

HARMONISATION AND ALIGNMENT ■ ■ ■
LITERATURE REVIEW



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HARMONISATION AND ALIGNMENT LITERATURE REVIEW



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The current uncertainty about the short-term economic outlook has ramifications globally and locally for all countries, but particularly for developing countries. Given the austerity that is likely to follow in both developed and many developing economies², the continuation of aid, its effectiveness and impact will be critical.

The predominant financing modality used by donors until the mid 1990s has been the project-based approach. In the water sector this resulted in stand-alone infrastructure projects with a beginning and an end, which lacked ownership as well as the necessary resources and capacity to provide ongoing sustainable water and sanitation services. Sustainability problems led to growing concerns about aid effectiveness and the need for a major paradigm shift in the aid agenda. Some of these concerns came from recipient countries regarding high transactions costs, donors dominating the policy agenda and failing to use national systems for managing aid. Many donors also recognised that the traditional aid architecture was not effective, where aid conditionality reduces country ownership and is not effective in producing results. The Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda (2008) reflect these concerns and identify arrangements to strengthen the impact of development assistance.

The new aid agenda aims to address both problems in aid delivery and to highlight national governments' responsibilities. The key principles of the new approach are harmonisation, alignment and country ownership.

Over the past ten years the MDGs have become the framework guiding the international development agenda where they provide a common vision for development through to the year 2015. Agreement to the MDGs represents a 'deal' between developing countries and donor countries, where developing countries take responsibility for achieving the goals,

whilst donor countries support a development partnership which includes improving the effectiveness of the aid that is being delivered.

Water holds a key position in the MDGs, both as a goal (MDG 7) with a specific target to halve the proportion of people without sustainable access to safe drinking water and basic sanitation, and as a sector that influences the attainment of the other goals. The eighth MDG recognises that it is not viable to make progress on the MDGs without a global partnership for development where all partners work together, including developed and developing countries with the aim of improving aid effectiveness (United Nations Millennium Declaration, 2000). The aim was to ensure that aid becomes a working partnership between recipient countries and donors through harmonisation, alignment and country ownership of development.

Given this shift in the aid architecture and the objective of improving harmonisation, alignment and effectiveness, what progress has been made in the water sector so far? Implementation of the paradigm shift requires change by all parties, including donors and recipient countries. To what extent are the policy, legal, institutional and behavioural changes necessary to implement the Paris Declaration and Accra Agenda for Action taking place in both recipient and donor countries? What are the challenges and constraints that donors and recipient countries face when implementing these international agreements for making development assistance a more effective tool in fighting poverty?

1.1 THE TRIPLE-S INITIATIVE AND THE LITERATURE REVIEWS

Sustainable Services at Scale (Triple-S) is a six-year learning initiative, starting in early 2009, with the overall goals of improving the sustainability of rural water services and bringing about greater harmonisa-

² Due to their current growth rates, developing economies such as China, India, Brazil and others may not be subject to same constraints.

tion through increased sector capacity. The initiative is managed by IRC International Water and Sanitation Centre in The Netherlands, and works in partnership with international, national and local partners. Further details can be found at: www.irc.nl/page/45530.

Triple-S aims to act as a catalyst for transforming current approaches from piecemeal projects that often involve one-off construction of a water system, to indefinitely sustainable rural water services delivered at scale. Working in two initial focus countries—Ghana and Uganda—the initiative will seek to encompass a further two countries by 2014. As part of the initiative's start-up, a broader research and scoping exercise was conducted between late 2009 and mid-2010. The main objectives of the research studies are to review and better understand the trends within rural water supply and to identify factors that appear to contribute to or constrain the delivery of sustainable services at scale. The study also seeks to identify organisational incentives and barriers that shape the way in which sector institutions approach rural water services. The study was carried out in 13 countries alongside a parallel process of documentation and review of the literature into rural service provision and aid harmonisation.

The literature review identified two areas to add value to the 13 research studies and to contribute to a broader body of knowledge towards scaling up sustainably. These include:

1. This document, which reviews and assesses the current body of literature on **aid harmonisation** and **aid alignment**, looking in particular at how this has translated to the water sector. This review includes a summary of the analysis and lessons to date and compares experiences with the health and education sectors.
2. A further literature review which investigates **service delivery concepts**; in particular how service delivery is defined and implemented in other sectors such as health, electricity and agriculture with a focus on rural populations, comparing this with the rural water sector.

The literature reviews are based on a number of concepts regarding rural water service delivery, which are important to outline from the outset. The starting point for sustainable services at scale is the realisation that there is a need to move towards a **service delivery approach (SDA)**. The approach is rooted in a shift in focus from the means of service delivery (the water supply systems or infrastructure) towards the actual service accessed by users, where access to a water service is described in terms of a user's ability to *reliably and affordably* access a given *quantity* of water, of an acceptable *quality*, at a given *distance* from her or his home. A water service consists therefore of the necessary *hard and soft* systems to make this access possible.

A key assumption of this approach is that, in a given context, the principles behind the SDA should be applied through one or more agreed **service delivery models (SDM)**. An SDM provides an agreed framework for delivering a service. It is guided by a country's existing policy and legal framework, which defines the objectives, principles, norms and standards for rural water supply, and clarifies roles, rights and responsibilities as well as financing, monitoring and regulatory mechanisms. At the intermediate level the SDM articulates the provision of the service to the entire population in that area, which is usually served by various systems. In a country or even within a single decentralised or intermediate level administrative unit, there may be several SDMs, often related to the management models recognised in the policy framework.

Each of the literature reviews follows the same layout: an introduction to the subject, a summary of the literature reviewed, an analysis of the scope of literature available on the topic identifying key gaps and other key issues, an assessment of the state of current understanding and of main lessons to date, and finally conclusions on improving understanding of service delivery concepts and practice. Each review also has a bibliography of the documents, books or articles reviewed, including where possible, an annotated summary or a condensed version of the

BOX 1: WHAT IS THE DISTINCTION BETWEEN THE SERVICE DELIVERY APPROACH AND A SERVICE DELIVERY MODEL?

The underlying concept of the water delivery approach is defined as sustainable water services, delivered in a harmonised and cost-effective way, at scale within a district. This is a universal approach, or paradigm, with common principles and benefits that can help unblock the problems of the past. However, when applied in practical terms in any given context, we argue that a model has to be researched and developed, which reflects the realities of that country and the service area, including the type of rural population, levels of social and economic development and relative strength of the public and private sector. In simple terms, the water service delivery approach is the concept and the water service delivery model is the application.

BOX 2: THE PARIS DECLARATION (2005)—FIVE OPERATING PRINCIPLES

- **Ownership:** Partner countries exercise effective leadership over their development policies and strategies and coordinate development actions.
- **Alignment:** Donors base their overall support on partner countries' national development strategies, institutions and procedures.
- **Harmonisation:** Donor actions are coordinated, where their procedures are simplified and they share information to avoid duplication.
- **Managing for results:** Managing resources and improving decision making for results.
- **Mutual accountability:** Donors and partners are accountable for development results.

executive summary for the most important pieces of literature.

1.2 INTRODUCTION TO THIS STUDY

The predominant financing modality from the 1970s to mid 1990s was the project-based approach which failed to achieve sustainable water and sanitation services. Donor aid was plagued with many difficulties such as differences between donor policies and recipient country policies and the burden of complying with a range of donor administrative procedures. In response to these difficulties a new aid model emerged based on the commitments made in the Paris Declaration, namely country ownership, alignment, harmonisation, management for results and mutual accountability.

Country ownership of development is a key component of this new model where the recipient country sets the development agenda and donors 'align' themselves to the country's development strategies and priorities as well as aligning to the country's systems and procedures for managing aid. Country ownership is the overarching purpose that harmonisation and alignment must support. The concept of country ownership is in sharp contrast to previous practices where recipient countries had to negotiate policy conditions bilaterally with each and every donor, and carry the burden of complying with various donor systems for managing, monitoring and accounting for aid.

Whilst harmonisation and alignment are commitments by donors to align with partner countries' development priorities and to rationalise multiple and uncoordinated activities and to reduce transaction costs, the extent to which efforts are contributing to increased country ownership and to improved development outcomes is unclear.

1.3 PURPOSE OF THIS LITERATURE REVIEW

There is an abundance of literature on aid effectiveness, harmonisation and alignment. However, there is less research available on how the aid effectiveness agenda is being implemented in the water sector. The purpose of this literature review is to critically analyse the published body of knowledge on harmonisation and alignment with reference to the water sector, and to make some comparisons with other sectors, such as basic education and health.

The review addresses the following set of study questions:

1. How has aid harmonisation and alignment translated into the rural water sector?
2. Does improved harmonisation and alignment at the national level result in more effective service provision on the ground?
3. What lessons can be learnt from harmonisation and alignment in the water sector?
4. What are the experiences of harmonisation and alignment from other sectors such as the health, education and agricultural sectors?
5. What evidence is there of behavior change in the delivery of aid in the water sector, both in terms of the donor community and within recipient governments?
6. What are the incentives and constraints to improved harmonisation and alignment?
7. Why, in spite of commitments made in the Paris Declaration and Accra Agenda, do many donors continue to plan and implement uncoordinated aid programmes?

8. Are efforts to improve aid effectiveness (country ownership, harmonisation and alignment) resulting in a shift in government accountability from donor to domestic constituencies?

Chapter 2 provides a background on aid effectiveness and defines harmonisation and alignment, including

the challenges and benefits of harmonisation. Chapter 3 addresses harmonisation and alignment in the water sector and identifies lessons to date. Chapter 4 looks at progress in harmonisation and alignment in other sectors such as basic education and health. The study is then concluded with key findings and recommendations (Chapter 5).

2 BACKGROUND TO AID EFFECTIVENESS

In the late 1990s, donor governments and aid agencies started recognising both the costs and the requirements that development aid placed on developing countries and therefore started examining ways to make aid more effective.

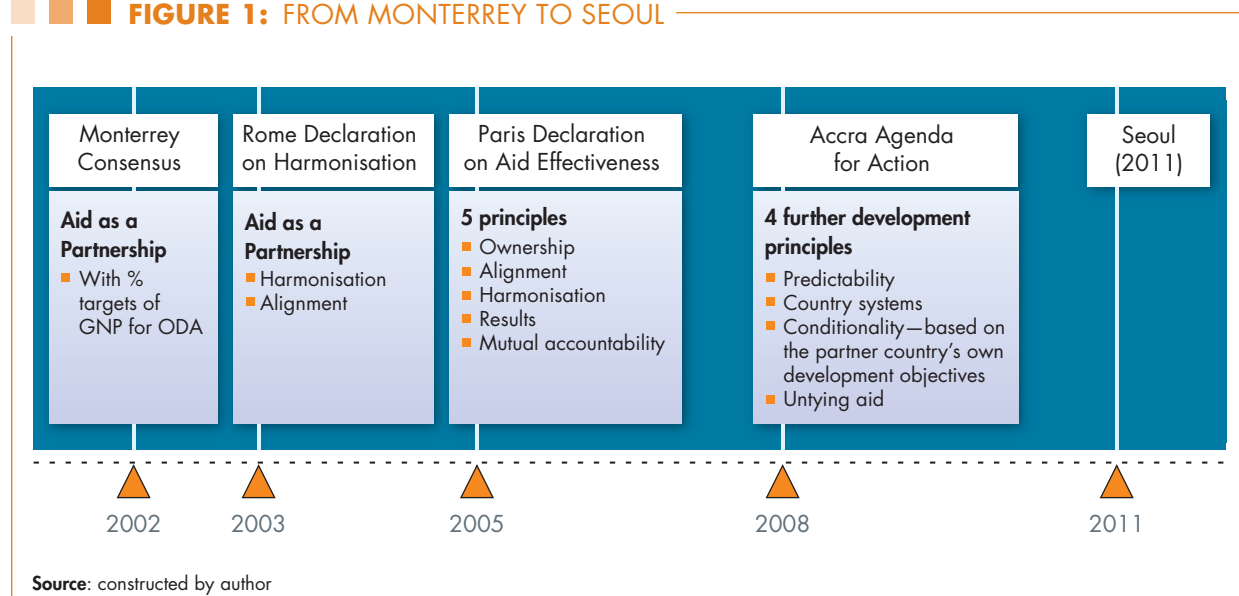
2.1 SHIFT IN THE AID ARCHITECTURE

Since 2000, many changes in the aid architecture have taken place with donors and partner countries developing various good practice standards³ as a basis for harmonising and aligning policies, procedures and practices. The International Conference on Financing for Development in Monterrey, Mexico, in 2002 acknowledged that a new “aid as a partnership” paradigm was needed to improve aid effectiveness in addition to increasing development funding. Over fifty heads of state adopted the **Monterrey Consensus** which is one of the key refer-

ences for international development cooperation. It urges developed countries to make concrete efforts towards a target of 0.7 per cent of gross national product (GNP) as ODA to developing countries and 0.15 to 0.20 per cent of GNP of developed countries to least developed countries, and further encourages developing countries to use official development assistance (ODA) effectively to achieve their development goals and targets.

In 2003, a High Level Forum on Harmonisation was convened by the Organisation for Economic Cooperation and Development (OECD) as a follow-up to the Monterrey Consensus, which resulted in the **Rome Declaration on Harmonisation**. The overarching goal of the Declaration is to improve development effectiveness and commits donor agencies to work with developing countries to better coordinate and streamline their activities at country level. The Rome

FIGURE 1: FROM MONTERREY TO SEOUL



³ The technical groups covered: donor cooperation, country analysis, financial management, procurement and environmental assessment (OECD, 2007). The published Good Practice Papers are available from the DAC Guidelines and Reference Series Harmonising Donor Practices for Effective Delivery, Volume 1 (OECD, 2003).

Declaration affirms commitment to eradicating poverty, achieving sustained economic growth, and promoting sustainable development through the key principles and activities of harmonisation, where donors align to partner countries' strategies and systems towards ensuring effective country ownership.

The Declaration identifies the need to harmonise the operational policies, procedures, and practices of donor institutions with those of partner country systems to improve the effectiveness of development assistance and thereby contribute to meeting the Millennium Development Goals (MDGs). It provides practical guidelines⁴ on how donors can support country ownership through harmonising their procedures. This is in response to the unproductive transaction costs and pressure placed on partner countries in dealing with the wide range of donor requirements and processes for preparing, delivering, and monitoring development assistance. Thus donors committed to:

- Reviewing and identifying ways to amend, as appropriate, individual institutions' and countries' policies, procedures, and practices to facilitate harmonisation;
- Working to reduce donor missions, reviews, and reporting, and to streamline conditionalities and simplify and harmonise documentation.

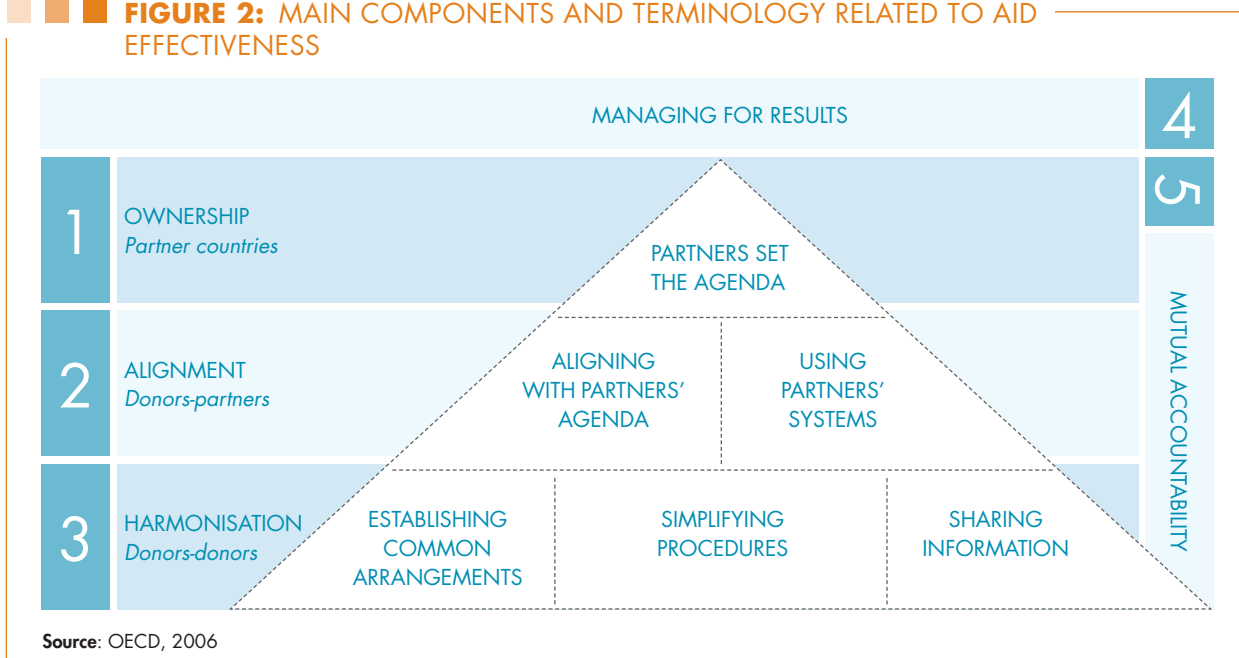
The Rome Declaration further invited donors and partner countries to develop indicators to measure progress in harmonisation and alignment over time.

The Task Team of the OECD-DAC's Working Party on Aid Effectiveness and Donor Practices (WP-EFF) developed these indicators based on the three key dimensions of the Rome Declaration, namely ownership, alignment, and harmonisation.

The Declaration prepares the ground for the second High Level Forum held in Paris in 2005 where over 100 donors and partner countries endorsed the Paris Declaration.

The **Paris Declaration on Aid Effectiveness** is a practical action oriented roadmap which lays the basis for changing the way donors and developing countries work together, based on principles of partnership. It is a joint commitment by donors and partner countries to make aid more effective by 2010, where both parties commit to the core building concepts of ownership, alignment and harmonisation towards mutual accountability and management-for-results. Through the Declaration, donors and partner countries committed to monitoring their progress in improving aid effectiveness against 56 specific actions and 12 indicators to measure progress. Monitoring is a key mechanism within the Declaration to ensure that donors and partner countries act upon the commitments they have made. The forum behind the Paris Declaration is the Development Assistance Committee (DAC) Working Party on Aid Effectiveness (OECD-DAC), which has partnerships between donors and recipient countries as one of its core objectives. The Working Party started in 2003 as a donor grouping,

FIGURE 2: MAIN COMPONENTS AND TERMINOLOGY RELATED TO AID EFFECTIVENESS



⁴ See http://www.who.int/hdp/publications/1b_rome_declaration.pdf for practical guidelines.

but over time expanded to include developing countries and has now become *the* international partnership for aid effectiveness with over 80 partners from donors, recipient partners, civil society, private sector and providers of development assistance (OECD, 2010).

A further strengthening of the commitment to accountability in development aid was achieved at the Third High Level Forum on Aid Effectiveness held in Accra in 2008. Approximately 100 countries endorsed the **Accra Agenda for Action** which committed all to strengthening the partnership for effective aid. This Agenda builds on the Paris Declaration and aims to accelerate the pace of change where it sets a standard for an inclusive approach to development.

Harmonisation can take place at different levels: the international, the country and decentralised levels. The Monterrey Consensus of 2002, the Rome Declaration of 2003, the Paris Declaration of 2005 and the Accra Agenda of 2008 are all international commitments by donors and recipient governments to make aid more effective and to deepen mutual accountability. The creation of the OECD-DAC Working Party on Aid Effectiveness and Donor Practices and the establishment of technical groups by multilateral development banks, together with mechanisms for monitoring progress, are evidence of this commitment in practice. These commitments have also been taken up by different sectors. The Global Fund to Fight AIDS, Tuberculosis and Malaria, the Global Environment Fund, the Education for All—Fast Track Initiative, and the Sanitation Water for All—Global Framework for Action are all examples of attempts to improve coordination at the global level.

Since Accra, the Working Party on Aid Effectiveness has focused on areas where more progress is needed such as country ownership and accountability, country systems, transparent and responsible aid and monitoring and evaluating progress made on the

implementation of the Paris Declaration and the Accra Agenda. It is also preparing for the next High Level Forum, which will take place at the end of 2011 in Seoul, Korea. This preparation includes the ongoing evaluation of the Paris Declaration and the 2011 Monitoring Survey to determine where further change is needed. Emphasis is now being placed on the country level to determine what change in behavior is needed by all parties to make aid more predictable and effective and to strengthen development strategies and accountability for aid. (OECD, 2010)

Country ownership

Ownership is the foundational principle of the Paris Declaration where development is undertaken by developing countries rather than being something 'done to them'. In this drive towards achieving ownership, aid has become increasingly linked to the national development objectives and poverty reduction strategies of countries, rather than being driven by donor policies. Ownership recognises that implementation of development policies and objectives can only be effective if the process is country-led. Aid needs to support these objectives and country processes. There is no doubt that country ownership is a precondition for effective development, but achieving real country ownership is a challenge which is likely to take time to achieve. In the meantime, donors need to find the right balance between their own priorities and interests and a genuine respect for national priorities and processes.

2.2 DEFINING HARMONISATION AND ALIGNMENT

Aid harmonisation requires that donors work together to ensure that their systems and processes are standardised to reduce transaction costs to the recipient government. It is the creation of common arrangements for managing development aid, for

BOX 3: DEFINITIONS OF HARMONISATION AND ALIGNMENT

Harmonisation: a foundation for links between donors that can reduce transaction costs for partner governments. Activities can range from the informal exchange of information to simplified procedures and common arrangements for designing, managing and implementing aid.

Alignment: building relationships between donors and partner governments, by aligning donor inputs with national processes. A distinction is made between 'policy alignment' and 'systems alignment' to manage the process of aid implementation. Policy alignment is assistance that reflects and supports partner governments' national and sector development strategies, while systems alignment is aid that uses government systems and procedures—for example, public financial management systems, monitoring and evaluation frameworks and procurement procedures.

Source: OECD Development Assistance Committee

example routing aid through the national budget and using government accounting and procurement systems. It also entails donors working together when undertaking country assessments, diagnostic studies, monitoring exercises and other exercises in order to minimise separate operations and ensure greater aid effectiveness, accountability and transparency.

Harmonisation is different from alignment. Alignment is where development assistance is integrated with the government systems and institutions of the receiving country. However, in the reviewed literature discussions about harmonisation, alignment and country ownership and the expected benefits thereof are often conflated. Whilst a narrow definition of harmonisation refers to activities between donors, the term 'harmonisation' is understood to also incorporate activities related to alignment and country ownership. As Balogun (2005) states, "any attempt to isolate the benefits of harmonization are extremely difficult. Experience during this work strongly indicates the difficulties of getting stakeholders to discuss harmonisation, and its benefits, when using the narrow ermeaning... (this) reflects the reality for development agency staff that harmonisation and alignment are really two sides of the same coin and which of these two is chosen is greatly influenced by issues such as country ownership and government capability."

Harmonisation also assumes that effective partnerships require changes in both donor and partner government behavior, where partner governments take the lead determining the development agenda and in coordinating donor effort and donors deliver develop-

ment aid in terms of partner countries' priorities, systems and procedures.

Figure 3 below illustrates the harmonisation process from partial coordination to full coordination.

Activities that are part of the 'harmonisation' agenda are listed in Table 1 below, developed by OECD-DAC's Working Party on Aid Effectiveness and Donor Practices (WP-EFF).

The Paris Declaration goes beyond reconfirming the principles and objectives of aid effectiveness outlined in Rome. It requires that donors and recipients develop 'partnership commitments' by means of targets with clear progress indicators and timetables which can be 'measured nationally and monitored internationally' (Rogerson, 2005). (See Annex 1 for commitments and indicators organised according to the five Paris Principles). Rogerson developed a set of proposed targets for 2005 for measuring progress against each of the indicators outlined in the Paris Declaration (see Annex 2).

2.3 HARMONISATION AND ALIGNMENT APPROACHES

Policies for development now include key concepts such as national ownership, poverty reduction strategy papers (PRSP), good governance, programmatic and sector-wide approaches (SWAs), accountability and transparency through medium-term expenditure frameworks (MTEF) and sector policies and programmes.

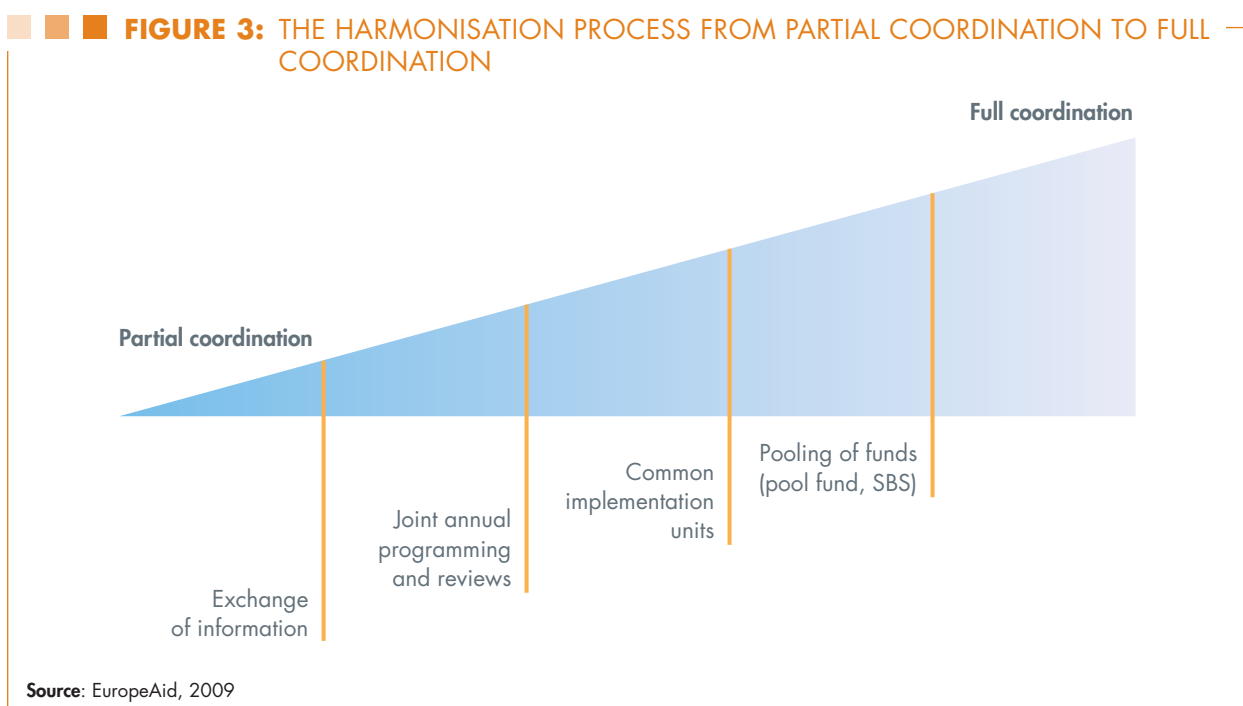


TABLE 1: ACTIVITIES THAT ARE PART OF THE 'HARMONISATION' AGENDA

Harmonisation	Alignment
<p>A. DEVELOPMENT OF COMMON ARRANGEMENTS FOR PLANNING, MANAGING AND DELIVERING AID</p> <ul style="list-style-type: none"> • Increased use of joint diagnostic reviews • Collaboration and Joint Strategies • Joint Operations • Joint Financing Arrangements • Common Procedures for Project Environmental Assessment <p>B. THE GRADUAL SIMPLIFICATION OF PROCEDURES AND SPECIFIC REQUIREMENTS IN ORDER TO REDUCE THEIR BURDEN ON PARTNER GOVERNMENTS</p> <ul style="list-style-type: none"> • Streamlining conditionality • Reducing number of field missions • Reducing number of reports required by donors • Harmonising Financial Management and Procurement procedures • Delegated Cooperation <p>C. THE SHARING OF INFORMATION TO PROMOTE TRANSPARENCY AND IMPROVED COORDINATION</p> <ul style="list-style-type: none"> • Allow access by partner government and other donors to agency's country analytical work. • Increase use of diagnostic reviews from other agencies. • Introduce systems for donors to regularly disclose commitments and disbursements at country and sector level. 	<p>A. DONOR ACTIONS</p> <ul style="list-style-type: none"> • Base donor country strategies, programmes and policy dialogue on partners' national development strategies and results frameworks. • Draw, as much as possible, conditionality from partners' national development strategies. • Rely on country-owned monitoring and evaluation systems to track progress against the objectives set out in partners' national development strategies. • Use country systems and procedures where these provide reasonable assurance that aid will be effectively used for agreed results. <p>B. PARTNER COUNTRY ACTIONS</p> <ul style="list-style-type: none"> • Base national development strategies on sound macro-economic and poverty diagnoses. • Translate national strategies into operational, results-oriented frameworks with clear policy commitments, improved strategic prioritisation of programmes and costing. • Further strengthen the results orientation of national development strategies by increased focus on developing monitoring and evaluation systems useful for managing results. • Establish mechanisms to monitor progress in implementing national development strategies that are firmly embedded in domestic institutions.

Source: Adapted from OECD, 2003

As part of adopting these concepts, developing countries are addressing development from a more holistic perspective and development partners are increasingly providing assistance at sector and national level to support economic development and alleviate poverty.

It is important to note that there is a difference between aid delivery *approaches* and aid delivery *modalities*. Approaches such as the SWAp and Programme-based Approaches (PBAs) are usually based on a set of principles which are implemented. An 'aid modality' refers to the type of mechanism through which aid is delivered. Aid modalities include projects, common basket funds, sector budget support and general budget support. When implementing a SWAp or PBA, a range of aid modalities can be utilised. However, SWAps and PBAs are not aid modalities themselves. Box 4 describes common aid modalities.

Sector-wide approach (SWAp)

The sector-wide approach is an *approach* which supports a country-led programme to build the sector in a coordinated manner. The approach makes use of the country systems and processes to ensure alignment, and involves the development of partnerships to ensure harmonisation. It is a process aimed at broadening government and national ownership over public sector policy and resource allocation decisions within the sector, increasing the coherence between policy, spending and results, and reducing transaction costs. It provides a means whereby government, development partners and other key sector stakeholders can work together towards common objectives. Institutional development, good governance and capacity building are a key part of the approach.

The SWAp is *sector wide* in that planning, consultation, capacity building, institutional development,

Aid modalities

Over the past decade, a range of new aid modalities have been developed to improve the effectiveness of aid to partner countries. The Paris Declaration calls for an increase in budget support, but the right choice of aid modality depends on the country context.

Budget support

Budget support, also called 'direct budget support', is aid transferred directly to a partner country's National Treasury, where the aid is managed in terms of the country's budgetary procedures and accounting systems. Where budget support is coordinated among several donors it is called basket funding. There are different forms of budget support including general budget support and sector budget support.

General budget support is untied aid which is given to support a national development strategy, for example a poverty reduction strategy.

Sector budget support is aid that is earmarked for a particular sector which is then channelled to that sector, for example health, education, water and sanitation, etc.

Budget support is only effective where the partner country has the necessary planning, budgetary and financial management systems in place. At the same time, budget support creates an incentive for partner countries to improve their planning, budgeting and financial management systems as it increases discretionary funding available for national development priorities through the national budget. While budget support automatically aligns donor aid with country plans and systems and typically involves dialogue between donors and partner countries on development policy and resource allocation, many donors still prefer to channel their funds to specific development activities through projects or technical assistance, as this gives greater control over expenditure.

Investment project

An investment project usually entails a relatively large sum of money to develop or improve a capital asset, such as dams, roads, canals, buildings, etc.

Project support

Project support is aid transferred to fund a predetermined project. In certain circumstances projects may still be an appropriate modality, for example: piloting new concepts or initiatives; support for NGOs and other non-government entities; for emergency interventions; providing technical assistance; regional projects; investment projects; and when conditions do not permit alternative forms of support. When implementing projects, donors sometimes set up project management units which operate in parallel to government departments or local government.

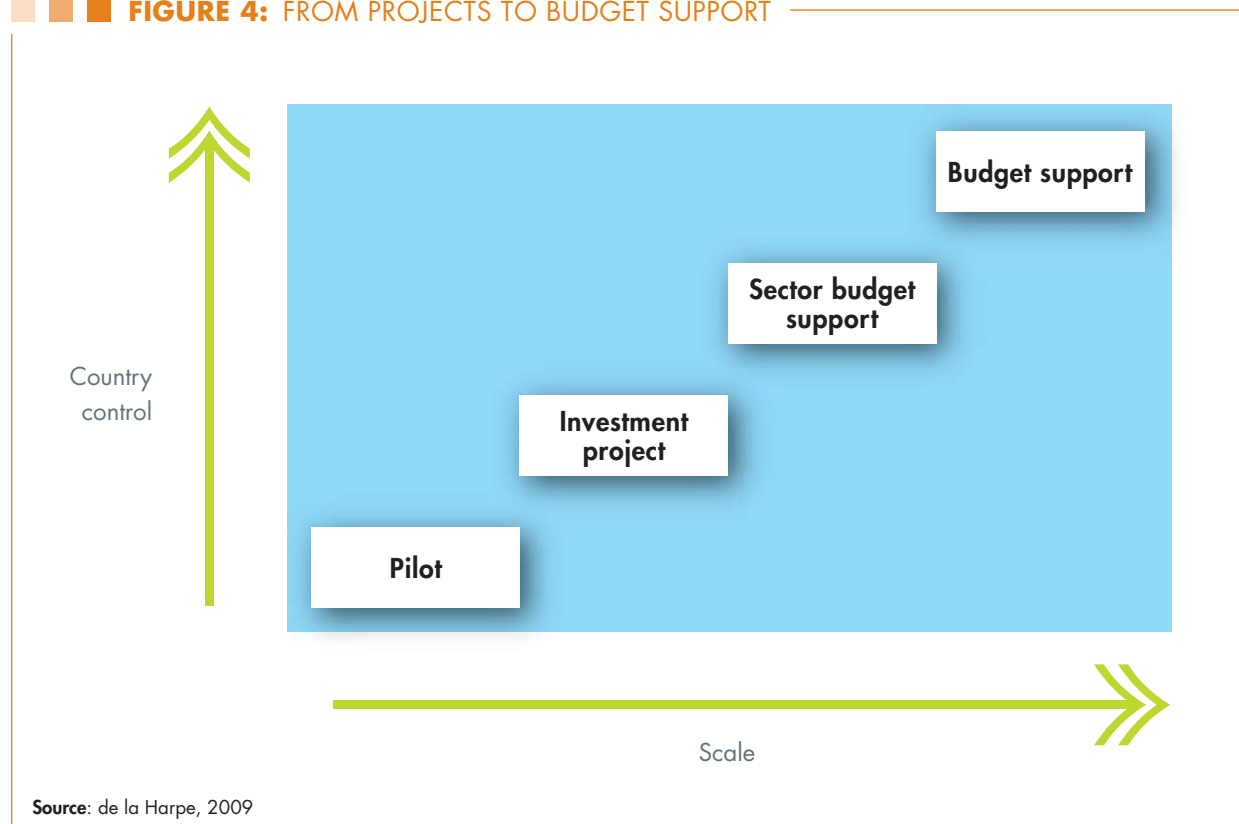
Development projects can vary significantly in their objectives, scope and scale. The size and complexity of a project will influence the financial resources invested in the project as well as the time period for implementation.

Source: constructed by author

monitoring, financing and overall implementation takes place across the entire sector. It is also a way of *working* where funding for the sector, both government and donor funding, is pooled to support a single sector policy and a sector expenditure programme.

SWAPs have evolved since their introduction in the 1990s and attempt to address problems associated with the project-based approach, including fragmentation, duplication and lack of coordination. The features of a SWAp vary depending upon the sector,

■ ■ ■ **FIGURE 4: FROM PROJECTS TO BUDGET SUPPORT**



Source: de la Harpe, 2009

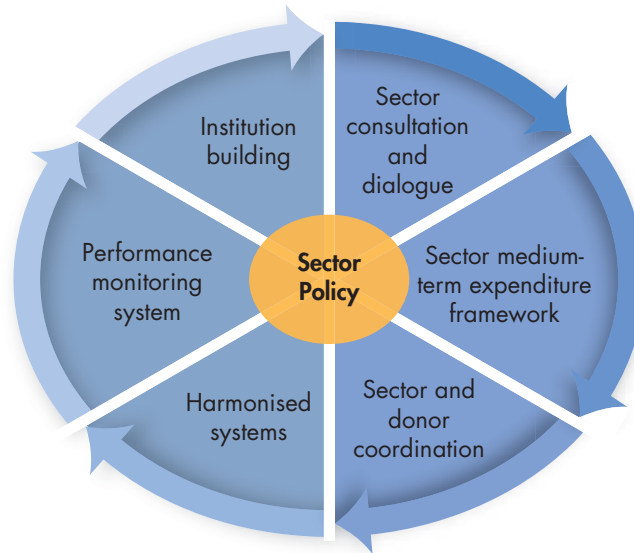
the country context, institutional capacity and the stakeholders involved. Typically SWApS aim to achieve:

- Government ownership and leadership of development,
- A shared vision and priorities for the sector with a single sector policy and programme based on that policy,
- All funding linked to the sector programme is part of the sector budget (even if it does not directly fund the budget),
- A common approach is adopted across the sector, namely with common programme objectives, outputs, indicators and monitoring and reporting requirements,
- Use of government systems and procedures to disburse and account for funds.
- Promote institutional development, capacity development, good governance and participatory processes which strengthen the entire sector towards increased sustainability,
- Enable sector dialogue and promote accountability and mutual trust between stakeholders,
- Increase coordination, harmonisation and alignment,
- Strengthen country systems, financial management practices, structures and procedures, and
- Facilitate a process-oriented approach which promotes sector learning and knowledge sharing.

In theory, SWApS bring about the following benefits for sector development:

- Facilitate a holistic view of the entire sector,
- Provide a consistent development approach with a predictable expenditure framework,
- One of the main benefits of SWAp is that it should lead to more efficient use of resources from national budgets, user contributions and development partners. Thus the sector can maximise the overall investment in the sector towards achieving the national water and sanitation MDG targets.
- Although there is no blueprint to planning and implementing a SWAp, there are some essential components that are part of the approach. These are:
- An approved sectoral policy located within an overall strategic development framework,

■ ■ ■ **FIGURE 5: COMPONENTS OF THE SECTOR-WIDE APPROACH**



Source: de la Harpe, 2006

- Sector consultation and dialogue,
- A sectoral medium-term expenditure framework,
- A performance monitoring system,
- A formalized government-led coordination process including donor coordination,
- Harmonisation of reporting, budgeting, financial management and procurement systems,
- A performance monitoring system, and
- Institutional building.

Implementing a SWAp does not mean the end of donor-funded projects and programmes. Inevitably such projects and programmes will continue for some time. It has also been argued that projects have an important role to pilot different approaches, ensure innovation and provide options to policy making. SWAps are also not vehicles for donor-driven reforms or priorities. Reforms such as privatisation, separating regulatory and provider roles, corporatisation, outsourcing and decentralisation can only be successful if they are part of broader national processes to strengthen institutional capacity. SWAps provide a framework for addressing reforms from a consultative and collaborative perspective.

The challenges and risks associated with SWAps

An important criticism of SWAps is that they engage stakeholders and utilise financial resources at the central level yet implementation capacity at the local

level tends to remain weak. Real impact for poverty reduction depends on implementation capacity on the ground. SWAps need to address the challenge of weak institutional capacity and support reform processes.

A further weaknesses of SWAps is that they have tended to focus on improving the capacity and effectiveness of the public sector with little or no attention to civil society organisations (CSOs), including NGOs. A desk top study prepared for NORAD on SWAps and civil society (HeSo, 2002) found that there is limited knowledge about the roles CSOs have played in sector programmes, and what the results have been. The study also examined the impact of SWAps on the funding of CSOs and found that there are often barriers to national and local CSOs accessing funds from sector programmes since this requires accessing funds from government departments. CSOs argue that governments are reluctant to pass donor resources on to CSOs and often lack the necessary capacity to manage contracts with CSOs. Although CSOs support SWAps with a single programme, they argue that not all funds to the sector should go through the government budget.

CSOs play an important role in contributing new ideas, approaches and solutions to development challenges, through piloting, lesson sharing, capacity building, research and monitoring. Innovation is one of their comparative advantages in policy formulation, implementation and addressing sustainability issues. If water and sanitation sector funds are mostly chan-

nelled through budget support or sector budget support, there is a risk that CSOs will not be able to adequately fulfil their innovation role.

Boesen et al. (2008) highlight some of the challenges in establishing a successful SWAp process. A SWAp in Mozambique's water sector which was intended to assist with decentralisation has not resulted in strengthening local government or in speeding up the decentralisation of water infrastructure and service delivery responsibilities to districts. Part of the problem was insufficient collaboration between the different spheres of government and other stakeholders.

SWAps are often slow to implement with extensive periods of dialogue, mostly taking place at the national level. A change in stakeholders can de-rail the process; for example, Nicaragua's water SWAp was introduced in 2005 involving a range of stakeholders from the entire water sector. A change in government in 2007 slowed down the process where two years later the pre-requisites for a successful SWAp were still not in place such as proper mechanisms for coordination and collaboration, mechanisms for donor harmonisation and public financial management and procurement systems.

Collaboration is not always successful, for example in Ethiopia a multi-stakeholder forum was established in 2006 where various sector commitments were made. Most of the commitments were not acted upon and attempts to establish a financing roundtable with donors were unsuccessful. The collaborative approach in the form of 'management by committee' did not work, and the lack of resources, structures and systems meant that the mechanisms for a successful SWAp were not put in place.

Global programmes

What lessons can be learnt about harmonisation and alignment from sector initiatives at the global level? Examples of global programmes include the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), the Global Environment Fund (GEF), the Education for All—Fast Track Initiative (EFA-FTI), International Health Partnership (IHP), Consultative Group on International Agricultural Research (CGIAR), Global Alliance for Vaccines Immunization (GAVI), Global Sanitation Fund (GSF), and the recently launched Sanitation and Water for All—Global Framework for Action (SWA).⁵ The Africa Water Facility (AWF) of the EU and the Rural Water Supply and Sanitation Initiative (RWSSI) of the African Development Bank are examples of regional funds which are specific to Africa.

The range, scope size and mission of these global programmes and partnership mechanisms vary considerably, where some mechanisms were established to address a specific issue, such as the GFATM, GAVI, and GSF, and others were set up to address entire sectors such as the CGIAR, GEF, and EFA-FTI. The IHP is a partnership designed to form links across a whole range of mission-specific initiatives in the health sector such as GAVI and GFATM. In terms of the water and sanitation sector, the GSF is the only sector fund that operates globally.

According to the OECD (2009a) global programmes are starting to align their assistance to country priorities and systems, despite diverse governance and operational frameworks. These funds tend to be disbursed through country budgets but NGOs and the private sector are also used to channel funding. Some global funds provide sector budget support, or use sector-wide approaches, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria (in Malawi, Mozambique, and Rwanda), and the Global Environment Fund which channels funding through United Nations agencies and multilateral development banks at the country level.

These funds are not without challenges when improving aid effectiveness as summarised in Box 5.

2.4 PROGRESS IN HARMONISATION AND ALIGNMENT

Despite all the international commitments on aid effectiveness, there are still challenges in achieving harmonisation and alignment.

Early monitoring results from 54 developing countries and 27 donors, accounting for half of all aid delivered in 2007, suggested that the targets will not be achieved in most countries and that progress has been slow and uneven, as summarised in Table 2.

The 2010 report of the Southern Aid Effectiveness Commission which assesses reform constraints amongst a number of donors from the North, including the US, Germany, the Netherlands and France, found that perspectives on aid in the North vary greatly. "As one respondent at the Working Party on Aid Effectiveness put it; 'sometimes donor land is like Disneyland', with many interests and many adventures distorting the effectiveness of ODA as the main instrument for promoting just development and fighting poverty" (Eurodad, 2010). The report further found that although the international agreements on aid effectiveness outline a huge set of reforms aimed at developing and strengthening country ownership, harmonisation,

⁵ This literature review examines the EFA-FTI, IHP, GFATM in terms of relevant lessons for the water and sanitation sector. It also briefly explains the SWA.

BOX 5: GLOBAL FUNDS AND THE PARIS DECLARATION: PROGRESS AND CHALLENGES

Ownership—Global funds tend to get strong support from sector ministries, civil society and the private sector, particularly in middle-income countries. However, the challenge is to gain support from overall co-ordinating mechanisms and central government ministries, including finance ministries.

Alignment—Global funds are set up with specific, generally sub-sectoral, mandates. This means that in setting priorities they need to take into account other sources of funds, as well as other priorities within the sector and across other sectors. Aligning with country systems is a challenge although global funds are making efforts to adapt their funding to country budget cycles. Sector-wide approaches can help global funds align funding with country priorities.

Harmonisation—The mandates and processes of global funds, together with the lack of a direct field presence, make harmonisation at the country level challenging. Because of their global focus the funds have tended to follow international good practice. But, in order to reduce transaction costs, particularly for partner governments, they are now paying more attention to working with other donors in donor groups at the country level, or in joint missions and analyses.

Managing for results—Global funds typically manage for results, emphasising sound management of programme inputs, monitoring, evaluation and auditing, as well as outputs. However, they differ substantially in the extent to which they use government and joint donor systems for these activities. The challenge is to align and harmonise with these systems in ways that contribute to improving overall government and donor monitoring and evaluation systems, as well as to improving methods for tracking development outcomes.

Mutual accountability—Global funds tend to be accountable to their international constituencies. Some have set standards of good practice on transparency. However, accountability is more difficult at the country level, partly because of their global mandate and also because they are not present on the ground. Global funds, within limits set by staff constraints, are seeking ways to participate more in country-level mutual accountability mechanisms, or to have others represent them.

Source: OECD, 2009a

TABLE 2: PROGRESS AGAINST AID EFFECTIVENESS TARGETS

Country ownership	Country ownership remains weak. Fewer than one-quarter of the surveyed countries have national development strategies that are clearly linked to the national budget. This is up from 17% in 2005, but far short of the 2010 target of 75%. In addition monitoring capacity is limited with fewer than 10% of the aid recipients covered having systems capable of monitoring development results—a slight increase from 7% in 2005, but the 2010 target is 35%.
Alignment	Progress on aligning aid with government programmes has been minimal. 46% of all aid was delivered through common aid delivery arrangements such as SWAps. This is roughly the same proportion as in 2005. The target for 2010 is 66%.
	Use of national systems remains limited. Only 45% of aid is channeled through national public financial management systems. This is not a major increase over the 40% level registered in 2005 and is only just over halfway towards the 2010 target of 80%. Even in countries with good systems, donors are not necessarily making more use of them, indicating that quality is not the only factor influencing donor choices. For example, although Mongolia's financial management system was ranked one of the highest among the fifty-four countries monitored, only 17% of all aid to the country is managed through its national system.
Harmonisation	Donor coordination is still rudimentary. In 2007, the 54 countries received more than 14,000 donor missions, of which only one in five was coordinated on a joint-donor basis. The 2010 target is 40%.

Source: OECD, 2009a

alignment, mutual accountability and managing for results, implementation progress *“is meager, and this progress, as demonstrated in official reports, all too often covers donors’ creative reporting, effectively hiding the absence of real change on the ground.”*

Reasons for this lack of progress are attributed to the multi-faceted challenges that donors face without sufficient information and feedback from recipient country stakeholders. In addition the report argues that the technical aspects and the political implications of the aid effectiveness agenda are generally not well understood amongst both donors and recipient

countries. It is difficult to explain the current aid effectiveness agenda, such as why aid should be fully owned by recipient countries, and why donors should use country public financial management and procurement systems. Development cooperation is not a separate activity of recipient countries. It takes place within the broader legal, political, institutional and financial frameworks and is influenced by different priorities and interests. Aid effectiveness is therefore dependent upon a good understanding of these frameworks and the different stakeholder interests.

3 HARMONISATION AND ALIGNMENT IN THE WATER SECTOR

WEDC's (2009) briefing note on harmonisation and alignment in the water sector states that there is evidence of strong support from both recipient countries and donors to improve harmonisation. Despite this support, the water sector has been slow to support national poverty reduction and development strategies and to make progress towards harmonisation and alignment. This is due to serious challenges related to disbursement, procurement, financial management and capacity building in the sector in many countries.

3.1 PROGRESS IN THE WATER SECTOR

From various assessments, reports and recent sessions on aid effectiveness, such as the EU-AWG Code of Conduct Study 2010, 'Working together to improve Aid Effectiveness in the Water Sector' (2008), GLAAS (2010), the AMCOW Country Status Overviews of water supply and sanitation 2006 and 2010, and reports from Aid Effectiveness sessions at Stockholm Water Week 2010 and the 3rd Africa Water Week in Ethiopia 2010, it is clear that the aid effectiveness agenda in the water sector is not performing as well as it should. These various assessments found that:

- **Aid to the sector is decreasing in real terms.** The total aid for all aspects of water, as measured by the Organisation for Economic Co-operation and Development (OECD), fell from 8% to 5% of total ODA between 1997 and 2008. During this same period, ODA for health increased from 7% to 12% of total ODA, while for education, the level remained at around 7%. (GLaas, 2010)
- **Aid for drinking water and sanitation is not well targeted.** Between 2003 to 2008, low-income countries received less than half (42%) total aid for water and sanitation services, and only a small portion (16%) of this aid was allocated to basic water and sanitation services. Countries in greatest need, such as those countries with low service coverage and fragile states, are not prioritised for European ODA. There are no clear criteria to better inform targeting of WASH aid both across countries and in-country. This affects both donors and governments.
- **Aid dependency and unpredictability.** The overall picture of dependence on donor aid in Africa requires further assessment, but many countries are heavily dependent on donor aid for sanitation and drinking water. European ODA to African countries remains unpredictable.
- **Financing gap and poor absorption capacity.** An estimated US\$11 billion is required annually to meet Africa's drinking water supply and sanitation needs. Current financing from national budgets and donor aid is insufficient to close this gap. However, budget allocations and expenditures also show that many African countries, particularly those with the greatest need, are unable to absorb the current level of aid for sanitation and drinking water. Weak institutional settings make it unattractive for development partners to invest in capacity development.
- **Sanitation is neglected.** Sanitation is often excluded from annual reviews and most of the funds allocated to rural sanitation are 'off budget'. It is afforded low priority by both recipient governments and donors and is consequently one of the most neglected of the MDG sectors (EUWI-AWG, 2008, 2010).
- **Systems and sustainability require a much greater focus.** Although policy formulation, national sector planning, institutional arrangements, investment planning, annual reviews, and implementation are 'receiving greater attention' there are still many countries that do not have adequate policy, are not able to implement investment plans due to lack of reliable data, and have not clarified their water and sanitation institutional arrangements (GLAAS, 2010). Whilst the water and sanitation MDGs are stated in terms of the service people should access, the emphasis on achieving these targets has

tended to focus on infrastructure without attention to the systems needed to provide access to improved and sustainable services.

Not much is known about the percentage of aid allocated to sustainability components such as policies, institutional issues, financial flows, monitoring, affordable and appropriate technologies, partnerships, and capacity building. The extent to which countries are prioritising these components is also not clear. For example, even though many countries are strengthening their plans to meet the MDG sanitation and drinking-water target, too often these plans exist as documents only, which are neither country-owned or put into operation.

- **Poor quality data.** There is a need for much higher quality data in the sector and there is a lack of data harmonisation. Improved data is needed upon which the sector can reflect and make informed decisions. GLAAS, JMP, and CSOs are making progress towards addressing this problem, but greater synergy between international initiatives and country data is required.
- **Harmonisation and alignment continue to be a challenge.** Some countries have a high concentration of donors with poor coordination and unnecessarily high transaction costs. Only 29% of European ODA to the water and sanitation sector is provided through sector budget support (using recipient country systems for public financial management and procurement), while the rest continues to be provided through separate and unaligned programmes and projects, where donors use Programme Implementation Units (PIU). Stakeholders report that donors have not aligned support to national development priorities and continue to exert too much influence on the development of national plans, which results in lack of ownership (EU-AWG, 2010).

The lack of progress in harmonisation can be attributed to a number of factors. Firstly, both recipient countries and donors have lacked sufficient political will to make the necessary behavior changes to achieve harmonisation. For example, donor antipathy when their incentives do not correspond to those of the recipient country and recipient country resistance as a result of high transaction costs. Secondly, donors are often reluctant to utilise the systems and procedures of recipient countries as these systems are often not sufficiently developed and lack the necessary capacity to ensure efficient and effective aid implementation. These factors are not limited to the water sector but also apply to other sectors in terms of constraints to improving harmonisation.

This problem is further exacerbated by the failure of donor and recipient countries to adequately institutionalise arrangements for harmonisation, where they rely on relationships between individuals in the different institutions. A third reason for slow progress on harmonisation is that harmonisation and alignment activities at the country level are often not the same as the activities identified at the international level. Country realities are therefore not properly taken into account or addressed in the commitments made internationally. Another major constraint to behavior change is related to attitudes amongst donors and recipient countries. The Welle briefing note (2007) mentions the following points concerning different attitudes: "Attitudinal change is needed on both sides, even though it may be easier to carry on as before, due to low capacity levels. Some donors free-ride on the harmonization efforts made by other donors rather than contributing to the process. Donors can be protective of their agreements with partner countries, and may not want to include new donors."

Danida's (2006) engagement with harmonisation and alignment in the water sector found that donors tend to avoid the more complex harmonisation and alignment issues and thus there is a need to revise internal incentives. "There is a trend to take on tasks that are easier to accomplish, such as increased donor coordination or the provision of capacity-building support to sector governments, but to go no further than that. Issues that require donors to change individual ways of operating—for example by increasing their presence in a country and/or ceding control to national financial management systems—are lower down the list." Whilst there may be valid arguments for continuing with established systems and procedures, this approach does not support country ownership. Donors also need to recognise that it is not easy for recipient countries to hold donors to account in terms of compliance with the Paris Declaration due to "power asymmetries" and thus external reviews could support this compliance (Danida, 2006).

The indicators⁶ to measure progress against the Paris Principles reveal the emphasis on the mechanics of aid effectiveness rather than providing evidence of successfully achieving the main outcomes of aid effectiveness. For example, the indicators measure outputs such as systems and number of coordinated donor missions, rather than issues such as the extent to which transaction costs are reduced or whether national systems have improved. As Welle, et al. (2008) question, how can the Paris Declaration indicators which "measure improvements in framework conditions surrounding the aid environment, be linked to 'performance against development outcomes'". Currently this linkage is not very strong.

⁶ See Annex 1.

TABLE 3: DONOR COORDINATION, SANITATION AND DRINKING WATER (GLAAS COUNTRIES)

Recipient Country	No. of donors	Donors with leading roles	Donors active in national coordination or harmonization platforms	Donors that provided at least US\$ 1 million in aid disbursements in 2008 ²
Angola	10		UNICEF	IDA (8), EC (6), United Kingdom (3), Spain (1), UNICEF (1)
Bangladesh	12	ADB, Japan	ADB, Denmark, Japan, Netherlands, UNICEF, United Kingdom, WaterAid	Netherlands (20), United Kingdom (18), Denmark (8), IDA (4), Japan (3), Switzerland (2), UNICEF (2)
Benin	13	Denmark, Netherlands	Denmark, France, Germany, Netherlands, UNICEF	Germany (15), EC (13), Netherlands (9), Denmark (9), IDA (6), France (4), AfDF (1)
Burkina Faso	18	France	Denmark, EC, France, Germany, Japan (water), Sweden, UNICEF, WaterAid	Denmark (15), Germany (10), AfDF (10), EC (8), France (5), IDA (4), Sweden (1)
Burundi	10	Germany	EC, Germany, UNICEF	Germany (7), AfDF (3), Belgium (2), IDA (1)
Cambodia	13			France (6), IDA (3), Japan (2), United Kingdom (1)
Cameroon	11			AfDF (9), Japan (4), IDA (2)
Central African Republic	5		UNICEF	IDA (1)
Chad	10		Germany	EC (10), France (7), AfDF (3), Germany (1), IDA (1)
Côte d'Ivoire	9		UNICEF	IDA (4), Germany (1)
Democratic Republic of the Congo	13		Germany, United Kingdom	IDA (39), EC (8), Germany (3), UNICEF (2), Belgium (1), Spain (1), United Kingdom (1)
Ethiopia	20		EC, Finland, United Kingdom, USA, WaterAid	IDA (31), United Kingdom (16), AfDF (12), EC (10), Finland (7), Japan (6), Netherlands (5), Germany (5), UNICEF (2), France (1), Italy (1), Norway (1), USA (1)
Ghana	14		Denmark, WaterAid	IDA (45), Netherlands (23), Denmark (13), Belgium (11), EC (10), Canada (10), AfDF (4), Germany (4), United Kingdom (1)
Honduras	11		EC	Spain (8), EC (5), IDA (4), Japan (4), Switzerland (2), Italy (1)
Indonesia	13	Netherlands (sanitation)	Netherlands, Sweden, UNICEF, USA	IDA (72), Japan (37), Netherlands (31), Germany (5), Canada (3), Sweden (3), USA (3), Australia (1)
Kazakhstan	3		UNICEF	Japan (50)
Kenya	18	France, Germany, Sweden (water)	Denmark, France, Germany, Japan (water), Sweden, UNICEF	Germany (32), IDA (19), Sweden (10), AfDF (7), Denmark (5), EC (5), France (4), Netherlands (4), Japan (3), Austria (1), Spain (1), USA (1)
Lao People's Democratic Republic	8			Japan (9), France (3)
Lesotho	7		Ireland, USA	EC (12), Ireland (3), IDA (1), USA (1)
Madagascar	10		UNICEF, WaterAid	IDA (6), AfDF (4), EC (2), France (2)
Mali	19	Germany	AfDB, Denmark, Germany, Sweden, WaterAid	EC (11), France (8), Germany (6), Belgium (3), Netherlands (3), AfDF (2), Denmark (2), Spain (2), IDA (1), Luxembourg (1)
Mauritania	9		France, UNICEF	AfDF (11), IDA (3), Spain (2), EC (1), France (1)
Mongolia	9			Japan (7), Germany (1), IDA (1)
Morocco	11	France	Germany	EC (40), Germany (16), Japan (14), France (13), Spain (4), Belgium (3), Italy (1), Luxembourg (1)
Mozambique	20	United Kingdom	France, Netherlands, Portugal (water), UNICEF, United Kingdom, USA, WaterAid	Netherlands (30), AfDF (14), IDA (14), EC (10), Switzerland (2), France (1), Germany (1), Ireland (1)
Nepal	12	ADB	ADB, Finland, UNICEF, WaterAid	IDA (6), Finland (5), United Kingdom (1)
Niger	15		Denmark, France, Germany (water), Japan (water), UNICEF	EC (12), Denmark (7), France (4), IDA (4), Spain (2), AfDF (1), Belgium (1), Germany (1)
Paraguay	4			Spain (2)
Philippines	15		Germany, Sweden, UNICEF, USA	EC (27), Japan (19), Germany (3), USA (3), Spain (2), Sweden (1)
Rwanda	15	EC	EC, Germany, United Kingdom, UNICEF	IDA (17), AfDF (9), EC (4), Japan (3)
Senegal	16	EC, France	EC, France, Japan, UNICEF	IDA (24), AfDF (23), EC (11), Luxembourg (5), France (4), Belgium (3), Japan (1)
Sierra Leone	10		EC, United Kingdom	IDA (7), United Kingdom (4)
South Africa	13		EC, Ireland	EC (44), Ireland (6)
Sudan	11		Germany, UNICEF	Netherlands (8), USA (4), United Kingdom (2), Belgium (1), Ireland (1), Japan (1)
Thailand	7			Japan (1)
Timor-Leste	7			Japan (5), Australia (2)
Togo	7		UNICEF	France (1), Spain (1)
Uganda	18	Denmark, Germany	AfDB, Denmark, Germany, Sweden, WaterAid	AfDF (25), Sweden (9), Germany (8), Denmark (4), EC (4), Austria (3), IDA (2), Ireland (1), UNICEF (1)
United Republic of Tanzania	18	Germany	AfDB, France, Germany, Japan, UNICEF, USA, WaterAid	IDA (41), Germany (33), AfDF (32), EC (19), Japan (12), Norway (5), UNICEF (1)
Viet Nam	15	Australia	Australia, Denmark, Finland (water), Germany, Netherlands, UNICEF	IDA (80), Japan (66), France (29), Netherlands (15), Denmark (14), Germany (14), Norway (8), Finland (7), Belgium (3), Spain (1)
Zimbabwe	9			United Kingdom (8), EC (1)

ADB, Asian Development Bank; AfDB, African Development Bank; AfDF, African Development Fund, African Development Bank; EC, European Commission; IDA, International Development Association

¹ Coordination is for both sanitation and drinking-water, unless otherwise noted.

² Number in parentheses is the amount of disbursement in 2008 in \$US millions.

Sources: OECD (2010a) for columns 2 and 5; 2009–2010 GLAAS external support agency survey results for columns 3 and 4.

GLAAS 2010 reports on donor efforts to coordinate with other donors and to harmonise their activities with national counterparts. Table 3 illustrates that the majority of countries that responded to the survey are receiving sanitation and water aid from 10 or more donors, with Ethiopia and Mozambique receiving aid from 20 donors. With this high number of donors at country level, coordination and harmonisation are fundamental.

Donors are not a homogeneous group in terms of commitment to aid effectiveness principles. Although some donors are working hard to improve harmonisation and alignment, others continue with their own priorities and programmes which undermines partner country efforts to move towards a single common programme and budget for the sector.

National water and sanitation coordination and harmonisation platforms exist in many countries in different forms: for example the SWAp in Uganda and the Masibambane (Let's work together) SWAp in South Africa where donors and key stakeholders work

together in joint structures. Zambia and Lesotho have developed programmatic approaches for water supply and sanitation, which facilitates harmonisation and alignment.

“A recent survey (OECD, 2009) monitoring agreements made in the Paris Declaration on Aid Effectiveness (OECD, 2008) indicates that the use of country procurement systems increased from 39% in 2005 to 43% in 2008 for all aid sectors. While responses to the GLAAS external support agency survey make it difficult to estimate a similar percentage of country procurement systems used specifically in sanitation and drinking-water, 10 out of 11 responding donors indicated the use of country procurement systems in one or more project countries. The use of country procurement systems was dependent not only on the recipient countries, but also on the type of aid. For instance, Japan uses country procurement systems in loan arrangements, whereas donor procurement systems are used for grants.” (GLAAS, 2010)

TABLE 4: FUNDING CHANNELS FOR AID, PERCENTAGE OF SANITATION AND DRINKING WATER 2008

External support agency	Sector budget support	Programmes and projects using pooled funds (e.g. multilateral organizations)	Programmes and projects via international or national NGOs	Academic and training institutes (institutional or local)	Programmes and projects (directly implemented via private sector and consultants)	Other methods
Asian Development Bank		26%			74%	
Bill & Melinda Gates Foundation		28%	59%	13%		
BRAC					100%	
Denmark	68%	13%			19%	
European Commission		4%	2%			94%
Finland					100%	
France (AFD)					100%	
Germany	15%				5%	80%
Inter-American Development Bank		100%				
Ireland	81%		19%			
Netherlands	74%	13%	11%	2%		
Portugal			100%			
Sweden	15%				2%	83%
UNICEF						100%
United Kingdom	15%	14%	23%	21%	27%	
USA		2%	26%	1%	17%	53%
World Bank (IDA)	4%	96%				

AFD, Agence Française de Développement; IDA, International Development Association, World Bank

Source: 2009–2010 GLAAS external support agency survey results

The GLAAS report further highlights recent achievements in increasing donor alignment, harmonisation and coordination and support for sector programmes. A brief list of recent achievements is provided which includes initiatives such as: support for development of water and sanitation programmes; multi-donor approaches; increased use of national procurement systems; reduction of number of independent PIUs, increased national competitive bidding processes; support to sub-national implementation to increase sustainability; cooperation programmes/country compact agreements where recipient countries lead programme design and implementation; increased engagement in a variety of national coordination mechanisms; supporting and advocating for new national water, sanitation and hygiene policies; approval of the Water Initiative, which prioritises water and sanitation and provides the necessary resources and guidance on a strategic sector approach, including the preparation of strategic sector plans ; use of joint financing tools; the evolution from project approach to water and sanitation policy support programmes, using water and sanitation budget support; institutional support approach; and support for the development of the annual national sanitation forum.

Obstacles to harmonisation and alignment as cited by donors in GLAAS 2010 include obstacles at the country level and obstacles among donor relationships. At the country level, obstacles included the following:

- poor governance;
- weakness in water and sanitation policies or strategies;
- lack of credible national plans;
- weak national procurement rules;
- lack of government capacity in fragile states;
- at local government levels, barriers to increasing alignment with country systems;
- non-optimal integration of local government levels into overarching approaches for water and sanitation;
- lack of prioritisation of sanitation and drinking water.

The obstacles identified among donor relationships included:

- poor targeting of international resources;
- lack of transparency in partner structures and procedures;

- lack of full acceptance of principles of best practices by development partners;
- high transaction costs to harmonise between donors before benefits are realised;
- lack of prioritisation of sanitation and drinking-water.

3.2 SWAPs IN THE WATER SECTOR

The SWAp was initially implemented in the social sectors such as health and education, where the approach facilitates sector reforms and sector-wide policy planning and implementation. However, in the water sector SWAPs were less common until very recently. This is partly because the water sector is not so easy to categorise as either a 'social' or 'productive' sector. The water sector also has special characteristics such as: dealing with a vital and contested resource; including multiple stakeholders at all levels, with different interests; combining community, public and private sector investment; involving various service provision arrangements and complex institutional arrangements with overlapping boundaries (administrative and catchment boundaries); being relevant to many line ministries; and being critical to sustainable growth. It is an input to almost all forms of production such as industry, mining, agriculture and transport, and it involves regional and international organisations where often there is competition for a limited resource. Lessons from the water sector show that when a SWAp is approached as a flexible and pragmatic process, it can address some of these complexities.

Experience indicates that there are four critical success factors for a water SWAp: vision, collaboration, ownership and good governance. Whilst the vision of a SWAp can be broad, operationalising the approach needs to start with realistic objectives. For example, a SWAp may start in the water services sector and then extend to water resources. It may not be feasible to implement a SWAp simultaneously across the entire country and thus it may be more realistic to start off with some pilot areas (provinces, sub-national areas) and gradually extend to the entire country.

Collaboration needs to happen from the commencement of a SWAp where all stakeholders are brought into the process. For example, South Africa's Masibambane Programme established a Water Sector Leadership Group which included all key partners and stakeholders and resulted in a common national programme for the entire sector. UWASNET in Uganda also achieved harmonisation and collaboration of the various organisations working in the water sector. Good governance refers to the managing of power and authority whereby the necessary institutions, mechanisms, processes, and relationships allow

citizens to articulate their interests and exercise their rights and obligations. Good governance in the water sector reflects the multi-dimensional nature of the sector where effective relationships, institutional arrangements, networks and partnerships are developed to coordinate the activities of all stakeholders (government, private sector, civil society) towards common development and other objectives.

3.3 SANITATION WATER FOR ALL—GLOBAL FRAMEWORK FOR ACTION

The Sanitation and Water for All (SWA)—A Global Framework for Action was launched in September 2008, as an initiative of national governments, external support agencies, civil society organisations and other development partners working together to increase political will and improve aid effectiveness for water supply and sanitation. The SWA is based on the principles of **improved aid-effectiveness** and **mutual accountability**, which are part of the Paris Declaration and Accra Agenda for Action, and aims to provide a global platform to translate existing commitments into concrete results within the sector. This includes ensuring that donors and developing countries fulfill their commitments. It aims to be the main international focal point for the water and sanitation sector, working with and supporting existing regional and country efforts. The initiative serves as a platform to:

- Put sanitation and water firmly on the global agenda at the highest political levels;
- Enable the development and implementation of actionable national plans;
- Improve aid targeting and effectiveness through harmonisation and alignment;
- Encourage national governments to increase budget allocations for basic water and sanitation services;
- Assist in identifying outstanding financing gaps and the sources of funds to narrow those deficits;
- Mobilise additional resources and use existing resources more effectively;
- Improve information for better decision making;
- Promote mutual accountability between external support agencies and recipient governments and between governments and their people. (UNICEF, 2009)

Under the SWA, partners are starting to advocate for and monitor financial and political actions and

commitments from countries seeking to achieve the MDG targets as well as from donor countries. The SWA was initiated due to the minimal progress made in the sector in terms of implementing many of the objectives laid out in the Paris Declaration and Accra Agenda for Action. The initiative hopes to ensure that donors align behind regional and national priorities set by developing countries and that they deliver aid more effectively. It will monitor and report on the performance of donors and of developing countries towards creating a mutual accountability framework which is overseen by sector decision-makers.

The first High Level Meeting of the SWA partnership was hosted by UNICEF at the World Bank in Washington, DC, on the 23rd of April, 2010. Finance and water/sanitation ministers representing 18 countries met with 13 donor representatives, seven UN agencies and three civil society organisations to discuss sector investments, targeting of resources, donor coordination and enhanced mutual accountability and action. The recommendations of the UN-Water Global Annual Assessment of Sanitation and Drinking-Water (GLAAS) Report were also discussed including: greater political prioritisation for sanitation and drinking water, strengthening of national planning, and development of stronger partnerships at all levels. This High Level Meeting is a major achievement for the global water and sanitation sector as it is the first time the sector has brought Finance Ministers to the 'water and sanitation' table to encourage increased investment in the sector.

As a result of the preparatory process for the High Level Meeting, Ghana's Vice President John Dramani Mahama, in his role as Acting President launched the Ghana Compact. This Compact recognises sanitation and water as "essential services" and commits the government to providing US\$350 million as of the beginning of 2011 for sanitation and water improvements and up to 0.5% of GDP for hygiene education, including handwashing and Community-Led Total Sanitation.

The SWA Aid Effectiveness and Financing Modalities Working Group recently undertook a review of global pooled funding and partnership mechanisms towards identifying lessons for the Sanitation and Water for All—Global Framework for Action, based on the scope, governance, financial arrangements and efficacy of these funds. The unpublished Draft 1 Review (2010) found that the greatest impediments to achieving the water and sanitation MDGs are the lack of political will, the lack of sound sector investment programmes, and the lack of strong, country-led, processes to coordinate implementation of sector programmes. It found that where countries have (a) taken the steps necessary to prioritise access to basic water and

sanitation services; (b) developed investment-worthy sector programmes, and (c) coordinated external support, they have made real gains in addressing their MDG targets.

The most off-track countries for the drinking water and sanitation MDG targets tend not to have viable sector programmes or the necessary governance systems upon which to build a sector programme. They also have limited implementation capacity and insufficient funding for the sector. Since these countries lack adequate development assistance frameworks, development partners use parallel systems instead of supporting the development of stronger government systems. The review proposes that a *pooled fund* for developing viable water and sanitation sector programmes in the most off-track countries should be considered where the fund provides financial resources to strengthen sector programmes and to build national implementation capacity. Implementation would be based on the following principles:

- Develop country involvement in oversight to get buy-in and country ownership;
- Support and align with country systems and programming;
- Institutions involved in funding and oversight should be separate from those involved in management and operations;
- Fragile states need an explicit focus to prevent mission drift towards working in easier, more stable countries. (SWA, 2010)

It is too early to comment on how successful the SWA initiative will be as a global initiative to improve aid effectiveness. However, the SWA has already expanded to 59 partners.⁷

3.4 HARMONISATION AND THE IMPACT ON THE DECENTRALISED LEVEL

The water and sanitation sector involves a whole array of institutions, agencies, and international development partners, at both the national and local levels, each with their own priorities, systems and approaches. Many international NGOs and other aid agencies operate at the decentralised level outside of harmonisation efforts taking place at the national level. This results in very high transaction costs and also places a major burden on the limited institutional capacity at the local level.

It is not feasible for the decentralised level to adequately manage different donor agencies piloting and implementing different approaches, each with their own technologies, monitoring and reporting require-

ments. Harmonisation is therefore critical to ensure a common approach where all parties can jointly work together to address the local needs and priorities. Ideally, harmonisation at the national level should circumvent unnecessary fragmentation, duplication and lack of alignment at the local level. However, it is unrealistic to assume that all sector activities will take place within one common sector programme from national to local level. There will always be projects and initiatives taking place at the local level that are outside *the sector* programme, for example piloting different models, testing new technologies, or providing infrastructure for local communities outside of government frameworks and systems. The challenge for the decentralised level is how to coordinate these local-level initiatives so that they contribute to scaling up sustainable services efficiently and effectively without stifling innovation.

In Uganda's decentralised context, District Water and Sanitation Coordination Committees (DWSCC) have been established as an effective mechanism to oversee the implementation of water and sanitation services programmes, and to also strengthen collaboration and coordination across all district stakeholders, including NGOs, private sector actors, development agencies and partners, as well as collaboration with related sectors such as education, health, and social development.

Challenges to collaboration and coordination at the decentralised level include (WEDC, 2009):

- The large number of stakeholders involved in the sector, such as national, provincial and local government, implementing organisations, NGOs, CBOs and donors, which results in a high level of diversity;
- Insufficient lesson and knowledge sharing at the local level and lack of platforms for sharing experiences and ways to achieve improved coordination;
- Different interests and priorities of the various stakeholders and parties where there is resistance to coordination efforts;
- A lack of capacity at decentralised level to facilitate collaboration and coordination;
- Dependence upon donor aid whereby local government is anxious to not jeopardise access to donor resources as a result of efforts to increase sector coordination.

Harmonisation and alignment facilitate the incorporation of donor projects and programmes into national priorities and programmes, avoiding the shortfalls associated with stand-alone projects. Apart from

⁷ Progress can be monitored through the SWA website: <http://www.sanitationandwaterforall.org>.

partner governments taking ownership of the programmes, there is also the opportunity for donors to contribute to improving and strengthening the sector, both at national and local levels. Through the incorporation of pilots, innovative projects and capacity building into the overall sector programme, a process of systemic change can be triggered (Welle, 2008). For example, in Uganda one-off rural water supply projects are being replaced with a comprehensive approach to sustainable service delivery.

3.5 PROGRESS IN THE WATER SECTOR RELATIVE TO OTHER SECTORS

In an article in *Water Alternatives* (2009), Welle et al. question whether the water sector is lagging behind education and health on aid effectiveness. They draw on lessons from Bangladesh, Ethiopia and Uganda to assess progress against the Paris Principles in the three sectors. They found that whilst the water sector may be lagging behind in some countries it is “too simplistic to say that the water sector is lagging”. The perception in the WASH sector that it is lagging may be a result of the fact that aid modalities and approaches associated with aid effectiveness are less developed in the water sector, for example sector budget support and SWAps. SWAps began in the health and education sectors, and were later implemented in the water sector. Water was also not afforded the same priority as health and education in Poverty Reduction Strategies and Medium Term Expenditure Frameworks.

The study showed obvious differences in progress against aid effectiveness principles between the three countries, but found “no consistent pattern of progress among the sectors. While in Uganda the water sector is most advanced, this is the case for the health sector in Bangladesh and for education in Ethiopia”. The length of time since the implementation of SWAps in the different sectors was also not a factor in influencing progress. For example, in Uganda the water SWAp made the greatest progress but with a shorter implementation period than the health and education-SWAps. Whilst the health SWAp in Bangladesh is one of the first in the world, its aid effectiveness progress is considered limited. However, performance in terms of harmonisation and alignment in the health sector has in general been weak, particularly in terms of policy alignment and aid not aligned to country health priorities.

Sector progress in aid effectiveness may also vary depending upon the performance of sub-sectors where aid and finance may be dealt with separately, for example different aid modalities between rural and urban provision, and different modalities between water and sanitation where modalities may range from project to programme to sector budget support. One of the main findings was that wider governance issues such as national political leadership are more important for aid effectiveness at country level than having a specific aid modality such as sector-wide approaches.

4.1 EDUCATION

Education for All—Fast Track Initiative

In the education sector initiatives to improve aid effectiveness have centered on the Education for All—Fast Track Initiative (FTI) which was created in 2002 to help low-income countries meet the MDG goal of *universal primary school completion (UPC) for boys and girls alike, by 2015*.

This initiative is closely matched to the objectives of the Paris Declaration and the Accra Agenda, where it aims to align donor and recipient government goals through the development of a single national education sector plan. Donor resources are pooled through a Catalytic Fund, managed by the World Bank. It styled itself as a “compact” in which credible education sector plans would receive support to ensure their achievement. The initiative emphasised coordinated action at country level, and put primary responsibility on in-country donors to mobilise and deliver external support for education sector plans that were endorsed by the FTI.

Whilst it tried not to operate as a global fund, a centrally operated Catalytic Fund (CF) has become an increasingly important feature of the FTI. This fund also provided technical support through an Education Program Development Fund (EPDF). By the end of 2008, 36 countries’ education sector plans had been endorsed. The Initiative aims to accelerate universal primary school completion (UPC) by promoting: (a) more efficient aid for primary education; (b) sustained increases in aid for primary education; (c) sound sector policies in education; (d) adequate and sustainable domestic financing for education; (e) increased accountability for sector results; and (f) mutual learning on what works to improve primary education outcomes and advance EFA goals. The FTI is guided by the following five **principles**: country ownership, benchmarking, support linked to performance, lower transaction costs, and transparency.

Have the implementation modalities of the EFA-FTI Catalytic Fund (CF) contributed to strengthening aid effectiveness?

The FTI advocates for country ownership, harmonisation and alignment, and for using existing structures and processes. Whilst it has sought to ensure the application of the Paris Declaration principles to the education sector, both globally and at country level it has not sufficiently delivered its aid effectiveness agenda in practice. As outlined in the mid-term evaluation of the FTI, “In spite of the FTI’s global advocacy of the Paris Declaration principles and some country-level gains, delivery of the aid effectiveness agenda at country level has been disappointing. Poor communication of the FTI’s aid effectiveness aspirations has meant that the FTI’s aid effectiveness agenda is not understood at country level as well as it should be. In many cases the FTI is seen too narrowly in terms of opportunities for funding from the CF, while in turn the CF is often perceived as a financing window of the WB. A lack of clarity about FTI procedures has resulted in high transaction costs... Adopting the most aligned aid modality has often been difficult because of the WB’s limited flexibility and a heavy reliance on the WB as the supervising entity in FTI countries. More fundamentally, there has been limited mutual accountability, poor monitoring of the FTI “compact”, and insufficient linking up with national poverty reduction strategies. In practice therefore, the FTI has tended to reflect existing patterns in aid management, rather than galvanising significant departures from ‘*business as usual*’” (Cambridge et al., 2009).

Despite these shortcomings, the FTI has also made progress in a number of areas such as securing strong participation of a broad coalition of OECD-DAC donors, strengthening FTI governance both at global and country levels with a commitment to learn and adapt, strong representation of the various constituencies in decision making, a streamlining of governance structures and clarification of country processes.

A key lesson for other sectors arising from this type of global partnership is the tensions that arise from the different priorities, aspirations and agendas of the various donors. The FTI has had to move “cautiously in order to keep a broad donor coalition together. Especially because of the quest for consensus decisions, this has often resulted in long negotiations marring the FTI’s operational effectiveness and diluting some of the FTI’s original intentions.” Another lesson relates to country ownership where the FTI has been an “unbalanced partnership” with very little involvement of partner countries in its design, with the consequence that it remains “more a donor collaboration than a genuine partnership”.

In his book *Aid effectiveness in education: Why it matters* (2009), Sajitha Bashir of the World Bank examines the contribution of the Education for All-Fast Track Initiative (EFA-FTI) global partnership in strengthening aid effectiveness in the education sector, and specifically how the implementation modalities of the EFA-FTI Catalytic Fund (CF) have contributed to this strengthening. His assessment of the CF implementation modalities is based on three areas, namely alignment, harmonisation and managing for results, where he uses a good practice checklist based on the Paris Declaration partnership commitments to measure progress. He compares progress in the education sector to progress at the country level as a whole.⁸ From a review of 18 sample countries he finds that in the education sector, alignment was stronger than at the country level, progress toward harmonisation was somewhat stronger, and managing for results was the same as at the country level. The factors for this success include: regular dialogue at the country level; a mechanism for government leadership; capacity building for civil servants on project management and a mechanism to help inform the budget. Key lessons include:

- Experience reinforces the need to maintain flexibility in CF grant modalities;
- Alignment with country priorities is a process that helps improve evidence-based decision making as country leadership strengthens;
- CF grant can help strengthen institutional arrangements and fiduciary mechanisms regardless of the implementation modalities;
- It is important not to lose sight of the CF grant’s objective of using country systems when possible;
- Joint reviews help to strengthen aid effectiveness. Experience indicates that they contribute to: strengthening alignment, government leadership, integrated implementation units and financing reflected in the budget;

- Progress in the use of country systems, coordinated financing mechanisms, joint analytic work and monitoring and evaluation lags behind;
- The need for recipient countries’ to consider using joint reviews to focus more on country fiduciary systems, coordinated financing mechanisms, joint analytic work and monitoring and evaluation.

Progress has been made in the global education policy dialogue on aid effectiveness, but greater progress is required to ensure policies that accommodate varying country contexts. Sajitha Bashir concludes that whilst the FTI has contributed to improving aid effectiveness, different actions at the global level and at the country level, on which the partnership operates, need to be identified towards further progress.

4.2 HEALTH

International Health Partnership (IHP)

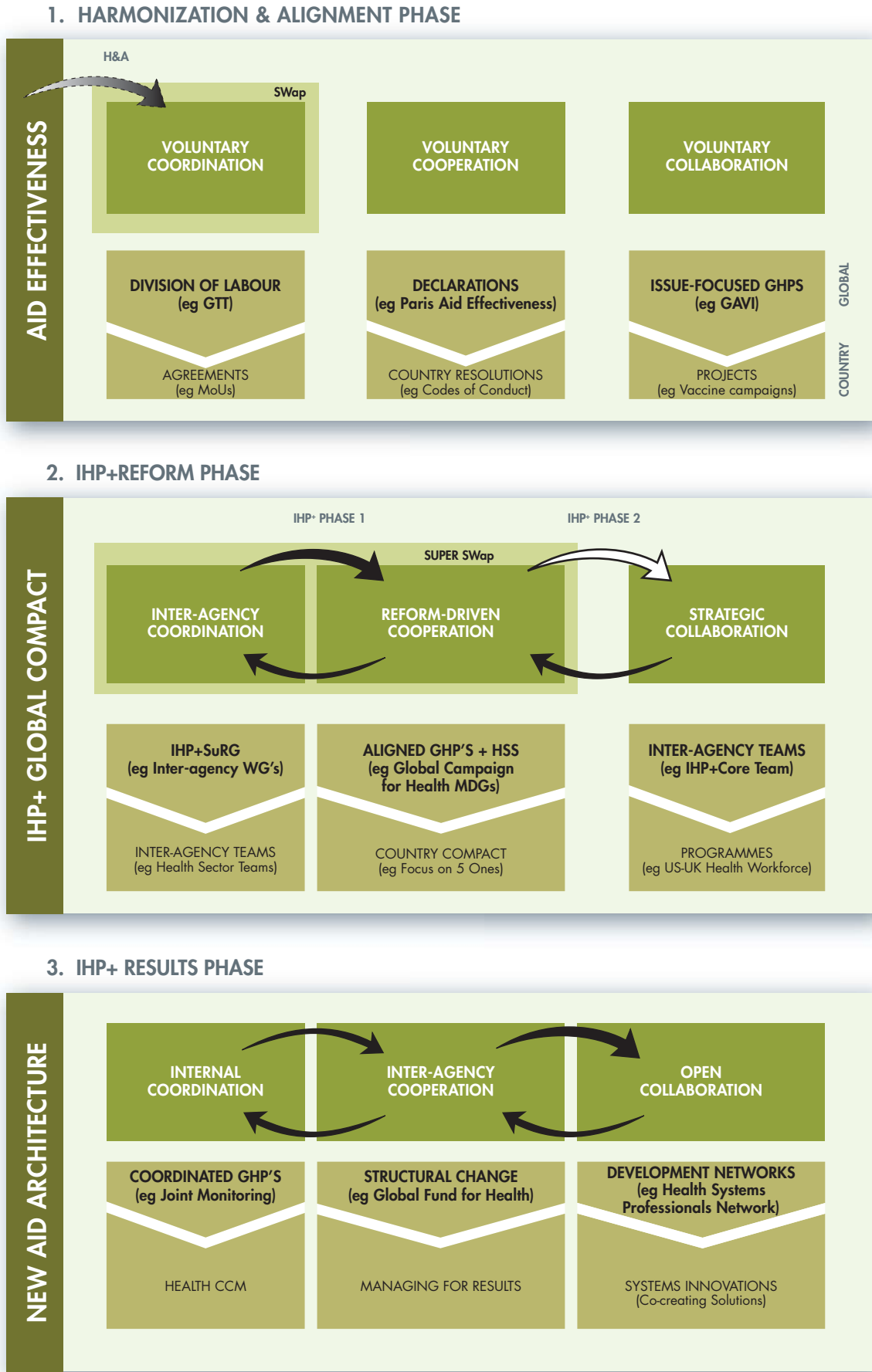
One of the most significant initiatives at the global level in the health sector is the International Health Partnership (IHP) which brings together developing countries, bilateral and multilateral partners, and the Bill & Melinda Gates Foundation into a Global Compact for achieving the health-related MDGs. Launched in 2007, the IHP aims to create mutual accountability between development partners and developing country governments where they cooperate more effectively at both the global and country levels. The focus is on strengthening health systems and scaling up health care services to produce health results in low and middle-income countries.

The IHP has been described as both a mechanism for improving aid coordination, and as a process for getting partners to cooperate more effectively which is essential for collaboration. An external review of the IHP (Conway et al., 2008) emphasises the importance of distinguishing between *coordination*, *cooperation* and *collaboration*, as these concepts have implications on how the global compact is implemented.

The review uses a conceptual model (see Figure 6) to illustrate the IHP as a phased process which moves from coordination to cooperation to collaboration for results. The conceptual model starts with harmonisation and alignment where partner actions are mainly focused on coordination processes. The second phase illustrates partners becoming more cooperative as the reform process is formalised through the signing of compacts. Finally, the model illustrates a more collaborative mode of engagement which is the vision of the new aid architecture. Collaboration takes place across institutional boundaries to address challenges

⁸ Progress at the country level is derived from the Aid Effectiveness Profiles prepared by the World Bank.

FIGURE 6: A CONCEPTUAL MODEL TO ILLUSTRATE THE IHP AS A PHASED PROCESS



Source: Conway, et al., 2008

through innovation and implementing co-created and co-owned solutions for strengthening health systems to achieve results.

The High-Level Forum on the Health MDGs commissioned a study on global health partnerships which found that these partnerships do not pay sufficient attention to health systems. It noted that technical assistance to support implementation needs to be increased; that communication between the partnerships and recipients is often inadequate and that global health partnerships (GHPs) result in considerable transaction costs for governments. The High-Level Forum also commissioned the development of best practice principles for global health partnerships at the country level based on the Paris Declaration principles for aid effectiveness. (WHO, 2007)

Complexities in the health sector pose challenges to improved aid effectiveness, particularly in low-income countries with weak governance and institutional capacity, and deficient monitoring capacity. Complexities include:

- Multiple ministries involved in governing the health sector (for example health, social welfare, labour, education);
- Poor communication between Ministries of Health and Ministries of Finance;
- Management of the sector at different levels (national and local levels);
- Inadequate health plans that are not properly linked to other development frameworks such as Poverty Reduction Strategy Papers (PRSPs), Medium-Term Expenditure Frameworks (MTEFs) and their associated annual budgets;
- The large number of international organisations involved in the sector (estimated to be well over 100 major international organisations);
- The number of key non-state health sector actors who are excluded from the aid effectiveness agenda at the country level.

Harmonisation and alignment are a major challenge given these complexities. In addition there are country-level challenges which contribute to ineffective health aid. These include: (i) aid not being aligned with government priorities, (ii) aid that is unpredictable, short-term and volatile; (iii) poorly harmonised aid which increases transaction costs for government and, (iv) health being afforded a low priority by

government and not appropriately reflected in poverty reduction strategies (WHO, 2007). At country level general budget support tends to be the preferred aid modality of recipient governments, but since aid is fungible⁹, general budget support is not the most appropriate modality where the health sector is not sufficiently prioritised.

The WHO Aid Effectiveness Working Paper suggests that the health sector provides good-practice examples at country level on harmonisation and alignment and provides “a good marker of progress and a source of lessons learnt” on progress towards the Paris Principles. It further states that one of the reasons why the health sector understands what is wrong with aid in the sector is that aid effectiveness is a major concern for many health and HIV/AIDS donors. As a result, there are many initiatives concerning harmonisation and alignment in the sector, such as: agreement of the concept of the Three Ones¹⁰ by the HIV/AIDS community; the work of the Global Task Team on Improving AIDS Coordination among Multilateral Institutions and International Donors (GTT); the establishment of new, innovative financing mechanisms in health; and the High-Level Forum and follow-up actions.

The Three Ones attempt to address aid weaknesses in the sector such as enormous transaction costs, the burden placed on recipient governments in dealing with multiple donors and donor projects, the lack of aid coherence and coordination, and poor national sector plans.

The High-Level Forum on the Health MDGs involved high-level meetings among key donors and recipient countries to look into aid effectiveness issues such as: creating “fiscal space” for scaling up public spending; the importance of predictable aid; the impact of global health partnerships; the special circumstances of fragile states; and the need for special initiatives to improve health metrics and human resources for health. It strengthened cooperation between the major international players in health, including WHO, the World Bank, IMF, bilateral donors, global health partnerships and other UN agencies, and succeeded in creating consensus for action on the scaling-up agenda in health.

A study that examined the potential of aid effectiveness to positively influence human resources for health in developing countries (based on research carried out in the Lao People’s Democratic Republic) found that there are a number of pathways through which aid effectiveness is promoting an integrated, holistic

⁹ If health is not sufficiently prioritised by recipient governments, they may reduce their domestic resource allocation to the health sector if it is perceived as being well funded by donors.

¹⁰ The Three Ones are: one agreed HIV/AIDS action framework for coordinating the work of all partners; one national HIV/AIDS coordinating authority with a broad-based multi-sectoral mandate; and one agreed country-level system for monitoring and evaluation.

BOX 6: SCALING UP HARMONISATION AND AID ALIGNMENT

Operationalizing the scaling-up agenda implies work at country, regional and global levels to address the range of financing, harmonisation and alignment, and implementation issues constraining progress towards the health MDGs. It includes a focus on preparing more comprehensive and outcome-oriented sector strategies. Where strategies are already in place it involves making more effective linkages with macro plans. The scaling-up agenda is also designed to address aid distortions and high transaction costs. Successful implementation of the agenda requires a combination of actions at local, regional and global levels which take local circumstances and existing processes and initiatives into account.

Source: WHO, 2007

response to human resources challenges in the health sector. "These pathways include: (1) efforts to improve governance and accountability, which are often central to the aid effectiveness agenda, and can be used as an entry point for reforming workforce planning and regulation; (2) financial management reforms, typically linked to provision of budget support, that open the way for greater transparency and better management of health monies and, ultimately, higher salaries and revenues for health facilities; (3) commitments to harmonization that can be used to improve coherence of donor support in areas such as salary supplementation, training and health information management." The study concluded that if these pathways are fully exploited, the following aid constraints need to be overcome: limited awareness of the aid effectiveness agenda beyond a core group in government; a perception that the agenda is donor-led; and different perspectives on the pace of aid reform. The study recommends "strategic engagement of health stakeholders in the aid effectiveness agenda as one means of strengthening the health workforce" (Dodd et al., 2009).

A key challenge facing the health sector is to provide evidence on the link between the aid effectiveness agenda and improved health outcomes. "Taking forward the aid effectiveness agenda in health is about managing complexity—recognizing that diversity can help bring results and that the health sector benefits from a range of partners with different ways of doing business. To this end, efforts at the country level to develop instruments for mutual accountability between donors and countries are critical." (WHO, 2007)

Global Task Team on Improving AIDS Coordination among Multilateral Institutions and International Donors

The Global Task team was created by leaders from governments, civil society, UN agencies, and other multinational and international institutions who met in 2005 to review the global response to AIDS with the

theme, "Making the Money Work: The Three Ones in Action". The purpose of the Global Task Team was to develop a set of recommendations within 80 days on improving the institutional architecture of the response to HIV and AIDS. The particular focus was on how to streamline the multilateral system, simplify and further harmonise procedures and practices to improve the effectiveness of country-led responses, and to reduce the burden placed on countries. The Team, convened by the UNAIDS Secretariat, produced the recommendations in the Global Task Team Final Report (2005) which include recommendations for informing the replenishment process of the Global Fund to Fight AIDS, Tuberculosis and Malaria.

The 2005 Final Report identifies concrete steps to operationalize the Three Ones principles in terms of strengthening coordination, alignment and harmonisation with a view to scaling up the response to AIDS. The recommendations of this report are useful to the water sector in that they provide very practical proposals with timeframes which recognise the importance of country ownership and leadership for improved harmonisation and alignment. As the report states: "actions by countries are the grounds on which multilateral institutions and international partners should align and harmonize. Better coordination and harmonization among multilateral institutions will mean little unless countries themselves demonstrate leadership and ownership over the response to AIDS."

The main areas within which recommendations were made are:

- National mechanisms that drive implementation and provide a basis for the alignment of external support;
- Macroeconomic policies that support the response to AIDS;
- Alignment of external support to national strategies, policies, systems, cycles, and plans;

- Approaches to progressively shift from project to programme financing, and harmonisation of programming, financing, and reporting;
 - Closer UN coordination on AIDS at country level;
 - UN system-Global Fund problem-solving mechanisms at global level;
 - Clarification of the division of labour among multilateral institutions;
 - Increased financing for technical support;
 - Country assessments of the performance of multilateral institutions, international partners and national stakeholders; and
 - Strengthening of country monitoring and evaluation mechanisms and structures that facilitate oversight.
- The recommendations on harmonisation and alignment are outlined in Box 7.

■ ■ ■ **BOX 7: ALIGNMENT AND HARMONISATION RECOMMENDATIONS**

The Global Task Team recommends that: Multilateral institutions and international partners commit to working with national AIDS coordinating authorities to align *their support to national strategies, policies, systems, cycles, and annual priority AIDS action plans*.

- The Global Fund, the World Bank, and other multilateral institutions and international partners will *identify specific approaches to improving the alignment of their financing with country cycles and annual priority AIDS action plans* by December 2005.
- In countries that hold joint annual reviews of the national AIDS programme, the Global Fund, the World Bank, and other multilateral institutions will participate and subsequently *accept these joint annual reviews as their primary evaluations* (within the governance structures of each), in at least 3 countries by June 2006.
- Based on requests from countries, UNAIDS, the Global Fund, and the World Bank will *support efforts at country level to define problems* in the relationship between the single national AIDS coordinating authority and the Country Coordinating Mechanism, clarify principles, and disseminate good practices by June 2006.

The Global Task Team recommends that: In line with the OECD/DAC Paris Declaration, the Global Fund, the World Bank, other multilateral institutions, and international partners; (a) progressively shift from project to programme financing, based on costed, prioritized, evidence-based, and multisectoral national AIDS action frameworks that are linked to broader development processes such as Poverty Reduction Strategies; and (b) further commit to harmonizing and better coordinating their programming, financing, and reporting. The Global Fund and the World Bank will:

- *Pilot joint financial management and procurement assessments, and joint programmatic and financial reporting* by June 2006;
- Take concrete, operational steps to *improve communications* by September 2005;
- The Global Fund, the World Bank and other parts of the UN system, and other multilateral institutions and international partners will *engage in a process to identify procurement and supply management bottlenecks, and to agree upon concrete steps for the harmonization and alignment of procurement and supply management policies and procedures* by June 2006.

Source: Global Task Team Final Report, 2005

5 KEY FINDINGS AND RECOMMENDATIONS

5.1 KEY FINDINGS

Progress against the various aid effectiveness commitments has been uneven. In some cases, changes in aid delivery mechanisms are lowering transaction costs and reducing fragmentation. In others, new delivery mechanisms have not been able to overcome existing problems. A report issued by the EU Water Initiative, Africa Working Group, shows that despite international calls for greater alignment, more than two-thirds (71%) of all European financing is channelled through projects and programmes, with about a fifth of all aid classified as 'not coordinated' with national government programmes (EUWI-AWG, 2008).

In its 2008 survey of aid practices in 54 countries, OECD-DAC found that only 43% of donor-supported projects and programmes were using partner country procurement systems. The survey illustrated that aid partnerships have experienced severe problems, including weak national ownership and poor donor performance against their own indicators. This literature review has found that the emerging aid system is grappling to produce beneficial outcomes. This is partly a result of recipient country capacity problems and partly a result of a lack of sufficient behavior change amongst donors to harmonise and align to country policies, priorities, strategies and systems.

Improving aid effectiveness is a challenge and a priority for both donors and recipient countries. New aid modalities have recently been implemented in the water sector with the aim of strengthening country-led processes towards achieving the water and sanitation Millennium Development Goal (MDG) targets. As a result of these new modalities, there is an emerging body of literature on aid effectiveness in the water sector where lessons are beginning to surface.

Although aid effectiveness modalities and approaches are less developed in the water sector than in the education and health sectors, the perception that water may be 'lagging behind' in achieving aid

effectiveness is without evidence. A study across three countries found that, while aid effectiveness progress between the three countries varied, there was no consistent pattern of one sector out-performing another. One of the key questions facing the water sector is whether the new aid agenda as embodied in the Paris Declaration is contributing to improved performance and aid effectiveness in the water sector.

Whilst many of the poorest countries are dependent upon aid assistance to deliver their water and sanitation targets, real progress in the sector depends upon increased domestic investment as well as government commitment to deliver sustainable water and sanitation services. However, water remains a low priority for investors both internationally and domestically. According to the 2010 GLAAS report, "Despite clear benefits for human development, many countries seem to allocate insufficient resources to meet the Millennium Development Goal (MDG) target for sanitation and drinking-water. When compared with other sectors, particularly the other major social sectors of education and health, sanitation and drinking-water receive a relatively low priority for both official development assistance (ODA) and domestic allocations. The total aid for all aspects of water, as measured by the Organisation for Economic Co-operation and Development (OECD), fell from 8% to 5% of total ODA between 1997 and 2008. During this same period, ODA for health increased from 7% to 12% of total ODA, while for education, the level remained at around 7%." Reasons for the drop in assistance to the WASH sector are not immediately clear, but the speculation is that it lacks political priority both on the supply and demand sides.

Increasing aid is only part of the solution to improved water and sanitation services. Delivering effective aid is the other part. Effective aid is about better governance of aid. Lessons from country cases (Welle, 2008) illustrate that in the absence of good governance, strong management and accountability, and trust between donors and the recipient country,

approaches such as SWAPs will not translate into improved aid effectiveness in the water or other sectors.

The consequences of poor donor performance are weakened policy-making, planning and budgeting and undue pressure on recipient country capacity, resulting in fragmented service delivery. A major challenge facing the water sector is to not only win the case for increased investment in the sector, but to also deliver positive results.

Aid effectiveness within a sector is influenced by the performance of sub-sectors where aid and finance may be dealt with separately, for example different aid modalities between rural and urban provision. Different sectors have different delivery systems and thus different mechanisms for investments. Since water is both a social and an infrastructure sector it tends to be more capital intensive than the health and education sectors. Consequently, the sector tends to be characterised by large donor-funded infrastructure projects rather than by sector budget support. Whilst sector budget support facilitates harmonisation and alignment and working together in a coordinated way towards common priorities, procedures and systems, more traditional approaches to project aid typically result in a multiplicity of uncoordinated projects.

Political commitment to a sector is another factor that either advances or obstructs aid effectiveness. The mere presence of aid effectiveness modalities does not necessarily mean improved delivery and use of aid assistance. Power relations and incentives underpin policy, financial and institutional decisions which impact upon the overall performance of a sector.

The global harmonisation and alignment initiatives in the education and health sectors provide relevant lessons for aid effectiveness in the water sector. For example, the vision for a new aid architecture and sector collaboration embodied in the International Health Partnership (IHP) and in the Education for All Fast-Track Initiative (FTI) should guide the vision and strategy of the newly initiated Sanitation and Water for All—Global Framework for Action (SWA). Some of the lessons from the health and education sector global initiatives include: weak delivery of the aid effectiveness agenda at country level related to poor communication; too much focus on funding opportunities rather than on sector collaboration, country ownership, harmonisation and alignment; high transaction costs as a result of lack of clarity about procedures; poor monitoring of the aid partnerships and thus limited mutual accountability; and insufficient alignment with national poverty reduction strategies. However, these global compacts have also created

positive results, such as bringing a broad coalition of donors to work together; strengthening sector governance globally and at country levels; increased commitment to share knowledge and learn; greater participation of various stakeholders in sector decision making, and an overall streamlining of sector governance structures and country processes.

Indicators for measuring progress against harmonisation and alignment tend to measure the mechanics related to aid effectiveness, for example the number of coordinated missions, rather than evidence of the objectives of aid effectiveness, such as reduced transaction costs or improved sector policy. In addition, these indicators do not measure the impact of improved aid effectiveness on development outcomes. Assessing harmonisation and alignment progress beyond the country level to the water sector level is also complex since basic information on harmonisation and alignment indicators is based on country-level information. Thus it is difficult to determine key performance issues such as the extent to which donors have changed behavior through harmonising and aligning with country priorities and systems.

The greater the number and different types of actors globally, nationally and locally within a sector, the more difficult it is to achieve harmonisation and alignment. In the health sector where there is a multitude and variety of actors, including a high number of donors at the global level, harmonisation and alignment tend to be poor. Silent partnerships between donors can reduce transaction costs through reducing the number of donors that partner governments have to engage with. On the other side these partnerships can result in increased costs for donors in terms of managing donor relationships which may prevent engagement in such partnerships.

Danida's research on the usefulness of harmonisation and alignment in the water sector found that progress is profoundly affected by country-specific contexts and is often constrained by socio-economic, political and other national factors. It also found that "some progress towards harmonisation can be achieved in almost all contexts, and frequently is", such as informal meetings between donors, exchange of information, and developing an understanding of different donor positions. These initial steps to harmonisation can develop over time into more formal engagements and also trigger deeper cooperation such as joint sector reviews and joint capacity building initiatives. On the other hand, informal meetings between donors can also result in donors dominating the development agenda and having undue influence over key sector decisions.

5.2 RECOMMENDATIONS AND CONCLUSIONS

Despite all the high-level forums and commitments to improve aid effectiveness, the extent to which donors and multilateral bodies adhere to and implement the principles for harmonisation and alignment is questionable. Although there have been improvements in aid effectiveness in the health and basic education sectors where development assistance is properly managed, in general aid practitioners agree that aid effectiveness has not achieved its maximum potential. (OECD, 2008) There is insufficient evidence in the literature to make any conclusions about aid effectiveness progress at sector level, or to determine the success or otherwise of sector approaches such as SWApS in terms of achieving improved aid effectiveness in the water sector.

The overall picture for harmonisation and alignment in the water sector is unclear, but the principles of the Paris Declaration are widely accepted and progress is being made towards greater harmonisation and alignment and to programme-based approaches. The sector-wide approach (SWAp) has become the preferred approach for delivering development assistance with an emphasis on building collaborative partnerships between the government, donors, and non-state actors, and between national and local (decentralised) level. Harmonisation and alignment are major underlying principles informing the design of a SWAp.

In the water and sanitation sector SWApS are increasingly important in shaping development support, with the primary aim of enabling partner governments to more effectively set the development agenda for their public policies. Whilst there has been progress in the sector towards SWApS, the success of harmonisation and alignment depends on a range of factors including the quality of the systems and processes that have to be aligned to. Greater progress tends to be made where there is strong commitment to poverty reduction, sector collaboration, support from the Ministry of Finance, and good financial and procurement systems. Experiences and lessons from Danida country programmes found that compared to other sectors, the water sector has only made limited progress in implementing SWApS. The reasons identified behind this limited progress are institutional complexity, diversity and fragmentation of sub-sectors, multiplicity of actors with often conflicting interests, lack of political will and priority for the water sector within recipient countries, and the predominance of stand-alone projects. "Consequently, the appropriate policy and institutional framework for a sector-wide approach often does not exist". Progress towards harmonisation and alignment through SWApS "is likely to be incremental ... (where) a pragmatic and flexible

approach, that allows different sub-sectors and donors to join-up gradually and at their own pace, might work best" (Danida, 2006).

Notwithstanding the limited progress of a sector approach in the water sector, there are a number of opportunities for strengthening this approach, such as: a greater emphasis on policy dialogue; the increasing importance of Integrated Water Resource Management (IWRM) which also uses collaboration as a key operating principle; and ongoing decentralisation processes and efforts to improve public finance management and procurement systems.

It is important that efforts to improve aid effectiveness focus on strengthening country capacity to implement sector programmes with the necessary structures, systems and procedures as well as the expertise to coordinate the sector and facilitate improved harmonisation and alignment. Country capacity includes government at national and the decentralised level as well as civil society and the private sector. Building sector capacity is a cornerstone of implementing the Paris Declaration and Accra Agenda.

Harmonisation and alignment can also be significantly supported through sector reform that addresses governance, financial, institutional, decentralisation, planning and service delivery challenges. Where possible, national governments need to facilitate harmonisation and hold donors to account to the principles of aid effectiveness, so that a lack of harmonisation at the local level does not have negative impacts on the development agenda.

Shifts from projects to programmes facilitate increased harmonisation and alignment where all significant funding for the sector supports a common sector policy and expenditure programme. Government leadership, common procedures, funds disbursed by government, and accountability by government for resource allocation and for development results will also contribute to improved aid effectiveness.

Although decentralisation provides the opportunity to focus on local needs and priorities, too often the local level lacks implementation capacity, especially in terms of planning, budgeting, managing capital programmes, and facilitating coordination. Capacity building programmes for the local level need to be developed and implemented to incrementally address capacity gaps at the local level. These programmes should ideally be ongoing with on-job support and mentoring rather than one-off events.

Recommendations for donors to improve their harmonisation and alignment efforts in the water sector include donors taking active steps to: facilitate "silent partnerships and joint donor missions and reviews"; reduce transaction costs for partner

governments; review internal incentives for harmonisation and alignment; strengthen donor representation in country offices; strengthen dialogue with partner governments; create internal structures and systems that reward flexibility and innovation at country level; create conditions to align with national sector policies and systems and to support national implementation capacity; and to ensure partnerships that “reach beyond recipient country capital cities”. (Welle et al., 2008)

Harmonisation and alignment need to address the entire water and sanitation sector at country level, not just donors. For example, international NGOs, such as Plan International, CARE and WaterAid, local NGOs, and intergovernmental organisations, such as UNICEF, all fulfill a substantial role in service delivery in the water sector. Harmonisation activities are likely to be far more successful if these organisations are included.

Momentum has been gained at the international level between donors and partner countries towards improving harmonisation and alignment, but this commitment has not sufficiently filtered down to the country and decentralised levels. This could be addressed through promoting a greater understanding of the country level context, information sharing, and promoting the participation of local stakeholders, such as NGOs and decentralised governance levels in harmonisation and alignment processes. Frameworks for harmonisation and alignment need to be established at the decentralised level. Other recommendations include:

- Taking a ‘light’ approach to commencing harmonisation;
- Avoiding competing processes for harmonisation and alignment;
- Supporting coordination and collaboration at the decentralised levels of government;
- Addressing country governance issues, in particularly leadership in aid management and accountability;
- Strengthening country capacity to plan and implement sector programmes; and
- Generally building collaboration in the water sector as a whole which includes all key stakeholders nationally and at decentralised levels.

There is no silver bullet for successful harmonisation and alignment in the water sector. Whilst a number of donor practices continue to undermine country ownership and resource allocation processes, improved harmonisation and alignment alone will not guarantee improved aid effectiveness, particularly since aid is not the only factor in development. Any assessment of aid effectiveness needs to include issues such as governance, economic growth, good practices, the feasibility of poverty reductions strategies, and the entire functioning of the water sector.

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Welle, K., Tucker, J., Nicol, A. and Evans, B., 2009. Is the water sector lagging behind education and health on aid effectiveness? Lessons from Bangladesh, Ethiopia and Uganda. In: *Water Alternatives* 2(3): 297–314.

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World Health Organization (WHO), 2007. *Aid Effectiveness and health. Making Health Systems Work*. Working paper No. 9. Geneva: WHO.

Websites on harmonisation and alignment

- <http://www.aidharmonisation.org/>
- <http://www.managingfordevelopmentresults.org/>
- http://www.unmillenniumproject.org/html/doc_lib.shtm
- <http://www.hlfhealthmdgs.org>
- <http://www.undg.org/>
- <http://www1.worldbank.org/harmonization>
- <http://www.oecd.org/dataoecd>
- <http://www.odi.org.uk/wpp>

These selected texts are ordered according to their relevance to harmonisation and alignment in the water sector

OECD-DAC, 2003. *Harmonising donor practices for effective aid delivery*. DAC reference document. Abstract http://www.oecd.org/document/60/0,3343,en_2649_3236398_15731196_1_1_1_1,00. Available at DAC Guidelines and Reference Series: [Harmonising Donor Practices for Effective Aid Delivery](#) (pdf – 1MB)

The international community is committed to helping partner countries meet the Millennium Development Goal of halving global poverty by 2015. Effective use of scarce official development assistance is one important contribution to this end. This is why the development community, under the auspices of the OECD Development Assistance Committee (DAC), is dedicated to implementing improvements in aid practices that deliver more effective and harmonised support to the efforts of partner countries. The good practices presented here have been designed to respond to this concern. They represent a set of practical steps that—if applied by development agencies—should significantly improve the effectiveness of development assistance, while maintaining the same standards of quality.

Danida, 2006. *Harmonisation and alignment in water sector programmes and initiatives : good practice paper*. Danida report. Abstract <http://www.irc.nl/docsearch/title/152022>. Available at [Danida-2006-Harmonisation.pdf](#) (1.62MB)

This paper addresses three major issues: (a) to present an overview of lessons learnt and experiences gained with achieving harmonisation and alignment (H/A) in practice; (b) to give insights into why and how achievements have been accomplished; and (c) to provide guidance and operational recommendations. It is based on the viewpoint of donor agencies and Danida in particular. The paper draws on experiences and lessons learned in Danida water programmes in Bangladesh, Benin, Burkina Faso, Ghana, Kenya, Uganda and Zambia, and from experiences from the African Development Bank (AfDB). The paper provides five major recommendations: 1. Take a low entry approach to

harmonisation; 2. Avoid competing H/A processes; 3. Strengthen country leadership in aid management; 4. Strengthen country capacity to implement sector programs; 5. Extend harmonisation to non-governmental organisations (NGOs).

De Renzio, P. 2005. *Incentives for harmonisation and alignment in aid agencies*. ODI working paper. Abstract <http://www.irc.nl/docsearch/title/169339>, Available at [Renzio-2005-Incentives.pdf](#)

The scope of this paper is to assess the importance of incentive systems internal to aid agencies in their efforts to deliver on the commitments made in the Rome Declaration on Harmonisation, adopted at the Rome Conference on Harmonisation, 24–25 February 2003. It looks at different factors which influence individual and collective behaviour in aid agencies, and discusses whether these work for or against the adoption of harmonised practices and of the new paradigm in development cooperation based on donor coordination and country ownership. Its findings are based on case studies of six members of the DAC Task Force on Harmonisation and Alignment. The rationale for the study stems from a perception that, despite the various steps taken to implement the Rome Declaration, progress on harmonisation has been fairly slow. The overall findings of the study point to a certain degree of disconnection between the high-level declarations and commitments, and the challenges related to turning these commitments into effective additional signals at lower levels of the organisation, which can bring individual behaviour in line with harmonisation objectives. At the political level, there has been a significant effort by Senior Management in all agencies involved to transmit to staff members the message that harmonisation has to be considered as a priority. At the institutional level, initiatives have been much less consistent. Very little attention has been given by most agencies to individual-level incentives, despite their clear importance in affecting behavioural choices. To conclude, the study draws some general positive and negative elements and lessons about ongoing efforts to foster harmonisation in different aid agencies, and provides some suggestions for further research, which should look in more detail at the crucial issue of how incentive systems affect harmonisation efforts at country level. The great emphasis put by many of the

interviewees on the importance of focusing on the country level and of including the incentives faced by partner governments and donor staff in field offices points to an interesting and necessary follow-up to complement the findings of this study.

Welle, K.; Tucker, J.; Nicol, A. and Evans, B., 2009. Is the water sector lagging behind education and health on aid effectiveness? : lessons from Bangladesh, Ethiopia and Uganda. In: *Water alternatives*. Abstract <http://www.irc.nl/docsearch/title/168888>. Available at www.water-alternatives.org.

A study in three countries (Bangladesh, Ethiopia and Uganda) assessed progress against the Paris Principles for Aid Effectiveness (AE) in three sectors—water, health and education—to test the assumption that the water sector is lagging behind. The findings show that it is too simplistic to say that the water sector is lagging, although this may well be the case in some countries. The study found that wider governance issues are more important for AE than having in place sector-specific mechanics such as sector-wide approaches alone. National political leadership and governance are central drivers of sector AE, while national financial and procurement systems and the behaviour of actors who have not signed up to the Paris Principles—at both national and global levels—have implications for progress that cut across sectors. Sectors and sub-sectors do nonetheless have distinct features that must be considered in attempting to improve sector-level AE. In light of these findings, using political economy approaches to better understand and address governance and strengthening sector-level monitoring is recommended as part of efforts to improve AE and development results in the water sector. (Author's abstract). Annex 1 is a summary of progress against the Paris Principles by country and sector.

Netherlands Ministry of Foreign Affairs, DGIS, 2003. *Mutual interests, mutual responsibilities: Dutch development cooperation en route to 2015*. Policy document. Abstract <http://www.irc.nl/docsearch/title/125929>. Available at [DGIS-2003-Mutual2.pdf](http://www.dgis.nl/2003-Mutual2.pdf) (237kB)

This policy memorandum outlines the new development policy of the Netherlands. The Netherlands has committed itself to meeting the United Nations' Millennium Development Goals by the target date of 2015. The memorandum will concentrate on the following themes: education (15% of the development budget), environment and water (0.1% of GNP), AIDS prevention and reproductive health care. In the new policy, results and accountability will be the forces behind Dutch development cooperation. Partnerships will be sought with citizens, private enterprises, knowledge and research institutes, civil society organisations and government authorities. Substance and harmonisation are the key words. The existing country lists will be merged to create a single list of 36 partner countries with which the Netherlands will enter into long-term bilateral relationships and at least 50% of the Netherlands' bilateral development budget will be used to reduce

poverty and promote economic growth in Africa. A Stability Fund will be established and managed by the Minister of Foreign Affairs and the Minister for Development Cooperation. The memorandum also explains how the quality and effectiveness of the policy will be measured.

Wood, B.; Kabell, D.; Sagasti, F. and Muwanga, N., 2008. *Synthesis report on the first phase of the evaluation of the implementation of the Paris Declaration*. Evaluation report. Abstract <http://www.irc.nl/docsearch/title/169346>. Available at [Wood-2008-Synthesis.pdf](http://www.irc.nl/docsearch/title/169346)

This report synthesises the results of the first evaluation of the early implementation of the Paris Declaration on Aid Effectiveness, endorsed in March 2005, from March 2005 to late 2007. It comprises extensive assessments in eight countries, together with lighter studies on eleven development partner or donor agencies, focusing at the headquarters level. Since it is an early evaluation, the focus is on ways of improving and enhancing implementation, rather than giving any definitive judgment about effectiveness. This evaluation complements a parallel monitoring process. The Monitoring Surveys are intended to monitor what is happening with respect to implementation against selected indicators, while this evaluation is intended to shed light on why and how things are happening as they are. In spite of a number of limitations, which are acknowledged in the report, the evaluation results make a significant contribution to that aim. The evaluation has focused on answering three central questions: What important trends or events are emerging in the early implementation of the Paris Declaration?; What major influences are affecting the behaviour of countries and their Development Partners in relation to implementing their Paris commitments?; Is implementation so far leading toward the Declaration's five commitments of ownership, alignment, harmonisation, managing for results and mutual accountability? If so, how and why? If not, why not? All the evaluation teams were expected to examine three enabling conditions for implementing the Paris Declaration: the commitment and leadership being applied; the capacities to act; the incentives to do so.

Rogerson, A., 2004. *The international aid system 2005-2010 : forces for and against change*. Draft ODI review. Abstract <http://www.irc.nl/docsearch/title/169350>. Available at [Rogerson-2004-International.pdf](http://www.odi.org/publications/2004-international-aid-system-2005-2010) (570kB)

With the question what is driving current governmental and intergovernmental aid in mind the report summarises the main elements of the stylised 2003 consensus model of aid effectiveness (the Monterrey Aid Compact, the Millennium Development Goals, the Poverty Reduction Strategy process, streamlined conditionality, and performance-based aid allocations). It then examines in this context four main elements of unfinished business: aid volume and absorption; new tied aid; selectivity and balance; and grants versus loans, highlighting implications for the aid system in each area. It then

reviews from a systemic perspective three recent institutional innovations enacted or proposed: the US Millennium Challenge Account, the GFATM and the International Financing Facility. If these are to succeed, existing aid institutions will have to accept much more change on their own part than they appear ready to accommodate today. Finally, the report sketches four of the many possible future scenarios for the aid system. The first two see with the current focus on aid as a catalyst for pro-poor growth reinforced, both in the context of more competition among actors in the system, and in the context where there is, conversely, less competition. The other two look at scenarios where the emphasis on poverty becomes much weaker, again in different contexts of competition among actors in the system. The Appendix looks at how the different scenarios could affect the changing roles of the major multilateral agencies. The next phase of this work will build and discuss scenarios for the system as a whole beyond 2010, outlining implications in each scenario for the major categories of institutions, including UN agencies, multilateral banks, the EC and prominent bilaterals.

OECD DCD-DAC, 2005/2008. *The Paris declaration on aid effectiveness and the Accra agenda for action*. Policy document. Abstract <http://www.irc.nl/docsearch/title/169381>. Available at [OECD DAC-2008-Paris.pdf](#) (317kB)

The Paris Declaration on Aid Effectiveness (2 March 2005) is presented in three sections: the Statement of Resolve set out in Section I, the Partnership Commitments stated in Section II and twelve Indicators of Progress listed in Section III. The agreed targets are in the areas of ownership, alignment, harmonisation, managing for results and mutual accountability. There will be two rounds of monitoring of these commitments before meeting in 2008 to review progress in implementing this Declaration. Commitments from the Paris Declaration on Aid Effectiveness include: developing countries will exercise effective leadership over their development policies, strategies, and to coordinate development actions; donor countries will base their overall support on receiving countries' national development strategies, institutions, and procedures; donor countries will work so that their actions are more harmonised, transparent, and collectively effective; all countries will manage resources and improve decision making for results; donor and developing countries pledge that they will be mutually accountable for development results.

The Paris Declaration is supported by the Accra Agenda for Action, a statement made in Accra, Ghana, on 4 September 2008 by Ministers of developing and donor countries responsible for promoting development and Heads of multilateral and bilateral development institutions. The document also includes methodological notes on the indicators of progress and a list of participating countries.

Web site evaluation of the implementation of the Paris Declaration full report + other documents:

http://www.oecd.org/document/60/0,3343,en_21571361_34047972_38242748_1_1_1_1,00.html

WHO, 2005. *WHO harmonization and alignment: key resources toolkit (quick reference guide)*. Abstract <http://www.irc.nl/docsearch/title/169384>. Available at [WHO-2005 WHO harmonization.pdf](#) (2.52MB)

A toolkit of key resources and documents on harmonisation and alignment. It serves as a quick reference guide to WHO and its partners at country level using materials from a number of sources. The documents discussed have been grouped under three main headings: Harmonization and alignment: an overview; Harmonization and alignment: the UN role; and Harmonization and alignment: the response from WHO. The Annexes contain a list of Quick Wins to achieve the MDGs and key websites on issues related to harmonization and alignment.

Welle, K.; Nicol, A. and Steenbergen, F. Van, 2008. *Why is harmonisation and alignment difficult for donors?: lessons from the water sector*. Project briefings/ODI. Abstract <http://www.irc.nl/docsearch/title/164976>. Available at [Welle-2008-Why.pdf](#) (275kB)

The Harmonisation and Alignment (H&A) agenda offers important opportunities for the water sector. Lessons from seven Danida-supported water projects and a DGIS study on the mainstreaming of water and environment suggest that this framework has increased awareness about H&A at the country level, but that progress in implementing these agendas is patchy and heavily constrained by national, political and socio-economic contexts.

Important lessons for donors are: In harmonisation start small with regular informal meetings and silent partnerships and build from there; in alignment, keep engagement flexible and pragmatic, develop roadmaps based on sector-wide approaches (SWAps) or focus on one sub-sector within a SWAp; and donors need to revise internal incentives for changing their individual ways of operation, allowing country ownership to grow.

The sector's progress towards H&A remains piecemeal; substantial differences occur between countries and within the water supply, water resources management and sanitation sub-sectors. Future efforts in H&A need to reach down to decentralised levels of government, in tandem with strengthening implementation capacity.

Coyle, E. and Lawson, A., 2006. *World Bank incentives for harmonisation and alignment : final synthesis report*. ODI report. Abstract <http://www.irc.nl/docsearch/title/168883>.

This synthesis report was written on the basis of two case studies in Cambodia and Ghana and additional research in Washington DC. A 2005 ODI study examined the internal incentive systems of six donor agencies, including the World Bank, and identified elements which both support and militate against staff compliance with

alignment and harmonisation objectives. The study drew attention to a range of positive and negative incentives facing Bank staff, but its focus on the headquarters level of the agencies meant that insufficient attention could be given to the incentives shaping operational engagement at country level, including those specific to the local context. The present study builds on the earlier work by examining the incentives facing Bank staff engaged in country-level operational work. The study draws out more detail on the incentives on country level staff for harmonisation and alignment. This document presents the synthesis report of the study. The objective of the study is to identify both positive and negative incentives shaping engagement by operational staff in alignment and harmonisation. The study aims to draw out lessons from the country experiences and use these as the basis for practical recommendations on how the Bank might encourage staff to implement its commitments under the Paris Declaration. The country case studies are not evaluations of the work of the World Bank at country level with respect to harmonisation and alignment, but are rather an opportunity to draw inspiration from the field in order to inform headquarters level policymaking. Following a very brief overview of the conceptual framework in Chapter 2, the country-level incentives facing operational staff, asking to what extent government, civil society, or other development partners in country have driven the process of harmonisation and alignment are examined in Chapter 3. Chapter 4 examines the role of corporate incentives in the World Bank in relation to the country office, while Chapter 5 examines the relevance of individual staff incentives. Chapter 6 outlines the implications for the World Bank, identifying some issues that could be addressed at headquarters level and presenting the study's recommendations.

Development Partners Working Group on Local Governance and Decentralisation (DPWG-LGD), 2009. *To enhance aid effectiveness : specific guiding principles for enhancing alignment and harmonisation on local governance and decentralisation that will apply to specific country contexts*. Danida, (Final Draft 151109) Abstract <http://www.irc.nl/docsearch/title/169389>. Available at [DPWGLGD-2009-Specific.doc](#) (186kB).

The Specific Guiding Principles for Enhancing Alignment and Harmonisation on Local Governance and Decentralisation are a result of the informal Development Partner Working Group on Local Governance and Decentralization (DPWG-LGD) after the approval of "General Guiding Principles for Enhancing Alignment and Harmonisation on Local Governance and Decentralisation". The specific guidelines cover the central fields of action under the Paris Declaration, and focus on steps to be taken by the DPWG-LGD both at headquarters and at country level in order to apply the guiding principles in a more operational manner. Earlier studies have indicated that "the challenges of improving alignment and harmonisation are closely linked to two factors: i) how advanced the decentralisation process in the country is and ii) what the overall approach of government to coordination of Development Partner (DP)

support is." The following Specific Guiding Principles reflect a consensual approach on how the informal Development Partners Working Group (DPWG-LGD) participants can translate the adopted "General Guiding Principles for Enhancing Alignment and Harmonisation on Local Governance and Decentralisation" into joint action. These specific guidelines are complementary to other documents and guidelines on DPWG support to DLG.

See also <http://www.danidadevforum.um.dk/en/servicemenu/News/Decentralisation.htm> and http://www.dpwg-lgd.org/cms/front_content.php?idcat=38

DIE, ECDPM, FRIDE and ODI, 2010. *New challenges, new beginnings : next steps in European development cooperation*. Abstract <http://www.irc.nl/docsearch/title/169393>. Available at [DIE-2010-New.pdf](#) (7.51MB)

This publication stems from a shared commitment to European development cooperation and a sense of urgency about the need to rethink policy for new and challenging times. A new Europe facing new challenges will be tested in many fields and sectors. The authors assess the task of reaching the Millennium Development Goals, and rethink the goals for the period beyond 2015. They make the case for joined-up thinking across the institutions and policies of the EU, emphasising the importance of policy coherence for development. They examine specific policy areas—trade, state/peace building, climate change, migration, finance and the private sector. They lay out an agenda for partnerships with developing countries, and examine how actors in the EU system can work better together. The report identifies five priorities: New EU leadership in thinking about how the development cooperation can help deal with shared global problems; EU states to meet their aid promises and improve the targeting and effectiveness of aid spending; New efforts to ensure coherence between development and other policies; Providing new life to development partnerships; and Improved cooperation between member states, so that the EU really does work as one.

WaterAid, 2009. *An assessment of local authorities donor fund management systems report*. WaterAid Ghana report. Abstract at <http://www.irc.nl/docsearch/title/168655>. Available at Local file: [WaterAid Ghana-2009-Assessment.pdf](#) (1.05MB)

Following a national requirement for development partners and stakeholders to work with Local Government Authorities (LGAs), WaterAid, Ghana (WAG), has recently engaged LGAs as part of their focal districts to support the implementation of WAG's core functions. Hitherto, District Assemblies (DAs) were outside the sphere of WAG's partners, irrespective of the fact that DAs are traditionally responsible for WAG's key concerns—water, sanitation and hygiene education services. A Memorandum of Understanding (MoU) was recently signed between WaterAid Ghana and eleven LGAs and eight local NGO partners to serve as a framework of partnership for the implementation of water

and sanitation interventions in the respective districts. Unsure of the level of readiness and institutional capacity of the DAs to effectively and efficiently manage transferred funds and deliver on contractual obligations, WAG instituted this study to, among others, guide it on implementing the terms of the signed MoU. The six point objectives of the study were to: Ascertain the level of staff competencies in managing donor funding at the DA level; Assess the quality of responsive leadership at the DA

level and how it is linked with resource management of the DA; Review the financial systems and procedures for donor fund management and how it is being implemented; Ascertain accountability mechanisms with respect to donor fund management at the DA level; Ascertain reporting procedures for donor funding; Provide recommendations to WaterAid Ghana that would guide and maximise on implementation of the terms of the signed MoU.

ANNEX 1: COMMITMENTS AND INDICATORS ORGANISED BY THE FIVE PARIS PRINCIPLES

<p>OWNERSHIP</p> <p>Partner countries exercise effective leadership over their development policies and strategies, and coordinate development actions</p>	
<p>Partner countries exercise leadership through implementing (results-oriented) development strategies linked to MTEF and reflected in annual budgets (Indicator 1)</p>	<p>Donors respect country leadership and help to strengthen capacity to exercise it</p>
<p>ALIGNMENT</p> <p>Donors base their overall support on partner countries' national development strategies, institutions and procedures</p>	
<p>Partner countries strengthen capacity to manage, implement and account for results of policies and programmes (analysis, dialogue, implementation, monitoring)</p> <p>Partner countries strengthen Public Financial Management (PFM) capacity and national procurement systems (Indicator 2)</p>	<p>Donors base their overall support—country strategies, dialogues, programmes, development cooperation programmes and reviews of progress (including conditions)—on the country's development strategies and link funding to indicators derived from a single strategy; (Indicator 3 measures aid that is reported on-budget)</p> <p>Donors implement technical cooperation through coordinated programmes consistent with national development strategies (Indicator 4)</p> <p>Donors use the country's own institutions and systems (PFM, auditing, accounting, procurement, monitoring) to the maximum extent and avoid arrangements that undermine country systems and procedures (Indicator 5—measures PFM and procurement)</p> <p>Donors reduce the stock of Parallel Implementation Units (PIUs) (Indicator 6)</p> <p>Donors provide commitments of aid over multi-year framework, timely and in predictable fashion (Indicator 7—measures aid not disbursed within the fiscal year for which it was scheduled)</p> <p>Donors untie aid (Indicator 8)</p>

(Continues) ►

<p>HARMONISATION</p> <p>Donors' actions are more harmonised, transparent and collectively effective</p>	
<p>Partner countries provide clear views on donor comparative advantage to achieve donor complementarity at country or sector level</p>	<p>Donors implement common arrangements and simplify procedures through the reduction of separate procedures and missions (Indicator 9—measures aid flows provided as part of programme-based approaches)</p> <p>Donors conduct joint field missions and analytical work (Indicator 10)</p>
<p>MANAGING FOR RESULTS</p> <p>Managing resources and improving decision making for results</p>	
<p>Partner countries strengthen linkages between national development strategies and (multi-) annual budget processes and establish results-oriented reporting against national and sector-development strategies (Indicator 11)</p>	<p>Donors harmonise their monitoring and reporting systems and work towards aligning them with partner country performance assessment frameworks</p>
<p>MUTUAL ACCOUNTABILITY</p> <p>Donors and partners are accountable for development results</p>	
<p>Partner countries strengthen the parliamentary role in development of strategies and/or budgets and reinforce participatory approaches (involving a broad range of development partners)</p>	<p>Donors provide timely, transparent, and comprehensive information on aid flows (Indicator 12 measures countries with mutual assessment reviews in place)</p>

Source: Welle et al., 2009

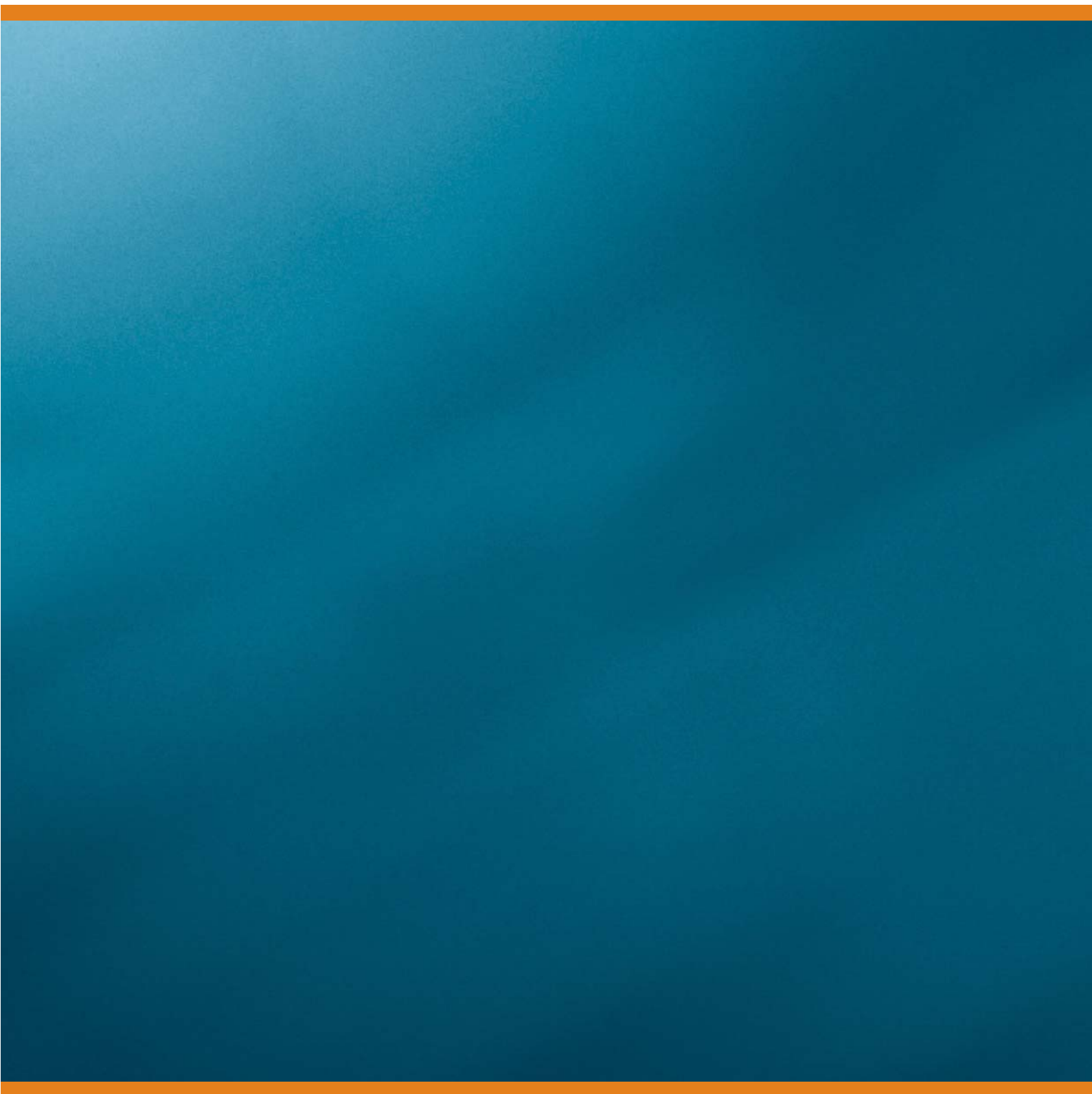
ANNEX 2: SUGGESTED TARGETS FOR THE 12 PARIS DECLARATION INDICATORS OF PROGRESS

SUGGESTED TARGETS FOR THE 12 INDICATORS OF PROGRESS	
Objectives	Suggested targets
OWNERSHIP	
Partners have operational development strategies. Number of countries with national development strategies (including PRSs) that have clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets.	Halve the proportion of countries that do NOT have national development strategies with clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets.
ALIGNMENT	
Reliable country systems. Number of partner countries that have procurement and public financial management systems that either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	Halve the proportion of countries that do NOT have procurement and public financial management systems that either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.
Aid flows are aligned on national priorities. % of aid flows to the government sector that is reported in partners' national budgets.	Halve the proportion of aid flows to the government sector that is NOT reported in partners' national budgets
Strengthening capacity by co-ordinated support. % of donor capacity-development support provided through co-ordinated programmes consistent with partners' national development strategies.	Halve the proportion of donor capacity development support that is NOT provided through co-ordinated programmes consistent with partners' national development strategies.
Use of country systems. % of donors and of aid flows that use partner country procurement and/or public financial management systems in partner countries, which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	Halve the proportion of donors and aid flows that do NOT use partner country procurement and/or public financial management systems in partner countries, which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.
Strengthening capacity by avoiding parallel implementation structures. Number of parallel project implementation units (PIUs) per country.	Halve the average number of parallel PIUs per country.
Aid is more predictable. % of aid disbursements released according to agreed schedules in annual or multi-year frameworks.	Halve the proportion of aid disbursements that are NOT released according to agreed schedules in annual or multi-year frameworks.
Aid is untied. % of bilateral aid that is untied.	Continued progress.
HARMONISATION	
Use of common arrangements or procedures. % of aid provided as programme-based approaches.	Halve the proportion of aid that is NOT provided as programme-based approaches.
Encouraging shared analysis. % of (a) field missions and/or (b) country analytic work, including diagnostic reviews that are joint.	Halve the proportion of (a) field missions and/or (b) country analytic work, including diagnostic reviews that are NOT joint.
MANAGING FOR RESULTS	
Results-oriented frameworks. Number of countries with transparent and monitorable performance assessment frameworks to assess progress against (a) national development strategies and (b) sector programmes.	Halve the proportion of countries that do NOT have transparent and monitorable performance assessment frameworks to assess progress against (a) national development strategies and (b) sector programmes.
MUTUAL ACCOUNTABILITY	
Number of partner countries that undertake mutual assessments of progress in implementing agreed commitments on aid effectiveness including those in this Declaration.	Halve the proportion of countries that do NOT undertake mutual assessments of progress in implementing agreed commitments on aid effectiveness including those in this Declaration.

Source: Rogerson, 2005

Photo credits:

Cover page: Flickr (1. Arne Hoel, World Bank; 2. Geoff Burns; 3. Curt Carnemark, World Bank)



About Triple-S

Triple-S (Sustainable Services at Scale) is an initiative to promote 'water services that last' by encouraging a shift in approach to rural water supply—from one that focuses on implementing infrastructure projects to one that aims at delivering a reliable and indefinite service. The initiative is managed by IRC International Water and Sanitation Centre in the Netherlands in collaboration with agencies in different countries and with funding from the Bill & Melinda Gates Foundation.

About *Harmonisation and alignment literature review*

There is an abundance of literature on aid effectiveness, harmonisation and alignment. However, there is less research available on how the aid effectiveness agenda is being implemented in the water sector. The purpose of this literature review is to critically analyse the published body of knowledge on harmonisation and alignment with reference to the water sector, and to make some comparisons with other sectors, such as basic education and health.

The first section of this review provides a background on aid effectiveness and defines harmonisation and alignment, including the challenges and benefits of harmonisation. The second section addresses harmonisation and alignment in the water sector and identifies lessons to date. The third section looks at progress in harmonisation and alignment in other sectors such as basic education and health. The study is then concluded with key findings and recommendations.

For more information and access to country reports, other literature reviews, and the synthesis document please visit <http://www.waterservicesthatlast.org>.

triple-s
■■■ WATER SERVICES THAT LAST