work?

YES!	YES	NO	**NO!**
Austria	Belgium	Greece	Finland
Canada	United Nations	Ireland	France
AfDB		Japan	Germany
IMF		Sweden	Italy
World Bank			Netherlands
			Norway
			United Kingdom
			European Commission

45% of the donors claim to provide comprehensive and regular information about in-country disbursements, with 50% claiming to do so but with a caveat. Frustration is expressed by several donors regarding the lack of a clear reporting format. Other caveats provided include the fact that timing has slipped, that reports are insufficiently comprehensive, and that information is provided on all accrued mission expenditures — not all of which relate to in-country expenditure.

The great majority of the donors reported that they do not regularly share information on their country analytic work on the country analytic Web site (Indicator 13 – Table 5.8). Several respondents drew reference to the fact that, while analytical work may not be posted on the Web site, they still shared it with the government and other donors – either through country strategy plans, the DAG, directly, or upon request. Several donors have undertaken to use the country analytic Web site in the future.

ACRONYMS

AfDB	African Development Bank
APR	Annual progress report
CFAA	Country financial accountability assessment
CIDA	Canadian International Development Agency
CPAR	Country procurement assessment report
DAG	Development Assistance Group (Ethiopia)
DFID	Department for International Development (United Kingdom)
HIPC	Heavily indebted poor countries
IMF	International Monetary Fund
MoU	Memorandum of understanding
MOFED	Ministry of Finance and Economic Development (Ethiopia)
MTEF	Medium-term expenditure framework
PEFA	Public Expenditure and Financial Accountability
PER	Public expenditure review
PSCBP	Public sector capacity building programme (Ethiopia)
SDPRP	Sustainable development and poverty reduction paper (Ethiopia)
Sida	Swedish International Development Cooperation Agency
UN	United Nations
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

6 FIJI

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 reseservations" 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.

Fiji has a small donor community and significant progress has recently been accomplished. The government presented its strategic development plan (SDP) to donors in 2003 and, more recently, has laid out an agenda for harmonisation and alignment. Both are very broadly supported by donors. However, one of the key messages that came out of recent donor meetings is that the donor community and the government need to work together towards even greater alignment and harmonisation. The government believes that an increased awareness of the harmonisation agenda, particularly for implementing agencies, is necessary to support national ownership.

It is also recognised that there is a need to establish better links between strategy and budget, and to reduce the extensive number of indicators and onerous data collection requirements.

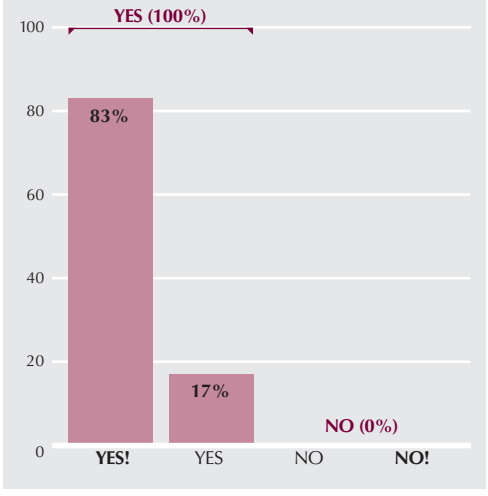
OWNERSHIP

A CLEAR AGENDA ON HARMONISATION

The government's seven-point action plan for harmonisation is the key document for setting the pace and direction of harmonisation and alignment. According to the results of this survey, all donors support the government of Fiji's agenda (see Figure 6.1 – Indicator 1).

FIGURE 6.1
INDICATOR 1

Are donors supportive of the government's harmonisation agenda?



FORMAL GOVERNMENT-LED FRAMEWORK FOR DIALOGUE AND CO-ORDINATION

The Ministry of Finance (MoF) chairs the government's Budget and Aid Coordinating Committee (BACC) which leads the co-ordination of donor engagement at the country level. The BACC meets regularly and includes relevant donors as needed. Some donors have agreed to have regular (approximately quarterly) meetings with the BACC, with more frequent engagements occurring between donors and the MoF. The government set the agenda for the two donor harmonisation meetings held in Fiji, in April 2003 and May 2004.

TABLE 6.1 INDICATOR 2

Is government co-ordinating aid?		
Is there a formalised process for dialogue?	YES	
Is government proactive?		NO
Is government in the driving seat?	YES	
Do donors' rules support harmonisation?	YES	
		100%
% of donors who take part in co-ordination		

TABLE 6.2 INDICATOR 3

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

The May 2004 harmonisation meeting hosted by Fiji provided an open update from the government on the extent to which donors have responded to its harmonisation agenda. The relatively small number of donors active in Fiji means that co-ordination is not generally a major issue, although problems sometimes do arise in the co-ordination of non-bilateral aid. The government believes that an increased awareness of the harmonisation agenda and institutional strengthening, particularly for implementing agencies, would greatly enhance the degree of government ownership. Both donors and the government are working to this end (see Table 6.1 – Indicator 2).

CAPACITY DEVELOPMENT

Progress on harmonisation and alignment needs to be closely articulated with broader public sector reforms (*e.g.* financial management and planning reforms) already in place – and not be driven in isolation from them or as ends in themselves.

The MoF has identified capacity building as a general need. Through the government and donors' own training programmes, various capacity-building activities are taking place, but neither the needs, nor the activities, have been articulated in a manner that identifies clear objectives or priorities. Neither the government's harmonisation action plan, nor its SDP, detail capacity-building requirements.

Donors and the government agree that current levels of capacity building are unlikely to meet all of the government's needs (see Table 6.2 – Indicator 3). There is scope for developing a co-ordinated approach to capacity building involving government systems and resources, donors and the private sector.

ALIGNMENT

RELIANCE ON PARTNERS' NATIONAL DEVELOPMENT STRATEGIES

The SDP presented to donors in 2003 identifies priorities and indicators; however, it requires further refinement (which is planned following its 2004 review). The need for better links between the strategy and the budget, and a reduction in the extensive number of indicators, with onerous data collection requirements, is recognised. There is also a need for further prioritisation of strategies and greater accountability. It is envisaged that these objectives will be realised through stronger linkages with line ministries' annual plans; work is underway in this area.

A mid-term review of the SDP for 2003-05 was scheduled for August 2004 and was expected to assess progress made in the implementation of policies, identification of implementation

constraints and modification of policy objectives. Donors have indicated that they would like to be more engaged in the review and future development of the SDP. The United Nations Development Programme is providing assistance with the refinement of the indicators as part of its support for Fiji's preparation of its first Millennium Development Goals report.

Donors reported that they use the SDP to programme assistance to Fiji (see Figure 6.2 – Indicator 4), although one multilateral donor points out that by the time the SDP was presented to donors, it had already programmed its assistance through to 2007. Another donor notes that it would like to see improved reporting on aid expectations and disbursements. Donors highlight that the annual progress review (APR) is currently conducted at the mid-term point of the SDP timeframe, which is not frequent enough to effectively guide donor allocation decisions.

Given that donor numbers are relatively small and that aid constitutes only around 2% of the gross domestic product, donor activity does not cover the entire SDP: it supports only parts of it.

BUDGET SUPPORT

The government reports that only a few donors have started programming assistance according to its budget cycle.

Almost no direct budget support is provided by donors; most aid is provided in the form of technical assistance. In this respect, alignment is relevant at the policy level, the broad country programme level and the sector level to ensure that the assistance is being provided in line with the directions of country and sector policies.

Indicator 5 measures the extent to which budget support is predictable and aligned with partners' procedures (see Table 6.3)

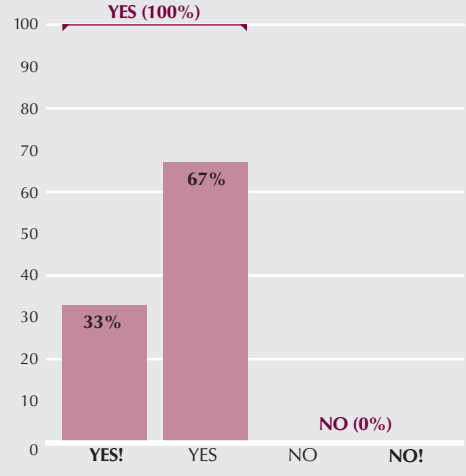
Recent research undertaken by the UK Department for International Development in its paper on alignment in difficult partnerships highlights that:

> … systems alignment means working to be compatible with existing administrative systems such as the national budget and working through or with them…it does not necessarily mean putting funds through these systems to be controlled by authorities.

In Fiji's case, systems alignment is progressing in a number of sectors.

Do donors rely on the PRS when programming official development assistance?

FIGURE 6.2 INDICATOR 4



Is budget support predictable and aligned?

TABLE 6.3 INDICATOR 5

Are budget support donors making:	YES!	YES	NO	NO!
▶ multi-annual commitments?	AfDB United Nations	New Zealand European Commission		
▶ timely commitments?	AfDB United Nations		New Zealand	
▶ timely disbursements?	ADB United Nations			

PROJECT SUPPORT

Use of Fijian government systems varies considerably by donor (see Figure 6.3). The United Nations (UN) and the Asian Development Bank (ADB) both use government procurement systems extensively and the UN is working to improve its efficiency. The Australian Agency for International Development (AusAID) is using government procurement systems in the health and education sectors, and part of its programme includes efforts to strengthen them.

Australia and the UN also use government disbursement, reporting and monitoring and evaluation systems for many of their projects. One donor notes that the reporting system requires further development.

The ADB relies on government audit systems for project audits. Australian cash grants and trust fund contributions are covered by government audit systems but most AusAID programmes rely on AusAID's own audit procedures. The use of external audits is expected to decrease as the government moves towards performance-based budgeting.

Only one donor reports using government environmental impact assessment (EIA) systems. Another aims to improve them by providing technical assistance and incorporating environmental objectives into its assistance programmes, as well as requiring that EIAs be conducted according to international standards as part of project preparation.

SECTOR SUPPORT

Indicator 8 measures donor support to sectors in key policy areas (see Table 6.4). The government is developing corporate plans for each sector. The plans are beginning to reflect available resources; however, these are only done on an annual basis and do not provide detailed expenditure and resourcing schedules. The Public Sector Investment Programme is a multi-year framework, but it tends to cover major procurement and infrastructure items requested by line ministries only. It does not comprehensively include donor related activity.

FIGURE 6.3 INDICATOR 6

Use of partner country systems

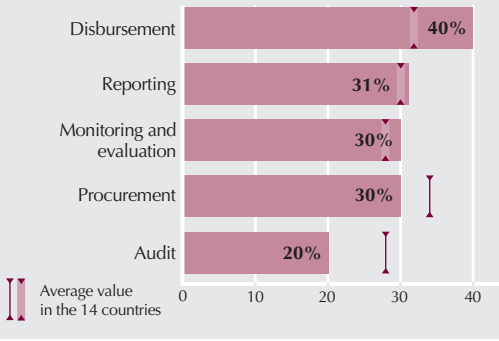


TABLE 6.4 INDICATOR 8

Alignment with sector programmes

▶ Are sector systems in place?	Health	Education	Water	Transport	Agriculture
Is government leading in the sector?	NO	YES	NO	NO	NO
Does a clear sector policy exist?	YES	YES	**NO!**	YES	**NO!**
Is a sector medium-term expenditure framework (MTEF) in place?	NO	NO	NO	NO	**NO!**
Is there sector co-ordination?	YES	YES	**NO!**	**NO!**	**NO!**
Is a sector monitoring system in place?	YES	YES	NO	NO	**NO!**
Are systems being harmonised?	YES	YES	**NO!**	**NO!**	**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?	NO	NO	NO	NO	**NO!**
Are donors using the government monitoring system?	**YES!**	**YES!**	NO	NO	NO

Donor co-ordination remains largely donor-led at the sector level, although line ministries are increasing their involvement. A far stronger role for government co-ordination at the line ministry level is expected in the future. In light of greater co-ordination work being undertaken by ministries, the involvement of central agencies will also need to be examined.

Sector performance-measurement systems used by the line ministries to report to central agencies are not yet strongly developed. They focus principally on cash-flow project-status reports for line ministry-implemented projects. The MoF does not yet require reporting on performance (other than financial flows), though the government is moving towards performance-based budgeting. Thus, this situation is beginning to change. The standard sector report used by line ministries has only recently been amended to incorporate financial reporting on aid-financed projects being implemented in, and through, line ministries. This again only captures finances. Donors currently have higher performance information requirements and tend not to rely heavily on existing government performance-measurement systems.

Health sector

A reasonably clear government policy exists in the health sector, but it requires work to make it more realistic in terms of its linkages between sector priorities and budgets, and the establishment of suitable indicators. The current strategic plan is the first one to have been developed by the Ministry of Health and the 2004-08 plan (under preparation) is expected to improve in these areas, and include medium-term expenditure information.

Australia's health sector programme will commence facilitation of donor co-ordination meetings which will be chaired by the ministry chief executive officer (CEO). Donors are working with the ministry to develop its own performance reporting systems. It will be some time, however, before the ministry and donors' systems converge on a system that meets each party's needs. Australian support to the health sector is designed to support the principles of harmonisation and alignment and to provide the ministry with a mechanism to co-ordinate external assistance. The approach also provides for sharing analytical work and aims to develop financial and procurement systems to a point whereby donors will be able to rely completely on these systems. Development in this area is still at a very early stage.

Education sector

Similar to the health sector policy, the education sector policy is more advanced and refined. Australia's education programme is responsible for facilitating donor co-ordination meetings, which are chaired by the CEO of the Education Ministry.

Water sector

ADB support to the sector incorporates elements that advise on the development of policy frameworks. Water sector monitoring systems are used by donors; however, similar comments to those above on the different levels of sophistication required by donors and government apply. Donors active in this sector are working to improve systems and monitoring benchmarks.

Transport sector

A national transport sector plan exists and is used by the donors active in this sector, but budget and strategy are insufficiently linked, linkages and indicators are not realistic enough. Sector monitoring systems are used to a degree, but are insufficiently sophisticated for donor requirements.

Rural development

There is no clear overall rural development sector policy, and no clear direction in the sugar industry. Rural development activities are undertaken by a number of different government agencies. Community-based assistance is provided to rural areas through donors' small grant schemes, but support lacks co-ordination.

TABLE 6.5 INDICATOR 7

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

Other sectors

Several donors are active in the law and justice sector, including Australia, New Zealand and the ADB. The AusAID-financed law and justice programme takes a whole-of-sector approach and is facilitating better integration within the sector between a number of different donors and government agencies. Incremental steps are being made towards a coherent approach to the sector, with the agencies involved only recently having begun to see themselves as working within a clearly-defined sector.

Other sectors receiving donor support include governance, gender, private sector development and child protection.

HARMONISATION

In Fiji, harmonisation activities are centred on the country's development plan. Different donors take lead roles in different sectors. The major active donors are ADB, AusAID, European Commission, Japan International Cooperation Agency (JICA), New Zealand's International Aid and Development Agency (NZAID), and UN agencies.

Australia is assisting government officials in streamlining donor programmes and integrating them into government reporting and planning systems. In the health sector, AusAID is partnering with the Ministry of Health in a new "Alliance Contracting Pilot" to support and strengthen partner government systems at the programme level. AusAID is also involved in the harmonisation of education, law and justice sector programmes.

Australia and New Zealand have been developing harmonised approaches across the Pacific in a number of different areas. In Fiji, this includes harmonised support for the Fiji Women's Crisis Centre as well as for scholarships. NZAID is developing a harmonisation action plan, which was expected to be completed before October 2004. The AusAid/NZAID harmonisation plan will be incorporated into this plan. The European Commission is participating in efforts towards co-ordination of policies and harmonisation of procedures.

Donor activities have yet to be fully streamlined. Despite the relatively small number of donors, none of the missions or diagnostic reviews has been undertaken jointly. In the health sector, work to develop joint approaches is in the early stages of development, particularly as procurement, financial systems and capacity are yet to be developed so that donors can rely on them entirely. Procurement is a likely area for harmonisation.

Performance monitoring and measuring is another area where progress is being made, although there is limited evidence of common approaches being developed across sectors, or of joint-donor approaches to the development of indicators. This area also has the potential for increasing pressure on existing resources where capacity is limited.

STREAMLINING CONDITIONALITY

The survey results show that there is no streamlining of conditionality in any sector or modality in Fiji (see Table 6.5 – Indicator 7).

No formal delegated co-operation arrangements exist in Fiji. An agreement for Australia to be the lead co-ordinator in the health and education sectors, however, has been made between the government and all donors engaged in these fields. The Joint UN Programme on HIV/AIDS (UNAIDS) is delivering services on behalf of other agencies. Japan, New Zealand and the European Commission are not involved in any delegated co-operation arrangements (see Table 6.6), though as one bilateral

donor points out, "It is worth highlighting that the informal delegation arrangements, done on a case-by-case basis, can work well and obviate the need for formal structures."

DONOR FIELD MISSIONS

Donors reported approximately 30 missions to Fiji, with one organisation (the ADB) accounting for more than 50% of the total number. None of these missions were undertaken jointly between donors (see Figure 6.4).

STREAMLINING DIAGNOSTIC REVIEWS

Two diagnostic reviews were undertaken between 2001 and 2003, an International Monetary Fund (IMF) Report on the Observance of Standards and Code (ROSC) Fiscal Transparency Review and an ADB Diagnostic Study of Accounting and Auditing (DSAA). Neither of these was undertaken jointly (see Table 6.7).

DISCLOSING INFORMATION

Donors indicate disbursements under their programmes to line ministries and, in some cases, at a consolidated level on a regular basis to the MoF. Line ministry reporting to the MoF needs to be improved in order to capture aid-financed activities in a more comprehensive manner and to avoid duplication of reporting requirements. MoF standard financial reporting formats have recently been amended to include provision for line ministries to record aid-financed disbursements. It is reported that donor disbursement notifications are reasonable in the health and education sectors; however, no arrangements exist to notify the government on disbursements in the water, transport or rural development sectors.

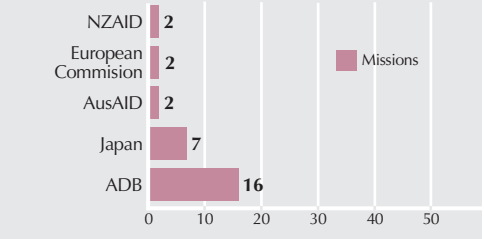
Donor medium-term notification varies. In some cases, for example with Australia, pledges are made on a multi-annual basis, but are subject to an annual parliamentary approval and so cannot be relied upon for government budgeting purposes. Aid flows from Australia (and most other donors) primarily take the form of technical assistance and the placement of advisers, however. Aid estimates are therefore the estimated cost to donors for providing these services.

Indicator 13 records the extent to which donors share country analytic work using the country analytic work Web site. The survey shows that 40% of donors in Fiji do so (see Table 6.8). One bilateral donor from the remaining 60% explains that country analytical work is shared informally among donors. Australia and the ADB co-finance the production of economic reports on Pacific island countries, which are shared in hard copy format. Other donors post material on their own Web sites.

Who is delegating co-operation? — TABLE 6.6 INDICATOR 9

YES!	YES	NO	NO!
	ADB United Nations	Australia	Japan New Zealand European Commission

Number of donor missions: 29 — FIGURE 6.4 INDICATOR 10



Are diagnostic reviews being streamlined? — TABLE 6.7 INDICATOR 11

Diagnostic reviews (2001-03)	Was it undertaken jointly?
IMF ROSCs	NO
ADB DSAA	NO

Who is sharing country analytic work? — TABLE 6.8 INDICATOR 13

YES!	YES	NO	NO!
ADB United Nations		Australia	Japan European Commission

ACRONYMS

ADB	Asian Development Bank
ADB DSAA	Asian Development Bank's Diagnostic Study of Accounting and Auditing
APR	Annual Progress Review
AusAID	Australian Agency for International Development
BACC	Budget and Aid Coordinating Committee (Fiji)
CEO	Chief executive officer
EIA	Environmental impact assessment
IMF	International Monetary Fund
IMF ROSC	International Monetary Fund's Report on the Observance of Standards and Codes
JICA	Japan International Cooperation Agency
MoF	Ministry of Finance
MTEF	Medium-term expenditure framework
NZAID	New Zealand's International Aid and Development Agency
SDP	Strategic development plan
UN	United Nations

7 KYRGYZ REPUBLIC

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 reseservations" 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.

The government of the Kyrgyz Republic initiated in December 2003 the establishment of a harmonisation steering committee and a working group comprising government and donor representatives. The group has developed a draft harmonisation and alignment programme with an action plan. Clear government ownership of the co-ordination process is obscured, however, by the lack of a clear distinction between the roles of the Ministry of Finance, the Presidential Administration and the Prime Minister's Office. The donor community feels that there is a need for greater leadership on the part of the government to formulate a national aid co-ordination policy. The government's national poverty-reduction strategy (NPRS) lacks breadth and is not very well prioritised or costed, making it difficult for donors to use it as a basis for planning their development assistance. Support is being provided to institutionalise the NPRS into national processes, including aligning it to the budget and developing the necessary statistical base to monitor its implementation. However, support would be more effective with a clearer articulation of government needs. The government has initiated actions in order to improve public resource management and create conditions facilitating better harmonisation and alignment of donor policies and procedures in areas such as procurement, audit and financial reporting. Future work in this field is likely to include a common assessment of financial management capacity, the use of common donor monitoring and reporting requirements, and common terms of reference and acceptability criteria for auditors.

OWNERSHIP

A CLEAR AGENDA ON HARMONISATION

The joint government-donor working group, established in 2003, has developed a draft country harmonisation and alignment programme with an action plan. A set of draft harmonised procurement and financial management documents has also been developed in line with Kyrgyz legislation. The government's harmonisation agenda largely consists of harmonising and aligning donors' sectoral policies in areas such as procurement, financial reporting and audit. The current proposed programme and action plan relate largely to multilateral donors, with limited bilateral involvement; however, several bilateral donors are involved in developing the plan further. The government notes that bilateral donors' commitment to government leadership of the harmonisation agenda is less active than expected. In general, donors support the government's agenda (see Figure 7.1 – Indicator 1).

FORMAL GOVERNMENT-LED FRAMEWORK FOR DIALOGUE AND CO-ORDINATION

A formal process for overall aid co-ordination and policy dialogue has been established by both government and the donor community. The government manages aid co-ordination through the Comprehensive Development Framework / National Poverty-Reduction Strategy (CDF/NPRS) secretariat, the Public Investment Programme Department of the Ministry of Finance and the harmonisation steering committee/ working group (see Table 7.1 – Indicator 2). Donors have set up a donor co-ordination council, as well as a number of *ad hoc* or more formalised sectoral co-ordination mechanisms.

FIGURE 7.1 INDICATOR 1

Are donors supportive of the government's harmonisation agenda?

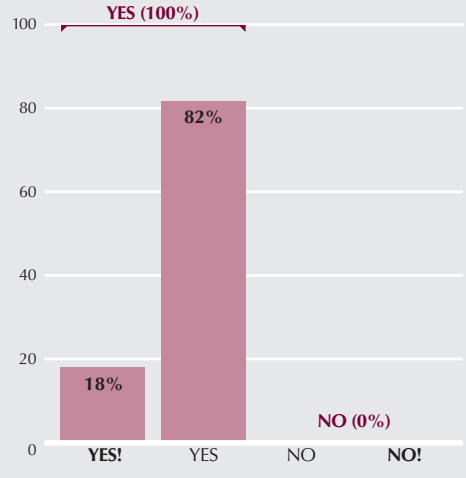


TABLE 7.1 INDICATOR 2

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

82%

% of donors who take part in co-ordination

Policy dialogue is reported to be well advanced, with reasonably good co-ordination in place at the sectoral and project levels, but with much still to be done on a procedural level.

Strong government ownership of the co-ordination process is, however, complicated by the lack of a clear distinction between the roles of the Ministry of Finance, the Presidential Administration and the Prime Minister's Office. The government view is that donors' procedures generally support its efforts, although some of these are inflexible, bureaucratic and do not correspond with government internal procedures.

CAPACITY DEVELOPMENT

Donors and the government agree that weaknesses exist in the government's financial management and procurement capacity, and in budget planning and execution. Table 7.2 suggests however that these weaknesses are currently being addressed and that the level of support being provided for capacity building is considered broadly appropriate (see Table 7.2 – Indicator 3).

Three institutions within government claim to be leading aid co-ordination on the national level, each one recognising that the capacity of their institutions requires strengthening. However, the internal co-ordination among these institutions is limited and there is no common view on overall aid co-ordination policy. This fosters some confusion within the donor community. In order to strengthen the government's capacity for coordination, a number of donors are providing technical assistance for capacity building in aid co-ordination. The donor community feels that there is scope for greater leadership on the part of the government.

ALIGNMENT

RELIANCE ON PARTNERS' NATIONAL DEVELOPMENT STRATEGIES

The government NPRS was presented in late 2002. It lacks breadth and is not very well prioritised or costed. Several donors comment that they use the NPRS to guide their programme designs to the extent possible, given its limitations (see Figure 7.2 – Indicator 4). Support is also being provided to integrate the NPRS into national processes.

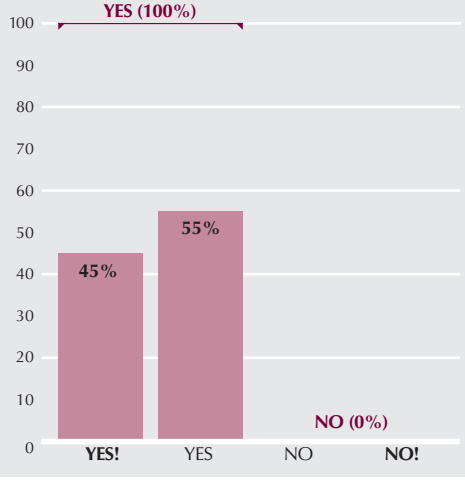
Donors noted that no solid, broad-based, annual progress review (APR) process exists in the Kyrgyz Republic. The existing APR is not linked to the monitoring/evaluation functions being developed in relation to the national budget. One donor indicates that it is supporting data collection for the APR, but not using it to influence resource-allocation decisions. Another donor points out that, given its commitments are multi-annual, it is not practical to expect the APR to immediately influence the allocation of resources within its programmes.

The Medium Term Budgeting Framework (MTBF) links NPRS goals with budgetary goals. Beginning in 2004, the government included donors in its annual budget consultative process with some of the line ministries (agriculture and water resources, education, health, and social protection). In the medium term, it is hoped that this will improve the harmonisation process, through the optimisation of the project implementation / disbursement cycle with the budget cycle. Finally, it was noted that donor programming cycles are not always consistent with the Kyrgyz NPRS, MTBF, and annual budget. The government gives the example of the three-year country assistance strategies of multilateral donors being better than the programming cycle of the bilateral donors in terms of aid predictability. It adds that it "tries to adjust to the donors programme cycles and mission schedules due to the fact that the country highly depends on external financing".

Capacity development — TABLE 7.2 INDICATOR 3

▶ **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	**YES!**
In budget planning and execution	**YES!**
In co-ordination of aid	YES

Do donors rely on the PRS when programming official development assistance? — FIGURE 7.2 INDICATOR 4



BUDGET SUPPORT

Several donors are providing some kind of budget support (Table 7.3 – Indicator 5):

- The European Commission is financing an annual food security programme focussing on agriculture, food security monitoring and public expenditure management.
- The World Bank provides budget support through a number of adjustment credits.
- Switzerland is co-financing the current World Bank Consolidated Structural Credit (CSAC) programme, and is planning a multi-annual bilateral programme to support lower administrative units.

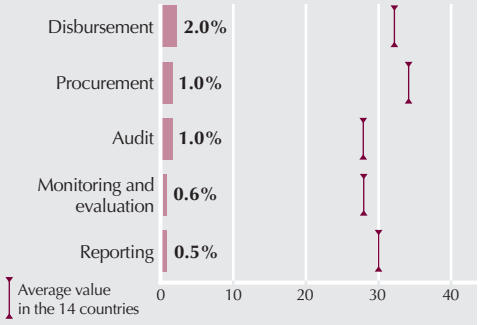
TABLE 7.3 INDICATOR 5

Is budget support predictable and aligned?

Are budget support donors making:	YES!	YES	NO	NO!
▶ multi-annual commitments?	ADB World Bank	Switzerland	European Commission United Nations	
▶ timely commitments?	Switzerland European Commission World Bank	ADB	United Nations	
▶ timely disbursements?		ADB Switzerland European Commission World Bank	United Nations	

FIGURE 7.3 INDICATOR 6

Use of partner country systems



- UNICEF provides some support in line with agreed government priorities.
- The Asian Development Bank (ADB) provides budget support for a corporate governance and enterprise reform programme, following discussions with the International Monetary Fund (IMF) to ensure that releases are in line with its macroeconomic stabilisation programme.

In 2003, the ADB and World Bank withheld disbursements because of the government's failure to satisfy loan agreement conditions. World Bank disbursements to support the energy sector and good governance may take place in 2004 instead, depending on the progress made by the government in agreed policy areas.

PROJECT SUPPORT

Kyrgyz government systems were used less by donor projects than in all other countries surveyed (see Figure 7.3 – Indicator 6).

The extent to which donors' projects currently use government systems is negligible. A number of initiatives are underway to improve reliance on national institutions:

- The new Kyrgyz procurement documents are based on World Bank procurement guidelines and, when they come into force, donors' projects use of government systems for procurement is likely to increase.
- The UK Department for International Development (DFID) is currently providing technical assistance to develop government systems for monitoring and evaluation. It is also providing technical assistance to develop its capacity to meet international accounting standards.
- Germany conducts the monitoring of project activities jointly with project managers and the Kyrgyz project partners.

TABLE 7.4
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!**	NO	**NO!**	**NO!**	NO
Is a sector medium-term expenditure framework (MTEF) in place?	YES	YES	NO	NO	YES
Is there sector co-ordination?	**NO!**	NO	**NO!**	**NO!**	**NO!**
Is a sector monitoring system in place?	**YES!**	NO	**NO!**	**NO!**	**NO!**
Are systems being harmonised?	YES	NO	**NO!**	**NO!**	**NO!**
▶ **Are donors supporting the sector systems?**					
Are the systems aligned with government policies?	**YES!**	YES	NO	NO	YES
Are funds integrated into the MTEF?	NO	NO	NO	NO	NO
Are donors using the government monitoring system?	NO	NO	NO	NO	NO

SECTOR SUPPORT

Indicator 8 measures donor support to sectors in key policy areas (see Table 7.4).

Health sector

The health sector policy is described in the NPRS and includes a national health reform pro-gramme. The World Bank notes that:

> An excellent donor co-ordination process was established in the sector. But recently due to the changes in the Ministry of Health leadership, the government is failing to fulfil its leadership role in donor co-ordination.

The government has established a system of monitoring performance against NPRS goals in the health sector and several donors comment that they expect to rely on it increasingly as it develops.

Education sector

While the NPRS establishes overall education sector goals, there is no clear sector policy and strategy to realise them. The government has agreed with key donors working in the sector (the United States, ADB, and UNICEF) that donors will assist the government in developing the joint education strategy. A donor co-ordination process has been formalised through the International Education Advisory Council. The Ministry of Education's capacity in co-ordinating donor activities is still weak, which explains why the process is donor-led.

Water sector

The government is currently finalising the development of a water sector policy framework with donor assistance and has initiated discussions with key donors to develop sub-sectoral development strategies. The ADB and World Bank support similar projects for rural water supply and sanitation, and the same project director manages both. The first energy sector donor meeting was organised by the United States and held in June 2004.

Transport sector

In 1998, the government developed a road network maintenance strategy with Turkish assistance. The strategy is currently being revised, with World Bank assistance. Only a few donors are active in the sector and so co-ordination tends to take place on a bilateral basis.

Rural development

The NPRS establishes mid-term objectives for rural development. Based on these, a number of sub-sectoral policies and strategies have been developed (*e.g.* a land reform policy, agricultural policy concept, community-based development policy concept). The World Bank is encouraging further discussion of these documents involving all interested stakeholders – the private sector, government and donors. The ADB is planning to form a donor working group to co-ordinate donors' activities in the sector.

Other sectors

Donors support several other sectors, including good governance, private sector development, legal reform, trade facilitation, customs reform, and banking reform.

HARMONISATION

According to the new donor harmonisation Web site in the Kyrgyz Republic (*www.donors.kg*):

> In the Kyrgyz Republic, the harmonisation programme is at an early stage. Following the Rome meeting, the government passed a harmonisation resolution in March 2003 and appointed the Ministry of Finance as the executing agency for the harmonisation programme.
>
> The harmonisation programme in the Kyrgyz Republic is based on a joint ADB–World Bank portfolio assessment. Development partners are exploring the applicability of the Vietnam harmonisation model. More specifically, the programme is likely to focus around four elements: procurement, financial management and accountability, social and environmental safeguards, and non-financial monitoring and reporting.

If the Vietnam model approach to harmonisation is adopted, it will need to take into account the context, capacity, relationships and personalities, not just of the donors but also of the government; these will affect not only the identification of issues, but the most appropriate approaches to be adopted. Local systems and capacity will need to be strengthened, and performance indicators in areas where harmonisation is a priority will need to be identified and agreed. The Kyrgyz harmonisation Web site suggests that: "The future focus of harmonisation work is likely to be in the area of evaluation and monitoring systems, emphasised by the government."

The Kyrgyz harmonisation Web site will be a useful tool for sharing information, but this should not detract from the need for better communication and co-ordination at an operational level, and care must be taken that it does not undermine government ownership of the harmonisation process. The roles of the various parties will need to be discussed so that effective leadership and ownership can be encouraged.

TABLE 7.5 INDICATOR 7

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

STREAMLINING CONDITIONALITY

There are no examples currently reported of streamlining of conditions in the Kyrgyz Republic (see Table 7.5 – Indicator 7).

TABLE 7.6 INDICATOR 9

Who is delegating co-operation?			
YES!	YES	NO	**NO!**
Japan ADB European Commission United Nations World Bank	Germany	United States	Japan Switzerland Turkey

DELEGATED CO-OPERATION

Indicator 9 shows that 50% of donors in the Kyrgyz Republic claim to be party to an agreement to perform tasks on behalf of other donors (see Table 7.6).

DONOR FIELD MISSIONS

Approximately 260 missions took place in 2003 (see Figure 7.4 – Indicator 10). Four organisations (World Bank, United Nations, ADB and DFID) accounted for around 70% of the total number of missions. Approximately 10% of all missions were undertaken jointly between donors.

STREAMLINING DIAGNOSTIC REVIEWS

Seven diagnostic reviews were undertaken between 2001 and 2003. Of these, only the DSAA involved a joint donor team (see Table 7.7 – Indicator 11).

DISCLOSING INFORMATION

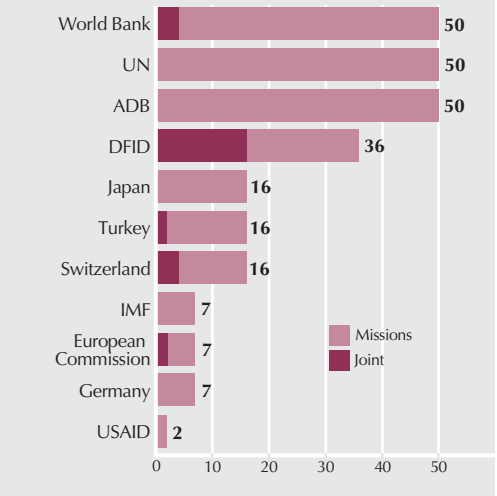
Indicator 12a (table not presented) measures the extent to which donors provide multi-annual indications of aid flows. The survey shows that 36% of donors claim to notify the government on indicative disbursements they plan to release over at least a three-year period. A further 45% of donors qualified their responses. For example, the United Kingdom only provides technical assistance, which is not currently recorded in the government budget, though it makes commitments three years in advance; Germany notifies the government of programme details two years in advance; and European Commission programme documents are presented one to two years prior to implementation.

Indicator 12b (table not presented) measures the extent to which donors notify the government about actual disbursements. The survey shows that 36% of donors claim to provide comprehensive and regular information about in-country disbursements.

Only 18% of donors regularly shared information on their country analytic work using the Internet (see Table 7.8 – Indicator 13). A donor co-ordination Web site, *www.donors.kg*, has recently been launched and it is expected that this will provide a forum for the future sharing of country-specific analytical work.

Number of donor missions: 257

FIGURE 7.4 INDICATOR 10



Are diagnostic reviews being streamlined?

TABLE 7.7 INDICATOR 11

Diagnostic reviews (2001-03)	Was it undertaken jointly?	
CFAA		NO
PER		NO
CPAR		NO
IMF ROSC		NO
World Bank Poverty Assessment		NO
World Bank Trade and Growth Review		NO
ADB DSAA	YES	

Who is sharing country analytic work?

TABLE 7.8 INDICATOR 13

YES!	YES	NO	NO!
ADB World Bank	DFID European Commission Germany IMF Japan United Nations USAID	Switzerland	Turkey

ACRONYMS

ADB	Asian Development Bank
ADB DSAA	Asian Development Bank's Diagnostic Study of Accounting and Auditing
APR	Annual progress review
CFAA	Country financial accountability assessment
CPAR	Country procurement assessment report
DFID	Department for International Development (United Kingdom)
IMF	International Monetary Fund
IMF ROSC	International Monetary Fund's Report on the Observance of Standards and Codes
MTBF	Medium-term budgeting framework
MTEF	Medium-term expenditure framework
NPRS	National poverty reduction strategy
PER	Public expenditure review
UN	United Nations
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development

8 MOROCCO

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:

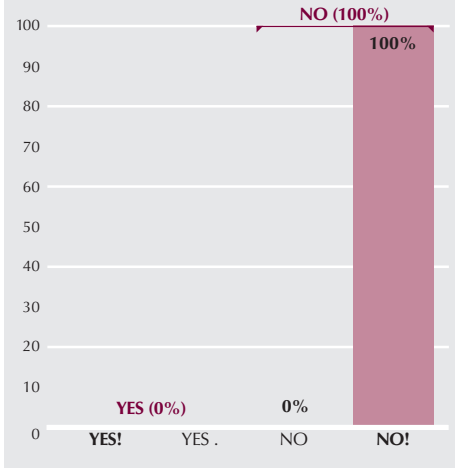
1. *"Yes without reseservations" represented here as:* **YES!**
2. *"Yes with reservations": represented here as:* YES
3. *"No with reservations" represented here as:* NO
4. *"No without reservations" represented here as:* **NO!**

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.

No formal poverty-reduction strategy (PRS) currently exists in Morocco. The Ninth National Economic and Social Development Plan (2000-04) was presented in 1999 but it was limited in that the government department responsible for preparing it was not part of the Ministry of Finance, and therefore had no authority to allocate resources for its execution. It is now considered to be obsolete. In the current circumstances, donors tend only to provide broad thematic alignment. However, they generally use the Moroccan systems much more than in most other countries in this survey and some donors are also involved in budget support. Finally, there is, as yet, no clear harmonisation agenda in Morocco, although the government has recognised the need for one and is in the process of establishing it with the support of donors..

FIGURE 8.1
INDICATOR 1

Are donors supportive of the government's harmonisation agenda?



OWNERSHIP

A CLEAR AGENDA ON HARMONISATION

A clear harmonisation agenda in Morocco is yet to be established, and the government has recognised the need to take the lead on this issue. Donors are committed to supporting this process. Currently, given the lack of a formal government harmonisation agenda, donors report they have nothing to support (see Figure 8.1 – Indicator 1). The government on the other hand reports to take a much stronger lead than the survey results would suggest.

FORMAL GOVERNMENT-LED FRAMEWORK FOR DIALOGUE AND CO-ORDINATION

While the Ministry of Finance (MoF) has indicated a willingness to take the lead, there has been little action to date. In this context, several donor co-ordination meetings have taken place, though they were initiated by the donors and are informal in nature (see Table 8.1 – Indicator 2). In addition, the World Bank is engaged in discussions with the government regarding how a government-led harmonisation process could be established.

TABLE 8.1 INDICATOR 2

Is government co-ordinating aid?		
Is there a formalised process for dialogue?		NO
Is government proactive?		NO
Is government in the driving seat?		NO
Do donors' rules support harmonisation?	YES	

50%

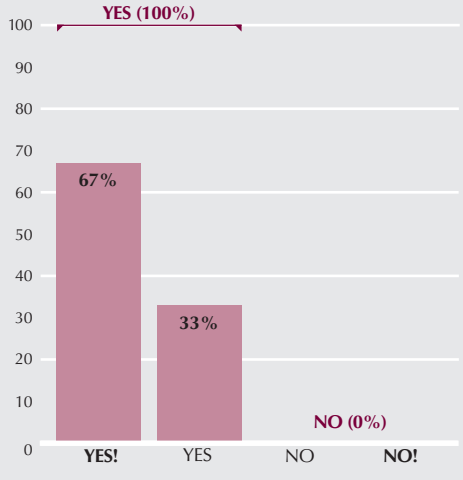
% of donors who take part in co-ordination

TABLE 8.2 INDICATOR 3

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

FIGURE 8.2 INDICATOR 4

Do donors rely on the PRS when programming official development assistance?



CAPACITY DEVELOPMENT

Weaknesses have been reported in public financial management, procurement and budget formulation, execution, reporting and review (see Table 8.2 – Indicator 3). The government and donors are working together to build capacity in these areas, though both agree that the level of support provided does not currently match the government's needs. Weaknesses in government capacity to co-ordinate aid are accepted, though not articulated in any official documents, and there is no real support to address these weaknesses at the moment.

ALIGNMENT

RELIANCE ON PARTNERS' NATIONAL DEVELOPMENT STRATEGIES

No formal PRS exists in Morocco. Though the Ninth National Economic and Social Development Plan (2000-04) was presented in 1999, it is now considered to be obsolete. Donors have tended only to align to general themes articulated in the plan (see Figure 8.2 – Indicator 4).

A form of annual performance review exists. However, as one multilateral donor noted, "It is neither systematic nor comprehensive enough to form a sound basis for resource allocation."

Reviews of specific sector strategies also exist; however these are reported to be neither timely nor widely disseminated to the donor community.

Is budget support predictable and aligned?

TABLE 8.3 INDICATOR 5

Are budget support donors making:	YES!	YES	NO	NO!
▶ multi-annual commitments?	European Commission World Bank	Italy		Japan
▶ timely commitments?	European Commission World Bank		France	Japan
▶ timely disbursements?	France World Bank		European Commission	

BUDGET SUPPORT

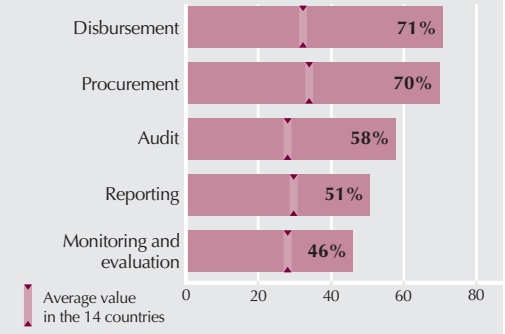
Indicator 5 measures the extent to which budget support is predictable and aligned with partners' procedures (see Table 8.3).

France, Japan, the European Commission and the World Bank provide some kind of budget support to Morocco. Italy does not make direct budget support; however, it converted USD 100 million of national debt to investments in the period 2000-02 and signed in May 2004 a new agreement cancelling debts of EUR 20 million.

France's economic mission plans multi-annual disbursements to support the private sector but these are conditional on certain external factors, such as sufficient liquidity in the banking structure. The European Commission withheld some disbursements in 2003 due to delays and shortcomings in the reform process.

Use of partner country systems

FIGURE 8.3 INDICATOR 6



PROJECT SUPPORT

The Moroccan government systems are used much more than in most other countries reported in this survey (see Figure 8.3 – Indicator 6). The extent to which they are used varies by donor, but often a combination of both government and the donors' own systems are used. For example, the Islamic Development Bank (ISDB) uses its own procurement and disbursement systems, but uses government monitoring and evaluation (M&E) and environmental assessment systems. The United Nations Development Programme (UNDP) uses its own disbursement, reporting and M&E systems, government audit systems and a combination of UNDP and Moroccan systems for procurement.

TABLE 8.4
INDICATOR 8

Alignment with sector programmes

▶ Are sector systems in place?	Health	Education	Water	Transport	Agriculture
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!**	NO	NO	YES	NO
Is there sector co-ordination?	NO	NO	NO	NO	NO
Is a sector monitoring system in place?	YES	YES	YES	YES	YES
Are systems being harmonised?	**NO!**	**NO!**	**NO!**	**NO!**	**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?	**NO!**	NO	NO	NO	NO
Are donors using the government monitoring system?	NO	NO	NO	NO	NO

SECTOR SUPPORT

Indicator 8 measures donor support to sectors in key policy areas (see Table 8.4).

Health sector

A health sector strategy has been presented, but it is neither costed nor linked to budget priorities. Donors and government disagree over the extent to which a formal donor co-ordination process exists in the sector: donors feel there is none, and the government feels that efforts are being made, at least amongst the main donors. Government performance monitoring systems (PMSs) exist, but are weak, and there is no sector medium-term expenditure framework (MTEF).

Education sector

A high-level education sector strategy exists, although an action plan is yet to be developed. The Ministry of Education is in the process of implementing an MTEF on a pilot basis. The government is also setting up a donor co-ordination process, in which Belgium, Canada, Italy, Japan, Spain and the United States are participating. Basic sector PMSs exist, and are being used by 40% of donors active in the sector.

Water sector

A water sector strategy has been presented, and whilst it is neither costed nor linked to budget priorities, 82% of donors rely on it. A sector MTEF is expected to be implemented shortly. France is the lead donor in the sector and is responsible for organising the informal donor co-ordination process, in which 75% of sector donors are involved. The survey shows that 44% of donors use the government PMS.

Transport sector

A clear transport sector policy exists and 60% of donors are reported to be active. A meeting has been scheduled at which the government will present a medium-term action and expenditure plan for the sector. Some sector co-ordination is expected to be in place shortly, focussing on rural roads.

Rural development

No clear agriculture sector policy exists; however, non-agricultural rural strategies are in place, although these lack clear expenditure schedules. All donors are active to some extent in the sector. According to one bilateral donor, this "is about the only sector where there is no periodic organisation of co-ordination meetings".

Other sectors

Other sectors receiving donor support include power, mining, environment, housing, governance, gender, private sector and small and medium-sized enterprise (SME) development. A co-ordination framework and monitoring system is being established in the housing and environment sectors.

HARMONISATION

Harmonisation appears to be at a very early stage and the formal and informal mechanisms for co-ordination, communication and capacity development have yet to be properly established. Joint donor activity, information exchange and sound monitoring and implementation measurements need to be set up. The government's capacity to lead, manage and own the harmonisation process needs to be jointly supported.

The government noted that the survey methodology is more appropriate for measuring progress towards harmonisation and alignment in countries that are heavily dependent on aid; consequently progress in Morocco is reflected more negatively than is in fact the case. The government reported that it is "fully engaged in the process of harmonisation".

STREAMLINING CONDITIONALITY

No streamlining of conditions is currently reported in any sector or modality at the present time (see Table 8.5).

TABLE 8.5
INDICATOR 7

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

TABLE 8.6
INDICATOR 9

Who is delegating co-operation?			
YES!	YES	NO	**NO!**
Canada World Bank	France	Italy	Belgium Germany Japan Spain United States European Commission IMF ISDB United Nations

DELEGATED CO-OPERATION

Indicator 9 shows that 15% of donors in Morocco report to be party to an agreement to perform tasks on behalf of other donors (see Table 8.6). For example, one multilateral donor is delegating responsibility for implementing a project supporting rural investments in the tourism sector to a bilateral donor.

DONOR FIELD MISSIONS

Approximately 200 missions were undertaken in 2003, of which around 5% were co-ordinated with one or more donors (see Figure 8.4 – Indicator 10). Four donors (Canada, United Nations, World Bank and the European Commission) were responsible for 70% of these missions. These figures do not include France, a major donor to Morocco, for whom no data was reported.

FIGURE 8.4 INDICATOR 10

Number of donor missions: 212



TABLE 8.7 INDICATOR 11

Are diagnostic reviews being streamlined?

Diagnostic reviews (2001-03)	Was it undertaken jointly?
CFAA	NO
PER	NO
CPAR	NO

TABLE 8.8 INDICATOR 13

Who is sharing country analytic work?

YES!	YES	NO	NO!
Belgium	France	Japan	Germany
European Commission	United States		Italy
IMF	ISDB		Spain
World Bank	United Nations		

STREAMLINING DIAGNOSTIC REVIEWS

Three reviews were undertaken in the period 2001-2003, none of them jointly (see Table 8.7 – Indicator 11).

DISCLOSING INFORMATION

Indicator 12a (table not presented) measures the extent to which donors provide multi-annual indications of aid flows. The survey shows that 33% of donors claim to notify the government on indicative disbursements they plan to release over at least a three-year period, with a further 33% qualifying their responses. For example, one bilateral donor makes commitments on a project-by-project basis, the timeframe being determined by that of the project, and another makes pledges which have to be approved by its government on an annual basis.

Indicator 12b (table not presented) shows that 46% of donors provide information on actual disbursements. Some donors make information available upon request, but have no established mechanism in place for notifying disbursements to the government. One bilateral donor notes that the government has no procedures in place to facilitate the notification of disbursements.

A third of donors regularly share information on their country analytic work and a further 33% do to some extent (see Table 8.8 – Indicator 13). Many donors use their own Web sites for this purpose, rather than a common forum. The UN system has recently launched a Web site on which all UN system agencies will post their country analytic work and project evaluations.

ACRONYMS

CFAA	Country financial accountability assessment
CPAR	Country procurement assessment report
IMF	International Monetary Fund
IsDB	Islamic Development Bank
M&E	Monitoring and evaluation
MoF	Ministry of Finance
MTEF	Medium-term expenditure framework
PER	Public expenditure review
PMS	Performance monitoring system
PRS	Poverty-reduction strategy
UN	United Nations
UNDP	United Nations Development Programme

9 MOZAMBIQUE

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 reseservations" 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.

The conclusion of a memorandum of understanding (MoU) between the government and 15 budget support donors in 2004 represented significant progress towards harmonisation and is a good indicator of government's commitment to take a strong lead in this area. This survey suggests that to facilitate increased alignment with government policies, capacity-development needs should be clearly identified and addressed in a more focussed manner in order to build on the progress made to date. The poverty-reduction strategy (PRS) provides a sound basis upon which donor-government partnership can be developed, as well as a strategic framework for harmonisation and alignment. An improvement in knowledge and communication management, both across government departments and between donors, is required to reduce overlapping, fragmented approaches and to lessen their negative impact on government resources and capacity. Harmonisation also needs to be extended beyond the agreement of documentary procedures. Finally, concerns about the high level of fiduciary risk in public financial management (PFM) will need to be addressed collectively.

OWNERSHIP

A CLEAR AGENDA ON HARMONISATION

There is no single document from the government of Mozambique setting out its strategy for aligning development assistance, but rather a proliferation of bilateral agreements. However, the lead taken by the government in the conclusion of a MoU with 15 budget support donors, which commits parties to a joint performance review for budget support, provides a clear example of how a wider strategy to better align donor support could be developed.

In this connection, one bilateral donor notes that:

> … the MoU for general budget support is a result of a discussion process involving all partners (though still donor driven) and it defines commitments for all donors for harmonisation and alignment on the basis of the principles of the Rome Declaration.
>
> […]
>
> The implementation of the MOU is also raising interest in other sectors (on the part of both donors and government) for coherence and compatibility on the alignment agenda.

It was reported that greater alignment and harmonisation would be useful in several areas. For example, information about donor activities is currently widely dispersed across various departments of the government and could be better systematised.

FIGURE 9.1 INDICATOR 1

Are donors supportive of the government's harmonisation agenda?

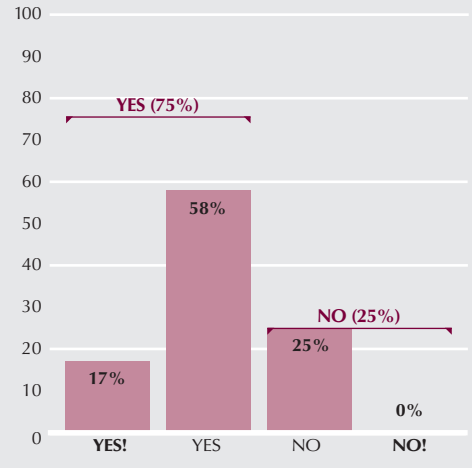


TABLE 9.1 INDICATOR 2

Is government co-ordinating aid?		
Is there a formalised process for dialogue?		NO
Is government proactive?		NO
Is government in the driving seat?		NO
Do donors' rules support harmonisation?	YES	

65%

% of donors who take part in co-ordination

The need to reduce the overlap between sector reviews and the technical teams of the joint review is also critical if the high transaction costs facing government are to be reduced. It was also noted that donors continue to operate in isolation from each other in many activities, particularly in areas of institutional support (see Figure 9.1 – Indicator 1).

The government reported that:

> There are too many small overlapping technical support projects that result in little overall coherence. UN agencies are particularly guilty of this approach. Too often in their desire to be "visible" and "main players", they promote projects or activities with the government that exclude other donors (hence leading to replication), that are ill-thought out, and which require too much management by core government staff relative to what is gained.

FORMAL GOVERNMENT-LED FRAMEWORK FOR DIALOGUE AND CO-ORDINATION

Although a formalised national co-ordination process has been developed for budget support, no overall agenda exists to cover all aid modalities. In addition, it was reported that, with a few notable exceptions, there is considerable scope for the government to take an increasingly pro-active stance (see Table 9.1 – Indicator 2). In the case, for example, of budget support and some sector programmes, the government has called donors to order when agreed principles have been broken. However, this is not the case in all dialogue fora and much depends on the relevant individuals and sectors concerned.

The government noted that:

> … while the developments in direct budget support show the government's commitment to take a strong lead, direct budget support is only one aid mechanism. The signing of the MoU with 15 donors should help the government to take a stronger lead, not only on direct budget support issues but in other areas of donor support. Nevertheless, the proliferation of projects across the ministries and provinces, as well as outside the government, makes this extremely difficult.

Overall, co-ordination initiatives appear to be mainly donor-driven.

CAPACITY DEVELOPMENT

Considerable efforts have been made to create a single pool for supporting capacity building in PFM through support to the public financial reform unit UTRAFE (*Unidade Técnica de Reforma da Administração Financeira do Estado)* and the rolling-out of SISTAFE, the new state financial administration system. Other capacity-building efforts continue to take place outside these mechanisms (see Table 9.2 – Indicator 3).

It was however reported that several small and frequently overlapping technical support projects persist in budget formulation, execution, reporting and review. Furthermore, no overarching plan currently exists to build capacity in the area of aid co-ordination. The government noted that "the lack of aid co-ordination is not only due to scarce capacity, but also to the way donors operate." Off budget funding is one example of bad practice in this area.

The need for longer-term technical assistance programmes is recognised by both donors and the government and capacity shortages are unlikely to be overcome in the short term. In this connection, the government noted that the greater consideration should be given to sustainability when donors provide technical assistance.

There has been a significant level of diagnostic activity in Mozambique; This has resulted, however, in potentially competing initiatives. If the government is to be able to take a stronger lead and ownership, implementation activities need to be harmonised and prioritised with care in order to avoid the proliferation of potentially conflicting benchmarks. The challenge now is to identify and implement actions that lead to measurable results. According to a Scanteam report in September 2004 (see Box 9.1), "PFM Assessment, Mozambique", looked specifically at public finance management and will need to be considered alongside the other reports in order to prioritise the recommendations that have been made, and define the most appropriate and effective actions that need to be taken.

TABLE 9.2
INDICATOR 3

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

ALIGNMENT

RELIANCE ON PARTNERS' NATIONAL DEVELOPMENT STRATEGIES

The government's PRS, called the *Plano de Acção de Redução da Pobreza Absoluta* (*PARPA*) 2001-05, provides a good basis upon which donor-government partnership can be strengthened. It also provides a strategic framework for harmonisation and alignment.

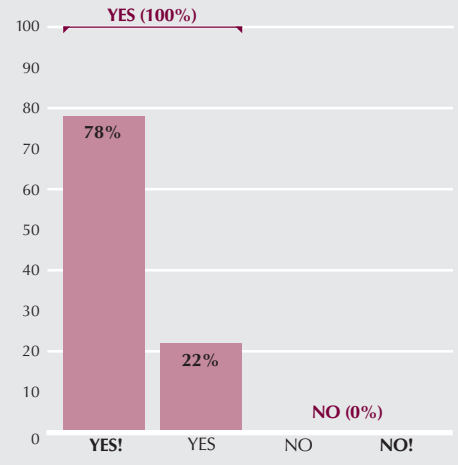
PARPA's central objective is a reduction in the incidence of absolute poverty from its 1999 level of 70% to less than 60% by 2005 and less than 50% by 2010. The plan's definition of poverty is multidimensional, encompassing access to health, education and other services as well as income. The PARPA concludes that key determinants of poverty are economic growth, levels of education of the economically active population (particularly women), dependency rates, agricultural productivity, employment opportunities, and basic infrastructure in rural areas.

The PARPA was improved in 2004 with the development of a performance-assessment framework which will be used by all budget support donors to evaluate government performance in priority sectors. Additional efforts could be made to better link budgeting and planning.

The government's annual evaluation of the PARPA document is submitted to parliament to report on progress in PARPA implementation and is used by 78% of donors to influence resource-allocation decisions (see Figure 9.2 – Indicator 4). Government and donors accept that there is room for the quality of the document to be improved. One United Nations (UN) agency noted that it is "too general and macro to be helpful for detailed budget allocations". In some cases, values are presented against targets with little explanation for why the two figures differ and, more generally, the link between sector activities and outputs and outcomes indicators could be improved.

FIGURE 9.2 INDICATOR 4

Do donors rely on the PRS when programming official development assistance?



BUDGET SUPPORT

Budget support played a pioneering role in the establishment of a joint donor group (in 1997) and a joint dialogue mechanism.

Considerable progress has been made in the last year with the alignment and harmonisation of donors who provide budget support to government systems. This culminated in the government and 15 budget support donors (13 bilateral donors, the European Commission and the World Bank) signing a MoU in April 2004. These donors have formed a common group (the G15) that undertook a joint review of performance in 2004. The G15 use the government's annual evaluation document to report on PARPA implementation and have agreed with the government on a common performance-assessment framework.

The government reports that there have been significant problems with the scheduling of budget support disbursements in recent years, with a number of serious problems continuing in this area in 2003 (see Table 9.3 – Indicator 5).

TABLE 9.3 INDICATOR 5

Is budget support predictable and aligned?

Are budget support donors making:	YES!	YES	NO	NO!
▶ multi-annual commitments?	Finland France Germany Portugal Switzerland United Kingdom European Commission	Belgium Italy Netherlands Norway	Spain United Nations	Austria
▶ timely commitments?	France Germany Italy Switzerland United Kingdom	Norway European Commission	Austria Belgium Netherlands Portugal Spain United Nations	
▶ timely disbursements?	Finland			Spain Switzerland

Particular reference is made to the back-loading of donor disbursements in the fourth quarter of 2003, which created difficulties for government monetary policy and attempts to control inflation. The tightest liquidity periods for the government are the first two quarters of the year, yet a significant number of donors continue to disburse at the end of the fiscal year. This factor contributes to very low budget execution rates in key PARPA-priority sectors.

Main findings of the "PFM Assessment, Mozambique 2004" (Scanteam, 2004) **BOX 9.1**

The 14 donors/funding institutions ("G14") providing budget support asked that a PFM assessment be carried out, applying a standardised assessment approach. This was enriched by taking into consideration key framework conditions (political, legal and judicial dimensions, etc.), and the status of public sector reform processes. The main findings are:

1. Overall PFM risk in Mozambique remains high. Management of the economy has been quite satisfactory, but comprehensiveness and transparency of the budget is poor, the medium-term planning and budgeting is weak, while budget execution and accounting and reporting present quite serious weaknesses. The area of greatest concern, however, is external audit and accountability.
2. At the same time, PFM reforms are moving ahead in a very structured and comprehensive manner. The trend in PFM is therefore seen as quite positive, where successful implementation of the new financial management information system, SISTAFE, is intended to address many of the current weaknesses.
3. Furthermore, there are improvements in the fields of medium-term planning and budgeting, more comprehensive and accessible reporting, and continued strengthening of the Ministry of Planning and Finance's internal inspectorate, *Inspecção Geral de Finanças* (IGF). This is having wider repercussions as the IGF is taking on a "mentor" and quality assurance role *vis-à-vis* other ministry inspectorates.
4. Contingent liabilities may become important, so an important challenge is to get a comprehensive picture of them, and on that basis develop a risk-management plan.
5. The donors have been constructive partners in addressing PFM issues. They have worked towards harmonising disbursements in line with government-financing schedules, but predictability of donor disbursements and the volume of off-budget funding remain areas to improve.
6. Areas that are not moving well are those addressing larger systemic framework conditions. Public sector reform is extremely complex and demanding, yet critical to future development, and requires more support and action. Improvements in the judicial and legal sectors, the supreme audit institutions, and a real capacity to reduce and combat misdirection of funds and corruption are required in order for "horizontal accountability" within the state to be strengthened. Accountability of the state to civil society also remains weak.
7. Future PFM studies should track SISTAFE implementation, contingent liabilities, and overall accountability; identify potential "killer assumptions"; and improve local participation in the process.

The government of Mozambique is focusing on a limited number of instrumental reforms, notably public sector reform, revenues, SISTAFE, procurement, and IGF. This has rationalised a very extensive reform agenda: the assessment team found that donors and funding agencies during 2000-03 presented 280 recommendations covering planning, disbursement, accounting, audit, political accountability and capacity building.

PROJECT SUPPORT

In comparison with other countries surveyed, Mozambique's systems are used to an average extent (See Figure 9.3 – Indicator 6).

New government procurement regulations are expected to be in place by the end of 2004, and several donors expect the percentage of projects using government procurement systems to rise once this has happened.

One bilateral donor reported that government audit systems are very weak; it consequently uses external assistance, although it tries to do this in collaboration with both the government and other donors. This appears to be typical of other donors.

Another bilateral donor notes that the extent to which government systems are used varies by sector. For example, government disbursement systems are used more in the health sector than in most other sectors.

SECTOR SUPPORT

Indicator 8 measures donor support to sectors in key policy areas (see Table 9.4). Good dialogues exist between the line ministries and the sector donor groups, and sector policies tend to be clear. However, the link between sector policies and budget priorities is not well established. This is partly because it is unclear who is setting the priorities – the government or the donors.

The government would like the national budget and plan to be prioritised over individual sector efforts. It is hoped that this will become easier as the performance-assessment framework becomes more institutionalised.

The Ministry of Planning and Finance (MPF) annually produces a document which sets initial budget limits (based on an MTEF), projects the total domestic and external resources available, and indicates in which sectors and provinces these should be allocated. Efforts have been made to produce MTEFs based on the sectoral strategy plans as proposals for the overall document produced by the MPF.

FIGURE 9.3 INDICATOR 6

Use of partner country systems

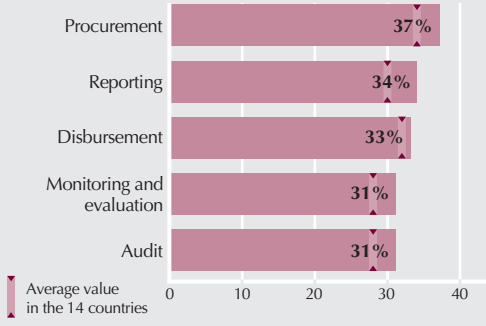


TABLE 9.4 INDICATOR 8

Alignment with sector programmes

▶ Are sector systems in place?	Health	Education	Water	Transport	Agriculture
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?	YES	NO	**NO!**	NO	NO
Is there sector co-ordination?	YES	YES	YES	YES	YES
Is a sector monitoring system in place?	**YES!**	**YES!**	**YES!**	**YES!**	NO
Are systems being harmonised?	**YES!**	YES	N/A	NO	**YES!**
▶ **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	**NO!**	NO	NO
Are donors using the government monitoring system?	YES	YES	YES	YES	YES

Although this is theoretically a rolling instrument, in practice this has not been possible due to poor quality information and a lack of integration into the budget cycle both at the MPF and sector levels. Work is currently being carried out to address these issues and produce a corresponding methodology. It should involve reducing the burden of information requested and trying to fit it into a logical framework linking resources with actions and policies.

Health sector

61% of donors are currently directly active in the health sector and a further 28% are involved in some other capacity, for example through delegated co-operation arrangements. Several common funding mechanisms are in place to address various sub-sector issues such as drugs. A performance monitoring system (PMS) exists with formal elements for monitoring poverty reduction in relation to the PARPA and the specific monitoring systems in the Ministry of Health. However, it has not yet been fully developed.

Education sector

A partially-costed education sector strategic plan exists but it has not yet been fully integrated into a full medium-term expenditure framework (MTEF). There is also a heavily supported common fund but some donors continue to operate outside it. As it is off-budget, it is not harmonised with the government budget. Many donors in this sector regularly participate in donor co-ordination meetings (60%), and 38% use government PMSs.

Water sector

A government water sector policy exists, with a comprehensive monitoring system; however there is no sector programme or MTEF. A few donors are active in the sector (20%) and participate in a donor co-ordination mechanism.

Transport sector

Road plans exist, and are to a certain extent costed, but they do not yet form the basis for a MTEF that could be used in the budget process. Though a weakly supported common fund exists, major donors in this sector continue to operate outside it.

TABLE 9.5
INDICATOR 7

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

Rural development

Sector strategic plans exist. Some are costed but have not yet been institutionalised as a MTEF in the budget process. A vast number of indicators exist in agriculture, but they are not yet streamlined and thus do not constitute a very well-structured PMS.

Other sectors

Other sectors enjoying donor support include justice, public financial management, private sector development, anti-corruption, energy and mine action.

HARMONISATION

STREAMLINING CONDITIONALITY

Donors have streamlined conditionality, except in the water sector (see Table 9.5 – Indicator 7). In the water sector, there is one common fund for which the donors and government have set out basic principles. In practice, however, it is little supported and two of the largest water sector donor programmes are not incorporated into the fund.

Streamlining of conditionalities is strong in the context of budget support. In the health, education and agriculture sectors, there is a good dialogue between sector ministries and donors. It is however reported that neither the sector donors nor the line ministries sufficiently communicate these arrangements to the MPF and the Government-Donor Budget Support Joint Steering Committee.

TABLE 9.6 INDICATOR 9

Who is delegating co-operation?

YES!	YES	NO	NO!
Germany Iceland	Norway Spain Switzerland United Nations	Denmark	Australia Austria Belgium Finland France Italy Japan Netherlands Portugal United Kingdom European Commission

FIGURE 9.4 INDICATOR 10

Number of donor missions: 133

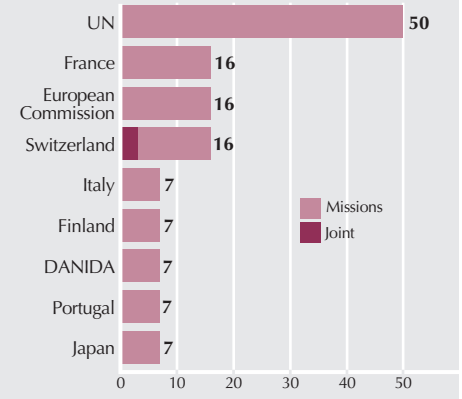


TABLE 9.7 INDICATOR 11

Are diagnostic reviews being streamlined?

Diagnostic reviews (2001-03)	
1 CFAA	3 IMF ROSCs
2 PERs	1 World Bank PETS
1 CPAR	6 donor audits

TABLE 9.8 INDICATOR 13

Who is sharing country analytic work?

YES!	YES	NO	NO!
Norway European Commission	France Portugal Switzerland United Nations	Australia Austria Denmark Germany Iceland Italy Spain	Finland Japan

DELEGATED CO-OPERATION

11% of donors in Mozambique claim to be party to an agreement to perform tasks on behalf of other donors (see Table 9.6 – Indicator 9).

DONOR FIELD MISSIONS

In 2003, the number of donor missions to Mozambique exceeded 130 (see Figure 9.3 – Indicator 10), not including the World Bank. Only 3% of all missions were undertaken jointly between donors.

STREAMLINING DIAGNOSTIC REVIEWS

In the period 2001-03, at least 14 diagnostic reviews were undertaken in Mozambique (see Table 9.7 – Indicator 11). 4 reviews involved more than one donor and 6 resulted in the production of an action plan.

DISCLOSING INFORMATION

Only 28% of donors provide three-year indicative envelopes on expected aid flows, with most planning over a shorter timeframe (Indicator 12a – Table not presented).

61% of donors claim to provide comprehensive and regular information about in-country disbursements (Indicator 12b – Table not presented). The government reports that parts of government (normally the relevant sector ministry) are usually notified about disbursements; however, this information often fails to reach all parts of the MPF and there is clearly a need for improvement in this area.

Only 13% of donors regularly shared information on their country analytic work on the country analytic Web site (see Table 9.8 – Indicator 13).

ACRONYMS

CFAA	Country financial accountability assessment
CPAR	Country procurement assessment report
DANIDA	Danish International Development Agency
IMF ROSC	International Monetary Fund's Report on the Observance of Standards and Codes
MoU	Memorandum of understanding
MPF	Ministry of Planning and Finance
MTEF	Medium-term expenditure framework
PARPA	*Plano de Acção de Redução da Pobreza Absoluta* (Mozambique)
PEFA	Public Expenditure and Financial Accountability
PER	Public expenditure review
PETS	Public expenditure tracking surveys
PFM	Public financial management
PMS	Performance monitoring system
PRS	Poverty-reduction strategy
UN	United Nations

10 NICARAGUA

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 reseservations" 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.

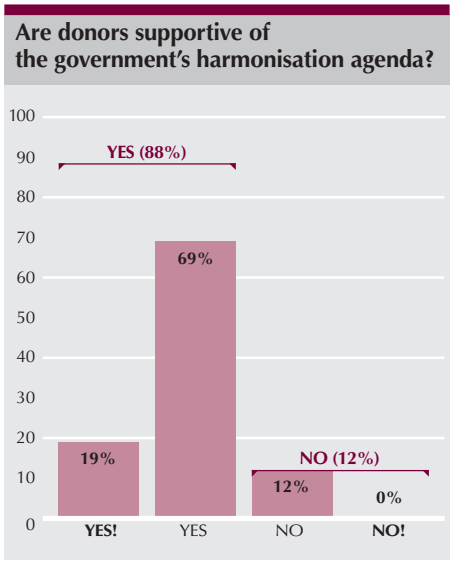
The government of Nicaragua is currently developing a new national development plan (NDP)— the basis for a new poverty-reduction strategy paper (PRSP). Donors recognise the progress accomplished by government — 88% support the government's agenda — and call for increased efforts to finalise the NPD and develop a medium-term expenditure framework as a foundation for more effective alignment. On the harmonisation front, the "Declaration of Managua", signed in October 2003, presents the government and donors' shared principles and expectations for improved donor co-ordination. In this connection, the government has been active in establishing a mechanism for improved donor co-ordination at sector level, the so called "*mesas*" or roundtables. Considerable discussion is also underway on the provision of budget and sector support which is expected to significantly increase in the near future when government systems have been strengthened.

OWNERSHIP

A CLEAR AGENDA ON HARMONISATION

The "Declaration of Managua", signed in October 2003, expressed the Nicaraguan government and donors' shared principles and expectations for improved donor co-ordination. The government has established a mechanism for donor co-ordination with sector fora called "*mesas*" (roundtables). However, the government is yet to establish a specific plan for harmonisation and alignment. Indeed, harmonisation and alignment initiatives do not take place in all of these *mesas,* with one bilateral donor reporting that: "… the multitude of roundtables provides a forum for sectoral discussions, but the organisational structure, interactions among roundtables and relations between roundtables and sub-roundtables remain undefined and confusing."

FIGURE 10.1
INDICATOR 1



According to this survey, the exchange of information between different sector groups is constrained; some fora have not been officially inaugurated, have not met regularly, and have poor operational systems (*e.g.* lacking rules of operation and clarity of membership).

Having said this, 88% of donors consulted in this survey currently support the government's agenda (see Figure 10.1 – Indicator 1).

FORMAL GOVERNMENT-LED FRAMEWORK FOR DIALOGUE AND CO-ORDINATION

Throughout the third quarter of 2004, the government was heavily absorbed in the develop-ment of a complicated input-output activity planning matrix, which involved all line ministries. The government has stated its intention to use these matrices as the basis for discussion in the donor co-ordination fora.

The government view (expressed by the Central Bank) is that it recently has exercised an appropriate level of authority in co-ordinating development assistance (see Table 10.1 – Indicator 2).

"Co-ordinating International Development Co-operation", a paper prepared by the Ministry of Foreign Affairs, states that:

> Nonetheless, to continue the transition from being recipients of co-operation to being managers of co-operation, Nicaraguan leadership must be consolidated in all actions related to inter-institutional co-ordination.

BOX 10.1

Recommended actions (Draft JCLA Report, November 2004)

Key actions for the government include:

- The Ministry of Foreign Affairs must proactively explain the critical importance of the harmonisation and alignment (H&A) process to a wide range of government entities, civil society and other stakeholders.
- The government will take measures to ensure that in all sectors it takes ownership and leads the H&A process.
- The government should ensure results-oriented management for all sector *mesas* and that cross-cutting issues (*e.g.* gender, the environment and human rights) are incorporated into all roundtable discussions.
- The government should maintain and strengthen its policies on transparency, fiduciary responsibility, as well as those combating corruption.
- The government should develop a detailed plan to strengthen its capacity to support and promote the H&A process in Nicaragua.
- The government will encourage the adoption of laws for civil and judiciary career reform in the national assembly.
- The Ministry of Finance should complete a MTEF in 2005 and promote the necessary conditions for its full and proper implementation in 2006.

Key actions for donors include:

- Donors should proactively endorse and promote the H&A process among all parties and at all levels to address the existing gap between the concepts and the reality of practices on the ground.
- Donor focal points for sector *mesas* should report on a regular basis on the status and progress of each roundtable.
- Donors should improve communications between HQ and field representations with a view to establish common positions that effectively support the H&A agenda.
- Donors should establish mechanisms aimed at improving monitoring and follow-up systems on their own progress and identify, analyse and disseminate best practices and lessons learned.
- Donors should promote regular participation and follow-up of commitments made at the *mesa* level.
- Donors should provide timely and reliable information on their co-operation programmes to enable the government to develop medium-term plans.
- Donors should co-ordinate and harmonise their support for capacity building for the country's aid delivery management systems and procedures.

> This document is intended to serve as input for civil servants from the government, public and private institutions, the international community, civil society, and the public at large, about efforts and experiences that have been undertaken by Nicaraguans to support better co-ordination of international co-operation.

This represents a key initiative in raising awareness and fostering greater ownership. The paper emphasises the fact that innovative, inclusive approaches are being used, and that:

> … this process is being carried out in a manner consistent with eminently national conditions and traits, and is not a mechanical replication of other models that have been undertaken in other countries.

The Multilateral Organisations Performance Assessment Network (MOPAN), an informal network of like-minded donors, evaluated the performance of multilateral agencies at the country level. In 2003, it conducted a pilot performance assessment of selected agencies involved in the health sector in eight countries, including Nicaragua. The assessment looked at the support for national policies and institutions and participation in aid co-ordination activities. In the case of Nicaragua, the Pan American Health Organisation was identified as a significant player; however, the report concluded that: "If transparency in multi-agency dialogue means actively sharing information, this is hardly the case in Nicaragua."

The Joint Country Learning Assessment (JCLA) work that has been going on through 2004 is directly relevant to the present survey. The outputs and findings of the autumn 2004 JCLA report will help to define a way forward that will extend beyond the High-level Forum II (HLF II). The findings of the May 2004 report highlighted some key issues that have also been reflected in this survey. These include the need for an information centre to facilitate the sharing of findings, definition of the government's capacity-building needs in the various sectors, and the establishment of improved co-ordination mechanisms between donors.

TABLE 10.1
INDICATOR 2

Is government co-ordinating aid?		
Is there a formalised process for dialogue?	YES	
Is government proactive?		NO
Is government in the driving seat?	**YES!**	
Do donors' rules support harmonisation?	YES	

65%

% of donors who take part in co-ordination

TABLE 10.2
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		NO
In co-ordination of aid	YES	

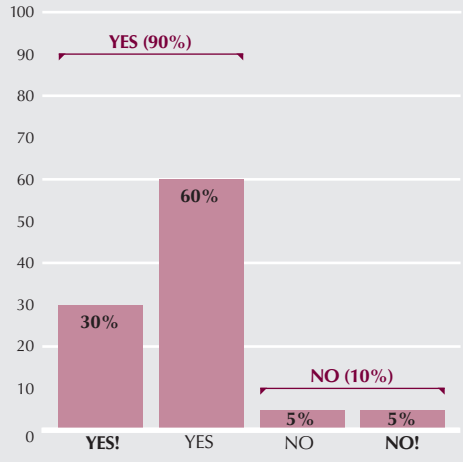
Actions recommended by the November 2004 draft JCLA report are shown in Box 10.1.

CAPACITY DEVELOPMENT

Both donors and the government acknowledge the existence of weaknesses in financial management, procurement, budget formulation, execution, reporting and review and aid co-ordination. With the exception of aid co-ordination, the government is reported to have insufficiently clarified or prioritised its capacity building needs (see Table 10.2. – Indicator 3).

FIGURE 10.2 INDICATOR 4

Do donors rely on the PRS when programming official development assistance?



ALIGNMENT

RELIANCE ON PARTNERS' NATIONAL DEVELOPMENT STRATEGIES

Nicaragua's current poverty-reduction strategy is the PRS-I and a new national development plan (NDP) is being developed by the government, which will form the PRS-II. The quality of the existing PRS is uneven. For example, whilst the education sector PRS provides a good framework for support, it is weaker in other areas, particularly rural development and decentralisation. There are four policy reform matrices currently in use: the Inter-American Development Bank (IDB) social policy loan matrix; World Bank Poverty Reduction Support Credit (PRSC) matrix; European Commission education budget support matrix; and the PRS-I matrix. Several multilateral budget support donors are encouraging the use of a single, smaller policy matrix. However, until the government presents the new PRS-II/NDP policy matrix, donors report that it remains difficult to formally align (see Figure 10.2 – Indicator 4).

The co-ordinating organisation of Nicaraguan non-governmental organisations (NGOs) has expressed serious reservations about the PRS-II/NDP noting, for example, that the views of civil society have not been represented. In addition, it claims that prioritisation decisions are made on the basis of "subjective and narrow" indicators that overlook important developmental aspects. A number of donors have also expressed concern about the PRS review process, stating that the target indicators are set much too low; the annual review has not been a participatory process; and no institutionalised monitoring process exists.

The Civil Coordinator Coalition is a coalition of more than 350 organisations (*e.g.* social movements, NGOs, sector networks, producers' associations, unions, federations) that decided to collaborate on emergency relief efforts post-Hurricane Mitch. Though the coalition was not a respondent to the survey, they have been publishing papers on their Web site that are relevant to the overall objective of ensuring ownership of the PRS process. It is not clear how closely they have been involved in more recent discussions. It is recommended that wider stakeholder engagement is considered in the future.

BUDGET SUPPORT

The government has not yet developed a medium-term or multi-year expenditure framework. Several donors are, however, considering providing budget support in Nicaragua and are working with the government to create the conditions and mechanisms necessary for its delivery (see Table 10.3 – Indicator 5).

Both Finland and Norway produced reports in the second quarter of 2003 on this issue. The Norwegian report stated that "many of the conditions for giving budget support to Nicaragua are in place". However, another bilateral donor noted that this report had been too optimistic, observing that "the necessary conditions for budget support still do not exist; for example, there is serious discord between the assembly and executive and serious weaknesses in the medium-term budget framework."

Is budget support predictable and aligned?

TABLE 10.3 INDICATOR 5

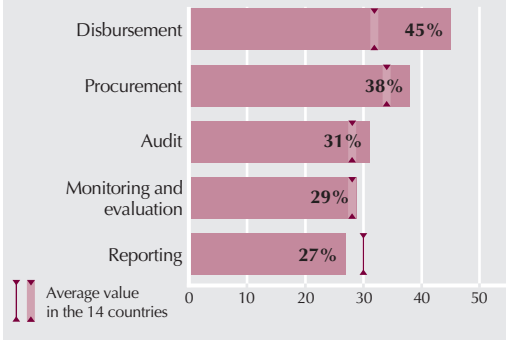
Are budget support donors making:	YES!	YES	NO	NO!
▶ multi-annual commitments?	Germany IDB World Bank	France Switzerland European Commission	Austria Denmark Finland Netherlands Sweden United Kingdom	Italy
▶ timely commitments?	IDB World Bank	France Sweden Switzerland European Commission	Canada Finland Netherlands	
▶ timely disbursements?	Sweden Switzerland IDB	Netherlands European Comission World Bank	Canada Finland	

A Budget Support Group (which comprises seven bilateral and three to four multilateral donors) was established in the third quarter of 2003, with the objective of drawing up "a calendar of activities that would enable general support from this group for Nicaragua's budget in the budgeting exercise of 2004". This is linked to the group acknowledging that in general "the conditions for supplying support to Nicaragua's national budget, either directly or through the Supplementary Social Fund, are in place".

The Budget Support Group has now more or less finalised its work on the joint financing arrangement (JFA) that will define the mechanism to be used to provide co-ordinated budget support. An essential element of the JFA is the performance-assessment matrix that will help monitor progress in implementing a pro-poor growth policy. The matrix uses the government's PRSP-II as its main input. Discussions over the JFA between the government and participating donors were scheduled to begin in October 2004, with the intention that the JFA be signed before the beginning of 2005. The total financial envelope is likely to be worth approximately USD 100 million a year, which means that this harmonisation mechanism would represent close to 20% of total aid flows to Nicaragua.

Use of partner country systems

FIGURE 10.3 INDICATOR 6



PROJECT SUPPORT

In comparison with other countries surveyed, Nicaraguan government systems are used to an average extent (see Figure 10.3 – Indicator 6).

Attention was drawn by several donors to specific weaknesses in government systems; for example, the lack of national systems for monitoring and evaluation. Many donors that do use government systems reported they also use their own.

TABLE 10.4 INDICATOR 8

Alignment with sector programmes

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

SECTOR SUPPORT

Comments from government departments regarding donor support to sectors in key policy areas varied (see Table 10.4– Indicator 8). For example, the Department of Education stated that "the government exercises full authority in co-ordinating development assistance" whilst ENACAL (*Empresa Nicaragüense de Acueductos y Alcantarillados*) noted that "most of the time, projects do not reflect sector priorities, but rather donor priorities." The Ministry of Transport and Infrastructure explained that it outlines transport sector strategies; when donors accept them, it then supervises the implementation of projects in the sector.

Health sector

Health sector policy currently lacks clarity, but a national health plan is being finalised and is expected to undergo a consultation process in November 2004. The plan, which will be fully aligned with the PRSP and NDP, will have a sector approach supported by several donor agencies. The health sector *mesa*, co-ordinated on behalf of the donor community by Sweden, is still nascent and a formalised government performance monitoring system for the health sector is yet to be established. Some donors use government performance measurement work, but tend to supplement it with their own research and analysis. Development of an MTEF is expected by 2006, which is part of the multi-sector plan for the improvement of public finance.

Education sector

According to Canada, the education sector has made the most progress in harmonisation in Nicaragua. It noted that clear policy – and co-ordination and harmonisation mechanisms – have been established and that a good relationship exists between the Ministry of Education and the donor community. Conversely, several other donors reported that education sector policy is unclear. The government is currently establishing new sector policies and strategies. Existing government monitoring systems are weak, though they are in the process of being strengthened, and a MTEF is expected to be established by 2006. The World Bank has prepared an education sector credit and plans to establish a memorandum of understanding with other agencies to support harmonisation in this sector through four main actions:

- Financing part of the sector plan.
- The use of government procurement and financial management arrangements.
- The use of a common set of monitoring indicators with other agencies.
- Planning joint missions to supervise implementation of the sector plan with other agencies.

Water sector

Leadership problems on the part of the government are reported in the water sector. The sector *mesa* is yet to be established and some sector issues are currently dealt with under the health sector *mesa*, with others dealt with under the infrastructure *mesa*. No clear sector policy has been currently established and there are no government performance monitoring systems or donor co-ordination processes in place. A new law concerning the water sector is being processed, but it has not been approved yet due to political reasons.

Transport sector

A transport sector *mesa* and a national transport action plan have been established, though no regular meetings have taken place. Despite nine donors (Denmark, Japan, Netherlands, Spain, United States, European Commission, IDB, United Nations, and the World Bank) being active in the sector, a donor co-ordination mechanism has not yet been established, although this is expected shortly. Government oversight of existing programmes in the sector is reported to be weak, which has resulted in excessive cost overruns, low quality and delayed project implementation. A government-performance monitoring system is under development.

Rural development

The national rural development strategy was presented by the government in August 2004; however, it is yet to be discussed with the donor community in Nicaragua. Nearly 20 donor agen-cies work in the rural sector; Denmark, COSUDE (*Agencia Suiza para el Desarrollo y la Cooperación*), and the World Bank will probably be first to engage in an integrated farming basket fund mechanism. More agencies are becoming involved in the sector approach.

Other sectors

Other sectors receiving donor support include modernisation of the state / good governance, decentralisation, energy, fisheries, private sector development, justice, trade development and human rights.

TABLE 10.5
INDICATOR 7

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

TABLE 10.6
INDICATOR 9

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

HARMONISATION

STREAMLINING CONDITIONALITY

No documents relating to common conditions currently exist for any sector or modality in Nicaragua (See Table 10.5 – Indicator 7). Respondents drew attention to attempts to agree to a common matrix based on performance indicators.

DELEGATED CO-OPERATION

Indicator 9 shows that 30% of donors are currently performing tasks on behalf of other donors (see Table 10.6). Specific examples of arrangements include: Canadian co-operation with the United Nations Population Fund (UNFPA) on a reproductive health programme; French delegation of responsibility for negotiating sector assistance to the European Commission; and other informal agreements and tacit arrangements. A number of donors also participate in basket funding in the health sector (though no donor assumes lead responsibility for this).

FIGURE 10.4 INDICATOR 10

Number of donor missions: 278

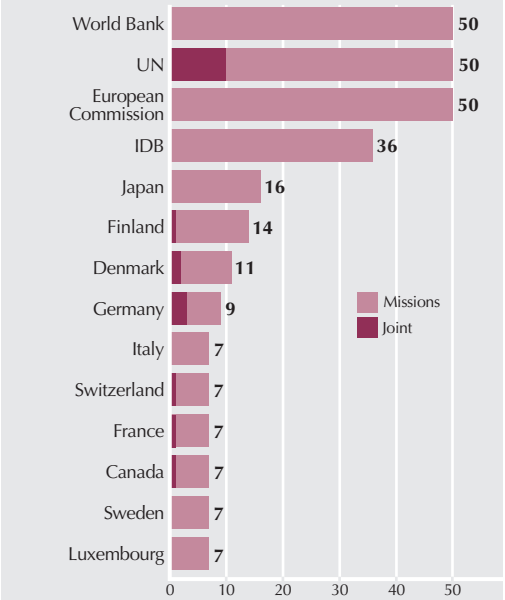


TABLE 10.7 INDICATOR 11

Are diagnostic reviews being streamlined?

Diagnostic reviews (2001-03)	Was it undertaken jointly?	
CFAA	YES	
CPAR	YES	
HIPC Tracking Assessment		NO

TABLE 10.8 INDICATOR 13

Who is sharing country analytic work?

YES!	YES	NO	NO!
United States	Switzerland	Austria	Germany
World Bank	United Kingdom	Canada	Luxembourg
	IDB	Denmark	Netherlands
	United Nations	Finland	
		France	
		Japan	
		Spain	
		Sweden	
		European Commission	
		NGOs	

Almost all donors delegate responsibility for administration of the joint donor anti-corruption basket fund to Norway. One bilateral donor notes that it is important not to refer to such arrangements as "silent partnerships", pointing out that key policy decisions are taken with unanimity of all contributors, and that Norway is not entitled to make its own decisions on the use of the funds.

DONOR FIELD MISSIONS

Donors participated in nearly 300 missions in 2003, of which less than 10% were conducted jointly (see Figure 10.4 – Indicator 10).

STREAMLINING DIAGNOSTIC REVIEWS

Between 2001 and 2003, three diagnostic reviews were undertaken in Nicaragua, two involving more than one donor (see Table 10.7 – Indicator 11). It is expected that the CFAA, which was led by the IDB, will serve as a basis for a capacity enhancement programme.

DISCLOSING INFORMATION

Several donors draw attention to the lack of existence of a government MTEF but many of them claim to make multi-annual commitments (Indicator 12a – Table not presented). For example, the European Commission programmes aid through its country strategy over a five-year horizon and Spain plans it over a four-year horizon through the Hispanic-Nicaraguan Mixed Cooperation Commission. However, the extent to which these commitments are confirmed or solely indicative, is unclear.

As an illustration of this, the Netherlands explains that while it has multi-annual planned expenditure data available, it is reluctant to share it due to the possibility of it changing in light of subsequent events. It cites the example of its 2003 budget which showed substantial reductions when compared to previous estimates as a result of the poor state of the Dutch economy in 2002-03. Other donors, *e.g.* Finland, make multi-annual commitments that are contingent on annual parliamentary approval.

With respect to the notification of actual disbursements (Indicator 12b – Table not presented), donors draw attention to the lack of a unified project registry or mechanism to easily share such data with the government. Some donors, such as the United Kingdom, are supporting the construction of a centralised financial administration system to address this weakness.

Many donors allude to informal methods used for sharing country-specific analytical information with relevant stakeholders, but few maintain country-specific information on the Internet, other than high-level country strategy papers. 68% of donors do not regularly make their country analytical work available on the Internet (see Table 10.8 – Indicator 13). Increased use of the Ministry of Foreign Affairs Web site for sharing information might be considered.

ACRONYMS

CFAA	Country financial accountability assessment
CPAR	Country procurement assessment report
HIPC	Heavily indebted poor countries
HLF	High-Level Forum
IDB	Inter-American Development Bank
JCLA	Joint Country Learning Assessment (Nicaragua)
JFA	Joint financing arrangement
MTEF	Medium-term expenditure framework
NDP	National development plan
NGO	Non-governmental organisation
PRS	Poverty-reduction strategy
PRSP	Poverty-reduction strategy paper
UN	United Nations

11 NIGER

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 reseservations" 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.

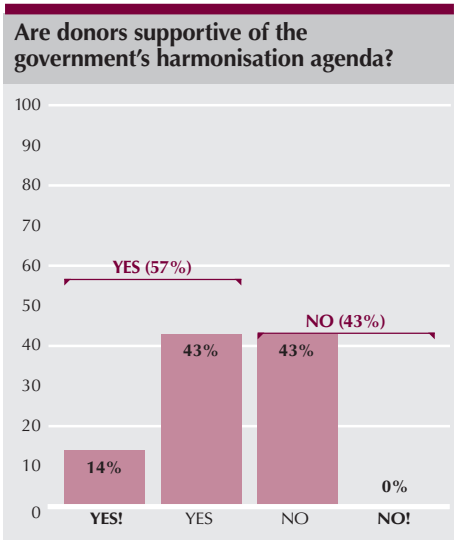
A draft poverty-reduction strategy paper (PRSP) was finalised in 2003 and a joint government-donor committee was established to organise the PRSP process in mid 2003. At the June 2003 PRSP Forum, donors agreed to support the government's efforts in three key areas: (i) aligning external assistance with the PRSP and the budget cycle; (ii) improving co-ordination and harmonisation of their assistance at national and sector levels; and (iii) continuing joint efforts to strengthen national public finance systems. A broad framework was also endorsed to improve predictable funding and rationalise procedures for project management. The government PRSP secretariat has drafted, with support from the World Bank, a harmonisation action plan; however, the document is yet to be finalised and formally adopted by the government. This survey also suggests that effective government ownership over the consultation process has been hampered by lack of resources and capacity.

OWNERSHIP

A CLEAR AGENDA ON HARMONISATION

A formal government-donor committee was established to help finalise the draft PRSP and organise the June 2003 PRSP Forum. Since then the committee, in spite of government's efforts, has not been playing an active role including in the area of harmonisation. In this connection, while a comprehensive harmonisation plan is not yet in place, there is an informal and ongoing process to align the PRSP, sector policies and the national budget.

FIGURE 11.1
INDICATOR 1



According to this survey, 57% of donors indicated that they are supporting the government's agenda (see Figure 11.1 – Indicator 1).

TABLE 11.1 INDICATOR 2

Is government co-ordinating aid?		
Is there a formalised process for dialogue?		NO
Is government proactive?		**NO!**
Is government in the driving seat?		NO
Do donors' rules support harmonisation?		**NO!**

33%	

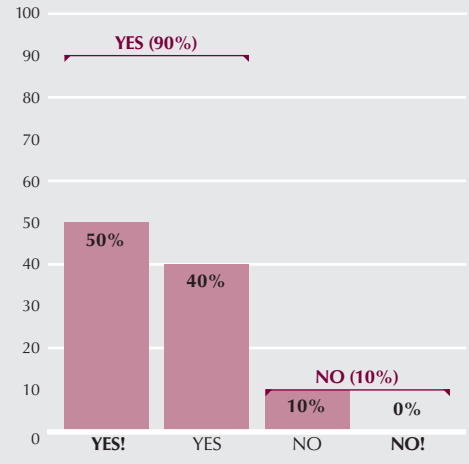
% of donors who take part in co-ordination

TABLE 11.2 INDICATOR 3

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

FIGURE 11.2 INDICATOR 4

Do donors rely on the PRS when programming official development assistance?



FORMAL GOVERNMENT-LED FRAMEWORK FOR DIALOGUE AND CO-ORDINATION

The government is yet to establish a formal co-ordination and dialogue mechanism (see Table 11.1 – Indicator 2). The Ministry for the Economy and Finance occasionally takes a leading role, in collaboration with the permanent secretariat of the PRSP (which is based in the Prime Minister's Office). However, this arrangement has been informal and the government needs to formalise a framework for general co-ordination and dialogue, and designate an organisation to take the lead.

On the donor side, several sectoral donor co-ordination fora have been established, including groups for health, education, rural development and water.

CAPACITY DEVELOPMENT

Currently, there is no national capacity-building development plan in Niger; however, donors finance ad hoc programmes to develop capacity – either within the framework of their respective programmes or through a joint framework (see Table 11.2. – Indicator 3). The best example of this is the joint public expenditure management and financial accountability assessment review (PEMFAR), which will serve as a basis for a capacity-enhancement programme to strengthen Niger's public finance systems. When the PEMFAR report is finalised, it is expected that it will result in an action plan to address financial management weaknesses in Niger.

It might be noted, that there are not any plans to address capacity weaknesses in aid co-ordination.

Is budget support predictable and aligned?

TABLE 11.3 INDICATOR 5

Are budget support donors making:	YES!	YES	NO	NO!
▶ multi-annual commitments?	European Commission IMF United Nations World Bank	Belgium	France United Kingdom	
▶ timely commitments?	Belgium IMF	European Commission World Bank	France United Kingdom United Nations	
▶ timely disbursements?		Belgium	United Kingdom	

ALIGNMENT

RELIANCE ON PARTNERS' NATIONAL DEVELOPMENT STRATEGIES

As mentioned above, a joint government-donor committee was established to organise the PRSP process in June 2003. The PRSP still needs to be refined in a number of areas to be more effective. For example, performance indicators have only been identified in the basic education sector.

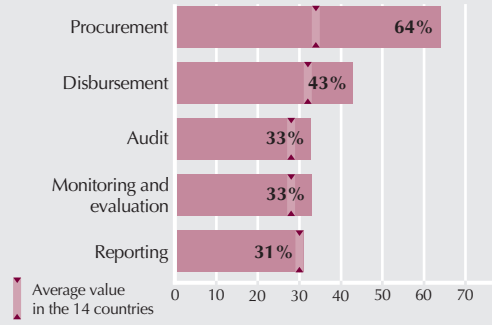
One PRSP review has taken place to date, but it lacked a clear methodology and agenda (see Figure 11.2 – Indicator 4). According to a large multilateral donor, the government would benefit from a formal framework for allocating resources. In this respect, it notes that: "while a progress report on the implementation of the PRSP was produced by the authorities in July 2003, with inputs from main donors, it did not serve as a basis for the allocation of resources."

BUDGET SUPPORT

Four donors provide budget support to Niger. These are: France, the European Commission, the International Monetary Fund (IMF), and the World Bank (see Table 11.3 – Indicator 5). Both the European Commission and the World Bank report that their budget support programmes are designed in such a way that commitments are notified in time to feed into the national budget preparation process, provided that the government satisfies conditionalities linked to disbursements.

Use of partner country systems

FIGURE 11.3 INDICATOR 6



PROJECT SUPPORT

In comparison with other countries in this survey, Niger's government systems (particularly its procurement systems) are used more than average (see Figure 11.3 – Indicator 6). Donors are providing support to increase the quality of country systems.

The World Bank, for example, is currently assisting the government in strengthening public procurement procedures through an institutional development fund.

In other areas, according to most donors, audit, monitoring and evaluation, reporting and disbursement and, to a lesser extent, procurement, are undertaken using external assistance.

TABLE 11.4 INDICATOR 8

Alignment with sector programmes

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

SECTOR SUPPORT

Initial efforts by the government have focused on enhancing harmonisation at the sector level (see Table 11.4 – Indicator 8), and specifically in the education sector. Progress in this sector is monitored closely with the view of using it as an example of good practice to be replicated in other sectors, *e.g.* health and rural development.

Health sector

A health sector strategic action plan, medium-term expenditure framework (MTEF) and linked support programme are all currently under development with the support of donors. The European Commission is providing technical assistance to the Ministry of Health to assist in this process. The MTEF, linked to the PRSP, is being developed with the support of the World Bank. Donor co-ordination arrangements, led by Belgium, are being finalised.

Education sector

An education sector policy has existed for several years and 86% of donors active in the sector rely on it to programme their assistance. Budget support indicators have been identified within the policy, although greater clarity is required in terms of data collection systems. As with the health sector, an MTEF, linked to the PRSP, is being developed with the support of the World Bank. Co-ordination of donor activity was being led by Canada until recently, when France took over responsibility for the task.

Water sector

Though a water sector strategy was adopted in 2001, it is reported to be weak and not many donors are aligned to it. According to this survey, 50% of donors are active in the sector and meet regularly under the leadership of Switzerland. These meetings are more a means, however, to share information than to co-ordinate activity; for example, the government does not participate in the forum. There is no water sector MTEF or performance monitoring system; it is felt that little progress is currently being made towards harmonisation.

Transport sector

Donors participated in a policy dialogue workshop with the government to formulate a transport strategy, which was later presented in April 2004. The European Commission is the main stakeholder in this sector and is financing institutional strengthening to support implementation of the new policy. There is no formal donor co-ordination arrangement, although the main sector donors meet on an informal and a*d hoc* basis.

Rural development

A sector strategy has been established, and an action plan for its implementation (including a MTEF and budget support programme) is currently under development with the support of the Food and Agriculture Organization (FAO) and the World Bank. France is taking the lead in donor co-ordination.

Other sectors

Other sectors in which harmonisation initiatives are taking place include food security, decentralisation, and recently, the justice sector. They all have formal donor co-ordination processes in place.

HARMONISATION

The government recognises that setting up a harmonisation programme is an important step toward increasing aid effectiveness. It has made some progress in the harmonisation agenda, through:

- Conducting dialogues that led to the formulation of the PRSP.
- Taking steps to identify capacity-building needs in financial management.
- Making efforts to reform government procurement and other procedures (*e.g.* introducing new budgetary system of classification).
- Strengthening the judicial system to integrate investment and recurrent expenditures.
- Preparing five-year MTEFs in the education and health sectors associated with regular public expenditure reviews.

TABLE 11.5
INDICATOR 7

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

Key areas for further action include: improving the co-ordination and dialogue process; greater pro-activity by the government (especially in creating a clearer agenda for harmonisation); and attention to the identification and implementation of capacity-development requirements that will support the aid co-ordination and financial management processes. Communication and information exchange between donors also need to be enhanced.

STREAMLINING CONDITIONALITY

According to the government, the suspension of budget and sector support depends on conditions defined bilaterally between it and each donor, within the framework of their financing convention (see Table 11.5 – Indicator 7). Informal discussions are held between the principal donors in an attempt to harmonise conditionalities, avoid financing duplications and agree on reforms of the progress indicators. The ultimate objective of the government and donors is to develop a common framework defining conditionalities, which would be supported by joint evaluation missions to assess progress of reform implementation. Much work remains ahead to achieve this goal.

TABLE 11.6 INDICATOR 9

Who is delegating co-operation?

YES!	YES	NO	NO!
	Switzerland IMF United Nations		Belgium France Germany Japan United Kingdom European Commission World Bank

FIGURE 11.4 INDICATOR 10

Number of donor missions: 98



TABLE 11.7 INDICATOR 13

Who is sharing country analytic work?

YES!	YES	NO	NO!
IMF United Nations World Bank	Belgium Japan	United Kingdom	France Germany Switzerland European Commission

DELEGATED CO-OPERATION

No single donor claims to be party to an agreement to perform tasks on behalf of other donors but 30% of donors report being so with reservations (see Table 11.6 – Indicator 9). The United Nations (UN) reported that several multi- and bilateral donors conclude agreements with UN agencies to implement programmes with their support. Switzerland acts as the delegating donor in a forum to establish a national water and sanitation commission.

DONOR FIELD MISSIONS

Approximately 90 missions took place in Niger in 2003; 20% of which were undertaken jointly (see Figure 11.4 – Indicator 10).

STREAMLINING DIAGNOSTIC REVIEWS

Under the leadership of the Ministry of Finance and Economy, the European Commission, France, United Nations Development Programme (UNDP), African Development Bank (AfDB), and the World Bank, initiated a joint PEMFAR to serve as a basis for a capacity-enhancement programme to strengthen Niger's public finance systems. An HIPC (heavily indebted poor countries) tracking assessment was also conducted (in 2001 and 2004) as well as various donor audits (Indicator 11 – Table not presented).

DISCLOSING INFORMATION

According to the government, the principal budget support donors provide information on the envisaged amount of funds to be disbursed, and the conditions that must be satisfied to trigger disbursement within their respective missions. In the education sector, basket funding for the basic education development programme introduced a degree of predictability and harmonisation. However, the government and donors are yet to agree on procedures for notifying disbursements related to donors' developmental activities in other sectors.

The survey shows that 50% of donors claim to notify government on indicative disbursements they plan to release over at least a three-year period (Indicator 12a – Table not presented). 70% of donors claim to provide comprehensive and regular information about in-country disbursements (Indicator 12b – Table not presented).

30% of donors share information on their country analytic work on the country analytic Web site (see Table 11.7 – Indicator 13).

ACRONYMS

HIPC	Heavily indebted poor countries
IMF	International Monetary Fund
MTEF	Medium-term expenditure framework
PEMFAR	Public expenditure management and financial accountability assessment review
PRS	Poverty-reduction strategy
PRSP	Poverty-reduction strategy paper
UN	United Nations

12 SENEGAL

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 reseservations" 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.

A full poverty-reduction strategy paper (PRSP) was completed in Senegal in December 2001. Even if some harmonisation and alignment principles are contained in the framework of documents around the PRSP, it does not articulate a government plan for harmonisation and alignment. While a donor co-ordination group does exist, there is still significant scope for the government to enhance its ownership over it. With regard to choice of aid modalities, the government would like to see donors making greater use of budget support as a way of moving forward on the harmonisation and alignment agenda. On the whole, progress on harmonisation is cautious with the possible exception of the health sector. Finally, there are capacity and human resource issues for both the government and donors.

OWNERSHIP

A CLEAR AGENDA ON HARMONISATION

According to this survey, 75% of donors indicated that they are supporting the government's policy agenda (see Figure 12.1 – Indicator 1). On the harmonisation front, however, no document currently sets out the government's strategy for harmonisation in Senegal. This being said, harmonisation and alignment principles are contained in the framework of documents around the PRSP; sector documents (*e.g.* health sector); action plans resulting from the country financial accountability assessment (CFAA) and the country procurement assessment review (CPAR) diagnostic reviews; and the framework of the national good governance programme.

FIGURE 12.1
INDICATOR 1

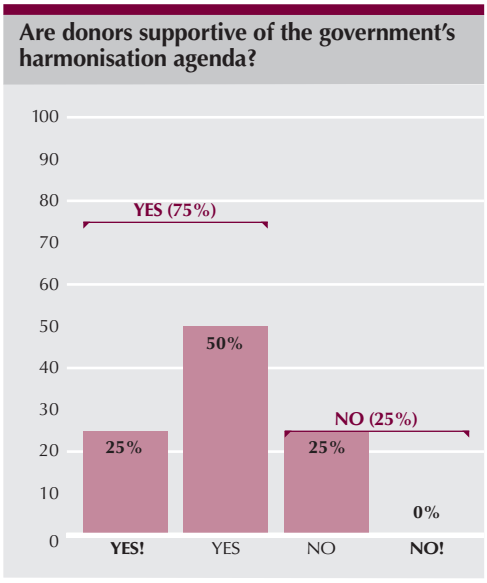


TABLE 12.1 INDICATOR 2

Is government co-ordinating aid?		
Is there a formalised process for dialogue?		NO
Is government proactive?		NO
Is government in the driving seat?	YES	
Do donors' rules support harmonisation?	YES	

63%

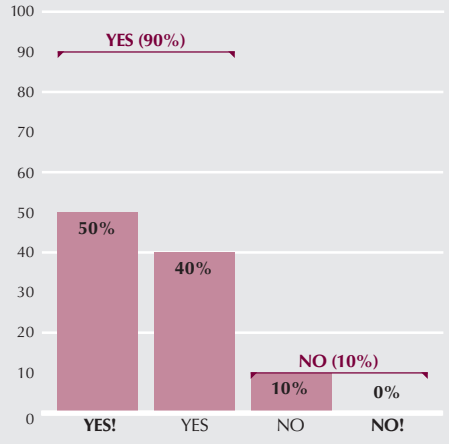
% of donors who take part in co-ordination

TABLE 12.2 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		**NO!**
▶ **Is the level of support appropriate?**		
In public financial management		NO
In budget planning and execution		NO
In co-ordination of aid		**NO!**

FIGURE 12.2 INDICATOR 4

Do donors rely on the PRS when programming official development assistance?



FORMAL GOVERNMENT-LED FRAMEWORK FOR DIALOGUE AND CO-ORDINATION

No formal co-ordination framework currently exists and the government reports not having organised any specific donor co-ordination meeting since September 2003. This being said, government's commitment to enhance co-ordination and harmonisation is exemplified by the implementation of the CFAA and CPAR action plans and the development of sectoral co-operation frameworks.

On the donor side, there is a donor co-ordination group. However, it still does not play a very active role and does not involve many donors. Government leadership is stronger in some sectors such as the health sector, private sector development, education, public financial management, and decentralisation (see Table 12.1 – Indicator 2).

CAPACITY DEVELOPMENT

The government recognises that capacity weaknesses exist in procurement, budget formulation, execution, reporting and review, and aid co-ordination (see Table 12.2. – Indicator 3). The CFAA and CPAR diagnostic reviews are helping to establish the nature of these weaknesses, and are leading to the development of action plans to address them. Aid co-ordination weaknesses are recognised within the framework of the national good governance programme but have not been addressed yet.

The capacity-building process is moving slowly, partly due to the scale of the reforms needed and also, according to the government, because of the extensive administrative procedures donors have to go through before mobilising resources. The government also notes that resources committed by donors to improve capacity development are still insufficient.

Is budget support predictable and aligned?

TABLE 12.3
INDICATOR 5

Are budget support donors making:	YES!	YES	NO	NO!
▶ multi-annual commitments?	United Nations World Bank	European Commission	Canada	France Japan
▶ timely commitments?		United Nations	Canada Japan	France
▶ timely disbursements?	United Nations	Canada	European Commission	France

ALIGNMENT

RELIANCE ON PARTNERS' NATIONAL DEVELOPMENT STRATEGIES

The government completed a full PRSP in December 2001 with four pillars:

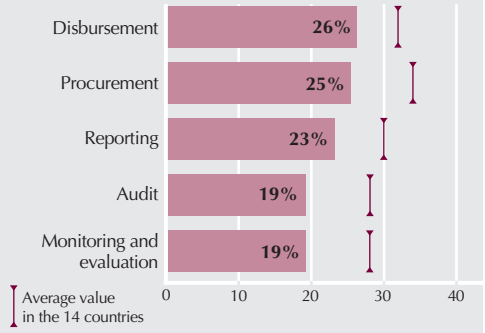
1. Wealth creation.
2. Capacity building in, and development of, social services.
3. Improvements in the living conditions of the poor.
4. Implementation of the strategy and monitoring of its outcomes.

According to the donors consulted in this survey, implementation of the strategy has been limited with insufficient prioritisation and only two line ministries (education and health) having achieved output oriented budgets. The introduction of sector medium-term expenditure frameworks (MTEFs) is being considered, though progress is yet to be made in this area. Additional work on refining the PRSP indicators is underway. To this end, a national workshop was held in December 2003.

With regard to the PRSP reviews, donors noted that they have been too general and insufficiently results-focused; and do not provide a sound basis for allocating resources with a few notable exceptions in some sectors (see Figure 12.2 – Indicator 4). One bilateral donor reported, for example, that the PRSP review provided useful indicator-based results in the areas of education, governance and decentralisation.

Use of partner country systems

FIGURE 12.3
INDICATOR 6



BUDGET SUPPORT

The European Commission reports that a multi-annual budget support programme is currently being planned (due to run from 2004 to 2007). A bilateral donor mentions a budget support pilot planned for the education sector. In addition, the Ministry of Education has produced an MTEF which will be used as the basis for support (see Table 12.3 – Indicator 5).

PROJECT SUPPORT

In comparison with other countries surveyed, Senegalese government systems are used less than the average (see Figure 12.3 – Indicator 6).

In explaining low use of country systems, one multilateral agency notes that: "We must follow our administrative procedures in all of the fields below; however, we seek as far as possible to ensure their coherence with the procedures of the government."

TABLE 12.4 INDICATOR 8

Alignment with sector programmes

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

SECTOR SUPPORT

Indicator 8 measures donor support to sectors in key policy areas (see Table 12.4).

Health sector

According to this survey, 90% of donors are active in the health sector in Senegal. The government has a health strategy, although as one bilateral donor notes: "... it is only a source of information because it is not always well defined in terms of objectives, verifiable indicators and means of implementation."

The government is reported to have limited absorptive capacity due partly to the slowness of its administrative procedures but also the multiplicity of donor procedures. A formalised sector donor co-ordination process exists and is reported to function well, with monthly meetings. A government performance-management system has just been designed but is not yet operational.

Education sector

Canada is planning a budget support pilot for the education sector and the Ministry of Education has produced a MTEF which will be used as the basis for support, although it is not yet in place. Under the Canadian pilot, an annual audit is planned, to be undertaken jointly by the government and an independent inspector. It is hoped that other donors will join the process and Canada is working to develop financial procedures to ensure appropriate planning, budget execution and control to encourage this.

Water sector

Though reform in the water sector policy has been undertaken, there is not yet a functional action plan or operational strategy. Some donors, such as the European Commission, are working on a sector programme, which is still in its infancy. Only one water sector donor co-ordination meeting has taken place to date. There currently appears to be little progress towards harmonisation in the sector.

Transport and rural development sectors

Minimal progress towards harmonisation appears to be made in transport and rural development sectors.

HARMONISATION

Progress is slow in most areas of the harmonisation agenda in Senegal. It has been suggested that sharing information and increasing co-ordination among donors might be two concrete steps that would improve it.

In addition, according to this survey donors will need to make efforts to address capacity needs effectively. As the "Aid Harmonisation & Alignment" Web site (*www.aidharmonisation.org*), notes, the PRSP completed in December 2001:

> … presents an opportunity for development co-operation partners to streamline their practices and procedures and notably their reporting requirements. The first Strategic Partnership with Africa (SPA) harmonisation mission to Senegal in November 2002 has articulated recommendations to facilitate aid harmonisation around the PRSP. The findings of the mission, supported by the results of fiduciary diagnostic instruments, concluded that public expenditure links to programme objectives need strengthening and that improvements were needed in expenditure monitoring.

At the request of the government, an initial World Bank exploratory harmonisation mission was carried out prior to the Rome High-level Forum. However, the development of the harmonisation programme is currently on hold pending further confirmation of the government on its readiness to lead the process.

TABLE 12.5 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

TABLE 12.6 INDICATOR 9

Who is delegating co-operation?			
YES!	YES	NO	**NO!**
World Bank	Belgium	Canada	France Germany Italy Japan Spain European Commission United Nations

STREAMLINING CONDITIONALITY

There is currently no streamlining of conditions in any modality or sector (see Table 12.5 – Indicator 7). However, progress is being made in some areas:

- Strong co-ordination between donors is reported, in an attempt to define common general conditions, in particular within the framework of the evaluation of public finance systems.
- Donors working in the health sector are working towards the implementation of common policies.
- Discussions are taking place in the education sector around a draft joint framework agreement between donors and the government.

DELEGATED CO-OPERATION

Indicator 9 (see Table 12.6) shows that only one donor in Senegal (the World Bank) reports to be party to an agreement to perform tasks on behalf of other donors. Canada is currently discussing implementing such an arrangement in the education sector with a partner.

FIGURE 12.4 INDICATOR 10

Number of donor missions: 159



TABLE 12.7 INDICATOR 13

Who is sharing country analytic work?

YES!	YES	NO	NO!
World Bank	Belgium	Canada	Italy
		France	Japan
		Germany	Spain
		European Commission	
		United Nations	

DONOR FIELD MISSIONS

Approximately 150 missions took place in 2003, with around 13% of all missions being undertaken jointly. Three donors (the World Bank, France and Japan) accounted for 77% of the total number of missions (see Figure 12.4 – Indicator 10).

STREAMLINING DIAGNOSTIC REVIEWS

At least six diagnostic reviews were undertaken in 2001-03 in Senegal: two involved more than one donor and produced an action plan (Indicator 11 – Table not presented).

Several donors, including the World Bank, conducted the CFAA and CPAR reviews in the first half of 2003. Work on the two resulting reports was undertaken in conjunction with a public expenditure review. An HIPC (heavily indebted poor countries) tracking assessment was undertaken in 2001. In 2003, donor audits and a European Commission conformity test were also conducted.

DISCLOSING INFORMATION

According to this survey, 50% of donors (Indicator 12a –Table not presented) claim to notify government on indicative disbursements they plan to release over at least a three-year period.

50% of donors (Indicator 12b –Table not presented) claim to provide comprehensive and regular information about in-country disbursements.

Only one donor, the World Bank, regularly shares information on its country analytic work on the country analytic Web site (see Table 12.7 – Indicator 13).

ACRONYMS

CFAA Country financial accountability assessment
CPAR Country procurement assessment report
HIPC Heavily indebted poor countries
MTEF Medium-term expenditure framework
PRSP Poverty-reduction strategy paper
PRS Poverty-reduction strategy
SPA Strategic Partnership with Africa
UN United Nations

13 TANZANIA

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 reseservations" 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.

The government of Tanzania developed its full poverty-reduction strategy paper (PRSP) in 2000 and most development assistance since has been focused on implementing it. For example, 14 development agencies have been funding the poverty-reduction strategy (PRS) through budget support. Efforts are now focusing on strengthening the links between the PRSP and the government budget; aligning other national and core reform processes around these two processes; agreeing on a common performance assessment framework; and linking the country/portfolio annual review processes to existing in-country review processes. Harmonisation in Tanzania is promoted through the Tanzania Assistance Strategy (TAS). It includes a donor-government secretariat and a joint TAS/ Harmonisation Group co-ordinated by the Ministry of Finance.

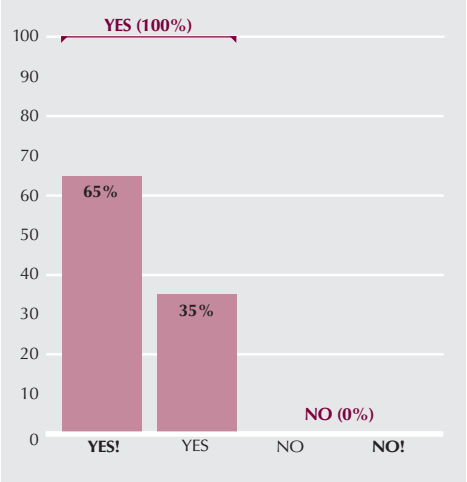
OWNERSHIP

A CLEAR AGENDA ON HARMONISATION

The TAS, the government-led framework for managing development assistance resources, was launched in 2002. It includes an action plan for harmonisation (including harmonisation of procedures to channel donor project funds through the national Exchequer system) and a donor-government secretariat. Donor-government discussions on the TAS take place on a regular basis through this secretariat.

FIGURE 13.1
INDICATOR 1

Are donors supportive of the government's harmonisation agenda?



One donor noted that there are many sector-wide and project examples of harmonisation, citing examples of health sector reviews; the use of PER, performance monitoring systems (PMSs) and PRS processes by all donors; and the increasing use of basket financing mechanisms. Donors indicate that they are supporting the government's agenda (see Figure 13.1 – Indicator 1).

The government, however, does not share this point of view and regrets that donors do not increasingly support its harmonisation agenda: "Not all donors are using the instruments prepared by the government. Some have cited domestic laws/policies as inhibiting harmonisation in recipient countries."

TABLE 13.1 INDICATOR 2

Is government co-ordinating aid?		
Is there a formalised process for dialogue?	YES	
Is government proactive?		NO
Is government in the driving seat?	YES	
Do donors' rules support harmonisation?	YES	
	76%	

% of donors who take part in co-ordination

TABLE 13.2 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	**YES!**	
In budget planning and execution	YES	
In co-ordination of aid	**YES!**	

FORMAL GOVERNMENT-LED FRAMEWORK FOR DIALOGUE AND CO-ORDINATION

The implementation of the TAS is co-ordinated by the Ministry of Finance in close collaboration with sector ministries, civil society and the Development Partners' Group (DPG) which emerged out of the former Development Assistance Committee and was established in January 2004. The joint government-donor TAS/Harmonisation Group has taken the lead in monitoring the implementation of TAS, with the support of the TAS secretariat. Its first annual implementation report was issued in November 2003.

In assessing the TAS, one bilateral donor reports:

> …the joint TAS secretariat is not optimally functioning and [policy] dialogue with the government is difficult. It seems that donor harmonisation is left to the donors, with the Ministry of Finance seeming to be more interested in the viewpoints of the International Monetary Fund and the World Bank.

Despite progress in implementing Tanzania's harmonisation agenda under TAS, some high-priority actions have been awaiting full implementation for some time. This is why, some donors call for a more assertive lead from the government on harmonisation issues.

The government exercises control over resource allocation at the national level through budget support and at the sectoral level through basket funding. In terms of the transparency of external resource flows to Tanzania, provisions have been made for all aid modalities to be disbursed through the Exchequer. With regard to projects, some support does go directly to implementing agencies without passing through the government system, although a framework for co-ordinating aid resources is in place (see Table 13.1 – Indicator 2).

CAPACITY DEVELOPMENT

Government capacity weaknesses have been identified in public financial management, budget planning and execution, and aid co-ordination (see Table 13.2. – Indicator 3). They are being addressed in each area.

Local level budget-related issues are being addressed under the fiscal decentralisation programme and the local government reform programme. Further discussion may be required to establish a vision for further evolution of the budget cycle and to devise appropriate capacity building assistance. It is anticipated that this will be developed as part of Tanzania's second poverty-reduction strategy (PRS II).

ALIGNMENT

RELIANCE ON PARTNERS' NATIONAL DEVELOPMENT STRATEGIES

The government developed a PRSP in 2000. Most development assistance since has been focused on implementing it. A number of donors have allocated a substantial proportion of their aid envelopes in the form of budget support for the PRS. PRS reviews and sector reviews (such as the joint health sector programme reviews) take place annually.

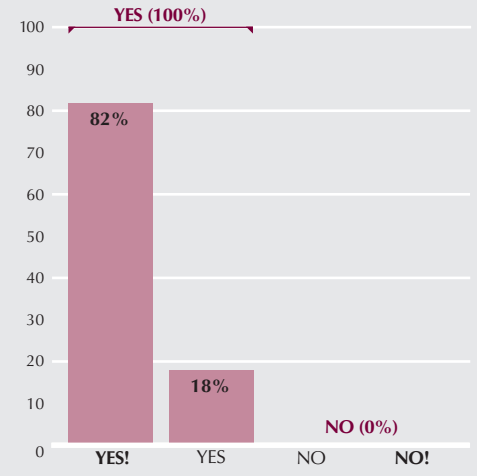
The PRSP includes targets and indicators that inform all programming decisions that are aligned with PRS priorities. However, the coverage of indicators, and their monitoring systems, are considered to be insufficiently robust and will require further strengthening before they can become the sole guide for programming decisions.

The links between the PRS and the budget are being strengthened. This being said, timing of their processes is not always synchronised with other national processes and this needs to be addressed if a coherent planning-budgeting-monitoring-review cycle is to be developed.

Even though all donors report that they rely on the PRS when programming assistance (see Figure 13.2 – Indicator 4), only 13% of them actually use the annual progress review (APR) to influence their annual resource-allocation decisions. A common view articulated is that while the APR informs programming decisions, it is insufficiently detailed to be taken into account for resource-allocation. Donors point to other annual government processes, such as the PER and sector work, which also inform programming decisions.

Do donors rely on the PRS when programming official development assistance?

FIGURE 13.2 INDICATOR 4



BUDGET SUPPORT

Eleven bilateral agencies, the African Development Bank, the European Commission and the World Bank have allocated a substantial proportion of their development assistance to Tanzania in the form of budget support for the PRS. The group has adopted a common performance assessment framework (PAF) which focuses on results, improved public expenditure management, and capacity building.

According to this survey, 79% of budget support donors provide multi-annual commitments (see Table 13.3 – Indicator 5). Others, such as Norway, provide multi-annual commitments with the caveat that they are subject to annual parliamentary approval. In 2003, 64% of budget support donors made commitments in time to allow the government to take them into account for the purposes of budget preparation.

Budget support disbursements, as compared to commitments, have improved significantly. Disbursement decisions are made on the basis of the PAF assessment before the new fiscal year. This allows for a smooth release of funds as the year progresses. Since the 2002/03 fiscal year, disbursement has been 100%, with more than 80% of the total amount now being disbursed during the first half of the year. First quarter disbursements have increased from 8% in 2002/03 to 80% in 2004/05.

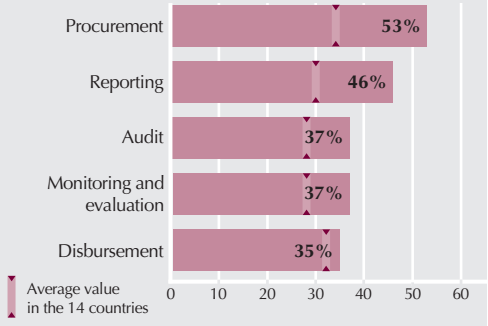
TABLE 13.3 INDICATOR 5

Is budget support predictable and aligned?

Are budget support donors making:	YES!	YES	NO	NO!
▶ **multi-annual commitments?**	Canada Denmark Finland Germany Ireland Netherlands Sweden Switzerland United Kingdom European Commission World Bank	Norway	ADB	Japan
▶ **timely commitments?**	Canada Denmark Finland Germany Ireland Sweden Switzerland United Kingdom World Bank	Netherlands Norway ADB European Commission		Japan

FIGURE 13.3 INDICATOR 6

Use of partner country systems



PROJECT SUPPORT

Tanzanian government systems are used to a greater extent than the average of other countries surveyed (see Figure 13.3 – Indicator 6).

A significant proportion of aid is provided through budget support and basket funding, which uses government systems. However, as far as project support is concerned, many donors use their own external systems, sometimes in combination with government systems.

For example, the World Bank procurement thresholds for international competitive bidding are determined by the capacity of the national implementing agency. The Roads Agency (Tanroads) has been given high thresholds for "prior review" by the World Bank and European Commission. The Tanzania Revenue Authority has also been allowed by a number of bilateral donors, including the United Kingdom, to undertake procurement itself rather than use an agent. The Medical Stores Department is another autonomous body which donors (including Denmark and the World Bank) allow to use its own procurement procedures. The government plans to fully decentralise procurement in early 2005; this will affect high-value procurement on sector-wide approaches (SWAps) and basket funds, which is currently processed by the Central Tender Board.

Alignment with sector programmes

TABLE 13.4
INDICATOR 8

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

SECTOR SUPPORT

Indicator 8 measures donor support to sectors in key policy areas (see Table 13.4).

Sector working groups have been established in all priority sectors to address the need for harmonisation of processes at the sector level. Draft terms of reference for these sector working groups include:

- Developing common reporting formats.
- Maintaining a calendar of donor missions.
- Identifying areas for reducing transactions costs at the sector level.

Many harmonisation initiatives have been introduced at the sector level, with SWAps in the health and education sectors, an emerging SWAp in the agriculture sector and donors financing the implementation of various programmes including the local government reform plan, through a basket fund.

Health sector

A clear health sector policy exists, supported by a medium-term expenditure framework (MTEF), although the budgeting in the MTEF is sometimes inconsistent with the stated goals in the sector policy. Health sector information systems are in place, but they require further development and alignment with the PRS. Data systems are becoming increasingly robust. The World Health Organization (WHO) reports, however, that:

> Performance monitoring in the health sector faces problems of reliability and timeliness of health information.
> The WHO uses information from Health Statistics Abstracts and Demographic Sentinel surveillance, and specific periodic surveys to track some health indicators.
> The WHO has a programme performance monitoring and reporting system for the biennial work plan which is not part of government performance monitoring.

A joint procurement, financial management and disbursement assessment is being undertaken by a group of donors for multi-donor pooling through government systems for the health sector SWAp development programme. Not all donors active in the sector participate in the basket-funding mechanism and a number of programmes are operating outside the SWAp.

Education sector

The education sector policy and MTEF are in a similar state of development to those in the health sector and they also face the same challenges. The education sector SWAp is supported by most donors active in the sector, as is the formal donor co-ordination mechanism.

Water sector

A water sector strategy is in its final stages of preparation. It is intended to guide the implementation of the National Water Policy prepared in July 2002. The PER and MTEF are increasingly embedded, but a comprehensive sector investment plan that guides both external and domestic assistance is yet to be developed. It is recognised that this plan will require the participation of government agencies (such as the health and agriculture ministries) and all sector partners. Progress towards harmonisation at this stage is negligible.

Transport sector

A transport sector policy exists but there is currently no implementation strategy. Donor co-ordination meetings are *ad hoc* and informal. There is no sector PMS. There is no real progress towards harmonisation.

Rural development

An agricultural sector policy and strategy exist, but they are insufficiently robust to link financial resources through the budget to the stated sector goals and strategies. One donor notes that government leadership is undermined by the existence of three agriculture-related ministries and a limited understanding of SWAp concepts and practices on the part of both government and donors active in the sector.

HARMONISATION

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 reinforcing the link between the PER and the PRS annual reviews); coming to an agreement on a common performance assessment framework; and linking the country/portfolio annual review processes to existing in-country review processes.

According to "Principles for Promoting Harmonisation and Aid Effectiveness", a report by the Tanzania DPG secretariat:

> […] The principles and the programme of action for improved harmonisation were important initiatives in providing a framework for harmonisation in Tanzania.

Open and honest communication between the government and the donors to enhance the effectiveness of harmonisation initiatives are also beneficial. The government notes that:

> …great improvements have been made by donors in supporting the country's procedures and systems to achieve the intended goals. Much of the development assistance is now being delivered in the form of budget support and basket funds in support of the implementation of the PRSP.

STREAMLINING CONDITIONALITY

Indicator 7 looks at the extent to which donors have streamlined conditionality when providing development assistance in a number of specific areas (see Table 13.5).

The budget support memorandum of understanding (MoU) states that suspension will only be considered for a following fiscal (rather than within a fiscal) year and that in the event that any issues arise, reconciliation will be sought through a joint meeting of donors and the government. No formal agreement establishing conditions for suspension exists; however, donors once suspended education sector disbursements following a delay in the submission of an audit report, and the European Commission maintains a variable tranche, enabling it to make disbursements on the basis of performance.

MoUs exist in many sectors, but they tend not to explicitly detail circumstances for within-year suspension of support.

Are donors streamlining conditionality?

TABLE 13.5 INDICATOR 7

Direct budget support	NO
Health sector	**NO!**
Education sector	NO
Water sector	**NO!**
Transport/road sector	**NO!**
Rural development agriculture	**NO!**

DELEGATED CO-OPERATION

According to this survey, 19% of donors in Tanzania claim to be party to an arrangement by which one donor (a lead donor) acts on behalf of another donor (the delegating donor). A further 25% replied "yes, with reservations" (see Table 13.6 – Indicator 9). Examples include Ireland co-chairing the local government reform programme with the Netherlands; a US arrangement with the United Kingdom to take the lead in the area of parliamentary strengthening; and World Bank participation in thematic discussions under the lead of relevant budget support donors.

Who is delegating co-operation?

TABLE 13.6 INDICATOR 9

YES!	YES	NO	**NO!**
Finland	Ireland	United Nations	Canada
Germany	United Kingdom		Denmark
Netherlands	USAID		France
	World Bank		Japan
			Norway
			Sweden
			Switzerland
			European Commission

DONOR FIELD MISSIONS

Approximately 230 missions took place in 2003, with around 5% of all missions being undertaken jointly. Three donors (World Bank, United Nations and Netherlands) accounted for more than half of the total number of missions (see Figure 13.4 – Indicator 10).

Number of donor missions: 234

FIGURE 13.4 INDICATOR 10



TABLE 13.7
INDICATOR 13

Who is sharing country analytic work?

YES!	YES	NO	NO!
AFDB	Germany	Canada	Denmark
IMF	Ireland	Finland	France
World Bank	Switzerland	Sweden	Japan
	European Commission	United Kingdom	Netherlands
	United Nations	United States	

STREAMLINING DIAGNOSTIC REVIEWS

In the three years 2001-03, ten diagnostic reviews were undertaken in Tanzania, two involving more than one donor and producing an action plan (Indicator 11 – Table not presented).

An annual evaluation of fiscal performance is conducted jointly by bilateral donors and the World Bank. A Joint World Bank-DFID (UK Department for International Development) CFAA for mainland Tanzania was completed in 2001 and a similar exercise was conducted recently for Zanzibar (by the UNDP with the World Bank, African Development Bank and the United Kingdom). A joint World Bank-African Development Bank CPAR was completed in 2003.

DISCLOSING INFORMATION

According to the government, procedures have been agreed for the notification of disbursements for both budget support and in the health, education, water, transport and rural development sectors.

71% of donors claim to notify the government on indicative disbursements they plan to release over at least a three-year period (Indicator 12a – Table not presented). Budget support and basket-funding commitments are indicated in advance, following a three-year rolling programme and information is provided ahead of the budget cycle to allow for the integration of the funds into the planning frame. Projects are planned and adjusted as implementation is ongoing.

75% of donors claim to provide comprehensive and regular information about in-country disbursements (Indicator 12b – Table not presented). One bilateral donor comments that:

> "We are getting there, but not 100% yet due to the fact that neither we nor the government have fully developed the routines."

13% of donors regularly share information on their country analytic work on the country analytic Web site (see Table 13.7 – Indicator 13).

ACRONYMS

ADB	Asian Development Bank
AFDB	African Development Bank
APR	Annual progress review
CFAA	Country financial accountability assessment
CPAR	Country procurement assessment review
DAC	(Tanzania) Development Assistance Committee
DFID	Department for International Development (United Kingdom)
DPG	Development Partners' Group (Tanzania)
IMF	International Monetary Fund
MoU	Memorandum of understanding
MSD	Medical Stores Department (Tanzania)
MTEF	Medium-term expenditure framework
PAF	Performance assessment framework
PER	Public expenditure review
PMS	Performance monitoring system
PRS	Poverty-reduction strategy
PRSP	Poverty-reduction strategy paper
SWAp	Sector-wide approach
TAS	Tanzania Assistance Strategy
UN	United Nations
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WHO	World Health Organization

14 VIETNAM

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 reseservations" 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.

A poverty-reduction strategy (PRS) was established in 2002 and provides a sound basis on which donors can align — 65% of donors consulted in this Survey reported aligning to the government's development strategy. The Ministry of Planning and Investment (MPI) has proved to be seminal in providing the leadership under which initiatives to enhance aid effectiveness are designed, implemented and monitored. Important elements of the framework are the Harmonisation Action Plan endorsed by the government and the donor community in June 2004, as well as the establishment of the Partnership Group on Aid Effectiveness which has become the prime forum for dialogue between the government and donors on these issues. In order to strengthen aid management, the government has launched the Comprehensive Capacity-Building Programme (CCBP), which is being supported by donors. Donors and the government are also developing a better understanding of the functioning of different aid modalities and their added value in enhancing the effectiveness of aid delivery in Vietnam.

OWNERSHIP

According to the Overseas Development Institute[1]:

> Vietnam is an atypical "PRSP country". It is not aid-dependent, does not qualify for HIPC II [heavily-indebted poor countries] debt relief, and has already achieved much on its own: since 1986, cautious economic liberalisation, building upon a foundation of investments in human development and egalitarian land distribution, has resulted in high growth and an extraordinary rate of poverty reduction. Although the incentives to produce a strategy acceptable to the IFIs [international financial institutions] remain significant, they are not overwhelming. This fact, combined with an unusually flexible approach by the IFIs, has empowered the government of Vietnam, helping it to hold donors to the principle of national ownership.

A CLEAR AGENDA ON HARMONISATION

The government realised the need early on to develop mechanisms to ensure that it could exercise effective leadership over the aid effectiveness agenda. The Partnership Group for Aid Effectiveness was formed in December 2003 to create a regular forum for the government and donors to discuss aid effectiveness issues. The close partnership that has developed, supported by over 20 partnership groups, is facilitating the co-ordination among the government and donors on key sector issues. Its first task was to finalise Vietnam's first country-based harmonisation action plan; the first draft was presented by the government at the consultative group (CG) meeting in December 2003 and finalised at the mid-term CG meeting

1. Overseas Development Institute (2004), "Politics & the PRSP Approach", *Working Paper* 241.

FIGURE 14.1 INDICATOR 1

Are donors supportive of the government's harmonisation agenda?

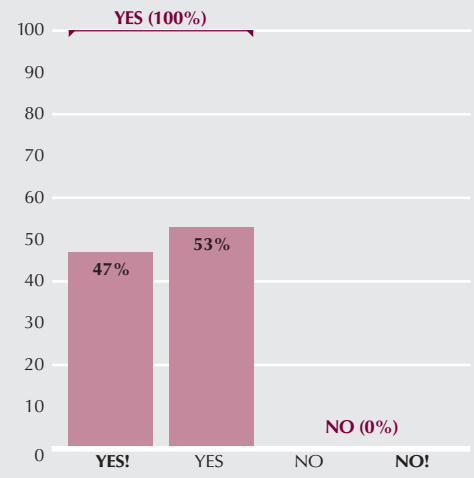


TABLE 14.1 INDICATOR 2

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?		NO

65%

% of donors who take part in co-ordination

in June 2004. The partnership group's monthly meetings have seen a growing participation from both government and donors. With the Harmonisation Action Plan and its accompanying monitoring framework, the government has set up a comprehensive and measurable framework to further improve the efficiency and effectiveness of aid use in Vietnam. The MPI is currently being supported by a European Commission resident adviser for aid harmonisation.

FORMAL GOVERNMENT-LED FRAMEWORK FOR DIALOGUE AND CO-ORDINATION

It is recognised by all parties that strong leadership exercised by the government is key in ensuring that aid delivery is aligned to government plans and priorities. This requires an effective framework to provide the government with the mechanisms, tools and capacity to lead in this area. With the establishment of the Partnership Group on Aid Effectiveness and the Harmonisation Action Plan and through the more than 20 partnership groups, the government is leading the dialogue with the donors.

One bilateral donor notes, however, that: "Political willingness to align and harmonise is real, but strict and very centralised decision-making procedures are a strong impediment."

The non-governmental organisation community emphasises the importance of ownership at the local level, noting that "poverty targeting must be done locally, applying different approaches in different areas, in a decentralised manner with strong local ownership."

Government decentralisation is adding an additional challenge to this process.

There are many co-ordination bodies: at least 19 thematic working groups as well as 24 sectoral partnership groups. Government ownership is reported to be strong in some of these groups, with donor agencies taking a stronger leading role in others. These arrangements do however come with a high cost; one bilateral donor, for example, notes that attendance at this number of groups is "very time consuming".

According to this survey, the government is increasingly confronting donors for not abiding by national plans, urging them to "get to action" and regularly requesting progress reports. Recent government comments concerning the degree of donor engagements for the next five-year plan is a good example of this. However, at this stage no sanctions are applied to donors who are not contributing to harmonisation or who are not aligned with agreed national principles.

The government believes that donors fully support its agenda and are currently taking steps to implement it. It notes, however, that: "A number of donors use complex procedures and focus on making sure their funds are appropriately spent, rather than facilitating the creation of development impacts" (see Table 14.1 – Indicator 2).

CAPACITY DEVELOPMENT

The government recognises that weak capacity has been a limiting factor in ensuring effective and efficient aid co-ordination. For example, it draws attention to the capacity constraints involved in co-ordinating 50 different donors. All government initiatives, both strategic at the macro level and technical at the implementation level, aim to build sustainable national systems. The government is revising its aid-management legislation and has launched a Comprehensive Capacity-Building Programme (CCBP) with the view of strengthening institutional and organisational arrangements and developing management capacity to design, plan and deliver effective aid management. Donors are providing support for the drafting of these documents and the development of new aid instruments (i.e. sector-wide approaches and budget support) via the Like Minded Donor Group (LMDG),[2] the Five Bank Harmonisation Initiative (also called the Five Banks Group[3]), European Union initiatives and other bilateral initiatives.

Both donors and the government agree that weaknesses exist in the government's capacity in financial management and procurement, budget planning and execution and aid co-ordination (see Table 14.2. – Indicator 3). The level of support provided for capacity building is significant but, according to the government, not sufficient to "fully" meet its needs. Aid co-ordination challenges remain important at the provincial level.

2. Canada, Denmark, Finland, the Netherlands, Norway, Sweden, Switzerland and the United Kingdom make up Hanoi-based Like Minded Donor Group.
3. The World Bank, Asian Development Bank (ADB), Japan Bank for International Cooperation (JBIC), *Kreditanstalt für Wiederaufbau* (Germany) and the *Agence Française de Développement* (France) make up the Five Bank Harmonisation Initiative.

TABLE 14.2 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	YES
In budget planning and execution	YES
In co-ordination of aid	YES

ALIGNMENT

RELIANCE ON PARTNERS' NATIONAL DEVELOPMENT STRATEGIES

Vietnam's PRS, based on its ten-year socio-economic development plan, is called the Comprehensive Poverty Reduction and Growth Strategy (CPRGS). Donors report that performance under it has been good; there is a good degree of leadership and ownership, particularly at the higher level. One donor notes that:

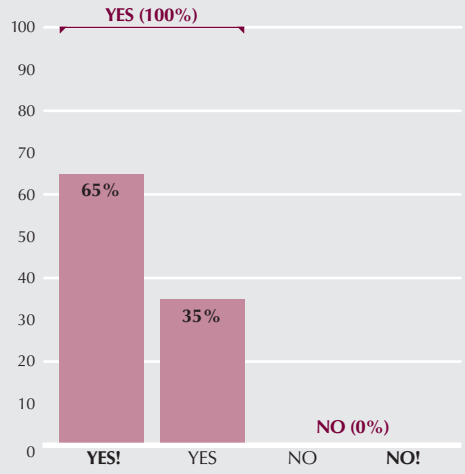
> "It does seem that the CPRGS is 'owned' by senior leadership, but this commitment falls short of the PRSP ideal of broad country ownership."

Issues of wider understanding, as well as questions about the need to align donor headquarters' guidance and local office implementation, highlight the need for the process to be strengthened. A process is underway to merge the CPRGS into the government's next five-year Socio-Economic Development Plan 2006-10 (SEDP). Major progress will be made if this goal is attained.

An active dialogue between the government and donors on the formulation of the SEDP is underway. An informal working group has been established to co-ordinate donor activities in support of the preparation of the SEDP.

FIGURE 14.2 INDICATOR 4

Do donors rely on the PRS when programming official development assistance?



Line ministries and provincial governments are developing their respective plans in consultation with major stakeholders, including the donor community. At the provincial level, the MPI is co-ordinating a multi-province initiative, with the support of some ten donors, to strengthen the skills and capacity needed for a more bottom-up style of planning. There are differences in the approach and scope of activities in this process across provinces, but a number of common issues have been identified - and these need addressing in a systematic manner. The Poverty Task Force has initiated a review of this provincial experience in order to incorporate lessons learned into the SEDP.

A master plan on official development assistance (ODA) mobilisation and utilisation (2006–10) is also being developed to establish the strategic direction for ODA use over the coming five-year period. This plan will identify guiding principles, priorities and criteria for the use of aid to support the achievement of the SEDP targets. The formulation of the master plan is being undertaken in a consultative manner; a series of workshops have been organised to review the impact of previous support and to identify the needs of various domestic stakeholders for future assistance.

Even though all donors claim to rely on the PRS when programming assistance (see Figure 14.2 – Indicator 4), the extent to which the annual progress review (APR) influences donor resource-allocation decisions is limited. Comments made by respondents about the APR include: "the review process does not allow sufficient scope for serious discussion on allocation of resources"; the "APR is not concrete enough"; and "allocations were more or less pre-destined due to long-term commitments".

BUDGET SUPPORT

The increasing use of programme-based approaches for aid delivery in Vietnam over several years has generated interest in developing a better and clearer understanding of the concepts, implementation mechanisms, and the added value of different modalities in strengthening the effectiveness of aid delivery. One bilateral donor, making the point that there is no "right" aid modality for every circumstance, notes that:

> There is a common understanding among both the donor community and the government in Vietnam that a diversification of aid modalities is important for efficient and effective ODA mobilisation and it is necessary for the government to utilise the most appropriate aid modalities in response to varying development needs.

There have been a considerable number of activities that have improved understanding of the options available to both government and donors to best support Vietnam's growth and poverty-reduction efforts. Japan and the United Kingdom have worked together to draft a paper on the role of new aid modalities in the Vietnamese context, which has now become the agreed basis for future discussions on the diversification of aid modalities. This identified a number of challenges in introducing new aid modalities, which include:

- The confusion over the concepts and terminology involved in new aid instruments.

Is budget support predictable and aligned?

TABLE 14.3 INDICATOR 5

Are budget support donors making:	YES!	YES	NO	NO!
▶ multi-annual commitments?	Belgium Canada Denmark United Kingdom World Bank	France Netherlands NGOs United Nations	Finland Sweden ADB European Commission	United States
▶ timely commitments?	Canada United Kingdom European Commission World Bank	Denmark NGOs	Finland ADB	Denmark IMF
▶ timely disbursements?	Canada Denmark United Kingdom IMF World Bank	European Commission NGOs	Finland ADB	

- The lack of clarity of the management arrangements for new aid modalities.
- The lack of appreciation of the benefits of such approaches and where they are most appropriate.
- The need for the government to lead the donors in adopting these instruments.
- The need for the relevant ministries to be open about their plans and budgets to enable donors to support them.

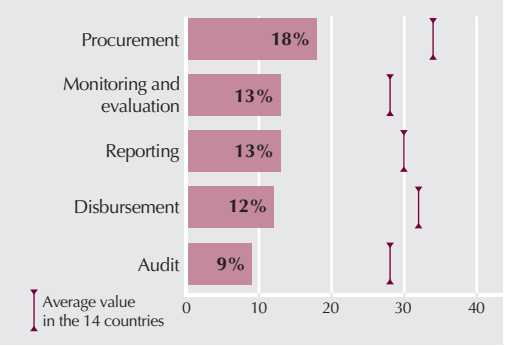
To address these challenges, an aid modality component has been included in the CCBP and several awareness-raising activities were held in 2004 (*e.g.* training events on sector approaches).

A study in 2002 indicated that, from the German perspective, the Vietnamese fiscal and administrative systems are not transparent or accountable enough, although this may also be linked to the question about whether direct budget support is an effective approach.

A large group of donors (including Belgium, Canada, Denmark, Japan, Netherlands, United Kingdom, Asian Development Bank [ADB], European Commission and the World Bank) are either currently (through the PRSC, poverty-reduction support credit), or are planning to, provide budget support to Vietnam (see Table 14.3 – Indicator 5).

Use of partner country systems

FIGURE 14.3 INDICATOR 6



PROJECT SUPPORT

In comparison with other countries surveyed, Vietnamese government systems are used to a lesser extent than the average (see Figure 14.3 – Indicator 6). Weaknesses in the country system currently pose significant challenges for donors. The IMF notes that national audit standards and procedures are "very weak".

The Five Banks Group has taken the lead in supporting the Vietnamese government in its work on harmonisation and alignment of procedures, focusing on: procurement; financial management; environmental and social safeguards; project preparation; and project

TABLE 14.4 INDICATOR 8

Alignment with sector programmes

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

reporting. Significant progress has taken place via these initiatives. Recent outputs include:

- Draft common documents for local competitive bidding which could also be utilised for locally financed projects.
- Draft common reporting format.
- A detailed comparison of the Five Banks and government environmental safeguard requirements for harmonising environmental impact assessment practices.
- Joint portfolio reviews between the Five Banks Group and the government to support the improvement of performance and disbursement rates for aid projects.

SECTOR SUPPORT

Indicator 8 measures donor support to sectors in key policy areas (see Table 14.4).

Health sector

Nearly 90% of donors provide support to the health sector in Vietnam, with a few countries (Germany, Norway, United Kingdom, United States) concentrating their support in the area of HIV/AIDS. The Ministry of Health has just started implementing government sector policies and 50% of donors are relying on them to programme their sector assistance. Strategies include the "Strategy for People's Health Care and Protection 2001-10", "National Nutrition Strategy 2001-10" and the recently re-released national HIV/AIDS strategy. The World Bank notes that while the overall policy framework is acceptable, it is too broad to provide specific guidance on programming. Several joint government/donor working groups exist, both formal and informal, in the health sector. Sector performance management systems are yet to be established.

Education sector

Over 80% of donors are active in the education sector. Though an overall government sector strategy exists, it lacks clear prioritisation and realistic implementation arrangements. Education sector working group meetings used to be chaired jointly by the government and donors, but the government has taken the lead since July 2004. The survey shows that 81% of donors participate in these fora. Performance management systems and a process for progressing towards harmonised systems are currently being designed as part of the sector budget support mechanism.

Water sector

Over 60% of donors support the water sector. There is sector co-ordination at national, provincial and river basin/coastal zone levels with several donors involved in sector programmes in the Red River Basin and Central Vietnam, and programmes developed by the Mekong River Commission in the Mekong River Basin. Some 88% of donors are involved in sector co-ordination fora. Performance monitoring systems are currently weak, particularly at the qualitative level.

Transport sector

50% of the government's transport budget is donor-financed and a sector strategy exists. The strategy was prepared through a participatory approach via a Japanese/World Bank initiative. Less than half of donors are active in the sector. The Japan Bank for International Cooperation (JBIC) has one full-time expert to co-ordinate donor activities in this field, who is working on rationalising support to the maintenance sector where there are currently 27 separate interventions. The transport donor partnership group is also providing support to the Ministry of Transport to develop its five-year plan (2006-10), with the view of developing a common strategy with which donors will align. In early 2005, the transport donor partnership group also aims to bring Japan, ADB, the World Bank and others together with the Ministry of Transport to agree on a long-term, jointly owned maintenance strategy. Sector budget support is also being trialled in the rural transport sub-sector.

Rural development

80% of donors are involved in the rural development sector. The majority of donor support to the sector does not rely on the government sector strategy, however. The government's national targeted poverty-reduction programmes are under review and once the review has been completed (in 2005), more donors expect to be able to support the rural development sector. There are no government performance monitoring systems in place in the sector.

One of the first sector-wide approaches in Vietnam was applied in the forestry sector. The existing trust fund for forests represents a starting point for the harmonisation of finance.

Other sectors

Several donors are supporting governance and public administration reform (PAR). A PAR partnership forum has existed since 2003 with the United Nations Development Programme; and the LMDG is providing strategic support for the implementation of the PAR master plan 2001-2010. Core elements of this involve institutional and organisational development, management reforms and gradual transfer of power from a central to provincial level. The plan is linked to the government's "e-government initiatives".

Other sectors receiving donor support include disaster management; fisheries; the legal sector; small and medium-sized enterprise (SME) and private sector development; economic reform; and urban development.

HARMONISATION

Several harmonisation initiatives are taking place in Vietnam, including: the Five Banks Group, the LMDG and the United Nations Development Group (UNDG). Several bilateral initiatives are underway, including Japan and the World Bank operating under the common framework of the harmonisation action plan.

The government of Vietnam is trying to balance the need to receive support with the desire to avoid externally imposed conditions, many imposed as part of donor global procedures. Harmonisation of conditions at the sector level has begun, but little progress has been made to date. In the rural development sector, a Forestry Trust Fund was established in June 2004, based on a sector-wide approach.

A significant number of donor missions, of which less than 5% involve more than one agency, are placing a significant burden on government agencies that are already over-stretched.

TABLE 14.5 INDICATOR 7

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

TABLE 14.6 INDICATOR 9

Who is delegating co-operation?			
YES!	YES	NO	**NO!**
Australia	Norway	Switzerland	Belgium
Canada	United Nations	NGOs	France
Denmark			Germany
Finland			Japan
Netherlands			United States
Sweden			ADB
United Kingdom			IMF
European Commission			
World Bank			

The government has expressed increasing concern as well about the high transaction costs associated with the multiplicity of donor agencies' operational policies, procedures, and practices.

Priority areas for developing greater harmonisation include: capacity-building support to the government; streamlining and harmonisation of donor procedures; development of joint donor strategies, programmes and analytical work; and more effective monitoring and reporting. Some donors would also add the wider use of multi-donor financing mechanisms such as sector budget support to this list. In Vietnam, however, the majority of donors tend to agree that a mix of different aid modalities will result in the most effective implementation of assistance to achieve sector coherence in the framework of a government-led strategy.

STREAMLINING CONDITIONALITY

Donors have streamlined conditionality when providing direct budget support, as well as in the water sector (see Table 14.5 – Indicator 7).

Different triggers were established at the outset of the CPRGS to monitor progress in the reform agenda. These triggers, which are detailed in the World Bank's PRSC document, provide measurable benchmarks covering the three pillars of the reform agenda. A wide range of donors have either joined the PRSC already or are considering whether to do so in the future. As a result of this collaboration, the PRSC will be worth around USD 220 million (of which USD 120 million are provided by donors other than the World Bank) in 2004.

DELEGATED CO-OPERATION

Indicator 9 shows that 45% of donors in Vietnam claim to be party to an agreement to perform tasks on behalf of other donors (see Table 14.6). Examples include arrangements within the LMDG where members take lead responsibility for different tasks; for example, the United Kingdom is the lead agency for public sector financial reform, and Switzerland is the lead agency for public administration reform. The United Nations takes the lead in many programmatic areas, with activities financed through pooled funding mechanisms.

DONOR FIELD MISSIONS

Approximately 400 missions took place in Vietnam in 2003. Seven organisations (World Bank, NGOs, Japan, Germany, Denmark, ADB and the United Kingdom) accounted for 75% of the total number of missions. Only a small part of all missions were undertaken jointly between donors (see Figure 14.4 – Indicator 10).

STREAMLINING DIAGNOSTIC REVIEWS

Five diagnostic reviews were undertaken between 2001 and 2003, all of which involved joint donor teams (see Table 14.7 – Indicator 11).

DISCLOSING INFORMATION

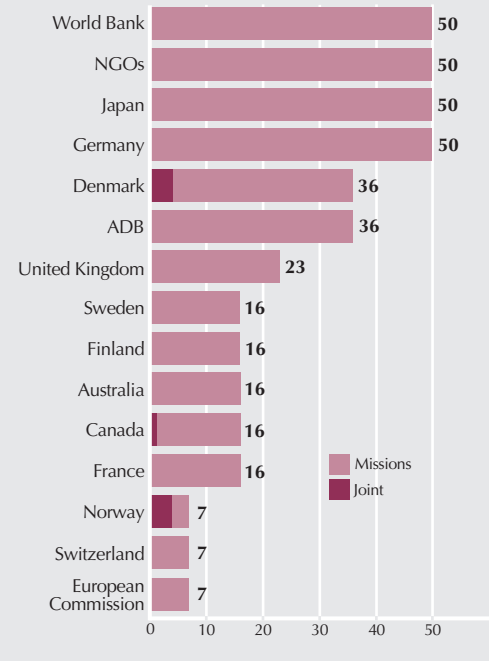
42% of donors claim to notify the government on indicative disbursements they plan to release over at least a three-year period. A further 32% qualified their responses (Indicator 12a – Table not presented). For example, the United Kingdom commits allocations for two years, but the third year's projection is indicative, contingent on UK government spending reviews. Germany has just started making commitments bi-annually rather than annually.

Some 50% of donors claim to provide comprehensive and regular information about in-country disbursements (Indicator 12b – Table not presented). The remainder of respondents qualify their answers, for example by stating that while information given is comprehensive, it is provided annually, a year in arrears. Japan is conducting an annual portfolio review bilaterally with the government to discuss the annual disbursement plans and the government actions necessary to secure the plan.

Only 37% of donors regularly shared information on their country analytic work (see Table 14.8 – Indicator 13). Several donors explain that while analytical work is not regularly posted on Web sites, they share it with relevant stakeholders by e-mail, through co-ordination groups and/or through the Ministry of Finance. Others report problems sharing information as some donor documents are not available in English.

Number of donor missions: 396

FIGURE 14.4 INDICATOR 10



Are diagnostic reviews being streamlined?

TABLE 14.7 INDICATOR 11

Diagnostic reviews (2001-03)	Was it undertaken jointly?
CFAA	YES
PER	YES
CPAR	YES
EACFM	YES
Five Banks JPR	YES

Who is sharing country analytic work?

TABLE 14.8 INDICATOR 13

YES!	YES	NO	NO!
France	Australia	Germany	Belgium
United States	Denmark	Norway	
ADB	Finland	Sweden	
European Commission	Japan		
IMF	Netherlands		
United Nations	Switzerland		
World Bank	United Kingdom		
	NGOs		

ACRONYMS

ADB	Asian Development Bank
APR	Annual progress review
CCBP	Comprehensive Capacity-Building Programme (Vietnam)
CFAA	Country financial accountability assessment
CG	Consultative group
CPAR	Country procurement assessment review
CPRGS	Comprehensive Poverty Reduction and Growth Strategy (Vietnam)
EACFM	*Ex ante* assessment of country financial management (European Commission)
IMF	International Monetary Fund
JBIC	Japan Bank for International Cooperation
JPR	Joint portfolio review
LMDG	Like Minded Donor Group (Vietnam)
MPI	Ministry of Planning and Investment (Vietnam)
MTEF	Medium-term expenditure framework
NGO	Non-governmental organisation
ODA	Official development assistance
PAR	Public administration reform
PER	Public expenditure review
PRS	Poverty-reduction strategy
PRSC	Poverty-reduction support credit
PRSP	Poverty-reduction strategy paper
SEDP	Socio-Economic Development Plan (Vietnam)
UN	United Nations

15 ZAMBIA

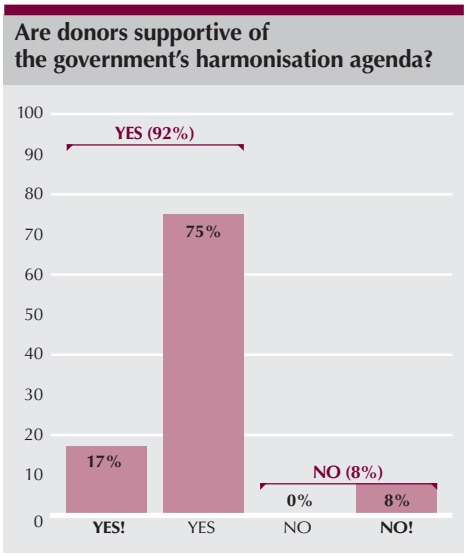
The survey sought to measure objective evidence of progress against 13 key indicators on harmonisation and alignment (see Foreword). A four-point scaling system was used for all of the "Yes/No" questions:

1. *"Yes without reseservations" 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.

Zambia's poverty-reduction strategy paper (PRSP) has been generally accepted as a framework for the provision of donor assistance, although it is recognised that its action plans could be clarified. Government ownership of the harmonisation process is coming into place in Zambia, thanks to the spring 2004 Harmonisation Memorandum of Understanding (MoU) and an aid policy document which is under development. The intention is to have this latter document, including its aid management assessment, ready by March 2005. The government also expects greater usage of budget support now that the newly approved poverty reduction and growth facility is in place (PRGF). The lack of committed government resources and capacity to follow up these issues, added to potentially competing and conflicting priorities, may slow progress, however. Clear technical leadership within the government also remains to be established. Greater participation, improved communication and simplification have all been highlighted as factors that will be essential for greater harmonisation in Zambia. Progress towards harmonisation in the health and education sectors in Zambia is noticeable.

FIGURE 15.1
INDICATOR 1



OWNERSHIP

A CLEAR AGENDA ON HARMONISATION

In 2004, the Zambian government agreed a MoU with approximately 70-80% of the donor community to address "co-ordination and harmonisation of government and donor practices for aid effectiveness in Zambia". An important activity under the harmonisation framework is the development by March 2005 of an aid policy document, which will outline Zambia's own harmonisation requirements.

92% of donors indicate that they are currently supporting the government's agenda (see Figure 15.1 – Indicator 1).

TABLE 15.1 INDICATOR 2

Is government co-ordinating aid?		
Is there a formalised process for dialogue?	**YES!**	
Is government proactive?		NO
Is government in the driving seat?		NO
Do donors' rules support harmonisation?		NO

58%

% of donors who take part in co-ordination

TABLE 15.2 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		NO
In co-ordination of aid	YES	

FORMAL GOVERNMENT-LED FRAMEWORK FOR DIALOGUE AND CO-ORDINATION

The government view is that Zambia's donors are, in principle, supportive of its agenda. To date, Denmark, Finland, Germany, Ireland, Japan, Netherlands, Norway, Sweden, United Kingdom, United Nations and the World Bank have signed the MoU on harmonisation of donor practices and Canada was due to sign in November 2004. However, not all donors are prepared to support the MoU: one bilateral donor notes that the MoU is "not compatible with existing rules and regulations of the agency".

Donor co-ordination is not yet fully in place, although it has recently been improved with regard to the PRSP, as the PRSP sector advisory groups have been revived (see Table 15.1 – Indicator 2).

The harmonisation agenda, despite being anchored at the highest level with the Ministry of Finance, suffers weak co-ordination due to a lack of committed resources to follow up regularly. There have been follow-up meetings since the signing of the MoU, but clear technical leadership and a fully developed national co-ordination structure within government are yet to be established. At present, donor co-ordination varies by sector, being strongest in the education and health sectors, where it takes place on a regular and structured basis. There are a number of other initiatives (*e.g.* the public expenditure management and accountability review [PEMFAR] and the public sector capacity building programme [PSCAP]) where the government convenes regular meetings that are attended by a number of donors.

The government notes that while it has the intention to use the MoU, and the guidelines contained therein to challenge donors, it has not yet used these tools actively. It reports that to date, peer pressure among donors themselves has been the most important means for influencing their behaviour.

CAPACITY DEVELOPMENT

Capacity weaknesses have been identified in public financial management and budget formulation, execution, reporting and review (see Table 15.2. – Indicator 3). A joint support programme, based on the PEMFAR analysis, was designed and due to be appraised at the end of June 2004. It was expected that it would lead towards joint donor support for financial management reform.

According to the Zambia 2004 PRSP progress report, the PEMFAR is "aimed at improving fiscal discipline, effectiveness in resource allocation and realisation of value for money in the execution of expenditures."

Development of a medium-term expenditure framework (MTEF) has commenced, but will be refined as part of PEMFAR. The government notes that, until this initiative comes on stream, support for capacity building is inadequate in these areas.

Capacity weaknesses have also been identified in aid co-ordination; the new aid policy, which is being developed jointly, is expected to address these.

ALIGNMENT

RELIANCE ON PARTNERS' NATIONAL DEVELOPMENT STRATEGIES

Donors rely on Zambia's PRSP for the provision of donor assistance, although it is recognised that its action plans could be clarified (see Figure 15.2 – Indicator 4). An indicator framework is in place, though it needs to be put to better use.

One bilateral donor notes:

> "Going forward, one of the major challenges will be to improve the link between the priorities in the PRSP and allocations in the MTEF and the annual government budgets."

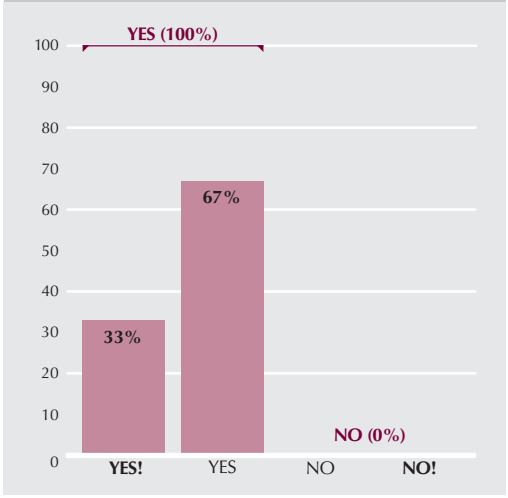
The first PRSP progress report, covering the period from January 2002 to June 2003, was released in the second quarter of 2004. The annual progress review (APR) process is still not well developed, though steps have been taken by the government to improve PRSP reporting by reviving the sector advisory groups and hosting an annual poverty-reduction conference. The second PRSP Progress Report (June 2003-June 2004) has also been presented.

One bilateral donor notes:

> It should be kept in mind that it is not that easy to switch from one sector to another from one year to another. Such decisions would probably best be made in connection to strategic reviews of the current total development co-operation assistance being provided, drawing upon experience from APRs or similar, and in close consultations with all (or as many as possible) donors. Efforts are underway in Zambia to work out a clearer and more efficient division of labour between donors, based on priorities expressed in the PRSP and funding flows heading to priority sectors.

Do donors rely on the PRS when programming official development assistance?

FIGURE 15.2 INDICATOR 4



The PRSP was planned to cover the period 2002-04. It is expected it will be extended by one year until the new national development plan covering 2006 to (most likely) 2010, is released sometime in early 2006.

BUDGET SUPPORT

Various forms of pooled funding support are provided to Zambia, although the only donor currently providing budget support is the European Commission (see Table 15.3 – Indicator 5).

The World Bank is currently in the process of finalising its budget support arrangements.

The United Kingdom reports that it is working closely with the ministries of finance and national planning and other development partners to move towards full direct budget support.

The government hopes that more donors will use the budget support modality now that it is placed on the PRGF[1].

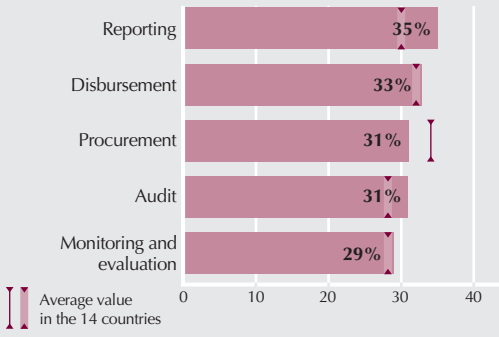
1. An IMF announcement in June 2004 stated: "The Executive Board of the International Monetary Fund has approved a three-year arrangement under the PRGF for Zambia in an amount equivalent to SDR 220.095 million (about USD 320.41 million) to support the government's economic programme into June 2007. The first disbursement of SDR 82.536 million (about USD 120.15 million) under the arrangement will become available immediately."

TABLE 15.3 INDICATOR 5

Is budget support predictable and aligned?				
Are budget support donors making:	**YES!**	YES	NO	**NO!**
▶ **multi-annual commitments?**	European Commission		Ireland Japan United Kingdom	
▶ **timely commitments?**	European Commission	Ireland	United Kingdom United Nations	
▶ **timely disbursements?**	European Commission		United Kingdom	

FIGURE 15.3 INDICATOR 6

Use of partner country systems



PROJECT SUPPORT

In comparison with other countries surveyed, Zambian government systems are used to an average extent (see Figure 15.3 – Indicator 6).

Under the Harmonisation MoU, donors commit themselves to an increased use of the Zambian Auditor General for external audits. Such an increase has been seen in both the health and the education sector SWAps.

SECTOR SUPPORT

Progress towards harmonisation differs considerably by sector (see Table 15.4 – Indicator 8).

Some donors provide sector support as part of sector-wide approaches (SWAps), rather than full budget support. Examples include:

- European Commission support for pooled funding in the education, health and road transportation sectors.
- UK support to the health and education SWAps.
- Irish multi-annual support to the health and education SWAps.

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

Health sector and education sector

The health sector and the education sector both have well developed SWAps, a clear government sector policy, a MTEF, good donor co-ordination mechanisms and government performance monitoring systems (PMSs). Both are well supported by donors (90% support the health sector and 82% the education sector) and progress towards harmonisation in both sectors is good.

Water sector

A unified sector policy is yet to be fully developed in the water sector. Assistance is being provided (*e.g.* by Denmark) to finalise a full sector policy. Discussions on the development of a SWAp have started, as have efforts to build capacity in government PMSs. Despite these efforts, progress towards harmonisation in the sector remains slow.

Alignment with sector programmes

TABLE 15.4
INDICATOR 8

▶ Are sector systems in place?	Health	Education	Water	Transport	Agriculture
Is government leading in the sector?	YES	YES	NO	YES	N/A
Does a clear sector policy exist?	**YES!**	**YES!**	**NO!**	**YES!**	**NO!**
Is a sector medium-term expenditure framework (MTEF) in place?	**YES!**	**YES!**	**NO!**	**YES!**	**NO!**
Is there sector co-ordination?	**YES!**	**YES!**	**NO!**	**YES!**	**NO!**
Is a sector monitoring system in place?	**YES!**	**YES!**	**NO!**	**YES!**	**NO!**
Are systems being harmonised?	**YES!**	**YES!**	**NO!**	NO	**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?	NO	NO	**NO!**	NO	**NO!**
Are donors using the government monitoring system?	**YES!**	**YES!**	NO	YES	NO

Transport sector

The government has a clear strategic plan (called the ROADSIP) which 100% of donors active in the sector are following. This is supported by a MTEF, formal donor co-ordination processes and a PMS. A pooled funding mechanism also exists in the sector. Despite this progress, however, the government reports that "donor interventions are mainly of the project type, administered in parallel systems."

Rural development

The draft national agriculture policy is still to be approved by the Cabinet. In the absence of such a strategy, agricultural policy comes from the PRSP. Given that the sector is private sector driven, its nature is noticeably different from the social sectors. An agricultural consultative forum has been established to facilitate a tripartite policy dialogue between the government, private sector and donors.

Other sectors

Donor support is also provided for the government decentralisation policy, the National AIDS Council, democratic and economic governance, energy, private sector and urban development.

HARMONISATION

The report "Harmonisation of Donor Practices for Aid Effectiveness in Zambia", commissioned by seven bilateral donors, states:

> Harmonisation between donors and with the government means to agree on a general policy framework as well as sector and sub-sector policies. This requires moving towards "like-mindedness", not only among the likeminded donors, but also "like-mindedness" with the government in terms of the overall goals/objective of the partnership; and with respect to the planned programmes/projects.
>
> […]
>
> The consultations during this study have led to the overall conclusion that there is an urgent need for Zambia and its co-operating partners to harmonise policy and public sector management systems and procedures in a way that would result in more effective aid management. It has become clear that the discussion of harmonisation among donors themselves in the form of joint working arrangements, including delegated co-operation, may reduce their transaction costs. However, the reduction of transaction costs within the Zambian government

system is equally as important, hence, the need to adopt a more inclusive approach to harmonisation in order for government to feel part of the process rather than an invited participant to a donor-driven initiative. This effectively calls for a change in the donor-partner relationship since the process regarding how the harmonisation initiative is handled becomes as important as the product of this collective effort.

In exploring the way forward for increased harmonisation, the three guiding principles of compatibility with the partner; simplicity; and achievability should be highlighted. This is likely to require that donors consider the pace at which harmonisation can take place, including the pace at which the government operates, government capacity, and ways to broaden the harmonisation group (including greater participation by civil society).

The "Aid Harmonization & Alignment" Web site (*www.aidharmonisation.org*) sets out the government's approach to taking the lead on harmonisation:

> The overall approach will be guided by the following principles to which both government and donors subscribe:
>
> (a) Leadership, co-ordination and guidance by the government.
>
> (b) A commitment to civil service reform.
>
> (c) Public financial management reform.
>
> (d) A commitment to using the PRSP as a basis for strategic planning and monitoring.
>
> (e) A commitment to the adoption of SWAps and the possible move toward direct budget support.

The development of the Harmonisation MoU should provide the framework for further participation in this process.

TABLE 15.4 INDICATOR 7

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

STREAMLINING CONDITIONALITY

The only sectors in which streamlining of conditionalities has occurred are health and education, the two sectors with pooled funding for SWAps (see Table 15.4 – Indicator 7).

DELEGATED CO-OPERATION

Indicator 9 shows that 17% of donors in Zambia report to be party to an agreement to perform tasks on behalf of other donors. A further 33% qualified their responses (see Table 15.5). For example:

- Norway looks after the infrastructure component of support to the National AIDS Council on behalf of the UK Department for International Development (DFID) and other donors;
- In support of parliamentary reform, and the PEMFAR reform programme, Ireland has a reciprocal delegated co-operation agreement with the Netherlands;
- Norwegian support to the agricultural sector is channelled through the Netherlands. On the other hand, Norway plays the active role in the joint Norwegian/Dutch support to the Office of the Auditor-General;
- Several donors have established silent partnerships in the non-governmental organisation (NGO) sector.

TABLE 15.6 INDICATOR 9

Who is delegating co-operation?			
YES!	YES	NO	**NO!**
Germany Netherlands	Ireland Norway United Kingdom United Nations	Sweden	Denmark Finland Japan United States European Commission

DONOR FIELD MISSIONS

Approximately 130 missions took place in Zambia in 2003 (not including the World Bank or the International Monetary Fund). Around 10% of these missions were undertaken jointly (see Figure 15.4 – Indicator 10).

STREAMLINING DIAGNOSTIC REVIEWS

Three types of review, a CFAA, a PER and a CPAR were conducted in the period 2001-03. Of these, only the PER was conducted jointly by more than one agency (Indicator 11 – Table not presented).

DISCLOSING INFORMATION

33% of donors claim to notify government on indicative disbursements they plan to release over at least a three-year period (Indicator 12a – Table not presented).

Donors report that the format for projections requested by the government does not specify a breakdown by aid modality, nor requests details of any conditions attached to the disbursement.

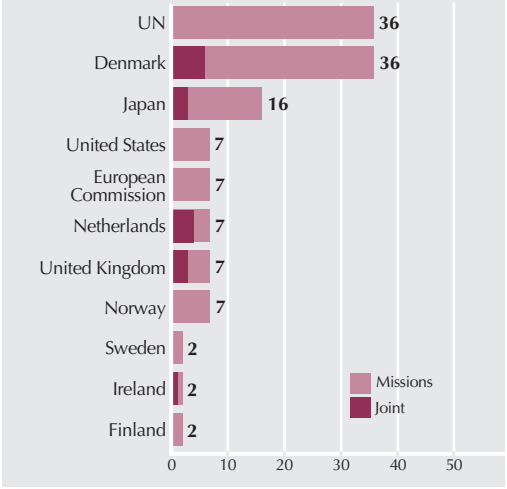
Several donors note that, while they do not provide three-year indicative envelopes on expected aid flows, they do share any available information when requested by the government. However, to date the government has not regularly asked for any information regarding planned disbursements. The one exception concerns a request for information on the budget framework 2005-07, for which it provided a format for the answer.

Some 17% of donors claim to provide comprehensive and regular information about in-country disbursements (Indicator 12b – Table not presented).

Donors report that, though they provide such information when requested, the government system for soliciting it is not yet fully functional. When information is asked, it tends to be in the health and education sectors, where financial planning is better organised than in other sectors.

Number of donor missions: 129

FIGURE 15.4 INDICATOR 10



Who is sharing country analytic work?

TABLE 15.6 INDICATOR 13

YES!	YES	NO	NO!
European Commission	Denmark	Finland	Ireland
USAID	Japan	Netherlands	
	Norway	Sweden	
	United Kingdom		
	United Nations		

Several donors submit disbursement information to the government, though not in a government format. One donor reports that no real guidance on the preferred format has so far accompanied the occasional requests for information.

Only 18% of donors regularly share information on their country analytic work on the country analytic Web site (see Table 15.6 – Indicator 13).

Others share information on their own agency Web sites; or with interested stakeholders; or make it available upon request. The harmonisation group seeks to prepare joint briefings for donor headquarters on key development issues in Zambia.

ACRONYMS

ADB	Asian Development Bank
APR	Annual progress review
CCBP	Comprehensive Capacity-Building Programme (Vietnam)
CFAA	Country financial accountability assessment
CG	Consultative group
CPAR	Country procurement assessment review
CPRGS	Comprehensive Poverty Reduction and Growth Strategy (Vietnam)
EACFM	*Ex ante* assessment of country financial management (European Commission)
IMF	International Monetary Fund
JBIC	Japan Bank for International Cooperation
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MTEF	Medium-term expenditure framework
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PAR	Public administration reform
PER	Public expenditure review
PRS	Poverty-reduction strategy
PRSC	Poverty-reduction support credit
PRSP	Poverty-reduction strategy paper
SEDP	Socio-Economic Development Plan (Vietnam)
UN	United Nations

ACRONYMS

ADB	Asian Development Bank
ADB DSAA	Asian Development Bank's Diagnostic Study of Accounting and Auditing
AFDB	African Development Bank
AMP	Aid management platform
APR	Annual progress review
AusAID	Australian Agency for International Development
BACC	Budget and Aid Coordinating Committee (Fiji)
BDF	Bangladesh Development Forum
CCBP	Comprehensive Capacity-Building Programme (Vietnam)
CDC	Council for the Development of Cambodia
CEO	Chief executive officer
CFAA	Country financial accountability assessment
CG	Consultative group
CIDA	Canadian International Development Agency
CPAR	Country procurement assessment report
CPRGS	Comprehensive Poverty Reduction and Growth Strategy (Vietnam)
CPRM	Country programming review mission
DAC	Development Assistance Committee (OECD)
DAC	(Tanzania) Development Assistance Committee
DAG	Development Assistance Group (Ethiopia)
DANIDA	Danish International Development Agency
DFID	Department for International Development (United Kingdom)
DPG	Development Partners' Group (Tanzania)
EACFM	*Ex ante* assessment of country financial management (European Commission)
EBRP	*Estrategia Boliviana de Reducción de la Pobreza* (Bolivia)
EIA	Environmental impact assessment
FAO	Food and Agricultural Organization
HIPC	Heavily indebted poor countries
HLF	High-Level Forum
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IMF	International Monetary Fund
IMF ROSC	International Monetary Fund's Report on the Observance of Standards and Codes
ISDB	Islamic Development Bank
JBIC	Japan Bank for International Cooperation
JCLA	Joint Country Learning Assessment (Nicaragua)
JFA	Joint financing arrangement
JICA	Japan International Cooperation Agency
JPR	Joint portfolio review
LCG	Local consultative group (Bangladesh)
LMDG	Like Minded Donor Group (Vietnam)
M&E	Monitoring and evaluation
MDB	Multilateral development bank
MDG	Millennium Development Goal
MEF	Ministry of Economy and Finance
MoF	Ministry of Finance
MOFED	Ministry of Finance and Economic Development (Ethiopia)
MoU	Memorandum of understanding
MPF	Ministry of Planning and Finance
MPI	Ministry of Planning and Investment (Vietnam)
MSD	Medical Stores Department (Tanzania)
MTBF	Medium-term budgeting framework
MTEF	Medium-term expenditure framework
MTEP	Medium-term expenditure programme
NDP	National development plan
NGO	Non-governmental organisation
NPRS	National poverty-reduction strategy
NZAID	New Zealand's International Aid and Development Agency
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OED	Operations Evaluation Department (World Bank)
PAF	Performance assessment framework
PAR	Public administration reform
PARPA	*Plano de Acção de Redução da Pobreza Absoluta* (Mozambique)
PEDP-II	Primary Education Development Programme (Bangladesh)
PEFA	Public Expenditure and Financial Accountability
PEMFAR	Public expenditure management and accountability review
PER	Public expenditure review

PETS	Public expenditure tracking surveys
PFM	Public financial management
PMS	Performance-management system
PRGF	Poverty reduction and growth facility
PRS	Poverty reduction strategy
PRSC	Poverty-reduction support credit
PRSP	Poverty-reduction strategy paper
PSCBP	Public sector capacity building programme (Ethiopia)
RGC	Royal Government of Cambodia
SDP	Strategic development plan
SDPRP	Sustainable development and poverty reduction paper (Ethiopia)
SEDP	Socio-Economic Development Plan (Vietnam)
SEDP-II	Second Socio-Economic Development Plan (Cambodia)
Sida	Swedish International Dwevelopment Cooperation Agency
SIGMA	*Sistema Integrado de Gestión y Modernización Administrativa* (Integrated System of Management and Administrative Modernisation) (Bolivia)
SPA	Strategic Partnership with Africa
SWAp	Sector-wide approach
TAS	Tanzania Assistance Strategy
UN	United Nations
UNDP	United Nations Development Programme
UNDP CONTACT	United Nations Development Programme's Country Assessment in Accountability and Transparency
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WHO	World Health Organization

ANNEX A

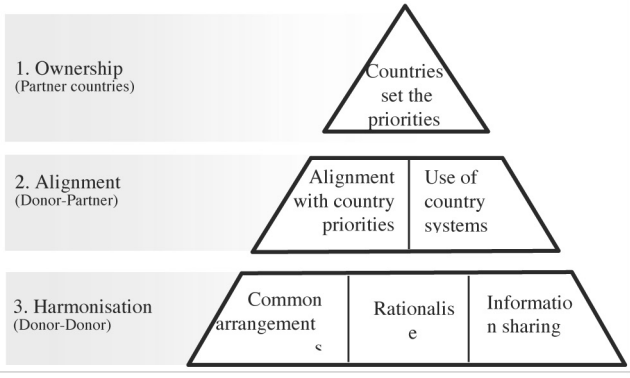
Explanatory Note
on the questionnaire

Survey on Harmonisation and Alignment

I. INTRODUCTION

The Rome Declaration on Harmonisation invited donors and partner countries to develop indicators to measure progress over time in aid harmonisation and alignment. To this end, an OECD-DAC Task Team[1] has elaborated a framework of indicators organised around the three key dimensions of the Rome Declaration (see Figure A.1).

Figure A.1. **The Rome commitments on harmonisation and**



For each of these dimensions the framework identifies a limited set of indicators — contained in the Rome Declaration — that are of strategic importance to the enhancement of aid effectiveness (see Table A.1).

In order to capture progress in the areas covered by the framework of indicators a questionnaire has been designed. It is divided into three parts. **Part 1** of the questionnaire seeks to measure progress in establishing the basic *building blocks of effective partnerships* between governments and the donor community. **Part 2** seeks to measure *progress made by donors* in implementing improvements in aid practices. **Part 3** captures *government perspectives* on donor practices. The survey will be carried out in 14 developing countries. These are:

Africa	Asia	Latin America	Pacific Region
▪ Ethiopia	▪ Bangladesh	▪ Bolivia	▪ Fiji
▪ Morocco	▪ Cambodia	▪ Nicaragua	
▪ Mozambique	▪ Kyrgyz Republic		
▪ Niger	▪ Vietnam		
▪ Senegal			
▪ Tanzania			
▪ Zambia			

[1] The OECD-DAC Task Team on Harmonisation and Alignment and the Joint Venture on Public Financial Management bring together all of the main donor organisations and 15 representatives of partner countries.

Findings from this exercise will then be used to report progress to the **second High-Level Forum on Harmonisation** in **Paris** in early 2005. The survey is to be completed and a final report made available by September 2004.

II. THE QUESTIONNAIRE

The three-part questionnaire seeks to **measure objective evidence of progress** against 13 key indicators of progress on harmonisation and alignment (see Table A.1). A "Yes/No" format has been used for this questionnaire. Inevitably, however, answers to some questions will not be clear cut and will require some form of qualification. This is why two additional categories have been added: "Qualified yes (yes, but …)" and "Qualified no (no, but…)". Both of these categories require respondents to provide additional qualitative information. The result amounts to a four-point scaling system.

Table A.1. **The 13 indicators of progress in harmonisation and alignment**

Rome Commitments on Harmonisation & Alignment				
1. Ownership	Partner countries co-ordinate development assistance			
	A	Partner countries assume leadership role in the coordination of development assistance (§3)	1	Partner countries set their agenda for greater harmonisation and alignmer
			2	Partner countries lead national coordination processes.
	B	Donors support partner countries' capacity to manage development assistance (§6)	3	Donors to support partner countries' capacity to manage and coordinate eff development assistance.
2. Alignment	Donors align aid with partner country priorities and systems			
	C	Development assistance is increasingly delivered in accordance with partner countries' priorities (§5.1)	4	Donors' country assistance strategies are aligned with poverty reduction s equivalent national frameworks.
	D	Donors rely on partner country systems & procedures (§5)	5	Budget support is programmed and disbursed in accordance with partner priorities and budget procedures.
			6	Project support is increasingly delivered through partner countries' systen procedures.
3. Harmonisation	Donors streamline aid delivery			
	E	Donors implement common arrangements for planning, managing and delivering aid (§6;7)	7	Donors clarify the circumstances under which they might suspend or adju
			8	Donors support sector approaches in key policy areas.
			9	Number of agreements on delegated co-operation.
	F	Donors reduce missions, reviews and reports where appropriate (§5.2;§5.7)	10	Number of donor missions per partner country, of which joint donor miss
			11	Donors streamline diagnostic reviews.
	G	Donors are transparent about their activities (§6)	12	Donors disclose information on planned and actual aid flows.
			13	Donors share analytic work at country level.

III. Role of lead facilitators

In each of the 14 countries, the questionnaire will be managed by a lead facilitator — usually a donor who plays a lead role in the country or the government itself. The **role of the lead facilitator** will be to:

- Ensure that government and donors are appropriately informed and receive an adequate opportunity to comment on responses.
- Convene a meeting of representatives from donors and government in order to complete Part 1 of the questionnaire.
- Support donors in completing Part 2 of the questionnaire and government for Part 3.
- Attempt to form a consensus on key issues outlined in the questionnaire.
- Control quality and consistency of responses provided.
- Communicate responses to the OECD secretariat for analysis.

IV. Key steps

1. By **May 2004**, the OECD secretariat will send the questionnaire to all DAC members and observers associated with the DAC Working Party on Aid Effectiveness and Donor Practices. The questionnaire will also be sent to lead facilitators in countries where the survey will be conducted.
2. Each donor will take responsibility for forwarding the documents to their local in-country representatives in the 14 countries included in this exercise.
3. Lead facilitators in partner countries will also forward the documents to all local donor representatives and to government, so that all relevant stakeholders are appropriately informed.
4. Lead facilitators should collect all completed questionnaires (Part 1, Part 2 and Part 3) for onward submission to the OECD secretariat by **30 June 2004** at the latest.
5. Assuming a common position can be found, the lead facilitator will complete Part 1 of the questionnaire on behalf of all representatives and submit this along with individual contributions from donors (Part 2) and government (Part 3).
6. The lead facilitator will disseminate responses to all parts of the questionnaire to local partners, including the common position agreed by partners at the meeting.
7. The OECD secretariat will analyse all responses submitted and produce a report by September 2004 which will be will be presented and discussed at the Task Team meeting in July 2004 with a view to incorporating it into the report to the second High-Level Forum on Harmonisation scheduled in early 2005.
8. The OECD secretariat will make available copies of the final report to all participating donors and governments.

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ANNEX B

Part 1 of the Questionnaire **Common Perspectives**	OECD-DAC Survey **on Progress in Harmonisation & Alignment**

To be completed jointly by government and donors

Please complete the form electronically. For more information on the background and purpose of this questionnaire please refer to the explanatory note.

Harmonisation and alignment is all about setting up effective partnerships between the partner country and the donor community. The aim of **Part 1** of the questionnaire is to measure collective progress made in establishing the fundamental building blocks of this partnership — is there an effective framework for dialogue between government and donors? Is there clarity over government's priorities in the area of harmonisation and alignment, etc?

In order to complete Part 1, the lead facilitator (*see explanatory note for more information*) will convene a meeting with all donors and appropriate government representatives from government with a view to reaching mutually agreed responses to the various questions. If, however, it is not possible to form a common response, those respondents who are in disagreement will be required to submit their original responses separately. Part 1 will then be communicated by the lead facilitator to the OECD Secretariat by **30 June 2004** at the latest.

Please indicate:

- Country: *[Type here]*
- Lead facilitator: *[Type here]*
- Date of meeting: *[Type here]*
- List of donor representatives: organisation, name, telephone & email (please append list to questionnaire).
- List of government representatives: ministry, name, telephone & email (please append list to questionnaire).

SECTION A: OWNERSHIP

Indicator 1 — Partner countries set their agenda for greater harmonisation and alignment.

Little progress is to be expected in the area of harmonisation and alignment if the partner government does not clearly state its agenda in this area — this is referred to as a country-based action plan in the Rome Declaration on harmonisation. This agenda sets out the government's expectations and priorities with regard to how donors provide development assistance and might include topics such as modalities for disbursing and notifying development assistance and definition of the principles for interacting with the donor community etc. In some countries the agenda might have already been established for some time (e.g. Uganda's PEAP and Partnership Principles), while in others, work is still underway. This indicator seeks to measure progress accomplished so far in this area. (*Part 2 of the questionnaire examines whether individual donors are implementing the agenda.*)

1a) Clear agenda on harmonisation — The government has set and communicated its agenda for coordinating, harmonising & aligning development assistance at country level.	
4 Point Scale	**Indicative criteria for rating**

1a) Clear agenda on harmonisation — The government has set and communicated its agenda for coordinating, harmonising & aligning development assistance at country level.	
4 Point Scale	**Indicative criteria for rating**
1 ☐ Yes	The government has disclosed a document setting out the operational principles for coordinating, harmonising & aligning development assistance at country level. E.g. The PEAP in Uganda and action plan on harmonisation in Vietnam.
2 ☐ Qualified yes	*Please qualify your response in less than 150 words: [Type here]*
3 ☐ Qualified no	*Please qualify your response in less than 150 words: [Type here]*
4 ☐ No	The government has not disclosed its agenda on harmonisation etc.
swer	

Indicator 2 — Partner countries lead national co-ordination processes.

For harmonisation and alignment to be effective it should be co-ordinated directly by the partner government. The institutional set-up for coordinating aid will typically vary from one country to another. In some cases, the Ministry of Economy will perform co-ordination of aid at country level, where as in others, it will be the office of the Prime Minister. Regardless of the institutional set-up, the existence of an appropriate framework for dialogue and co-ordination is an important feature of country ownership over in-country development activities. It is equally important that the government exercises ownership and leadership over the co-ordination processes; this includes organising and chairing meetings and setting the agendas. (*Part 2 of the questionnaire examines the extent to which donors take part in these processes.*)

2a) Formalised process for overall co-ordination & policy dialogue— A formalised process for overall donor co-ordination and policy dialogue has been established at country level (*see indicator 8 for co-ordination at sector level*).	
4 Point Scale	**Indicative criteria for rating**
1 ☐ Yes	☑ Government plays a leading role in chairing meetings on co-ordination, harmonisation & alignment of development assistance. ☑ Government and donors have agreed on the terms of reference for engaging in discussions: frequency of meetings, scope of issues to be discussed, arrangements for chairing etc. ☑ Government and donors meet regularly to discuss issues related to co-ordination & harmonisation of activities and alignment.
2 ☐ Qualified yes	*Please qualify your response in less than 150 words: [Type here]*
3 ☐ Qualified no	*Please qualify your response in less than 150 words: [Type here]*
4 ☐ No	None of the above criteria apply.
swer	

2b) Government takes a pro-active approach — Government challenges donors when they fail to abide by the nationally agreed principles for coordinating, harmonising & aligning development assistance (e.g. uncoordinated missions etc.).	
4 Point Scale	**Indicative criteria for rating**

2b) Government takes a pro-active approach — Government challenges donors when they fail to abide by the nationally agreed principles for coordinating, harmonising & aligning development assistance (e.g. uncoordinated missions etc.).	
1 ☐ **Yes**	Government systematically and openly challenges donors when they fail to abide by the nationally agreed principles for co-ordinating, harmonising & aligning development assistance. E.g. Donors plan and time missions in an uncoordinated way.
2 ☐ Qualified yes	*Please qualify your response in less than 150 words: [Type here]*
3 ☐ Qualified no	*Please qualify your response in less than 150 words: [Type here]*
4 ☐ **No**	Government does not usually challenge donors.
swer	

Indicator 3 — Donors support partner countries' capacity to manage and co-ordinate effectively development assistance.

Implementing the harmonisation and alignment agenda often signifies that donors will be placing an increased reliance on partner country systems and procedures to manage and co-ordinate development assistance. In some countries, appropriate and effective systems are already in place. In others, partner governments might request support from donors to build their institutional capacity to manage development assistance. Where weaknesses have been identified, government's capacity will be enhanced by providing support in the context of a government-led strategy for improving overall management of development assistance. These strategies are most effective when donors' aggregate support matches partner government's needs. This indicator seeks to identify progress in these areas.

3a) Weaknesses have been identified — Government recognises that its capacity should be strengthened in the following areas.					
4 Point Scale	**Indicative criteria for rating**				
1 Yes	Capacity needs have been identified by government and donors and have been articulated in the national development plan (or harmonisation plan if this is a different document)				
2 Qualified yes	[*Please qualify answer in comment box below*]				
3 Qualified no	[*Please qualify answer in comment box below*]				
4 No	Government does not recognise the need to strengthen capacity.				
Please tick boxes for following categories:					
1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	i) Public Financial Management or Procurement.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	ii) Budget formulation, execution, reporting & review.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	iii) Overall co-ordination of aid.
***Comments** -- If you have ticked box 2 or 3 please qualify your response in less than 150 words:*					
i) Public Financial Management or Procurement: *[Type here]*					
ii) Budget formulation, execution, reporting & review: *[Type here]*					
iii) Overall co-ordination of aid: *[Type here]*					

3b) Weaknesses are being addressed — Government and donors are currently working together to build capacity in the following areas:					
4 Point Scale	**Indicative criteria for rating**				
1 Yes	☑ A government-led strategy is in place for improving performance and capacity. ☑ Diagnostic reviews have been undertaken and are fully integrated with capacity building efforts. ☑Government and donors are actively working together to address needs.				
2 Qualified yes	[*Please qualify answer in comment box below*]				
3 Qualified no	[*Please qualify answer in comment box below*]				
4 No	None of the above criteria apply.				
Please tick boxes for following categories:					
1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	i) Public Financial Management or Procurement.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	ii) Budget formulation, execution, reporting & review.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	iii) Overall co-ordination of aid.
Comments *-- If you have ticked box 2 or 3 please qualify your response in less than 150 words:*					
i) Public Financial Management or Procurement: *[Type here]*					
ii) Budget formulation, execution, reporting & review: *[Type here]*					
iii) Overall co-ordination of aid: *[Type here]*					

3c) Level of support for capacity building is appropriate — Government and donors agree that the level of support for capacity building matches government's needs in the following areas.					
4 Point Scale	**Indicative criteria for rating**				
1 Yes	Donors' aggregate support fully matches government needs.				
2 Qualified yes	[*Please qualify answer in comment box below*]				
3 Qualified no	[*Please qualify answer in comment box below*]				
4 No	Donors' aggregate support does not match government's needs.				
Please tick boxes for following categories:					
1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	i) Public Financial Management or Procurement.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	ii) Budget formulation, execution, reporting & review.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	iii) Overall co-ordination of aid.
Comments *-- If you have ticked box 2 or 3 please qualify your response in less than 150 words:*					
i) Public Financial Management or Procurement: *[Type here]*					
ii) Budget formulation, execution, reporting & review: *[Type here]*					
iii) Overall co-ordination of aid: *[Type here]*					

SECTION B: ALIGNMENT

Indicator 4 — Donors' country assistance strategies are aligned with PRSs or equivalent national development plan.

One of the fundamental principles of the harmonisation and alignment agenda is that donors should support country-owned, country-led poverty reduction strategies (PRS) —or equivalent national development plan — and base their programming on the needs and priorities identified in these. The questions below seek to measure how this principle has been given some reality and translates into operations. (*Part 2 examines the extent to which donors rely on these strategies when programming development assistance.*)

4a) Completion of a strategy — The government has completed a poverty reduction strategy (PRS), or equivalent national framework, that sets out government's national development strategy.	
4 Point Scale	**Indicative criteria for rating**
1 ☐ Yes	☑ Government has adopted the PRS or equivalent development plan. ☑ Government presented the PRS, or equivalent national framework, to donors. ☑The World Bank or IMF has endorsed the PRS or equivalent national framework.
2 ☐ Qualified yes	*Please qualify your response in less than 150 words: [Type here]*
3 ☐ Qualified no	*Please qualify your response in less than 150 words: [Type here]*
4 ☐ No	None of the above criteria apply.
swer	

4b) Operationalising strategy — The PRS or national development strategies are clearly stated with relevant quantitative and qualitative targets that might enable donors to align their programming on the needs and priorities identified in these.	
4 Point Scale	**Indicative criteria for rating**
1 ☐ Yes	☑ A link is established between national development strategy and budget priorities. ☑ A clear set of policy actions are planned over the medium term. ☑ A set of quantitative indicators measure progress towards the achievement of the policy objectives set out in the PRS or national development strategy.
2 ☐ Qualified yes	*Please qualify your response in less than 150 words: [Type here]*
3 ☐ Qualified no	*Please qualify your response in less than 150 words: [Type here]*
4 ☐ No	None of the above criteria apply.
swer	E.g. Government has not completed a strategy.

4c) Annual Progress Review — A national process is in place for reviewing annual progress in implementing the PRS or national equivalent framework (e.g. Annual Progress Review).	
4 Point Scale	**Indicative criteria for rating**
1 ☐ Yes	☑Annual Progress Review (APR) establishes link between implementation of the development strategy and annual budget execution in all the key policy sectors (health, education, water, transport, rural development, etc.) ☑ APR assesses progress in implementing a clear set of actions in all the key policy sectors. ☑ APR assesses progress against a set of quantitative indicators that measure progress towards the achievement of all the key policy objectives.
2 ☐ Qualified yes	*Please qualify your response in less than 150 words: [Type here]*
3 ☐ Qualified no	*Please qualify your response in less than 150 words: [Type here]*
4 ☐ **No**	None of the above criteria apply.
swer	E.g. Government has not completed a strategy.

– **Indicators 5 & 6:** *[Are covered only in Part 2 and/or Part 3 of the questionnaire]*

SECTION C: HARMONISATION

– **Indicator 7 — Donors clarify within a single a document the circumstances under which they might suspend or adjust support.**

One of the good practices endorsed at the Rome High-Level Forum on Harmonisation is that donors should set out within a single document their conditions — drawn from a partner's PRS. This document should define the conditions and the circumstances under which donors might suspend or adjust the volume of development assistance they might provide. This good practice has many benefits such as improving transparency of donor activities, increasing predictability of aid and enhancing government's ability to plan development assistance. It also helps donors avoid presenting government with an excessive number of potentially conflicting conditions. The purpose of this indicator is to measure progress in this area.

7a) Streamlining conditionality — In which of the following sectors/instruments, have donors and government agreed and set out within a single document circumstances under which each donor would suspend support within a year or adjust the volume of development assistance it might provide.	
4 Point Scale	**Indicative criteria for rating**
1 Yes	A single document maps comprehensively all donor conditions.
2 Qualified yes	[*Please qualify answer in comment box below*]
3 Qualified no	[*Please qualify answer in comment box below*]
4 No	Nothing has been done in this area.

7a) Streamlining conditionality — In which of the following sectors/instruments, have donors and government agreed and set out within a single document circumstances under which each donor would suspend support within a year or adjust the volume of development assistance it might provide.					
Please tick boxes for following sectors:					
1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	i) Direct Budget Support.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	ii) Health Sector	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	iii) Education Sector.
1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	iv) Water Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	v) Transport/Road Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	vi) Rural Development / Agriculture..
Comments *-- If you have ticked box 2 or 3 please qualify your response in less than 150 words:*					
i) Direct Budget Support: *[Type here]*					
ii) Health Sector: *[Type here]*					
iii) Education Sector: *[Type here]*					
iv) Water Sector: *[Type here]*					
v) Transport/Road Sector: *[Type here]*					
vi) Rural Development / Agriculture: *[Type here]*					
vi) Other: *[Type here]*					

Indicator 8 — Donors support sector approaches in key policy sectors.

A sector approach is a partnership between government and donors in key policy sectors such as education, health, and water. The aim of this partnership is to improve the effectiveness of development policies and broaden government ownership over public sector policy and allocation of resources. It also seeks to increase the coherence between policy, spending and results. To be achieved, these objectives typically require establishing five building blocks: (i) a clear sector policy; (ii) a medium term expenditure programme; (iii) a formalised process of donor co-ordination; (iv) a performance monitoring system and; (v) an agreed process for harmonising systems and procedures. In providing support to sector approaches donors might rely on a variety of funding arrangements including stand-alone projects. The purpose of the questions below is to ascertain how much progress has been made in establishing these building blocks in five key policy sectors: health, education, water, transport and rural development/agriculture. (*Part 2 of the questionnaire examines the extent to which donors support sector systems*.)

8a) Clear Sector Policy — Sector policy and strategy are clearly stated with relevant quantitative and qualitative targets that might enable donors to align their sector programming on the needs and priorities set out in these.	
4 Point Scale	**Indicative criteria for rating**
1 Yes	☑ A link is established between sector policy and sector budget priorities. ☑ A clear set of sector policy actions are planned over the medium term. ☑ A set of quantitative indicators measure progress towards the achievement of the policy objectives set out in the sector policy.

8a) Clear Sector Policy — Sector policy and strategy are clearly stated with relevant quantitative and qualitative targets that might enable donors to align their sector programming on the needs and priorities set out in these.					
2 Qualified yes	[*Please qualify answer in comment box below*]				
3 Qualified no	[*Please qualify answer in comment box below*]				
4 No	None of the above criteria apply.				
Please tick boxes for following sectors:					
1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	i) Health Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	ii) Education Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	iii) Water Sector.
1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	iv) Transport/Road Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	v) Rural Development / Agriculture.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	vi) Other.
Comments *-- If you have ticked box 2 or 3 please qualify your response in less than 150 words:*					
i) Health Sector: *[Type here]*					
ii) Education Sector: *[Type here]*					
iii) Water Sector: *[Type here]*					
iv) Transport/Road Sector: *[Type here]*					
v) Rural Development / Agriculture: *[Type here]*					
vi) Other: *[Type here]*					

8b) Medium term expenditure programme — A medium term expenditure programme, based on a comprehensive action plan, clarifies available resources (domestic and external) and describes use of these resources in pursuit of the sector policy.					
4 Point Scale	**Indicative criteria for rating**				
1 Yes	☑The medium term expenditure programme clarifies volume of available resources (domestic and external). ☑ It sets out how funds will be used in pursuit of sector policy objectives. ☑ It is comprehensive in its coverage of sector policy actions. ☑ It includes all donor flows, including different forms of technical assistance.				
2 Qualified yes	[*Please qualify answer in comment box below*]				
3 Qualified no	[*Please qualify answer in comment box below*]				
4 No	A medium term expenditure programme is not currently available.				
Please tick boxes for following sectors:					
1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	i) Health Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	ii) Education Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	iii) Water Sector.

8b) Medium term expenditure programme — A medium term expenditure programme, based on a comprehensive action plan, clarifies available resources (domestic and external) and describes use of these resources in pursuit of the sector policy.					
4 Point Scale	**Indicative criteria for rating**				
1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	iv) Transport/Road Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	v) Rural Development / Agriculture.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	vi) Other.
Comments *-- If you have ticked box 2 or 3 please qualify your response in less than 150 words:*					
i) Health Sector: *[Type here]*					
ii) Education Sector: *[Type here]*					
iii) Water Sector: *[Type here]*					
iv) Transport/Road Sector: *[Type here]*					
v) Rural Development / Agriculture: *[Type here]*					
vi) Other: *[Type here]*					

8c) Formalised process of donor co-ordination — A government-led process of donor co-ordination is in place at sector level.					
4 Point Scale	**Indicative criteria for rating**				
1 Yes	☑ Government plays a leading role in chairing meetings on co-ordination, harmonisation & alignment of development assistance. ☑ Government and donors have agreed on the terms of reference for engaging in discussions: frequency of meetings, scope of issues to be discussed, arrangements for chairing etc. ☑ Government and donors regularly meet to discuss issues related to co-ordination & harmonisation of activities and alignment.				
2 Qualified yes	[*Please qualify answer in comment box below*]				
3 Qualified no	[*Please qualify answer in comment box below*]				
4 No	None of the above criteria apply.				
Please tick boxes for following sectors:					
1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	i) Health Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	ii) Education Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	iii) Water Sector.
1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	iv) Transport/Road Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	v) Rural Development / Agriculture.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	vi) Other.
Comments *-- If you have ticked box 2 or 3 please qualify your response in less than 150 words:*					
i) Health Sector: *[Type here]*					
ii) Education Sector: *[Type here]*					

8c) Formalised process of donor co-ordination — A government-led process of donor co-ordination is in place at sector level.	
4 Point Scale	**Indicative criteria for rating**
iii) Water Sector: *[Type here]*	
iv) Transport/Road Sector: *[Type here]*	
v) Rural Development / Agriculture: *[Type here]*	
vi) Other: *[Type here]*	

8d) Performance monitoring system — A comprehensive performance monitoring system measures progress towards the achievement of policy objectives and targeted results.	
4 Point Scale	**Indicative criteria for rating**
1 Yes	☑ Performance monitoring system providing a detailed definition of the performance indicators used. ☑ It provides a description of the source, method, frequency and schedule of data collection. ☑ It provides information on the department, team, or individual responsible for ensuring data are available on schedule.
2 Qualified yes	[*Please qualify answer in comment box below*]
3 Qualified no	[*Please qualify answer in comment box below*]
4 No	A performance monitoring system is not currently available.

Please tick boxes for following sectors:

1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	i) Health Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	ii) Education Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	iii) Water Sector.
1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	iv) Transport/Road Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	v) Rural Development / Agriculture.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	vi) Other.

***Comments** -- If you have ticked box 2 or 3 please qualify your response in less than 150 words:*

i) Health Sector: *[Type here]*
ii) Education Sector: *[Type here]*
iii) Water Sector: *[Type here]*
iv) Transport/Road Sector: *[Type here]*
v) Rural Development / Agriculture: *[Type here]*
vi) Other: *[Type here]*

8e) Process towards harmonised systems — An agreed process for moving towards harmonised systems is in place. Harmonised systems might include: funding modalities, financial management, procurement and sector analytic work.

8e) Process towards harmonised systems — An agreed process for moving towards harmonised systems is in place. Harmonised systems might include: funding modalities, financial management, procurement and sector analytic work.	
4 Point Scale	**Indicative criteria for rating**
1 Yes	☑ Government and donors have already agreed on a process for harmonised systems that improves the effectiveness of aid delivery mechanisms and diminishes transaction costs for government. ☑ Agreement covers key areas of aid delivery might include **funding modalities**, financial management, procurement and sector analytic work.
2 Qualified yes	[*Please qualify answer in comment box below*]
3 Qualified no	[*Please qualify answer in comment box below*]
4 No	There isn't an agreed process for moving towards harmonised systems.

Please tick boxes for following sectors:					
1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	i) Health Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	ii) Education Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	iii) Water Sector.
1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	iv) Transport/Road Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	v) Rural Development / Agriculture.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	vi) Other.

Comments *-- If you have ticked box 2 or 3 please qualify your response in less than 150 words:*
i) Health Sector: *[Type here]*
ii) Education Sector: *[Type here]*
iii) Water Sector: *[Type here]*
iv) Transport/Road Sector: *[Type here]*
v) Rural Development / Agriculture: *[Type here]*
vi) Other: *[Type here]*

– Indicators 10 & 11: *[Are covered only in Part 2 and/or Part 3 of the questionnaire]*

– Indicator 11 — Donors streamline diagnostic reviews.

The growth in diagnostic products in recent years and lack of co-ordination in their application can lead to duplication of donor efforts and high transaction costs on partner countries. This can make it more difficult to arrive at a shared agenda among government and the donor community on how to improve public financial management. For this reason, donors should seek to streamline diagnostic reviews and reduce the number of separate reviews. The questions below seek to asses the degree of streamlining in this area.

11a) Diagnostic reviews — Which of the following diagnostic reviews were undertaken over the last 3 years (2000-2003)?	
Tick box	**List of diagnostic reviews**
1 ☐	CFAA — Country Financial Accountability Assessment.
2 ☐	PER — Public Expenditure Review.
3 ☐	CPAR — Country Procurement Assessment Review.
4 ☐	HIPC Expenditure Tracking Assessment
5 ☐	ROSC Fiscal Transparency Review (IMF).
6 ☐	Diagnostic Study of Accounting and Auditing (Asian Development Bank).
7☐	Ex ante assessment of country financial management (European Commission).
8 ☐	CONTACT —Country Assessment in Accountability and Transparency (UNDP).
9 ☐	Other (Please specify): *[Type here]*
10 ☐	Cannot answer

11b) Joint reviews — Which of the following diagnostic reviews involved joint donor teams (i.e. more than one donor took part in the mission)?	
Tick box	**List of diagnostic reviews**
1 ☐	CFAA — Country Financial Accountability Assessment.
2 ☐	PER — Public Expenditure Review.
3 ☐	CPAR — Country Procurement Assessment Review.
4 ☐	HIPC Expenditure Tracking Assessment
5 ☐	ROSC Fiscal Transparency Review (IMF).
6 ☐	Diagnostic Study of Accounting and Auditing (Asian Development Bank).
7☐	Ex ante assessment of country financial management (European Commission).
8 ☐	CONTACT —Country Assessment in Accountability and Transparency (UNDP).
9 ☐	Other (Please specify): *[Type here]*
10 ☐	Cannot answer

Indicator 12 — Donors disclose information on planned and actual aid flows.

Providing partner governments with full information on aid flows enables them to integrate development assistance into macro-economic and budgetary management and to improve planning and conduct of their development policies. This indicator seeks to ascertain progress in the notification of aid flows.

12a) Agreed arrangements for notifying disbursements — In which of the following areas, have Government and donors agreed on procedures for notifying disbursements related to donors' development activities.	
4 Point Scale	**Indicative criteria for rating**
1 Yes	An agreed mechanism exists under which donors notify all disbursements of aid flows, with specific information as to the key priorities and policies to be supported by these flows.
2 Qualified yes	[*Please qualify answer in comment box below*]
3 Qualified no	[*Please qualify answer in comment box below*]
4 No	No such mechanism has been agreed.

Please tick boxes for following sectors:

1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer i) Direct Budget Support	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer ii) Health Sector	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer iii) Education Sector.
1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer iv) Water Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer v) Transport/Road Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer vi) Rural Development / Agriculture..

Comments *-- If you have ticked box 2 or 3 please qualify your response in less than 150 words:*

i) Direct Budget Support: *[Type here]*

ii) Health Sector: *[Type here]*

iii) Education Sector: *[Type here]*

iv) Water Sector: *[Type here]*

v) Transport/Road Sector: *[Type here]*

vi) Rural Development / Agriculture: *[Type here]*

Indicator 13: *[Is covered only in Part 2 and/or Part 3 of the questionnaire]*

Part 2 of the Questionnaire
Donor Perspectives

OECD-DAC Survey
on Progress in Harmonisation & Alignment



To be completed by each donor

Please complete the form electronically. For more information on the background and purpose of this questionnaire please refer to the explanatory note.

The aim of **Part 2** is to measure progress made by individual donors in improving aid practices that deliver more effective and harmonised support to partner countries. Once completed, the questionnaire will be communicated by the lead facilitator to the OECD Secretariat by **30 June 2004** at the latest.

Please indicate:

- Country: *[Type here]*
- Name of donor: *[Type here]*
- Date: *[Type here]*

Contact details of person filling-in questionnaire:

- Name: *[Type here]*
- Telephone: *[Type here]*
- Email: *[Type here]*

SECTION A: OWNERSHIP

Indicator 1 — Partner countries set their agenda for greater harmonisation and alignment.

Little progress is to be expected in the area of harmonisation and alignment if the partner government does not clearly state its agenda in this area — this is referred to as a country-based action plan in the Rome Declaration on harmonisation. This agenda sets out the government's expectations and priorities with regard to how donors provide development assistance and might include topics such as modalities for disbursing and notifying development assistance and definition of the principles for interacting with the donor community etc. In some countries the agenda might have already been established for some time (e.g. Uganda's PEAP and Partnership Principles), in others, work is still underway. Where such agendas have been established, the questions below seek to measure the extent to which donors are currently implementing it (*Part 1 of the questionnaire examines whether the partner government has established such an agenda*).

1a) Support for harmonisation agenda — Where government has established a plan on harmonisation & alignment (*See Part 1 question 1a*) your agency is currently implementing it.	
4 Point Scale	**Indicative criteria for rating**
1 ☐ **Yes**	Your agency (i) fully endorses the government's agenda and (ii) is currently implementing it.
2 ☐ Qualified yes	*Please qualify your response in less than 150 words: [Type here]*
3 ☐ Qualified no	*Please qualify your response in less than 150 words: [Type here]*

1a) Support for harmonisation agenda — Where government has established a plan on harmonisation & alignment (*See Part 1 question 1a*) your agency is currently implementing it.	
4 ☐ No	Your agency has serious reservations with regard to it, or might only be implementing minor aspects.
swer	*E.g. government has not set its agenda (See Part 1 indicator 1a).*

Indicator 2 — Partner countries lead national co-ordination processes.

For harmonisation and alignment to be effective it should be coordinated directly by the partner government. The institutional set-up for coordinating aid will typically vary from one country to another. In some cases, the Ministry of Economy will perform co-ordination of aid at country level. In others, it will be the office of the Prime Minister. Regardless of the institutional set-up, the existence of an appropriate framework for dialogue and co-ordination is an important feature of country ownership over in-country development activities. This indicator seeks to measure the extent to which donors take an active part in donor co-ordination processes (*Part 1 examines whether the partner government has established government-led co-ordination process*).

2a) Participation in donor co-ordination — Where a formalised process of donor co-ordination has been established your agency actively takes part or is represented at donor coordination meetings.	
4 Point Scale	**Indicative criteria for rating**
1 ☐ Yes	Your agency regularly attends or is represented at these meetings.
2 ☐ Qualified yes	*Please qualify your response in less than 150 words: [Type here]*
3 ☐ Qualified no	*Please qualify your response in less than 150 words: [Type here]*
4 ☐ No	Your agency is never or seldom represented at these meetings.
swer	*E.g. there is no formal donor co-ordination process (see Part 1, question 2a)*

Indicator 3: *[Is covered only in Part 1 and/or Part 3 of the questionnaire]*

SECTION B: ALIGNMENT

Indicator 4 — Donors' country assistance strategies are aligned with poverty reduction strategies or equivalent national development plan.

One of the fundamental principles of the harmonisation and alignment agenda is that donors should support country-owned, country-led poverty reduction strategies (PRS) — or equivalent national development plan— and base their programming on the needs and priorities identified in these. This indicator seeks to measure how this principle has been put into practice by donors and how this translates into action on the ground (*Part 1 seeks to ascertain whether the systems have been established.*)

4a) Reliance on PRS —Where a PRS, or equivalent national development plan, has been established (*see Part 1 question 4a*), your agency relies on it to programme development assistance.

4a) Reliance on PRS — Where a PRS, or equivalent national development plan, has been established (*see Part 1 question 4a*), your agency relies on it to programme development assistance.	
4 Point Scale	**Indicative criteria for rating**
1 ☐ **Yes**	Your agency fully endorses the framework and is currently implementing it.
2 ☐ Qualified yes	*Please qualify your response in less than 150 words: [Type here]*
3 ☐ Qualified no	*Please qualify your response in less than 150 words: [Type here]*
4 ☐ **No**	Your agency has serious reservations with regard to it, or might only be implementing minor aspects.
swer	E.g. a PRS has not been established (*See Part 1 question 4a*).

4b) Annual Progress Review (APR) — Where an annual progress review (APR) of a poverty reduction strategy (or equivalent national development plan) has been established (*see Part 1 question 4c*) it influenced your agency's decisions to allocate resources between, or within, key policy sectors (education, health, water etc.).	
4 Point Scale	**Indicative criteria for rating**
1 ☐ **Yes**	APR influenced to a large extent your agency's allocation of resources.
2 ☐ Qualified yes	*Please qualify your response in less than 150 words: [Type here]*
3 ☐ Qualified no	*Please qualify your response in less than 150 words: [Type here]*
4 ☐ **No**	APR did not influence your agency's allocation of resources.
swer	E.g. An APR was not organised (see Part 1 question 4c).

Indicator 5 — Budget support is programmed and disbursed in accordance with partner countries' priorities and budget procedures.

One important aspect of alignment is donors' ability to deliver budget support in accordance with partner countries' budget procedures and over a time-frame that is consistent with partner countries financial planning horizon.

5a) Multi-annual funding commitments — When providing budget support, your agency makes multi-annual funding commitments (subject to performance) to enable the partner government to plan its medium term macro-economic and fiscal projections.	
4 Point Scale	**Indicative criteria for rating**
1 ☐ **Yes**	My agency currently makes multi-annual funding commitments.
2 ☐ Qualified yes	*Please qualify your response in less than 150 words: [Type here]*
3 ☐ Qualified no	*Please qualify your response in less than 150 words: [Type here]*
4 ☐ **No**	My agency does not make multi-annual funding commitments.
swer	*E.g. my agency does not provide budget support.*

5b) Timely commitments of budget support — Did the commitments made in 2003 take place at a time that allowed the partner government to take them into account in their budget preparation?	
4 Point Scale	**Indicative criteria for rating**
1 ☐ Yes	My agency currently notifies government on its annual commitments on budget support in time for it to feed into budget preparation and before the start of the next budget cycle.
2 ☐ Qualified yes	*Please qualify your response in less than 150 words: [Type here]*
3 ☐ Qualified no	*Please qualify your response in less than 150 words: [Type here]*
4 ☐ No	My agency does not currently notify government etc.
swer	*E.g. my agency does not provide budget support.*

5c) Timely disbursements of budget support — Did your disbursements in 2003 take place according to your schedule of commitments?	
4 Point Scale	**Indicative criteria for rating**
1 ☐ Yes	My agency provided its disbursements of budget support according to the schedule it communicated to Government.
2 ☐ Qualified yes	*Please qualify your response in less than 150 words: [Type here]*
3 ☐ Qualified no	*Please qualify your response in less than 150 words: [Type here]*
4 ☐ No	My agency did not provide its disbursements of budget support according to the schedule it communicated to Government.
swer	*E.g. my agency does not provide budget support.*

Indicator 6 — Project support is increasingly delivered through partner countries' systems and procedures.

One of the cornerstones of the harmonisation and alignment agenda is that development assistance should be provided in ways that build partner countries' sustainable capacity to develop, implement and account for these policies to their people and legislature. Reliance on partner countries' systems and procedures, where these provide reasonable assurance that external resources are used for agreed purposes, is likely to enhance achievement of sustainable improvement in government performance. Reliance on partner country systems is most relevant when donors provide project or sector support (see indicator 8 below for sector support) — funds released directly into partner countries' budgets are nearly always managed in accordance with the recipient's procedures and systems. The question below seeks to establish the proportion of donors' project support that relies on national procedures.

6a) Use of country systems — What is the approximate number of projects (in percentage of total portfolio) that rely on countries national systems and procedures (e.g. not using 'ring-fencing', project implementation units, donor procedures etc.)?
Please tick boxes for following categories:

6a) Use of country systems — What is the approximate number of projects (in percentage of total portfolio) that rely on countries national systems and procedures (e.g. not using 'ring-fencing', project implementation units, donor procedures etc.)?					
1 ☐ 0% 2 ☐ 1%-20% 3 ☐ 21%-40% 4 ☐ 41%-60% 5 ☐ 61%-80% 6 ☐ 81%-99% 7 ☐ 100% ☐ Cannot answer	i) Procurement	1 ☐ 0% 2 ☐ 1%-20% 3 ☐ 21%-40% 4 ☐ 41%-60% 5 ☐ 61%-80% 6 ☐ 81%-99% 7 ☐ 100% ☐ Cannot answer	ii) Disbursement.	1 ☐ 0% 2 ☐ 1%-20% 3 ☐ 21%-40% 4 ☐ 41%-60% 5 ☐ 61%-80% 6 ☐ 81%-99% 7 ☐ 100% ☐ Cannot answer	iii) Reporting (financial & non-financial)
1 ☐ 0% 2 ☐ 1%-20% 3 ☐ 21%-40% 4 ☐ 41%-60% 5 ☐ 61%-80% 6 ☐ 81%-99% 7 ☐ 100% ☐ Cannot answer	iv) Monitoring & Evaluation.	1 ☐ 0% 2 ☐ 1%-20% 3 ☐ 21%-40% 4 ☐ 41%-60% 5 ☐ 61%-80% 6 ☐ 81%-99% 7 ☐ 100% ☐ Cannot answer	v) Audit.	1 ☐ 0% 2 ☐ 1%-20% 3 ☐ 21%-40% 4 ☐ 41%-60% 5 ☐ 61%-80% 6 ☐ 81%-99% 7 ☐ 100% ☐ Cannot answer	vi) Environmental Impact Assessment (EIA) [*Where these are required*]
Comments *: Should you whish to provide additional comments please complete boxes below:*					
i) Procurement: *[Type here]*					
ii) Disbursement: *[Type here]*					
iii) Reporting (financial & non-financial): *[Type here]*					
iv) Monitoring & Evaluation: *[Type here]*					
v) Audit: *[Type here]*					
vi) Environmental Impact Assessment (EIA): *[Type here]*					

Indicator 7: *[Is covered only in Part 1 of the questionnaire]*

SECTION C: HARMONISATION

Indicator 8 — Donors support sector approaches in key policy areas.

A sector approach is a partnership between government and donors in key policy sectors such as education, health, water etc. The aim of this partnership is to improve the effectiveness of development policies and broaden Government ownership over public sector policy and allocation of resources. It also seeks to increase the coherence between policy, spending and results. To be achieved, these objectives typically require establishing five building blocks: (i) a clear sector policy (ii) a medium term expenditure programme (iii) a formalised process of donor co-ordination (iv) a performance monitoring system and (v) an agreed process for harmonising systems and procedures. In providing support to sector approaches donors might rely on a variety of funding arrangements including stand-alone projects. The purpose of the questions below is to examine the extent to which donors are currently supporting systems that are already in place (*Part 1 seeks to ascertain whether the systems have been established*).

8a) Areas of support at sector level — In which of the following sectors is your agency currently active?	
4 Point Scale	**Indicative criteria for rating**

8a) Areas of support at sector level — In which of the following sectors is your agency currently active?	
1 Yes	Your agency currently provides development assistance (funds, technical assistance, in-kind aid, etc) to one of the sectors below.
2 Qualified yes	[*Please qualify answer in comment box below*]
3 Qualified no	[*Please qualify answer in comment box below*]
4 No	Your agency is not active in this area.
Cannot answer	E.g. not active in the sector.

Please tick boxes for following categories:

1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer — i) Health Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer — ii) Education Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer — iii) Water Sector.
1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer — iv) Transport/Road Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer — v) Rural Development / Agriculture.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer — vi) Other.

***Comments** -- If you have ticked box 2 or 3 please qualify your response in less than 150 words:*

i) Health Sector: *[Type here]*

ii) Education Sector: *[Type here]*

iii) Water Sector: *[Type here]*

iv) Transport/Road Sector: *[Type here]*

v) Rural Development / Agriculture: *[Type here]*

vi) Other: *[Type here]*

8b) Reliance on sector policy — Where clear sector policies and strategies have been established (*see Part 1*), your agency relies on these to programme development assistance at sector level.	
4 Point Scale	**Indicative criteria for rating**
1 Yes	Your agency fully endorses the sector policy and is currently implementing relevant parts of it.
2 Qualified yes	[*Please qualify answer in comment box below*]
3 Qualified no	[*Please qualify answer in comment box below*]
4 No	Your agency has serious reservations with regard to it, or might only be implementing minor aspects.

8b) Reliance on sector policy — Where clear sector policies and strategies have been established (*see Part 1*), your agency relies on these to programme development assistance at sector level.

Cannot answer	E.g. not active in the sector.

Please tick boxes for following categories:

1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	i) Health Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	ii) Education Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	iii) Water Sector.
1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	iv) Transport/Road Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	v) Rural Development / Agriculture.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	vi) Other.

***Comments** -- If you have ticked box 2 or 3 please qualify your response in less than 150 words:*

i) Health Sector: *[Type here]*

ii) Education Sector: *[Type here]*

iii) Water Sector: *[Type here]*

iv) Transport/Road Sector: *[Type here]*

v) Rural Development / Agriculture: *[Type here]*

vi) Other: *[Type here]*

8c) Medium term expenditure programme — where medium term expenditure programmes have been established (*see Part 1 question 9b*) what percentage of your agency's sector activities is currently integrated in the medium term expenditure programme.

Please tick boxes for following categories:

1 ☐ 0% 2 ☐ 1%-20% 3 ☐ 21%-40% 4 ☐ 41%-60% 5 ☐ 61%-80% 6 ☐ 81%-99% 7 ☐ 100% ☐ Cannot answer	i) Health.	1 ☐ 0% 2 ☐ 1%-20% 3 ☐ 21%-40% 4 ☐ 41%-60% 5 ☐ 61%-80% 6 ☐ 81%-99% 7 ☐ 100% ☐ Cannot answer	ii) Education.	1 ☐ 0% 2 ☐ 1%-20% 3 ☐ 21%-40% 4 ☐ 41%-60% 5 ☐ 61%-80% 6 ☐ 81%-99% 7 ☐ 100% ☐ Cannot answer	iii) Water.
1 ☐ 0% 2 ☐ 1%-20% 3 ☐ 21%-40% 4 ☐ 41%-60% 5 ☐ 61%-80% 6 ☐ 81%-99% 7 ☐ 100% ☐ Cannot answer	iv) Transport/Road.	1 ☐ 0% 2 ☐ 1%-20% 3 ☐ 21%-40% 4 ☐ 41%-60% 5 ☐ 61%-80% 6 ☐ 81%-99% 7 ☐ 100% ☐ Cannot answer	v) Rural Development / Agriculture.	1 ☐ 0% 2 ☐ 1%-20% 3 ☐ 21%-40% 4 ☐ 41%-60% 5 ☐ 61%-80% 6 ☐ 81%-99% 7 ☐ 100% ☐ Cannot answer	vi) Other.

8d) Formalised process of donor co-ordination — Where a formalised process of donor co-ordination has been established at sector level (see Part 1 of the questionnaire); your agency regularly participates in donor co-ordination meetings.

4 Point Scale	Indicative criteria for rating
1 Yes	Your agency regularly attends (or is represented at) these meetings.

8d) Formalised process of donor co-ordination — Where a formalised process of donor co-ordination has been established at sector level (see Part 1 of the questionnaire); your agency regularly participates in donor co-ordination meetings.	
2 Qualified yes	[*Please qualify answer in comment box below*]
3 Qualified no	[*Please qualify answer in comment box below*]
4 No	Your agency seldom attends (or is represented at) these meetings.
Cannot answer	E.g. not active in the sector.

Please tick boxes for following categories:

1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	i) Health Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	ii) Education Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	iii) Water Sector.
1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	iv) Transport/Road Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	v) Rural Development / Agriculture.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	vi) Other.

***Comments** -- If you have ticked box 2 or 3 please qualify your response in less than 150 words:*

i) Health Sector: *[Type here]*

ii) Education Sector: *[Type here]*

iii) Water Sector: *[Type here]*

iv) Transport/Road Sector: *[Type here]*

v) Rural Development / Agriculture: *[Type here]*

vi) Other: *[Type here]*

8e) Performance monitoring system — Where a performance monitoring system has been established (see Part 1) your agency relies on the performance monitoring system for its reporting needs.	
4 Point Scale	**Indicative criteria for rating**
1 Yes	Your agency relies on the performance monitoring system for its main reporting needs and does not create additional requirements on the partner country for its reporting needs.
2 Qualified yes	[*Please qualify answer in comment box below*]
3 Qualified no	[*Please qualify answer in comment box below*]
4 No	Your agency relies on other reporting mechanisms for its reporting needs.
Cannot answer	E.g. not active in the sector.

Please tick boxes for following categories:

1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	i) Health Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	ii) Education Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer	iii) Water Sector.

8e) Performance monitoring system — Where a performance monitoring system has been established (see Part 1) your agency relies on the performance monitoring system for its reporting needs.		
1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer iv) Transport/Road Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer v) Rural Development / Agriculture.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannot answer vi) Other.
Comments *-- If you have ticked box 2 or 3 please qualify your response in less than 150 words:*		
i) Health Sector: *[Type here]*		
ii) Education Sector: *[Type here]*		
iii) Water Sector: *[Type here]*		
iv) Transport/Road Sector: *[Type here]*		
v) Rural Development / Agriculture: *[Type here]*		
vi) Other: *[Type here]*		

Indicator 9 — Agreements on delegated co-operation.

Delegated cooperation occurs when one donor — a *lead donor* — acts with authority on behalf of one or more other donors — the *delegating donor*. The Rome High-Level Forum on harmonisation encouraged donors to intensify their efforts to work through delegated co-operation at country level as a means of reducing transaction costs and enhance 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. This indicator seeks to identify the number of agreements on delegated cooperation in a specific country. A number of donors have already agreed on arrangements for delegating cooperation including the following illustrative examples:

- Canada agreed to delegate responsibility to the UK in to act on its behalf in assisting the Government of Madya Pradesh (India) with the formulation of medium-term state health sector strategy.
- '*Agency A*' and '*Agency B*' both support sector programmes in Health and Education in an African country. '*Agency A*' has delegated its donor role to '*Agency B*' in Health, while '*Agency A*' manages on behalf of '*Agency B*' interests in the Education Sector. Level of delegation includes: channelling of financial contributions, reporting etc.

9a) Agreements on delegated cooperation — Your agency has an agreement to perform specific tasks on behalf of one or more agencies and is currently being implemented (*see examples above*).	
4 Point Scale	**Indicative criteria for rating**
1 ☐ **Yes**	My agency has a formal agreement on delegated cooperation with another development agency.
2 ☐ Qualified yes	*Please qualify your response in less than 150 words:* *[Type here]*
3 ☐ Qualified no	*Please qualify your response in less than 150 words:* *[Type here]*
4 ☐ **No**	My agency does not have an agreement on delegated cooperation.
swer	

Indicator 10 — Number of donor missions.

The Rome Declaration on Harmonisation invited donors to reduce the number of missions undertaken by donors in partner countries. In the context of this survey, donor missions have been defined as follows:

- Missions are undertaken by officials from the head office to the recipient country.
- Missions involve a request from donors to meet with officials from the recipient country of destination (i.e. this excludes workshops, conferences and informal meetings).

10a) Number of missions — How many missions has your organisation undertaken in 2003? (*see definition above*).	
Answers	**Indicative criteria for rating**
[Type here]	Please indicate exact number of missions.
1 ☐ None **2** ☐ 1-3 missions **3** ☐ 4-10 **4** ☐ 11-20 **5** ☐ 21-50 **6** ☐ 50 or more **7** ☐ 4-10 ☐ Cannot answer	…or provide approximate value by ticking one of the boxes below.
[Type here]	How many of these were undertaken jointly with another donor organisation?

Indicator 11: *[Is covered only in Part 1 of the questionnaire]*

Indicator 12 — Donors disclose information on planned and actual aid flows.

Providing partner governments with full information on aid flows enables them to integrate development assistance into macro-economic and budgetary management and to improve planning and conduct of their development policies. This indicator seeks to ascertain progress in the notification of aid flows.

12a) Multi-annual framework — Your agency notifies government on the indicative envelopes it expects to release over a three year period (or longer) – this might include clarifying the circumstances under which it might provide it.	
4 Point Scale	**Indicative criteria for rating**
1 ☐ **Yes**	☑ Programme clarifies your agency's activities over a **three year period**. ☑ Programme provides information on the **indicative envelopes** it expects to release within the multi-annual framework in order to match government's medium term budget framework. This might include clarifying the circumstances under which it might provide it. ☑ Programme is **comprehensive**; it covers all forms of development assistance: budget support, sector support, project support & technical assistance.
2 ☐ Qualified yes	*Please qualify your response in less than 150 words: [Type here]*
3 ☐ Qualified no	*Please qualify your response in less than 150 words: [Type here]*
4 ☐ **No**	My agency does not have a multi-annual framework for notifying government on aid flows.

12a) Multi-annual framework — Your agency notifies government on the indicative envelopes it expects to release over a three year period (or longer) – this might include clarifying the circumstances under which it might provide it.	
answer	

12b) Notification of actual disbursements — Your agency provides comprehensive and regular information on in-country disbursements.	
4 Point Scale	**Indicative criteria for rating**
1 ☐ Yes	☑ Notification is **comprehensive**; it covers all of the development activities funded by your agency including budget support, sector support, project support & technical assistance. ☑ Notification is **regular and timely**; it is made available to government every quarter or in accordance with government's notification procedures when these have been established. ☑ Information is disclosed in a **format** (i.e. system of classification) that is fully consistent with government's procedures with regard to notification of aid flows.
2 ☐ Qualified yes	*Please qualify your response in less than 150 words: [Type here]*
3 ☐ Qualified no	*Please qualify your response in less than 150 words: [Type here]*
4 ☐ No	None of the above criteria apply.
swer	

Indicator 13 — Donors share analytic work at country level.

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/sector studies and strategies, country/sector evaluations, discussion papers etc. Good analytic work is essential for well-focused development policy and programmes. Donors have a role ensuring that analytic work they commission is disseminated and more readily available (subject to disclosure policies). One way of ensuring dissemination of documents is by releasing analytic work on public websites such as the *Country Analytic* Website (www.countryanalyticwork.net).

13a) Sharing work — Your country office / embassy regularly makes available on internet (www.countryanalyticwork.net) analytic work that it commissions or produces at country level.	
4 Point Scale	**Indicative criteria for rating**
1 ☐ Yes	It regularly uploads documents on Country Analytic Website or other web-based repositories of analytic work.
2 ☐ Qualified yes	*Please qualify your response in less than 150 words: [Type here]*
3 ☐ Qualified no	*Please qualify your response in less than 150 words: [Type here]*
4 ☐ No	Your agency does not regularly disseminate key analytic documents.
swer	

ANNEX D

Part 3 of the Questionnaire **Government Perspectives**	OECD-DAC Survey **on Progress in Harmonisation & Alignment**

To be completed by government representatives only

Please complete the form electronically. For more information on the background and purpose of this questionnaire please refer to the explanatory note.

The aim of **Part 3** of the questionnaire is to capture the view of government officials on whether donors are harmonising and aligning their practices in ways that support partner countries efforts to improve development effectiveness. Once completed, the questionnaire will be communicated by the lead facilitator to the OECD Secretariat by **30 June 2004** at the latest.

Please indicate:

- Country: *[Type here]*
- Date: *[Type here]*

Contact details of person filling-in questionnaire:

- Name: *[Type here]*
- Telephone: *[Type here]*
- Email: *[Type here]*

SECTION A: OWNERSHIP

Indicator 1 — Partner countries set their agenda for greater harmonisation and alignment.

Little progress is to be expected in the area of harmonisation and alignment if the partner government does not clearly state its agenda in this area — this is referred to as a country-based action plan in the Rome Declaration on harmonisation. This agenda sets out the government's expectations and priorities with regard to how donors provide development assistance and might include topics such as modalities for disbursing and notifying development assistance and definition of the principles for interacting with the donor community etc. In some countries the agenda might have already been established for some time (e.g. Uganda's PEAP and Partnership Principles), while in others, work is still underway. This indicator seeks to measure progress accomplished so far in this area.

1a) Donor support — Donors are supportive of government's agenda on harmonisation, co-ordination & alignment.	
4 Point Scale	**Indicative criteria for rating**
1 ☐ **Yes**	Donors fully support Government's agenda and are currently taking steps to implement it.
2 ☐ Qualified yes	*Please qualify your response: [Type here]*
3 ☐ Qualified no	*Please qualify your response: [Type here]*
4 ☐ **No**	Donors do not generally support Government's agenda for greater harmonisation.

1a) Donor support — Donors are supportive of government's agenda on harmonisation, co-ordination & alignment.	
☐ Cannot answer	

Indicator 2 — Partner countries lead local co-ordination processes.

For harmonisation to be effective it should be co-ordinated directly by the partner government. The institutional set-up for coordinating aid will typically vary from one country to another. In some cases, general aid co-ordination will be a function exercised within the Ministry of Economy. In others, it will be co-ordinated, for example, by the office of the Prime Minister or within line ministries for sector support. Regardless of the institutional set-up, the existence of an appropriate framework for dialogue and co-ordination is a prerequisite for progress on the harmonisation and alignment agenda. It is equally important that the government exercises ownership and leadership over the co-ordination processes; this includes organising and chairing meetings, setting the agendas, etc. This indicator seeks to measure the extent to which the government effectively exercises leadership over the aid co-ordination processes at different levels.

2a) Ownership — Government exercises an appropriate level of authority in coordinating development assistance.	
4 Point Scale	**Indicative criteria for rating**
1 ☐ **Yes**	Government exercises full authority in coordinating development assistance.
2 ☐ Qualified yes	*Please qualify your response: [Type here]*
3 ☐ Qualified no	*Please qualify your response: [Type here]*
4 ☐ **No**	Government does not exercise full authority in coordinating development assistance.
☐ Cannot answer	

2b) Enabling practices — Donors' procedures and practices support, rather than undermine, partner countries efforts to achieve its own development goals.	
4 Point Scale	**Indicative criteria for rating**
1 ☐ **Yes**	Donors' procedures fully support partner country's efforts.
2 ☐ Qualified yes	*Please qualify your response: [Type here]*
3 ☐ Qualified no	*Please qualify your response: [Type here]*
4 ☐ **No**	Donors' procedures do not fully support partner country's efforts.
☐ Cannot answer	

_ Indicator 3: *[Is covered only in Part 2 and/or Part 3 of the questionnaire]*

SECTION B: ALIGNMENT

_ **Indicator 4 — Donors' country assistance strategies are aligned with PRSs or equivalent national development plan.**

One of the fundamental principles of the harmonisation and alignment agenda is that donors should support country-owned, country-led poverty reduction strategies (PRS) — or equivalent national development plan — and base their programming on the needs and priorities identified in these. The questions below seek to measure how this principle has been given some reality and translates into operations.

4a) Alignment — Donors programme development assistance in accordance with the Government's poverty reduction strategy — or equivalent national framework.	
4 Point Scale	**Indicative criteria for rating**
1 ☐ Yes	Donors fully programme aid in accordance with the government's PRS (or equivalent development plan).
2 ☐ Qualified yes	*Please qualify your response: [Type here]*
3 ☐ Qualified no	*Please qualify your response: [Type here]*
4 ☐ No	Donors do not programme aid in accordance with the government's PRS (or equivalent development plan).
☐ Cannot answer	

_ **Indicator 5 — Budget support is programmed and disbursed in accordance with partner countries' budget cycle.**

One important aspect of alignment is donors' ability to programme their aid over a timeframe that is consistent with the financial planning horizon of the partner government. This indicator seeks to measure the extent to which development assistance is aligned with the budget cycle.

5a) Budget cycle — Donors currently programme and disburse budget support in accordance with your country's budget cycle.	
4 Point Scale	**Indicative criteria for rating**
1 ☐ Yes	Donors fully programme and disburse budget support in accordance with your country's budget cycle.
2 ☐ Qualified yes	*Please qualify your response: [Type here]*
3 ☐ Qualified no	*Please qualify your response: [Type here]*
4 ☐ No	Donors do not fully programme and disburse budget support in accordance with your country's budget cycle.
☐ Cannot answer	

Indicator 6 — Project support is increasingly delivered through partner countries systems and procedures.

One of the cornerstones of the harmonisation and alignment agenda is that development assistance should be provided in ways that build partner countries' sustainable capacity to develop, implement and account for these policies to their people and legislature. Reliance on partner countries' systems and procedures, where these provide reasonable assurance that external resources are used for agreed purposes, is likely to enhance achievement of sustainable improvement in government performance. Reliance on partner country systems is most relevant when donors provide project or sector support (see indicator 8 below for sector support) — funds released directly into partner countries' budgets are nearly always managed in accordance with the recipient's procedures and systems.

6a) Use of country systems — What is the approximate number of projects (in percentage) that rely on your countries national systems and procedures in the following areas?

Please tick boxes for following categories:

1 ☐ 0% 2 ☐ 1%-20% 3 ☐ 21%-40% 4 ☐ 41%-60% 5 ☐ 61%-80% 6 ☐ 81%-99% 7 ☐ 100% ☐ Cannot answer i) Procurement.	1 ☐ 0% 2 ☐ 1%-20% 3 ☐ 21%-40% 4 ☐ 41%-60% 5 ☐ 61%-80% 6 ☐ 81%-99% 7 ☐ 100% ☐ Cannot answer ii) Disbursement.	1 ☐ 0% 2 ☐ 1%-20% 3 ☐ 21%-40% 4 ☐ 41%-60% 5 ☐ 61%-80% 6 ☐ 81%-99% 7 ☐ 100% ☐ Cannot answer iii) Reporting.
1 ☐ 0% 2 ☐ 1%-20% 3 ☐ 21%-40% 4 ☐ 41%-60% 5 ☐ 61%-80% 6 ☐ 81%-99% 7 ☐ 100% ☐ Cannot answer iv) Monitoring & Evaluation.	1 ☐ 0% 2 ☐ 1%-20% 3 ☐ 21%-40% 4 ☐ 41%-60% 5 ☐ 61%-80% 6 ☐ 81%-99% 7 ☐ 100% ☐ Cannot answer v) Audit.	1 ☐ 0% 2 ☐ 1%-20% 3 ☐ 21%-40% 4 ☐ 41%-60% 5 ☐ 61%-80% 6 ☐ 81%-99% 7 ☐ 100% ☐ Cannot answer vi) Other.

Indicator 7: *[Is covered only in Part 2 and/or Part 3 of the questionnaire]*

Indicator 8 — Donors support sector approaches in key policy areas.

A sector approach is a partnership between government and donors in key policy sectors such as education, health, water etc. The aim of this partnership is to improve the effectiveness of development policies and broaden Government ownership over public sector policy and allocation of resources. It also seeks to increase the coherence between policy, spending and results. To be achieved, these objectives typically require establishing five building blocks: (i) a clear sector policy (ii) a medium term expenditure programme (iii) a formalised process of donor co-ordination (iv) a performance monitoring system and (v) an agreed process for harmonising systems and procedures. In providing support to sector approaches donors might rely on a variety of funding arrangements including stand-alone projects.

8a) Sector Approaches — Government exercises an appropriate level of authority in implementing sector policies in the following areas:

4 Point Scale	Indicative criteria for rating
1 Yes	Government exercises full authority in coordinating development assistance.

8a) Sector Approaches — Government exercises an appropriate level of authority in implementing sector policies in the following areas:					
4 No	Government does not exercise full authority in coordinating development assistance.				
Cannot answer					
1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannotanswer	i) Health Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannotanswer	ii) Education Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannotanswer	iii) Water Sector.
1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannotanswer	iv) Transport/Road Sector.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannotanswer	v) Rural Development / Agriculture.	1 ☐ **Yes** 2 ☐ Qualified yes 3 ☐ Qualified no 4 ☐ **No** ☐ Cannotanswer	vi) Other.
Comments *-- If you have ticked box 2 or 3 please qualify your response:*					
i) Health Sector: *[Type here]*					
ii) Education Sector: *[Type here]*					
iii) Water Sector: *[Type here]*					
iv) Transport/Road Sector: *[Type here]*					
v) Rural Development / Agriculture Sector: *[Type here]*					
vi) Other. *[Type here]*					

Indicators 9-13: *[Are covered only in Part 2 and/or Part 3 of the questionnaire]*

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Survey on Harmonisation and Alignment of Donor Practices:

MEASURING AID HARMONISATION AND ALIGNMENT IN 14 PARTNER COUNTRIES

Is the donor community providing effective aid? In February 2003, donors made a firm commitment to improve aid effectiveness at the Rome High Level Forum on Harmonisation. Where do they stand two years later? This report describes the progress achieved to date in implementing the donor community's commitments. It has been prepared as a contribution to the Paris High Level Forum on Aid Effectiveness (28 February-2 March 2005).

To measure aid effectiveness, 14 countries participated in a ground-breaking survey in 2004 that measured aid harmonisation and alignment. Herein lie the results. Generally encouraging, the results show that developing countries and donors are indeed working together to improve co-ordination and aid effectiveness. Increased efforts are needed, however. What will donors and the developing countries need to do to strengthen alignment and harmonisation? This volume provides a snapshot of the state of affairs in 14 developing countries and highlights a number of suggestions for carrying the Rome Agenda forward.

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