

Accra High Level Forum on Aid Effectiveness, 2-4 September 2008

Roundtable 2

Alignment: challenges and ways forward

Presentation note

1. Background

Alignment calls for donors to base their overall support on partner countries' national development strategies, institutions and procedures. Identified by the Paris Declaration as one of the five principles for aid effectiveness, alignment plays a crucial role as the link between the priorities and policies of partner countries and donors' harmonised support. In the context of what is often an asymmetric relationship between development partners, country ownership requires alignment. By offering a shared understanding of what the partner's objectives are and what its policies and systems to achieve these are, alignment also facilitates harmonisation and mutual accountability.

Since the signing of the Paris Declaration, implementation of the various components of alignment set out in the Declaration has been highly uneven.¹ Among the eight Paris indicators relating to alignment, the reduction of parallel implementation units, the rise in short term aid predictability and the improvement in recording aid flows into the budget will require significant efforts to meet 2010 targets.² For the targets relating to increased use of country public financial management and procurement systems, these efforts will have to be even more substantial. Targets for strengthening country PFM systems, aligning technical assistance and untying aid are instead considered met or within reach. However, even in these cases, actual progress is often perceived differently by donors or partner countries.

2. Roundtable Objectives

Against this background and bearing in mind the draft text of the Accra Action Agenda that will be available by the time of the HLF, Roundtable 2 will offer a debate around the key challenges and the possible options to advance the alignment agenda in the context of the Paris Declaration framework and beyond.

To achieve this objective, the Roundtable aims to emphasize practical suggestions to facilitate the operationalisation of the relevant AAA provisions, highlight novel ideas worth piloting and inform the future work agenda on alignment.

3. Roundtable Format and Participants

The Roundtable is organised as a panel discussion envisaging questions and interventions from the floor. Besides chairing the meeting, the two co-chairs will play an active role in the discussions. The panel will include:

Louis Michel

European Commissioner for Development and Humanitarian Aid and Roundtable Co-Chair

¹ B.Woods et al. (2008), Synthesis Report of the First Phase of the Evaluation of the Paris Declaration.

² For this and the following, see OECD (2008), 2008 Survey on Monitoring the Paris Declaration.

Debapriya Battacharya

Ambassador to the WTO for Bangladesh and Roundtable Co-Chair

Ruud Treffers

Director General of International Cooperation at the Dutch Ministry of Foreign Affairs

Ismail Momoniat

Deputy Director General, National Treasury, South Africa

Jacinta Muteshi

Chairperson of Kenya's National Commission on Gender & Development, and Regional Co-ordinator EC/UN Partnership on Gender Equality for Development & Peace

Paul O'Brien

Aid Effectiveness Director, Oxfam International

In drafting their report on the proceedings, the two Co-Chairs will relay on the work of their co-rapporteurs: *Fahmida Khatun* (Additional Director of the Center for Policy Dialogue, Bangladesh) and *Paal Aavatsmark* (Senior Policy Advisor, European Commission).

4. Roundtable Focus and Key Issues for Discussions

Alignment has several dimensions as it can refer to a partner country national development goals, to the policies chosen to reach such goals, to the (many) country systems necessary to implement, monitor and review such policies and to the various time horizons of relevance for the partner country authorities and for the achievement of the targeted development goals.

In addition, alignment touches on the power to set priorities and conditions for the use of development resources and is affected by the need to account for such use to stakeholders in different polities. Thus improving alignment not only involves complex technical matters but also requires tackling political issues.

Bearing this into mind and reflecting the priorities highlighted by partner countries during the consultation process leading to the Accra HLF, the Roundtable debate will focus on a selected set of key dimensions and issues (see also the accompanying Roundtable Background Paper for a more extensive exposition of the underlying issues)³.

4.1 Alignment to policies and objectives

The fundamental objective of alignment is to ensure that donors' support coherently sustains the recipient PRS / development strategy and follows its priorities. Alignment can take place at several levels and with different ease depending on the aid instrument. Fostering alignment

³ See Roundtable 2 section at <http://www.accrahlhf.net> - The remaining section draw on these and the underlying reports and findings of the various workstreams of relevance for the issues at hand.

while mainstreaming cross-cutting issues can also be a difficult task. Measuring donors' alignment at all these levels through relevant indicators remains a challenge for partners' authorities.

Since the Paris Declaration, there are clear indications of progress in the area of alignment at the strategic level but the same cannot be said of alignment at the operations and implementation level. While donors typically call for partner countries to provide better prioritised plans and stronger links to budgets, partners underline the difficulties of putting these tools into place in a context where aid remains difficult to predict, subject to conditions and managed outside of country systems. Civil society organisations point to the need to extend alignment to the priorities of local development actors.

Against this background, the co-chairs will manage discussions around one or more of the following key questions:

- 1.** How can conditionality best be compatible with alignment? On what must we agree and on what can we agree to disagree?
- 2.** What can partner countries do to facilitate alignment and what are the major internal obstacles donors face when trying to align?
- 3.** What elements of current aid processes may need to be modified to advance alignment beyond the strategic level? Donors programming methodologies? The mix of aid instruments used? Country-level dialogue structures and monitoring frameworks?

4.2 *Aligning time horizons: aid predictability and the long term nature of development*

Development strategies are long term endeavours requiring decisions today about the future. Uncertainties with regard to the level, distribution and disbursement conditions of future aid limit the extent to which such aid can effectively support the development process and the medium-term orientation of partner policies and expenditure frameworks.

According to the draft DAC "Progress Report on Aid Effectiveness", increases in predictability have been slow to date with most donors quoting seemingly intractable legal and financial obstacles preventing them from responding to partners' calls for the establishment of multi-year frameworks and increases in the amount of aid committed over 3-5 years periods. Being subjected to annual parliamentary appropriations, bilateral donors appear particularly challenged in this respect. However, even if multilaterals are better able to work with multi-year allocations, the length of their funding cycles (in most cases three years) also limits their capacity to provide firm commitments in advance.

Predictability of disbursements is also an issue and is affected by a range of implementation realities including partner country performance and conditionalities. However, multi-year programming, multi-annual appropriations, variable tranching and aid "contracts" are being implemented or adopted, suggesting that further faster progress may be possible.

Against this background, the co-chairs will manage discussions around one or more of the following key questions:

1. What type of predictability is most urgently needed by partner countries?⁴
2. What are the fundamental political obstacles impairing longer commitments of aid funds and a less frequent application of disbursement conditions?
3. How can the predictability agenda be best brought forward? Piloting innovative modalities? Setting targets? Establishing a dedicated forum for international discussions?

4.3 *Aligning to country systems: strengthening and using country public financial management and procurement systems - shared priority or a risk too far?*

A key mechanism to achieve alignment is through the use of strengthened country systems. The draft "2008 Survey on Monitoring the Paris Declaration" shows that developing countries have made impressive advances in improving the management of public funds but that relatively little progress in the use of country systems in public financial management and procurement has been made since 2005. However, many of the elements needed to make faster progress are either in place or being established. These include widely recognized assessment tools and increasing lessons from experience on how best to strengthen systems and use them while managing the related risks. What seems to be needed to accelerate progress is greater political willingness to build upon these elements, mainstream them into country-level work and operational guidelines and sustain the long term effort required to strengthen systems.

Against this background, the co-chairs will manage discussions around one or more of the following key questions:

1. What role for donors and partners' external accountability bodies and CSOs in the country system agenda?
2. What political and legal actions in partner and donor countries can facilitate the use of country systems?
3. Are weak governance and perception of corruption the real underlying constraint to wider use of country systems by donors?

4.4 *Aligning to markets (aid untying)*

Tied aid raises the costs of goods and services provided to partner countries and increases administrative burdens on both donors and partners. When untied, aid helps to build a country's capacity to provide goods and services in a sustainable manner. Since the 2001 DAC recommendations to untie all aid to the least developed countries other than food aid and technical cooperation, progress has been reported in nearly all countries. There remains, how-

⁴ Forecasts, commitments, disbursements? Long, medium or short term? Over which timeframe: PRS or domestic political cycle? For total or individual donor flows? At the aggregate level or in sectoral distribution?

ever, areas of concern with tied aid being persistently identified by a large number of partner countries as a key obstacle for increased alignment.

Against this background, the co-chairs will manage discussions around one or more of the following key questions:

1. Is current untying delivering its maximum benefits? What measures and evaluations can support greater benefits?
2. How can the process towards greater untying be best brought forward within the context of the aid effectiveness agenda?
3. Why is technical assistance the least untied form of aid despite high potential benefits?

4.5. Outcome and follow-up

The results of the Roundtable discussions will be presented in a final report by the Rapporteurs approved by the Co-Chairs. During the Accra HLF, the results from the Roundtable will also feed into the Ministerial discussions on *Accra Agenda for Action* in a structured way. The aim is to present an action plan for improving Alignment before the next HLF.

5. Roundtable Agenda

9.00 – 9.10	Introductory remarks by the Co-Chairs
9.10 – 10.25	Segment 1: Aligning to Objectives, Policies and Time horizons Chair: Louis Michel, European Commissioner for Development and Humanitarian Aid and Roundtable Co-Chair (proposed) Opening remarks by panellists (10'+10') Ruud Treffers, Director General of International Cooperation at the Dutch Ministry of Foreign Affairs Paul O'Brien, Aid Effectiveness Director, Oxfam International Open floor (45') Conclusions (10') Rapporteur: Fahmida Khatun, Additional Director of the Center for Policy Dialogue, Bangladesh
10.25 – 10.55	Cocoa Break
10.55 – 12.10	Segment 2: Aligning to Country Systems and Markets Chair: Debapriya Battacharya, Ambassador to the WTO for Bangladesh and Roundtable Co-Chair (proposed) Opening remarks by panellists (10'+10')

Ismail Momoniat, Deputy Director General, National Treasury, South Africa

Jacinta Muteshi, Chairperson of Kenya's National Commission on Gender & Development, and Regional Coordinator EC/UN Partnership on Gender Equality for Development & Peace

Open floor (45')

Conclusions (10')

Rapporteur: Paal Aavatsmark, Senior Policy Advisor, European Commission

12.10 – 12.30

Conclusions

Tour de table and Rapporteurs' feedback to Co-Chairs (10')

Co-Chairs Wrap Up (10')