

Historic Forum on Harmonization

On February 24-25, 2003, a historic meeting will take place in Rome. Senior officials of over 20 multilateral and bilateral development organizations and about 50 countries will spend two days discussing how they can improve the effectiveness of their work—how they can better fight poverty—by working more closely together.

As the Forum opens, the main messages are clear: donor aid, however well-intentioned, has come to levy a high toll on recipients in terms of transaction costs. Donors can alleviate this problem by doing more to coordinate their efforts, harmonize (and thus reduce) their multiple requirements, and assist partner countries to take charge of their own development process. At the Forum, donors and partners will present their plans for carrying this work forward.

The heads of the organizations sponsoring the High-Level Forum have expressed their commitment to the goals of harmonization and their sense of the importance of the Forum.

Inter-American Development Bank



We need to set priorities, since neither donors nor countries have unlimited capacities for implementation. We need to agree on the scope of a manageable and implementable program of harmonized activities.

Enrique V. Iglesias, President

African Development Bank



The challenge before us is undoubtedly daunting. It requires the full involvement and support of our countries, stakeholders, and donors. That is why it is important that we adopt a holistic approach that would involve all our partners.

Omar Kabbaj, President

European Bank for Reconstruction and Development



The European Bank for Reconstruction and Development welcomes the opportunity created by the High-Level Forum to advance the harmonization and coherence of the operational policies, procedures, and practices of donors. The EBRD is strongly committed to this process, as well as to working in a streamlined and efficient way with its many partners in the private sector, from local entrepreneurs to international investors.

Jean Lemierre, President

Development Assistance Committee of the Organisation for Economic Co-operation and Development



The international community aims to meet the Millennium Development Goals of halving global poverty by 2015. Donors as well as partner countries are determined to use effectively the increased levels of official development assistance that have been committed for the near future. The conditions for all of us to perform well have been identified and must be met. Let us together make one further decisive step in Rome.

Jean-Claude Faure, Chairman



The Financing for Development Conference in Monterrey produced a clear consensus on the role of aid in supporting the achievement of the Millennium Development Goals, and some encouraging commitments to increase it. But aid is less effective than it should be because of multiple and poorly coordinated practices by donors, which in turn impose unreasonable transaction costs on partner countries. To sustain increases in aid we must

demonstrate that it is effective in promoting sustainable broad-based growth and poverty reduction. The Rome meeting will, I hope, be a real step in this direction.

*Richard Manning
Chair, Task Force on Donor Practices*

Asian Development Bank



Well-designed harmonization among external development partners that reduces administrative costs to developing countries and strengthens their public administration is important for increasing aid effectiveness and achieving the Millennium Development Goals in Asia and the Pacific. The Asian Development Bank is committed to a strategic application of harmonization that supports country-led development processes.

Tadao Chino, President

World Bank



This week in Rome, ministers and senior officials from developing nations and representatives of the international aid community will meet to find ways to better coordinate their efforts to reduce poverty. The challenge is clear: to maximize every dollar of foreign aid delivered to developing countries by cutting through the red tape that often ensnares even the simplest projects. We must support and strengthen the policies and procedures of the developing countries themselves, and we must forge stronger and more effective partnerships within our community of aid agencies and donors. If we can agree to coordinate more effectively, the meeting in Rome may prove to be as important for the future of foreign aid as last year's fora in Monterrey and Johannesburg.

James D. Wolfensohn, President

Country Views

And what so potent cause took you to Rome?

Publius Vergilius Maro, *Eclogue I*

When the Roman poet Virgil wrote those words over 2,000 years ago, he certainly could not have imagined the "potent cause" that has drawn 150 officials of countries and aid organizations to Rome today.

More than 50,000 aid projects are now under way in the developing world, often with different reporting policies, different procurement regulations, different auditing requirements, different environmental assessment procedures. In just one country, Mozambique, in addition to the projects already being sponsored by the 49 aid agencies working in the country, the government has to deal with about 845 new

projects and programs *each year*. This may translate into thousands of new reports and more than 1,000 new missions to appraise, monitor, and evaluate. And each mission asks to meet with key officials, and asks the government to comment on its reports. (Illustrated to the right are the dimensions of the problem in 10 countries.)

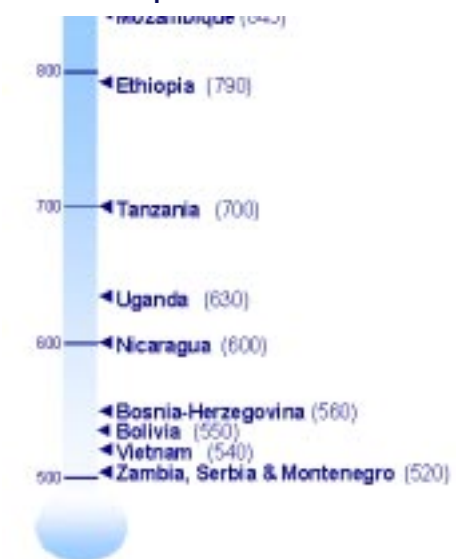
This places a heavy burden on developing countries, which lack the administrative capacity to handle these demands. No wonder partner countries express frustration over donors' multiple and complex procedures, and over duplication and poor coordination among donors! (See story, p. 2).

These transaction costs, as they are often referred to, are increasingly the focus of development agencies' attention. They are the reason multilateral and bilateral agencies and partner countries have been working for the past two years to harmonize policies, procedures, and practices.

This is the view of Tatiana Taborga of Bolivia's Ministry of Finance: "The harmonization of practices and procedures is fundamental because it will allow the government and donors to focus on results instead of concentrating their efforts on administrative processes." Her views are shared by Dr. Gobind Ganga, Director of the Bank of Guyana, who notes that "the effectiveness of development assistance critically depends on improved relations between government, donors, and society."

And *that* is the "potent cause" that brings these representatives—and others—to Rome.

New Development Activities Per Year



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Regional Harmonization Workshops

The Road to Rome

Kingston, Jamaica. Addis Ababa, Ethiopia. Hanoi, Vietnam. The Americas. Africa. Asia. Participants in three regional workshops leading up to this High-Level Forum discussed harmonization experiences and views that were solidly grounded on country and regional specifics. From across the globe, many voices from those on the front-line of development, but one message: Harmonization around country-led development strategies and improved country systems that follow good practice standards helps donors and countries alike achieve their shared goal of reducing poverty.

Jamaica, January 16-17

Some 100 officials of 12 Caribbean and Central and South America nations and from international, regional, and bilateral institutions (see Box) gathered in Kingston to discuss harmonization in general and local experiences in particular. The Honorable Omar Davis, Jamaica's Minister of Finance and Planning, opened the workshop. Presentations by the World Bank and United Nations Development Programme, and on the work of the OECD-DAC Task Force on Donor Practices and the multilateral development banks' technical groups on financial, environmental, and procurement issues, set the context for a discussion of regional and country experiences.

Partner countries expressed frustration over donors' multiple and complex procedures, and over duplication and poor coordination among donors. Donor/lender representatives saw country ownership and capacity building, together with greater donor flexibility and adaptability, as key to enhancing aid effectiveness, and agreed that mutual accountability is the name of the game.

Jamaican government officials and local donors traced the recent country piloting experience in Jamaica across the dimensions of the country's financial management, procurement, and environmental safeguard systems. All this set off a lively discussion that drew heavily on the common experiences of much of the Caribbean—that is, the particular challenges associated with being small island states, for which tourism looms large in the economy. Member countries of the Organization of East Caribbean States expressed interest in piloting harmonization.

The next discussion centered on aid management and coordination in Nicaragua, as seen through the eyes of the government and donors. If the flavor of this discussion was different, the substance was not: Nicaragua, too, expressed interest in piloting harmonization.

Two major issues were registered for the future:

- The particular needs of small states, because small size increases the transaction costs of dealing with many donors.
- The scope for systematic regional dialogue, which may be especially important for small states and for donors that cannot be diplomatically represented in every partner country.

Vietnam, January 23-24

Senior officials from seven developing Asian countries and representatives from multilateral and bilateral donor agencies and financial institutions gathered in Hanoi at a Regional Harmonization Workshop (see Box). In addition to discussing in detail Vietnam's experience as a harmonization pilot country, participants reviewed the output of the OECD-DAC Task Force on Donor Practices, shared country experiences and views on harmonization, identified potential areas for further harmonization, and worked to develop a set of guiding principles for future work on harmonization in the region.

Country ownership and capacity building, together with greater donor flexibility and adaptability, are key to enhancing aid effectiveness.

Partnering with Vietnam, the Asian Development Bank, the Japan Bank for International Cooperation, and the World Bank reported on their work to harmonize procedures and practices in procurement, financial management, environmental and social safeguards, portfolio management, and economic and sector work. Noting that tangible benefits had already accrued to both sides of the partnership, workshop participants stressed that (a) harmonization does not necessarily mean uniformity or standardization of policies and procedures, (b) country ownership of the process is essential to its success, (c) country and implementing agency capacity must be taken into account and strengthened, and (d) the effort must reflect the diversity of each of the banks involved in the exercise.

Workshop participants also discussed other harmonization initiatives in Vietnam supported by several UN agencies, the European Union, and the Like-Minded Group of bilateral donors. They also discussed the experiences of the other countries attending the workshop, and enumerated the different problems and burdens associated with particular donor procedures and practices, while acknowledging the need to encourage harmonization among the partner countries' own ministries and agencies. Consensus was found around the views that donor activities should be aligned with country national or sectoral development plans, that a one-size-fits-all approach is a recipe for failure, that "competitive pluralism" of donors is key to responding flexibly to the needs of partner countries, and that priority areas going forward were information sharing, appraisal and approval, procurement, monitoring and evaluation, and financial management.

Ethiopia, January 28-29

Following a welcome from Mr. Philibert Afrika of the African Development Bank and an opening address by Dr. Mulu Ketsela, the State Minister of Finance of Ethiopia, the workshop featured overviews of the international harmonization agenda, the work of OECD-DAC on good practice principles, and the multilateral development banks' working groups on procurement, financial management, and environmental safeguards. The conference (see Box) then focused on sharing country harmonization experiences—with those of Ethiopia, Rwanda, and Tanzania highlighted. In each of these countries the harmonization efforts were part of the PRSP implementation process in each country, so government ownership was strong throughout, and there was an underlying commonality of experience. (On ownership, for example, Ethiopia followed its piloting experience by producing a paper articulating the nature of harmonization problems, setting out reform measures to enhance its procurement and financial management systems, and requesting donors to help identify remaining gaps.) The need for direct

Jamaica, January 16-17

Cosponsors: The Caribbean Development Bank, Inter-American Development Bank, Department for International Development (DFID), United Nations Development Programme, and World Bank

Countries: Antigua & Barbuda, Bolivia, Guatemala, Haiti, Honduras, Jamaica, Nicaragua, Paraguay, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, and Suriname

Institutions: The Andean Development Bank, Canadian International Development Agency, CARICOM, Eastern Caribbean Central Bank, European Commission, Japan, Latin American and Caribbean Institute for Economic and Social Planning, Organization of American States, OECD-DAC, United Nations Food and Agriculture Organization, United Nations Educational, Scientific and Cultural Organization, United Nations Population Fund, and the United States Agency for International Development

Vietnam, January 23-24

Cosponsors: The Asian Development Bank (AsDB), Government of Japan, Government of Vietnam, World Bank

Countries: Bangladesh, Cambodia, Indonesia, Lao PDR, Nepal, Philippines, and Vietnam

Institutions: The AsDB, DFID, EC, Japan, OECD-DAC, Swiss Development Cooperation, World Bank, and the embassies of Australia, Belgium, Canada, Finland, France, Germany, Italy, Netherlands, Norway, United Kingdom, and United States

Ethiopia, January 28-29

Cosponsors: The African Development Bank (AfDB) and World Bank, with support from the Government of the Netherlands

Countries: Ethiopia, Gambia, Guinea, Kenya, Mali, Malawi, Mauritania, Mozambique, Rwanda, Tanzania, Uganda, and Zambia

Institutions: The AfDB, Economic Commission for Africa, EC, IMF, Japan Bank for International Cooperation, Japan International Cooperation Agency, OECD-DAC, UNDP, World Bank, and the embassies of Canada, Italy, and Sweden

budget support, sectorwide applications, and capacity building was noted.

Among the key messages for the High-Level Forum were the following: country-level harmonization is best undertaken within the PRSP framework; the focus of PRSPs should shift from process to content and implementation (with civil society involved in the effort); there is a need for more focused harmonization, particularly in the areas of project design and formulation; mutual accountability is critical, particularly in terms of establishing workable reporting and monitoring and evaluation systems, and better communications between countries and donors; and donors should embrace decentralization, including strengthening field offices and decentralized decisionmaking.