

**2006 ASIAN REGIONAL FORUM ON AID EFFECTIVENESS:
IMPLEMENTATION, MONITORING AND EVALUATION**

**Are donor harmonisation initiatives a good investment
in improved aid effectiveness?**

Thematic case study no. 3

September 2006

The opinions expressed in this case study are the authors' alone,
and do not represent the official views of the organisers of
the Asian Regional Forum on Aid Effectiveness

Executive summary

1. This thematic study considers how initiatives among groups of donors to improve their harmonisation have contributed to the implementation of the Paris Declaration. It looks at two types of initiative: two joint country planning processes (Bangladesh and Cambodia) and an innovative multi-donor facility to support Indonesia's decentralisation programme.
2. In the two joint planning initiatives, groups of four donors decided to combine parts of their country planning processes by conducting joint analytical work and agreeing on common high-level objectives. They then produced individual country assistance strategies, in accordance with an agreed strategic framework. The initiatives helped improve strategic coordination among the participating donors and, although programming was mostly done separately, made a contribution to improving the division of labour among the partners. There were some savings on government transaction costs. The initiatives also helped to build closer working relationship among the participating donors.
3. The Decentralisation Support Facility (DSF) is an innovative initiative established by donors providing support to Indonesia's decentralisation programme. Its role is to promote better coordination and harmonisation of existing support, and to facilitate collaboration between donors, government and civil society. It supports the design and implementation of decentralisation programmes through a mixture of research and analysis, technical assistance and pilot activities.
4. The case studies reveal that harmonisation initiatives are a product of particular country circumstances, and tend to be pragmatic and opportunity-driven. Country managers need the flexibility to identify and respond to opportunities as they emerge. Greater delegation of authority to country managers facilitates harmonisation.
5. Developing harmonisation initiatives among a small group of donors is often an efficient approach, but necessarily excludes other donors. This may entail relationship costs that need to be mitigated through transparency and heightened communication outside the group. The Indonesian DSF is an attractive model because it is able to engage with all donors without creating an exclusive group. Where donors do consider it appropriate to proceed with harmonisation in groups, it is useful to select partners with a range of different skills and comparative advantages, particularly concerning their relations with government, to ensure that the sum is greater than the parts.
6. As country leadership strengthens, the locus for aid coordination shifts to government-led processes, and harmonisation initiatives need to adapt accordingly. However, there is a continuing need for initiatives that improve strategic coordination among donors, enabling them to make a coordinated input into government-led processes.
7. The case studies show that the Paris Declaration has major implications for how donors should assess 'transaction costs'. Working in effective partnership with other donors and government counterparts is time consuming, and the costs are not necessarily transitional in nature. These efforts should not be seen purely as 'transaction costs' to be minimised, but as part of the core business of delivering aid according to the Paris principles. The higher costs of harmonised working must be assessed against the benefits it offers to the partner country and its contribution to improving development results.

8. In the future, as aid is scaled up, the demands of harmonised working are likely to force donors to increase the selectivity of their country programmes. Donors may need to limit their operations across or within sectors, and to delegate to other donors in areas where they hold the comparative advantage in-country. This is beginning to happen, but not systematically. Joint planning initiatives like those in Cambodia and Bangladesh may become increasingly important as a means of establishing a better division of labour among donors.