



IDA14

Indicators on Aid Harmonization and Alignment

**International Development Association
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Abbreviations and Acronyms

CAS	Country Assistance Strategy
DAC	Development Assistance Committee
HLF-2	Second High Level Forum
IDA	International Development Association
MDB	Multilateral Development Bank
PRSP	Poverty Reduction Strategy Paper

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I. Introduction

1. This note responds to a request made at the IDA14 Deputies Meeting in Washington, October 4-6, 2004, for IDA to outline the Bank's position vis-à-vis the ongoing program on tracking progress on harmonization. It describes how the Bank is contributing to this program, what its current thinking is on the results that have been obtained so far, and how it intends to proceed in this area in the future.

II. Background

2. A Working Party on Aid Effectiveness and Donor Practices was set up in 2003, after the Rome Forum on Harmonization, to support and monitor implementation of the agreed measures to improve aid effectiveness. It operates under the auspices of OECD/DAC and includes all the major bilateral and multilateral donors as well as participants from 14 developing countries. The Working Party divides its tasks under five working sub-groups, one of which deals with harmonization and alignment.^{1/} One of the main activities of this group has been to develop a survey of the current state of harmonization at the country level. This instrument has been carried out in 14 countries^{2/} and the results are to be discussed at the OECD's 2nd High Level Forum on Harmonization and Alignment of Aid Effectiveness in March 2005.

3. The survey asks questions under three headings: ownership, alignment and harmonization. In each case the indicators are further divided into three categories: those relating to donor actions, those relating to government actions and those relating to common actions. In all, data are collected on 13 indicators.^{3/} While preliminary results are encouraging in providing useful baseline information in the three areas, the exercise was designed as a pilot and changes in the format are expected based on issues encountered and lessons learned.

III. The World Bank and the International Harmonization Agenda

4. From a broad international perspective there has been progress in the past 2-3 years toward making aid more disciplined and better aligned with development priorities and country strategies. Evidence indicates that almost all of the 17 partner countries (for the most part, IDA

¹ The other groups deal with public financial management, management for results, aid untying and procurement.

² These are Bangladesh, Bolivia, Cambodia, Ethiopia, Fiji, Kyrgyz Republic, Morocco, Mozambique, Nicaragua, Niger, Senegal, Tanzania, Vietnam and Zambia.

³ Under 'Ownership' indicators measure the extent to which countries set their agenda on harmonization and alignment and lead the national coordination process, and the extent to which donors support country capacity to coordinate aid. Indicators for 'Alignment' track how far donors align on partner strategies, how far budget support is aligned and how much project support is delivered through country systems. The indicators on 'Harmonization' measure the degree to which conditionality is streamlined, how far donors support sector approaches, how far they rely on delegated cooperation, how effective they are at streamlining diagnostic reviews, the extent to which they disclose information on their aid flows and the extent to which they share analytical work.

countries) that were at the forefront in Rome^{4/} have sustained their efforts to turn commitments into concrete harmonization actions. These countries have been joined by an even larger group of low-and middle-income countries that have adopted selected aspects of the harmonization and alignment agenda relevant to them. At this point, about 60 partner countries and 40 bilateral aid agencies and multilateral institutions are engaged in these efforts.

5. The discussions on indicators for harmonization are very much work in progress and much remains to be done. Progress to date is only beginning to improve decades of practices that have made attention to harmonization and alignment necessary. Further progress will require recognition that (a) harmonization and alignment require intensive work – by donors and partner countries – that typically is costly and unfunded in the short run, with potential benefits and rewards only coming later, (b) few institutions have put in place effective mechanisms, resources or incentives to encourage staff to pursue such activities, and (c) many policies and procedures still discourage, often unintentionally, the approaches and behaviors necessary for harmonization. The Rome meeting in 2003 took place given the recognition that senior level attention to these matters was essential. The March 2005 2nd High Level Forum (HLF-2) in Paris is planned to ensure that momentum continues for this global change agenda.

6. The World Bank's Executive Directors and Senior Management are firmly committed to harmonization and alignment as a priority, and see the Bank as a participant, facilitator and leader in these efforts. The Bank is providing staff and financial resources to support the Working Party including the development of the indicators. More broadly the Bank has undergone and is continuing a major internal reform and modernization of its operational policy framework for which one key objective is easier harmonization and alignment. The reforms include provisions for pooling resources under SWAps (2002); aligning CASs with PRSPs (2002); adapting the Bank audit policy to international auditing standards and increasingly relying on country audit processes (2003); updating the Bank's procurement guidelines in line with good practice recommendations prepared by the MDB Heads of Procurement Working Group (2003); modernizing eligible expenditure requirements to better align our assistance around country objectives (2004); and replacing structural adjustment lending by development policy lending that takes account *inter alia* of country ownership and is coordinated with other development partners. In September 2004 the Bank's Executive Directors endorsed in principle a greater reliance on country systems in projects supported by the Bank, including the possibility of country pilots to test the implications of the approach in environmental and social safeguards and international competitive bidding.

7. Bank staff are working with partner countries along with other bilateral and multilateral donors in the many different aspects of this agenda including, *inter alia*, aligning the strategy better with country priorities, undertaking joint work, working on common fiduciary arrangements, and using harmonized financing modalities and approaches. The World Bank is chairing the widely representative group of donors and partner countries that is planning and organizing HLF-2.

⁴ Countries mentioned in the Rome Declaration: Bangladesh, Bolivia, Cambodia, Ethiopia, Honduras, Jamaica, Kenya, Kyrgyz Republic, Morocco, Nicaragua, Niger, Pacific Islands, Philippines, Senegal, Tanzania, Vietnam and Zambia.

8. The challenge going forward, which will be addressed as part of the HLF-2, will be to direct the momentum for change toward a few selective “high value” operational goals that impact aid effectiveness and development outcomes broadly and which respect the need for ownership and accountability, motivate development agency staff, and lend themselves to measurement and monitoring. While planning for HLF-2 is ongoing, it is expected that these could include: (i) reinforcement of the need to align strategies and financing with PRS priorities; (ii) committing to work toward use of country systems; (iii) streamlining the delivery of aid through more delegated cooperation and silent partnerships; and (iv) developing indicators. The World Bank will continue its work to support these goals.

IV. The Bank’s Position on Tracking Progress on Harmonization and Alignment

9. The World Bank has been centrally involved in this exercise and indeed in all the Working Party’s activities. It chairs three of the five working groups referred to above (including co-chairing the harmonization and alignment task team which is managing the indicator work) and provides key staff and financial resources to the Working Party. As such it will participate actively in the continuing development of the indicator framework. Some of the issues that need to be addressed in doing this are:

- a. The present list of indicators is too long. Each of the 13 indicators in turn requires information on sub-questions, so that the full list of items of information that feed into the process add up to 118. A much shorter, focused list of key indicators is needed – perhaps with a core group of five or six.
- b. Some of the ‘indicators’ in the current set are not that useful in tracking harmonization. For example, measuring the ‘number of missions undertaken to a particular country’ does not necessarily point to poor donor harmonization. If a program is growing, missions may well increase, even when the donor is doing everything it can in terms of harmonization and alignment. What could be relevant are the number of joint missions
- c. The focus of the current exercise on harmonization at the **country level** is entirely appropriate, as what is of interest is to track progress in harmonization for each country. To provide a ‘scorecard’ on the performance of individual donors, however, it would require substantial modification. From IDA’s perspective, the following are possible indicators of how far a particular donor is contributing to the harmonization agenda as outlined in the Rome Declaration:
 - i. What percentage of the donor’s support is linked to explicit priorities in the PRSP? (alignment)
 - ii. What percentage of funds that the donor disburses is untied ? (alignment)
 - iii. What percentage of the donor’s projected commitments and disbursements is recorded in the government’s budget as of the beginning of the year, and what percentage of these projected amounts were realized? (aid predictability)

- iv. What percentage of the donor's operational products and processes—e.g., analytic work, portfolio reviews—is done jointly with other donors who are active in that sector or thematic area?

It is important to note that at this point the above are only suggestions of possible indicators. They need to be discussed inside the Bank and with other donors within the DAC Working Party and honed further. A final agreed position on donor focused indicators is unlikely before the start of the IDA14 period.

V. Conclusion

10. The development of a culture of “collective self-discipline” among development assistance providers is clearly a critical aspect of moving harmonization forward. Broadly agreed indicators are one useful component to monitor and enhance that effort, and the Bank and IDA should be prepared to play a proactive role in their development and adoption. Moving from the pilot survey to a more useable and widely applicable system will take considerable negotiation and, probably, time, to bring participants on board.

11. As soon as such a system is in place, IDA will prepare a monitoring framework and submit it to the Board and Deputies. Once agreement has been reached on the framework, IDA will monitor the relevant indicators for its operations and will brief Deputies periodically on their status for IDA countries.