



AFRODAD



African Forum and Network on  
Debt and Development

# AID EFFECTIVENESS IN AFRICA

## *A SYNTHESIS*

Aid Effectiveness in Africa  
*A Synthesis*

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# About AFRODAD

## **AFRODAD Vision**

AFRODAD aspires for an equitable and sustainable development process leading to a prosperous Africa.

## **AFRODAD Mission**

To secure policies that will redress the African debt crisis based on a human rights value system.

AFRODAD Objectives include the following:

- 1 To enhance efficient and effective management and use of resources by African governments;
- 2 To secure a paradigm shift in the international socio-economic and political world order to a development process that addresses the needs and aspirations of the majority of the people in the world.
- 3 To facilitate dialogue between civil society and governments on issues related to Debt and development in Africa and elsewhere.

From the vision and the mission statements and from our objectives, it is clear that the Debt crisis, apart from being a political, economic and structural issue, has an intrinsic link to human rights. This forms the guiding philosophy for our work on Debt and the need to have African external debts cancelled for poverty eradication and attainment of social and economic justice. Furthermore, the principle of equity must of necessity apply and in this regard, responsibility of creditors and debtors in the debt crisis should be acknowledged and assumed by the parties. When this is not done, it is a reflection of failure of governance mechanisms at the global level that protect the interests of the weaker nations. The Transparent Arbitration mechanism proposed by AFRODAD as one way of dealing with the debt crisis finds a fundamental basis in this respect.

AFRODAD aspires for an African and global society that is just (equal access to and fair distribution of resources), respects human rights and promotes popular participation as a fundamental right of citizens (Arusha Declaration of 1980). In this light, African society should have the space in the global development arena to generate its own solutions, uphold good values that ensure that its development process is owned and driven by its people and not dominated by markets/profits and international financial institutions.

AFRODAD is governed by a Board of seven people from the five regions of Africa, namely East, Central, West, Southern and the North. The Board meets twice a year. The Secretariat, based in Harare, Zimbabwe, has a staff complement of Seven programme and five support staff.

## Preface

Although donors argue that they have changed their approach and that conditionality has been replaced by 'country ownership', poverty reduction and pro-poor growth strategies, experience on the ground seems to suggest otherwise. Lack of harmonization and alignment of policies, procedures and programs among various donors' agencies continue to mar effective aid delivery to recipient governments who in turn have been eluded by the key concepts of inclusiveness, popular participation and 'good governance'.

Problems of economic governance and ineffective utilization of development assistance have ranged from poor or no consultation with the intended beneficiaries; lack of coordination between various government agencies, the failure to harmonize policies, programs and procedures harmonization and alignment, poor project design within parastatals, public or private enterprises; to poor monitoring of foreign funded projects and consequently in indebtedness and poverty..

This international agenda has evolved over time, and hopefully will continue to evolve. Its principal manifestation at this time is the Paris Declaration of March 2005. The Paris Declaration on Aid Effectiveness represents a landmark achievement for the international community, which brings together a number of key principles and commitments in a coherent way. It includes a framework for mutual accountability, and identifies a number of indicators for tracking progress on the part of donors and partner countries. At the same time, there is a general recognition that the Paris Declaration is a crucial component of a larger aid effectiveness agenda that could engage civil society actors in a more direct manner. The power of the Paris Declaration is its focus on a limited number of general principles for action. As such, the Paris Declaration is not intended to provide operational instructions for how to achieve specific development results. The Paris Declaration is therefore limited in terms of the stated purpose of aid effectiveness in that it does not, and cannot, by itself, tell us how to reduce poverty, improve democratic governance, or promote greater gender equality.

As development actors, CSOs share an interest in the concept of aid effectiveness as an important one for keeping development efforts on-track, for drawing attention to outcome and impact level results, and for drawing lessons of good practice from accumulated experience. The shared pursuit of aid effectiveness provides a legitimate entry point for dialogue among all development cooperation actors, including CSOs. This synthesis of AFRODAD research is but one of the civil society contributions to monitoring and tracking aid effectiveness in Sub-Saharan Africa, which by and large constitutes the bulk of aid beneficiaries. We do hope that the thoughts and ideas emerging for the case studies will help enlighten issues and move the continent and its development partners step a head.



Charles Mutasa  
Executive Director  
AFRODAD

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## Acronyms

AfDB	African Development Bank
AFRODAD	African Forum and Network on Debt and Development
APRM	African Peer Review Mechanism
ARD	Regional Agency for Development
BWIs	Breton Woods Institutions
CABS	Common Approach to Budget Support
CBK	Central Bank of Kenya
CEPOD	Centre d'études des politiques pour le développement
CFAA	Management System of Public Finances
CG	Consultative Group
CPAR	Reform of Procedures for Public Works Contracts
CSOs	Civil Society Organizations
DAC	Development Assistance Committee
DAD	Debt and Aid Management Division
DAS	Development Assistance Strategy
DBS	Direct Budget Support
DFID	Department for International Development
DPEE	Direction of Forecasting and Economic Studies
DPG	Development Partners Group
DPS	Direction de la Provision et de la Statistique
EC	European Commission
ECA	Economic Commission for Africa
GBS	General Budget Support
GCA	Global Coalition for Africa
GDP	Gross Domestic Product
GNP	Gross National Income
GoC	Government of Cameroon
GoG	Government of Ghana
GoK	Government of Kenya
GoL	Government of Liberia
GoM	Government of Mozambique
GoS	Government of Senegal
GoT	Government of Tanzania
GoU	Government of Uganda
GT-EFF	Group of Work on the Efficiency of Help
GTZ	German Technical Assistance Agency
HIPC	Heavily Indebted Poor Country
HIV	Human Immune Deficiency Virus
HLF	High Level Forum
ICT	Information and Communication Technology
IDA	Agency for International Development
IDA	International Development Association
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
INGOs	International Non-Governmental Organizations
I-PRSP	Interim Poverty Reduction Strategy Paper
JAS	Joint Assistance Strategy
JAST	Joint Assistance Strategy for Tanzania
JICA	Japanese International Cooperation Agency
MDGs	Millennium Development Goals
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MPD	Ministry of Planning and Development
MPRSP	Malawi Poverty Reduction Strategy Paper
MTEF	Medium Term Expenditure Framework

NAC	National Aids Council
NDS	National Development Strategy
NEPAD	New Partnership for Africa's Development
NGOs	Non-governmental Organization
NPC	National Planning Council
OAU	Organization for African Unity
ODA	Official Development Assistance
OE	State Budget/ Orçamento do Estado
OECD	Organization for Economic Cooperation and Development
PAF	Performance Assessment Framework
PAP	Programme Aid Partners / the G18
PARPA	Action Plan for the Reduction of Absolute Poverty
PD	Paris Declaration
PEAP	Ugandan Poverty Eradication Action Plan
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PFM	Public Finance Management
PIUs	Project Implementation Units
PPA	Participatory Poverty assessment
PRGF	Poverty Reduction Growth Strategy
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PTIP	Triennial Program of Public Investment
REOE	State Budget Execution Report/Relatorio de Execução Orçamental
SADC	Southern African Development community
SAPs	Structural Adjustment Programmes
SBS	Sectoral Budget Support
SDC	Swiss Development Cooperation
SIDA	Swedish International Development Agency
SISTAFE	Integrated State Financial Administration System
SPA	Strategic Partnership with Africa
SWAP	Sector Wide Approaches
UEMOA	West African Economic and Monetary Union
UJAS	Uganda Joint Assistance Strategy
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children Fund
USA	United States of America
USAID	United States Agency for International Development
WAEMU	West African Economic and Monetary Union
WB	World Bank

# Executive Summary

Aid dependency, the unpredictability and inflexibility of aid, the creation of parallel implementation units, high transactions costs and neglect of priority sectors in the allocation of the aid by donors has contributed to its ineffectiveness in African countries. The countries being reviewed in this report are the recipients of considerable sums of official development assistance.

The signing of the Paris Declaration on Aid Effectiveness and Harmonisation by both donor and partner countries signified the intention of addressing many of these short-comings. In this context, the African Forum and Network on Debt and Development (AFRODAD) commissioned research in nine countries in Sub-Saharan Africa in order to ascertain how aid the delivery and effectiveness of aid has changed.

There are remarkable improvements in aid management and donor performance in Africa are noticeable. Key observations from the country reports include:

- Direct Budget Support (DBS) is the articulated preferred modality of channelling aid into African Governments. However, donor behaviour on the ground seems to be different.
- Clearly, even when donor commitments, which appear aligned to the Paris Declaration, have been made, the practice, mood and mode of funding are still inclined to project aid support. This is attributed by donors to the lingering inefficiency of government planning, budget and procurement systems that often perpetuate corruption and related weaknesses.
- From the point of view of African governments, the main obstacles include: coherence between sector strategies and budgeting processes; lack of decisive action by African governments to guide donors and encourage harmonisation; lack of capacity in ministries for implementation, monitoring and evaluation, including annual reviews; lack of sound analysis of target setting in relation to the realisation of the principle of results orientation; and staffing shortages in the Ministries of Finance, Planning and Development.
- And from the standpoint of donors, the main obstacles include the use of parallel implementation structures; inflexibility of donor processes; use of their own monitoring and evaluation systems imposed by their governments, which differ among donors; the fixing of some project cycles for a multi-year period, stating when reviews are required, as a result of which some donors are continuing with their individual monitoring exercises.
- The country reports demonstrate a commitment to implementing the Paris Declaration. To this end, they have taken steps to strengthen the capacity of their respective institutions. Further capacity strengthening is still needed, especially for those sectors/ ministries that handle aid and interact with donors. Line ministries, in particular, should be encouraged to play their part in implementing the Paris Declaration.
- Where there is a Joint Assistance strategy (JAS), it has been less necessary for individual donor countries to prepare their own country assistance strategies. And, to that extent, the JAS has contributed to reducing multiplicity of donor processes and to enhancing aid coordination and promoting collective support to partner countries consistent with its national development goals and priorities. Donors have laid some framework within which to implement the Paris Declaration; for example, the establishment of the common approaches to delivering their development assistance and the establishment of internal coordination arrangements.
- Although short term predictability appears to have improved, mid to long run predictability has not. A combination of better, longer and rolling (or adjustable) multi-year programs, with realistic Medium-Term Expenditure Frameworks (MTEF) and systematic macroeconomic analyses is still lacking.
- Donors have to harmonise and align more their internal procedures and planning systems to meet the demands of the mutual accountability principle.

- Although with many positive aspects, the apparent partnership between donors and governments has been focused more on procedures how to do things but little attention has been placed on actual directions, strategies and policies, and all requisites of the Paris Declaration.
- Partner government-donor data systems are still not adequate enough for tracking the implementation of Paris Declaration.
- There is a need to develop a wider framework with respect to identifying and significantly reduce unnecessary administrative and transaction costs. Controlling the number of missions is effective in reducing them, sometimes quite dramatically, and this is also extended to donors' internal administrative burdens and transaction costs.

# 1 Introduction and Background

Despite having received close to \$294 billion in loans between 1970 and 2002, Africa continues to register the slowest growth in per capita income of any continent. Aid to Africa has not guaranteed rapid growth and has not contributed significantly to the reduction of poverty or the creation of sustainable conditions for economic development.

There have been a number of world gatherings since 2000 to deal with the ineffectiveness of aid and development priorities.

- The Millennium Development Summit was held in September 2000, and attendees committed themselves to making the right to development a reality for everyone. To help track progress, the United Nations, as well as representatives of IMF, the World Bank and OECD defined a set of time-bound and measurable goals and targets.
- The Monterrey Consensus, March 2002, succeeded in placing financing for development on the forefront of the global agenda. The conference highlighted the need for a substantial increase in the volume of official development assistance (ODA) and an agreement that greater efforts are necessary in both donor and recipient countries to improve the effectiveness of official development assistance.
- In February 2003, leaders of the major multilateral development banks and international and bilateral organizations, and donor and recipient country representatives gathered in Rome for a High-Level Forum. The output of the meeting, The Rome Declaration on Harmonization, sets out an ambitious program of activities including adapting harmonization efforts to the country context and implementing good practices principles and standards formulated by the development community as the foundation for harmonization.
- The Paris High-Level Forum, in March 2005, was attended by development officials and ministers from 91 countries, 26 donor organizations and partner countries, representatives of civil society organizations and the private sector. The participants took stock of progress that has taken place since the Rome HLF and identified the areas in which further work is needed. Identification of the remaining gaps in the aid architecture materialized in the Paris Declaration on Aid Effectiveness.

## 1.1 The Paris Declaration on Aid Effectiveness

The quality of aid is a function of both donor and partner country policies and practices. The Paris Declaration goes beyond previous agreements and their statements of general principles by attempting to lay down a more practical, action-oriented roadmap to improve the quality of aid and its impact on development. It expands on the five key principles of ownership, alignment, harmonisation, managing for results, and mutual accountability. It establishes a commitment to track and set targets against 12 indicators of progress. The Declaration underscores the importance of predictable, well aligned, programmed, and coordinated aid. Its purpose is to improve aid delivery in a way that best supports the achievement of the Millennium Development Goals by 2015.

Lack of capacity in the distribution of aid, the absence of indicators to evaluate its effectiveness, the absence of transparency in public financial management, the non-alignment of aid and national priorities, and the divergences amongst donors regarding reporting requirements and the like, necessitated a unified system of aid delivery and management<sup>(1)</sup>. Towards this end, the Paris Declaration resolved to reform the way aid is both delivered and managed. It is aimed at:

- Strengthening partner countries' national development strategies and associated operational frameworks (e.g. those associated with planning, budget, and performance assessment).
- Increasing alignment of aid with partner countries' priorities, systems and procedures and helping to strengthen their capacities.
- Enhancing donors' and partner countries' respective accountability to their citizens and parliaments for their development policies, strategies and performance.
- Eliminating the duplication of efforts and rationalising donor activities to make them as cost-effective as possible.
- Reforming and simplifying donor policies and procedures to encourage collaborative behaviour and progressive alignment with partner countries' priorities, systems and procedures.
- Defining measures and standards of performance and accountability of partner country systems in public

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1. AFRODAD (2007a)

financial management, public procurement, fiduciary safeguards and environmental assessments, in line with broadly accepted good practices.

The above objectives are based on five principles:

1. **Ownership** refers to exercising effective leadership over development policies and strategies, coordinating development plans via consultative processes, and translating the same into programmes with budgets and targets.
2. **Alignment** refers to donors linking their funding to recipient countries' national development strategies, institutions and procedures.
3. **Harmonisation** refers to a more collectively effective aid delivery implementing where feasible common arrangements regarding disbursement, monitoring and evaluating, and reporting at country level.
4. **Managing for results** relates to improving planning and decision-making structures in a way that focuses on desired results. This mainly entails strengthening the link between national development strategies and annual budget processes and evaluating outcomes against key indicators for which data is available.
5. **Mutual Accountability** is meant to place both donors and partners accountable for results, upholding transparency in the use and distribution of resources.

Contemporary debates on aid management have resulted in the consensus that aid disbursement, reporting and other practices among donors should be aligned and harmonized to the maximum extent possible to improve aid delivery and effectiveness. However, such efforts at alignment and harmonization must be made taking into consideration the national context of the beneficiary country. The Paris Declaration on Aid Effectiveness states in succinct, unambiguous terms that “Development Assistance works best when it is fully aligned with national priorities and needs”. **The commitments made by the donors and partner countries as stated in the Paris Declaration reflect the realization that the management of development assistance must be reformed if poverty and inequality are to be reduced, growth increased, national capacity developed, and the Millennium Development Goals achieved.** The Paris Declaration therefore represents a new way of doing the business of development assistance a new approach that emphasises the essential tenets of harmonization and alignment in providing development assistance to partner countries.

## 1.2 AFRODAD Research

AFRODAD commissioned research in nine (9) African countries<sup>(2)</sup> in order to assess the progress made on the above principles. The main focus of the project was to study and promote public dialogue within Africa concerning donor aid management and its impact on African countries' development efforts by examining how funds and technical expertise are delivered to African countries, and how partners and donors interact in such processes.

This work represents a synthesis of the main findings of those country cases and a look at cross-cutting and emergent issues arising from case studies. The analysis take the following structure: Chapter two gives insight as to the degree and scope of ownership in the case countries. Chapter three gives evidence on donor alignment, harmonisation and accountability. The final chapter develops observations, recommendations, and conclusions.

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2. Ghana, Senegal, Tanzania, Uganda, Cameroon, Mozambique, Malawi, Liberia, and Kenya

## 2 Ownership and Development Programmes

The Paris Declaration defines Ownership as a situation in which “partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions”. To operationalize country ownership, the Indicator of Progress in the Paris Declaration specifies that by the year 2010, at least 75% of Partner countries should have operational development strategies (including Poverty Reduction Strategies that have clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets). In this context, ownership takes the form of a planning document, typically a derivative of the Poverty Reduction Strategy Paper (PRSP). Essentially national development strategies, these documents have become the basis upon which donors align their aid with partner countries' development priorities. This is facilitated by a programme of activities, accompanied by a preliminary costing.

With respect to the commitments to Ownership in the Paris Declaration, partner countries are meant to exercise leadership in developing and implementing their national development strategies through broad consultative processes. They are then to translate these national development strategies into prioritized results-oriented operational programmes as expressed in medium-term expenditure frameworks and annual budgets. Finally, they are meant to take the lead in coordinating aid at all levels in conjunction with other development resources in dialogue with donors and encourage the participation of civil society and the private sector.

Of the five principles of the Paris Declaration, (PD), ownership is at the core of the aid architecture. It refers to the exercise of effective leadership over development policies and strategies, the coordination of development plans via consultative processes, and the translation of the same into programmes with budgets and targets. Ownership is a principle that can only be demonstrated within national contexts. As such, the evidence and evaluation of partners' and donors' performances are described by case. Though political and socio-cultural frameworks will necessarily yield different results, the emphasis is on the democratization of the process as much as possible.

### 2.1 Mozambique

The Government of Mozambique (GoM) has been taking action to strengthen its leadership role in coordinating development assistance. Currently there is an on-going process of developing an Aid and Cooperation Policy along with its strategy. While the Ministry of Foreign Affairs and Cooperation is formally in charge of coordinating development assistance, the Ministry of Planning and Development (MPD) is responsible for day-to-day coordination within the country's Poverty Reduction Strategy, the PARPA<sup>(3)</sup>.

External partners' move towards budget support has also contributed to establishing a formal structure for regular government-development partner dialogue. Both Government, through its Ministry of Planning and Development, and the Programme Aid Partners (PAP), co-chair a joint steering committee which meets monthly to discuss budget support issues. This committee includes the Troika plus group, consisting of the previous, present and future chairs of the PAP<sup>(4)</sup> plus the EC and the World Bank. An economist working group, a PAF coordination group and sector working groups (about 22), chaired by development partners, meet regularly and ensure regular dialogue with central and line ministries. The World Bank and UNDP have been co-chairing the Development Partners Group (DPG), a wider external partners group, beyond the PAP. MPD co-chairs Joint and Mid-Year Government-Donor Reviews to assess PARPA implementation; and GoM has chosen the Joint and Mid-Year Reviews as the main instrument to garner external partner support, replacing the traditional pledging approach of Consultative Group (CG) meetings.

### 2.2 Cameroon

Government leadership in the coordination of external partners and development assistance management is found to be weak. The Department of Economic and Technical Cooperation does not play a significant enough role in this area, and inter-ministerial coordination remains largely inefficient. At the sector level, however, government plays a more active role in the coordination of external partners. There exists a Joint Monitoring Commission chaired by the Ministry of Health, which coordinates all the external partners, holds monthly meetings. Though, coordination of external partners remains at an embryonic stage. Efforts to coordinate financial backers were made by Cameroon long before the creation of the Multi-Donor Committee, a product of the consultation framework put in place in the context of the HIPC process.

3. Action Plan for the Reduction of Absolute Poverty, the Mozambican Poverty Reduction Strategy (PRSP).

4. A group of 19 donors, also known as the G19, that provide Direct Budget Support to the GoM.

The first consultation framework between donors on the one hand, and donors and the government on the other, is the Advisory Committee for the Management and Monitoring of HIPC Funds (ACMM/HIPC)<sup>(5)</sup>.

In fact, in September 1999, when Cameroon was admitted to the HIPC initiative, and to ensure a participative and transparent management of funds derived from savings on the foreign debt service in the HIPC context, the country created the ACMM/HIPC. This committee is chaired by the Minister of Finance, assisted by a vice-president representing civil society, and brings together the three components concerned with debt relief, namely: the Cameroon government, represented by six priority intervention sectors; two NGO representatives, three representatives of religious denominations, a representative of the private sector, and a representative of the Professional Association of Micro-finance; and the representatives of donors and International Community.

To coordinate their support to the PRSP, international partners have set up, in November 2003, the "Multi-Donor Committee" (MDC), which meets regularly. The MDC deals mainly with economic and financial issues, and transversal subjects (i.e. civil society, PRSP statistical follow-up, and HIPC program monitoring). Presently, the MDC plays the role of a monitoring tool for PRSP implementation, and for the partners it is a platform for meetings, exchange of ideas, coordination efforts, and design common positions on all development concerns in Cameroon, including the HIPC initiative. From 2005, the MDC has been involved in the aid alignment and harmonization process of the Paris Declaration Agenda.

### **2.3 Malawi**

Drawing on the Paris Declaration, the Malawi Government has prepared a Development Assistance Strategy (DAS) for the purpose of implementing the declaration. In relation to the above principle, DAS has set forth three indicators, which are that: the Malawi Growth and Development Strategy (MGDS) should be in place and publicly launched; sector strategies should be in place and aligned to the MGDS; and that the 2007/2008 budget should reflect the MGDS priorities and be organised to allow easy identification of MGDS themes and sub-themes.

The final version of the MGDS was approved in September 2006. According to the 2006 Annual Debt and Aid Management Report, some sector strategies or sector plans are in place, but many are not aligned to the MGDS. Furthermore, a Charter of Accounts has been drafted and is being reviewed to assess compatibility with the Integrated Financial Management Information System (IFMIS). But no resource envelope has been enumerated for the MGDS and a further round of prioritisation is widely considered necessary. The main issue in Malawi is the inadequate capacity in terms of skills and numbers of personnel in government.

### **2.4 Ghana**

To ensure national ownership of Ghana's development frameworks, the PRSPs (GPRS I and GPRS II) were formulated in consultation with a broad spectrum of the Ghanaian population, including Civil Society Organizations. However, it is even more crucial to assess the nature and extent to which development partners were involved in the preparation of the GPRS to identify whether Ghana's national development framework is donor- driven rather than country-led. A study on the PRSP processes in Ghana<sup>(6)</sup> deduced that: "To start with the ownership of the GPRS process, it has been complained elsewhere (Eurodad, 2000) that local efforts to construct anti-poverty programmes are being "shouldered aside" by the IFIs specifications of what a PRSP should consist of.

Following a discourse on the GPRS process, one must examine the motivation of GoG to formulate a national PRSP. In other words, was the GPRS formulated to fulfil a donor's requirement for financial support or was it formulated, at the initiative of GoG, to facilitate national planning for effective development? In some circles, the GPRS is viewed as a framework that appears to be country- led on the surface but really caters to the funding priorities of development partners. Others however see it as a more holistic approach towards development since it provides a framework indicating the government's development priorities and strategies.

Whatever the motive of GoG for formulating a PRSP, there is no doubt that the process has been advanced by the development partners, who have supported the GPRS formulation process and provided technical and financial assistance as well as key inputs to address apparent variances and gaps in the GPRS.

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5. It was formally put in place in December 2000 by Decree N°2000/960/PM of Dec 1, 2001 of the Prime Minister

6. Killick, T. and C. Abugre (2001). 'Poverty-reducing Institutional Change and PRSP processes: The Ghana Case'.

For instance, in a discussion with Civil Society about the GPRS II, the World Bank Country Director for Ghana, Mats Karlson, noted that the document did not address a number of key challenges that impact Ghanaians. In addition to this, development partners have expressed concern about the absence of an unambiguous results matrix in the GPRS II to enable all stakeholders clearly identify the country's priorities and measure policy outcomes. The feedback provided by the donors has, to a large extent, refined the strategies outlined by the GoG in both GPRS I and GPRS II. The GoG takes overall leadership in co-ordinating development assistance. Specifically, the Ministry of Finance and Economic Planning whose role has been enhanced by the multi-donor budget support initiative oversees the work of 18 sector partner groups. Some of these are better established than others, and the government role in them varies. Over half are convened by ministries and meet regularly, but there are some that meet infrequently or consist only of donor representatives.

Ghana's policy framework is strong on vision and setting medium-term objectives however, it remains weak on the operationalisation and provision of resources needed for implementation by means of working linkages to the national budget process. Since the mid-1990s, Ghana's National Development Planning Commission has been responsible for preparing both long-term and medium-term national plans. These planning processes, and equivalent exercises down to the district level, are constitutional requirements. While the structure and substance of the national development policy has varied under the different administrations, it does provide the basic framework for the country's development policies.

To a large extent, GoG takes the lead in coordinating development assistance. Specifically, GoG and the World Bank co-chair quarterly mini-CG meetings. DPs in Ghana have been working in close collaboration with each other through a variety of coordinated programmes, and increasingly at the sector levels, especially through the sector working groups. Both GoG and development partners are represented in the eighteen Sectoral Partner Groups, which are formed based on thematic areas like Health, Agriculture, HIV/AIDS, Education, Water, Roads and Public Sector Reform. Good practices, including clear GoG leadership of the sector working group; aligning DP assistance with sector strategy (and to the extent possible, including it in the national budget process); pursuing joint policy dialogue and analytical work with GoG; as well as streamlining monitoring and reporting procedures based on a common results framework, were also identified in Financial Sector Reform, M&E, Water and Sanitation, Agriculture, and Natural Resources Management sectors.

## **2.5 Kenya**

The Government of Kenya (GoK) has put in place a number of policy instruments such as the Vision 2030, the Economic Recovery Strategy (ERS) for Wealth and Employment Creation 2003–07, and the 1999–2015 National Poverty Eradication Program.

The ERS for instance, identifies policy actions seen by the GoK as necessary to spur the recovery of the Kenyan economy. The strategy was developed in a participatory manner tapping into the then existing policy documents including the PRSP of 2001 and the manifesto of NARC government (2002). In the context of aid harmonisation and aid effectiveness, ERS is important for two key issues. One it spells out key priority and program areas for the GoK on economic recovery as well as poverty reduction thus providing a framework for alignment of resources toward the national priority. Secondly it outlines key reform areas in the public institutions and system that are fundamental to an effective and harmonised aid regime. The overall goal is to develop sector strategies and action plans for easy coordination and alignment, increase the quality, effectiveness, and coherence of sector-specific policy dialogue and of donor assistance, and reduce transactions costs to the government of donor assistance.

In Kenya, the flow of external resources is guided by the External Loans and Credit Act, which forms the principle legal framework that governs external resources management. The responsibility for coordinating development assistance rests with the Ministry of Finance specifically under the External Resource Department. The core roles of the department include sourcing, negotiating, coordinating, disbursing, and reporting of ODA resources. In order to facilitate dialogue between the government and development partners, government has created various forums for purposes of information sharing, updates and progress on aid harmonisation between itself and donors. These forums include; the Consultative Group (CG); the Kenya coordination group (for meetings comprised of government and its development partners), chaired by the Minister of Finance and usually convened to communicate the government's progress as regards aid harmonization process; the Kenya donor consultative Group (DCG), chaired by the World Bank; and others.

## 2.6 Tanzania

In Tanzania, government leadership is considered strong in many respects (e.g. a higher level of assertiveness, better organization and better preparation of policy documents). The Government of Tanzania (GoT) leadership of the reform process, development agenda as well as the aid relationships has improved. The Ministry of Finance (MoF) in particular has become more assertive in asking DPs to commit to the country's development priorities. There is a higher level understanding of issues especially MoF providing clarity, coherence and guidance to sector ministries.

Nevertheless, this level of ownership is found higher for the MoF, and lower for most sector ministries. Leadership in dealing with local governments is still not good enough as it is not well defined in practice. The role of Parliament in its involvement in policy processes and results evaluation is still growing from a rather low level. Parliament has largely been engaged in approving the budget and the legal instruments for policies and less engaged in debates on the national development framework, an activity that is critical for shaping ownership and leadership in the development agenda.

Progress has been made in terms of leadership and ownership in developing the national development framework starting with the Poverty Reduction Strategy Paper in 2000 and making further improvements on it to produce a clearer view of its role in the development agenda as has been defined in the second generation of PRS (MKUKUTA). Compared to the first generation of PRSP, the formulation of MKUKUTA has been more clear, more consultative and participative with greater demonstration of GoT leadership than the practice in the past. Further, comments on MKUKUTA have been coordinated better than before. The challenge for Tanzania is to show evidence that implementation is in progress from input based towards output based results.

## 2.7 Liberia

The Government's program to revive the economy, improve the living standards of the people, and build a peaceful, stable and democratic society rests on four pillars of the Interim Poverty Reduction Strategy Paper (I-PRSP) for 2006 2008. Given the country's post-conflict situation, national security is listed as the forefront of the priority sectors. In such situations, the principle of ownership speaks directly to the degree to which national development planning frameworks integrate civil society organizations. In this regard, the Liberian National Decentralisation and Local Development Programme was launched in June 2007, in conjunction with the United Nations Development Programme, to strengthen the capacity of government through the Ministry of Internal Affairs and the relevant local institutions. It is meant to install a country and district financing facility to demonstrate the full cycle of public expenditure management, equipping Liberia with the legal framework it needs to achieve real ownership.

## 2.8 Uganda

Uganda's poverty reduction effort is coordinated within the Poverty Eradication Action Plan (PEAP) framework. To align and harmonize working relationships on aid modalities between the donors and the Government of Uganda (GoU), the process for the development of the PEAP partnership principles was concluded in 2001. The principles were then revised in 2003, in line with the new PEAP revision processes and structures such as the Sector Working Groups, the PER and the MTEF. The MTEF has been implemented to guide expenditure priorities within the PEAP since the Fiscal Year 1992/93.

## 2.9 Senegal

The PRSP constitutes the main reference document regarding economic and social development policy in Senegal. It is at this level that there are mechanisms to direct and coordinate the intervention of the donors towards the sectors of the economy identified by the government of Senegal as priority. The second generation of PRSP, while ensuring the continuity its predecessor, takes into account the latest developments in the global economy and, as a result of wider consultations, reflects a shared vision.

Regarding the acceptance process of international assistance, even if the identified donor has already accepted the principle of the financing of project or a programme, it is up to the Government of Senegal (GoS) to explicitly formulate a request for financing. This indicates that GoS exercises strong leadership in the aid management of the country.

For instance, it has set up a threshold criterion, called concessional rate of debt, fixed at 35%, beyond which no assistance, whatever its form, contents or amount is accepted by the authorities in charge of the management of the State policy in terms of financial affairs. This threshold integrates the whole of the conditionalities related to the assistance (rate, duration, grants elements, amount, refunding postponement, etc.).

## 2.10 Towards Broader Participation

### 2.10.1 of Civil Society

The quality of exchanges between these countries governments and the Civil Society Organisations (CSOs) has improved significantly. The cases of Tanzania, Mozambique, and Ghana stand out. For this interface, CSOs appreciate government efforts in widening the participative process in generating policies so as to make them more effective. Reciprocal recognition by government of CSO contribution has gone a long way in enhancing mutual trust. Openness by NGOs is no longer automatically taken as a hostile stance, although there is still some way to go before autonomy and 'watchdog' functions of NGOs are embraced by all in Government and among Development Partners.

The level of internal organization of NGOs for purposes of enhancing their participation in the policy process has improved. In Tanzania, some 70 NGOs have set up an NGO Policy Forum (NPF) to bring together NGO voices, particularly in public policy advocacy and policy influencing, to make policies more realistic, and the processes more inclusive and transparent. They have specifically targeted the PRS and PER processes, which they deem to be critical for development and citizens welfare.

National ownership and leadership goes beyond government to involve other key actors in society. In this regard, policy-making processes have been broadened in terms of participation e.g. in PRS and PER processes. PER, PRS and Poverty Policy Week (PPW) processes have been broadened and deepened. The number and quality of exchanges has been much higher. The Poverty Policy Week for example has involved national as well as private sector and civil society participants. Tensions between government and other actors especially those from the civil society have been reduced as trust has increased.

It is worth noting that CSO participation in national processes has improved: (i) in MKUKUTA formulation in Tanzania and in the poverty week has been higher than has been in the past; (ii) in PARPA II formulation and M&E processes in Mozambique is ever increasing and competitive. CSOs are increasingly been seen as providing added value to the processes, thus the GoT getting useful contribution or professional bodies providing professionally strong comments on documents. In fact, it has been observed that certain CSOs/NGOs have become so successful that to leave them out of policy dialogue forums would raise questions from key stakeholders such as development partners and international organisations as to whether they have been consulted.

However, there are still a few challenges to be addressed, namely:

- **Participatory approaches that are adopted are still not systematic as all depend on government felt need for extending invitations to CSOs.** This challenge has been addressed by the proactive approach by the CSOs. Some CSOs have resolved to "knock on government doors" regarding processes, which they sense are still somewhat secretive.
- Approaches to CSOs differ from sector to sector and subject to subject. In some sectors, it is sometimes assumed that participation should be restricted to those CSOs specialising in the sector, often forgetting that impact of policy or policy measures being processed go beyond the sector. This is often seen in the countries' approaches to combating HIV/AIDS.
- Within government and political circles there are also subtle concerns regarding the representative legitimacy of NGOs; i.e. that the stronger NGOs voices may not truly be representative of large sections of society. This sentiment may be reinforced by the fact that most important NGOs are based in the capital cities. CSOS/NGOs participation is highest among CSOs at central levels yet participation at sub-national and local level is still weak due to weak capacity of these organizations.

Greater inclusion of ruralbased NGOs and communities in policy dialogue is something governments should be concerned about. Development partners' support in this area should be welcome. Further, some NGOs operate in local constituencies but are not accountable to the local authorities or the people they serve. They feel they are accountable to the donors rather than the people.

- Lack of capacity amongst CSO/NGOs could be addressed through donor support but most development partners have been reported to be reluctant to support institution- building in NGOs. They would rather provide money for ear-marked projects.
- NGOs further expressed the feeling that sharing information with government could be misused to sour donors' attitude and affect the flow of aid or encourage a pretext to reduce assistance. An open mind and polite but frank expression of views in participatory processes should be encouraged. This fear should be addressed through defining a robust system of conditionalities with a view to enhancing predictability of resources.

### **2.10.2 of the Private Sector**

Tanzania is a good example of incorporation of the private sector into national processes. The country has continued to deepen and institutionalize through various working committees under the Tanzania National Business Council (TNBC) and the Investors Round Table (IRT) and other business associations. Putting in place well-structured TNBC is in itself a notable achievement. The Council chaired by the President and the Executive Committee chaired by the Chief Secretary have had a high profile. The functioning of the Executive Committee and the formation and functioning of various working groups and the establishment of a secretariat have put the TNBC in a good footing. The acquisition of an office building at a convenient location within the city centre, donated by the Tanzania Government, demonstrates the determination and commitment for forging of the public-private partnership. TNBC represents institutionalisation of the dialogue between the Government and the Private Sector.

However, as the participation of the private sector is becoming deeper and broader, it is facing new challenges. The key challenges this process is facing are:

- Operationalisation of TNBC decisions is being challenged by several operational level hurdles which reduce speedy implementation of decisions. It was observed that the capacity to solve problems on a day-to-day basis in a timely manner was rather weak both on the part of some government institutions and the private sector representation.
- Smart Partnership requires change in the attitude and mindset on the part of Government officials and private sector actors to effectively participate in policy dialogue. The Public Sector Management Reform is addressing this shortcoming, particularly the attitude of civil servants towards business operators.
- In some cases major decisions affecting the private sector have been made without sufficient involvement of the private sector. An example of failure in consultation was cited in respect to Tanzania's withdrawal of its membership from COMESA. The private sector maintains that it no consultation was made before the decision to opt out of COMESA was taken.

### **2.10.3 of Local Governments and Parliament**

The participation process is being extended to members of parliament beyond issues of budget approval. Opposition in parliament has been involved more explicitly. While the role of Parliament has been enhanced, the discussions could be deepened further. Overall, it has been found that the level of participation in policy dialogue has grown considerably though there are still gaps in integration.

A disjoint between local and national governments was identified in Cameroon. To facilitate local participation in PRSP implementation, the government appointed five PRSP Provincial Committees to participate in PRSP monitoring. These committees convened local authorities, government civil servants, and other economic actors to participate in workshops on subjects such as social infrastructures, production and governance, as well as discussions in plenary sessions. The first mid-year revision of the PRSP participative evaluation was conducted through intensive provincial consultations.

There also exists a National Participative Development Program (NPDP), which is the operational mechanism aimed at facilitating participative implementation. The NPDP has been designed with a view to reduce poverty and promote sustainable development in rural areas by building the capacity of municipalities. Though local councils do not regularly participate in the formulation or revision of strategies, some chosen local councillors are involved in the participative monitoring of the PRSP. Community credit and savings unions and credit cooperatives have been implicated in consultations for the formulation of the PRSP.

However, parliamentary participation in the development of the poverty reduction strategy remains limited. In fact, the National Assembly as an institution was not directly involved in PRSP formulation. Its individual members only have participated in consultations aiming at the PRSP formulation, and some of them are involved in PRSP participative monitoring. The National Assembly indirectly monitors the PRSP through annual budget appropriations. Moreover, while the Constitution provides for the National Assembly to identify economic and social sectors objectives, it does not regularly receive government reports. There exists no parliamentary committee for the PRSP according to officials interviewed.

Senegal has also taken steps to institutionalize an integrated system of planning and budgeting across all levels of public administration. The Government of Senegal has set up a working group for the follow-up of the budgetary and financial reforms which will be carried out within the framework of the implementation of the PRSP and the CFAA/CPAR action plan. It was created by decree, and is directly attached to the cabinet of the Minister for Economy and Finances. The main objective of the working group is to ensure the coordination and the follow-up of the implementation of the reforms to be undertaken for the modernization of the management system of public finances and to reinforce the institutional capacities of the services of the State and the Local government agencies, by promoting the effectiveness, efficiency and transparency in planning, the allowance of public resources, the management of expenditure and the control of public finances.

## 3 The Evidence on Donor Alignment and Harmonisation

### 3.1 Alignment to National Strategies

The principle of alignment calls for donors to base their overall support on the objectives and targets identified by partner country development strategies, directing it through partner country institutions and procedures, and dropping ex-ante conditionalities. This would imply that donors should also provide support towards strengthening national institutions in partner countries, particularly those concerned with public financial management and procurement.

In the past, each donor used to prepare their own country assistance strategies. This had the effects of increasing the transactions costs incurred with negotiating with donors separately. Joint Assistance strategies have minimized that considerably. For example, the Joint Assistance strategy for Tanzania (JAST) has contributed to reducing multiplicity of donor processes and to enhancing aid coordination and promote collective support to Tanzania consistent with its national development goals and priorities.

The Government of Uganda's demonstrated lead to the PEAP seems to have also translated into donor commitment to the same, as for instance is reflected in the country's JAS. There has been further alignment, coordination and harmonization about the PEAP in relation to the national budget and donors. A PEAP-MTEF mapping exercise was conducted in 2006 to plot PEAP structures on the GoU recurrent and development budget and then to allocate aid flows to the PEAP Areas and SWGs used in the Fiscal Year 2007/08 budget process. This exercise has for the first time in Uganda demonstrated that aid can be plotted on the national budget, thus aligning and harmonizing aid to Uganda's development framework/PEAP goals, systems, processes and budgetary allocations.

Tanzania, Ghana and Mozambique appear to have similar experiences regarding donor alignment. In Mozambique, development partners have engaged in a highly participatory dialogue in the context of PARPA, the country's PRSP. A group of 18 donors, known as 'G-18', provide budget support to Mozambique. Government and the G18 have signed a Memorandum of Understanding (MoU) at the end of 2004, which sets out the principles, terms and operations for the Programme Aid Partnership (PAP). This is one of the largest joint programmes in Africa, both in terms of volume and donor agencies involved. It is premised on support for poverty eradication by: (a) Building a partnership based on frank and open dialogue on the content and progress of Mozambique's poverty reduction strategy, and (b) Providing financing for poverty reduction, clearly and transparently linked to performance, in a way which improves aid effectiveness and country ownership of the development process, reduces transaction costs, allows allocate efficiency in public spending, predictability of aid flows, increases the effectiveness of the state and public administration, improves monitoring and evaluation and strengthens domestic accountability.

Likewise, in Cameroon, external partners have also aligned their strategies to Cameroon's PRSP, and five major external partners, which contributed to 85% of total ODA in 2003/04, provided their assistance in alignment with the national priorities. Both Canada CIDA and France modified their assistance strategies to reflect PRSP priorities namely: (i) improvement in governance and institutional enhancement; (ii) health and the fight against AIDS; (iii) basic education; (iv) infrastructures; (v) agriculture and food security; (vi) the environment and biodiversity; (vii) higher education and research; (viii) the promotion of cultural diversity. And in 2005, the African Development Bank (AfDB) finalized a strategy paper for Cameroon for the 2005-2009 period, and aligned it with PRSP objectives, while concentrating on support to good governance and infrastructures. The Growth and Poverty Reduction Facility (GPRF) for the 2005-2008 period, launched in October 2005, considers the PRSP as the central framework for IMF support.

In addition to the alignment towards strategies, progress has also been made in the alignment of time. Alignment of DP calendars to the national calendar has improved through the Public Expenditure Review (PER) and the Medium Term Expenditure Framework (MTEF) processes and by drawing a calendar of a rationalised cycle of policy mechanisms and consultative processes. This instrument is increasingly being adopted by partner countries; e.g. Malawi. This enhances the predictability of aid flows and facilitates planning. In addition, more "quiet time" has been created, with the aim of providing the recipient governments with adequate time to concentrate on preparing the budget and reign in the participation of Parliaments.

Alignment to the national budget system and procedures is a most critical aspect in terms of giving comfort to the donors that the resources they give will be managed prudently with a high degree of accountability.

In the case of Malawi, current donor practices are mixed. Some funds are channelled through government. Other funds are not channelled through government. For example, France does not channel funds through the government budget. Germany channels some funds through the government. Most of the aid from the EU, Britain and Sweden is channelled through the government. All the bilateral donors mentioned above use the public financial management and procurement systems, but not for all of their aid. The PFM system is said to be comparatively weak. But all donors believe that both the PFM and procurement systems have been improving and their confidence in them has thus increased.

In this regard, a major development that has been identified, as in Tanzania, is the adoption of a more strategic approach to public spending through the MTEF/PER with focus on priorities as articulated in the PRS. The link between PER and PRS and the budget in general has been strengthened. Sectors engage in prioritization of their activities more than they did in the past. Budget guidelines have been rewritten to reflect new developments. Mechanisms for continuous monitoring of progress are being made and impacts of development initiatives and actions have been put in place on the heels of progress after the first round of the public financial management. Further challenges of financial control as well as those of allocation of resources according to priority are being tackled. Public resource management has improved considerably in terms of transparency and accountability of public financial resources. Investment in capacity building in local government authorities is getting attention, along with other programmes.

**These improvements in public financial management are dampened by some weak points in the system. The weakest link is in the quality of the budget process. The budget does not yet function as the strategic policy and resource allocation tool it is supposed to be.** In the policy-budget-service delivery chain, the budget formulation is seen as the weak link. This is a situation found across the nine countries under study. Links between priorities and the budget allocation system are also reported weak. The MTEF is a relatively new tool in the countries under study, and is reported to be working but with some weaknesses across sectors. The PER process at national and sector level has been functioning but the level of functioning varies widely depending on the quality of leadership in the respective working groups.

Considerable efforts of partner countries' commitment to alignment are found across the countries under study. Generally, external partners have made significant improvements in aligning their assistance strategies with national priorities. Donors have sought to focus on some sectors, this is both in the form of lead donor agency<sup>(7)</sup> or as a contributor of resources to the sectors. The involvement of donors in these sectors is a key element, as this will enhance their selectivity in the program and policy areas in which they engage in. Findings from the country studies indicate that significant progress is being made in harmonization at the sector level as well. Of particular note is the health sector donor group, which has a SWAp to support implementation of the government's health sector strategy. Significant coordinated support is also noticeable in the public finance management (PFM) systems targeted to government reform programs in the area. Education sector is also found to have benefited from donor harmonisation and alignment with national policies and strategies across the countries under study. With minor variations, sector wide approaches to development support are found salient and most preferable among partners. Education, Health and HIV and Aids, Water and Sanitation, Agriculture and Infrastructure are some examples of sectors where both donor and recipient country's compliance to Paris principles is remarkable.

This is largely due to the competing interests of ministries, and donors within a given sector. Also important to note is that in the context of SWAp, external aid management may involve several ministries further complicating the ability of the department responsible for aid harmonisation process, to perform its role effectively given the limited in capacity in human, systems and facilities. The coordinating bodies are relatively new in the countries under study, with inadequate organisational structures and poor capacities to provide the much needed leadership across the sectors strategies and donor sector meetings in terms of policy and program guidelines.

There are some key aspects of alignment, appearing across the case studies, which need to be addressed. An obstacle to greater alignment to government procedures and systems is found to be linked with the slow implementation of public sector management reforms, which is partly attributed to inadequate technical capacity.

**As a result of this, donors often insist on conditionalities that are inconsistent with national procedures, thus undermining alignment to government systems.** Secondly, another obstacle is the inflexibility of donor

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7. The model for donor sector work encouraged by the Paris Declarations suggests a lead donor spearhead each sector group, with the other donors in the working group delegating a large part, if not all, of the management to the lead. In practice, several models have been adopted due to the distinct characteristics of each sector group and the donors who participate in them.

processes, which make alignment more difficult: for instance, while the EC's country assistance strategy is aligned to the Malawi's Growth and Development Strategy (MGDS); Britain is drafting a new country assistance strategy that will be aligned to the MGDS. Sweden, on the other hand, does not prepare a country assistance strategy; instead, it operates through a Memorandum of Understanding (MoU). Lastly, while most of the aid flows fit under the countries' priority themes with reasonable portions being delivered through programme aid (with Direct Budget Support (DBS) as one of the most salient forms); alignment with recipient countries, remains a challenge. Donor driven project aid, which in most cases is not delivered through government systems, is still predominant. For example, in Malawi, there are at least 250 active foreign-financed projects, with some using parallel implementation structures. And in Mozambique, project aid is still predominant and budget support only accounts for about 30% of total ODA.

### 3.2 Donor Harmonisation

Another principle of the Paris Declaration, harmonisation stipulates that aid should be collectively and effectively delivered. It also advocates for the implementation of common arrangements regarding disbursement, monitoring and evaluating, and reporting at country level. Aid harmonization sets the recipient country at the centre of the "alignment" process, and goes beyond mere consultation and coordination between aid donors.

In Tanzania, for instance, donors have organised themselves as a development partners group (DPG)<sup>(8)</sup> in order to coordinate and harmonise their activities. The main objective of DPG is to increase the effectiveness of development assistance in support of GoT's national goals and systems. It seeks to move beyond information sharing towards actively seeking best practice in harmonisation. The rationale for the DPG, which replaced the local DAC, is to complement GoT's own coordination efforts by promoting internal coherence and harmonisation among the DPs in the context of TAS and the Paris Declaration.

In Cameroon, while project aid still remains an important tool for providing assistance, donors are increasingly replacing it by participating in Sector-Wide-Approach (SWAp) programmes through budgetary support, which have a reputation for effectiveness. These sectoral approaches constitute a good way of aligning procedures with those of recipient countries and harmonisation among donors. In 2005, for instance, members of the Multi-Donor Committee agreed on a common understanding of mechanisms for applying SWAp.

Several joint missions have been observed in the implementation of projects in Cameroon. Partners commit themselves to set up common monitoring and evaluation mechanisms consistent with the monitoring-evaluation system developed by Ministries. They will organize as many joint missions as they can to supervise the program, and will work, generally speaking, to limit the number of field trips by looking for intervention synergies. The World Bank and the French development agency lead joint review missions to support the fight against HIV/AIDS. And, a group comprised by France, Canada, Germany, the United Kingdom, the USA, the Netherlands, and the World Bank have led a joint anti-corruption evaluation mission in preparation of a joint funding mechanism.

In Senegal, the development of an action plan on aid harmonization, alignment and effectiveness attached to the national PRS is a significant milestone. A coordination authority has been set up under the leadership of the Ministry of Economy and Finance. Sectors like education and health have largely benefited from the GoS and external partners dynamics in the context of the Paris agenda. In fact, international development partners are more and more organized through targeted sectors to better rationalize their aid by welcoming a leader acting as the government' privileged interlocutor. Thematic groups were progressively created by donors on an informal basis serving more as consultation forums than to a true coordination of the partners' action.

In Mozambique external partners increasingly conduct analytic work jointly. There is a donor working group responsible for coordinating joint analytical work underpinning dialogue with the Government in the areas of public financial management, economic development and governance issues, and the link between growth and poverty reduction. External partners have posted 36 documents on the Country Analytic Work website as of October 2006. External partners are increasingly undertaking missions jointly, building on joint budget support and SWAps. In addition to the mandatory Joint Review and Mid-Year Review, most development partners have been undertaking joint missions.

Donor countries commitment to harmonisation is notably high in the nine case studies. In Kenya, donors have formed a donor group known as the harmonization, alignment, and coordination (HAC) donor group.

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8. There is a similar arrangement across the nine country case studies.

The HAC seeks to ensure that external resources are effectively managed and support national efforts to attain development objectives as articulated by Vision 2030, and the National Economic Recovery Strategy. The group currently comprises of 17 development partners and has a secretariat based at the World Bank who is also the current chair. The main focus of HAC currently includes but not restricted to;

- Monitoring donor coordination, harmonization and alignment work, including the formulation and implementation of a partnership document and progress in implementing actions agreed at the Consultative Group meetings and/or the Kenya Consultative Group meetings.
- Preparation of the Kenya Joint Assistance Strategy (KJAS).
- Coordination of donor inputs to the joint government-donor statement of the CG meeting, prepared by the Bank and the government.
- Provision of support to the External Resources Department of the Ministry of Finance for mutually agreed tasks.
- Coordination in the development of a joint country assistance strategy.
- Monitoring and reporting on progress of the donor sector groups in implementing the HAC agenda.
- Coordination of the specific donor contributions to the CG, which the World Bank has delegated to the HAC as laid out in the CG roadmap.
- Coordination and preparation of the donor inputs on the Bank/Fund joint assessment note of the government's annual progress report of the IP-ERS, and related government documents<sup>(9)</sup>.

The HAC donor group has been very instrumental in coordinating donor efforts. In particular, they have produced documents on partnership principles, terms of reference for lead donor in the sectors, and for joint assistance strategy. Kenya has no strategy or policy document to guide the harmonisation process. There are current efforts by both the government and the donors to bridge this gap. The GoK is at an advanced stage of finalising the Kenya External Resource Policy (KERP). Donors on the other hand, have produced a draft on the Kenya Joint Assistance Strategy (KJAS), a coherent framework for managing donor support to achieve the national development agenda. It provides a national framework for improving aid co-ordination and enhancing national ownership of the development process in Kenya. It also provides a framework from which all donors interested in a given priority area can meet with the government to negotiate on the modalities of funding.

The aid harmonization amongst the key donor agencies for Uganda has mainly been through the Uganda Joint Assistance Strategy (UJAS). The UJAS brings together some of Uganda's major General Budget Support bilateral such as Britain's (DFID) and multi-laterals such as The World Bank Group and AfDB. UJAS full implementation came into force during 2005. Since then, Belgium, Ireland, Denmark and the EC have joined, bringing the total number of UJAS partners up to 12. Other than the multilaterals, amongst the bilateral donors that the study focused and happened to be members of UJAS were Germany, Britain, Norway and Sweden. The UJAS represents significant steps and partnership principles for donor assistance, in the harmonisation of aid and its effectiveness for Uganda. UJAS partners had since developed a common assessment framework that guided donor financing and communicating commitments to the GoU prior to budget preparation on an annual basis. This had also relatively improved predictability of donor support to the country.

In some form or another, donors appear to be using partner countries' assistance strategies to disburse their aid. These assistance strategies are medium term in nature and contain benchmarks or targets that the government must achieve if it is to get further funding. More general ones include timely submission of reports.

It is hoped that with Joint Assistance Strategies (JAS) in place in all countries, donor assistance will be more streamlined within a given framework to allow for better co-ordination between the donors. It is however important to note that all donors observed that politics of the day equally affected their disbursement choices. This is particularly serious when cases of corruption and human rights violations are raised by the media.

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9. [www.hackkenya.org](http://www.hackkenya.org)

## 4 Managing for Results

While a high level of dependence on aid at this stage of the countries' development is inevitable, this dependency has created a number of challenges in the budget process. These include unpredictability of aid, inflexibility of aid (in cases of project aid), creation of parallel implementation units, high transactions costs and some neglect of priority sectors in the allocation of the aid by donors. Despite these challenges, some countries have not formulated clear roadmaps for reducing dependence on aid or aid exit strategies. Both donor and partner countries have made commitments to managing resources and implementing aid in a way that focuses on desired results and making better use information to improve decision making.

The principle of Managing for Results has important implications on the process of monitoring in addition to outcome indicators. Effective monitoring mechanisms are necessary for managing for results to be realized. The case of Tanzania is a good example for imitation. The MKUKUTA Monitoring System (MMS) was established to serve as a pool of M&E expertise to follow up implementation of MKUKUTA in all aspects of the country's social and economic life in order to keep all stakeholders (the government, development partners, and the population) fully apprised on the successes achieved and constraints encountered. On that basis, it would be possible to propose ways of overcoming challenges while amplifying successes by replicating them more widely in order to enhance progress towards attaining MKUKUTA goals. To this end, the MMS is required to produce periodic reports and other outputs on a timely and regular basis. For these outputs to be convincing, they must be based on reliable statistical and factual evidence. For such evidence MKUKUTA Secretariat and the various technical working groups (TWGs) must procure the services of such specialised agencies as the National Bureau of Statistics (NBS) to carry out the requisite surveys and/or studies. To ensure the timely and regular production of its outputs, MMS adheres to a strict timetable for undertaking the various surveys and other information gathering activities. This requires both the adequacy and timeliness in the availability of funding.

To obtain budget resources adequate to facilitate the production of the data required for the regular and timely production of quality MMS outputs, the challenge of having to strengthen the capacities and motivate the relevant human resources at various key institutions has emerged. In this sense, capacity augmenting with technical assistance and capacity development among local staff are part of the strategy for managing the transition. Development of capacities is a challenge that needs to be addressed at three levels. First, it will involve capacity building in terms of the professional M&E and the related skills of analysing, report writing, conducting successful consultations, writing minutes, and ensuring effective follow-up. Second, it will involve capacity building and sensitization of various actors including those of a managerial, administrative and diplomatic nature. Third, building the capacity of top level national officials to internalise national development policies and priorities as a basis for carrying out successful dialogue with counterparts from the participating DPs.

In Mozambique, the Performance Assessment Framework (PAF) provides the basis for assessing both Government and external partner performance. For example, each year, the Programme Aid Partners (PAP) agree on an updated PAF. All performance assessments are undertaken jointly by the Government and its partners. Annual Joint Reviews are undertaken following the production of the economic and social plan report and focus on reaching a joint view on performance as a basis for aid commitments. Mid-Year Reviews are undertaken prior to submission of the economic and social plan and the budget to the Assembly of the Republic. Annual PAP Performance Assessment Scoring rates PAP partners in relation to the Paris Declaration Targets. Since 2004, PAP partners have supported annual independent aid assessments, based on the PAF indicators, conducted by national and international consultants. The country has signed the Paris Declaration on Aid Effectiveness, and it also participates in the African Peer Review Mechanism (APRM) to help ensure that policies and practices conform to the principles of the Declaration on Democracy, Political, Economic and Corporate Governance.

Both Government and donor representatives share the idea that positive steps have been taken to strengthen fiduciary. For example, the Government prepares an annual report on fiduciary risk for the group of external partners providing budget support, the PAP. The rollout of the Integrated Financial Management System (SISTAFE), which was introduced in 2004, is contributing to improving reliability of budget transactions. However, not all transactions are being processed through SISTAFE, and there are still some shortfalls and overruns in the execution of the budget. SISTAFE is currently used by the ministries of Finance, Education and Planning.

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10. Principal MMS Outputs are: MKUKUTA Annual Implementation Report and the Strategic Policy Brief (to Parliament), National Statistical Surveys produced annually; Poverty and Human Development Report, and Status Report on Growth and Poverty Status, produced on alternating years; Views of the People Report on MKUKUTA Implementation, produced ever 3 years. Intermittently brief are produced by stakeholders on MKUKUTA Implementation, and Briefs on Policy and Topical Papers.

There is also some action to strengthen internal and external audit capacity; the country's Supreme Audit institution enjoys a reputation of being largely independent.

In Cameroon, a basic and progressive action has been taken to improve the availability and quality of statistical information. In effect, since the Bureau of Statistics has been created, there have been a series of studies of which, a General Census of the Population and the Habitat (GCPH) launched at the end of 2005, and a multiple indicators survey, launched in April 2006, whose purpose is to produce appropriate statistical documents on poverty reduction. Financing requirements however are delaying the analysis of Census data. But recently completed surveys include: the Employment and Informal Sector Survey, conducted in 2006, the National Vaccine Coverage Survey, realized in 2005, the third Demographic and Health Survey, conducted in 2004, and the third Cameroon Household Survey, realized in 2001.

Malawi is a good example of the sort and nature of obstacles that African governments face in realizing the Managing for Results principle. The key obstacles include lack of sound analysis of target setting; and staffing shortages in the Ministry of Economic Planning and Development, which make effective monitoring and dissemination of information regarding targets difficult. Government needs to set realistic baselines and targets for national and sector strategies, and ensure that effective monitoring systems are put in place to follow up on these targets. Further, aid coordination meetings and annual reviews are resource intensive. And a lot of information will be required to create a league of donor performance. Well-functioning SAWPs would help, but there are not many in Malawi. The Joint Country Programme Review and the MGDS Review will promote mutual accountability, along with the sector reviews.

#### **4.1 Donor Commitments to Results Orientation**

The advent of new aid and funding modalities in Africa has helped streamline implementation arrangements. For example, external partners support the Mozambique Health SWAp, known as PROSAUDE, through three basket funds, including a general fund and two funds covering programs for the provinces and for pharmaceutical supplies, which channel between a third and a half of all external assistance to the health sector. Each fund is governed by a separate MoU. Partners also support the education SWAp through the Education Sector Support Fund; they rely on joint reporting, monitoring and evaluations. External partners also follow joint financial management, reporting and monitoring systems to support agriculture SWAp.

Since 2000, external partners and GoM have taken action to better tailor capacity building to country needs through SWAPs. This approach has contributed to reducing fragmentation of capacity building efforts. They are also taking action to strengthen coherence and coordination for public sector capacity support. Challenges ahead include the need to forge stronger links across sector capacity development programs. The PAF monitoring process seeks to rely to the extent possible on line ministries' and decentralized government levels' monitoring and evaluation systems to track progress in implementing the PARPA, while efforts are being made to strengthen these systems. The provision of Direct Budget Support (DBS) is considered to be aligned with the Government's PFM systems, and there has been considerable progress in aligning the flow of funds in the sectors with the planning, budgetary, reporting and auditing procedures of the government. However, the proportion of project aid remains worrisome, requiring the use of separate cycles and management systems.

In Ghana, the M&E plan under country's PRS I, GoG has, since 2003, produced an Annual Progress Report (APR) to report on GPRS policy implementation and make policy recommendations for input into the national budget process. The APR has, to date, been complemented by five Poverty and Social Impact Assessments (PSIAs). As well as the matrix, APR, and PSIAs, Ghana's DPs conducted a joint review of Evidence-Based Policy-Making (EBPM) in 2004. Based on the findings of the review, an EBPM project was formulated to strengthen the use of results in policy-making. The framework for the project identified three main outputs namely, Coordination, Capacity-building, and Communications. The objective of the EBPM project is to make information available for monitoring and evaluating programmes and projects identified in the GPRS documents. Due to an increasing demand for timely and accurate (quality) data from GoG and DPs to facilitate M&E, the EBPM initiative is seen as a crucial step in ensuring the availability of accurate data for tracking progress on poverty-reducing programmes and projects.

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<sup>16</sup>The OECD/AfDB "African Economic Outlook 2005 2006" available at <http://www.oecd.org/dataoecd/37/2/36735844.pdf#search=%22Cameroon's%20economic%20growth%20in%202005-2006%22>

In Cameroon, external partners and Government jointly drew up an inventory to estimate the mechanisms of existing partnership, and to identify an action plan for enhancing the effectiveness of development in accordance with the Paris Declaration. This evaluation was finalized in July 2006 and both government and partners agreed to jointly follow on its recommendations. In 2006, the World Bank developed a score map of Cameroon's development effectiveness with a view to monitor the implementation of the country's development effectiveness matched by the Paris Declaration. The World Bank uses this score map for a better interpretation of the objectives and commitments of the Paris Declaration in the projects and programs supported by the Bank, including those already implemented.

In 1997, the Government of Tanzania and DPs agreed to institute monitoring and evaluation mechanisms in which progress in the aid relationships would be reviewed and review reports submitted to GoT and DPs for discussion and agreement on the next steps. Undertaking independent reviews was entrusted to Independent Group known as the Independent Monitoring Group (IMG) appointed jointly by GoT and DPs. The first IMG Report was presented to the Consultative Group Meeting in December 2002. The second IMG was presented in April 2005 which provided a review of the status of the development partnership (aid/donor) relationship in Tanzania and made an assessment of the progress made towards principles and objectives set out in the TAS document since December 2002.

## 5 Emerging Issues

### 5.1 Ownership and Representative Democracy

Rays of hope notwithstanding, there are still some concerns regarding the principle of ownership that require attention. First, the participation process is increasingly involving Members of Parliament, but there are concerns about the capacity of Parliament as an institution to participate. The role of Parliament needs to go beyond adjudicating the annual budget and influence medium-term and long-term planning and policy making. This may call for capacity building within Parliament and revisiting the structure and processes employed.

Secondly, the issue of incentive structures has not been addressed adequately enough to underpin the efforts in enhancing harmonization and ownership. There is sufficient evidence that sector ministries are fighting for space and indications that this is tied to the electoral process, since ministers are also parliamentarians. That is, there are still challenges arising from the power and resources that are often associated with projects and parallel programmes, as well as the interests of and conflicts between line ministries.

Lastly, Ownership is not “deep” enough, in that it has not trickled down to the people; namely to local government authorities and communities: (i) internalisation of decentralisation policy remains tenuous with central ministries continuing to seek direct control over local government authorities; (ii) the fact that decentralisation by devolution is essentially a political project involving the transfer of power has yet to be sufficiently internalised; and (iii) sector ministries see decentralisation as a loss of their power and authority over resources and services. This situation manifests itself in subtle resistance to change their ways of operating and especially their relationship with local government authorities.

### 5.2 Civil Society

While the governments recognize the important role civil society organizations (CSOs) and the private sector can play, the studies have observed that African CSOs have adopted a reactionary approach to government initiatives and this has tended to discourage consultations. Generally, CSOs have been active in many processes but their participation in influencing the nature of partnership with the government and with its development partners are non-existent; particularly in those matters concerning the national budget and later stages of programme implementation concerning monitoring and evaluation of indicators.

Alternatively, most donors in the countries under the study provide direct funding to CSOs in facilitation of projects implementation. This makes them key to the aid harmonization process as most development partners seek to align their support to government priorities and systems. Unlike the recipient governments, donors have sought the direct engagement with civil society organizations in some countries (examples are those of Tanzania, Uganda, Mozambique, and Kenya). In Kenya for instance, they have created a basket fund for civil society for purposes of civic education, and capacity building around the aid harmonization process and programs. HAC Kenya organised a CSO consultative meeting to brief the CSO on KJAS and ask for their input. The challenge for donors remains the ability of civil society organizations to organize them and engage with the process given the lack of a lead CSO in the process.

### 5.3 The Trade-Off between Ownership and Accountability

**There is the whiff of power imbalance, which make it difficult to satisfy the mutual accountability principle and which erodes some aspects of national ownership.** This was cited in the case of Liberia in that what has emerged there is the pre-eminence of donors' participation in key social and economic decision-making bodies. There is no reason that explains their presence in these bodies other than dictating policies and directing economic development in Liberia. Examples were given of the National Planning Committee (NPC), where provisions were made for an Economic Governance Steering Committee (EGSC). It was chaired by the President of Liberia and its membership was the Resident Representative of Secretary-General, the World Bank Country Coordinator and the Ministry of Planning and Economic Affairs. The NPC was replaced by the Liberia Reconstruction and Development committee (LRDC). Following the pattern of the NPC, it is chaired by the President and co-Chaired by the US ambassador to Liberia. Nearly all-major donors are represented on this body. It is said that the creation of the LRDC is necessary due to the lack of capacity in government as well as its inability to “handle exigency as expediently as possible”.

It is clear that it was created as the result of donors demand for representation and a voice in forums in which decisions regarding the utilization of funds which were provided for national reconstruction and development are decided. The LRDC is responsible, amongst other, vetting and adopting policy actions emanating from the interim poverty Reduction strategy paper (IPRSP). The IPRSP has become the substitute to a national socio-economic development plan.

Another parallel structure, the Economic Governance Management Assistance Program (GEMAP) was created and has the responsibility to approve financial management policies and practices formulated and submitted to it by GEMAP experts. It is chaired by the President and is made up of virtually all expatriate financial experts as well as the very donors sitting on the LRDC.

A similar situation was observed in Uganda. The donors have been instrumental in those dialogue forums with GoU, to determine the next course of actions. At times, the civil society and private sector organisations were invited to be part of the forums. The donors, however, seem to take the upper hand, for example, where aid support from the World Bank has mainly been determined by the policy actions agreed between the GoU and the Bank, but where the Bank takes a dominant role in decision-making. Meanwhile, the policy actions have greatly influenced the behaviour and actions of the other donors, including the bilateral agencies that the study limited itself to. This puts to test the issue of mutual trust and accountability.

As it stands, though the principle specifies mutuality, accountability tends to be one-sided. Take the example of Kenya. A number of fiscal reforms aimed at improving public expenditure management and financial accountability with the support of Cooperating Partners have been in place since 1999. There has been a substantial institutional restructuring through (1) abandoning of central tender boards and (2) the adoption of a public procurement oversight authority. There has also been significant reform in the areas of the legal and regulatory framework, the development of a strategic plan and capacity building. With the adoption of the ERS Strategy for 2003-2007, the Government of Kenya and the development partners have adopted the Public Financial Management Performance Measurement Framework to facilitate harmonization of the dialogue between the government and partners around a common framework measuring the performance of the public financial management system over time. How do we track the transparency and accountability of donors?

## 6 Recommendations and Conclusions

A considerable effort has been made by both recipient and donor countries to align the flows of aid and the mechanism of aid management with recipient countries' planning and budget cycles.

Recipient governments have particularly demonstrated greater realism and assertiveness about national objectives and priorities. The expression of these priorities in their respective national development strategies (i.e. the PEAP, the MKUKUTA, the PARPA, the MDGS, etc), have shown encouraging progress in assuring the realisation of ownership and leadership within the context of Paris Declaration.

Aid resources should be seen as complementary to domestic resources and foreign direct investment. The various sources of financing development should be analysed and projected over time with a view to ultimately exit from aid dependence. In this context, there is need to establish medium- and long-term development finance scenarios as a roadmap for setting framework conditions for aid, domestic resource mobilization and foreign direct investment and paving the way for rising domestic resource mobilisation and intermediation to ensure that short- and medium-term increases in aid dependence (which may be necessary at this stage for meeting MDGs) do not become permanent features in the economy.

The weight of project aid is found predominant across the countries under study, with a tendency to increase sector wise. Of course, project aid requires its own cycles and managing systems related to the nature of the projects, which are not necessarily aligned with local financial cycles and procedures. The difficulty to change from projects to recipient countries' preferred modality may be related to: the institutionalized entrenched interest (of different agencies, donor and recipient countries); sector limited capacities to manage the preferred modality; and the nature of the activities to be financed that may be more efficiently managed as projects (large infra-structure projects in roads, railway network, dams, water, etc.).

This means that while progress has been achieved with respect to harmonization and alignment at sector level, a lot more needs to be done in terms of coordinating groups, capacity building, improvements in communication, etc. Donor preferences and sector aid flows have the potential to pervert some of the government priorities. There is a clear difference between the structure of central government budget allocation and aid allocation, particularly when off budget aid flows are included. Some types of financing may distort the hierarchy of approved priorities. There are strong capacity constraints at sector level that affect the quality of policy development and analysis, planning, costing, budgeting, implementation and M&E. This is particularly true in all the nine countries under study.

By and large, all nine countries under study enjoy a positive image on the international scene owing to its political stability and their democratic advances. Relative restrictions however, hinder efficient mobilization of aid <sup>(11)</sup>.

- The weakness of sector ministries in formulating (preparing and assessing) public investments projects. One consequence of this is the weak absorption rate of resources which the donors put at their disposal; this is also true in the other eight case studies;
- The complexity and relative weakness in the harmonization of donors procedures which hinder the smooth working of projects and constitute one of the main factors of the weakness of the absorbency of the external financings;
- Insufficient and not up-to-date information on the different existing aid mechanisms;
- Absence of institutional frameworks enabling to exploit the technical opportunities of collaboration between southern countries;

Significant progress in monitoring and coordinating aid has been accomplished during the recent period. The regular organization of quarterly or annual meetings with the main donors and other consultations with relevant stakeholders under government leadership result in the definition of action plans likely to ameliorate the functioning of developments projects and programs. This is particularly relevant when inclusive participatory systems are in place, ensuring the participation of both civil society and private sector in overall development discourse. Notable good examples are those of Tanzania, Ghana, Kenya, Uganda and Mozambique.

11. With Liberia being the youngest in terms of peace, political stability and setting the necessary pace for growth and development.

Technical assistance (TA) as a modality of aid has not been sufficiently demand driven and has not been directed to capacity building in a sustainable manner. This situation has not been helped by the absence of a clear TA policy that would consider lessons from TA pooling and transparent recruitment procedures with a view to de-linking TA from financing and from projects to permit the use of TA for capacity building and to make it more demand driven based on identification of TA needs.

## 6.1 Specific Recommendations for Partner Countries

- With the national development frameworks in place, a challenge now is to further elaborate these priorities in terms of sector and sub national level strategic planning that is consistent with the overarching national development frameworks.
- Participation in policy dialogue has been broadened and is becoming more institutionalized. However, the participation by the mass media and parliament has not developed sufficiently. The role of Parliament needs to go beyond the annual budget and influence medium term and long term planning and policy making. This is a serious challenge against the current imbalance of power in donor/recipient relationships. High-level dialogue in key policy issues should be guided by clear national objectives and priorities. There needs to be a clear and common understanding of the terms 'leadership', 'ownership', 'partnership', 'accountability', and their practical implications.
- To further encourage country- led partnership, African governments should proactively take on the duty of coordinating all aid activities. Countries need to develop and put in place a clearly articulated aid policy in which their respective governments indicate the modalities for working with DPs at the central, sector, and local government levels. This will dictate the boundaries of interaction with donors and encourage harmonisation amongst them. Assessment and establishment of the optimum number of donors per sector and what specific modalities should be applicable: Large number of donors in some sectors may be a source of inefficiencies, competition, etc. Recipient countries need to have clear directives, perhaps through an assistance strategy? Advocate for delegated cooperation and exit strategies seem to be an option for situations alike.
- Pursue PRSP revision based in the participative process involving civil society and the private sector. Parliament as an institution should in future be further involved in the PRSP process, with a view to ensure that a greater consistency exists between the PRSP and the budget.
- Monitoring and evaluation has not taken root in the system as yet. Therefore its profile in society is still low. In order to raise the profile of M&E in society, it is important to engage in the development of skills for public relations, dialogue and lobbying;
- Partner governments should improve their aid statistics and have them disaggregated in a manner which would help to identify which donor flows are truly helping governments to scale up and giving them fiscal space to effectively implement their development strategies for results achievement;

## 6.2 Specific Recommendations for Donor Countries

- The emphasis on the government accounting to the donors seems to be more apparent than to her citizens. Both downward and upward accountability are equally critical, if the government is to assert her legitimacy. There was an apparent observation about the high level willingness of the donors to improve communication and information sharing amongst themselves through the various donor grouping and structures, in the alignment and harmonization of aid delivery in Africa. Whereas mutual accountability amongst the donors and between donors and African Governments, the same zeal is not reflected in accounting to the citizenry.
- Sector specialists and Heads of Agency are not always consistent about harmonised approaches. Strengthened internal communication and dialogue would help eliminate some of this.

- Sector specialists should contribute to policy dialogue, a contribution that should be separated from direct advice on allocation of resources, except through an open competition for public resources based on openly debated arguments and consistent with national priorities.
- Donors should not be satisfied only with harmonizing their aid among themselves, and aligning it with the priorities of partner countries to make it more effective. It is also necessary for them to increase the amounts of aid grants appreciably. This increase should hover around the ceiling of 0.7% of their respective GNIs to which they committed themselves to achieve in 2002, at least where partner country performance is satisfactory; or to put in place innovative financing mechanisms.

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