



Senior Level Forum on Development Effectiveness in Fragile States Harmonisation and Alignment in Fragile States

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Executive Summary

1. This study was commissioned by the Learning and Advisory Process of the OECD DAC. It brings together two concurrent focuses of work in the international development assistance community. The first focus is on ‘fragile states’ or ‘difficult partnerships’, emerging from both from the challenge of meeting the MDGs through tackling poverty in these environments and the renewed focus on improving governance and institutions in weak institutional environments. The second is the evolving agenda around donor behaviour and aid effectiveness as articulated particularly in the Rome agenda on harmonisation and alignment.

2. The underlying questions that this study addresses are:

- How relevant is the harmonisation and alignment agenda to difficult partnerships?
- What is the experience of harmonisation and alignment in these situations?
- What are the lessons that can be drawn from this experience for donors particularly?

3. While there is general agreement among donor governments that engaging in difficult partnerships is an imperative, there is no clear consensus on how to engage. This study concludes that harmonisation and alignment are proving a useful way of helping to draw up a framework for engaging more effectively in fragile states. More than that, it appears that this agenda may be even more relevant in difficult than ‘normal’ environments. Aligning donor activities behind national policies and systems would in a number of contexts seem to be a precondition for fragile states to begin to restore their ownership of their domestic policy processes; unharmonised and unaligned behaviour on the part of donors can certainly undermine this ownership and damage further a weak institutional environment. After looking at some of the experience of aid in these situations to date, the report goes on to draw some specific conclusions and practical recommendations on how to take the alignment and harmonisation agenda forward in the context of very realistic constraints and challenges that face donors and their partners in fragile states.

4. This study first examines the concepts of harmonisation and alignment and difficult partnerships, and provides a rationale for why harmonisation and alignment appear to be particularly relevant in these settings (chapters 1-3). It then goes on to analyse different types of experiences in fragile states to date (chapter 4). The obstacles as well as possible entry points to harmonisation and alignment in difficult partnerships are considered in chapter 5. The final chapters deal with emerging approaches to monitoring and outline the lessons and recommendations from the study.

5. The categorisation of difficult partnerships or fragile states is not straightforward. This report uses the DAC approach, which characterises difficult partnerships as those low income countries with a lack of political commitment or weak capacity to develop and implement pro-poor policies in the partner country. Additionally, there may or may not be levels of isolationism, political repression including extensive human rights violations, and ongoing, wide spread armed conflicts.

The relevance of the harmonisation and alignment agenda in difficult partnerships

6. Alignment describes the relationship between the priorities (as reflected in strategies, policies and budgets) and systems of a government and those of donors to that government. Alignment is closely linked to ideas around increasing the level of ownership of those policies and systems by a government, and thus it is hoped, the effectiveness of implementation of those policies or systems. Harmonisation refers to the extent of coherence in approaches, policies and systems between donors. Coherence can also refer to the extent of consistency of approach within and across donor governments between the security, political, humanitarian and development policy domains.

7. These issues and relationships are proving to be particularly relevant in difficult partnerships because:

- These difficult contexts are subject to the same unintended impacts that make alignment and harmonisation agendas relevant in other countries. This includes the cycle whereby the systems of weak states are avoided by donors, parallel systems and prioritisations are set up; the cumulative impact of this and associated transactions costs weaken states still further and hamper the development of any downward accountability or social contract to a population.
- There are particular characteristics in difficult partnerships that make harmonisation and alignment, as well as coherence, even more important in the context of high levels of complexity and fragmentation of actors on both the donor and partner side. This might include for example a range of agencies from the donor side (including development, humanitarian, security, and diplomatic), and a similarly broad range of actors from the partner's side.

Four clusters of experiences of harmonisation and alignment

8. Difficult partnerships take place in a variety of contexts with rather different implications for moves towards harmonisation and alignment. In this study, four clusters of countries emerged across the range of contexts.

9. *Strong or significant country leadership:* In the cases of Afghanistan and East Timor, country leadership has provided for substantial levels of alignment in key areas. In those contexts harmonisation is important to minimise transaction costs for government. It was also noted that in a number of these situations, recipients felt that a confrontational approach with international actors was sometimes necessary under these circumstances to ensure space for domestic process to take shape.

10. *Strong donor leadership:* An interesting cluster of experience emerged around countries with a single, dominant or very limited number of closely cooperating donors. This includes situations such as in Sierra Leone, Nauru and the Solomon Islands. Here harmonisation is less important due to the limited number of donors and alignment is generally strong with some degree of fusing of donor and country systems. National ownership may however be a very real concern in these situations.

11. *Weak/fragile country leadership and fragmented donors:* This cluster of countries included situations such as in Cambodia, Nepal and Tajikistan. They are commonly characterised as hosting fragmented or even competing donors, and a government which struggles to provide clear policies or systems to align with. There are usually some elements of the alignment and harmonisation agendas that are beginning to be addressed slowly. Attention is usually focused on policy debates with systems alignment issues falling behind.

12. *The most difficult partnerships:* These situations are characterised by, isolationist (whether by lack of interest or explicit intent) regimes, often with particularly severe concerns around legitimacy, or countries where there are wide spread levels of ongoing armed conflict. The cases discussed here include Myanmar, Angola, Burundi and Haiti. Possibilities of alignment with government priorities are generally extremely limited; however, harmonisation efforts do have significant potential in these contexts.

Obstacles, entry points and emerging approaches

13. A particular obstacle to policy alignment in difficult partnerships is the perceived lack of policies to align to. In some cases, donors may erroneously assume that policies are absent. Another obstacle is the presence of multiple policy frameworks with unclear or highly politicised interrelationships. Donors must make sensitive choices about which framework to align to, or support the authorities in reconciling these different policies.

14. Emerging approaches include attempts to support government capacity development to take the lead of policy formulation and the budget process, the use of PRSs in weak institutional environments and the adoption of a number of tools and approaches. These include common assessments, frameworks and strategies for policy formulation; and the use of pooled financing mechanisms for the national budget or programs, sectors and projects. More work is needed to evaluate the efficacy of these different approaches as entry points for donors. This work should also consider the efficacy of alignment behind sectoral or regional strategies where national strategies have not developed, and the advantages and disadvantages of engaging in processes led by non-government actors (whether donors or civil society).

15. In the absence of government leadership on policy priorities, harmonisation and prioritisation of donor action is vital in order to create the enabling environment for country leadership to emerge at a later stage and to create positive synergies between interventions. This might take place through such instruments as Joint Assessment Missions or Multilateral Donor Trust Funds, or it might fall to a lead donor. Existing donor networks at country level are also important channels, although these may need to be extended to include humanitarian and military actors, civil society or others. Although donors appreciate in theory the necessity of harmonised prioritisation, practical progress is limited and there are very different ideas about what this prioritisation might look like in practice.

16. Where government strategies and policies do exist in a form with which donors will engage, donors place strong emphasis on the political commitment to implement these policies. Commitment of the government to implementation is seen as an entry-point for donors; where it is lacking, donors tend to move to state-avoiding activities which place low emphasis on policy alignment. This tends to mean that the question of systems alignment is ignored, and in some cases that parallel systems are created which create harmful institutional impacts on existing state institutions.

17. Donors tend to believe that policy alignment is a necessary condition for systems alignment, when this is disputable. There are possibilities for moving forward with systems alignment even in the absence of alignment on policy priorities. As with policy alignment, key obstacles to systems alignment are the weakness (or perceived absence) of government systems, or the presence of multiple systems. However, it should be remembered that donors tend to have trouble aligning with official systems even where they are relatively strong. Some obstacles exist within donor agencies themselves, rather than in the relationship with a difficult partner.

18. The presence of humanitarian relief agencies in many difficult partnership contexts has serious implications for alignment. The sheer number of players creates problems, but the main difficulty is the practice of humanitarian agencies to provide state-avoiding aid, with major impacts on the local economy including the labour market. This may not be problematic in the short-term, but major difficulties arise when these practices become entrenched during the transition out of the crisis.

19. In some cases, donors are concerned that to align their policies with those of the recipient would unjustly legitimise a government. This is an important and very real concern. However the question of systems alignment may be addressed separately. Donors could explore the possibility of 'shadow' systems alignment, whereby donors work to be compatible with national systems without subjugating them to government priorities or policies. Possibilities include putting aid 'on-budget' but not 'through budget', working with existing administrative boundaries, and providing information to the recipient in terms that are compatible with their national systems such as the budgetary classifications and cycle.

20. 'Shadow systems alignment' does not require that the policies of a government be supported where this is not considered possible. It also does not imply anything about the amount of resources that should flow through any particular modality. It also does not suggest that the recipients should control the resources. It does, however, imply that the eventual (long-term) aim of aid is that the government should be providing services

and acting for poverty reduction, and that donors should establish systems that do not thwart this goal.

21. Where there is weak capacity, donors and recipients should work to focus on a limited number of tasks rather than try to spread limited human, financial and institutional capital over a range of tasks simultaneously. A useful exercise can be to map the goals of intervention over a period of a number of years, and select and sequence activities accordingly. This may imply not focusing on a myriad of 'quick impact' projects, but mapping the critical path of key interventions to ensure appropriate selectivity and focus.

22. This discussion should cover not only official development aid, but also humanitarian aid and aid delivered through non-governmental organisations. At present, donor groups may not always include all relevant parties. Partner countries may find it useful to develop between themselves, and perhaps civil society organisations, a means of monitoring donor behaviours against Rome Commitments. If a standard template could be developed, and a number of countries used it to monitor donor compliance, then a useful feedback mechanism for donors could be provided. The coherence agenda also requires further investigation into appropriate mechanisms for ensuring coherence both within donor government branches (security, political, development, humanitarian) and across governments.

Recommendations for harmonisation and alignment in difficult partnerships

Recommendation 1: Undertake diagnostics of the country's processes and systems

23. To improve alignment, donors should first ensure that they have a sound understanding of the following through undertaking the necessary diagnostics including:

- Systems, processes and mechanisms for strategy and policy formulation and planning at central and local level.
- Key operative policies both centrally and in important sectors.
- The implementation and monitoring systems associated with these policies.
- Administrative layers and boundaries. The budget systems and how they are related to one another.

Recommendation 2: Where possible, align donor activities to all stages of the government's strategy, policy and implementation cycle, including its systems

24. The stages of the policy cycle include: vision and goal setting, strategy formulation, policy formulation, planning and budgeting, financing channels, contracting, implementation, monitoring and reporting. Donors need to address alignment issues along all the stages of this cycle, as a failure to do so will undermine the positive impact of alignment. An effective mechanism is to ensure that financing flows are streamlined and attached to a budget and a series of programs.

25. If it is not immediately apparent that a government has adequate capacity in all elements of the policy cycle, the focus should be on creating the space and enabling environment for such capacity to emerge rather than donors substituting for weak capacity. It may be appropriate to consider how the capacity for strategy and policy

management within government can be strengthened, rather than investing in the creation of such capacity within external actors alone.

26. This requires actions from both sides of the partnership; on the government's side, it requires a focus on how to improve the policy formulation and implementation process, so as to create an environment where trust between citizens and government on the one hand, and government and donors on the other, can be enhanced, and where the quality of policy and systems can be substantively improved. On the donors' side, it requires imaginative approaches through dialogue, programming and provision of technical assistance to catalyse and support efforts to improve the government's capabilities.

27. Even when a set of policies and priorities has not yet emerged which the donor community considers adequate for their purposes, attention should be paid to systems alignment or shadow systems alignment. Implementation mechanisms and systems can be designed to allow some services to be delivered on a programmatic basis, that are sufficiently modular and flexible to allow for transfer of ownership to national authorities as soon as appropriate.

Recommendation 3: Where alignment is not possible, harmonise

28. Harmonisation between donors can have useful impacts in cases where alignment is not possible. However, harmonisation should take place in order to allow alignment to take place at a later stage. Accordingly, harmonisation of donor approaches should focus on the creation of mechanisms that enhance, and do not undermine, the emergence of country leadership and ownership. In this context, the most important focus is the creation of the enabling conditions for country leadership and systems alignment or shadow systems alignment. This process is best addressed opportunistically by donors or a donor identifying an area where they can pragmatically build on opportunities or relative successes.

29. Where alignment is not considered possible, harmonisation can still make a significant improvement to a situation. Beneficial harmonisation activities can include efforts to minimise the transaction costs and therefore stress placed on partner capacity, particularly through minimisation of the number of reports, assessment and other missions, procurement systems, financial management systems, and other project rules and requirements. Joint funding of programs between donors, delegated authorities, selectivity and sensible divisions of labour between donors can make significant contributions. Lastly, coherence in political dialogue, imposition of conditionalities and other messaging within and across donor governments between the political, security, development and humanitarian domains could enhance the impact and effectiveness of such dialogue, subject of course to the particular stances of the international community and the desired goals in any particular context.

Recommendation 4: Selectivity and sequencing of interventions are critical

30. Where state institutions are weak, it is likely that donors share the goal of strengthening those institutions, and that attempting to carry out a large number of activities across multiple agencies will lead to failure. Therefore, the number of interventions should be limited in number, prioritised and sequenced to take account of existing institutional capability, as well as to mobilise additional capacity. Focus may be on provision of basic law and order through administrative and policing functions, or may

include the provision of basic services. In this context, a prioritisation of the provision of a large number of small projects through fragmented and often expensive delivery mechanisms may be misplaced.

Recommendation 5: Support policy making and aid management in partner government

31. If it is true that a major constraint to both country ownership and progress on alignment in weak institutional environments is the weakness in management capacity within partner governments, then identification of means to improving this capacity is urgent. The ways in which technical assistance is provided to partners to support the analysis and management of policy and implementation needs to be examined and improved. Approaches to supporting the development of domestic leaders and managers within the public sector generally and aid management specifically need to be developed. The focus required seems to be on providing better incentives, training and twinning opportunities, as well as more effective technical assistance.

Recommendation 6: Monitor progress with alignment and harmonisation

32. Monitoring of progress with alignment and harmonisation should take place at country level. Donors should consider the range of elements around the policy and budget cycle including their own and their implementing agents' activities. Consideration should be given to mechanisms by which partner governments and civil society can monitor donor behaviour through the creation of mutual accountabilities.