



Donor harmonization and alignment in the water sector

Introduction

Donor aid has important benefits for the countries that receive it. However, it can also pose problems for them if, for example, there is conflict between donor policies and the policies being developed by the country concerned. In addition, the administration procedures required by donors can place a burden on partner countries.

In response to these difficulties, there is a new aid delivery approach which promotes donor harmonization and alignment.

Very little documented evidence of harmonization and alignment in the water sector exists. This briefing note is therefore based primarily on limited available literature, with any examples of relevant data used from the African context.



Headline facts

- Harmonization means that donor agencies co-ordinate activities closely, share information, unify practice and policies, and in this way, reduce costs incurred by partner countries.
- Alignment means fitting donor policies and procedures to national strategies, processes and budgeting systems.
- Harmonization and alignment at the decentralized level are priorities. Due to the fragmented nature of the sector, the main focus should be on operational aspects of service provision.
- At the international level, harmonization and alignment are key aspects of the commitment to ensuring aid effectiveness.
- Donor policies can be adapted to specific country development strategies. In turn, partner countries can ensure that their procedures deliver aid effectively.
- There is a lack of institutional capacity in partner countries and donor field missions, particularly regarding skills, programmes, tools and methodologies to facilitate harmonization and alignment processes. This is important in a fragmented sector and needs to be addressed to increase harmonization.



Harmonization at the International Level

Harmonization takes place at several levels: the international, the country and the decentralized levels.

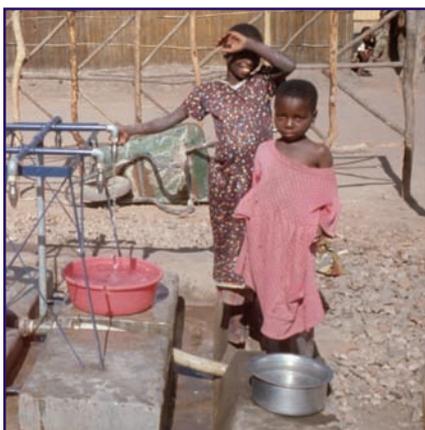
At the international level, there is a commitment to making aid more effective, as was demonstrated in the Monterrey Consensus (2002) that called for more and better aid, with improved policies on trade and debt. This was reinforced at the High-Level Forum on Harmonization in Rome (2003) and by the Paris Declaration (2005), both of which endorse country-based ownership of the development agenda, and the engagement of civil society, including the private sector.

Evidence of this commitment is demonstrated by 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. The Paris Declaration has identified indicators and targets to be achieved by 2010 to monitor the progress of the various donors and countries in harmonizing and aligning aid.

Challenges to harmonization at the global level

In spite of the commitment reflected in the Paris Declaration, certain challenges still remain:

- Some donor countries, which promote themes that are not aided by increased harmonization, may be resistant to it.
- In the Paris Declaration, donor harmonization and alignment are part of a larger package of reforms, some of which may be opposed by recipient countries.
- Harmonization and alignment are expensive procedures due to the number of countries and organizations involved.



Harmonization at the Country Level

Most visible activities in the field of donor harmonization and alignment should take place at country level.

Ownership: Setting the agenda

43 countries now have Poverty Reduction Strategies (PRSs), with many others having development strategies, and there is increasing donor alignment to these, through either programmatic or budget financing support. The water sector has seen the development of Sector Wide Approaches (SWAs). Some examples are:

- Discussions on SWAp development have started in Zambia, together with capacity building in government performance management systems. Still, progress towards harmonization is slow.
- Following the 2002 water sector development plan in Ethiopia, there has been a dialogue between government, donors and the sector in an attempt to reach agreement on harmonization issues.
- As part of wider sector reform, the Ugandan water and sanitation sector adopted SWAs in 2002 as a means to harmonize donor funding, infrastructure investment planning and performance monitoring and evaluation.

Alignment

Alignment is about the actions taken by donors and partner countries in order to ensure that donor aid addresses the agenda set by the partner country. This means adapting donor policies to the needs of country strategies, systems and requirements; at the same time, partner countries need to ensure that their procedures do not prevent aid from being delivered efficiently. Although there are therefore complementary activities to be undertaken by both donors and country partners to support alignment, the emphasis is mainly on instilling confidence (on the part of national government) in donor agencies, by showing evidence of sound diagnoses of issues, and proper monitoring and evaluation systems.

Uganda is a country in which donor alignment has featured prominently on the agenda, with the development of different kinds of support from donor countries. In particular, it has pioneered Partnership General Budget Support which has contributed significantly towards improving alignment of aid with government objectives.

The European Union Water Initiative (EUWI) in Ethiopia hosted a multi-stakeholder forum that mapped out a way ahead for a new sector financing strategy. The EUWI prepared a draft financing strategy for the forum to review. There will be a further forum to map the way forwards for a sector financing strategy by mid 2007.

Harmonization

There are several ways in which donors can increase harmonization:

Sharing information to promote transparency and improve co-ordination.

For example, the Gender and Development Toolkit supported by the Egyptian Donor Assistance Sub-group on Gender and Development, is made up of multi- and bilateral donors, international NGOs and government.

Developing shared arrangements for planning, managing & delivering aid.

An example of this is the joint donor financing arrangements in Uganda, where budget support by the World Bank, DANIDA, SIDA and DFID is channelled directly to districts as a District Water and Sanitation Grant.

Simplifying procedures to reduce their burden on partner governments.

This includes streamlining financial management and procurement procedures; reducing the number of field missions and reports; and donors co-operating to represent each other in a certain sector or country.

A number of issues concerning the enabling environment have been identified in Uganda as key ingredients for successful harmonization:

- *Government commitment to reform aimed at spearheading country development.*
- *Good governance and democratic processes to improve efficiency and cost effectiveness.*
- *Transparency and openness leading to clear dialogue and greater trust.*
- *Consensus-building between government agencies and donors.*
- *Strong leadership by the Directorate of Water Development and the Ministry of Water, Lands and Environment.*

Progress on Paris Declaration

The indicators derived from the Paris declaration will be used to monitor progress in the 60 signed up countries, overseen by the OECD-DAC Committee. In Ghana, they have been used to assess the process of the 2006 Survey on Monitoring the Paris Declaration. There is evidence of strong support from both sides, both the donor community and government, with efforts to reduce transaction costs for the government and the development of a 'harmonization matrix' to provide better direction for donor initiatives.

Challenges

Despite the progress shown, considerable challenges in the areas of disbursement, procurement, financial management and capacity building still exist in the water sector in many countries. The lack of harmonization in these areas is due to the following factors:

1. Lack of political will e.g.:
 - Donor resistance when their incentives do not match those of the partner country.
 - Partner country resistance due to high transaction costs.
2. Lack of capacity e.g.:
 - Lack of country capacity deters donor agencies from using the procedures of recipient countries.
 - Relationships between individuals in the donor and country communities can mean that plans for harmonization are not institutionalized.
3. Gaps between different levels e.g.:
 - Commitments made at the international level may not match the realities of donor country missions and can result in gaps between high-level decision making and what is happening on the ground.
 - Country-level harmonization and alignment activities may not be the same as those identified at international level.
4. Different attitudes e.g.:
 - 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.

Harmonization at the Decentralized Level

Issues of harmonization and alignment at the decentralized level have yet to be seriously addressed. Due to the fragmented nature of the water sector in many countries, harmonization and alignment at this level focus on the operational aspects of providing water services, which involve difficult negotiations. However, harmonization is still particularly urgent as this is the level at which international NGOs and aid foundations operate. Also, transaction costs are likely to be even higher than at national level.

Harmonization

There is often a range of different sub-national, national and international agencies involved in the provision of water and sanitation services. These may have their own approaches to whether or not they include communities in project planning, and the types of organizations they involve in system construction. They may also have their own rules for cost recovery, user representation and payment of committee members. At this level therefore, harmonization could result in the joint development of models for all these issues, although some flexibility would be needed to cater for local demand.

Alignment

Although SWAps and basket funding have been introduced in the sector in some countries, there is often a lack of alignment between country-level plans and the operational realities at the decentralized level. In this case, SWAps should allow for both local demand and needs to be addressed. While well-meaning agencies want to ensure that their money is well-spent, this can sometimes mean that basket funds and government processes are by-passed.

Challenges

Harmonization at the lowest level has not been sufficiently recognized at the international and country levels. At this decentralized level, further challenges are:

- The number of parties involved (such as national, provincial and local government, implementing organizations, NGOs, CBOs and donors) results in a high level of diversity.
- Current experience is not being fully utilized. Establishing learning alliances and multi-stakeholder information sharing platforms would assist with this.
- The level of resistance by different parties to harmonization due to different political and economic interests.
- Lack of capacity at decentralized level, in areas such as negotiation skills, affects the process of harmonization.



Conclusions and Recommendations

1. Multi-level progress

Efforts towards greater harmonization and alignment have gained momentum following high-level meetings and the Paris Declaration, with efforts by the international donor community and partner countries to work together to improve aid effectiveness. However, the decentralized level still suggests a lack of support for and attention to these issues.

2. Transaction costs

Increasing harmonization and alignment involves significant transaction costs in the early stages. However, in the long term, the results are reduced costs for the recipient governments.

3. Turning commitment into action

There are as yet no effective means of interaction between the global and country levels, and between country and decentralized levels, which affects the process of turning commitment into action.

- Gaps exist between commitments made at the global/political level and the realities of the missions of donor countries or national political levels. This can be improved by more two-way information exchange, careful documentation of results and effective knowledge management.
- At decentralized level, activities are more focused on operational aspects of water service provision. Harmonization could be brought about through information-sharing platforms between country and local level, linked closely to national level platforms for maximum mutual learning.
- The fact that only a small number of NGOs are involved in harmonization and alignment processes is a barrier. It means that harmonization needs to be promoted more at the local level, encouraging governments to set up a proper framework and to provide incentives for donor harmonization at decentralized level.

4. What is actually happening in the water sector?

The overall picture is not clear concerning harmonization and alignment in the water sector, due to limited available information. Full sector reviews will be undertaken in future, for example in Ghana, the results of which should be documented and shared in the sector.

The focus of this Briefing Note is on donor harmonization and alignment in the water sector, mainly in the context of Africa, as more global water sector examples are not readily available.

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