

Evaluating co-ordination and  
complementarity of country strategy papers  
with national development priorities

EVALUATING CO-ORDINATION AND COMPLEMENTARITY  
OF COUNTRY STRATEGY PAPERS WITH  
NATIONAL DEVELOPMENT PRIORITIES

EVALUATION SERVICE OF THE DEPARTMENT  
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# **Evaluating co-ordination and complementarity of country strategy papers with national development priorities**

**Copenhagen Development Consulting**

**Studies in European Development Co-operation Evaluation No 3  
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## Colofon

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# List of Abbreviations

“2Cs”	Co-ordination and Complementarity
“3Cs”	Co-ordination, Complementarity and Coherence
ACP	African, Caribbean and Pacific
AHWP	Ad hoc Working Party on Harmonisation
APG	Aid Partner Group
BS	Budget Support
BW inst.	Bretton Woods institutions
CDF	Comprehensive Development Framework
CMB	Comité Multi-Bailleur
CSP	Country Strategy Paper
DAC	Development Assistance Committee (OECD)
Danida	Danish international development agency
DFID	Department for International Development
EC	European Commission
EU MS	European Union Member State
GDP	Gross Domestic Product
GNI	Gross National Income
GoG	Government of Ghana
GoM	Government of Mozambique
GTZ	German development co-operation agency
HIP	Harmonisation in Practice
HIPC	Highly Indebted Poor Country
HQ	Head quarter (development agency home office in donor country)
IMG	Independent Monitoring Group
IMF	International Monetary Fund
iQSG	interdepartmental Quality Support Group
JAP	Joint Action Plan
JAS	Joint Assistance Strategy
JASZ	Joint Assistance Strategy Zambia
LDC	Least Developed Countries
MDG	Millennium Development Goal
MoU	Memorandum of Understanding (for the agreement between Government and donors)
MPI	Ministry of Planning and Investment

MS	Member state
MTEF	Mid-term Expenditure Framework (in Portuguese: CFMP)
NGO	Non-Governmental Organisation
ODA	Official Development Aid
OECD	Organisation for Economic Co-operation and Development
PAF	Performance Assessment Framework
PAP	Programme Aid Partners
PGAE	Partnership Group on Aid Effectiveness
PRSC	Public Reduction Support Credit
PRSP	Poverty Reduction Strategy Plan/Papers
Sida	Swedish international development agency
SPS	Sector Programme Support
SWAp	Sector Wide Approach
ToR	Terms of Reference
UK	United Kingdom
UN	United Nations
USD	US dollar
W&S	Water and Sanitation
WB	World Bank

# Foreword

The group of Heads of the European Union (EU) Member States' (MS) development cooperation evaluation services and the European Commission (EUES) have agreed to carry out a series of joint evaluation studies. The aim of the studies is to explore and assess the degree of application and impact, in terms of development cooperation, of the principles of coordination, complementarity and coherence which are enshrined in the Maastricht Treaty. An initial report was published in 2004.<sup>1</sup> In 2005, a series of six evaluation studies has been launched, each dealing with a specific aspect of the potential impact of the 3Cs. The studies are carried out in a decentralized fashion, with a lead agency and a steering group being responsible for each study:

<i><b>Evaluation study</b></i>	<i><b>Lead Agency</b></i>
Common Foreign and Security Policy/Development – use of Cotonou Partnership Agreement, article 96	The Netherlands
Coordination of Trade Capacity Building in Partner Countries	AIDCO
Coordination and complementarity in Humanitarian Assistance	ECHO
EU Mechanisms that promote Policy Coherence for Development	France
Coordination and Complementarity of Country Strategy Papers with National Development Priorities	United Kingdom
Coordination and Complementarity of Assistance for Local Development	Sweden

It is expected that all evaluation studies will have been completed by the end of 2006.

This publication, the third in the Studies in European Development Co-operation Evaluation series, reports on the overall results of the evaluation on Coordination and Complementarity of Country Strategy Papers with National Development Priorities. This study was managed by the Evaluation Service of the Department for International Development in the United Kingdom, and supported by the Evaluation Services of the EuropeAid Cooperation Office, Belgium and Ireland. The evaluation, which was carried out by Copenhagen Development Consulting (CopenhagenDC), examines the role which the Country Strategy Papers and similar policy documents of the EC and the

1 Hoebink, P. [ed.] (2004) 'The Treaty of Maastricht and Europe's Development Co-operation – Triple C Evaluations No 1.' (Amsterdam: Aksant Academic Publishers)



equivalent of EU Member States play in improving coordination and complementarity between EC and MS.

Eva Lithman

Chair of the Task Force for the evaluation of the Three Cs

# Preface

This evaluation is one of a series of joint evaluation studies, initiated by the Heads of European Union Member States' evaluation services and the European Commission (EUGHES). The evaluations aim at assessing the role played by the Maastricht Treaty precepts of coordination, complementarity and coherence in the European Commission (EC) and the EU Member States' development cooperation policies.

The evaluation study also recognises the wider and growing demand from both donors and partner countries for:

- Increasing alignment with partner countries' development strategies
- Cuts in transaction costs related to development cooperation through alignment of administrative procedures and systems
- Strengthening the coordination and complementarity in development aid

Since the late 1990s the European Commission, like many other donors, has made a major effort to build up a comprehensive system for planning and management of development aid, based on formulation, implementation and monitoring of development aid around Country Strategy Papers (CSPs). This has provided some scope for administrative decentralisation and for considerable increase in technical capacity at the EC delegations worldwide. As part of this focus on CSPs the EC has emphasised the need for alignment, coordination and complementarity in development cooperation and for their integration in the CSP planning and process at headquarter as well as delegation levels.

The focus of this study is to examine the role of CSPs and other similar "mechanisms" of the EC and their equivalent in Member States (MS) in improving coordination and complementarity between EC and MS, and to assess country ownership of development policies and cooperation strategies.

The study was carried out by Copenhagen Development Consulting (CopenhagenDC) and based its findings on eight relatively well functioning Least Developed Countries (LDCs). It is mainly a desk based review of Burkina Faso, Cameroon, Ghana, Nicaragua, Mozambique, Tanzania, Vietnam and Zambia supplemented by field visits to Nicaragua, Tanzania and Zambia. Each case study focused on four donors; EC, DFID, Denmark, The Netherlands plus a fifth donor with specific presence in the specific country.

The overall conclusion is that the EC CSPs as well as most of other donors' CSPs do not contribute substantially to improved alignment, coordination and complementarity in development cooperation and can in some cases be a constraint. The reason is that that "traditional CSPs" are effectively documents dominated by headquarters, which might restrain the flexibility at local embassy or delegation level to enter into an open and "true" dialogue with the partner Government and other donors. In addition, CSPs are little known and used outside the donor agency. While the majority of donors' CSPs fall into this category of "traditional CSPs" there are signs that some donors are moving towards more flexible and strategic joint planning arrangements.

The study also examines other processes and mechanisms such as the OECD/ DAC and Nordic+ initiatives on harmonisation. It finds that initiatives like the Joint Action Plan for Effective Aid Delivery and the increasing use of new aid modalities such as Budget Support (BS) have contributed more effectively to alignment, coordination and complementarity than the CSPs. In response, CSPs should among other things have clearly defined delegation of competencies to delegations/ embassies and locally adapted coordination at partner country level with other EU MS strategies and priorities.

The study examines additional areas of work that could take forward the harmonisation agenda so that they link up with and respect the basic principles of the DAC/ Nordic + experiences. Donors should carefully consider how best to combine budget support and SWaps within a perspective of capacity building of partner country institutions and increased alignment/ local ownership. It also recommends further analysis of risk of misuse of funds channelled through different aid modalities, possible conflicts between poverty or growth orientation of aid and the effects of debt relief (as part of BS) on alignment, coordination and complementarity in development cooperation

I hope you find this study useful and informative and that it helps to stimulate further important contributions to the ongoing process of donor harmonisation.

Nick York  
Head of DFID Evaluation Department

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# Executive Summary

## Contents of the evaluation

1. This evaluation contains an assessment of the effect of EC and EU Member State (MS) Country Strategy Papers (CSPs) and other similar processes and mechanisms in respect of their contributions to improve alignment, co-ordination and complementarity in the development co-operation. Based on the assessments, the evaluation concludes on incentives and disincentives for improved alignment, co-ordination and complementarity and indicates possible new avenues for development co-operation approaches and systems, as well as key actors who can support such new avenues.

The evaluation includes brief comments on the EC report of the Ad Hoc Working Party on Harmonisation: “Advancing co-ordination, harmonisation and alignment – the contribution of the EU”.

2. The evaluation has been elaborated as part of a series of evaluations initiated as joint evaluations by the Group of Heads of the Evaluation Services for External Cooperation of the Member States and the European Commission. The objective has been to assess the role played by the Maastricht Treaty precepts, co-ordination, complementarity and coherence, in the European Union's development co-operation. The general aim of the evaluations is to determine how far these so-called “3Cs” (Co-ordination, Complementarity and Coherence) have been applied, and what impact they have had.

3. As basis for the evaluation report eight desk studies (for Nicaragua, Ghana, Burkina Faso, Cameroon, Zambia, Mozambique, Tanzania and Vietnam), and three field studies (for Nicaragua, Zambia and Tanzania) have been elaborated. Thus, the evaluation focuses on the relatively successful Least Developed Countries (LDCs). Both desk and field studies focus on five donors: the EC, the UK, The Netherlands and the Danish development co-operation, as well as on one additional EU MS donor with a substantial programme in the specific partner country.

## Key Conclusions

4. Since the beginning of the 1990s most of the donors have focussed on Country Strategy Papers (CSPs) as a means for well-controlled decentralisation, alignment, co-ordination and complementarity of the development aid. While the CSPs have proved to be useful instruments in the process of decentralisation, they have, in general, not contributed substantially to improved alignment, co-ordination or complementarity within the development co-operation.

5. CSPs are very different from one donor to another. “Traditional” CSPs (typically from the EC, Denmark, Sweden, Germany, Belgium and Spain) seem in particular not to contribute to co-ordination and complementarity while “Working Document CSPs” and “Minimal CSPs” (see section 6.1) to a higher extent allow for the needed open dialogue with partner country Government.

6. Other processes than the CSPs have contributed much more effectively to achieving alignment, co-ordination and complementarity of development aid, first of all the closely linked processes of the “Nordic+” initiative and the Rome and Paris Declarations of DAC. Building on the CDF approach launched by the WB in the early 1990s, these processes seem to pave the way for improved future co-operation and dialogue with the partner countries.

7. It seems that shifts in aid modalities towards Budget Support (BS) and Sector Wide Approaches (SWAs) have also importantly contributed to improved alignment, co-ordination and complementarity, amongst others through the set up and development of Aid Partner Groups (APGs) and Performance Assessment Framework (PAF) processes in the partner country. So far, the co-operation has, however, mainly focussed on processes linked to BS.

8. The principal driving force for these processes has been the partner countries’ aim at increased autonomy and self-reliance, and the principal restraining force has been the donor countries’ fear for misuse or mismanagement of funds.

9. New avenues for further consolidation of these processes should be

- expansion of their use from primarily focussed on BS to all aid modalities;
- expansion of their use from well-functioning LDCs to broader groups of LDCs;
- permanent institutional setting of the APGs within the partner countries;
- building on real decentralisation and delegation of competencies to partner country level, and on alignment and co-ordination agreements achieved locally.

10. Key Recommendations:

- a. CSP concepts should be reassessed and adjusted so that they link up with and respect the basic principles of the DAC/Nordic+ experiences, building on donors' decentralisation and delegation of competencies to the embassies/delegations and on local initiatives for alignment and co-ordination;*
- b. A way should be found for permanent institutional rooting of Aid Partner Groups (APGs) in the partner countries;*
- c. Donors should expand their area of co-ordination through the APGs from being mainly BS to also including other aid modalities;*
- d. It should be carefully analysed and assessed and the needed actions should be taken minimize the risks of mismanagement linked to shifts in aid modalities (towards BS) and increased partner country responsibilities;*
- e. It should be carefully assessed how best to combine BS and SWaps within a perspective of capacity building of partner country institutions and increased alignment/local ownership;*
- f. It should be explored to what extent it is possible to expand the Nordic+/DAC approach to alignment and co-ordination from the relatively well-functioning LDCs to other LDCs;*
- g. Three specific studies should be set through as soon as possible (see sect. 8.4):*
  - Analysis of risk of misuse of funds channelled through different aid modalities;*
  - Analysis of possible conflicts between poverty or growth orientation of aid;*
  - Analysis of the effects of debt relief (as part of the BS) on alignment, co-ordination and complementarity in the development co-operation.*

**Effect of CSPs and other similar processes on alignment, co-ordination and complementarity in development aid**

11. There is a demand from both donors and partner countries for

- (i) increasing alignment with partner countries' development strategies;
- (ii) cuts in the transaction costs related to the development co-operation through alignment of administrative procedures and systems; and
- (iii) strengthening of the co-ordination and complementarity in development aid.

12. Since the late 1990s, the EC has made a major effort to build up a comprehensive system for planning and management of development aid, based on formulation, implementation and monitoring based on Country Strategy Papers (CSP) following the similar efforts of other donors during the 1990s. This has given room for administrative decentralisation and for considerable increase in the technical capacity at the EC delegations worldwide. Substantial efforts have been made to make this system effective and to recurrently assess whether it is working properly, amongst other through EC-evaluations of the content and use of the CSPs. As part of this focus on CSPs, EC has emphasised the need for alignment, co-ordination and complementarity in the development co-operation and for integration of such precautions in the CSP planning and implementation processes at headquarter as well as at delegation levels.



13. From the desk and field studies of this evaluation, it is an important conclusion that the EC CSPs as well as most of the other donors' CSPs do NOT contribute substantially to improved alignment, co-ordination and complementarity in the development co-operation. In fact, certain types of CSPs (in particular the "Traditional type CSPs" to which EC's and most of the assessed donors' CSPs belong) seem in some respects rather to limit than to support the promotion of alignment, co-ordination and complementarity, as they restrain the room of manoeuvre for local dialogue on adjustments of the aid management process.

14. It has been a general conclusion from the field studies that the content of one donor's CSP was little known by other donors and by the partner country's civil servants. Knowledge of CSPs mainly derive from the preparation processes and are quickly forgotten when these processes have been completed.

15. Other processes and mechanisms have contributed much more effectively to alignment, co-ordination and complementarity than the CSPs, first of all a process initiated by a group of seven EU donors. This approach is based on the experience from donor co-ordination in Zambia since year 2000, and to some extent from Tanzania and Mozambique, in particular on the issue of Budget Support (BS). In November 2003 this group launched a "Joint Action Plan for Effective Aid Delivery through Harmonisation and Alignment of Donor Practices". This plan has formed a basis for the rapid change in the patterns of development co-operation that have been carried out during the last two years. Specific focus has been on improvements of alignment and co-ordination in the development aid.

16. The key element of the approach of this so-called "Nordic+ Group" is the signing of a Memorandum of Understanding (MoU) between the partner country Government and a group of donors concerning a common agreement on

- Alignment of procedures among donors, in a first phase mainly for BS;
- Commitments for amounts and schedule for disbursements;
- Reporting and accounting formats;
- Performance Assessment Framework commitments (the PAF), implying that a joint performance assessment review process will create consensus between donors and the partner country Government on the extent to which mutual commitments have been fulfilled.

The signing of MoUs has taken place almost simultaneously (during 2003 and 2004) in a number of relatively well functioning LDC-countries. Among the countries analysed MoUs have been signed in Zambia, Mozambique, Tanzania and Vietnam, while more or less similar processes were established in Nicaragua, Burkina Faso and Ghana – initially started as part of the WB Comprehensive Development Framework (CDF) initiative, but now inspired by the international discussions around the DAC (Develop-

ment Assistance Committee), the Rome and Paris Declarations of 2003 and 2005. In some countries the donor group has taken this agreement further so that it is also used for other aid modalities than the Budget Support (BS), and it is the intention of the Joint Action Plan this way to ensure alignment and harmonisation to spread also to the many variations of sector programme and project support.

17. Budget support can arguably be considered the consequent form of alignment, co-ordination and complementarity of the development aid in the countries concerned and the BS has increased dramatically. Key donors in favour of BS are first of all EC, UK and the Netherlands. Other bilateral donors (such as Denmark, Sweden and Switzerland) that participate actively in this process stress that they, for the sake of robustness, so far want to limit their contributions to BS to a specific country at a maximum of approximately 20% of their total Official Development Aid (ODA) to that country.

18. The “new paradigm” for development aid puts up major challenges to the existing CSP-based EC and EU MS systems for aid management. So far, the CSPs have been the backbone of these management systems, and the question seems to be how the CSPs can be complemented by other processes to appropriately respond to the new demands in the development co-operation.

Important elements of a “new” approach should be:

- Further delegation of competencies to delegation/embassy level;
- Locally adapted co-ordination at partner country level with other EU MS strategies and priorities;
- Full respect for the outcome of the local dialogue among donors as well as between donors and the partner country;
- Clearly defined delegation of competencies to delegations/embassies.

### **Incentives and disincentives for improved alignment, co-ordination and complementarity**

19. Both the DAC declarations and the Nordic+ initiative explicitly state the aim of improved alignment and co-ordination. It is a conclusion from this evaluation that other issues initially inspired these activities such as, for instance:

- Demands for increased effectiveness and efficiency of development co-operation;
- Demands for increased partner country ownership to development results;
- Demands for improved sustainability of the achieved development results;
- Increase of the administrative work-load on embassy/delegation staff in the partner countries.

20. Another important support for improved alignment and co-ordination has been the local demand for control over development resources, including development co-operation funds. Amongst others the governments of Tanzania and Mozambique

are arguing that the principal mode of development aid should be BS, and it is a general local demand that all donor contributions should be channelled through the national financial management system as on-budget support. This demand includes both a demand for local control of flow of funds and priority-setting for investments and control over the administrative systems.

21. The principal menace to building and developing successful partnerships is fear for risks of embezzlement of donor funds. The partner country fears for having cuts in the flow of funds or for not having funds disbursed according to schedule should examples of embezzlement be disclosed, and the donors fear for having examples of misuse or fraud at the front page of the press at home. For that reason it is crucial to have the risks properly analysed and to the extent possible mitigated, and to discuss this openly within the partnership of donors and partner country government representatives. It is still to be seen to what extent the new partnerships will mutually commit the partners to new ways of solving examples of fraud in amicable ways.

### **New avenues for effectively promoting co-ordination and complementarity**

22. The new approaches to development co-operation have been agreed upon at local levels, supported and inspired by, amongst others, the initiatives of DAC and the Nordic+ Group. They are based on annual, recurrent processes of performance assessment rather than on highly specific outcome indicators.

23. Further dissemination of these processes in particular depends on two issues:

- The expansion of the use of the principles from mainly to deal with BS to including all aid modalities (like it is about to be implemented in Tanzania);
- The expansion of the use of the principles from addressing mainly the relatively successful LDC countries to all other countries which take part in the development co-operation.

Although inspired by the WB CDF-approach, the new approaches form an alternative to the traditional Bretton Woods (BW) institutions' dominance of the overall terms for development co-operation.

### **Key actors for expert exchanges**

24. Being locally initiated and implemented, key actors for expert exchanges should be found at embassies, delegations and among the representatives of the partner countries, which successfully have implemented the approaches.

The DAC Group for Harmonisation and Alignment has also contributed importantly to the formulation and dissemination of the policy framework for these approaches, and so has the Nordic+ Group. These groups will, also in the future, be key actors for expert exchanges.

## **Comments on the EU Action Plan on Harmonisation**

25. The conclusions from the present evaluation in general support the comments from the “Ad Hoc Working Party on Harmonisation” on the recommendations of the Commission with a view to putting the Barcelona II in practice. In particular the conclusions support those recommendations, which are aiming at

- A partner country based and led approach to alignment and co-ordination;
- A focus on donor-wide initiatives rather than EU exclusivity;
- A wide coverage of aid modalities and procedures;
- A focus on implementation experiences as input for new approaches to co-ordination and complementarity;
- A flexible adaptation of approaches to partner country conditions rather than one uniform EC and EU MS approach;
- A decentralisation of responsibilities to partner-country level embassies/delegations to the extent this is possible.

(For detailed comments on EU Action Plan on Harmonisation, see section 8.2).

# 1 Introduction

This evaluation forms part of a series of evaluations initiated as joint evaluations by the Group of Heads of the Evaluation Services for External Cooperation of the Member States and the European Commission, with the objective to assess the role played by the Maastricht Treaty precepts, co-ordination, complementarity and coherence, in the European Union's development co-operation. The general aim of the evaluations is to determine how far these so-called "3Cs" have been applied and with what impact.

Terms of Reference (ToR), Section 2.2, outline the following policy background for launching the evaluation:

"The evaluation will use the process of elaborating CSPs of the EC and similar papers on the part of the MSs as concrete test cases for improved co-ordination and complementarity between EC and MSs and to assess country ownership of development policies and co-operation strategies. In principle, strategy papers provide a basis for aligning overall EU (EC and MSs) support to national development priorities, as expressed in national policy documents such as Poverty Reduction Strategy Papers (PRSPs). Besides, the mechanism should facilitate effective co-ordination and complementary action.

The logic behind CSPs is to allow partner countries to define their own development priorities. This, in turn, calls for new approaches to designing a CSP, including the need for broad-based consultations (with a view to involve a wide variety of state and non-state stakeholders) as well as for processes of harmonisation of donor support modalities in order to avoid a situation whereby partner country has to enter into country strategy processes with a variety of European donors.

Yet, how do the CSP mechanisms work in practice? To what extent are the CSPs effectively aligned to national development priorities, including those established through the PRSP framework? What factors contribute to or hamper effective alignment of EC and EU MS support? To what extent and under what conditions does the CSP process facilitate improved co-ordination and complementarity? Does it foster harmonisation initiatives among EU donor agencies involved?

The November 2001 joint statement by the Commission and the Council on the European Community's development policy took up these points very strongly. It acknowledged the potential of increased co-ordination to improve the effectiveness of aid and suggests "stepping up co-ordination between Member State and the Commission representations on the ground in the closest possible liaison with the partner country at every stage in the Community programme formulation, implementation and evaluation process." To this end, it recommended that actors should make good use of CSP processes. The joint statement further noted that the CSPs provide a "special opportunity" for promoting complementarity between the Community's, the MSs', and other stakeholders' development co-operation policies."

Eight desk studies (for Nicaragua, Ghana, Burkina Faso, Cameroon, Zambia, Mozambique, Tanzania and Vietnam), and three field studies (for Nicaragua, Zambia and Tanzania) have been elaborated as basis for the evaluation report. These studies are attached as Annex 5 and 6.

Almost all eight countries chosen for the evaluation belong to the relatively successful amongst the poorest of the Least Developed Countries (LDCs). Cameroon is different in the sense that it has substantial income from oil production, and thus more freedom to act independently. Cameroon is, however, considered to be of strategic importance for maintaining a constructive dialogue with the many fragile countries in Central Africa, as it in this context is considered relatively stable.

Six out of eight countries for the evaluation are African. Together, these six are fairly representative for the more successful LDC-countries south of the Sahara.

Both desk and field studies focus on the effect of development co-operation with five donors: the EC, the UK, The Netherlands, the Danish development co-operation, and on one additional EU MS donor with substantial importance in the specific partner country. These "fifth donors" included in the evaluation are:

- France for Burkina Faso and Cameroon;
- Germany for Ghana and Vietnam;
- Sweden for Mozambique and Zambia;
- Spain for Nicaragua; and
- Belgium for Tanzania.

## **Structure of the report**

*Section 2* describes the approach used for the evaluation. It deals with two main issues: the adjustments of the approach and focus for the evaluation, which took place during the implementation; and the methodology used for the evaluation (briefly described in the section and described in much more detail in Annex 3).

*Section 3* contains a historical background description of the development within development co-operation that has led to the present focus on harmonization and co-ordination of development aid. The section also describes how key players in this process have contributed to and influenced the development agenda.

*Sections 4 to 7* contain the analyses of the evaluation, concentrating on

- Achievements on alignment to partner country priorities (section 4);
- Achievements on co-ordination and complementarity (the “2 Cs”) of development aid (section 5);
- Effects of elaboration and use of EC and EU MS CSPs in respect of improving the co-ordination and complementarity of development aid (section 6);
- Conclusions on incentives and disincentives for improving the co-ordination and complementarity of development aid (section 7);

*Section 8* focuses on overall conclusions and recommendations from the evaluation, proposing “new avenues” for the set up and implementation of the development co-operation, commenting on the report of the “Ad Hoc Working Party on Harmonization”, and listing a few proposals for further studies and analyses.

*Sections 4 to 8* contain the analyses, conclusions and recommendations of the evaluation.

To keep the evaluation report brief, a number of issues are dealt with in annexes:

*Annex 2* clarifies the definition of some of the key concepts used throughout the evaluation report. Especially, there is a need for clarification of two groups of concepts:

- Alignment, Harmonization and Co-ordination; and
- Modalities of development aid, such as modalities of Budget Support and Off-/On Budget allocations.

*Annex 3* outlines the methodology used for the evaluation.

*Annex 4* highlights elements of the new document “European Consensus”.

*Annex 5 A, B and C* summarizes field and desk study reports of Annex 6 and 7.

*Annex 6* contains the three field studies for Nicaragua, Zambia and Tanzania.

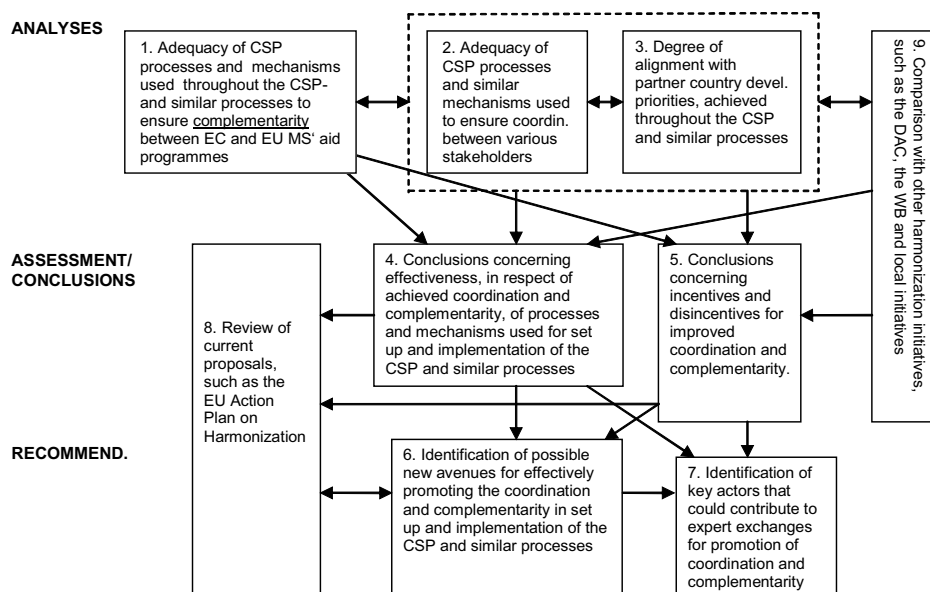
*Annex 7* contains the eight desk studies for Nicaragua, Ghana, Burkina Faso, Cameroon, Zambia, Tanzania, Mozambique and Vietnam.

## 2 Approach for the evaluation

### 2.1 Aim

As part of the broader series of evaluations on the “3Cs” the prime purpose of the evaluation is to identify key lessons concerning effect on alignment, co-ordination and complementarity from the processes of formulating and implementing Country Strategy Papers (CSPs) and similar processes and mechanisms, (1) among the services of the European Commission; (2) between the services of EC and the services of EU Member States (MSs); and between the services of the EC, the MSs and the partner-country level initiatives.

Figure 1





According to the Terms of Reference for the evaluation (Section 4 on ‘Specific evaluation objectives’ and Section 5.1 on ‘Key evaluation questions’), the specific objectives for the evaluation are:

- To assess the degree of alignment with national development priorities achieved through the CSPs and similar processes;
- To assess the adequacy of CSPs and other processes and mechanisms to ensure co-ordination between various stakeholders involved in the process of formulating and implementing the CSPs and similar papers on behalf of the MSS;
- To assess the adequacy of CSPs and other processes and mechanisms used to ensure the complementarity between different stakeholders involved in the process of formulating and implementing the CSPs and similar papers on behalf of the MSS;
- To analyse the incentives and disincentives for improved co-ordination and complementarity in the context of elaboration and implementation of CSPs and similar processes;
- To identify possible new avenues for effectively promoting co-ordination and complementarity throughout CSPs and similar processes;
- To identify key actors that could contribute to expert exchanges in the follow-up process to the evaluation.

Finally, it is a specific objective for the evaluation to review current proposals such as the EU Action Plan on Harmonisation and to identify any emerging issues and lessons around the broad ideas and objectives for a different approach to programming.

For the evaluation process the Evaluation Team has fitted these objectives and evaluation activities into the evaluation framework outlined in the above figure 1. This figure distinguishes between the evaluation levels of analyses, assessments and recommendations and indicates the logical flow of evaluation activities to assess and conclude on the overall evaluation questions raised in the Terms of Reference. Throughout the evaluation the Team has followed this flow, which has proved to be useful and rational.

In the Terms of Reference for the evaluation reference is made to the effect of ‘EC and EU MS CSPs and other processes and mechanisms’ for achievement of improved alignment, co-ordination and complementarity in the development co-operation. However, it is not clearly defined or exemplified what is meant by “other processes and mechanisms”.

The management letter responding to the Draft Inception Report stressed, in relation to ‘Processes and Mechanisms’, that a large-scale analysis and assessment of the effectiveness of EU institutions and their reforms (as perceived suggested in the Draft Inception Report) might be over-ambitious and beyond the more modest and down to earth expectations of the 3C studies.

From this we conclude that our focus concerning “similar processes and mechanisms” in addition to the specifically mentioned Comprehensive Development Framework initiatives of the WB and Alignment and Harmonisation Initiative of the DAC will focus on the many and fairly diverse local initiatives for improved alignment, co-ordination and complementarity, assessing to what extent such initiatives have been relevant and effective.

## **2.2 The evaluation process**

The desk studies have been the principal basis for the evaluation. They have been based on a wide range of generally accessible documents, complemented with some key documents, received from the donors examined in each of the eight partner countries (documents consulted are listed as annexes in each of the desk studies). The desk studies supply a broad view over achievements on co-ordination and complementarity (the “2Cs”) in a number of countries as well as over the positive and negative achievements from development and implementation of CSPs and similar processes in respect of improving the 2Cs. For each of the eight countries it has been examined whether other processes than the CSPs have had major impact on co-ordination and complementarity of the development aid.

At an early stage visits took place to a number of EC offices, to the Belgium Foreign Ministry and to the World Bank delegation in Bruxelles, clarifying, among many other things, which eight countries to focus on for the desk studies. Right after these visits the focus was very much on EU policy and on the EC CSP preparation and implementation processes. However, the comments in the above referred management letter responding to the Inception Report turned the focus to include the EU MS CSPs as well as assessment of other processes and mechanisms for improved alignment, co-ordination and complementarity.

Provisional conclusions were examined and scrutinised – first through interviews with key persons, and later on through the three field studies. This consolidated and detailed provisional conclusions; but it also pointed towards additional processes of importance, particularly the “Joint Action Plan for Effective Aid Delivery through Harmonisation and Alignment of Donor Practices” launched in November 2003 by the seven donors forming the “Nordic +” group, which had been the group behind the successful processes for harmonisation in Zambia.

The desk studies have focused on assessment of achievements on alignment, co-ordination and complementarity, while interviews (some related to the desk studies, but the majority related to the field studies) have been the principal source of information on processes, contents of discussions at local level, and reasons and rationale for changes in the patterns of co-operation.

Focus group interviews were foreseen for the field studies, but they turned out to be difficult to set through and they have to a high extent been replaced by individual interviews. However, triangulation has still taken place, now in form of cross-checking of information from different interviews with donors as well as from interviews with representatives of the partner Government.

This way a proper basis was established for assessment of the effectiveness of CSPs as well as other processes for achieving co-ordination and complementarity in the development co-operation with the eight countries, and at a very early stage of the work it became clear to the team that the effect of CSPs on achieving the co-ordination and complementarity was very limited.

Other processes dominated the agenda for alignment, co-ordination and complementarity, amongst others the shift in modalities of aid towards sector programme support and particularly towards budget support. These initiatives were closely linked to the DAC-initiatives for harmonisation. To the team it became evident that these other processes have been set through very successfully in a majority of the countries examined, enjoying broad support both from EC delegations, from most of the EU MS embassies, and from the Governments of the partner countries.

This gave rise to reflections on how to proceed with the evaluation: should it concentrate on documentation of the lack of effect of CSPs, or should it rather, after documenting this, move towards more careful examination and assessments of the new processes and mechanisms for alignment, co-ordination and complementarity? Keeping in mind the objective of identification of new avenues for effectively promoting co-ordination and complementarity, it was decided to broaden the evaluation to also examine these new processes in more detail, amongst others to assess:

- what was their origin?
- to what extent such mechanisms might continue to spread?
- to what extent they are effective and efficient?, and
- to what extent they are sustainable (assessing advantages and risks for development co-operation based on these principles)?

So, the evaluation has focussed on:

- Documenting the findings on use, importance and positive and negative effects of the CSPs;
- Exploring into further depth other processes essential for 2C improvements;
- Trying to identify the dynamisms behind the “new and dominating processes” for improved alignment, co-ordination and complementarity – so as to better understand these mechanisms;
- Documenting such new avenues for more effective promotion of the 2Cs.

These studies and analyses have been combined with studies of supra-national policy documents and discussions, focussing on alignment, co-ordination and complementarity, particularly from the EC, the DAC and the Nordic+ initiative.

### **2.3 Approach and methodology**

From the country studies it was concluded that a radical shift has taken place in the approach to development co-operation in recent years in a number of the relatively well functioning Least Developed Countries (LDCs). It has been an important part of the evaluation to set up a framework for assessing and trying to understand the dynamics, which have inspired and supported these “new processes and mechanisms” and to assess to what extent the Country Strategy Papers and these new processes have impacted on alignment, co-ordination and complementarity in the development co-operation process.

In Annex 3 the general methodological approach for this evaluation is described, as well as the application of this approach at a general (not country-specific) level. The aim was to identify, describe and assess the principal forces which have driven the fast changes in development co-operation with relatively successful LDCs since year 2000. Based on the understanding of these mechanisms, their institutional rooting, sustainability and robustness have been assessed, as well as to what extent such mechanisms and the CSPs have impacted on alignment, co-ordination and complementarity within development aid.

In the following sections 4, 5, 6 and 7, these findings and conclusions have been used at general (not country-specific) level as background for understanding the specific developments in the eight countries included in this evaluation.

### 3 Development of the focus on alignment and co-ordination

To understand the stability of the present changes in ways of development co-operation, amongst others concerning alignment, co-ordination and complementarity, it is important to see actual changes in the light of the development over the last 20 years.

Donor co-ordination has been an important issue for debate and experience since the early 1980s. Initially, the UNDP was, as an “independent” partner, assigned important responsibility for that purpose, but in practice it did not have the needed powers to set the co-ordination through, and in many countries the role was taken over by the World Bank. However, the structural adjustment policy of the BW institutions undermined their credibility, impacting also on their powers for co-ordination. Increasingly, this co-ordination was therefore distributed sector-wise among the donors with the nomination of a “lead donor” for each of the important sectors in a country. The increasing focus on a sector programme approach and on partner country capacity building further reinforced the sector focus and the role of individual bilateral (and multilateral) donors as the hub for sector-wise donor co-ordination.

As powers shifted from the UN-organisations towards the BW-institutions and as the bilateral donors later on increasingly gained influence (still dominated, however, by the IMF/WB policy framework), the policy shifted too. With the many individual and increasingly powerful bilateral donors, this allowed for a more multifaceted development policy, which gave room for more flexibility at partner country level. During the last part of the millennium the powers of the EC development co-operation increased so that it developed into one more important donor. Specifically, the EC has the possibility of co-ordination of the development policies of its MSS, which together with the EC count for more than half of the development aid in almost all of the partner countries. Amongst others, the administrative and technical capacity of the EC staff increased, and so did the influence and powers of the EC.

The partner countries took advantage of the increased flexibility, gradually assuming more ownership to the development co-operation, and they expressed both the will and the ability to define their own priorities and to set them through.

Since the 1990s, the development has mainly been driven by the following five institutions, complemented by initiatives by individual bilateral donors.

### **3.1 Initiatives of the Bretton Woods institutions**

The shifts in development co-operation approach were first of all caused by the critics of the Bretton Woods Institutions' Structural Adjustment Programmes for ignoring the poor.

At first, the critique led to the introduction by the BW institutions of additional compensation programmes with a specific poverty focus, but the critique continued, demanding a poverty-oriented general approach to development co-operation. This move was later on combined with initiatives for debt relief for Heavily Indebted Poor Countries (HIPC).

At the same time the question was raised whether the many agencies and international organisations participating in the development co-operation were overburdening rather than strengthening the political and administrative capacity of the partner governments?

The critique of the World Bank and IMF continued, and by the end of the 1990s the World Bank decided to develop a more holistic platform for development co-operation with the Least Developed Countries with focus on poverty alleviation. For that purpose the Bank introduced the Comprehensive Development Framework (CDF) in 1999, aiming at building partnerships with recipient countries. The CDF was based on four basic principles: (i) Long-term commitments; (ii) Establishment of a holistic development framework; (iii) Results orientation rooted in country ownership; and (iv) Building a country-led partnership.

The importance of the CDF has first of all been that it puts the issues of poverty-orientation, ownership, alignment and donor coordination to the core of the international debate on how to improve the effectiveness of the development co-operation, especially for the Least Developed Countries. In addition, the CDF produced a number of concrete pilot country experiences based on this approach.

### **3.2 Initiatives of the UN**

In parallel, a UN conference in Mexico in March 2002 led to the Monterrey Consensus, which formed the basis for the later agreement on the Millennium Development Goals.

### **3.3 Initiatives of OECD/DAC**

In a third track the initiatives taken by OECD/DAC have been even more important for alignment and co-ordination of development aid. In February 2003, a High-Level Forum on Harmonisation met in Rome, and after years of careful preparations the Forum adopted the Rome Declaration on Harmonisation. The focus of the declaration was on improvement of the effectiveness of development co-operation through increased harmonisation, and the declaration marked a North-South consensus on this aim.

The content of the Rome Declaration was concretised and made further operational through the Paris Declaration on Aid Effectiveness, which builds on the experiences gained through two years of radical changes of development co-operation. The declaration was adopted in February 2005.

The Paris Declaration contained agreements on a series of operational principles for development of Partnership Commitments concerning (i) Ownership; (ii) Alignment; (iii) Harmonisation; (iv) Managing for Results; and (v) Mutual Accountability.

### **3.4 Initiatives of the “Nordic+ group” of donors**

Much of the experience, which formed the basis for the Paris Declaration derive from a fourth, parallel track, which was initiated already in 2000 by a group of “like-minded” European donors. The initiative was named Harmonisation in Practice (HIP), and in November 2003 seven donors (consisting of Denmark, Finland, Ireland, the Netherlands, Norway, Sweden and the United Kingdom, called the “Nordic+ Group”) launched a “Joint Action Plan for Effective Aid Delivery through Harmonisation and Alignment of Donor Practices” (JAP), which was based on a survey carried out in seven LDC partner countries: Bangladesh, Ethiopia, Kenya, Nepal, Nicaragua, Uganda, and Vietnam.

To a very high extent, the recommendations of the JAP were in line with the subsequent Paris Declaration, and they formed the basis for a joint effort by the seven donors to establish and further develop harmonisation processes in a number of LDC-countries, mainly in Africa. Where the Rome and Paris Declarations worked “top-down”, the JAP worked “bottom-up”, building on concrete experiences and pilot projects, especially from Zambia, Tanzania and Mozambique.

The conclusions from the eight desk studies and the three field studies of the present evaluation clearly point to this initiative being a principal driving force behind the radical changes in policies and approaches to development co-operation that has led to increased alignment and co-ordination of the development aid.

### 3.5 Initiatives of EC

In a fifth track, the policy development of the EC has also contributed importantly to changes in principles for development co-operation – in particular during the last years.

Since the late 1990s EC's development co-operation approach has focussed on multi-annual programming as the essential management tool for ensuring that external development assistance reflects EU's policy objectives and priorities. At supra-national level, the Cotonou Agreement of 2000 took major steps to consolidate the previous four Lomé Conventions into a forward looking framework for the co-operation between the EU and the African, Caribbean and Pacific (ACP) countries.

The establishment of a “rigorous and coherent multi-annual programming system” was one of the key principles of the Reform of the Management of EC External Assistance, which was initiated in May 2000. A principal aim was to achieve better complementarity in the development co-operation between the Community and the Member States, and the elaboration of CSPs was seen as a principal means for that purpose. However, the overall policy framework which sets the terms for this EC programming was still the discourse of the BW-institutions.

In November 2000, the Council asked the Commission to draft Country Strategy Papers and Regional Strategy Papers ‘without delay’ for the purpose of programming Community aid to all developing countries according to an approved Common Framework for Country Strategy Papers (the ‘CSP Framework’).

A number of valuable and forward-looking principles were introduced in the CSP-Framework, but many of them proved difficult to set through in practice. Examples of such principles were:

- The aim of the CSPs to serve as strategic framework papers, producing the right “policy mix” for each programme or region;
- The aim to keep the partner country in the “driver’s seat”, both owning and directing the development agenda;
- The emphasis on efforts to improve donor co-ordination and to simplify and harmonise the processes surrounding the country strategies, thus reducing the transaction costs for partner countries; and
- The objective of moving towards a results-based approach in development, reflecting the spirit of shared accountability in the partnership for development.

Despite the difficulties to implement these principles in practice, the Commission Staff Working Paper from Nov. 2002 concluded that “a qualitative leap in EC’s programming of external assistance has been achieved, and that the programming documents will serve as valuable, high-quality management tools for years ahead”. The



Staff Working Paper also stated that “the CSP process has been a successful exercise. Overall, the country and regional strategies meet most of the requirements of the CSP Framework, and in most cases the authorities of the partner countries were also closely involved in the programming process, leading to a higher degree of ownership and consistency between the Commission’s response strategy and the national development process.”

Thus, there is no doubt that the development of CSPs as basis for HQ management of EC’s development co-operation had extremely high priority after 2000. Since the late 1990s EC’s development co-operation approach has to a very high extent focussed on multi-annual programming as the essential management tool for ensuring that external development assistance reflects EU’s policy objectives and priorities. In this way, the CSPs were highly important as basic documents for the decentralisation of competencies to the delegations in the partner countries.

During the period of 2002 to 2005, it seems that EC’s policy both picked up in respect of aligning to key initiatives of DAC (leading to the Paris Declaration) and to the “Nordic+ Group” initiatives; and the EU supplied important inputs to the High Level Forum in Paris in March 2005 (the EU report “Advancing coordination, harmonisation and alignment: The contribution of the EU”).

Recently, the EC took another major step in this direction by launching, in July 2005, the ‘Proposal for a Joint Declaration by the Council, the European Parliament and the Commission on the European Union Development Policy, “The European Consensus”’, which aims at setting out a framework of common principles under which the EU and its twenty-five Member States will implement their development policies in a spirit of complementarity.”

## 4 Alignment with partner countries' priorities

During the last five years, major changes have taken place in the policies and approaches for development co-operation, so that development aid is now increasingly based on the principles of alignment and co-ordination amongst the stakeholders in the development co-operation process and on partner country ownership.

As described in the previous section, these processes have been inspired and supported both by good practice examples at partner country level and by supra-national policy developments. The DAC Survey on Harmonisation and Alignment is by far the most comprehensive study on alignment and co-ordination, and the results of this survey will in the following be referred to and used as input for the conclusions.

### 4.1 Conclusions from the DAC Survey on alignment

The DAC study on Harmonisation and Co-ordination sets up the following six broad indicators for partner country ownership and alignment:

- 1 Partner sets the agenda;
- 2 Partner leads national co-ordination processes;
- 3 Donors support capacity development;
- 4 Alignment with partners' national development strategy;
- 5 Budget support is aligned on partners' procedures;
- 6 Project support is delivered through partners' systems.

These indicators measure processes or intended activities rather than results, contrary to what is normal amongst most of the bilateral donors. The indicators for alignment used in the Paris Declaration deviate slightly from the above, but basically they focus on the same issues and on processes.

An overview of assessments based on these indicators are given in the upper part of the below Table 2 (only five of the eight desk-study countries formed part of the DAC survey). From this it can be concluded that:

- Alignment with PRSPs is fairly successful in all five countries included in the DAC Survey;

- Alignment through use of budget support (arguably the most consequent form of alignment if not linked to conditionalities) has been fairly successful;
- Alignment through use of the partner country's procurement procedures has also been partly successful; while
- Alignment in the form of inclusion of financial commitments in the Medium Term Expenditure Framework (for education and health sectors) has successfully taken place in only two of the five countries.

According to the DAC Survey, the key problem for alignment with the development co-operation to partner countries' systems is the weak administrative capacity in the countries examined. This may not be surprising as the countries examined are some of the poorest of the Least Developed Countries and therefore some of the weakest in respect of administrative capacity. However, it is surprising that the DAC Survey concludes that little donor effort is made for improvement of the partner country capacity.

TABLE 2. DAC survey and other indicators, Alignment

<i>Issue</i>	<i>Nicaragua</i>	<i>Burkina Faso</i>	<i>Ghana</i>	<i>Cameroon</i>	<i>Zambia</i>	<i>Mozambique</i>	<i>Tanzania</i>	<i>Vietnam</i>
<i>DAC: Alignment:</i>								
- to PRSP	Yes	-	-	-	Yes	Yes	Yes	Yes!
- on budget support	Partly	-	-	-	Partly	Partly	Partly	Partly
- on procurement	Partly	-	-	-	Partly	Partly	Partly!	No
- of MTEF, on education	No	-	-	-	Yes!	No	Yes!	No
- of MTEF, on health	No	-	-	-	Yes!	No	Yes!	No
<i>Additional Indicators:</i>								
Signed MoU?	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
Agreed on a PAF?	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
First PAF implem?	No	Yes	Yes	No	Yes	Yes	Yes	Yes
Off-budg/ODA Share?	?	?	65%	>50%	?	>50%	<50%	?
BS/ODA share?	20%	40%	40%	<10%	<30%	20%	30%	?
SPS/ODA share?	5%	0%	?	<10%	?	15%	30%	?
Ownership to PRSP (Govt)	Yes!	Yes!	Some	No!	Yes	Yes!	Yes	Partly
PRSPs appro. in Parliam?	No!	Yes	No	No	No	No	No	No
Civ. socieConsulted?	Partly	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Civ societ had influence?	No	Little	?	No	Little	No	Yes	Little

Note: Nicaragua: assessments of the PRSP all refer to the latest PRSP, which has not yet been approved

## 4.2 Conclusions on alignment

The country studies of this evaluation form a complementary basis for assessing the alignment of the development co-operation. These country studies have focussed on the following indicators (central part of Table 2):

1. Has a Memorandum of Understanding (MoU) been signed between the partner country and a group of donors, setting a common framework for co-operation (for budget support or for a wider spectrum of aid modalities) based on mutual commitments?
2. Does such a MoU include agreement on a Performance Assessment Framework (PAF), and has a base-line assessment been established for such a PAF?
3. Has a first Performance Assessment been carried out, and have the donors and the partner country managed to agree on these assessments by signing the PAF?
4. Approximate share of off-budget development aid allocations for the country?
5. Approximate share of BS and of on-budget Sector Programme Support?

The conclusions from these assessments are that:

- Except from Cameroun, all the eight countries have entered into an agreement between a major group of donors and the partner country, signing a MoU on how to mutually commit themselves to development of the partnership for development co-operation;
- Most of the countries have agreed with this group of donors on some sort of a Performance Assessment Framework (PAF) as basis for recurrently discussing whether the principles of the MoU are adhered to, and most have already started implementing these PAF processes;
- Budget Support (BS) accounts for a significant part of the ODA (some 20-40%), and the sector programme support for a smaller but still significant part of the ODA (some 5-30%). In this context BS is perceived in a very broad sense, including both completely untied General Budget support, Budget Support with a number of different conditionalities attached, and Sector Programme Budget Support – please see annex 2 for a detailed clarification of the BS concept.

In this way a clear majority of the eight countries examined focus on local processes for and agreements on ways of alignment and co-ordination of the development aid, in form of a framework of commitments on how to act (the MoUs) and a framework for how to monitor that these commitments are fulfilled (the PAFs).

The Nordic+ Group agrees with the DAC conclusion on weak administrative capacity being the key problem for increasing alignment, and to make up for this problem, the Nordic+ Group of donors recently decided that their policy should build on the following principles:

- The administration of the development co-operation should be based on the partner country's own systems and procedures when a partner country is considered to have sufficient capacity;
- When it is considered that sufficient capacity is not available, the donors must focus on support for the development of such capacity in the partner country.

#### **4.3 PRSPs as true reflection of national priorities**

It is a basic assumption for the DAC Survey and for other assessments of alignment to partner country priorities that the PRSPs truly reflect the priority-setting of the partner country's Government, and that they are accepted as such by the civil society. If this is not true, the use of alignment with the PRSP as indicator for "real" alignment will be completely misleading.

As part of the country studies it has therefore been assessed to what extent the Governments take ownership to the PRSPs, whether partner country Governments had the PRSP discussed and approved by Parliament, and to what extent civil society was consulted as part of the process of drafting and approving the PRSP and felt that their concern had been reflected in the strategy.

It is the conclusion that

- Most of the examined countries take serious ownership to the PRSPs;
- The PRSPs are generally not taken to Parliament for discussion before approval;
- In many of the countries representatives of civil society acknowledge that they were consulted as part of the process of elaboration of the PRSP, but it is doubtful to what extent concerns raised were taken into consideration when finalising the PRSP.

Often, the discussions have focussed on the geographical distribution of growth and poverty alleviations, and in Mozambique a "Poverty Observatory" has been established after major critics were launched of the Government for fostering growth and development mainly in and around the capital of Maputo. The task for the Poverty Observatory is to recurrently assess and inform on the development of poverty throughout the country in a transparent process where research results and methods as well as the specific outcome of the analyses are all made public. This may be a controversial initiative, but it has been mutually supported both by the Government and by the donors.

## 5 The effect of CSPs and other processes on improved co-ordination and complementarity

In addition to the processes linked to the elaboration and implementation of the Country Strategy Papers (CSPs), three other processes are referred to as “similar processes and mechanisms”. They all aim at improving co-ordination and complementarity in the development co-operation:

- The DAC-initiatives for alignment and harmonisation;
- The World Bank Comprehensive Development Framework;
- Processes of co-ordination and dialogue at partner country level.

These processes are the ones which also in this evaluation report are referred to as “other processes and mechanisms”.

In the following, reference to DAC assessments of “harmonisation” will mainly be understood as assessments of co-ordination amongst the stakeholders in the development co-operation process (please see also the definitions in Annex 2).

### 5.1 Conclusions from the DAC Survey on harmonisation

In the below Table 3 four indicators on “harmonisation” are listed from the DAC Survey on Alignment and Harmonisation. They first of all show that there is no clear pattern in the way harmonisation (and co-ordination) is carried out in the eight countries examined. Nor is there a clear conclusion on which approaches to harmonisation have been particularly successful, apart from the conclusion that harmonisation within the area of “sharing of information” seems to be more developed than within the areas of “conditionalities”, “donor missions” and “diagnostic studies” of the partner country.

TABLE 3. DAC survey, Achievements on Harmonisation

Issue	Nicaragua	Burkina Faso	Ghana	Cameroon	Zambia	Mozambique	Tanzania	Vietnam
<i>Harmonisation:</i>								
- of conditional.	No	-	-	-	Partly	Yes	No!	No
- of donor missions	No	-	-	-	No	No!	No	No!
- of diagnosis	Partly	-	-	-	Partly	No!	No!	Yes!
- of info sharing	Partly	-	-	-	Yes	Yes	Yes	Yes

## 5.2 Conclusions from country studies – on co-ordination

Conclusions from the 8 country desk studies and from the three field studies (attached as Annex 6 and 7) are presented in Annex 5, which focuses on conclusions on the principal research questions for the evaluation. In Annex 5 these conclusions are spelled out country-wise, and for desk and field studies separately.

The key conclusions from Annex 5 are, for each of the eight countries examined, summed up very briefly in the below Table 4, which gives a “snapshot” of the situation in the countries. In recent years, however, this picture is shifting rapidly in most of the countries assessed.

From the Table 4, row 1 we draw the *overall conclusion* that achievements in respect of co-ordination and complementarity (the “2Cs”) have been considerable in the eight countries analysed. The achievements were rated as “substantial” for six out of the eight countries analysed, while it for Ghana was assessed as “some”, and for Cameroon as “little”.

The rows 2 to 5 of the Table 4 further contribute to assessing what caused the co-ordination:

### a. Usefulness of CSPs (row 2 of Table 4)

According to the studies for the eight countries, the effect of the CSPs on co-ordination of the development aid, has been little!

Row 2 indicates the overall effect of the CSPs. For Nicaragua and Burkina it has been assessed that “some” effect can be detected from the CSPs, while the assessment for all other countries is “little”, and for Cameroon even “**little!**” The country papers elaborate in more details on the reasons for these fairly negative assessments, but first of all it should be stressed that the five CSPs examined for each of the eight partner countries are very different one from another, and consequently, some contribute more constructively than others.

Issue	Nicaragua	Burkina Faso	Ghana	Cameroon	Zambia	Mozambique	Tanzania	Vietnam
1. Overall 2C achievement	Substantial	Substantial	Some	Little	Substantial	Substantial	Substantial	Some
2. CSP-effect on 2C	Some	Some	Little	Little!	Little	Little	Little	Little
3. Similar processes Effect	BS, Planning Substantial	BS, SWAP Some	MDBS, PAF Substantial	CMB Little	MoU, JASZ Substantial	PAP, DAC Substantial	DPC, DAC Substantial	Harmonisation, Actionplan Some
4. Key institutional structure	SREC, Round tabels	Autonomous admin. capacity	MDBS & PAF	-	Gov. led Coordination MoFNP	PAP, PAF	JAS, IMC DPC, PCAE, MPI	-
5. Incentives for 2C	Show goodwill; Spending targets; Risks; Loss of aid jobs	Autonomy; Admin. capacity; Complexity; Transaction costs	Aim of aid; Effectiveness; Lacking confidence in CoG	-	-	Autonomy; BS	Autonomy; BS	-
Disincentives for 2Cs				Lack of confidence	Internal donor docum.	HQ influence	HQ influence	Internal donor docum.
6. Aid modality: BS	20% **	40%	40%	<10%	<30%	20%	30%	?
Sectoral programmes	5%	0%	?	<10%	?	15%	25%	?
Projects	75%	60%	?	>90%	?	65%	45%	?
7. Sector focus – EC	Rural development Education Public sector reform	Transport & roads Rural development Institutional development	Roads Rural development HIV/Aids	Forestry Health Education	Education Health Infrastructure Public sector reform	Roads Health Food aid	Roads Education Public sector reform	PRSC Public sector reform Rural development Health Education
8. Sector focus – DFID	Public sector reform	NA	Roads Health Education Water HIV/Aids	Forestry	Education Health Public sector reform	Public sector reform	Public sector reform	PRSC Public sector reform Education Transport
9. The Netherlands	Public sector reform Competitiveness Health	Public sector reform Education Health (Water)	Private sector environment Health Education	-	Private sector Education Health Public sector reform	Health Water Public sector reform HIV/Aids	Education Private sector HIV/Aids	PRSC Public sector reform Health
10. Danida	Transport Education Agriculture Environment Public sector reform	Public secretary reform Energy, Water Agriculture Education	Transport Health Public sector reform Water	-	W & S Education Health Infrastructure Public sector reform	Education Health Public sector reform Energy	Agriculture Roads Private sector development	PRSC Public sector reform Agriculture Fishery W & S

\* Refers to the current PRSP II, still not approved \*\* In 2004. Balance of payment support only! Abbreviations, assessments and statements are explained in more detail in Annex 5.



In the country studies the following reasons were listed for the low effect of CSPs on co-ordination:

1. The CSPs attract little attention at partner country level as soon as the process of elaboration and approval of a CSP is over;
2. The contents of the papers are almost unknown to others than the staff of the donor agency responsible for the CSP;
3. The CSP restrain rather than support the room for manoeuvre in respect of improvement of co-ordination and complementarity. This is the opinion expressed at embassy/delegation level for agencies with “Traditional CSPs” (for instance for EC, Denmark, Sweden, and Germany)
4. Most of the CSPs are not very flexible, and they are approved for a long period of time, normally for five years. In the present situation where conditions for the development co-operation are changing quickly such rigid strategy papers might normally have a counter-productive effect.

The effect of “Working Document CSPs” (mainly from The Netherlands) has generally been much more positively assessed at embassy/delegation level, please see Annex 5 A.

The CSPs are analysed in detail in the following Section 6.

#### **b. Usefulness of “similar processes and mechanisms” (row 3 of Table 4)**

Row 3 focuses on effects of “similar processes and mechanisms” on the improvement of co-ordination and complementarity. The overall assessments of effects from such mechanisms are “substantial” for five of the eight countries (one of these even rated “**substantial!**”), while the effect in two countries is “some” and in one country “little”. The key institutional structures, which lead to these fairly positive assessments, are indicated in the lower part of row 3 and in row 4. Most of these approaches are based on the DAC/Nordic+ approach, but some of them link back to the CDF introduced in the late 1990s by the World Bank, and it seems that good practice examples from the CDF pilots have served as an important inspiration for the DAC/Nordic+ initiatives.

1. In Zambia, Mozambique, Tanzania and Vietnam the signing of MoUs for co-operation between donors and the partner country Government is the basis for joint donor initiatives for co-operation with the partner country’s Government. These MoUs aim at co-ordination of a range of elements in the development co-operation: modality for the aid, procedures and processes of accounting, procurement, evaluation and reviews, conditionalities, and the predictability of the flow of aid;
2. In these countries the positive effects on alignment and co-ordination is further strengthened through the agreement on performance assessment frameworks (PAFs). These PAF-processes will ensure a frequent and recurrent dialogue between the donor group and the partner country Government on development co-operation practices and implementation mechanisms;

3. In Nicaragua, Burkina Faso and Ghana the fairly positive assessments are also based on initiatives for joint donor initiatives for dialogue with the partner country Government and for co-ordination of the many and different donors' rules and regulations.

It can be concluded from this that remarkable progress for alignment and co-ordination has been made over a very short period of time. Today this progress seems to be leading towards a shift in the modalities of aid and to new and co-ordinated common donor procedures and practices for implementation.

The principal question is whether this development will prove to be sustainable:

- Is the administrative capacity in the partner countries sufficiently developed to ensure adequate use of donor funding? Also if a substantial part of the funding is supplied as BS ? (the administrative capacity has been increasing rapidly)
- Are the administrative systems in the partner countries, capable of ensuring the demanded transparency and accountability for flow of funds? Are thorough reforms of the public financial management systems a precondition for successful shifts in aid modalities? (new public financial management systems are being implemented in many of the countries assessed)
- Are donors willing to continue the development co-operation and to base it on the “new co-ordinated systems” even if examples of mismanagement or fraud might be disclosed? Or will all or almost all donors in such case step back from commitments and agreements, acting in unison and this way completely undermining the economy (and probably the political support) for the partner country Government as it happened in Zambia in the late 1980s when the Government was unwilling to accept the fierce conditionalities put up by the Bretton Woods Institutions? (this should be assessed in more detail)
- And finally: What would be the overall long-term development effect of the “new co-ordinated systems” if it leads to a “stop-go policy”, having donors responding directly to periods of problems and success in the partner countries?

In this context, it is still too early to assess what will be the long-term effects on the development co-operation of consolidated “partnerships”, also in terms of the commitments of the partner country Government and the donors to ensure continuity in the development co-operation – even in case of irregularities and examples of fraud. The partnership commitment is a long-term commitment, which should be mutually binding, but it is still to be seen how such partnerships will develop.

### **c. Changes in aid modalities (row 6 of Table 4)**

There is no doubt that a radical shift towards BS and to some extent sector programme support has taken place during the last years.

At present it is foreseen that the trend of change will continue in the years to come, leading to further increase in the amount of BS and to some growth also in the sector budget support (on-budget and off-budget). The approximate present size of aid modalities for the eight LDC countries is indicated in row 6 of Table 4 (for 2003).

The shift towards BS is led by EC, DFID and the Netherlands, supported by the IMF, but other bilateral donors also support some growth of BS but want to ensure that sector budget support is strengthened as well. They argue for increased robustness in the development co-operation by using a number of different aid modalities. The partner countries forcefully pressure for a further radical growth in BS: Tanzania argues, for instance, for a target of 70% and Mozambique for a target of 60% for the BS share of overall ODA!

There is a strong commitment among both donors and partner country Governments to increase on-budget allocations so as to allow for the partner country to have more aid incorporated in the official budgets and in the financial planning framework. This commitment also includes sector support, which today takes a number of different forms, from unallocated sector budget support to parallel funding by different donors within the same sector, in this way allowing for full “earmarking” of individual donors’ contributions.

Traditional project allocations still account for more than half of the development aid funds, but the share is shrinking. Some donors argue that project administration (opposite to for instance sector co-ordinated allocations) is simple and less resource-demanding, and as a general rule the partner countries stress that all modalities of development aid are welcome.

The perspective for substantial increase in the amount of development aid, as proposed amongst others in the MDGs, might tip the delicate balance between donor countries’ financial commitments and partner countries’ administrative capacity so that the capacity needed for proper administration of the funds will be insufficient. This may increase the pressure from the partner countries for increase of BS as well as the “donor-competition” in a number of sectors (such as education and health). In Tanzania and Zambia it was during the field studies clearly expressed that this situation would cause the partner country to reject funding, which is not fully in line with Government priorities, and probably even to reject part of the funding offered in form of projects and SWAps. If this mechanism is set through there might be an even faster shift towards BS in these countries.

#### **d. Sector focus**

In row 7 to 10 of Table 4 the distribution of aid on sectors is shown for the eight partner countries. The distribution is indicated only for the four main donors that have been assessed for all eight countries. From the table it is seen:

1. That DFID in addition to the focus on BS is concentrating the development aid on very few sectors in most of the countries;
2. That EC (in line with its overall policy) has a general focus on transport & roads, rural development and public sector reform, and in addition to this is involved mainly in the social sectors of education and health;
3. That both the Netherlands and Danida are involved in a fairly broad range of sectors, which are different from one partner country to another (depending on the needs in the country, it is argued).

Contrary to the other donors, the EC focuses its development co-operation on the same few sectors in almost all countries. No arguments for such uniform focus in all partner countries on a few sectors are given in the EC policy documents, apart from the general statement that focus leads to improved effectiveness. The question should be raised whether the overall focus of EC on specific sectors is constraining the local delegation's work and confining its room for manoeuvre and thus its ability to adapt to local needs and demands. Specifically, this concerns the ability of the EC aid to align to and co-ordinate with partner countries' priorities.

### **5.3 Dominating initiatives for change**

It is a general conclusion that the principal innovations in development co-operation to a high extent are donor-driven. Normally, they are even driven by very few dominating donor groups. For the promotion of alignment and co-ordination in the development co-operation, the following donors have been trend-setting:

1. The World Bank introduced the Comprehensive Development Framework in the late 1990s and implemented it in a number of pilot countries. This paved the way for further improvements of alignment and co-ordination by other donors;
2. The Nordic+ Group summarised experiences from especially Zambia (and Tanzania and Mozambique) and added experiences from an additional 7 LDCs. This allowed for a series of good practice experiences to be summed up and disseminated to other LDC countries. Thus, the Nordic+ Group has been important for alignment and co-ordination in practice. This has been linked up closely with initiatives for public sector management reforms – normally including a reform to ensure the introduction of a transparent financial management system;
3. The DAC is a “think tank” and a forum for international debate and common policy-making. It has picked up on the practical experiences from the World Bank CDF and from the Nordic+ Group's Joint action Plan. On this basis DAC has managed to produce two declarations (The Rome Declaration in 2003, and The Paris Declaration in 2005), which have consolidated and systematised the experiences and achieved support, both from donors and partner countries;
4. The EC has focussed on the CSPs as the principal strategic and planning tool for programming at headquarter-level, supposing that such programming would also

support alignment, co-ordination and complementarity at partner country level. Analyses of the eight partner countries and statements from key staff of the donors in these countries however indicate that such effects have not materialized.

An important reason for the success of the Nordic+ Group may be that its principles and policies have been developed “bottom up” on basis of experiences from the partner countries.

#### **5.4 The issue of risk**

A number of serious risks exist for failures of the “new approaches to co-ordination” of development co-operation. Control with donor funds is more difficult and most donors think that risks of mismanagement are therefore bigger than with earlier aid modalities. This implies a danger for “stop-go” resource allocations from donors to the partner countries, and this may have serious, devastating effects on the development in the partner countries.

Apparently, however, such risks are not sufficiently analysed and discussed, neither among the donors, nor among the partner countries.

#### **5.5 The issue of complementarity**

Many analyses have focussed on progress on alignment, co-ordination and harmonisation while less analytical attention has been drawn to the issue of complementarity. This is partly because the issue of co-ordination is a general concern for most donors and partner countries as it links directly to the effectiveness of the development co-operation (the transaction costs), while the issue of complementarity is mainly a donor-internal concern. In particular complementarity is a concern for the EC/EU MS, which have a formal obligation to co-ordinate their programming and planning and to ensure that overlap between different donors is kept at a minimum.

Both at local and at headquarter level the donors try to “divide” development co-operation areas between them, in respect of sectors and geographical areas. Considerations on comparative strength and “donor-crowding” are taken into consideration when adjustments of CSPs are discussed. However, certain sectors tend to attract donors, especially the social sectors of health and education, while other sectors, such as energy, communications and legal issues, seem to be less attractive. The reason may primarily be a concern for accountability towards the public in the donor country, to whom poverty orientation and social services are better “selling points”.

## 6 Country Strategy Papers as means for alignment, co-ordination and complementarity

Four donors' Country Strategy Papers (CSPs) have been assessed for all of the eight countries which form part of the evaluation; EC, DFID, the Netherlands and Denmark. In addition, CSPs from the following countries have also been included in the evaluation:

For Burkina Faso and for Cameroon:	CSPs from France
For Ghana and for Vietnam:	CSPs from Germany
For Mozambique and for Zambia:	CSPs from Sweden
For Tanzania:	CSP from Belgium
For Nicaragua:	CSP from Spain.

The evaluation has focussed on assessing the role and effectiveness of these CSPs for the improvement of alignment, co-ordination and complementarity.

### 6.1 Four different types of CSPs

The CSPs are very different. Basically, there are four main types (sometimes the strategy papers have other names):

1. **“Traditional CSPs”** are national strategy documents, containing arguments and reflections for long-term donor planning, which reflect and ensure the coherence of a full range of development policies/strategies of a donor country in relation to a partner country. Normally such CSPs are finally approved at the donor headquarters and often a first draft for the CSP, or at least a rigid format for contents and form, has been elaborated by the headquarters. Such CSPs are public documents, used mainly for four purposes:

- a) To form a basis for allocation of funds from the donor to the partner country;
- b) To form the formal basis for decentralisation by defining a framework for delegation of competencies and responsibilities from headquarters to the delegation/embassy in the partner country;

- c) To be used for information and debate among politicians and civil society in the donor country – a justification for use of taxpayers money and a basis for holding the donor agency accountable;
- d) To be used for information to the partner country and to other donor agencies at partner country level.

It is a very resource demanding process to have such a paper elaborated, and the normal life-time of a paper is at least five years, probably with a mid-term review to allow for the most needed adjustments.

2. **“Working document CSPs”** are national strategy documents, containing analysis and reflections on options for donor strategies and planning for development co-operation with a partner country. Such documents are elaborated mainly by the local embassy/delegation in the partner country, and after consultation with headquarters they are often approved at embassy/delegation level. These CSPs often contain an action plan for the first year or two, and are so flexible that they allow for adaption to local opportunities for policy development and dialogue. The documents may be updated as need be, for instance on a biannual basis. They are often fairly brief and outspoken, and to allow for that they may not be made public. As indicated by the name such CSPs are mainly thought as “working papers” for discussion and constant adjustment and development. They are “living documents”, supplying a point of departure for local dialogue and allowing for the local embassy or delegation to raise issues for debate with headquarters on the basis of the specific conditions in the partner country.

3. **“Minimal CSPs”** are national indications of overall strategic principles for development co-operation in the partner country, formulated very briefly so as to allow for maximum alignment with partner country strategies and for joint strategic planning and implementation of development aid with other donors. Ideally, the Minimal CSP will be substituted by references to agreements on alignment and joint implementation strategies. These CSPs are public documents, aiming at the clarification of overall principal strategic positions of the donor. Being brief and confined to the level of principles, these CSPs may be revised or adjusted with short notice, if need be.

4. **“Outdated CSPs”** are CSPs which initially were approved as “Traditional CSPs”, but for different reasons were not updated as planned and in a number of aspects have been “outdated”. Reasons for not updating might, for instance, be that the donor agency is awaiting clarification of key questions in relation to the future development co-operation in the partner country, or that the development co-operation with the partner country is about to be scaled down and therefore does not justify the costly exercise of CSP elaboration/updating.

## 6.2 Donors' preference for type of CSP

A Country Strategy Paper will often contain elements of more than one type of CSP, but generally the CSPs of EC, Denmark, Sweden, Germany, Belgium and Spain are all of the “traditional type” CSP, unless they (as for part of the Danish CSPs examined) belong to the group of “Outdated type CSP”.

**For the CSPs of the EC**, it is the intention that the first draft for a CSP for an ACP-country should be elaborated by the local delegation, in this way allowing for the local problems and agendas to be taken into consideration right from the outset. The EC CSPs are endorsed by the partner country Government, but in a number of countries the Government's comments seem to be an issue of formality rather than an opportunity of dialogue and debate. Often, the outcome is a formal statement which endorses the CSP without any substantial comment. It should be noted that the EC CSPs are amongst the most detailed of the CSPs.

This may contribute constructively to ensuring proper analyses as part of the elaboration, but it also turns the documents into “heavy” and little flexible frameworks for the co-operation. Headquarters play an important role in the elaboration and final approval of the CSPs. Generally, traditional type CSPs of the other donors mentioned are less comprehensive and less detailed.

**The French CSPs** seem, assessed on basis of the examples of Burkina Faso and Cameroon, to be the responsibility of the ambassador and, like the ones of the Netherlands, they are internal documents, phrased in a very open and operational way, and allowing for frequent adjustments – as need be. This way, the French CSP seem to be a mix of the described types of “traditional” and “working document CSP”.

**The CSPs of the Netherlands** belong to the group of “Working document CSPs”. They are elaborated by the local embassy and at least in some cases they seem to be the responsibility of the embassy. These documents serve a dual purpose: as a CSP setting the framework for the development co-operation and as a strategic plan for the embassies, setting short and medium-term goals (and even elements of an action plan) and allocating resources accordingly.

The Dutch CSPs are flexible and easily adaptable to the dialogue with other donors and with the partner Government, and they contain a clear and outspoken analysis of the development co-operation conditions. They set out a realistic action plan based on the specific conditions in the partner country and they form a constructive framework for improvement of alignment, co-ordination and complementarity. Being fairly outspoken, the documents are classified as “Internal Documents” of the Netherlands' Ministry of Foreign Affairs. This might in some cases confine the use of the documents, and it is



not conducive for the dialogue among donors or for the complementarity of the development co-operation programmes. However, the field studies anyhow concluded that, in general, knowledge of one donor concerning the contents of the CSPs of other donors is very limited. It is first of all the informal dialogue amongst donors that forms the basis for co-ordination and complementarity. Thus, it can be argued that it makes little difference whether the Netherlands' CSPs are public or internal documents. The essential is whether the framework and room for manoeuvre set out in the document are conducive or restraining for the dialogue and development of the co-operation at local level.

It is the intention of the Netherlands to gradually increase the contribution for budget support. If so, the CSP may be less important in the future.

The CSPs of DFID are still, for seven of the countries examined, fairly detailed documents, of the traditional type of CSP. For Mozambique DFID has, however, tried to replace a "normal CSP" with something that may be characterised as a "Minimal CSP" as DFID for Mozambique has confined the CSP to a half page information sheet which basically refers to the agreements among donors on a common approach to BS. Although DFID in Mozambique is still active in a number of sectors, there is a clear tendency to move in the direction of BS, concentrating the efforts on development of and agreement upon general principles for such support among the donors. In this way, DFID has in Mozambique like in most of the other countries examined been a very dynamic actor for the achievement of a common set of rules for budget support and through this, an important player in the process for improved alignment and co-ordination in development co-operation.

From the field studies it is the conclusion that the CSPs, when first elaborated and approved, are very little used and known outside the donor-agency. In a number of countries it was stated that their role in respect of alignment, co-ordination and complementarity might be restraining rather than facilitating. These documents are normally designed for a period of five to seven years (with possible mid-term review and adjustment). In the present situation of rapid and radical change in donor policies and modalities of development co-operation, the "Traditional CSPs" tend to restrain the dialogue with other donors and with the partner country. The principal justification for these CSPs seems to be their role as regulating framework for the relationship between donor headquarters and the local delegation/embassy.

As to the aspect of complementarity, there is a long tradition for donors at local level (embassy or delegation) to discuss sector-priorities or geographical divisions and preferences. In this way, substantial and highly useful complementarity in the development co-operation is achieved. The desk and field studies indicate that the process of CSP elaboration contributes to focussing the stakeholders on improvements of complementarity

in the development aid. The studies also show, however, that this awareness disappears shortly after the elaboration process is over.

Thus, the processes of elaboration and implementation of “Traditional CSPs” do not contribute significantly to improving the complementarity of donors’ development co-operation.

### **6.3 The use and the usefulness of mid-term reviews of CSPs**

The use of mid-term reviews of CSPs forms an integral part of for instance EC’s use of CSPs. In principle, this is well argued because of the long “life-time” of at least five years for the CSPs. The need for adjustments during such a long periode seems evident.

It has been the conclusion from the desk and field studies that the mid-term reviews in most cases do not adequately reassess the basis for the CSP and the usefulness of the CSP in relation to the development in the partner country. Instead, a number of the mid-term reviews focus almost exclusively on the formal aspects such as to what extent planned disbursement schemes has been fulfilled.

Consequently, there seems to be a need for reassessment of the format for the Terms of Reference for the mid-term reviews. As a minimum, the mid-term review should allow for proper assessment of both the implementation of the CSP and the partner country development. On this basis it should be the principal task for the mid-term review to assess which adjustments are needed for the CSP to be useful for the last part of the scheduled period of its life-time. Updating of CSPs every three years seems, with the present rapid changes in the framework for and content of the development co-operation to be needed and reasonable, **if** a CSP is found to be a useful tool at all. Alternatively, it could be considered to change the format for the CSPs in the direction of the above described “Working document CSPs” or “Minimal CSPs”.

### **6.4 EC evaluations of the CSPs**

Three evaluations have been made of EC CSPs for the eight countries:

- One recently for Ghana (2005), and
  - One for Burkina Faso and one for Mozambique (both from 2000).
- Evaluations of EU Member State CSP have not been identified or assessed.

In addition an evaluation of the EC CSP for Tanzania was ongoing during the field study. An official evaluation document was, however, not finalised, and it has not been included in this evaluation.

The evaluations for Burkina Faso and Mozambique were both elaborated shortly before a new CSP should be prepared and as such, they were thought to form an important input to the preparation process. No new CSP has so far been elaborated for Ghana, and it is consequently impossible to assess to what extent the evaluation will influence the future EC programme.

The evaluation of the CSP for Ghana found that the donors, including the EC, to a high degree achieve complementarity of the development aid, and this was seen as a result of effective co-ordination mechanisms in all sectors and co-funding in some sectors. Comparing the Ghanaian PRSP with the coverage by donor projects, it was concluded that donor programmes are well aligned with local priorities.

The evaluation recommended that links should be established between sector programmes and BS and pointed to the dilemma that donors on one hand want the GoG to be “in the driver’s seat” and on the other hand want to ensure that funds (also BS) are used for poverty alleviation.

Both the evaluations for Burkina and for Mozambique are comprehensive papers, and the assessments seem to be sound and well founded.

The evaluation of the CSP for Burkina only touches briefly on the issues of alignment, co-ordination and complementarity, confining these assessments to acknowledging that the CSP is well in line with the PRSP. The evaluation explicitly recommend that budget support should continue and that it should be closer co-ordinated with the World Bank initiatives so as to benefit from and support streamlining of rules and procedures. Many of the recommendations of the evaluation report seem to have been taken into consideration in the elaboration of the subsequent CSP.

The evaluation of the CSP for Mozambique deals extensively with the issues of alignment and co-ordination, and it supplies a series of specific, relevant, well argued, and forward-looking recommendations on how to strengthen alignment and co-ordination. The subsequent elaboration of a new CSP (signed in February 2002), however, hardly touches upon the issues raised in the evaluation concerning donor co-ordination. Neither a mid-term review of this CSP (which took place in 2004) paid attention to the issues of alignment and co-ordination or to the view-points raised in the evaluation report concerning these issues. Both the new CSP and the mid-term review were approved, the CSP even with introductory remarks by the Mozambican Government endorsing the CSP. No comments touched upon the issue of lack of focus on alignment and co-ordination.

## 7 Incentives and disincentives for alignment, co-ordination and complementarity

In certain periods the issues of alignment, co-ordination and complementarity develop highly successfully, while during other periods they seem to reach a “stand-still”. Periods of development are often “fuelled” by shifting economic and/or political conditions, but in addition, they may be strongly supported by mutually reinforcing incentives that support the processes.

In the following the term incentive for e.g. improved co-ordination of the development aid will be understood as means which positively support the overall processes and the outcome of co-ordination – be it through motivation of the donor and/or the partner country representatives or by other means.

### 7.1 Incentives for co-ordination and complementarity in development aid

There are four main groups of positive incentives:

- (i) Lessons learned from co-operation processes;
- (ii) Specific partner country incentives;
- (iii) Incentives for local donor group and partner Government dialogue; and
- (iv) Incentives from reduced transaction costs:

#### i) Lessons learned from co-operation processes

From the analysed experiences of five donors’ co-operation with eight LDC partner country Governments the following general lessons can be learned:

1. The institutional level that sets out a policy framework MUST have knowledge and concrete experience from working “on the ground”. For that purpose, decision-making and inputs to the policy-making should, to the extent possible, be delegated to the lowest possible level of decision-making without confining restrictions;
2. The ones responsible for negotiation at country level should also have competencies for decision-making – if need be with subsequent final approval of decisions at appropriate institutional level (for instance at headquarters);
3. It is crucial that discussions are based on transparency and delegated competencies. Otherwise, it is impossible to establish and develop a proper dialogue between

persons or institutions which normally perceive situations and concrete activities from two different discourses, such as, for instance, assessments from a donor or a recipient view perspective;

4. Donors' consulting groups have proved to be the most forceful tool for design of new and innovative approaches for improvement of effectiveness in the development co-operation on alignment, co-ordination and complementarity;
5. Donor co-operation on management of BS has proved to be particularly useful as point of departure for agreements on common approaches to increasing the effectiveness of aid through alignment and co-ordination;
6. A performance assessment framework is one of the most important tools for achieving a concrete and recurrent dialogue. Long-term sustainability of the results for alignment and co-ordination should be based on agreement on mutually committing processes that ensure a recurrent dialogue between donors and the partner country as well as amongst donors;
7. Alignment and co-ordination through sector programme support is crucial for long-term administrative capacity-building. At first hand it is a bothersome and time-consuming process, but such co-operation and agreements contribute in the long term to the development of highly important administrative procedures and systems in the partner country and to the development of the needed local administrative capacity.

**(ii) Specific partner country incentives**

1. The present strive for national autonomy and self-reliance is an important incentive for local co-ordination of development aid.
2. The increasing local administrative capacity is strongly supporting this strive, leading to extraordinary efforts for local autonomy and control;
3. BS and other "new" aid modalities are conducive ways to support this strive as they actively encourage local Government ownership to planning and implementation of development aid. This leads to active involvement of the Government for increased alignment with partner country planning and implementation procedures, and thus to improved co-ordination of the development aid.

**(iii) Incentives for local donor group and partner Government dialogue**

1. PRSPs have formed a common and very useful instrument for setting a framework for dialogue between donors and the partner country Government, and increasingly the local Government has taken ownership to the PRSP;
2. Dealing with only one donor partner (or a few partners) and with only one administrative system has strongly facilitated local processes for co-ordination of projects and programmes. Each of the donors has in this way had a result-oriented forum for debate on the best ways for improvement of the effectiveness of planning and implementation of development aid, and the partner country administration has had one system only to deal with;

3. The focus on BS has implied mutual incentives for donors and partner country Government:
  - donors diminish the administrative effort needed and promote ownership and alignment, and
  - the local Government achieves increased control over the use of donor funds;
4. Increased work-load (from cuts in administrative staff) has forced donors to shifts in aid modalities. The new modalities (such as BS) have facilitated alignment and co-ordination. However, they have also increased the risks of a sudden collapse in the flow of funds in case of mismanagement and/or fraud;
5. The performance assessment framework forms an ideal opportunity for dialogue and development of a mutual understanding among the partners.

**(iv) Incentives from reduced transaction costs and strive for efficiency**

1. Establishment of uniform procedures and processes for all donors is a way of increasing effectiveness and simultaneously diminishing the problem of limited administrative capacity and the transaction costs;
2. Successful implementation of BS is a way to encourage increased funding for this aid modality. If successfully implemented, it drastically reduces transaction costs and increases ownership and alignment;
3. Up-front information and consultation have substantially increased the involvement and active participation of the partner country Government in the development co-operation process;
4. Informal regular contacts and information contribute to relation-building, trust and commitments – both among donors and among partner country representatives.

## **7.2 Main disincentives for co-ordination and complementarity**

There are three main groups of disincentives:

- (i) Problems from weak partnerships;
- (ii) Problems from confined dialogue between the partners; and
- (iii) Fear of risks.

**(i) Problems from weak partnerships**

1. Mistrust among partners is a basis for weak partnerships and it undermines alignment and co-ordination. Mistrust might, for instance, be
  - based on lack of confidence in persons or systems, for instance caused by unclear delegation of responsibilities;
  - a consequence of considering the day-to-day co-operation from two different discourses: (i) that of the donor, and (ii) that of the recipient;
2. Lack of common objectives and targets or of a common understanding of the framework for the co-operation limits the partnership. When the donors are stress-

ing the aim of poverty alleviation, while the partner country Government focuses on the need for economic growth, this might form a potential basis for conflicting. For a period such conflicts may be concealed, but they will sooner or later come out in the open, and if not made transparent and discussed, they may weaken the partnership;

3. Lack of transparency is another threat to the co-operation. Focussing on the administration of funds, the set up and use of transparent systems for national financial management is crucial for ensuring that trust and partnership are not undermined.

**(ii) Problems from confined dialogue between the partners**

1. Persons at negotiation levels must have well defined and sufficiently delegated competencies. Otherwise it is impossible to develop trust and partnership. If the framework is set too tight, for instance by unnecessary restrictions from headquarters, the dialogue will be dominated by a hidden agenda, and trust and relationships will never develop;
2. Donors' supply-driven proposals for development co-operation activities will also undermine the partnership. In particular, if they are not based on partner country needs;
3. Weak capacity of one of the partners or weak understanding of aims and targets for the co-operation may lead to bureaucratic positions and may hamper the strive for alignment.

**(iii) Fear of risks**

1. Fear for cuts of funding or other threats to the co-operation may cause partners to withhold or distort information, thus undermining the needed building of trust and dialogue. The risk of cuts are real, and for good reasons strong efforts should be made to avoid instability and recurrent cuts;
2. Fear for exposure of examples of mismanagement or fraud or ineffective use of taxpayer money may cause unnecessary and incomprehensive restrictions on the partnership and may in this way undermine trust and the common strive for alignment and co-ordination of the development aid.

## 8 New avenues for effective promotion of co-ordination and complementarity

### 8.1 Recommendations on processes

Partner countries should be much more responsible (or co-responsible) for planning, implementation and monitoring of the development co-operation, and alignment and co-ordination of the development aid is an important means for this.

Donors have for years relied on the CSP-related processes to ensure such alignment, but progress has been slow, and by the end of the day other processes emerged, which proved to be much more effective for alignment with a poverty alleviation focus. There is consequently a need for reassessment of the purpose and roles of the CSPs and a need to confine the function of these papers to the core of their aims.

This leads to the conclusion that actual CSPs are not an effective tool for strengthening of alignment, co-ordination and complementarity. Other more effective and efficient tools exist, and they should either be developed in their own right or be transformed into complementary activities to the CSPs to ensure proper alignment with partner countries' development plans.

The experience of the Nordic+ Group of donors, their Joint Action Plan from 2003, and the MoUs set up and agreed upon in a number of LDCs so far seem to be the most successful approach to effective alignment and co-ordination of development aid. These activities should be used as point of departure for common agreements on how to strengthen alignment and co-ordination.

The DAC forum on Alignment and Harmonisation has proved to be the most effective supra-national institution for pick up of practical experience and for transforming this into a broad international consensus on policies supporting the promotion of alignment and co-ordination. A highly successful synergy seems to have developed between the practical experience gained and disseminated in the field by the Nordic+ Group and the ability of DAC to synthesise this experience and have it generally accepted and



approved at supra-national policy level. As such these two fora today seem to set the agenda for alignment and co-ordination and to be the ones driving the process.

A number of issues seem, however, not to be sufficiently analysed and assessed but rather to be left to the individual donors to decide upon, first of all the choice of aid modality and the risks linked to such choice. EC, UK and the Netherlands spearhead the use of BS, and a number of other donors follow, although they state that it is premature to focus exclusively or almost exclusively on these modalities in the LDC countries. These donors argue that sector programme support should also be given priority, to contribute constructively to development of the needed administrative systems in the partner countries, and to increase the robustness of the development aid in case of major scandals of fraud or mismanagement, which might threaten the support for BS. There is a need for a discussion of what should be the balance between the different aid modalities and how to strike this balance.

At partner country level donor groups are successfully functioning in many LDC countries, and partner country Governments seem to be happy with the simplification achieved concerning donor relations, but these groups are set up “ad hoc”. It might be the proper time to consider what should be a more permanent institutional rooting for these groups as well as the perspective for their future role and development. Most of the groups have been set up and are focusing on the issues of BS, but it would be a major strengthening of the perspectives for alignment and co-ordination if co-ordination made by these groups concerning BS could be expanded to include other aid modalities as well, and there is an evident need for a forum to further develop and promote co-ordination of donor approaches to sector programme support.

EC and the EU MSs might have an important role as “front-runners” in the process of broadening the achievements of the Nordic+ Group. It is crucial, however, that these initiatives are locally rooted and locally driven. The initiatives should allow for the systems established to be different from one partner country to another, adapting to local needs and conditions, but benefiting from dissemination of good practice examples.

## **8.2 Comments on the report of the Ad Hoc Working Party on Harmonisation**

As a general remark the Evaluation Team wants to point to the fact that the Ad Hoc Working Party on Harmonisation (AHWPH) report: “Advancing Co-ordination, Harmonisation and Alignment – the Contribution of the EU” is difficult to read and understand. This seriously limits the dissemination of the content of the report.

In addition there is a need for definition in the report of what is meant by the terms “harmonisation” and “co-ordination”. A small section clarifying why both of these overlapping concepts have been used throughout the report would have been useful.

The AHWPH report examines and comments on recommendations of the Commission and other relevant proposals with a view to putting Barcelona II into practice.

In general the conclusions from the present evaluation positively support the comments from the AHWPH, in particular as far as the recommendations are aiming at

- A partner country based and partner country led approach to alignment and co-ordination;
- A focus on donor-wide initiatives rather than EU exclusivity;
- A wide coverage of aid modalities and procedures;
- A focus on implementation experiences as input for new approaches to co-ordination and complementarity;
- A flexible adaptation of approaches to partner country conditions rather than one uniform EC and EU MS approach;
- A decentralisation of responsibilities to partner-country level to the extent this is possible.

The AHWPH report is summarised in nine findings. As the report, however, is difficult to read unambiguously, ten key issues from these nine findings have been highlighted and commented upon in the light of the general findings from the evaluation of alignment, co-ordination and complementarity.

**The 10 issues raised and commented upon:**

**Issue 1. How narrowly should the framework for co-ordination be set? (an Action Plan or a Roadmap?) (finding 1 of the AHWPH-note):**

The conclusions from the evaluation strongly support that a more flexible approach, for instance in form of a “Roadmap”, should be used. The evaluation further concludes that general reports (such as CSPs and the proposed “Annual report on the status of EU co-ordination”) might neither be much known to nor read by other donors than the ones directly involved in the elaboration. Such reports seem to be quickly forgotten after they have been elaborated. Neither does the partner country’s Government seem to take much notice. For that reason it should seriously be considered whether elaboration is worth-while, and in many countries emphasis could instead be put on the importance of the elaboration and use of the common performance assessment framework (PAF), which has been decided upon and which is supported by a broad range of donors.

**Issue 2. To what extent should efforts for co-ordination and complementarity also address and actively try to involve non-EU member countries? (give up exclusivity of the activities?) (findings 1 and 2):**

The evaluation concludes that it has been difficult to identify major progress on promotion of alignment, co-ordination and complementarity achieved through exclusive

co-operation among EC and EU MSs. This conclusion supports that also non-EU member countries should be actively encouraged to join the efforts for promotion of co-ordination and complementarity. In many countries (for instance Zambia, Tanzania and Mozambique) a strong donor co-ordination group has been established. In e.g. Tanzania there are EU Member States which are in strong support of budget support and of providing this with for instance the World Bank, while there are other Member States (e.g. Germany) which are unable to join such an initiative – at least for the time being. This raises the question whether, for instance, DFID and GTZ should join forces on the implementation of a common Roadmap for Tanzania or if they should rather focus on agreement on a common PAF.

**Issue 3. To what extent should the activities for alignment and harmonisation be based on decentralisation of competencies, responsibilities and decision-making? (finding 3):**

As concluded in the evaluation, the most useful new approaches for improved co-ordination and complementarity have been based on decentralised initiatives for joint donor actions and procedures, and these activities have been spearheaded by donors, which have delegated substantial competencies and responsibilities to the embassies and representations in the partner countries. The conclusions from the evaluation therefore strongly support decentralisation of competencies, responsibilities and decision-making as a means for improved alignment, co-ordination and complementarity.

**Issue 4. To what extent should the EC CSPs set the framework for the EC and EU MS co-ordination of development co-operation? (finding 3):**

From the evaluation it was concluded that in particular the “traditional type of CSPs” in respect of improvement of alignment and co-ordination had little effect, confining the freedom of action of the embassies and delegations. In line with this conclusion it should, to the extent that the CSPs are not needed for other purposes, at least in the present situation be avoided having the EC CSPs set the framework for improving alignment, co-ordination and complementarity of the EC and the EU MS development co-operation.

Thus, the recommendation of the AHWPH (in finding 3) of “making good use of Country Strategy Papers” for “stepping up co-ordination between Member States and Commission representatives on the ground” will not be an effective means for co-ordination.

**Issue 5. To what extent should guidelines approved at EU-level, for instance sector and thematic guidelines, be applied (binding) also to bilateral and Community assistance? How detailed should such guidelines be? (finding 4):**

It is a conclusion from the evaluation that at present many initiatives are ongoing for co-ordination of procedures and conditionalities at partner country level aiming at bringing the transaction costs down. To do this successfully, there is a need for donor flexibility, and the conclusions from the evaluation therefore support the AHWPH con-

clusion that “universal sector and thematic guidelines could be counterproductive if they are too detailed and used as blueprints”.

**Issue 6. To what extent would it be useful to define joint EU policies and strategies within the context of joint multi-annual programming? And could the common framework for CSPs of 2000 (complemented by existing guidelines of individual Member States and the Commission) serve as basis for such policies after revision and updating? (findings 4 and 6):**

It is a basic conclusion from the evaluation that “traditional type of CSPs” (including the ones of the EC) have contributed little to achievements on alignment, co-ordination and complementarity – first of all because they are limiting the room for manoeuvre of the delegations and embassies in the partner country. Joint EU policies and strategies might in the current situation further confine this room of manoeuvre and would not be useful at present, even though there might be a number of advantages from having a multi-annual tentative programming, which could contribute to improved complementarity of the donor contributions.

**Issue 7. Should development of a separate strategy or plan for joint EU approaches, contributions and actions on aspects of harmonisation and co-ordination at this moment be necessary? (finding 5):**

The same conclusions as for the above Issue 6. These support the AHWP conclusion “that the development of a separate strategy or plan for joint EU approaches, contributions and actions on concrete aspects of harmonisation and coordination is not necessary at this moment in time”.

**Issue 8. How to develop an operational strategy for strengthening of the “within-partner-country” complementarity of EC and EU MS development aid: based on partner-country initiatives, or based on guidance from headquarters? And to what extent should such an operational strategy take the form of concrete steps, uniform for all partner countries – for instance being defined in a revised Common Framework for CSPs? (finding 7):**

The evaluation points to the many positive achievements from joint donor initiatives at partner country level concerning alignment, co-ordination and to some extent also complementarity. To support this, agreement on concrete steps at country level, laid down in the Roadmap might be a useful support. This would also allow for the newly demonstrated partner country demand for influence concerning choice of advisers (who have comparative advantages?) to form part of the dialogue at local level on the most effective and efficient ways of co-ordination, having the partner country Government to assume increased responsibility and ownership to implementation. Anyhow, the Government will assume this responsibility as part of implementation of BS-funded projects.

It should thus be avoided to have headquarter level “guidance” and “a CSP menu of steps” to set a framework for such co-operation for complementarity among the donors at country level, as the local embassies and delegations will be in a much better position to assess specific options and to agree, at local level, on divisions of work. There is a long and fairly successful tradition for such co-operation, it was concluded from the evaluation.

**Issue 9. Is there a need for development of a common framework for aid implementation procedures or should MSs and the Commission have maximum flexibility in their rules and procedures in order to advance harmonisation and alignment? (finding 8):**

As already made clear, the outcome of the evaluation supports the recommendation of the AHWPH for “Member States and the Commission to ensure maximum flexibility in their rules and procedures in order to advance harmonisation and alignment”.

**Issue 10. To what extent will there (if the AHWPH report is approved) be a need for a system to monitor the implementation of the recommendations? And if so: to what extent can existing systems for monitoring be used? (finding 9):**

The AHWPH supports the conclusion of the Commission that there is a need for an effective and efficient system for monitoring the recommendations’ implementation, and proposes initiatives at overall EC-level as well as a revision of the Common Framework on Country Strategy Papers. The evaluation has focused on partner country level issues, and as such it does not qualify for comments relating to the overall level. It is, however, the impression of the team that the most effective mechanisms for improved alignment and co-ordination seem to be joint donor initiatives at partner country level rather than CSP frameworks, and that in particular the Performance Assessment Frameworks established in many countries could be important long-term instruments for a mutually committing monitoring of progress. As such these PAFs and similar monitoring initiatives should be the backbone for the monitoring in the countries where it has been agreed upon.

### **8.3 “The European Consensus”**

By the end of 2005 a common EU programming framework, called “The European Consensus on Development” was signed by the President of the Commission, the EU Council and the European Parliament. This document links up closely to and supports the DAC Paris Declaration, and as such it is much in line with the assessments of this evaluation.

In Annex 4 key quotations from “The European Consensus on Development” are highlighted, giving examples of key statements which in particular are in line with the conclusions of this evaluation.

## 8.4 Proposals for further studies and analyses

During the analyses, which formed part of this evaluation of alignment, co-ordination and complementarity, three key issues were identified, needing more careful analysis and assessment. They are all of major importance for ensuring the future sustainability and the smooth implementation of the development co-operation with the LDC-countries:

### 1. Risks of misuse of funds and stop of flow of funds:

The analysis of fear for fraud or other forms of mismanagement of donor funds has so far been seriously neglected.

Donor control of funds supplied as BS is less transparent compared to traditional modalities of development co-operation, and therefore, risks of fraud might be bigger. Consequently, there seems to be an increasing risk that front-page articles in newspapers may stop flow of funds, and the LDCs are extremely vulnerable to such cuts in flow of funds. However, analyses of such risks as well as options for mitigation of the risks have (if they have been produced) neither been made public, nor discussed amongst donors or stakeholders. EC, UK and the Netherlands focus on BS while other donors, referring to this risk, try to spread the development co-operation on a number of aid modalities. Also a number of the partner countries argue strongly for substantial increase of BS (Tanzania aim at it to amount to 70% of ODA, and Mozambique aim at 60%) – apparently without a detailed assessment of the risks involved.

### 2. Poverty orientation of development aid:

From the development and use of the PRSPs it seems that the real focus of the partner countries is on economic growth, while the donors, amongst others for the sake of justification of use of tax-payer money, focus on poverty alleviation and support for the social sectors.

The PRSPs have, for a period of time, formed the platform which both donors and partner countries could accept as the overall principles for the focus of development aid, but it is getting still clearer that donors and partner country Governments have different aims. So far it seems that this potential conflict has been locked up in a dark room. An analysis should in due time prepare for the discussions.

### 3. Effects of debt relief:

There is an urgent need for in-depth assessments of the effects of debt relief on alignment and co-ordination of the development aid.

Made up in money, the debt relief is a very substantial modality of the development co-operation, but it has not really been assessed as such. So far the contents and consequences of debt relief has been allowed to stay out of focus and out of proper integration with other forms of development co-operation. With the increasing size and importance of this form of aid during the last 10 years, the need for proper analyses is also increasing.

# Annex 1. Terms of Reference for the Evaluation

## Evaluating Complimentarity, Coordination and Coherence of Country Strategy Papers with National Development Priorities

### I General evaluation objective

The Heads of Evaluation of the Member States and the Commission agreed to the desirability of joint evaluations to assess the role played by the Maastricht Treaty precepts, *co-ordination*, *complementarity* and *coherence*\*, in the European Union's development co-operation policies and operations. General aim of the evaluations is to determine how far these so-called “3Cs” have been applied and with what impact. The evaluations are expected to produce evidence, lessons and recommendations to strengthen the quality of European development assistance. These Terms of Reference are part of the proposal *Terms of Reference for Evaluating and Learning about Coherence, Coordination and Complementarity*, to be submitted to the Heads of Evaluation meeting in Brussels, June 16, 2004.

\*A specification of *co-ordination*, *complementarity* and *coherence*, as referred to in this study, is included as section 10 of these terms of reference.

This evaluation seeks to assess to what extent and how the EC and EU MS apply the precepts of coordination and complementarity to the process of elaborating the Country Strategy Papers (CSPs) as well as similar papers on the part of the Member States and, and whether and how this contributes to align these to the strategic priorities of the partner countries.

The outcomes of the study should contribute to and allow for a joint learning process among the EC, member states and stakeholders in the South. They should incorporate the various constituencies' perspectives on the 3Cs and inform a joint learning process between stakeholders in the EU MS, the EU institutions and partner countries.



## 2 Background/relevant context

### 2.1 General background of the Evaluation

The general aim of the evaluation studies is to assess how far the Maastricht Treaty precepts *co-ordination, complementarity and coherence*\* have been applied in practice and with what impact. Evaluation studies are expected to produce evidence, lessons learned and recommendations to strengthen the quality of European development assistance.

\* A specification of *co-ordination, complementarity and coherence*, as referred to in this study, is included as section 10 of these terms of reference.

### 2.2 Specific policy background

This evaluation will use the process of elaborating Country Strategy Papers (CSPs) of the EC and similar papers on the part of the Member States as concrete test cases for improved coordination and complementarity between EC and MS and to assess country ownership of development policies and cooperation strategies. In principle, strategy papers provide a basis for aligning overall EU (EC and MS) support to national development priorities, as expressed in national policy documents such as Poverty Reduction Strategy Papers (PRSPs). Besides, the mechanism should facilitate effective coordination and complementary action.

The logic behind CSPs is to allow partner countries to define their own development priorities. This, in turn, calls for new approaches to designing a CSP, including the need for broad-based consultations (with a view to involve a wide variety of state and non-state stakeholders) as well as for a processes of harmonisation of donor support modalities in order to avoid a situation whereby a partner country has to enter into country strategy processes with a variety of European donors.

Yet, how do the CSP mechanisms work in practice? To what extent are CSPs effectively aligned to national development priorities, including those established through the PRSP framework? What factors contribute to or hamper effective alignment of EC and EU MS support? To what extent and under what conditions does the CSP process facilitate improved coordination and complementarity? Does it foster harmonisation initiatives among EU donor agencies involved?

The November 2001 joint statement by the Commission and the Council on the European Community's development policy takes up these points very strongly.<sup>1</sup> It

1 Joint Statement by the Commission and the Council on the European Community's Development Policy [http://europa.eu.int/comm/development/body/legislation/docs/council\\_statement.pdf](http://europa.eu.int/comm/development/body/legislation/docs/council_statement.pdf)

acknowledges the potential of increased coordination to improve the effectiveness of aid and suggests “stepping up coordination between Member State and Commission representations on the ground in the closest possible liaison with the partner country at every stage in the Community programme formulation, implementation and evaluation process.” (6) To this end, it recommends that actors should make good use of CSP process. The joint statement further notes that the CSP provide a “special opportunity” (ibid.) for promoting complementarity between the Community’s, the MS’ and other stakeholders’ development cooperation policies.

The main focus of the evaluation is coordination and complementarity. The Steering Group defined coordination to be the activities “of two or more development partners that are intended to mobilise aid resources or to harmonise their policies, programmes, procedures and practices so as to maximise the development effectiveness of aid resources”. ‘Complementarity’ refers to a more sophisticated form of coordination, whereby EC and EU MS agree on a task division among them, based on their respective comparative advantages.

### 3 Justification of purpose

Against this background, this evaluation will look at the track record of EU Member States’, the European Commission’s and partner countries’ efforts at coordination and complementarity in the context of the CSP and similar processes. Given the large number of other European and non-European players involved (donors, NGOs, specialised agencies), it provides a rich field for an in-depth look at the actual use of coordination mechanisms and task divisions in a field which is increasingly important to European policy makers.

This evaluation theme has been chosen because it corresponds to a “window of opportunity” for evaluating two of the three Cs at the partner country level. As set out in the introduction, the evaluation study can be embedded in ongoing processes of change. This allows for a wide range of opportunities to have a fresh look at the role of two of the three Cs, as well as to promote a more effective application and greater impact. Three practical conditions are met through this study (see also ECDPM background report, p. 8):

*Pertinence:* Country-owned national development strategies and the associated policy processes are relatively new approaches to (European) development cooperation. Institutions, fora and platforms involved in these processes are often still evolving or in the process of accommodating to these new tasks. In addition, in many countries the various facets of the Cotonou Partnership Agreement, which lays great emphasis on fostering country ownership, are still not fully implemented. Valuable insights could be collected at this point on the practice of CSPs – both from

the perspective of the EC and EU MS – on ways to better utilise this tool for improving the 3Cs.

*Added value.* The evaluation will provide knowledge about the gradual evolution and implementation of coordination mechanisms and instruments, about successes and failures in coordinating joint action and learning at partner country level. Through the adoption of a multi-actor perspective, the different stakeholders will be put in a position where they can learn from each other's respective perspectives and experiences. It provides an opportunity to respond to the demands of the multitude of stakeholders referred to below. The evaluation will try to address the needs and demands of the partner country's government, non-state actors (NSAs), donor agencies, most importantly the EC and EU MS. Comparisons between different country situations will help to share insights and good practices or point to common fallacies.

*Feasibility.* Given the on-going implementation of the Cotonou Partnership Agreement, there is still room for learning-by-doing with regard to CSP and similar processes and related efforts by the EC and the EU MS to aligning their support to national priorities and to enhance coordination and complementarity. Much of the information relevant to this evaluation can be accessed through an analysis of CSPs including National Indicative Programmes and of available Country Strategy Evaluations, initiated by the EC Evaluation Unit.

The evaluation could benefit most actors involved in the policy dialogue on the national level, including partner country government officials and donor agencies' staff. Moreover, the EC and EU MS may find the results interesting as far as they shed light on the adequacy of new approaches to aid programming such as the CSP, introduced in the framework of the Cotonou Agreement.

#### **4 Specific evaluation objectives**

The prime purpose of the evaluation is to identify key lessons pertaining to the application of coordination and complementarity requirements in the process of formulating and implementing CSPs and similar country strategy papers by MS (1) among the services of the European Commission; (2) between the services of EC and services of EU MS and (3) between the services of the EC, the MS and partner country-level initiatives

The evaluation will aim to identify, which coordination mechanisms, and which measures to enhance complementarity have been put in place to address the deficiencies identified over the years, and whether the implementation of these mechanisms and measures have resulted in an increased effectiveness .

The specific evaluation objectives are:

- To assess the adequacy of existing processes and mechanisms used to ensure coordination and complementarity between various stakeholders involved in the process of formulating and implementing the CSP and similar papers on behalf of the MS;
- To assess the degree of alignment with national development priorities achieved through the CSP and similar processes.
- To analyse the incentives and disincentives for improved coordination and complementarity in the context of the CSP and similar processes;
- To identify possible new avenues for promoting the coordination and complementarity in CSP and similar processes effectively;
- To identify key actors that could contribute to expert exchanges in the follow-up process to the evaluation
- To review current proposals such as the EU Action Plan on harmonisation and identify any emerging issues and lessons around the broad ideas and objectives for a different approach to programming.

## **5 Scope of the evaluation**

### **5.1 Key evaluation questions**

*The general questions guiding this evaluation are: How do the EC, EU MS and partner countries organise themselves at the partner country national level to align development policies and priorities? What coordination mechanisms can be identified and how effective have they been? Is there a search for complementary action in supporting local development processes?* The key questions of this evaluation are intended to articulate the main challenges involved in implementing the country strategy processes as tools to promote the effective coordination and complementarity. In addition, questions are included regarding the degree of alignment with national development priorities achieved.

At first an inventory of processes by which partner countries derive their national strategies is required. Besides, processes/mechanisms are to be identified which are used at the level of the EC and MS to pursue coordination and complementarity, including donor harmonisation initiatives. Also, indicators are to be chosen to determine alignment with national development priorities, as manifested in national development plans, PRSPs, or other statements to be identified by the consultant(s). Then the evaluation focuses on the following set of questions:

#### **a On processes and mechanisms:**

- Do the processes/mechanisms identified allow for proper dialogue with various local stakeholders as well as with the international donor community (particularly the EC and EU MS) that observes the precepts of coordination and complementarity?

- Did the EC and EU MS adjust their internal organisation and procedures to the challenges of improving coordination and complementarity in the context of the strategy paper processes? How effective were these adjustments?

***b On alignment of priorities:***

- To what extent is overall EU (EC and MS) support aligned with national development policies?
- Are there different degrees of alignment in different policy sectors? If so, why? What role is played by the different local actors (partner governments, non-state actors, private sector, others) in promoting effective alignment to national development priorities?
- How is the quality of the CSP and similar papers assessed? Is alignment with national development priorities part of the assessment criteria? Who plays what role in the assessment process?
- To what extent are review processes (e.g. the mid-term review of the 9<sup>th</sup> EDF) used to check the degree of alignment of overall EU support and to adjust the CSPs if needed?

***c On incentives and disincentives***

- What incentives do the CSP and similar processes—as currently applied—provide for enhanced coordination and complementarity among EC and EU MS?
- What lessons can be learnt from successful examples of using the CSP tool? What have proven to be the main disincentives for a proper integration of the coordination and complementarity in CSP processes?

***d On new avenues for improved coordination and complementarity***

- What effects and outcomes can be identified and traced back to the implementation of mechanisms enabling coordination and complementarity?
- In which sectors does increased coordination/complementarity have positive/negative effects?
- How could the CSP and similar processes be better equipped and used to promote coordination and complementarity?

## 5.2 Key results expected

A first set of results should help to inform future design of mechanisms for coordination to align development policies of the various stakeholders present in a country under the CSP approach. These results would provide answers to questions like: What did actors do, individually or jointly? What immediate effects were achieved? What unintended outcomes happened? Evidence which can support the description of what happened will be presented.

Second, the evaluation will also provide arguments to reflect upon the existence or non-existence of a relationship between what was done in terms of formulation of policies and the setting up of mechanisms, and what was achieved out of these initiatives. Arguments made should be backed up by evidence to support them.

Third, the evaluation will draw key lessons from the findings and arguments provided. The lessons will focus on an enhanced coordination between the EC and the EU MS and partner countries governments

Finally, the evaluation will provide a set of detailed recommendations oriented towards the audiences identified in 3.

## **6 Approach and methodology**

The evaluation should cover the period from 2000 to date. In order to achieve a good coverage of various countries, country and donor contexts and initiatives, desk studies of some 8 partner countries are considered necessary. 5 countries may be covered by desk studies only, drawing upon existing (evaluation) materials, while in at least 3 countries field studies will be done. Insights, as well as learning opportunities for stakeholders on the partner country level are greatest by direct engagement. The consultant should take particular account of the existing harmonisation initiatives and their evaluations.

After a review of existing literature and evaluations, the consultant should establish a list of countries where coordination/complementarity initiatives in connection to CSP processes and/or harmonisation initiatives have taken place. After that, a range of countries should be selected using the following considerations:

- Include countries that have well-defined strategic national priorities as well as countries in which these are less clear.
- Include both countries where initiatives taken are considered to have been a success and countries where on the contrary, initiatives have been noted as unsuccessful.
- Include countries where country strategy evaluations have taken place over the last 3 years.
- Include countries that fall respectively under the Cotonou Agreement, the MEDA framework and the ALA regulation.
- Include countries that have a wide range of EU players involved in cooperation, so as to examine how coordination and complementarity works in these conditions.

In countries chosen for field studies, the consultant(s) will organise consultations, particularly in partner countries, in such a manner that these encourage dialogue

between different state and non-state stakeholders. This could be done e.g. in the context of a joint workshop building on a draft of the consultant(s) country report. In other countries studied within the framework of the evaluation, actor consultations may be organised through electronic means

The consultants are requested to design and elaborate a theoretical approach to the issues addressed in the evaluation, which permits the development of an analytical framework that allows for a further specification of the evaluation questions; the approach chosen and the methodology proposed are to take into account the particular nature of this type of process-oriented evaluation. The answers to the following set of questions may be kept in mind when defining the methodology:

- What mix of methods for data/information collection is going to be used? Examples: review of secondary sources, documentation and/or literature; ethnographic studies; semi-structured interviews with key informants; case studies; field observation studies; surveys and/or measurements.
- Is the above mix considered adequate to obtain the data/information required? Why?
- What data/information processing techniques/procedures are to be used on each type of data/information? i.e. modelling; statistical analysis; lists/matrixes; group or individual interpretation.
- What verification methods will be used? Statistical evaluation; triangulation; feed-back to stakeholders. How convincing will these be in the eyes of the different audiences addressed?
- Are key informants chosen from the organisations directly involved in the process only, or will external stakeholders such as non-state actors – private enterprise, NGOs, user organisations – be consulted as well? Do the above choices ensure that findings follow logically from the data analysis and interpretations based on transparent assumptions and rationale?
- Do the above choices ensure that recommendations will be fair, unbiased by personal views and sufficiently detailed to be operationally applicable?

## 7 Management

### 7.2 Inception phase

Once the consultant has been selected, has made any agreed amendments and the *Launch Note* has been approved by the Evaluation Unit, the consultant will assemble relevant documentation on the issues to be addressed during the evaluation. On the basis of an in-depth analysis of this documentation the consultant(s) will then produce an *Inception Report* **within one month of the award of contract**.

This *Inception Report* will include a well-founded theoretical approach towards the issues addressed by the evaluation, leading to an analytical framework that allows a further specification of the evaluation questions; it will define adequate sources of information; set criteria for assessing the responses to each of the questions addressed; present appropriate methods for information; set criteria for assessing the responses to each of the questions addressed; present appropriate methods for information and data collection, processing and analysis, and if foreseen, suggest locations for field studies and interviews. The *Inception Report* should also detail possible limitations of the type of analysis chosen. It will be submitted to the Evaluation Unit for approval, and distributed among the members of the pertinent working group of the 3C Task Force, for their information and/or suggestions.

### 7.3 Desk study phase

The consultant(s) will supplement the literature review with interviews at the EC, EU bilateral donors and if possible other multilateral donors. Further consultations with embassies of ACP countries or the ACP Secretariat in Brussels should help capture the views of partner countries.

### 7.4 Case or field study phase

Following the satisfactory completion of the Desk Phase, the consultant(s) will proceed to the field missions. The consultant(s) will present the findings during the fieldwork at the end of each field mission in a Field Report. These reports will be shared with the pertinent working group of the 3C Task Force, for their information.

### 7.5 Reporting phase

The consultant(s) will deliver the Draft Evaluation Report to the Evaluation Unit no later than 21 October 2005 or as otherwise agreed with the Evaluation Unit. Upon acceptance by the Evaluation Unit, the report will be circulated for comments to the pertinent working group of the 3C Task Force. The Evaluation Unit will organise a meeting of the working group to discuss the draft report, in the presence of the consultant(s).

On the basis of comments received from the Evaluation Unit and the working group members, the consultant(s) will make the final amendments and submit the Final Evaluation Report. In consultation with the Task Force, the Evaluation Unit will decide on the way to proceed with the dissemination of the report.



## 8 Quality assessment

### 8.1 Criteria for assessing the quality of the Final Evaluation Report

- Have the terms of reference been applied adequately? Does the report reflect that?
- Does the report provide adequate insight in the evaluation design and methodology and its practical application?
- Are the research methods used, findings and the evidence to support it presented in a verifiable manner?
- Are the conclusions and recommendations clearly linked to (a) the evaluation questions and (b) the evidence collected?
- Does the report contain a comprehensive and clear summary?
- Have major stakeholders been consulted?
- Have major documents been reviewed and contents adequately reflected in the report?
- Is the report ready for wider dissemination?

### 8.2 General criteria to be used to assess the quality of the evaluation process and outcomes

The criteria used to assess the quality of the evaluation process and outcomes are to reflect the criteria used to justify the evaluation study. Hence, the following are applied:

- *Pertinence*: Outcomes of the evaluation should be of particular relevance to the development of policies and their subsequent operationalisation and as such address the demands of European development policy makers and programme managers.
- *Added Value*: Outcomes should add to existing knowledge and on-going research and thus part of the evaluation will be to identify all recorded impacts and assess the intended impact corresponding to each objective, indicating how these intended impacts fit within broader and changing (economic, political, sociological, cultural, environmental) contexts. However, the final report of this evaluation will be useful as a product in its own right.
- *Feasibility*: The evaluation should have been placed within a well-defined operational context where actions were undertaken by EU stakeholders to promote coherence, coordination and/or complementarity; *Effectiveness*: The evaluation should deliver the outputs specified in the ToR. Was the research design adequate and has it been put into practice? Were evaluation objectives, analytical framework and research questions, approach, methodology and operational planning adequately specified? This will also be assessed using the criteria specified for evaluating the draft Final Evaluation Report above.

- *Efficiency*: The evaluation should have been conducted within the temporal and monetary limits defined in the ToR. The consultant will have taken these into account when developing the specific methodology.

## 9 Consultant(s) profile

The lead consultant holds a post-graduate degree in management, social, political science and/or development studies with at least 10 years of experience in institutional and organisational analysis, as well as relevant experience in EU development programmes, having knowledge of the regions receiving EU assistance. S/he should furthermore be aware of the international debates on issues relevant to this evaluation and of different approaches in use.

Besides, the lead consultant will have or include in his/her team at a senior level, extensive experience with respect to the analysis and evaluation of policy-related multi-stakeholder processes. He or she is expected to be able to form and lead an interdisciplinary team to match the specific specialist fields required by the evaluation.

Innovativeness regarding the design of the theoretical approach and methodology for the evaluation is considered an asset. Besides the interaction with the Evaluation Unit who tenders the evaluation, the consultants will be required on a regular basis to interact with the Task Force working group assigned to the evaluation; and to promote learning with respect to the outcomes of the evaluation, by defining specific inputs into the 3C learning platform at regular intervals in their *Launching Note*.

## 10 Coordination, complementarity and coherence: origin and operational definitions

The Community's competence in the field of development co-operation was established in law by adoption of the Maastricht Treaty in 1992 . The Treaty created a constitutional basis for development co-operation policies, and formalises the existence of a European development policy functioning in liaison with those of Member States, while recognising their interdependence. It revolves in essence around aspects of the so-called "3Cs": *co-ordination, complementarity and coherence*; which are also inter-related. However, the Treaty is not always clear or free from ambiguities. Below, a brief summary of the relevant provisions are given.

Article C of the Treaty on European Union (Maastricht Treaty) sets out the general parameters for the Union's external action. It stipulates that "the Union shall in particular ensure the consistency of its external activities as a whole in the context of its external relations, security, economic and development policies."<sup>2</sup> Further, it requires the Council and the Commission to be responsible for ensuring such consistency. These provisions were reiterated in the Amsterdam and Nice Treaties under Article 3.

Article 130v of the Maastricht Treaty, which was taken up in the subsequent Amsterdam and Nice Treaties as Article 178, further requires the Union to "take account of the objectives referred to in Article 130u [Article 177 in both the Nice and Amsterdam Treaties] in the policies that are likely to affect developing countries". Article 130u, in turn, obliges the European Union to ensure that its development policies are complementary to those of the MS and pursue the generally specified goals of sustainable social and economic development for, the integration into the world economy of and alleviation of poverty in developing countries.

Article 130x of the Maastricht (Article 180 of the Amsterdam and Nice Treaties) demands that the "Community and the Member States shall coordinate their policies on development cooperation and shall consult each other on their aid programmes, including in international organisations and during international conferences." Member States should contribute, if necessary, to the implementation of Community aid programmes.<sup>3</sup>

In the context of the Amsterdam and Nice Treaties, humanitarian action is considered as one aspect of the Union's common foreign and security policy (Article 17 (2)). Provisions under this heading demand that the MS "...support the Union's external and security policy actively and unreservedly in a spirit of loyalty and mutual solidarity. The Member States shall work together to enhance and develop their mutual political solidarity. They shall refrain from any action which is contrary to the interests of the Union or likely to impair its effectiveness as a cohesive force in international relations" (Article 11).

#### 10.1 Co-ordination

Co-ordination has been defined as 'activities of two or more development partners that are intended to mobilise aid resources or to harmonise their policies, programmes, procedures and practices so as to maximise the development effective-

2 Treaty on European Union, Official Journal of the European Communities C191, 29 July 1992 [http://europa.eu.int/eur-lex/en/treaties/dat/EU\\_treaty.html](http://europa.eu.int/eur-lex/en/treaties/dat/EU_treaty.html)

3 See Treaty on European Union, Official Journal C 191, 29 July 1992, and Consolidated Versions of the Treaty on European Union and of the Treaty establishing the European Community, Official Journal C 325/1 24 December 2002

ness of aid resources'. With regard to co-ordination several levels (international, regional, national, sub-national, sectoral) can be distinguished, as well as differences in content (policies/principles/ priorities, procedures, practices) as in intensity (consultation, co-operation, collaboration). Co-ordination is seen as necessary, because a lack of co-ordination could lead to: a donor driven agenda, excessive demands on scarce management capacities, inconsistencies of approach, etc

## 10.2 Complementarity

Complementarity is intended to ensure that Community development policy 'shall be complementary to the policies pursued by the Member States'. This indicates that development co-operation is a shared competence between the Community and the Member States which can be jointly exercised. It is confirmed that the Community has a specific, but not exclusive competence in the field of development co-operation. In this sense complementarity differs from the concept of 'subsidiarity', which refers to a distribution of competence and decision-making at the most appropriate level. In the case of complementarity both the Commission and the Member States can have competences and tasks at the same level.

The notion of complementarity poses the question of its direction, in other words, is it up to the Community to complement the activities of Member States, or the other way around? Another issue is the equal partnership between the Commission and Member States, and reciprocal participation in the elaboration of their respective policies.

## 10.3 Coherence

Coherence, probably the most debated of the 3Cs, is defined here as: 'The non-occurrence of effects of policy that are contrary to the intended results or aims of policy.'

Much depends on the perspective of the viewer. For example:

- A narrow definition would be that objectives of policy in a particular field may not be undermined or obstructed by actions or activities in this same field.
- A wide definition would be that objectives of policy in a particular field may not be undermined or obstructed by actions or activities of government in that field or in other policy fields.

With regard to policy coherence this means that it can focus on one terrain or field of policy only, or try to make links with other fields, domains or policies. Along these lines, we distinguish three types of "coherence", as a focus for evaluation:

- *Coherence I*: coherence between different elements of European development policy itself;

- *Coherence II*: coherence between different sets or parts of European foreign policy and development co-operation policy; and
- *Coherence III*: coherence between development co-operation policies and policies in other fields, which can in theory, be all parts of European policy making.

An important aspect is the distinction between intended and unintended incoherence in policy-making. This stresses that there is no hierarchy in policies and that given a certain set of goals and weighing them against a set of goals in another policy field, incoherence can also be deliberate.

## Annex 2. Definitions

### **Alignment, harmonisation, co-ordination and complementarity**

The terminology of EU policy documents focuses on the three concepts of ‘co-ordination’, ‘complementarity’ and ‘coherence’ (the “3Cs”). The Terms of Reference (ToR) for the evaluation focus on the first two out of these three concepts, leaving the issues of ‘coherence’ to other evaluations in the series which is highlighting the issue of the “3Cs”. In addition, the ToR for this evaluation focus on the issue of ‘alignment’ with partner country policies and priority-settings.

The DAC and almost all other donor agencies focus on ‘alignment’ and ‘harmonisation’.

The ToR for this evaluation defines the concepts of ‘co-ordination’, ‘complementarity’ (and ‘coherence’), but although both the terms ‘alignment’ and ‘harmonisation’ are used repeatedly in the ToR text, they are not defined.

This evaluation report focuses on the three concepts of ‘alignment’, ‘co-ordination’ and ‘complementarity’. We have tried as best we could to avoid the use of the term ‘harmonisation’, except for when we are quoting or referring directly to other surveys or studies which use this term (such as the DAC Survey on Harmonisation and Alignment). To the extent we use the term ‘harmonisation’ we lean on DAC’s definition, which stresses (i) that harmonisation is exclusively among donors, (ii) that the focus of harmonisation is to establish common development co-operation arrangements and procedures, and (iii) that harmonisation is to ensure that information is shared. To such extent ‘harmonisation’ very much overlaps with the term ‘co-ordination’.

Throughout this evaluation we use the definitions stated in the ToR for ‘co-ordination’ and ‘complementarity’, and we adapt the following definition of ‘alignment’ from the DAC-studies (so as to be as much in line with this study as possible in respect of terminology):

- **Co-ordination:** ‘Activities of two or more development partners that are intended to mobilise aid resources or to harmonise their policies, programmes, procedures and practices so as to maximise the development effectiveness of aid resources’;
- **Complementarity:** ‘Ensuring that Community development policy shall be complementary to the policies pursued by the Member States, indicating that development co-operation is a shared competence between the Community and the Member

States, which can be jointly exercised', focussing this way on task division between EC and EU MSS, based on comparative advantages;

- **Alignment:** 'Alignment with partner country's agenda and using partner country procedures and systems'. In this relationship, "partner country's agenda" is understood as the approved policy and priority-settings of the partner country Government (for instance in form of the PRSP or the MTEF), but assessing also critically to what extent such a policy enjoys broad support from different political parties as well as from civil society representatives.

### Development aid modalities

Modalities of development co-operation are dealt with in detail throughout the report. For that purpose we have in the report mostly used the general term "Budget Support" without specifying what sort of BS. We have consequently found that it would be in this annex to clarify in more details the terms used. The problem is, however, that different donors use the terms differently, and this may cause some confusion. In general the following terms are used:

- **Programme Aid:** In general terms, programme aid refers to all types of external financial assistance which are provided for the implementation of programmes of activity, rather than to finance specific projects. In this report, programme aid refers specifically to non-earmarked general budget support (see definition below), balance of payments support (the form of programme aid provided by the World Bank), or to funding of sector budget support ("Sector Wide Approaches, SWAPs");
- **Budget Support (BS):** A form of financial aid, which is channelled directly to partner governments using their own allocation, procurement and accounting systems, and which is not linked to specific project activities. Financial Programme Support includes both Balance of Payments Support (Debt Relief and Import Support) and Budget Support (General Budget Support and Sector Budget Support). Funds are provided as Budget Support:
  - in support of the government's overall programme typically focusing on growth, poverty reduction, fiscal adjustment and strengthening budgetary institutions, especially budgetary processes;
  - directly to a partner government's treasury to spend using its own financial management, procurement and accountability systems.
- **General Budget Support:** Support to the overall budget, with funds not being explicitly earmarked to sectors or having specific conditionalities attached to the funding;
- **Sector budget support:** Similar to general budget support but with funds earmarked in advance to a specific sector of activity e.g. health sector, education sector;
- **Pooled ("basket") funding:** Where donors jointly fund an activity or institution through the establishment of a separate and designated financial arrangement (sometimes also known as "basket" funding). There are a number of examples of pooled funding arrangements e.g. for the importation of essential medicines;

- **Project Aid:** Financial and other forms of assistance, e.g. technical assistance, which are provided for the implementation of specific projects, typically with their own separate financing, accounting and auditing arrangements;
- **On budget/off budget aid:** There are a number of alternative possible definitions of on and off-budget resources. In this report, we mainly refer to revenues arising from external donor aid flows, as opposed to Government's own source revenues from fees and licences etc. "Off-budget" external resource flows are defined as those resources which are applied to areas normally considered within the scope of a government's public expenditure programme but which are not incorporated into the annual state budget and are not accounted for by the national accounting procedures.



## **Annex 3. Dynamics for co-ordination of development aid – methodological approach to the evaluation**

### **1. Introduction**

The objectives of this annex are

- To outline methods and approach used throughout the evaluation (with special focus on alignment, co-ordination and complementarity of the aid):
  - Analysis of general shifts in power-relations as basis for shifts in policies and practices;
  - Inclusion of simple elements of discourse statements to better understand the rationale for the main power struggles and subsequent changes in development aid approaches.
- Through this to achieve a coherent understanding of main dynamics in the development co-operation since 2000, in particular of such elements of the co-operation, which contributes to alignment, co-ordination and complementarity in the development aid.
- This analytical and methodological approach has formed the basis for the assessments in the sections 4, 5, 6 and 7 of the evaluation report concerning the achievements on alignment, co-ordination and complementarity of development aid from development and use of Country Strategy Papers (CSPs) and other similar processes and mechanisms.

### **2. Methodological framework and approach**

From the country studies it has been concluded that a radical shift has taken place in recent years in the development co-operation with the relatively well functioning Least Developed Countries (LDCs). The evaluation has tried to assess and understand the dynamics, which have inspired and supported these “new processes and mechanisms” for improved alignment and co-ordination:

- who are the key actors driving these processes?
- whether the processes may further develop?
- what sustainability has been achieved of the results from these processes?

In general, the analysis specifically focuses on the roles of EC and the EU MSS' CSPs and other similar mechanisms used and developed throughout these processes.

### **Development of power-relations**

Institutions which are stakeholders in the development co-operation processes are co-operating, discussing and conflicting at all levels - in the donor countries ("the North") as well as in the partner countries ("the South") and between "the North" and "the South". As the capacity and the confidence of the developing countries improve, it is more and more through such dialogue that the ways of co-operation develop. When conflicting, groups of countries in the South will often stand united against groups of countries from the North (as seen, for instance, in the discussions on trade liberalisations), because they in many respects have common problems and interests.

To analyse these dynamics and to clarify the relationships between the many actors – at supra-national level, at national levels and at programme and project levels – both in donor and partner countries, it has been useful to make a distinction between the three dimensions of the political subjects:

**The "politics level"** is the day-to-day discussion, co-operation and conflicting. This is a multifaceted process, part of which will lead to conclusions while another part never achieves consensus or firm conclusions from any of the stakeholders. However, all the processes influence the ways of co-operation – to a larger or smaller extent.

**The "policy level"** is where the dialogue has led one or a number of the stakeholders to essential conclusions on an issue, expecting that these conclusions will be valid for a longer period of time. Normally, such conclusions are put in writing, and called a policy. The formulation of a policy will normally be preceded by a period of discussions and analysis at politics level, through which the policy gradually crystallised.

**The "polity level"** is where a policy is rooted institutionally, be in a framework of agreements or in the physical set up of buildings and staff. By itself the formulation of a policy will imply "stability" and clarification of a stand-point, but the stability will further increase if an institutional framework is established, aiming to support or administer the policy, and often to further underpin the basis and details of the policy. All this will tend to further "root" the policy and to make it less flexible.

In the below Table 1 key partner institutions in the process of development co-operation are listed at different political levels - both from the North and from the South. These partners are (examples of) the institutions that are co-operating, discussing and conflicting and this way they are the ones that are formulating policies and setting up institutional frameworks to safe-guard, strengthen and further develop such policies. Table 1 also lists examples of issues for discussion with specific relevance for strengthening the

co-ordination and complementarity of development aid, and it gives examples of key issues for co-ordination at policy and polity levels.

In the following we shall focus on issues, which importantly have contributed to the rapid improvement of co-ordination and complementarity in the development aid since year 2000. To do so, we shall base the analysis on Figure 1: “Dynamics influencing the co-ordination of development aid”, and analyse three levels of the discussions

- (i) The supra-national policy discussions and attempts on co-ordination of aid (section 3);
- (ii) Donor co-ordination of development aid at embassy/delegation level (section 4);
- (iii) Partner country priority-setting and influence on aid co-ordination (section 5).

TABLE 1 Elements of interests, specifically for aid co-ordination processes

<i>Institutional level</i>	<i>Politics – key relationships and conflicting partners south north</i>		<i>Policy issues (examples)</i>	<i>Polity issues (related examples)</i>
<b>Supra-national level</b>	Partner countries International organisations Regional organisations	EU MS DAC EC WB/IMF	Trade agreements Declarations EC communiqués	WTO, NEPAD DAC harmon. Group EU syst. for co-ordin. (includ. CSPs)
Examples of discussions	Foreign pol./alliances Regional co-operation Condit. for trade & aid	Common targets/goals Princip. for dev. coop. Import/trade regulation	Lomé Agreement Rome & Paris declar. The European Cons.	
<b>National – Government level</b>	Government Min of Foreign Affairs Min of Finance	Government Min of Foreign Affairs Sector ministries	PRSPs & conditionalit Dev. coop. strategies Annual aid commitm. Nat. overall budget	Aid Partner Gr, APG Perf. Assm. Framew. CSPs
Examples of discussions	National policies National devel. plans Nat. restructuring plans Overall budget allocat.	Devel. coop. strategies CSPs Conditionalities		
<b>National – Interministry level</b>	Min of Finance Sector Ministries	Min. of FA – HQ Embassy/Delegation	MTEF Nation sector alloc. Donor's sector alloc. Use of aid modalities	MoU between APG and Governm.
Examples of discussions	Sector budgets Cross sector coordinat. Coord at provinc. level	CSP priorities & allocat. Ways of aid implement Use of aid guidelines		
<b>Programme level</b>	Ministry politicians Ministry civil serv. Sector stakeholders	Policy managem. staff Administrat. staff Technal advisers	Contents of MoU Initiat. for harmonis. Sector prog. agreem.	Approval of MoUs Ministries' approval of sector programmes
Examples of discussions	BS/sector rogrammes Techn. priorities Geographic. priorities	Priority of BS/SWApS Priority-settings of CSPs Donor co-ordination		
<b>Project level</b>	Sector ministries Local governm. inst.	Embassy/representation Techn. advisers	Spec. donor interests Princ for donor coord Coord w. sector min.	Set-up of group for donor co-ordination Choise of lead-donor Pooling of funds
Examples of discussions	Funds give autonomy Room for spec. interests	Coord. w. other donors Coord w. other sectors		

### **Use of discourse statements**

As part of the power structure assessments simple discourse statements have been used to describe and assess development and situations from the stand-point of different involved partners.

In particular this approach has been used to understand the rationale for the partner-countries' positions and thus to assess whether they in the long term can be expected to support and actively defend the achievements and changes from the last five years.

Thus, one important use of the discourse statements is to describe the situation as seen in a "South" as well as in a "North" perspective. But the discourse statements are also used for better understanding the positions of the stakeholders within "the North" and within "the South", and to assess how their respective overall views on development co-operation and internal conflicts influence the dialogue between the partners, how it materialise at policy level, and how the achievements are rooted at institutional level.

### **Issues for conclusion**

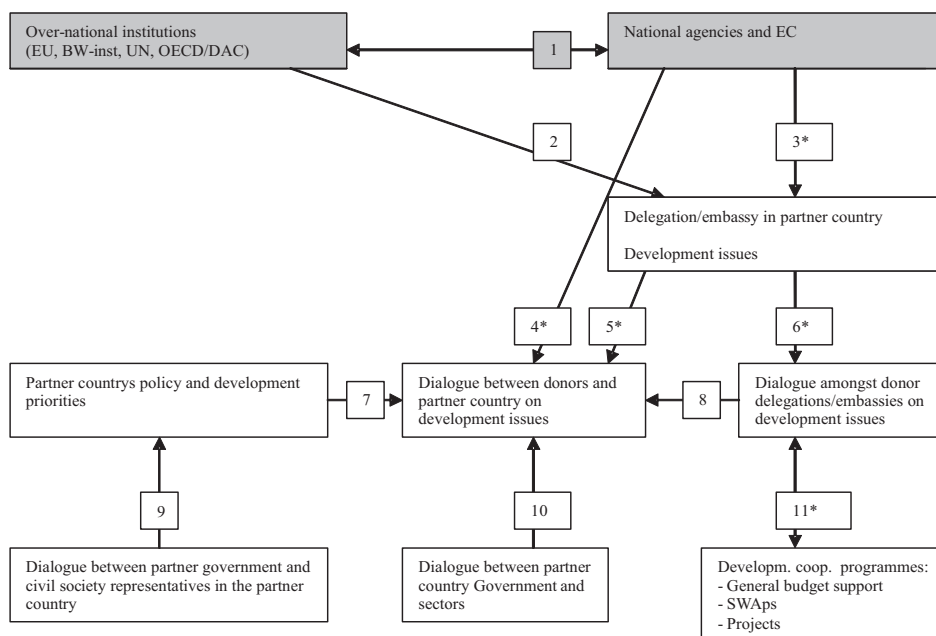
The analysis forms the basis for the conclusions in the Sections 4, 5, 6 and 7, contributing to a broader understanding of the rationale for the present shifts in development co-operation processes and mechanisms:

- Who are the principal actors in the key-processes for alignment and co-ordination at politics level?
- What are the principal conflicting interests among these actors?
- How are power-relations shifting among these actors, and how does this influence the processes?
- To what extent and how are agreements among the actors consolidated at policy level?
- To what extent are such agreements further consolidated at polity (institutional) level?
- What are the basic dynamics of the "new processes" for alignment and co-ordination?
- And, considered in this perspective, what are risks and sustainability of achievements since 2000 on alignment, co-ordination and complementarity in the development aid processes?

### **3. Supra-national discussions and attempts at co-ordination**

The filled boxes in the Figure 1 indicate the principal institutional players at the supra-national level. The discussions at this level address development co-operation as only one aspect of the international co-operation, important other issues being foreign policy and trade policy.

FIGURE 1 Co-ordination of development aid at supra-national level



Donor co-ordination has been an important issue for debate and experience since the early 1980s. Initially, the UNDP was, as an “independent” partner, assigned important responsibility for that purpose, but in practice it did not have the needed powers to set the co-ordination through, and in many countries the role was taken over by the World Bank. Over time, the structural adjustment policy of the BW institutions, however, undermined their credibility, impacting also on their power for co-ordination. Increasingly, this co-ordination was therefore distributed sector-wise among the donors with the nomination of a “lead donor” for each of the important sectors. However, to a high extent the overall policy framework which set the terms for this EC programming is still the discourse of the BW-institutions.

The structural adjustments formulated by the Bretton Woods (BW) institutions during the 1980s and 90s created (supported by almost all bilateral donors) an environment of highly unequal relationships, where indebted partner countries were forced to accept conditions, which they in fact considered highly inappropriate or even politically deteriorating for the country.

**Discourse Statement: Considered from the partner countries’ view-point:**

- *The structural adjustment policy undermined the political power-basis of the new Governments: the civil servants and other publicly employed in the bigger cities;*

- *The policy undermined the education and thus, the long-term capacity building in the country, as well as the social surety, cutting down the support for the health sector;*
- *The policy seriously decreased the staff of civil servants and thus the fragile administrative capacity at national and local levels, threatening to bring our chaos all over the country;*
- *When finally poverty-mitigating compensatory components of the structural reforms were launched, it was evident to everyone that they would never be effective and would undermine rather than support the development of a competitive national structure and economy.*
- *Thus, the reforms seemed to completely undermine the political system established.*

*Only when seen in this light can it be understood why Zambia in the late 1980s stepped down from fulfilling IMF/WB demands, very well aware that for years it would be excluded from further support from almost all donors, as they followed the IMF/WB.*

The BW policy was adjusted during the 1990s, to focus on poverty alleviation and the need for alignment with partner countries' priorities. Bilateral donors in general supported this move throughout their bilateral negotiations with the partner countries.

The increasing focus on a sector programme approach and on partner country capacity building further reinforced the sector focus and the role of lead-donors as the hub for sector-wise co-ordination.

As powers shifted between the donors from the UN-organisations towards the BW-institutions and further towards the bilateral donors, also the policy shifted, allowing, with the many individual and increasingly powerful bilateral donors for a more multifaceted development policy which gave room for more flexibility at partner country level. The manifestation during the last part of the millennium of the increasing powers of the EC formed one more important player at the scene, with a special potential for co-ordination of the development policy of many of the Member State donors, which together supply more than half of the development aid. As the administrative and technical capacity of the EC staff increased, so did also the influence and powers of the EC.

The partner countries wanted flexibility and they gradually took more ownership to the development co-operation. In general, the partner countries have in this process taken strong ownership to the PRSPs and to the Millennium Development Goals (MDGs), and they express both the will and the ability to define their own priorities and to set them through.

At supra-national level these discussions have been followed and supported, during the 1990s by the WB's Comprehensive Development Framework (CDF) initiative, and later on by the DAC Group for Alignment and Harmonisation. Experiences and policy goals have been discussed between representatives of the South and the North and expressed in declarations from the conferences in Rome (2003) and Paris (2005). This

has served as a platform for supra-national policy intentions but also for making up a status of the achievements on alignment and co-ordination at partner country level.

The EC has a long tradition for discussion of how to ensure coherent policies for integrating aspects of development co-operation with, for instance, aspects of trade policy, as expressed amongst others in the Treaty of Lomé. However, so far, the issues discussed by the DAC Group on Alignment and Harmonisation as well as at partner country level have focussed almost exclusively on improving the framework for development co-operation, while the discussions on trade and development have been left over to the highly centralised and policy-dominated discussions under WTO.

Almost all donors have spent a major effort on the elaboration of country strategies, outlining objectives, targets and priorities for development co-operation with each of the important partner countries. However, at supra-national level, the discussions and conclusions seem to lean on general national policies for development co-operation, not on specific CSPs, and only to a limited extent on experiences from implementation in the partner countries.

#### **Rooting of the initiatives at policy and polity levels**

The WTO has centralised the trade negotiations, and this has for the smaller developing countries separated trade negotiations from development issues. Nevertheless it seems that the integration of development co-operation with trade agreements and trade policies will in the future be a principal basis for a sustainable economic and social development in the LDC-countries.

The following policy and polity initiatives form a platform for and an institutional rooting of agreements for promotion of alignment, co-ordination and complementarity within the development co-operation. To a high extent they are based on initiatives at partner country level, reflecting proposals and priorities of the partner countries:

- The Rome and Paris Declarations have been very important for supporting the dialogue on and a common approach to increased alignment and harmonisation throughout the development co-operation;
- The DAC Group on alignment and harmonisation has been important as an institutional hub for these discussions and policy developments. For the future this group seems to guarantee that further policy development will take place based on implementation experiences;
- The EC is a relatively “new” player in this field, and gradually it is getting more powerful as its administrative capacity is improving. The recently proposed policy document “The European Consensus” may play an important role as a common platform for policy development of the EU MSs and for a number of other donors, if jointly approved by The Parliament, The Council and The Commission.

### **Conclusions on the dynamics of the processes**

- The powers for ensuring proper co-ordination of development aid has shifted since the late 1970s from the UN-organisations, to the WB, and after that to some extent to the bilateral donors, being driven by the partner countries themselves. The shift in powers has first of all been caused by changes in the credibility of the BW institutions and by increased administrative capacity and ability (and thus trustworthiness and power) within the partner countries. Also the demand for efficiency and reduction of the transaction costs in the development co-operation has been a major incentive for setting the changes through;
- So far, the issues of development co-operation and international negotiations on trade conditions have been dealt with separately – despite a long tradition, for instance within the EC, for taking a holistic approach to these issues;
- The CSPs of EC and most other EU MSS have not played any important role in the supra-national discussions and processes for policy development.

### **Sustainability of developments and achievements**

At policy-level the new APG/PAF approaches are firmly rooted in DAC's Rome and Paris Declarations. The EC proposal for "The European Consensus" will further root the approach if issued as a joint declaration by the Parliament, The Council and the Commission.

At institutional level, the new approaches are well rooted in many of the relatively successful LDC-countries through the signing of MoU and through the set up of the PAF evaluation processes. Also the DAC Group on Alignment and Harmonisation supports the sustainability of the new approaches.

Thus, the new approaches seem to be well rooted in policies and institutions at both supra-national level and at national level in a number of the relatively successful LDC-countries. It is still to be seen, however, to what extent the approach will spread – first of all to other, less successful LDC countries, but also to the poorer middle income countries.

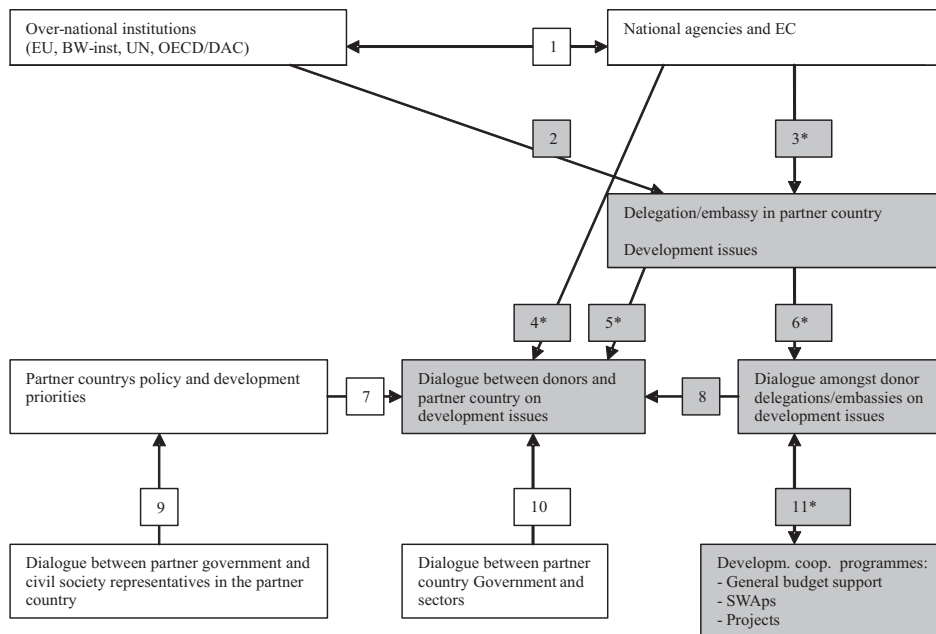
### **4. Problems for donor co-ordination at embassy/delegation level**

The filled boxes in the below Figure 2 indicate the principal institutional players for discussion and development of initiatives for alignment and co-ordination at embassy/delegation level. The three principal lines of discussion are

- Between the embassy/the delegation and the head-quarters in the donor country;
- Amongst the donor embassies/delegations in the partner country; and
- Between the embassy/the delegation and representatives of the partner country government.



FIGURE 2 Co-ordination of development aid at embassy/delegation level



The following assessments will concentrate on relations of relevance for alignment, co-ordination and complementarity of the development aid.

### Dialogue between embassy/delegation and headquarters

For an embassy/delegation, the recurrent consultations and dialogue with headquarters are crucial. Years back the relationship was strictly hierarchical, the headquarters controlling all aspects of policy and flow of funds, but during the 1990s a major process of decentralisation to embassies/delegations started, including authority for having a policy dialogue in its own right at partner country level as well as authority to commit (within a well defined planning and policy framework) to financial obligations. This move for decentralisation basically changed the roles of the embassies/delegations.

Country Strategy Papers (CSPs) were elaborated, first of all to form the formal basis for the decentralisation, thus allowing for head quarters to set out priorities and a framework for planning and financial commitments for the embassy/delegation. In addition, most of the embassies/delegations held annual negotiations in each of the major partner countries to discuss progress of existing co-operation and the future financial and technical framework for the development co-operation. These annual meetings normally had high-level participation from the donor country/institution, thus allowing at least for one annual very close consultation between headquarters and the

embassy/delegation in the partner country. These processes of consultation were very resource demanding, for the partner country that had to be represented at high level at annual meetings with all the donors, but also for the donors.

In countries where Aid Partner Groups (APGs) have been formed, where a MoU has been signed between this group and the partner country Government, and where a Performance Assessment Framework (PAF) has been agreed upon, these annual meetings of individual donors with the Government as well as the preceding reviews have been or are about to be replaced by one huge common review process with participation of all donors, based on the PAF. This process leads to new mutual commitments, both from the part of each of the donors and from the Government (the framework of obligations to be assessed in the PAF process for the following year).

The embassy/delegation staffs appreciate the PAF processes and the dialogue following from these processes, but they perceive the traditional sort of CSPs as a far too confining basis for the PAF-dialogue, and for that reason they seem to neglect the CSPs to the extent they are allowed to do so by headquarters. If the embassy has to deal with a number of departments at headquarter level, this further complicates the communication and the formulation of a consistent policy that the partner country can understand. Nevertheless, there is a need for the CSPs,

- to set out an overall framework for a programme for co-operation with a partner country;
- to spell out the basic policy principles and the consequent overall priority-settings for the development co-operation with the country; and
- to formulate a holistic overall frame for the development co-operation with the country.

The critical issue is that there is a need for a clear specification for the embassy/delegation of how flexibly it is allowed to use the CSP. To be a constructive player in the new APG and PAF set-up in the partner countries, substantial flexibility is needed.

Policy-coordination between EC and EU MS donors' headquarters has so far been quite limited, and this raises the question **how** to ensure that consistent donor policies can be formulated to form an input to the PAF dialogue without being just another sort of strait-jacket for the dialogue and the negotiations at partner country level (a danger, also for "The European Consensus").

**Discourse Statement: Considered from the donor embassy/delegation's view-point:**

- *The processes of formulation of CSPs during the 1990s were by the embassies seen as highly constructive in two ways:*
  - *the embassy got a chance to coherently formulate how problems and possible solutions were seen from the embassy/partner country level; and*

- *the CSP processes set a framework for until then unseen decentralisation of competencies and responsibilities to embassy level;*
- *With the decentralisation, resources both in form of competent staff and financial means were supplied to the embassies during the 1990s, allowing for the embassies to take initiatives at local level, and to make funding commitments. However, policy and disbursements had to strictly follow the planning framework set out at headquarters;*
- *The BS and the Sector Programme Support set two new and very different frameworks for the future development co-operation – both implying a close co-operation with other embassies and with the partner country Government;*
- *The feel of successful co-operation at partner country level tended to sidelining the headquarters except from key issues like overall policy and disbursement planning;*
- *In particular the co-operation within the Aid Partner Groups was in many countries seen as highly successful, encouraging to further local decision-making. Many headquarters encouraged this trend towards further decentralisation;*
- *The PAF-processes contributed to even more strengthening the managing role of the embassies at local level, and so did the launch of sector programmes.*

**Discourse Statement: As seen from the partner countries' view-point:**

- *The partner country administration took note of the decentralisation to embassy/delegation level, but also of the fact that decisions related to the annual negotiations was the responsibility of headquarters;*
- *A key point for concern was the many systems and formats for the development co-operation – in fact one different one for each new donor;*
- *Concern was repeatedly expressed for the donors to join together and establish uniform and common systems for administration. For instance: why do the EU Member States not join up and supply one portfolio of funds? Instead they both supply individual funding and common funding through the EC – the rationale being completely incomprehensively to partner country administration;*
- *As decentralisation gained pace doubts were increasingly raised in the local Government administration on whether HQ or embassy staff were negotiation partners, and for what?*
- *The set up of an Aid Partner Group and the agreement on commitments in the MoU has in many ways clarified “the rules of the game”;*
- *The focus is now on the PAF: how to fulfil commitments and how to use the system in an optimal way for transfer of means and powers to the national partner country institutions.*

**Dialogue amongst embassies/delegations in the partner country**

The new APG and PAF processes by nature scale down the importance both of the CSPs and of the policy-input from headquarters. The PAF-based discussions relate to specific achievements and fulfilment of obligations rather than to the policy principles which traditionally have been the responsibility of donor headquarters. Further, the many donors now have to achieve some minimum of consensus on policy principles, and this also tends to scale down the importance of specific donor policies. All in all this

leads to a more “flexible” dialogue in which the focus is on consensus-making rather than on strict policy principles, and this undermines the importance of the CSPs as a means for policy-orientation. If an embassy or a delegation nevertheless sticks rigidly to the CSP, they may quickly find themselves “sidelined” by the consensus-oriented dialogue among the other donors and the partner country Government. Thus, they will either be isolated or be forced to use the CSP only as a flexible guide for policy principles, priorities and development co-operation planning to be further elaborated during the APG and PAF dialogue processes.

In respect of alignment and co-ordination (both amongst donors and between donors and the partner country Government) the new processes are, however, highly conducive. Donors are forced to co-ordinate for being able to achieve consensus in the dialogue with the partner country representatives, and they have to take into account the priorities of the partner country to achieve agreements. If not by other means, the PAF process should guarantee that such processes take place and that they will lead to alignment and co-ordination. As to complementarity in the donors’ support, this will more or less automatically be the outcome of the dialogue amongst donors, and it is a fact that donors participating in the APGs have a much more detailed view over other donors’ country programmes and priorities than when they had to get their information from the CSPs.

The focus on BS also supports alignment and co-ordination, and it seems that more and more donors channel increasing parts of their aid through this form. The perspectives for substantial increase in total ODA as part of the MDG commitments has further increased the pressure for BS in the sense that the partner countries increasingly insist on this modality and otherwise “threaten” to reject (in first hand off-budget) funding, this way increasing donor competition.

#### **Dialogue between embassy/delegation and partner country representatives**

The Governments of the partner countries still more forcefully claim their demand for defining their own development priorities and there is a strong urge for national control of the donors’ flow of funds – ideally in form of using Budget Support (BS), but at least in form of having all development aid on-budget.

A number of donors have responded positively to this, and the relative amount of BS has substantially increased since 2000. At the same time, Sector Wide Approaches (SWAp) have also gained ground and attracted substantial donor funding and an effort by donors for institutional capacity development.

To support these processes, the donors at partner country level joined together in the Aid Partners Groups (APG), in first hand to discuss common rules and regulations for the BS, but after that, in some countries also to agree on one common administrative

framework for administration of development aid, so as to reduce the load on the transaction costs and the partner country administration.

The increasing emphasis on General Budget Support as well as the increasing Sector Programme Support contributes importantly to strengthening the alignment and co-ordination of the development aid.

**Discourse Statement: As seen from the partner countries' view-point:**

- *It is a strong wish of the partner country Government and its institutions to increasingly assume responsibility for management of and control over donor funds;*
- *BS is seen as the most consequent way of setting through such transfer of powers, and as the local administrative capacity and experience is increasing there is the feel that taking control is possible and reasonable;*
- *In addition, the use of expatriate technical assistance is seen as VERY expensive and often not being value for money, and this further spurs the demand for taking control – also of funding;*
- *A first step is to have as much as possible of the donor funds as on budget allocation and as much as possible of this as BS;*
- *A second step is to fully be able to define development targets and priorities, possibly leading to conflicts with the donors over the focus on poverty-alleviation and the social sectors or growth;*
- *As to sustainable flow of donor funds the focus is rather on the short-term problems of timely donor disbursements than on the risks for cut of funds because of mismanagement or even fraud.*

**Discourse Statement: As seen from the donors' view-point:**

- *Most of the donors focus on the risk of mismanagement or even fraud because this will discredit the donor administration and cause a threat to the continuous flow of donor funds;*
- *BS is seen by the donors as more difficult to monitor than other modalities of funding, and for that reason most donors want to limit the amount of BS to some 20% of their total ODA. DFID, the Netherlands and EC are, however, willing to disburse a much bigger share of ODA as BS;*
- *There seems, however, to be a general agreement that project support, which still counts for more than half of the ODA to the countries assessed, should be scaled down as soon as possible, and that all donor funding should be given as on-budget support;*
- *Sector Programme Support is bothersome, complicated and very time-consuming. It contributes, however, to the long-term administrative capacity development in the ministries concerned, and for that reason also it is considered as worthwhile as a complement to the BS;*
- *To minimise the risks of mismanagement the donors are at present strongly supporting public sector reforms and in particular the reform of the national financial management system, aiming through this at better transparency, accountability and “trace-ability” of donor funds.*

**Rooting at policy and institutional levels:**

Since the beginning of the 1990s Country Strategy Papers and bilateral annual negotiations between donor and the partner country Government was considered the principal means for co-ordination of the development co-operation. They were needed to set through the decentralisation of tasks and responsibilities from headquarters to the embassies. Partner countries, however, complained that they had to adapt to different criteria, administrative systems and formats from one donor to another, thus increasing the transaction costs and exhausting the administrative local capacity. When some donors were exposed to cuts of embassy staff they also recognised the high transaction costs and turned towards budget support and other staff-efficient aid modalities, while CSPs increasingly were put at the sideline.

The increasing focus on BS made the donors join up to define a set of common rules, and this has formed the basis for other common practices to minimise transaction costs. There was also a wish among donors to counterbalance the domination of the BW-institutions, and in the long term the EC and the MSs may, for instance based on “The European Consensus”, play a key role for that.

So far different local institutional structures have been established in different countries, the basis being the signing of a Memorandum of Understanding (MoU) by the group of donors and the partner country Government, and the agreement on a PAF.

**Conclusions on the dynamics of the processes**

- Decentralisation transferred powers to the embassy/delegation level during the 1990s, strictly planned and controlled from headquarters by means of CSPs;
- This paved the way for local initiatives to demonstrate effective and efficient alignment to partner country priorities and better co-ordination of the development aid. The initiative was triggered by improved partner country administrative capacity and self-consciousness, cuts in embassy/delegation staff and a common aim of decreasing the transaction costs;
- As the Nordic+ Group managed to join donors in Zambia and to systematise and disseminate good practice experiences, a number of other relatively successful LDCs were ready and highly motivated to join the move;
- BS has played an important role in most of these countries in the aid modality where definition of a common framework is evidently useful. It will be crucial to see whether other aid modalities will follow track, like it has happened in Tanzania.

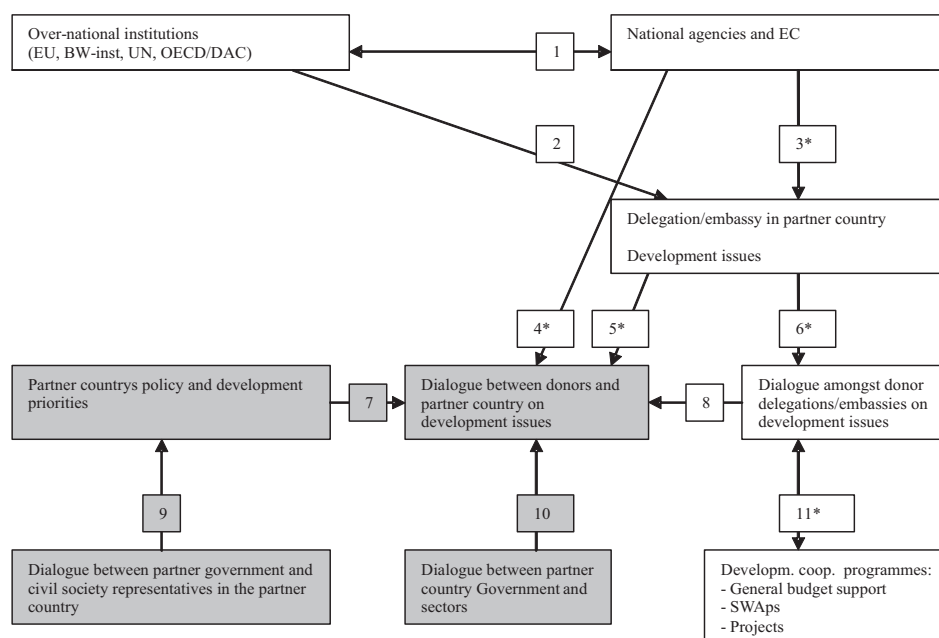
**5. Problems for partner country priority-setting and influence on aid co-ordination**

The filled boxes in the below Figure 3 indicate the principal institutional players for discussion and development of initiatives for alignment and co-ordination at partner country level. The three principal discussions are

- Between the Government and the ministries (and amongst ministries);
- Between the Government, the Parliament and the Civil Society; and
- Between the Government and the donors.

The following assessments will concentrate on relations of relevance for alignment, co-ordination and complementarity of the development aid.

FIGURE 3 Co-ordination of development aid at partner country level



### Dialogue between Government and the ministries (and amongst ministries)

The balance of powers between the Government and the sector ministries and amongst ministries is changing from country to country and over time. In most countries, and in particular the countries with tradition for development planning strongly based on the planning of the line ministries, there is a tradition for a power struggle between the ministry of Planning and Finance versus the line ministries. The tradition for development co-operation in form of off-budget projects strongly supported the line-ministries in this conflict, especially where they were allowed to enter directly into project agreements with donors. As such, the present move towards BS (and even the move towards on-budget Sector Programme Support help) brings back the co-ordinating and planning powers to the Planning and Finance Ministries.

To a high extent, the ministries of Planning and Finance have been considered as the extended arm of the Government, and this way the recent development also brings co-ordinating powers back to the Government. Through the initiatives and support for Public Sector Reforms, the donors have tried to further strengthen this move, breaking down established “walls” between line-ministries and ensuring that overlapping mandates are brought down to a minimum.

### **Dialogue between Government, the Parliament and the civil society**

The tradition for development of transparent administrative systems, which allow for holding the Government accountable, is weak in most of the LDC countries. And until recently there was little tradition for free and fair elections and for the ruling Government and the President to step down if an election was lost. Thus, it was appointment/election to the Parliament rather than to the Government which, in fact, is the response of the constituencies to accountability.

It is therefore important whether key policies (such as the PRSP or the national budgets) are brought up for approval in Parliament instead of being just approved by Government, and whether such policies are presented to and discussed (by means of a free and independent press) with representatives of the civil society before approval. In the new, weak democracies these processes are cornerstones in the construction of the political process. And in such sense they are important when discussing the issue of alignment of the development aid to the priorities of the Government or broader civil society representatives.

In particular, the transparency in the national financial management system is important when aid is transferred in form of BS, so as to allow for justification of use of development aid towards the tax-payers in the donor countries and thus for the continued willingness amongst these taxpayers to support the developing countries. This is why financial management reforms and general public sector reforms at present are high on the priority lists of the donors.

For civil society the distribution of poverty alleviation has proved to be a key issue, and in Mozambique, for instance, accusations have been raised of the alleviation to reach little outside the capital. This may be conflicting with the overall aim of most Governments: to ensure growth and economic development in the short term rather than poverty alleviation – arguing that growth is the most effective means to fight poverty.

### **Discourse Statement: As seen from the partner countries’ view-point:**

- *The donors seem to be very concerned with the involvement of civil society in the processes of priority setting and control of donor funds, but why do they mix up in our internal affairs? They seem this way to try to undermine the position and the power of the Government;*



- *They also seem to be concerned for the distribution of wealth to the poorest in the country and for ensuring massive support to the social sectors, even though these same donors 15 years back demanded severe cuts in these sectors. Why don't they leave it to us and to our political system to ensure the public support for our policy?*
- *Our Parliament is inefficient and should confine its role to real key issues so as not to confuse the public with confrontations between parties on all sorts of issues. Why do donors insist on having all sort of things brought up in Parliament for debate? Party debates always cause confusion – why don't donors leave it to the Government and the President to decide? We shall then have the debate with the opposition parties at next election time;*
- *Why do donors support the part of the press which is not controlled by the governing party? Once again it seems that they are deliberately undermining our credibility and power-basis and creating confusion within the many groups of civil society stakeholders. If properly informed we can avoid many conflicts with civil society.*

### **Dialogue between Government and the donors**

For years the Governments have argued that planning is impossible as long as donors do not inform of commitments and disbursement plans, and as long as donors do not stick to promised disbursement plans. Governments have further argued that transaction costs are unacceptably high and that the many donors' individual systems for administration are exhausting the national administrative capacity.

To make up with that the Governments have, amongst others, proposed one set of administrative rules for all donors, and strict disbursement plans which are adhered to by the donors. Lately, a number of Governments have strongly advocated for increased BS (Tanzania, for instance, aims at BS to amount to 70% of all ODA).

A number of donors argue that a radical shift towards BS is risky in the sense that less control of funds implies bigger risk for mismanagement and fraud and thereby risks of sudden stop of flow of donor funds; but other donors as well as the partner countries do not seem to worry much. The donors afraid of this risk point to balancing BS and Sector Programme Support (SPS), and argue that SPS contributes importantly to institutional capacity building for administration in the sectors targeted.

The donors have responded slowly to these demands, and apparently only after severe personnel cuts have forced them to find less administration-heavy aid modalities. Thus, the present focus on BS could be seen as the outcome of a mutual interest between Government and a number of donors, but responding to highly different problems.

The urge for decrease of transaction costs and the shift towards BS and Sector Programme Support strengthen the intention of alignment to partner country priorities and the urge for improved co-ordination of the development aid.

**Rooting at policy and institutional levels:**

With increasing administrative capacity, beginning economic growth and generally improving finances, there is in the relatively successful LDC countries a strong urge for autonomy which is also expressed in the urge for Government control of donors flow of funds – at least so that these funds will all be on-budget allocations and thus part of the national system for planning and priority-setting. Still, more than half of the ODA is not on-budget for most of these countries.

The most effective way to make ODA on-budget is through shift in aid modality towards budget support or Sector Programme Support, and since 2000 there has been a major shift in these directions as donors have stated policies for such shift and put them into practice., aiming at cuts in transaction costs, improved co-ordination of the development aid and a leaner administration at embassy level. A result of this changes has been that powers and control of the national finances and priority-settings have shifted from line-ministries to the Government and the ministries of Finance and Planning.

**Conclusions on the dynamics of the processes**

The shifts in aid modalities have led to a strong donor demand for “good governance” and to initiation of more transparent public financial management systems and general public sector reforms. In addition, the new modalities of development co-operation have fostered Aid Partner Groups (APGs) and the PAF system for systematic annual assessment and dialogue on performance according to commitments by both donors and the partner country.

A number of countries have, in addition, seen important change in the roles of the President, the Government and the Parliament: free and fair elections, step down of President and Government if elections are lost and increasing powers to the Parliament.

All in all this forms a strong consolidation of recent reforms, ensuring substantial robustness of the systems established. The critical issue is, however, what are the risks in form of risks of cuts in the flow of donor funds. The new aid modalities imply less control with donor funds and thus increased risks of having examples of mismanagement or fraud put at the front page of the donor press, and acting increasingly in unison, the donors might also do so on decisions of stop of funding. So far it seems that this risk has not been discussed openly between the partners.

**6. Conclusions on dynamics for alignment, co-ordination and complementarity**

From the above it is an overall conclusion that the forms of development co-operation may shift rapidly, in particular if a common interest or motivation for a shift is created at supra-national level, at national donor level, at embassy/delegation level, and at partner country level.

Since 2000 such common interest and motivations were created at most of these levels for a major part of the relatively successful LDCs, driven by the following four motivations:

1. The demand for increased effectiveness and efficiency of development co-operation;
2. The demand for cuts in embassy/delegation staff in the partner countries;
3. The demand for increased partner country ownership to the development results;
4. The demand for increased sustainability of the achieved development results.

The way to set through the adjustments of the development co-operation framework was first of all based on local initiatives, on local decision-making and on a general shift in aid modalities, handing over much more responsibility to the partner country, and this was made possible by the previous increase in the administrative capacity in the countries, as well as by the public sector reforms implemented and initiated.

Although the principal motivations for these shifts (the above four issues) had another aim and focus, the effect of the shifts has also been improvements of alignment to partner country priorities, better co-ordination of the development aid and improved complementarity of the aid from the donors taking active part in the new development planning systems. Although not directly intended, one could argue that the overall common aim of improved effectiveness and efficiency forms the “umbrella” which ensures that improved alignment, co-ordination and complementarity is also an outcome of the new processes and mechanisms.

The concept of development co-operation management through use of Country Strategy Papers, ensuring donor headquarters’ control with and planning for the co-operation, is basically in conflict with these new approaches, and increasingly the CSPs have been sidelined or have even been considered a constraining factor for the ability of the embassies/delegations to take part in and contribute to the new processes. Thus, improved alignment, co-ordination and complementarity in the development aid have been achieved at the same time as the roles and the importance of the CSPs have been scaled down and replaced by the new mechanisms for co-operation and co-ordination. These new mechanisms have been developed and adapted at partner country level, but they have been inspired and supported across partner countries by the Nordic+ initiatives, and supported at supra-national level by the DAC policy initiatives and the Rome and Paris Declarations.

## Annex 4. Comments on “The European Consensus”

The European Consensus links directly up to and supports the Paris Declaration, and to a high extent, it seems to be in line with the conclusions and proposed new avenues for alignment, co-ordination and complementarity of the present evaluation. The following quotations from “The European Consensus” are examples of key formulations from the document, which support this.

Two of these formulations (indicated in bold in the below text) may, however, be in conflict with the recommendations of the present evaluation:

- 1 The development and approval of “**a common EU programming framework**” may, if kept in general policy terms, be a useful contribution to co-ordination of the MSS’ development co-operation and as such a constructive contribution to increasing the coherence and effectiveness of the development co-operation. However, if spelled out in detail it may easily turn into a confining strait-jacket for the delegations in the partner countries, in line with the problems of the existing CSPs.
- 2 The formulation of “Country, Regional and Thematic Strategy Papers” and the use of such paper as EC programming tools may like-wise, if formulated in sufficiently general terms, be highly useful contributions to defining a framework for development co-operation and for ensuring the proper coherence between different policies of the EU. But this also could be spelled out in details which might turn it into a confining framework for the delegations and embassies in the partner countries.

Selected quotations from “The European Consensus” (focussing on the alignment with the conclusions of this evaluation report):

- “In order to reduce aid transaction costs and to increase the capacities of partner countries, the EU will take the measures necessary to honour its international commitments as regards aid *harmonisation* and effectiveness, based on ownership, *alignment* of the strategies and procedures of the countries concerned, decentralised programme management, results-based management and mutual responsibility. It will use the progress indicators defined in this context and achieve the targets set out in the Paris Declaration.

- The aims of this plan over the coming years include:
  - i better division of labour at the level of countries and regions, for greater complementarity in particular via the establishment of a common EU programming framework;
  - ii the development of an EU roadmap in each country – where it is considered feasible and appropriate;
  - iii the drawing up of a common financial agreement format encouraging the harmonisation of procedures with the partner countries;
  - iv ensuring a minimum EU presence (Community or Member State) in fragile countries, particularly countries in crisis;
  - v more joint actions and more intensive use of co-financing making it possible to launch joint operations with and between Member States, and to capitalise on new Member States' experience and facilitate the gradual emergence of these countries as new donors.
- With a view to strengthening ownership, ensuring the financing of essential operating budgets, promoting sound and transparent management of public finances and aligning aid with the partners' national procedures, general or sector budget support will play an increasingly predominant role in the implementation of European aid.
- In the light of the increase in aid budgets and given the need to ensure stable and predictable resources, the EU will develop a new, less volatile mechanism, which would enable countries that have made sufficient progress in reducing poverty to embark on medium-term measures, in particular to cover the recurring costs connected with the human resources necessary to guarantee access to basic services and to ensure better consideration of investments needed for a sustainable approach, whose benefits are sometimes apparent only in the long term.
- The untying of aid constitutes another vital aspect of efforts to increase aid effectiveness.

In the proposal these policy principles are complemented by a set of Guidelines for the implementation:

- Implementation of EC development cooperation is necessarily country- or region-specific, 'tailor-made' to each partner country or region. Differentiation is a necessity, given the diversity of partners and challenges.
- Country, Regional and Thematic Strategy Papers are the EC programming tools which both define this targeted 'mix' of policies and instruments and ensure coherence between them.

The Community will use a wide range of modalities for implementing development aid which enables it to respond to different needs in different contexts.

- Budget support in the form of support for general or sector development policies will take on increasing importance. It will enable recipient countries to cope with growing operating budgets, promote harmonisation and alignment on national pol-

icies. Transaction costs are low and it encourages results-based approaches. Support for sector and governance-related reforms may also be given through other forms of intervention in cooperation with other donors;

- Project-based aid will be useful in difficult situations or in situations in which budget support is not well placed, as well as in support of civil society;
- Debt reduction, which is comparable to indirect budget support, with low transaction costs and a tendency to promote co-ordination and harmonisation between donors could help countries to reduce their vulnerability to external shocks;
- In the best-performing countries, steadier, medium-term support will be introduced to boost their capacity to attain MDGs;
- The Community will move towards an approach based on results and progress indicators.”

## Annex 5 A. Summary of field studies

ISSUE	TANZANIA	ZAMBIA	NICARAGUA
<b>Partner country ownership to the PRSP</b>	High degree of partner country ownership to the PRSP.	The PRSP is widely considered as the national development strategy document.	Some donors have doubts about the commitment of the GoN to the PRSP and even to poverty alleviation.
<b>Achievements concerning alignment</b>	Donors alignment appears in general satisfactory, amongst others because of substantial focus on budget support.	The PRSP align very well to the Transitional National Development Plan.	The National Plan for Harmonisation and Alignment focus on ownership and alignment.
<b>Achievements concerning co-ordination</b>	A range of co-ordinating and monitoring groups have mushroomed as part of increased BS, Swaps and basket funding.	There have always been elements of co-ordination among donors, even if mechanisms were not well defined.	Donor co-ordination is increasing, and the Government is playing a proactive role. Co-ordination is based on concrete actions in the field rather than on broad programmes.
<b>Achievements concerning complementarity</b>	The issue of comparative advantages does not enter into donor strategies, which are based on political priorities and prior experience.	There have always been elements of complementarity among donors, even if mechanisms were not well defined.	Existing CSPs influence complementarity to the extent that they were designed with complementarity in mind.
<b>Importance of the CSP for achieving co-ordination and complementarity ("the 2 Cs")</b>	CSPs do not play any role in co-ordination activities. CSPs first and foremost constitute HQ requirements and might even hamper day-to-day co-ordination.	The GRZ does not consider the CSPs as being important for co-ordination and complementarity. The CSP preparation processes are seen by donors to support complementarity.	Most donors only know well their own CSP plus, at the best, a couple more, and CSPs do not seem to be a good means for donors to communicate
<b>Importance of other similar processes for achieving "the 2 Cs"</b>	Donor Partner Group (DPG), IMG and informal daily contacts play key roles for co-ordination. Joint Assistance Strategy (JAS) is the new institutional instrument for co-ordination and alignment.	At present the JASZ (Joint Assistance Strategy, Zambia) is the most promising promotion of co-ordination and complementarity. This process will ultimately imply that donors abandon individual country strategies.	Since May 2005 a Joint Financing Arrangement (JFA) and the attached Performance Assessment Matrix provides a framework for budget support. The National Plan for Harmonisation and Alignment focus on ownership and alignment.

ISSUE	TANZANIA	ZAMBIA	NICARAGUA
<b>Importance of shifts in aid modality for achieving “the 2 Cs”</b>	Most donors aim at providing a higher level of Budget Support (BS). BS and Performance Assessment Framework (PAF) are other strong means for co-ordination.	Co-ordination seems to increase when GRZ plays a significant role in a sector with establishment of a SWAp.	Donor allocations for Budget Support was suspended for about a year from May 2005. Denmark still feels that conditions are not yet right for budget support to Nicaragua.
<b>Incentives for promotion of “the 2 Cs”</b>	Delegation of freedom to local partner country level concerning initiatives for co-ordination and alignment.	The “Nordic+ Group” formed an institutional basis for donor co-ordination. GRZ express strong commitment to the JASZ processes.	The donors focus is on cuts in transaction costs and on BS and SWAps as a means to promote co-ordination and reach disbursement targets.
<b>Disincentives for promotion of “the 2 Cs”</b>	Donor HQs seem to have low interest in alignment and co-ordination.	JASZ processes will make it difficult for individual donors to demonstrate achievements of development aid.	Risks of mismanagement and loss of aid jobs.
<b>Importance and focus of sector support and sector planning</b>	Sector priorities co-ordinated through the DPG – in close co-operation with the GoT. The JAS processes are well suited to take over this co-ordination.	The Sector Advisory Groups support stakeholder participation, and thus, they support the JASZ processes.	The main co-ordination takes place at sector level. Five SWAps are currently under development and further three are nascent.



## Annex 5 B. Summary of desk studies 1

ISSUE	GHANA	BURKINA FASO	CAMEROON	VIETNAM
<b>Partner country ownership to the PRSP</b>	It is not possible to assess to what extent Ghanaian civil society and key interest groups support PRSP	The GoBF and civil society has a strong ownership to the 2004 PRSP – in terms of content and process.	WB has been strongly involved in writing the PRSP and GoC seems not to take ownership.	The Vietnamese PRSP (the CPRGS) is the national development strategy to which donors align.
<b>Achievements concerning alignment</b>	Donors increase the share of donor funding to Ghanaian priority on transport and private sector.	The GoBF has stated that develop. partners will have to integrate aid within the GoBF strategies/policies	Alignment is difficult when there is no transparency concerning GoC policy.	GoV proactively promotes alignment to national development plans and the PRSP.
<b>Achievements concerning co-ordination</b>	The Multi Donor Budget Support Programme is the most important mechanism for stronger co-ordination and alignment.	In practice, donor co-ordination continues to rest on the donors' initiative, largely on the basis of a sector approach.	A main obstacle for progress on co-ordination is the lack on the part of the Ministry of Finance to sign a MoU for harmonisation.	GoV takes the lead in the co-ordination measures, but it is hesitant to let donors be real and active partners in the planning.
<b>Achievements concerning complementarity</b>	Achievement of complementarity takes place on an ad hoc basis. It is constrained by lack of overview of resources allocated to the sectors.	Major efforts on "the 2 Cs" has been made through frequent Round Table meetings since the early 1990s, leading to the PRSP.	The WB is the main player in this field, pressurizing amongst others for sector plans.	There is complementarity in the overall aid pattern, both sector-wise and geographically. Sector ministr. play an active role in this.
<b>Importance of the CSP for achieving co-ordination and complementarity ("the 2 Cs")</b>	The CSPs do not play a major role in donor co-ordination. CSPs are rather an agreement o delegation of powers and mandate from HQs to embassy/delegation.	Generally, the CSPs form and contain constructive attempts on co-ordination of development aid, but they are resource demanding and up against weak partner adm.	The EC CSP has not contributed to "the 2 Cs" in Cameroon, and DFID's CSP confronts the question how donors react to a situation where alignment is impossible.	CSPs can mainly be considered donor-internal documents. They are not used much after their preparation outside the specific donor countries.
<b>Importance of other similar processes for achieving "the 2 Cs"</b>	Two matrices for a Progress Assessment Framework have been established to monitor flow of BS funds: One for WB and one for other support.	Co-ordination of implementation based on Budget Support is rather developed based on a framework agreement between 9 donors, includ. also a PAF for BS and PRSP	The main donor co-ordination takes place in the Comité Multi-Bailleur, set up in 2005 and consists of 10 donors.	The set up of Partnership Group on Aid Effectiveness (PGAE) is a GoV/donor effort that has fostered Harmonisation Action Plan, based on DAC principles.

ISSUE	GHANA	BURKINA FASO	CAMEROON	VIETNAM
<b>Importance of shifts in aid modality for achieving “the 2 Cs”</b>	Many donors are reluctant to increase BS because of lack of transparency and mismanagement of funds.	The substitution of project aid by Budget Support will constitute a key element of the co-ordination. So far there are no SWApS in BF.	No General Budget Support is provided by donors for Cameroon. SWAp/basket fund has been set up for Health and Forestry/Environm.	SWApS with sector budget support are scarce, as the institutional and administrative framework is not yet in place.
<b>Incentives for promotion of “the 2 Cs”</b>	Donor competition and interest in improving aid effectiveness. Risk minimisation through sharing responsibility with other donors.	Delegation of responsibility to local embassy/delegation level to adapt procedures to partner country needs and initiatives.	IMF’s withdrawal of its Poverty Reduction and Growth Facility has triggered a higher degree of GoC openness to co-ordination.	Reduction of transaction costs and improvement of aid effectiveness.
<b>Disincentives for promotion of “the 2 Cs”</b>	Development aid is mainly supply driven and donors are accountable to their own Governments.	High costs of present attempts to follow processes and contents of other donors CSPs.	Donors have a fundamental lack of confidence in GoC’s capacity/will to render GoC budget transparent.	Donors are only reluctantly let into profound partnerships with Government institutions.
<b>Importance and focus of sector support and planning</b>	MDBS groups are gradually being copied from BS to sector co-ordination forums.	With weak partner country admin. capacity, donors’ co-ordination builds on a sector approach.	There is a critical general lack of sector strategies and sector plans to form the basis for co-ordination.	Sector Working Groups are active for sector-wise aid co-ordination, led by the concerned ministry.

## Annex 5 C. Summary of desk studies 2

ISSUE	TANZANIA	ZAMBIA	NICARAGUA	MOZAMBIQUE
<b>Partner country ownership to the PRSP</b>	The PRSP is rooted in the National Poverty Eradication Strategy and it is a proper national document.	The PRSP preparation process was country-driven with wide civil society participation.	The new Government revised the PRSP in 2005. It might be said to have strong ownership to this PRSP II, but civil society has not.	The Government claims a very strong ownership to the PRSP and its policies.
<b>Achievements concerning alignment</b>	Substantial alignment has been achieved.	A close co-operation has taken place between GRZ and many donors, focussed on the PRSP.	The Government has taken initiative for alignment since 2002, aiming at increased SWAp and BS	Substantial alignment has been achieved recently based on PRSP and informal donor co-operation.
<b>Achievements concerning co-ordination</b>	Substantial co-ordination has been achieved – recently – by a number of different means.	Informal co-ordination among donors has always taken place, but co-ordination increases when GRZ is involved in a SWAp.	Proactive Government initiatives for co-ordination since 2002 are giving palpable results concerning set up of SWAp and increased BS.	Substantial donor co-ordination has been achieved recently in particular based on BS and PAF.
<b>Achievements concerning complementarity</b>	Also complementarity has been promoted, for instance by the Independent Monitoring Group.	The CSP preparation processes are seen by some donors to make contribution to complementarity.	Formal informal donor communication ensures some degree of complementarity.	Substantial complementarity of donor aid exists based on formal and informal donor co-operation.
<b>Importance of the CSP for achieving co-ordination and complementarity (“the 2 Cs”)</b>	The present CSPs are not a useful instrument for co-ordination. On contrary, they can hamper the delegations room of manoeuvre.	Bilateral donors’ CSPs are prepared primarily for the donors’ own use. GRZ puts more emphasis on documents negotiated/signed by both partners.	Alignment, co-ordination and complementarity take prominent positions in the CSPs of the donors examined, and CSP elaboration involved donor co-operation.	EC’s CSP takes no notice of co-ordination. DFID leans on BS. Dutch (+Swedish) CSPs are flexible and responsive to co-ordination. Danish CSP is outdated.
<b>Importance of other similar processes for achieving “the 2 Cs”</b>	A Development Partners’ Group was established in 2004, providing sector support to GoT. A Joint Assistance Strategy (JAS) should, according to GoT, replace CSPs.	Nordic+ Harmonisation in Practice (HIP) agreement was signed in 2003, leading to a JASZ process with a Performance Assessment Framework.	Moving towards BS and SWAp a Joint Financing Agreement (JFA) was signed in 2005, providing a framework for BS. A Performance Assessment Matrix was attached.	MoU for BS, signed by the 15 Programme Aid Partners in 2004, and the related PAF has been key to co-ordination and alignment, but so far it focuses on BS.

ISSUE	TANZANIA	ZAMBIA	NICARAGUA	MOZAMBIQUE
<b>Importance of shifts in aid modality for achieving “the 2 Cs”</b>	The JAS aims at increasing the level of BS and SWAps and to link national strategy (the Mkukuta) to the national budget planning.	The set up of the JASZ has created a basis for increased BS and SWAps and for a fruitful dialogue on new aid modalities.	Substantial effort is made for a shift towards BS and SWAps. This probably is the most important contribution to donor co-ordinat.	Alignment, complementarity and co-ordination have first of all been set through and consolidated by shifts in aid delivery modalities.
<b>Incentives for promotion of “the 2 Cs”</b>	GoT aims at autonomy and control over funds through shift towards BS.	The JASZ processes are supposed to reduce transaction costs, and to put the GRZ in the driver's seat on allocation of funds.	For donors, BS support alignment and co-ordination. It also makes it easier to achieve spending targets and seems to cut transaction costs.	Rapid progress towards Budget Support is attractive for the national partners as it gives autonomy and control over funds.
<b>Disincentives for promotion of “the 2 Cs”</b>	Donor HQs show low interest in alignment and co-ordination, thus undermining usefulness of CSPs.	Individual donors will, with the JASZ, lose their possibility to demonstrate funding achievement.	In Nicaragua trust built between donors and the GoN may quickly disappear with a political change.	Some CSPs seem to restrain rather than support the aim of alignment and co-ordination.
<b>Importance and focus of sector support and planning</b>	DPGs nominate one representative for each sector as partner for GoT.	Sector Advisory Groups have been established for all key sectors, led by the concerned ministries.	Since 2002 Government initiatives for co-ordination has taken point of departure in sector co-ordinat.	The PRSP drew heavily on existing sectoral policies and programmes.

*Evaluating Co-ordination and Complementarity of Country Strategy Papers with National Development Priorities*

This study examines the role which the Country Strategy Papers and similar policy documents of the EC and the equivalent of EU Member States play in improving coordination and complementarity between EC and MS. The study also assesses country ownership of development policies and cooperation strategies. It shows that while the Country Strategy Papers have proved to be useful instruments in the process of decentralisation, they have, in general, not contributed substantially to improved alignment, coordination or complementarity. Whereas the majority of the Country Strategy Papers can still be characterised as relatively inflexible and dominated by headquarters, this study reports that some donors are moving towards more flexible and strategic joint planning arrangements.

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