

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