



**DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE**

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Working Party on Aid Effectiveness and Donor Practices

**IMPLEMENTING THE ROME AGENDA ON HARMONISATION AND ALIGNMENT:
PRELIMINARY WORK PLAN AND MODALITIES FOR INTERACTING WITH PARTNER
COUNTRIES**

FIRST MEETING 19-20 MAY 2003

To be held on Monday 19 May at 10h00 and continuing until Tuesday 20 May at 18h00 at the Chateau de la Muette, Paris.

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WORKING PARTY ON AID EFFECTIVENESS AND DONOR PRACTICES

Implementing the Rome Agenda on Harmonisation and Alignment: Preliminary Work Plan and Modalities for Interacting with Partner Countries

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Implementing the Rome Agenda on Harmonisation and Alignment

Preliminary Work Plan and Modalities for Interacting with Partner Countries

I. PRELIMINARY WORK PLAN

1. In pursuing its mandate the Working Party on Aid Effectiveness and Donor Practices will undertake work in support of the agenda decided at the Rome High Level Forum on Harmonisation. This note sets out proposals for a work programme in this area, following up on the TFDP last meeting in March 2003.¹

2. Following the High Level Forum on Harmonisation held in Rome on 24-25 February 2003, DAC Members have recognised that there is a need to shift the focus from discussion of principles to actual implementation of harmonisation at country level. This complements ongoing DAC Member efforts to implement their support for poverty reduction strategies (PRS) in line with the guidance and commitments set out in the DAC Guidelines on Poverty Reduction. Effective implementation of this agenda will require significant and continued efforts by the development community. In order to help sustain these efforts, the DAC agreed at its Senior Level meeting in December 2002 that a stocktaking exercise would be undertaken in order to monitor progress in the application of the Good Practice Papers. The conclusions and recommendations of this exercise are to be submitted in time for the DAC Senior Level meeting at the end of 2004 and would contribute to the discussions at the second High Level Forum on Harmonisation scheduled in early 2005.

3. In this connection, and mindful of the DAC's comparative advantage, it is proposed to undertake work in the following four areas:

- Framework of indicators on more effective delivery of aid
- Peer review mechanisms
- Supporting implementation of the harmonisation agenda
- DAC Recommendation on co-ordination and harmonisation of donor practices

1. Framework of indicators on more effective delivery of aid

4. DAC Members endorsed at Rome the idea that indicators would be useful to demonstrate that progress is being accomplished on the harmonisation agenda. This would require elaborating a set of core indicators for monitoring progress in delivering aid more effectively (see appendix 2 for an illustrative example of indicators). In pursuing this objective, special consideration might be given to the following issues:

5. *Build on existing work* — Work would build on past and on-going work on indicators of harmonisation in addition to those contained in the DAC Good Practice Papers. This should include, for example, work being undertaken by the SPA and others on indicators of alignment (budget and sector support).

1. DAC Task Force on Donor Practices.

6. *Elaboration of a clear methodology* — The methodology would carefully assess the utility, feasibility and cost-effectiveness of proposed indicators as regards the following parameters:

- Objectives (indicators in support of what?);
- Type of indicators (quantitative vs. qualitative);
- Type of measures (process indicators, product indicators);
- Data access and quality (data sources, integrity, reach).

7. *Institutional arrangements for monitoring progress* — Designing indicators of harmonisation should be examined in the context of appropriate institutional arrangements. This requires addressing important issues such as:

- Defining the scope of the monitoring exercise (bilateral, multilateral agencies).
- Agreeing on arrangements for collecting and processing data.
- Defining what use will be made of the indicators once they are made available.

8. Work to develop indicators to monitor effective aid delivery will progressively feed into consultations between DAC and NEPAD in the context of *Mutual Reviews of Development Effectiveness*, which will assess the performance of each community in delivering on commitments in respect of governance, aid management and policy coherence.

2. Peer review mechanisms

9. The DAC undertakes peer reviews to monitor individual members' policies and programmes and assess their effectiveness against the goals and policies agreed in the DAC, as well as nationally established objectives. Some aspects of harmonisation and PRS alignment are already considered as part of the more general issues of partnership and ownership, particularly when assessments (including joint assessments) are conducted in partner countries.

10. However, the broad scope of DAC peer reviews imposes limitations on the extent to which specific aspects can be examined in greater detail. In addition, the frequency of peer reviews — each member is reviewed every 4-5 years — does not allow timely and comprehensive coverage.

11. Work would be undertaken to explore how DAC peer reviews could better address issues related to the harmonisation and alignment agenda. In doing so, appropriate consideration should be given to relevant indicators (see previous section). Current peer reviews might be supplemented by more focused and detailed assessments of harmonisation issues across a broad range of members.

3. Supporting implementation of the harmonisation agenda

12. Promoting dialogue across the development community on harmonisation issues is one way of sustaining the momentum for progress on aid effectiveness. In this respect, the Working Party provides a useful forum where a broad range of donors (bilateral and multilateral agencies) can share information on the progress achieved on the harmonisation agenda. In doing so, three different levels may be considered:

13. *Country Level* — Donors agreed at the Rome High Level Forum on Harmonisation to encourage a broad range of partner countries to design country-based action plans for harmonisation, agreed with the donor community, setting out clear and monitorable proposals to harmonise development assistance. Members would review progress in elaborating these joint plans and provide, where and when necessary, support in elaborating and disseminating best practice in this area.

14. *Development agency level* — Development agencies agreed at Rome to review their procedures to facilitate harmonisation, to disseminate and support the emerging good practices and develop incentives that foster management and staff recognition of the benefits of harmonisation. In this connection, the Working Party will report back to the DAC on progress made by its members on implementing the agenda agreed at Rome. This will be based in part on information and analysis gathered through self-reporting by Members.

15. *Global Level* — Members would supervise the implementation of a joint DAC-World Bank *Website on Harmonisation*. The main function of the *Website* will be to provide key information to practitioners seeking to implement the harmonisation agenda.

4. DAC Recommendation on co-ordination and harmonisation of donor practices

16. The DAC High Level meeting in April 2003 requested the Working Party to consider preparing a draft DAC Recommendation on the co-ordination and harmonisation of donor practices. The recommendation might seek to achieve two objectives:

- Ensure progressive application of a set of good practices on harmonisation.
- Support work on indicators of more effective delivery of aid.

II. MODALITIES FOR INTERACTING WITH PARTNER COUNTRIES

17. It has been agreed that the Working Party on Aid Effectiveness and Donor Practices will interact with partner countries throughout the stages of its work in various ways as deemed efficient and effective [DCD/DAC/EFF(2003)1]. In doing so, it will seek participation from a selected range of aid recipient countries including poor performers and countries with weak capacities. Members are invited to agree on a number of partner countries that will be associated with the work on *Donor Practices: Harmonisation and Alignment*.

1. Role and status of partner country representatives

18. Partner country representatives will be invited to participate in meetings in a personal capacity. It would be most useful if these representatives exercised authority in the area of aid co-ordination and PRS alignment.

2. Criteria for selecting partner countries

19. Members may consider the following criteria when selecting countries that will be associated with its programme of work:

- Countries representing different geographic areas and levels of development.
- Countries who are committed to elaborating in a near future country action plans on Harmonisation as defined at the Rome High Level Forum on Harmonisation. Their input will be of significant value in terms of collecting good practice as well as identifying difficulties in implementing the Harmonisation/Alignment agenda at country level.
- Countries where the extent and quality of existing local aid coordination groups and activities — in particular regarding monitoring and reporting of donor alignment and support to national poverty reduction strategies — are considered to be appropriate.

20. The Rome High Level Forum on Harmonisation identified the following list of 16 pilot countries where further work will be undertaken on harmonisation.

Africa (6 countries)

Ethiopia
Kenya
Morocco
Niger
Senegal
Zambia

America (4 countries)

Jamaica
Nicaragua
Honduras
Bolivia

Asia (5 countries)

Philippines
Kyrgyz Republic
Viet Nam
Bangladesh

Oceania

Pacific Islands

21. Members may select partner countries within this list or may consider other countries that are consistent with the criteria set out above.

3. Budgetary implications

22. The cost of inviting partner country participation will be covered by Members. Two funding arrangements for covering these expenses are feasible:

- Travel arrangements are made by the Secretariat with voluntary contributions provided by members. Due to constraints on available administrative resources within the Secretariat a maximum of five partner countries can be managed under this arrangement.
- Members cover directly the cost and make necessary travel arrangements.

23. Based on experience with the Task Force on Donor Practices, the Secretariat estimates the average cost of inviting partner country representatives at about €2000 per meeting. It is expected to hold about three meetings a year.

24. Members wishing to make contributions towards funding the cost of partner country travel arrangements may wish to sponsor a subset of four to five countries within the agreed list and specify under which funding arrangement.

APPENDIX 1

CONCEPT NOTE ON HARMONISATION AND ALIGNMENT

1. It is widely acknowledged that development assistance is most effective when it supports partner countries' ability to develop and implement nationally owned and led poverty reduction strategies (PRS). This also means that partner country PRSs will not be effectively implemented unless donors align their programming, procedures, and timetables with national PRS priorities and processes (PRS review and budget cycles). The DAC Good Practice Papers on *Harmonising Donor Practices for Effective Aid Delivery* (GPP) recognise this principle and provide practical guidance on how donors can better align and harmonise development assistance to support poverty reduction strategies (PRS) and enhance the impact of aid.

2. Thus, harmonisation and alignment support the same objectives in mutually reinforcing ways. The following paragraphs give examples of the slight differences in emphasis, but also the complementarities of both approaches..

Alignment with poverty reduction strategies and processes

3. Aligning donor assistance behind country-owned poverty reduction strategies and processes requires that each donor project or programme fits within the country's own strategy and that donor processes are synchronised with local PRS processes. While this principle is widely accepted by the donor community, its application at country level provides scope for improvement at various levels, including:

- *Strategic alignment* — Poverty reduction strategies create the opportunity for donors to anchor their support in a country's development objectives and priorities, to base it on a consistent set of results indicators and to adapt it to country planning and budgeting cycles.
- *Frameworks for donor co-operation* — The effectiveness of a donor's assistance in a partner country is affected by the nature of the local co-ordination framework (e.g. government leadership, donor co-ordination mechanisms, CGs, etc.). In recent years, donors have recognised the importance of ensuring that these frameworks support poverty reduction strategies.
- *Modalities for aid delivery* — Development assistance can be provided in many forms, with different management structures, accounting arrangements and funding mechanisms. It is important that these modalities support, rather than undermine, partner country performance in implementing their PRS.
- *Capacity Development level* — Capacity development plays a critical role in enabling partner countries to elaborate and implement PRS. It is also essential for facilitating greater donor reliance on partner systems and procedures, pivotal for promoting ownership and partnership. As the harmonisation and alignment agenda moves forward, donor support for partner country capacity development priorities regarding PRS implementation and local financial and aid management will need to be enhanced.
- *Operational policies and procedure level*— Providing development assistance in ways that are consistent with partner systems is an important dimension of alignment around country owned strategies. Achieving this requires donors to reevaluate their policies and procedures in order to

support partner government's sustainable capacity to manage aid effectively. Good practices in this area also include, for example, alignment with national budget cycles.

Harmonisation

4. Harmonisation is a means to an end. It sets out modalities for delivering and managing aid in ways that support more effectively the key priorities of poverty reduction strategies are most likely to support poverty reduction strategies and increase the impact of aid in a broad range of countries including those where poverty reduction strategies have not been developed. Consistent with this approach, the DAC Good Practice Papers on *Harmonising Donor Practice for Effective Aid Delivery* set out practical steps with a view to:

- *Harmonising donor practices around partner government systems* — Reliance on partner government systems, where these provide reasonable assurance that co-operation resources are used for agreed purposes, is most likely to enhance achievement of sustainable improvements in government performance. Good practices in this area also include, for example, alignment with national budget cycles.
- *Harmonising practices in-between donors* — Rationalisation of collective practices of donors, especially under government leadership, raises the consolidated value of development assistance. Good practices in this field cover a number of modalities including, for instance, better information sharing, joint missions and evaluations and delegated co-operation.
- *Simplifying donor requirements* — Good practices here include changes donors can make to their individual systems and culture in order to curtail aid transaction costs and strengthen ownership while ensuring appropriate standards of quality.

APPENDIX 2

ILLUSTRATIVE SET OF INDICATORS ON HARMONISATION AND AID EFFECTIVENESS

DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT (MDG°8)

To raise the value of aid by implementing more effective partnerships at country level

OBJECTIVES		INDICATORS	
I. Improve Information Sharing			
Target 1	Donors provide comprehensive information on aid flows	Indicator 1	% of annual disbursements accounted for by government systems
Target 2	Donors Share country analytical work	Indicator 2	% of all donors disclosing country analytic reports on country analytical Website
II. Promote Country-Led Partnerships			
Target 3	Partner governments take the lead on co-ordination initiatives	Indicator 3	% of countries chairing CG-like co-ordination mechanisms
Target 4	Joint Action Plans on Harmonisation	Indicator 4	Number of countries where Joint Action Plans on Harmonisation have been agreed.
III. Reduce the Transaction Costs of Aid			
Target 5	Donors co-ordinate their missions	Indicator 5	Joint donor missions as a % of total missions per country
Target 6	Donors use common reporting formats	Indicator 6	% of operations per country that rely on common (Gov. or Donor) formats
Target 7	Reduce the number of audit opinions	Indicator 7	Number of countries relying on a single audit opinion
Target 8	Donors rely on common procurement procedures	Indicator 8	% of countries relying on common procurement procedures
Target 9	Untying aid	Indicator 9	% of untied aid
Target 10	Donors co-fund operations	Indicator 10	% of jointly funded operations (including delegated co-operation)

Source: TFDP Secretariat

This table is provided for illustrative purposes ONLY and is not intended for discussion.