



Synthesis Paper 6
Progress on Harmonisation and Alignment in the UK

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CONTENTS

Executive Summary iii

1. Introduction 1

2. What is meant by harmonization and alignment? 2

3. DFID's actions in pursuit of the harmonization and alignment agenda 5

4. African recipients' perspectives on progress so far 12

5. The role of incentives: factors pushing and preventing DFID's progress on harmonization and alignment 14

6. Conclusion 18

Bibliography 20

Annex 1 22

Table 1: Draft Progress Indicators for the 'Rome/Paris Agenda' 4

Table 2: Advantages and disadvantages of bilateral and multilateral aid 10

Table A1: Recipient Country Perception of Donor Harmonisation 22

Table A2: Recipient Country Satisfaction with Alignment 23

Table A3: The Degree to which Harmonisation and Alignment is Perceived by Recipient Countries to have Reduced Transaction Costs 23

Box 1: Key problems with aid that underpin the aid effectiveness debate 2

Box 2: The 'Three Ones' 11

Box 3: Common issues and challenges for donors that arose from the survey of incentives in six aid agencies 17

Figure 1: The Aid Effectiveness Pyramid 3

Executive Summary

The aim of the new 'partnership paradigm' of development is for donors to step back and for recipient country governments to step into the 'driving seat'. Countries are to develop their own poverty reduction and growth strategies, with donors providing appropriate support. A key innovation aiming to facilitate this shift is the Poverty Reduction Strategy Paper.

Two key concepts that relate to the shift that is needed in donor behaviour are 'harmonisation' and 'alignment'. Harmonisation refers to the need for donors to establish common arrangements, simplify procedures and share information. Alignment refers to donors aligning their assistance with the agenda laid out by the partner country and progressively relying upon partner country systems. Reasoning on the urgent need for this shift comes from evidence of the burden that parallel donor systems and uncoordinated, fragmented donor assistance place on government systems.

The OECD-DAC High Level Forum on Harmonization held in Rome in February 2003 was the first high level conference to address these issues. The so-called 'Rome agenda' on harmonisation and alignment that was developed there has since expanded to include a focus on the need to manage for results. The second High Level Forum is being held in Paris from 28 February to 2 March 2005. For the first time progress indicators for the 'Rome agenda' are being considered. Table 1 sets out the twelve draft progress indicators and related targets to be reached by 2010 that will be discussed.

DFID's actions in pursuit of the 'Rome agenda'

DFID has made a high level commitment to harmonisation and alignment as part of its corporate commitment to the PRSP principles. It is therefore taking a variety of actions relating to both its bilateral aid programme and multilateral agencies.

Some of the key actions taken in relation to its bilateral aid programme are:

- Joint offices with other donors
- Development of joint country strategies
- Joint funding through sector wide approaches and general budget support

In relation to its bilateral programme, DFID views the following as particularly important areas for further action:

- Clear position on conditionality (consultation paper out now)
- Improved predictability of aid
- Greater proportion of aid to go to low income countries
- Mutual accountability between donors and recipients
- Better coordination of capacity building assistance
- Joint diagnostic work

About 20% of the UK's aid budget goes to the European Commission. DFID views the EU as a potentially highly appropriate forum to really put the harmonisation and alignment agenda into practice. Some progress is being made such as a recent EU Action Plan on Harmonisation. Within this it was agreed that: member states and the EC will work together in country to assess how the harmonisation and alignment agenda can be better realised there; and at headquarters level member states and the EC will work on developing joint programming and joint country diagnostics. The concept of 'complementarity' between donors, whereby different roles are taken in country according to relative strengths and weaknesses, is key to the EU approach. This is a potentially powerful concept but experience so far is limited.

Despite DFID's strong engagement with the EC's approach to harmonisation and alignment some tensions are also visible. The EU is commonly criticised for its

complex and opaque bureaucratic decision-making systems leading to scepticism concerning EU-led harmonisation initiatives. Other member states are also cautious or reluctant to engage with this agenda. Although multilateral channels would seem to offer considerable potential for greater harmonisation and alignment of aid, donors are likely to always maintain a mixed portfolio as bilateral aid enables greater innovation, political engagement and flexibility. Table 2 sets out a simple overview of the main advantages and disadvantages of bilateral and multilateral aid.

African recipients' perspectives on progress so far

Despite the high-level pledges, actions being taken and the general consensus on the need for more action in this area, overall progress along the path towards harmonization and alignment is far from smooth, however. A survey of African countries in autumn 2003 by the Strategic Partnership with Africa (SPA) found thirteen of the seventeen countries surveyed to have aggregate dissatisfaction with the level of coordination and alignment of donors. Results on recipient transaction costs were more positive, however, with only five countries experiencing an increase in transaction costs, eight experiencing no change and four experiencing a reduction in transaction costs.

Although the logic behind the need for greater harmonisation and alignment is therefore relatively uncontentious, in practice progress is slow. The reason for this is that it is actually a deceptively complex agenda due to the myriad of factors within aid agencies that both 'push' and 'pull' them on the path towards greater harmonization and alignment.

Factors pushing and preventing DFID progress on this agenda

Incentives within aid agencies can be analysed on three levels: political commitment; institutional incentives; and individual incentives.

At the political level, DFID's high level commitment to this agenda has led to the goal of 'making progress in harmonisation' being enshrined as an objective in the 2005-08 Treasury Spending Review. However, political pressure is felt from the Foreign and Commonwealth in certain countries to respect the UK's historical connection and to therefore be more 'visible'. This is despite the fact that as DFID's mandate is now purely poverty reduction, there are no pressures for UK aid to be clearly labelled with British flags.

As DFID is a highly decentralised organisation, country offices have the autonomy and flexibility to engage with harmonisation and alignment initiatives as they see fit. DFID internal procedures are also being amended to further encourage such actions: for example, office instructions are currently being revised to include a section on harmonisation best practices; harmonisation is being integrated into induction and training processes; and a harmonisation help-desk function is being planned.

Despite this some mixed messages are also being sent out on an institutional level. In particular it seems that harmonization has been championed by senior management as a key way in which to deal with staff losses that have come about as part of the current efficiency drive. As a result country offices are questioning the real impetus behind pushing harmonization: is it a more effective way of working, or is it in fact a way of reducing staff? Due to this concern some country offices feel wary of being too proactive on harmonization as their staff numbers may be cut as a result.

Current staff career structures are also not entirely conducive to the 'Rome agenda': competition between staff means they are encouraged to be active and visible in their particular sector rather than engaging closely with others under a common framework. Furthermore, relatively short postings hinder long-term engagement. Overall, despite the high-level commitment to the agenda many staff are unclear how to implement it at the country level and would like clearer guidance. Training and staff

assessment criteria are increasingly including harmonization-related elements, however.

Five themes that require more attention

Despite the fact that DFID has made some progress over recent years, five themes require greater consideration within moves towards greater harmonisation and alignment. These are:

- The need for domestic accountability
- High transaction costs for donors in the short-medium term
- The need for visibility and other political incentives
- The unwillingness of other donors to engage
- The lack of practical guidance for country offices

Furthermore recent research has highlighted wider tensions within the system of aid architecture that cannot be addressed at a country level. Even if the harmonisation and alignment agenda were successful, the following issues urgently need to be addressed:

- Imbalance in overall aid allocation
- The need for aid to be linked to concrete outcomes versus the need for long-term commitments
- Separation of decisions on country aid envelopes and analysis of country needs
- Lack of credible mutual accountability devices between donors and recipients
- Global public goods – issues such as peace and security, financial stability and global commons such as the environment can only be addressed globally

1. Introduction

‘Recipient and donor countries, as well as international institutions, should strive to make ODA more effective. In particular, there is a need for the multilateral and bilateral financial and development institutions to intensify efforts to: Harmonize their operational procedures at the highest standard so as to reduce transaction costs and make ODA disbursement and delivery more flexible, taking into account national development needs and objectives under the ownership of the recipient country...’ (UN 2002 ‘Monterrey Consensus’ para.43)

As the quote above reveals, there is currently widespread acknowledgement of the need to harmonise donor approaches as much as possible. The reasons for this are high transaction costs for recipients where myriad donors operate with multiple procedures, the need for greater flexibility of aid and the drive to support country ownership of poverty reduction strategies.

International momentum towards greater coordination of bilateral and multilateral aid policy has been gathering since the early 90s. This has been particularly fuelled by the fact that strategic and foreign policy imperatives have diminished to a large extent since the end of the Cold War, opening up greater potential for information-sharing and collaboration between donors. In addition the number of donors has now increased from only seven in 1960 to more than fifty in the 1990s, leading to a far greater risk of overcrowding, complication and waste. Harmonisation and alignment also form a key aspect of current debates on increasing aid effectiveness (Claret de Fleurieu 2003).

Agreement on the Millennium Development Goals and the accompanying UN Millennium Declaration in 2000 marked a key moment in the growing consensus amongst the international community on the objectives of giving and receiving aid. Follow-up conferences and summits have since then addressed practical aspects of how to improve aid effectiveness so these commitments can be met. For example, the Financing for Development conference in Monterrey in 2002 saw donors pledge, inter alia, to: ‘harmonize their operational procedures to the highest standard’ (UN 2002 para. 43). A follow-up High-Level Forum was then convened in Rome in February 2003 to focus in particular on the issue of harmonization and to agree a set of ‘next steps’ towards achieving this objective. Donors are now preparing for a second High-Level Forum on harmonization, to be held in Paris from 28th February to 2nd March 2005.

This paper sets out UK perspectives on the issues of harmonization and alignment in the context of the run-up to the Paris High-Level Forum. The first section will present a brief outline of what is meant by harmonization and alignment. The second section sets out actions that DFID is currently taking in pursuit of this agenda – in relation to both its own bilateral programme and multilateral platforms. The third section presents a brief summary of African recipients’ perspectives on progress so far. The fourth section sets out factors that are either contributing to or hindering DFID’s engagement with this agenda. The paper ends with a short conclusion including some forward-looking conclusions regarding the Paris High-Level Forum and beyond.

2. What is meant by harmonization and alignment?

As has been seen throughout this series of papers¹, the need to improve aid effectiveness has received a great deal of attention during the last decade. The reasons behind this have been covered in detail in earlier papers in the series²; Box 1 summarises five of the key problems the approach is aiming to address. Thinking on the need for improved aid effectiveness led to the introduction of the Poverty Reduction Strategy Paper (PRSP) initiative in 1999 and subsequent efforts to develop aid modalities that are best able to support the principles behind PRSPs – in particular that development must be a country-led process supported through partnership with donor governments. New aid modalities are not enough, however. An important part of supporting PRSP processes is the need for greater donor harmonisation and alignment.

Box 1: Key problems with aid that underpin the aid effectiveness debate

Aid is often...

- Unpredictable in amount and timing
- Off- budget, fragmented, and uncoordinated with governments or other donors
- Disbursed, managed, accounted for and monitored through parallel systems, thereby bypassing and weakening government systems - draining them of staff and reducing pressures to reform
- A heavy burden on government administration
- A contributor to weak domestic institutions of governance, as donor views and requirements receive excessive weight in policy discourse relative to domestic stakeholders

Source: Adapted from Foster (2003)

The OECD-DAC High Level Forum on Harmonization in Rome in February 2003 – the first high level conference to address harmonization issues - developed what it terms the 'Aid Effectiveness Pyramid' to illustrate the close connection between the three key concepts 'ownership', 'alignment' and 'harmonization'. This can be seen in Figure 1, below. As set out in the figure, definitions of the three concepts are as follows:

Ownership refers to the right and responsibility of the partner country to establish its own agenda for development. In other words, recipient countries are 'in the driving seat' for their own development strategies.

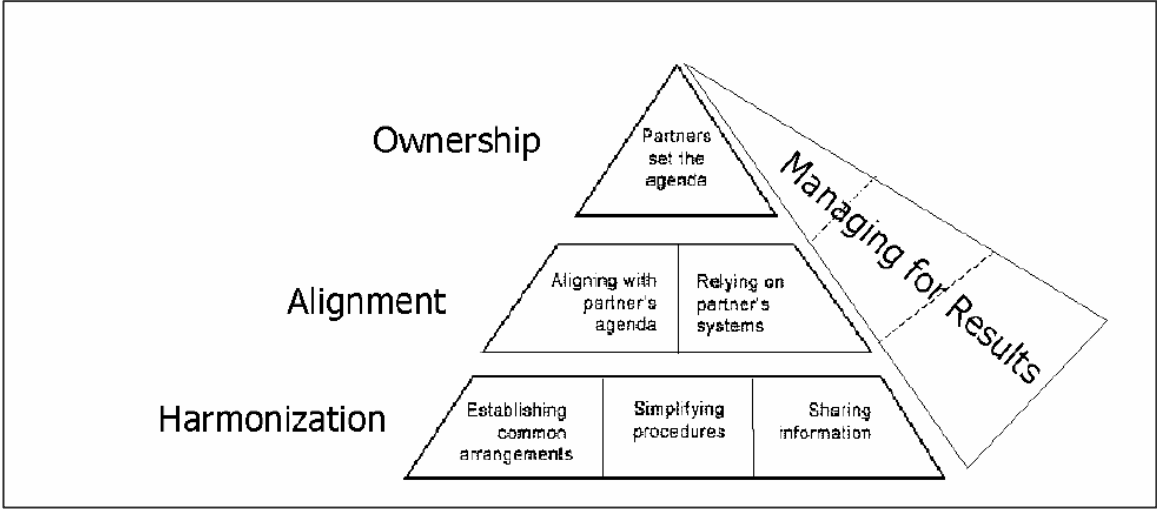
Alignment refers to donors aligning their assistance with the agenda laid out by the partner country and progressively relying upon partner country systems.

Harmonization refers to donors cooperating with each other: establishing common arrangements, simplifying procedures and sharing information.

¹ The whole series of papers reporting on current aid policy debates in the UK can be seen at: http://www.odi.org.uk/RAPID/UK_Japan/index.html

² See, in particular, Synthesis Paper 4 – Current thinking in the UK on General Budget Support (Warrener, 2004)

Figure 1: The Aid Effectiveness Pyramid



Source: DAC 2004 p.11

The Rome Forum was followed, one year later, by the Second International Roundtable on Managing for Development Results held in Marrakech in February 2004. This addressed the question of how to incorporate results-based management into harmonization and alignment initiatives. In line with the thinking behind PRSPs, this involves a shift of focus away from individual donor inputs to instead concentrate on the eventual outputs of combined donor initiatives. The aim is that: ‘This results agenda... forces all parties to think in terms of their collective impact on lasting poverty reduction, not just their separated responsibilities as temporary trustees of a limited slice of funding’ (DAC, 2004).

The importance of ‘Managing for Results’ has now been fully incorporated into the harmonization and alignment agenda. This is illustrated by its clear incorporation in Figure 1 above and the fact that the forthcoming Second High-Level Forum on Aid Effectiveness, to be held in Paris from 28 February to 2 March 2005, has ‘Harmonisation, Alignment, Results’ as its slogan.

Despite the clear commitment to results-based management for poverty reduction, the harmonisation and alignment agenda has itself not applied clear targets to its own process up to now. This is likely to change in Paris, however, as the draft Paris Declaration on Aid Effectiveness includes twelve ‘progress indicators’ for the ‘Rome agenda’ with targets set for 2015. These are set out in Table 1 and clearly show the type of actions donors, and recipients, are expected to take under the four subsections of the harmonisation and alignment agenda. DFID is a strong advocate of the value of such indicators as they clarify the agenda and will enable recipient countries to hold donors to account for their commitments.³

³ Comment by Gregory Briffa, Policy Analyst (Aid Effectiveness), Poverty Reduction Strategy and Aid Harmonisation team, DFID (‘GB interview’)

Table 1: Draft Progress Indicators for the 'Rome/Paris Agenda'

Ownership		Objective for 2010
1	<i>Partners have an operational PRS</i> (reported to parliament, clear strategic priorities, linked to medium term expenditure framework, joint qualitative assessment)	75% of partner countries have operational PRSs
2	<i>Sound national systems</i> (acceptable levels of performance in public financial management, procurement and accounting, joint qualitative assessment)	50% of partner countries have sound national systems
Alignment		
3	<i>Aid flows are aligned on PRSs</i> (reported on partners' national budget)	75% of aid flows reported on partner's national budgets
4	<i>Strengthen capacity by coordinated support</i> (aligned with partner country capacity development strategies, joint qualitative assessment)	75% of partner countries have coordinated programmes of support
5	<i>Use of country systems</i> (use systems such as procurement or public financial management to manage development assistance in country)	75% of donors at country level use two or more country systems
6	<i>Strengthen capacity by avoiding parallel structures</i> (reduced number of project implementation units)	50% reduction in the number of project implementation units
7	<i>Aid is more predictable</i> (percentage of annual disbursements of budget support released according to pre-agreed quarterly schedules)	75% of budget support released on schedule
8	<i>Aid is untied</i> (percent of untied bilateral aid)	Progress to be monitored
Harmonisation		
9	<i>Use of joint systems</i> (percent of aid provided through sector wide approaches or budget support)	Progress to be monitored
10	<i>Encourage common arrangements</i> (joint field missions and joint country analytical work)	100% of donors participate in joint field missions and / or country analytical work
Managing for results		
11	<i>Results oriented frameworks</i> (sound performance assessment frameworks to measure progress against PRSs and sector programmes – joint qualitative assessment)	75% of partner countries have one or more performance assessment frameworks
12	<i>Mutual accountability</i> (periodic assessments of mutual performance between donors and partners)	50% of partner countries have one or more assessments of mutual performance

Source: OECD-DAC (2005)

3. DFID's actions in pursuit of the harmonization and alignment agenda

DFID's stance in relation to the harmonisation and alignment agenda is clear. High level commitment to fully supporting PRSPs has been made from their inception particularly as DFID was a key contributor to their development. DFID is therefore taking a number of actions that relate to both its bilateral programme and multilateral agencies. These are set out separately below.

Bilateral aid

In February 2003, DFID released an 'Action Plan to Promote Harmonisation' to coincide with the Rome High Level Forum. In the introduction to the Plan, Clare Short (then Secretary of State for International Development) underlined DFID's firm commitment to the harmonisation and alignment agenda, identifying three key aims behind the Action Plan:

1. to minimise the burden on partner countries
2. to deliver aid in a way that is sufficiently flexible to respond to specific circumstances in each partner country and, where appropriate, to align with partner government systems
3. to emphasise capacity-building in partner countries

The Plan itself drew directly on the principles and good practices set out in the DAC document, 'Harmonising donor practices for effective aid delivery'. It also aligned itself with DFID's existing policy commitment towards partner country-led poverty reduction strategies (PRS), with a sub-section entitled: 'Harmonisation and support for poverty reduction strategies – mutually reinforcing agendas' that stressed the crucial link between donor harmonisation and alignment and the success of the PRS approach. Furthermore, a particular emphasis was placed on budget support and sector programs as forms of aid that are highly conducive to donor harmonisation (DFID 2003).

Since February 2003, DFID has continued to support harmonisation and alignment through various collaborative initiatives. One particularly relevant example is that in October 2003 DFID joined together with the Japanese Ministry of Foreign Affairs (MOFA) and Vietnamese government Ministries to convene an international workshop on aid effectiveness in Asia, focusing on the theme of enhancing aid harmonisation to reduce transaction costs.

More recently, in preparation for the forthcoming Paris High-Level Forum, DFID has been working on a new 'Harmonisation Action Plan'. Although it was originally proposed that the paper be presented at the Forum, on consideration DFID has decided that it will be developed as a response to the commitments agreed there. At the Forum and within the new Action Plan, however, DFID are keen to highlight work they are already doing and those areas that are their key priorities for developing further actions. A list of some of the major current actions being taken is set out below:⁴

- Establishment of joint offices with other donors – these now exist in Indonesia and Cambodia
- Development of joint country strategies – e.g. work undertaken with the World Bank in Uganda
- Joint funding such as through sector wide approaches and general budget support

⁴ The following two lists are taken from the GB interview

Areas that DFID views as particularly crucial to the harmonisation and alignment agenda are as follows:

- Current work DFID is carrying out on conditionality⁵
- Aid predictability issues related to increases in general budget support – commitments should be made at least 3 months before the end of the recipient country's financial year and need to be dispatched in the first half of the recipient's financial year. Programme commitments need to be 3-5 years long.
- Country selectivity – DFID currently has a target for 90% of its bilateral funding to go to low income countries⁶
- Mutual accountability – the indicators outlined in Table 1 are seen as an important step by DFID to enable recipient countries to hold donors to account. DFID strongly feel that they should be published both at country level and globally to have maximum impact.
- In relation to capacity building DFID's Aid Effectiveness team is currently looking at how Technical Assistance can be used in a more coordinated manner⁷
- Joint diagnostic work with one country leading – e.g, public financial management analytical work

Within DFID's headquarters, the main team responsible for coordinating work on harmonisation and alignment activities is the Poverty Reduction Strategies and Aid Harmonisation team. This team was established in May 2004, as it became clear that work on harmonisation was almost invariably closely connected to alignment with PRSs.⁸ However, there is also quite a large degree of overlap with the work of other teams: the Aid Effectiveness team are working on better coordination of technical assistance, for example, and the Africa Policy Division work on how DFID can better align with the NEPAD process, among other things.

As DFID is a highly decentralised organisation there is a two-way relationship between field offices and headquarters. Headquarters' role is to listen to experiences from the field and disseminate best practice to other countries. In this way headquarters can gradually nudge country offices forward on this agenda. The fact that field offices have a high degree of autonomy means that this is far from a 'top-down' process, however.⁹ DFID's emphasis is on treating countries on a case by case basis and to use harmonization and alignment initiatives sensitively in-country to foster genuine country ownership of development policy. Clearly this cannot be done by staff in London – the judgment of staff in the field must be respected.

Some actions are therefore being taken by DFID although a lack of clarity remains concerning how far and how fast it wishes to pursue the agenda.¹⁰ Of particular concern are the need to maintain domestic accountability and flexibility. Furthermore, as it is becoming increasingly clear that transaction costs for donors in pursuit of this agenda are high in the short to medium term,¹¹ DFID is considering whether they should 'move beyond joint working to complementarity, by means of a geographical

⁵ See Warrener (2004) for information on the consultation draft on conditionality issued at the end of 2004. A revised version of this paper is not yet available and is still under consideration within DFID.

⁶ This target will not be achieved this year, however, as Iraq is currently the number one recipient of DFID funding.

⁷ See Warrener (2004) for discussion concerning the changing role of Technical Assistance under the new aid framework

⁸ There is growing understanding that harmonization is also equally if not more important in 'fragile states' though – even those these are highly unlikely to have a PRSP in place.

⁹ GB interview

¹⁰ Raised at Development Committee meeting in September 2004.

¹¹ See below for further discussion of this point.

or sectoral division of labour amongst donors' (DFID 2004). Moves in this direction can be seen in DFID's activities within multilateral fora.

*Multilateral aid – the European Commission*¹²

The European Commission is of major importance to the issue of UK aid harmonisation, both as the multilateral agency responsible for channelling around 20% of UK aid¹³, and also more broadly as a powerful force calling for greater integration of the bilateral policies of individual member states of the EU. The question facing Britain and other EU member states is whether and how to take advantage of the potentially highly convenient aid harmonisation mechanism offered by the EU. As observed by Rogerson et al (2004): 'At present, there are some voices in favour of renationalising the EU's aid to its members. Others are arguing, conversely, for denationalising its bilateral aid budgets, and recentralising them in the EU'.

DFID view the EC as a valuable forum for moving the agenda on harmonisation and alignment forward. This was revealed in a speech made by DFID's Parliamentary Under-Secretary of State for International Development, Gareth Thomas, entitled 'What is the European Community's comparative advantage with respect to aid?'.¹⁴ In this he argued that the major advantage of the EC is 'the three C's' of Coherence, Coordination and Complementarity'. Gregory Briffa, of DFID's PRS and Aid Harmonisation team further commented that in relation to the OECD-DAC, the UK government is deeply engaged with the EC on many different issues. For this reason DFID feel that negotiations on this agenda within the EC can have greater impact than in the DAC where the consensus reached is often little more than 'the lowest common denominator'.

In November 2004 an EU Action Plan on Harmonization was agreed; DFID's commitments on harmonization and alignment at the Paris High-level Forum will make clear reference to this. Within the EU Action Plan there are two main operational elements:

1. Where member states and the EC are both present in a country they will get together to draft an 'EU roadmap' on harmonization and alignment – this will analyse the current the situation and what is needed and will be used to push the overall process forward.
2. Member states and the EC need to do more work at headquarters level on how to do joint programming and joint country diagnostics. At the moment this is a considerable challenge as different agencies have very different approaches, such as different programme cycles. However, the overall intention is that these processes should be aligned with recipient country processes and cycles – providing an opportunity for the member states and the EC to work much closer together.

The concept of 'complementarity' is key to the approach of the EU and is acknowledged by DFID as a potentially valuable way forward. Although it is a powerful concept, in practice, however, it is difficult to achieve and it does seem to largely depend on the capabilities of the actual people in country offices. Some examples are beginning to emerge, though, with one example being recent work done by the Dutch and Irish in Ethiopia.

¹² This section draws heavily on GB interview.

¹³ In 2002 the UK allocated 19% of its aid through the European Commission (Grimm 2004).

¹⁴ Talk made in September 2003 at the Overseas Development Institute.

Knowledge of comparative advantages is important for 'complementarity' to be realized in practice although such advantages will of course vary depending on individual country contexts. DFID does not have a clear overall view of its comparative advantage although recent work on political economy approaches such as the Drivers of Change approach could be seen as one, particularly vis a vis multilateral donors such as the World Bank whose remit does not allow them to engage in the political realm.

Despite DFID's strong engagement with the EC's approach to harmonisation and alignment there are also some tensions visible. The EU is commonly criticised for its complex and opaque bureaucratic decision-making systems resulting in some scepticism concerning EU-led harmonisation initiatives. Furthermore, in as much as DFID sees itself as one of the leaders in framing innovative and progressive international aid policy dialogues, there is a sense that to conform to EU approaches would be to sacrifice some of the more subtle nuances of DFID's own thinking on these issues. A comment by DFID Head of Development Effectiveness, Sam Sharpe, in September 2004 encapsulates some of this sentiment: 'Our emphasis on alignment and desire to avoid prescriptive, centralised approaches has been perceived by the EC as a brake on progress' (DFID 2004).

Other EU member states are also cautious or reluctant. At the Barcelona Conference of EU heads of state in March 2002, delegates pledged to 'Improve aid effectiveness through closer coordination and harmonisation.' (European Commission 2004). However, a progress report in 2004 concludes that this commitment has seen little movement so far. The report notes that:

1. The majority of member states are unwilling to use the communications approved by the council as reference documents for bilateral assistance
2. Various tools and frameworks produced by the Commission are not used by member states (for example: the Common Framework for Country Strategy Papers; the ten core indicators for measuring results; and guidelines for various sector policies)
3. The majority of member states are 'unwilling to rationalize strategic programming exercises by engaging in EU-wide multi-annual programming.' (European Commission 2004 p.10)

Clearly there is a long way to go but DFID views the EU as a potentially highly appropriate forum to really put the harmonisation and alignment agenda into practice.

Other multilateral structures – Nordic Plus / the World Bank

DFID's other main platform for multilateral harmonisation initiatives is the Nordic Plus group of donors. In November 2003 the Nordic Plus group produced a 'Joint Action Plan' for harmonisation, which drew on a pilot 'Harmonisation in Practice' initiative in Zambia to lay out a vision for enhanced aid coordination. The plan identifies three degrees of coordination intensity: information sharing; strategic coordination; and operational coordination. Within this framework, the challenge – according to the Plan – is to progress from strategic to operational coordination. The Plan notes that there are numerous constraints to this objective, but at the same time it proposes four instruments available to assist the implementation of coordination strategies:

1. senior level involvement in each country
2. the DAC Harmonisation and Alignment task force
3. Joint Country Learning & Assessment DAC peer review focus on harmonisation
4. the Independent Monitoring Group

Overall, the Joint Action Plan is designed to be a forward-looking document. Group members see themselves as working together to catalyse international progress towards greater harmonisation and alignment (Nordic Plus group 2003).

DFID are also engaging with other multilateral organisations on this agenda. As mentioned above, they are already working with the World Bank on joint country strategy papers and some other issues. With the recent completion of the International Development Association (IDA) 14 negotiations DFID has once again increased its contribution this year to a record-breaking £1.43 billion for the three year period 2005-08. This is 63% more than the UK's contribution in the last funding round and is partially linked to World Bank progress in decreasing conditionality and working more effectively with other donors.¹⁵ One reason for this strong commitment is that DFID view working through multilaterals as a concrete way to realise the harmonisation agenda. There are limits to how far they can increase their contribution, though, as countries are not permitted to upset the relative weights of donors on the Board by providing an excessively large proportion relative to other funders.¹⁶

Overall in relation to the harmonization and alignment agenda, one reason that DFID is able to take numerous actions both bilaterally and multilaterally is that it is not under any pressure to give 'flags up' aid – that is, aid which is clearly labeled as coming from the UK.¹⁷ The reason for this is that since DFID's independence in 1997 from the Foreign and Commonwealth Office and particularly following the International Development Act in 2002 DFID has been given a specific mandate to be 'purist', wholly focused on poverty reduction; visibility it not necessary for effective poverty reduction. The Foreign Office is the UK government's 'visible' arm therefore DFID can work much more invisibly. Furthermore visibility does not have to take the form of 'flags' on DFID aid goods – it can be done in more subtle ways such as by an Ambassador or High Commissioner talking to the right people to let them know that a certain initiative is coming from the UK government and getting their endorsement.

¹⁵ Speech by Gareth Thomas, Parliamentary Under-Secretary of State for International Development, 24 February 2005.

¹⁶ GB interview

¹⁷ Comments in this paragraph from GB interview.

Overall both bilateral and multilateral aid are likely to continue to play a role in DFID's portfolio as it pursues the harmonization and alignment agenda. A number of the main advantages and disadvantages of both forms of aid are set out in Table 2. Both channels are currently far from able to maximally support country-set agendas and both require significant reform. Although multilateral aid may appear to offer the best possible forum for harmonization and alignment, as can be seen on the table, bilateral aid will still retain the advantages of flexibility, ability to innovate and be politically active, even if multilateral channels are greatly improved.

Table 2: Advantages and disadvantages of bilateral and multilateral aid

	Advantages	Disadvantages
Bilateral aid	<ul style="list-style-type: none"> • Builds on existing relationships such as post-colonial friendships and responsibilities • Enables countries to use their particular skills or expertise • Can be used to challenge multilateral donors • Can engage directly in political dialogue such as advocating for pro-poor policy making • Can support innovation and pilot new techniques 	<ul style="list-style-type: none"> • It is too often uncoordinated • It is 'high cost', 'high maintenance' • It is still often tied to donor countries priorities or their companies • It is unaccountable – recipients have no voice concerning its use
Multilateral aid	<ul style="list-style-type: none"> • It is untied • Embodies a global or regional commitment to universal values and solutions • It has the potential to concentrate expertise, experience and best practice in one place and to then fairly employ these where they are most needed • In principle it is more capable of making long-term predictable commitments than bilateral aid • Some accountability mechanisms to developing countries are in place • With the introduction of results-based management systems, multilateral aid effectiveness is improving 	<ul style="list-style-type: none"> • The international system remains unsure as to the role of multilateral aid • Weak corporate governance still holds back more far-reaching reform • Quality of work seems to depend more on individuals than on a corporate standard • Some multilateral organisations still impose heavy policy conditionalities and do not give recipient countries the space to develop their own strategies and solutions

Source: Speech by Gareth Thomas, Parliamentary Under-Secretary of State for International Development, 24 February 2005

Global funds

The aid systems has recently witnessed the emergence of a number of new international 'special funds' (such as the Global Alliance for Vaccines and Immunizations, the US Millenium Challenge Corporation and the Global Fund to fight AIDS, tuberculosis and malaria). These funds are viewed by many as complicating current systems of international aid dispersal, thereby running counter to the harmonization and alignment agenda. A number of DFID staff have also commented privately that in the same way, the forthcoming report of the Commission for Africa may further compound the situation if it calls for high profile new initiatives that are not well aligned with current approaches.

However, global funds are clearly here to stay. As significant volumes of aid are involved, DFID's stance is that they need to better aligned with country frameworks for dispersal rather than phased out. A promising model is the 'three ones' approach agreed for HIV/AIDS assistance programmes (see Box 2). If global funds can be 'got right' there is no reason that they should undermine the harmonization and alignment agenda. The same holds true for any other new initiatives that may arise.

Box 2: The 'Three Ones'

The 'Three Ones' concept for HIV/AIDS assistance programmes was endorsed in Washington DC in April 2004. UNAIDS, the UK, the US and developing country governments, amongst others, committed to:

- One agreed HIV/AIDS action framework to coordinate all work
- One national HIV/AIDS coordinating authority
- One agreed country level monitoring and evaluation system

Source: DFID (2004) Working in Partnership with the Joint United Nations Programme on HIV/AIDS (UNAIDS)

4. African recipients' perspectives on progress so far

Despite the high-level pledges, actions being taken and the general consensus on the need for more action in this area, overall progress along the path towards harmonization and alignment is far from smooth, however.

A survey carried out by the Strategic Partnership with Africa (SPA) in seventeen African countries between August and November 2003 reveals the extent to which progress is so far relatively limited. Tables A1 to A3 in Annex 1 set out a summary of the results of this survey.

In Table A1 both the number of donors in budget support groups and the level of satisfaction with the level of donor coordination felt by recipients are recorded. Although only five out of the seventeen countries had more than five donors working together in budget support groups, ten countries were dissatisfied with donor coordination in their country. This result probably stems from the fact that many donors are still working on projects that are poorly coordinated with the work of other donors.

Table A2 concerns donor alignment with country priorities and strategies. Once again, nine out of the seventeen countries were dissatisfied with the level of alignment so far. However, the second column reveals more satisfaction with the level of progress in alignment with only five countries feeling dissatisfied. Clearly donor alignment started from a poor position; despite some progress, there is still a way to go to reach a level where recipients will be satisfied that donors really are aligning with their priorities.

Table A3 provides a summary column of the results in the previous two tables and results on changes in transaction costs. As can be seen in the first column, thirteen of the seventeen countries have aggregate dissatisfaction with coordination and alignment of donors. Results on transaction costs are more positive, however, with only five countries experiencing an increase in transaction costs, eight experiencing no change and four experiencing a reduction in transaction costs.

In addition to the fact that progress so far is limited, a summary of recent literature related to General Budget Support (Nilsson, 2004) highlights three particular concerns with the harmonization and alignment agenda. These are set out below:

- There is a danger that increasing harmonization between donors may decrease country ownership as donors increase their bargaining power and can potentially 'gang up' on countries. For this reason, some countries, such as Morocco, where there are relatively few donors prefer to negotiate separately with donors rather than risking domination by a group of donors (Rogerson, 2005).
- Closely related to the above point is that country ownership may be a prior determinant of the success of harmonization and alignment rather than the reverse being the case – i.e. harmonization and alignment leading to increased ownership. In most countries ownership remains weak therefore there is likely to be only a gradual shift in leadership from donors to countries.
- Although most countries in the SPA survey had not experienced an increase in transaction costs it is clear that the harmonization and alignment agenda is leading to increased short and medium-term costs for donors. In DFID's case the reason for this is clear - although country offices are engaging with the harmonization and alignment agenda they are also continuing with long-established activities such as projects which will take some time to phase out. Transaction costs in the form of high demands on staff time will continue as

long as staff must also manage these parallel activities. As transaction costs for recipients do appear to be gradually going down, DFID view the increase in their own transaction costs as a price worth paying, however.¹⁸

Although the logic behind the need for greater harmonisation and alignment is therefore relatively uncontentious – as long as donors are aware of the dangers of appearing to ‘gang up’ on governments - in practice progress is slow. The reason for this is that it is actually a deceptively complex agenda due to the myriad of factors within aid agencies that both ‘push’ and ‘pull’ them on the path towards greater harmonization and alignment. The following section sets out some of these factors that are operating in DFID’s case.

¹⁸ GB interview

5. The role of incentives: factors pushing and preventing DFID's progress on harmonization and alignment

Within any aid agency, there are forces working both for and against harmonization and alignment. Furthermore, different forces are active at different levels of operation. In recognition of the subtlety and importance of these issues, the DAC Task Team on Harmonization and Alignment commissioned a report on 'Incentives for harmonization in aid agencies'¹⁹ as a background document for the Paris High-Level Forum. The aim of this paper is to explain why policy emerges as it does and to identify key factors that can be addressed in order to enhance progress on harmonization and alignment. The study examined six cases including both bilateral and multilateral aid agencies.²⁰ The following section outlines key findings from the UK case study. Three levels of analysis are examined in turn:

- Political commitment
- Institutional incentives
- Individual incentives

Political commitment

At DFID top-management level, there is a strong commitment to harmonisation, which is reinforced through DFID's high profile in the DAC, where DFID senior management work closely with other key players in the international harmonisation agenda. This high-level engagement with like-minded individuals serves as further motivation to take the agenda forward. This high-level commitment stands in stark contrast to other donors, such as Spain and Switzerland, who do not have this level of political commitment. In fact the Swiss have gone so far as to criticize the UK for being too hasty in its endorsement of this agenda. However, with reference to this, it is important to note that the Secretary of State for International Development in the UK, Hilary Benn, is known to have some concerns regarding the implications of harmonisation and alignment for policy accountability.

Meanwhile, harmonisation has entered the wider UK government agenda, with 'Making progress in harmonisation' enshrined as an objective in the 2005-2008 Treasury Spending Review. Furthermore, aid harmonisation has been greeted with support – or at least ambivalence – from the majority of the UK electorate. Nevertheless, counter-incentives to harmonisation are felt by DFID in the form of pressure from the Foreign and Commonwealth Office, which stresses the objectives of visibility and respect to Britain's historical presence in certain countries. It is suggested that perhaps it is due to this pressure that harmonisation programmes have come to be known in DFID as 'joint programmes', rather than 'silent partnerships' or 'delegated responsibility', which would imply a loss of UK visibility.

A key point to note is that in many countries DFID has a powerful presence as a bilateral donor and often benefits from a positive relationship with recipient governments. As a result, in several countries, particularly in Africa, DFID has used its position to push the harmonisation agenda forward on 'its own terms'. In other words, in some cases it appears that DFID is able to take such a strong lead in harmonisation that other donors are forced to conform to DFID's agenda, whilst DFID is forced to make very few concessions itself. However, it would appear that there are also formal and informal systems of donor 'self-policing' which, to some extent, regulate DFID's policy.

¹⁹ De Renzio et al. draft (2005)

²⁰ Case study agencies were: the European Commission; Spain; Sweden; Switzerland; the UK; and the World Bank

Institutional incentives

At the institutional level, DFID is a decentralised organisation with country offices enjoying a high degree of flexibility and responsibility over country budgets. Furthermore, DFID procedures are generally conducive to harmonisation – although country-level staff do stress that their time burdens tend to increase as a result of internal accounting requirements and harmonised working itself. DFID is working to overcome this problem by embedding harmonisation in core business processes: for example, office instructions are currently being revised to include a section on harmonisation best practices; harmonisation is being integrated into induction and training processes; and a harmonisation help-desk function is being planned.

At the same time, there are certain institutional aspects of DFID which confuse or complicate the harmonization agenda. The first of these is that harmonization has been championed by senior management as a key way in which to deal with staff losses that have come about as part of the current efficiency drive. As a result country offices are questioning the real impetus behind pushing harmonization: is it a more effective way of working, or is it in fact a way of reducing staff? The issue is further complicated by the mixed messages sent by the fact that DFID has actually recently opened three brand new country offices (Sierra Leone, Sudan, DRC). As a result of this concern some country offices feel wary of being too proactive on harmonization as their staff numbers may be cut as a result.

A further issue is that the institutional structure for staff careers also contradicts the harmonization agenda to a certain extent. Although continuous movement around the organization helps staff share ideas and experiences, it offers staff little scope to be ambitious in the short period of each of their postings. Furthermore, the distinct competition between individual staff (in particular, the advisors) creates a strong incentive for individuals to remain as active and visible as possible in each sector rather than working together under a common framework.

It is clear that many DFID staff are aware of the harmonization agenda, but are unclear as to how they might implement it at the country level. An informal web discussion group has developed within DFID, where staff can share their knowledge and experiences of harmonization initiatives. However, there remains a general need for more formal guidance and information on the subject. This need has now been adopted in part by the new Aid Harmonization team, which is located in the PRS and Aid Harmonization team of the Policy Division. The team has been closely involved in DAC work on aid effectiveness in difficult environments; however, the team is very small and does not aim to develop any best practice guidelines.

Individual incentives

Although, as mentioned above, aspects of current DFID career structures are not necessarily conducive to the harmonization agenda, a number of actions are being taken at the level of individual incentives and initiatives. At the level of job specifications there is currently no direct reference to harmonization, but it is related to indirectly through many of the 'core competencies' that are established as the foundation of DFID recruitment. These core competencies are: working with others; communicating and influencing; organisation of financial arrangements; managing knowledge and information; delivering and improving; and personal learning.

Having joined, DFID staff must apply internally to move around the organization. In interviews for positions in offices that are working actively on harmonisation, questions on harmonisation are now included. However, it is acknowledged that greater weight is placed on interpersonal skills rather than an in-depth knowledge of harmonisation theory in these placement decisions.

The main training programme for new staff, Tools and Procedures for Effective Development (TAPED), does now include a section on harmonization. There is, however, no TAPED refresher programme for existing staff to be informed of new developments such as the harmonization agenda. Despite this, though, there are numerous training programmes on key skills that are closely connected with effective harmonization. Examples of these are: active listening, working in teams, and diversity training. Harmonisation is also increasingly included as a focus session when departments hold their regular training retreat sessions. Some country offices have also started to engage in joint training programmes with other donors in order to enhance mutual understanding and collaboration.

All DFID staff are assessed annually against a performance development plan (PDP). This sets out specific outputs for the year, assesses performance against the core competencies and translates corporate priorities into different contexts and goals. Increasingly there is positive formal recognition of good work by individuals on harmonization although there is evidence of some concern that focus on development 'trends' may be take attention away from other high quality work. In some offices where engagement with this agenda is high, positive incentives such as recognition are further backed by the negative incentive of pressure from peers to be fully involved.

Three key points

Overall, three key points emerge concerning DFID incentives and initiatives for harmonization and alignment.

- First, DFID's flexibility in procurement and reporting, and its significant decentralization to country offices offer good opportunities to pursue harmonization and alignment at country level.
- Second, despite the messages and rhetoric from top-management in support of harmonization, there is a clear lack of practical guidance on how to harmonize.
- Third, there is an overall sense that significant developments on the DFID harmonization agenda are imminent; as one DFID manager put it, 'When it comes to making harmonization happen, we are in the market for radical ideas' (quoted in De Renzio et al 2005). However, as yet it is unclear exactly what these radical ideas might be.

This analysis therefore indicates that other donor agencies, such as Japan, need to consider the situation at all three levels - the political, institutional and individual – to see where internal inconsistencies may lie with regards to putting into practice high level commitments made to harmonization and alignment. Box 3 sets out common issues and challenges for donors that arose from the survey of incentives in six aid agencies. Although domestic situations will differ, many issues are similar for donors and working together on these issues may be the best way to address domestic constraints to progress.

Box 3: Common issues and challenges for donors that arose from the survey of incentives in six aid agencies

- *Cultures of compliance versus cultures of innovation*

Organisations with cultures that encourage innovation and suggestions for improvement are more likely to engage with the harmonization agenda than those which are compliance-oriented.

- *Translating political commitment into behavioural change*

For high level commitment to be realized in behavioural change, positive incentives need to be strengthened and negative incentives addressed where they exist at all levels of the organization – political, institutional and individual.

- *Bottom-up drive and learning processes*

The wealth of experience at country level needs to be effectively captured and learnt from so the organization as a whole, and other organizations, can benefit.

- *Choice of aid modalities*

Although sector wide approaches and budget support would appear to be most suited to harmonization and alignment, efforts must continue to also improve the harmonization and alignment of other aid modalities such as projects and technical assistance.

- *Individuals make the difference*

Individual personalities appear to play a large role in the success of this agenda at country level. Organisations need to be aware of this in their human resourcing choices and training provision.

- *Pressure from international fora*

Pressures from other agencies are a powerful force for change. If possible, such international mechanisms should be harnessed to more effectively lead to common approaches and monitoring of progress.

- *Recognising the costs of harmonization*

Although benefits are visible, costs are quite high and are often not sufficiently recognized by headquarters.

Source: De Renzio et. al. (2005)

6. Conclusion

‘The progress that Government and the donor community in Vietnam have made in harmonisation and aid effectiveness is beyond what would have been expected a few years ago. Looking ahead, it is important for both Government and donors to further strengthen their partnership and share the vision of building a sustainable system for the country.’ (Partnership Group for Aid Effectiveness, 2004)

Through its high-level commitment to these issues, DFID has made some notable progress on harmonization and alignment over recent years. However, there are still many complex factors that inhibit progress. In particular, five themes require further attention.

1. **Accountability:** the Secretary of State himself is said to be especially concerned by the need to ensure accountability is built into the DFID harmonization and alignment initiatives. Harmonization demands highly flexible budgetary and reporting systems, and to some extent it even demands the ability to entrust policy-making to other donors. Furthermore, alignment with recipient country policy may demand an even greater leap of faith. However, at the same time, it is vital that DFID should remain fully accountable for its expenditure, not only to the British government, but also to the general public.
2. **High transaction costs in the short-medium term:** so far experience is revealing high transaction costs, particularly for donors, in the short to medium term. This observation supports the argument of Tony Killick who predicted that transaction costs will rise as the Rome agenda continues to run in parallel with existing traditional aid mechanisms.²¹ DFID headquarters view this as a worthwhile trade-off although there are some signs that country offices may disagree.
3. **The persistent need for visibility and other political incentives:** the vision of all donors participating whole-heartedly in aid harmonization and alignment tends to overlook the political pressures and incentives that naturally apply to every donor. For example, DFID’s harmonization agenda is unable to ignore the UK Foreign and Commonwealth Office foreign policy interests, for example in the DFID bias towards former British colonies.
4. **The unwillingness of other donors:** not all donors are as enthusiastic as the UK on harmonisation and alignment. Switzerland, for example, has criticized the UK for being too hasty to push ahead with harmonization and alignment. However, without considerable endorsement from the large majority of donors, there will inevitably be only limited scope for multi-donor harmonization.
5. **Lack of practical guidance:** many of the DFID country offices have complained of a lack of practical guidance on how the harmonization rhetoric might be translated into practical action on the ground. Various recent case studies pilot projects, for example from the European Commission, the Nordic Plus group and the DAC task team on aid effectiveness are producing some answers, but many questions remain.

A further issue that has not been addressed in this report relates to the specific context of aid harmonization in fragile states. A recent ODI draft report remarks on the particular affinity between harmonization and alignment and delivering aid in difficult environments, concluding that ‘harmonisation and alignment are proving a useful way of helping to draw up a framework for engaging more effectively in fragile

²¹ Killick’s argument is quoted in Rogerson (2005 p.6)

states. More than that, it appears that this agenda may be even more relevant in difficult than 'normal' environments' (ODI 2005 p.6). The issue of fragile states will be addressed in more detail in the next report in this series.

Looking ahead to the future, some very interesting insights have recently been presented in a paper entitled: 'What if aid harmonization and alignment occurred exactly as intended: a reality check on the Paris Forum on aid effectiveness' (Rogerson 2005). The point Rogerson makes is that even if the harmonization and alignment agenda were perfectly achieved, serious problems would still remain with the overall system of 'aid architecture' that must therefore be considered alongside the harmonization and alignment agenda. Rogerson identifies five problems in particular:

- 1) Current systems of aid allocation lead to 'donor darlings' and 'donor orphans' – that is, countries that the system 'over- and under-aids'. There is therefore a need for overall cross-country balancing of aid allocations. A potential solution would be to use the multilateral aid agencies or a system such as the International Financing Facility (IFF) for this. However, aid allocation is also highly political and serves objectives other than overall poverty reduction. For this reason, it may be politically difficult to balance allocations.
- 2) There is a need to develop aid instruments that satisfy donor needs to meet quantifiable outcomes while meeting recipient needs for long-term commitments. Although budget support mechanisms are clearly a step in this direction, *ex ante* conditionality may lead to greater instability of resources. *Ex post* conditionality based on externally verifiable outputs and outcomes may be a better way forward.
- 3) Currently country aid envelopes are determined by the sum total of choices made by individual donors in far from transparent processes that have no connection with the overall needs of the country or the plans set out in their national strategies. This fundamental flaw in the system means that the aid system is far from liquid and cannot respond flexibly to swiftly fill funding 'gaps' where they arise.
- 4) Credible mutual accountability devices with effective sanctions – at present there is no mechanism for applying sanctions to donors who under-perform although the progress indicators outlined in table 1 are a step in this direction.
- 5) Global public goods – issues such as peace and security, financial stability and global commons such as the environment urgently need to be tackled but action at an individual country level will not suffice. Further work is needed on how incentives and institutions can be put in place to best address these issues globally.

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Interview

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Annex 1

Table A1: Recipient Country Perception of Donor Harmonisation

Country	Number of donors in budget support groups (2002 or 2003)	Level of satisfaction with donor co-ordination <small>(1 – 5, 1: completely unsatisfied, 3:neutral, 5:completely satisfied)</small>
Benin	3	2
Burkina Faso	6	2.2
Chad	1	2.2
Ethiopia	n.a.	2.8
Gambia	1	2.25
Ghana	5	4
Kenya	3	3.2
Madagascar	2	3
Malawi	4	3.6
Mozambique	14	2
Niger	1	3.6
Rwanda	n.a.	3
Senegal	2	1.5
Sierra Leone	1	2.8
Tanzania	12	3.8
Uganda	9	2.4
Zambia	0	2

Source: SPA (2004), in Nilsson (2004)

Table A2: Recipient Country Satisfaction with Alignment

Country	Level of satisfaction with alignment (1 – 5, 1: completely unsatisfied, 3:neutral, 5:completely satisfied)	Overall satisfaction with progress in alignment (1 – 5, 1: completely unsatisfied, 3:neutral, 5:completely satisfied)
Benin	2.8	3
Burkina Faso	2.2	3
Chad	2.8	2
Ethiopia	2.7	2
Gambia	3.4	4
Ghana	3.4	3
Kenya	3	3
Madagascar	3	2
Malawi	2.2	2.5
Mozambique	1.3	3
Niger	3.2	3
Rwanda	2	3
Senegal	1	2
Sierra Leone	3	3
Tanzania	3.2	4
Uganda	2.5	3
Zambia	3.2	3

Source: SPA (2004), in Nilsson (2004)

Table A3: The Degree to which Harmonisation and Alignment is Perceived by Recipient Countries to have Reduced Transaction Costs

Country	Average score of satisfaction with level of co-ordination, level of alignment and progress in alignment	Extent to which transaction cost has been perceived to have changed (1,2: transaction costs have increased, 3: no change, 4, 5: transaction costs have been reduced)
Benin	2.6	5
Burkina Faso	2.4	3
Chad	2.3	2
Ethiopia	2.5	2
Gambia	2.3	3
Ghana	3.4	4
Kenya	3.1	3
Madagascar	2.7	3
Malawi	2.7	3
Mozambique	2.1	2
Niger	3.2	3
Rwanda	2.7	3
Senegal	1.5	1
Sierra Leone	2.9	3
Tanzania	3.7	4
Uganda	2.6	5
Zambia	2.7	1

Source: SPA (2004), in Nilsson (2004)