



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

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Working Party on Aid Effectiveness and Donor Practices

PROPOSAL FOR A FRAMEWORK OF INDICATORS ON HARMONISATION AND ALIGNMENT

**Task Team on Harmonisation and Alignment
First meeting**

To be held in Paris on 2 and 3 July 2003 (ending at 13h00 on the second day)

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PROPOSAL FOR A FRAMEWORK OF INDICATORS ON HARMONISATION & ALIGNMENT

I. Key points

1. The purpose of this note is to seek Members' guidance on how to best track progress on the commitments made at the Rome High Level Forum (HLF) on Harmonisation (February 2003). In order to facilitate a structured discussion this note sets out a proposal and draft Terms of Reference (Appendix 1) to be amended at the Task Team meeting on Harmonisation and Alignment on 2-3 July 2003. The main points of this proposal are as follows:

- A consolidated synthesis report will describe progress against the commitments made at the Rome HLF.
- An important component of this work will include identifying indicators that track progress on strategic dimensions of harmonisation and alignment.
- An interested group of Members will, in close collaboration with the OECD Secretariat, elaborate a detailed proposal in time for the next plenary meeting of the Working Party on Aid Effectiveness and Donor Practices scheduled in November 2003.
- Terms of reference of the group charged to take forward this work are proposed, as a basis for discussion, in appendix 1 of this note. They will be amended to reflect decisions reached at the Task Team meeting.

2. This note is structured in two parts. The first part discusses a framework for reporting on progress on harmonisation in the context of the Rome High-Level Forum on Harmonisation. The second part looks at an important component of this framework: indicators of harmonisation and alignment.

II. Reporting on Progress

3. At the Rome HLF donors agreed on a combination of mechanisms that will both promote action on harmonisation and demonstrate that progress is actually being achieved. These mechanisms are listed below:

- **Country-based action plans on harmonisation** — the Rome declaration encouraged partner countries to design country-based action plans on harmonisation agreed with the donor community that will set out clear and monitorable proposals to harmonise development assistance (Rome Declaration §9).
- **Self-evaluations** — As part of their self-evaluation processes, bilateral and multilateral agencies and partner countries will assess and report on progress in applying good practices, and on the impact of such practices (Rome Declaration §9).
- **Peer review mechanisms** — Donors have agreed at Rome to utilise and strengthen existing peer review mechanisms for implementing agreements on harmonisation (Rome Declaration §10).

- **Indicators of progress on harmonisation** — Donors are committed to track progress on harmonisation using indicators such as those described in the OECD-DAC Good Practice Papers (Rome Declaration §7).

4. Drawing from these sources of information, and other relevant sources¹, a consolidated synthesis report will review and assess progress made by the development community against the commitments set out in the Rome Declaration (See Table 1). In doing so, consideration should be given to on-going efforts to monitor the Millennium Development Goals (MDGs).

5. This consolidated report will be prepared in time for submission to the DAC Senior Level Meeting in December 2004. It will also be submitted to the second High-Level Forum on Harmonisation scheduled in 2005. The modalities for elaborating this report have yet to be discussed and Members' guidance is sought on the best way of proceeding.

III. A Framework of indicators of progress on harmonisation and alignment

6. Demonstrating measurable progress on the harmonisation and alignment agenda will be an important contribution towards enhancing credibility of the development community. In this connection, indicators of progress on harmonisation are a key component of the reporting framework described above.

7. Initial discussions about indicators were carried out at the last meeting of the Task Force on Donor Practices (26 March 2003). At that meeting it was agreed that the indicators put forward by the Secretariat [DCD/DAC/TFDP(2003)2] were a useful point of reference. The following note builds on this proposal and puts forward for discussion:

- Key features of a framework of indicators on harmonisation;
- Arrangements for taking work forward within the Task Team on Harmonisation and Alignment.

Guiding Principles

8. Building a common understanding on what might be expected from a framework of indicators of progress on harmonisation is an important first step towards establishing indicators. The following guiding principles are presented for discussion:

9. **The purpose of the indicators** is to demonstrate measurable progress towards the implementation of the commitments made by the development community in the Rome Declaration. This requires translating these commitments into measurable dimensions against which the indicators can track progress. An attempt at this is presented for discussion in Table 1 below.

10. **A strategic exercise relying on a concise set of indicators** — Rather than attempting to capture the full range of issues that are included in the Rome agenda and the DAC Good Practice Papers, the framework of indicators should focus on a limited set of results that are of strategic importance. At the last meeting of the Task Force on Donor Practices it was suggested that no more than 10 indicators represented a reasonable number of indicators.

1. These might include activities undertaken by the Strategic Partnership with Africa (SPA), NEPAD and other organisations such as the UN Economic Commission for Africa (ECA).

11. **Focus on results and outcomes** — A focus on results and outcomes is particularly important as it is linked to the issue of the credibility of donor activity. In doing so, the proposed framework will seek to rely on quantitative indicators – qualitative assessments are also needed and will be covered by other reporting mechanisms. Process indicators should be used when: (i) it is not practical to gather data for outcome indicators on a regular basis, or (ii) when the process indicators are more reliable and valid indicators than an available but flawed outcome measure.

12. **Indicators should be cost-effective and draw as much as possible on readily available data** — Indicators should be identified for which data is regularly available and permit cost-effective collection. Compiling information for indicators inevitably generates costs. These costs should be incurred to the greatest extent by aid agencies rather than developing partner countries.

13. **Build on existing work** — Work on indicators should build and rely on past and on-going efforts in the area of quantitative measurement including, *inter alia*, work being undertaken on Financial Management in the WP-EFF, the SPA and PARIS 21.

Table 1: Mapping the Commitments in the Rome Declaration

| Aid Agency Commitments | | |
|-----------------------------------|-------------------------------|--|
| 1. Individual Activities | | |
| 1.1 | Internal Rules | Identify ways to amend internal procedures in order to facilitate harmonisation (§5.2) |
| 1.2 | Incentives | Develop incentives that foster staff recognition of the benefits of harmonisation (§5.5) |
| 1.3 | Dissemination | Disseminate good practices to staff at HQs and at country offices (§5.3) |
| 2. Co-ordinated Activities | | |
| 2.1 | Alignment | Deliver aid in accordance with partner country priorities and systems (§5.1 & §5.7) |
| 2.2 | Common Arrangements | Implement common arrangements for delivering aid (§5.7) |
| 2.3 | Transparency | Share relevant information on development activities (§5.6 & §6 & 8) |
| 2.4 | Rationalisation | Rationalise activities and missions where appropriate (§5.1) |
| 2.5 | Delegated Co-operation | Intensify delegated co-operation (§5.4) |
| 2.6 | Peer Reviews | Use peer review mechanisms to support harmonisation (§5.6) |
| 2.7 | Programme Support | Provide budget, sector & balance of payment support when appropriate (§5.8) |
| 2.8 | Regional Level | Promote harmonisation in global and regional programmes (§5.9) |
| 3. Partner Country Commitments | | |
| 3.1 | Partner Leadership | Partner countries take the lead on co-ordination activities (§5.6) |
| 3.2 | Action Plans | Design & implement country-based action plans for harmonisation (§9) |

Arrangements for taking work forward

14. Significant work is required to elaborate a framework of indicators that meets the requirements set out above. More specifically work is required in the following areas:

- ***Short-listing potential indicators against the full set of commitments set out in the Rome Declaration*** — As a first step, an inventory of feasible indicators should be established; each indicator could be documented using the key sheet presented in Appendix 2 of this document.
- ***Selecting a concise sub-set of indicators*** — Selection criteria will be established with a view to identifying indicators that, *inter alia*, meet the requirements set out in the guiding principles (*supra*). Indicators will be rated against these criteria. Approximately 10 indicators will be selected that reflect strategic dimensions of the harmonisation agenda.
- ***Establish the basis of a reporting system for collecting data and reporting results*** — This will include identifying responsibility for undertaking work, identifying sources of information, agreeing on definitions and key terms, methods for collecting and aggregating data, periodicity for reporting on indicators.

15. It is to be expected that a significant share of information (e.g. number of missions, existence of common arrangements in specific sectors or countries, etc.) will be provided by — and contingent upon — development agencies' information systems. Knowledge of these systems and organisation of agencies is therefore a key determinant in elaborating an operational framework of indicators that is acceptable to most donors.

16. This is why it is suggested that work on indicators be taken forward by a group of interested members in close collaboration with the OECD Secretariat. To this end, Terms of Reference for this task are presented in Appendix 1 of this note. This group would be tasked to submit a first proposal in time for the November WP-EFF plenary meeting scheduled in November 2003.

APPENDIX 1
DRAFT TERMS OF REFERENCE
ON WORK FOR ELABORATING A CONCISE SET OF INDICATORS ON HARMONISATION
AND ALIGNMENT

Objectives of this work

1. **Objective 1:** Identify a concise set of indicators that demonstrate measurable progress towards the implementation of the commitments in the Rome Declaration on Harmonisation (see Table 1 above).
2. **Objective 2:** Establish the basis of a reporting system for collecting data and reporting results.

Guiding Principles

3. In elaborating indicators on harmonisation work will be guided by the following principles:
4. *The purpose of the indicators* is to demonstrate measurable progress towards the implementation of the commitments made by the development community in the Rome Declaration. This requires translating these commitments into measurable dimensions against which the indicators can track progress. An attempt at this is presented for discussion in Table 1 below.
5. *A strategic exercise relying on a concise set of indicators* — Rather than attempting to capture the full range of issues that are included in the Rome agenda, the framework of indicators should focus on a limited set of results. Approximately 10 indicators will be selected that reflect strategic dimensions of the harmonisation agenda.
6. *Focus on results and outcomes* — Focus on results and outcomes is particularly important as it is linked to the issue of the collective credibility of donor activity. All other things being equal the framework will seek to rely on quantitative indicators rather than qualitative indicators. Process indicators should be used when: (i) it is not practical to gather data for outcome indicator on a regular basis, or (ii) when the process indicators are more reliable and valid indicator than an available but flawed outcome measure.
7. *Indicators should be cost-effective and draw as much as possible on readily available data* — Indicators should be identified for which data is regularly available and permit cost-effective collection. Compiling information for indicators inevitably generates costs. These costs should be incurred to the greatest extent by development agencies rather than developing partner countries.
8. *Build on existing work* — Work on indicators should build and rely on past and on-going efforts in the area of quantitative measurement including, *inter alia*, work being undertaken by the Financial Management component of the WP-EFF, the SPA and PARIS 21.

Tasks

9. **Task 1:** *Short-list potential indicators against the full set of commitments set out by the Rome Declaration* — An inventory of feasible indicators will be established; each short-listed indicator will be documented using the key sheet presented in Appendix 2 of this document.

10. **Task 2:** *Select a concise sub-set of indicators* — Selection criteria will be established with a view to identifying indicators that meet the requirements set out in the guiding principles. Indicators will be rated against these criteria. Approximately 10 indicators will be selected that reflect strategic dimensions of the harmonisation agenda. These dimensions will be presented and discussed in the final proposal.

11. **Task 3:** *Establish the basis of a reporting system for compiling data and reporting results* — This will include identifying responsibility for undertaking work, identifying sources of information, agreeing definitions, methods for collecting and aggregating data, periodicity for reporting on indicators.

Outputs and timetable

12. An initial report on indicators will be produced three weeks in advance of the next plenary meeting of the Working Party on Aid Effectiveness and Donor Practices tentatively scheduled on 26-28 November 2003. The appendix of the document will include the full list of indicators examined by the group including those that have been discarded.

Organisation of work

13. Work will be undertaken by a core team of interested members of the Task Team on Harmonisation and Alignment in close collaboration with the OECD Secretariat. Representation from a broad range of development agencies (bilateral, multilateral and partner countries) will be required.

APPENDIX 2: ILLUSTRATIVE KEY SHEET OF AN INDICATOR

| INDICATOR | |
|--|--|
| 3.2. | DEVELOPING COUNTRIES WITH ACTION PLANS ON HARMONISATION (%) |
| COMMITMENT | RESULT |
| Partner governments take the lead on co-ordination initiatives | Partner Countries and Donor Community Agree at Country Level on How to Harmonise Aid |
| DESCRIPTION | |
| Number of countries that have established action plans on harmonisation and have come to an agreement on its application with the donor community as a percentage of all developing countries. [Terms to be defined: action plan, agreement, donor community]. | |
| DATA COLLECTION | |
| Is data currently collected? | No |
| Source | Lead agency informs OECD Secretariat once an agreement is reached. |
| Periodicity | |
| Unit of measure | Percentage |
| Lowest level of aggregation | Country |
| Comments | |
| EXPECTED DATA COVERAGE | |
| Donor Agencies | Not applicable |
| Aid recipients | All developing countries (see comment below) |
| Conceptual coverage | |
| Comments | [Issue for discussion: do we need to narrow scope?] |
| REPORTING | |
| Responsible agency | Lead agency informs OECD Secretariat once an agreement is reached |
| Frequency | On-going |
| Comments | |
| TARGETS | |
| Target | 100% by 2015 (?) |
| Baseline | 0% in 2002 |
| Comments | |
| COMMENTS | |
| [Issue for discussion: to what extent will it be necessary to formalise the process of establishing country action plans on harmonisation?] | |