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Workshop on country strategy processes in Stockholm, 12 – 13 December 2002. Report.

Donor Co-ordination and Harmonisation

COUNTRY STRATEGY PROCESSES FROM A PARTNER COUNTRY PERSPECTIVE

Report from the Country Strategy Workshop in Stockholm 12 – 13 December 2002

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List of Acronyms

BPRS	Bolivian Poverty Reduction Strategy
CA	Country Analysis
CAP	Country Assistance Plan
CCA	Common Country Assessments
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
CSP	Country Strategy Paper
DAC	Development Assistance Committee of OECD
DFID	Department for International Development, United Kingdom
EC	European Commission
EU	European Union
HIPC	Heavily Indebted Poor Country
IMF	International Monetary Fund
MFA	Ministry of Foreign Affairs
MDG	Millennium Development Goals
NDV	National Development Vision
OECD	Organisation for Economic Co-operation and Development
PMMP	Poverty Monitoring Master Plan
PMS	Poverty Monitoring System
PPA	Participatory Poverty Assessment
PRSP	Poverty Reduction Strategy Paper
RA	Results Analysis
Sida	Swedish International Development Agency, Sweden
STOP	Poverty Strategies Initiative and Strategies to Overcome Poverty
TAS	Tanzanian Assistance Strategy
UN	United Nations
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNDGO	United Nations Development Group Office
UNICEF	United Nations Children Fund

Section 1:

Introduction

This report contains the main findings from a workshop, organised by the Division for Multilateral Co-operation of the Swedish International Development Co-operation Agency (Sida) in Stockholm over two days during 12-13 December 2002, on "country strategy processes as seen from a partner country perspective".[1] The first day consisted of detailed partner country presentations by government representatives from Tanzania, Vietnam and Bolivia concerning the development of the national country strategy process. On the second day representatives of bilateral and multilateral donors expressed their views on how the donor community could move towards greater harmonisation of the country strategy process. It should be noted that the purpose of this report is to document the presentations and discussions of representatives, rather than providing a comprehensive coverage of all the issues pertaining to harmonisation, yet additional documentation has been drawn upon and referenced in support of the points made in the report.

The purpose of this workshop was to explore the ways of aligning country strategy processes, streamlining procedures and identifying common building blocks of the country strategy process where development organisations could work together with the intention of reducing the burden and the transaction costs of donors and partner countries. This is a timely activity as several initiatives dealing with harmonisation are underway and a High Level Forum on harmonisation will be organised by the Donor Assistance Committee Task Force on Donor Practice and Multilateral Development Banks in Rome during February 2003.

The paper comprises 5 sections. Following an introduction in Section 1 a brief background is provided on some of the major and most relevant initiatives dealing with harmonisation in Section 2. Section 3 comprises a summary of presentations made by the partner countries and donor community and key issues for discussion, arising from the presentations, are enumerated in Section 4. In Section 5 the report is summarised and the ways forward presented.

[1] This report has been compiled by Dan Vadnjal, SPM Consultants London Ltd, United Kingdom.

Section 2:

Current Initiatives on Harmonisation

There have been several recent initiatives that have more or less contributed to moves towards the harmonisation of development assistance.

The Monterrey conference was to highlight the importance of enabling partnerships among donors and developing countries as a means of making more effective progress towards the Millennium Development Goals (MDG). The conference specifically called on donor countries to intensify their efforts to "harmonise their operational procedures at the highest standard so as to reduce transaction costs and make overseas development assistance disbursement and delivery more flexible, taking into account national development needs and objectives under the ownership of the recipient country". In 1996, the United National Development Programme (UNDP) launched the "Poverty Strategies Initiative and Strategies to Overcome Poverty" (STOP) to selected countries in implementing their commitments at the World Summit for Social Development"; the United Nations (UN) agencies have, under the UN Development Assistance Framework (UNDAF) and Common County Assessments (CCA), improved coherence between strategies and operations by different agencies.[2] [3]

In a major and recent harmonisation initiative the Organisation for Economic Co-operation and Development (OECD) set up the Development Assistance Committee (DAC) Task Force on Donor Practices with a view to improving the overall effectiveness of aid and reducing the costs (for donors and partners) of managing (or transacting) development assistance.[4] The main purpose of the Task Force has been to elaborate a set of good practice papers on how donors can enhance their operational procedures with a view to strengthening partner country ownership.

Published in 2002 the good practice papers have focused on several core themes surrounding harmonisation:

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[2] See Joint Nordic Assessment of the CCA/UNDAF Process (2001) Laying the Keystone of UN Development Reform: the CCA/UNDAF Experience.

[3] In addition to these initiatives: In Helsinki in September 2002, at a meeting of the Director Generals of the Nordic development co-operaiton agencies plus the United Kingdom and the Netherlands, it was proposed to make Zambia a pilot case for harmonisation, and the idea will be further explored at a meeting of the same group in Lusaka in February 2003.

[4] See Organisation for Co-operation and Development (2002) Harmonising Donor Practices for Effective Aid Delivery – Good Practice Papers: A DAC Reference Document.

- A “Framework for Donor Co-operation” paper sets out nine guiding principles for providing more co-ordinated and effective development assistance, which underpin good practices in setting an effective framework, as well as good practices in five subsequent papers.
- A “Country Analytic Work and Preparation of Projects and Programmes” paper sets out good practices for collaboration on the development, application and dissemination of analytic work.
- A “Measuring Performance in Public Financial Management” paper sets out good practices for planning and conducting, co-ordinating and disseminating diagnostic reviews as well as developing a robust performance measurement framework for public financial management.
- A “Reporting and Monitoring” paper sets out good practices for building and improving on procedures for reporting and monitoring while ensuring alignment with partner government procedures and co-ordination with donor procedures.
- A “Financial Reporting and Auditing” paper sets out good practices for common and acceptable financial reporting and auditing arrangements.
- A “Delegated Co-operation” paper sets out good practices in situations where one donor country acts on behalf of another.

Pursuant to the work of DAC a High Level Forum on harmonisation will be organised by the Task Force on Donor Practice and Multilateral Development Banks in Rome during February 2003.

Alongside these harmonisation initiatives the World Bank and International Monetary Fund (IMF) in 1999 introduced a new framework for debt relief under the Heavily Indebted Poor Country (HIPC) Initiative. Relief was now to be linked to a comprehensive poverty reduction strategy formulated by the donor country in a process led by the government and including national as well as international stakeholders. Today these poverty reduction strategies are formulated in the form of “Poverty Reduction Strategy Papers” (PRSP). In addition to guiding national policy and priority setting the World Bank and IMF in decisions concerning debt relief and concession-based lending, the PRSP process has become a key instrument for HIPC partner countries in managing their relations with donors as well as serving as a point of reference for discussions on harmonisation.

The various presentations and discussions in the workshop focused, in particular though not exclusively, around the themes set out in the DAC Task Force good practice papers, on the PRSP process and the country strategy processes of the bilateral donors, all with a view to furthering opportunities for co-ordination and harmonisation.

Section 3:

Summary of Presentations

The following comprises an overview of the partner country presentations and a selection of informal and formal presentations and comments made by representatives of the donor community.

3.1 Partner Country

The partner country presentations included Vietnam, Tanzania and Bolivia with a focus on describing and analysing the process and contents that have been developed for the analytical work of the country strategy process and what has been the role of different actors, such as civil society, academia, donors and multilateral organisations and the role of the respective governments in the country strategy processes of the European Union, the UN system, the World Bank and the bilateral donor agencies.

The following is a brief summary of the key issues and themes raised in each of the country presentations.

The *Vietnam* presentation overviewed the co-operation agreements between the Government and donor countries and multilateral organisations, the Government's role in working with the country strategy processes of donors and the PRSP process.

There are some 35 donor countries and multilateral organisations most of whom have some form of a basic co-operation agreement with Vietnam. The UNDP has a country co-operation framework (2001 – 2005) and UNICEF has a co-operation plan (2001 – 2005); the World Bank and Asian Development Bank have long-term financing programs for Vietnam; the European Commission has had a framework agreement (1996 – 2000), is now finalising a co-operation strategy (2001 – 2006) and has recently signed a Memorandum on National Indicative Program for Vietnam (2002 – 2004). Most bilateral donors have co-operation strategies for long-term co-ordination programmes with Vietnam (e.g. Japan, Sweden, Denmark, Belgium, and Luxembourg) while others are starting to finalise strategies (e.g. Canada and Germany).

The Government's role in preparation of donor country strategies is step-wise and comprises several stages. Typically, the Government (often the Ministry of Planning and Investment) receives a draft of a country strategy, collects comments from concerned ministries (e.g. Foreign Affairs, Finance, Justice) and stakeholders (e.g. academia, Vietnam Electricity Company), which are summarised and sent to the donor. Subsequent negotiations are usually ongoing before the Government and donor sign a co-operation agreement.

The Vietnam-version of the PRSP is called the Comprehensive Poverty Reduction and Growth Strategy (CPRGS). An interim CPRGS was approved in March 2001 and preparation of the CPRGS initiated in June 2001 and is ongoing. Preparation has been lead by the Ministry of Planning and Investment in collaboration and based on wide consultations with concerned ministries, agencies, the donor community and other stakeholders, including communes and villages. The CPRSG serves as an "action plan" for translating the Government's Ten-year Socio-economic Development Strategy, Five-year Socio-economic Development Plan and other sectoral plans into concrete measures ranging from and including macro-economic policies through to social safety-net policies. A key feature of the CPRSG consists of monitoring and evaluation based on the establishment, in the process of preparing the CPRSG, a system of quantitative and qualitative socio-economic and poverty reduction indicators. This monitoring and evaluation component of the CPRSG is intended to focus on the effectiveness of economic growth and poverty reduction, progress made in resource mobilization and implementation, and assessment of the impact of policies and programs on poverty reduction and the socio-economic impact of programs that effect the poor.

The *Tanzanian* presentation covered the content, formulation and analytical work in the PSRP for Tanzania as well as the role of stakeholders and the Government's role in working with the country strategy processes of donors and the PRSP.

A notable feature of Tanzanian development co-operation concerns the Tanzanian Assistance Strategy (TAS). The TAS sets out a framework for external assistance to the country, aiming to better align external assistance with national needs and priorities, with a view to reducing transaction costs. Both the EU and UN system have aligned their development co-operation with the TAS.

Tanzania completed drafting of the PRSP in October 2000. It was one of the first to produce a full PRSP. The PRSP is intended to achieve goals contained in the National Development Vision (NDV) 2025 for Tanzania (i.e. attaining middle-income status, semi-industrialised status, a highly productive agricultural sector and a high level of human development). Its preparation and implementation is intended to ensure government ownership and leadership (i.e. government-driven development agenda with donors acting in supportive role), increase transparency (i.e. participation of all stakeholders and open to public scrutiny), increase accountability (i.e. government disclosure of all usage of financial resources and development agenda open to public scrutiny) and ensure effectiveness of aid delivery and utilization (i.e. government takes lead in co-ordinating donor inflows, donors disclose all information on disbursements and channels all resources through budget).

Analytical work underpinning the PRSP has been considerable. It has included, amongst other things, defining the poverty line in the absence of official poverty lines, establishing (regional variations in) the status of poverty, determining sectoral and cross-sectoral interventions required to reduce poverty and linking medium term targets to longer term goals contained in the NDV 2025. Also, preparation and implementation of the PRSP have comprised ongoing consultation with national and international stakeholders.

A particularly notable feature of Tanzania's country strategy process is the work carried out in developing a poverty monitoring system (PMS) described in a Poverty Monitoring Master Plan (PMMP).[5] The intention of the PMMP is that it will provide decision makers at different levels of government as well as non-governmental stakeholders with timely and reliable information about trends in poverty in Tanzania, which can be in turn used to assess the results of poverty reduction efforts identified in the PRSP.

The ultimate aim of the PMMP is to make the poverty reduction initiatives more effective and efficient. While various challenges lie ahead concerning development of the PMMP in Tanzania, there are several lessons for other countries in preparing national systems for poverty monitoring. These are: adopting a multi-stakeholder approach to enhance legitimacy, help build consensus on key goals and objectives and bring on board as much existing capacity as possible to meet the many demands that will come to bear on the PMS; taking a co-ordinated approach to working both within Government and with external partners, again to build legitimacy but to also tap a wide range of expertise and financing during the early phases of developing the PMS; linking traditional survey-based instruments with the administrative data system and a programme of Participatory Poverty Assessments (PPAs) to create a holistic analysis of poverty trends and progress against public actions identified in the PRSP.

The European Union, the UN system, the World Bank and most bilateral donors have some form of a basic co-operation agreement with Tanzania. There have been various initiatives, varying both in form and content, by the various donors. For instance, with the exception of the UN system there has been provision of budgetary support, in the form of budget support grants from the EU, Budget Support Loans and Grants through structural adjustment credit lending from the World Bank and bilateral budget support grants via the Poverty Reduction Budget Support facility. And in preparing country strategies the various bilateral and multilateral donors have called upon the Government for consultation and comments.

The *Bolivian* presentation covered the co-ordination between the Government and donors, the elaboration and harmonization process, the implementation of the PRSP (2003 – 2007) and the tasks remaining.

The demand for a new framework for co-ordinating the relationship between the Government and donors is based upon on the recognition of numerous well-known fundamental problems. These include, for instance, the lack of qualified personnel in the Government to execute programmes and projects, programmes and projects

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[5] See Evans, A. And van Diesen, A. (2002) Tanzania's Poverty Monitoring System: A review of early experiences and current challenges. Department for International Development (DFID).

tend to be donor driven, decisions tend to be centralised and procurement norms differ within and between bi-laterals and multi-laterals. Based on a set of generally accepted principles (e.g. efficiency, accountability, sustainability, transparency), the Government has initiated a number of actions.

These actions include defining the new relationship in the form of a PRSP called the Bolivian Poverty Reduction Strategy (BPRS) for 2003 – 2007. Priorities within the PRSP are to be established on the basis of a national dialogue with public and private sector organisations, non-governmental organisations and international stakeholders, and the national dialogue is to be institutionalised. Under the BPRS numerous actions are being initiated or are ongoing. For instance, harmonisation of the BPRS with priorities that will be defined in a process of national dialogue during 2003; considerable efforts and initial advances have been made with the application of "basket-funding" to the Ombudsmen's Office; there has been a simplification and harmonization of supervision, monitoring and evaluation; there have been acknowledged yet limited moves towards decentralisation; there have been some agreed initiatives to establish uniform procurement procedures.

3.2 Donor Community

The donor community participation included representatives from the World Bank, EC (DG DEV; DG RELEX), UNDP, UNDGO and UNICEF, and seven bilateral donors (Canada, Denmark, Finland, the Netherlands, Norway, Sweden, United Kingdom).[6]

In this section a brief summary is made of key issues and themes raised by selected representatives of the donor community.

The EC and World Bank work provided a useful insight into the design and empirical aspects on indicators supporting monitoring and reporting processes.

The *EC* made a brief presentation (by the DG RELEX) of the workings of the Commission's Country Strategy Papers (CSP) and (by the DG DEV) of work being carried out on "guidelines for the use of indicators in country performance assessment".[7] As well as being progressively integrated into the CSP these indicators constitute the EC contribution to the DAC Task Force on Donor Practices.

This work comprises a minimum "core set" of indicators drawn from the MDG for two measurement purposes. First, the indicators are intended to measure the impact of the country's policies in terms of poverty reduction and improved social and living standards. The EC has proposed monitoring systematically a list of 10 key indicators drawn from the MDGs in all developing countries (or their equivalent if the country has chosen to monitor a different indicator). The selection of indicators has been based on reviews of other donors such as the World Bank and DFID as well as sectoral working groups. The "impact" indicators are 1) proportion of population below $1 per day,

[6] See List of Participants in Annex I.

[7] See The European Commission DG Development (2002) Guidelines for the use of indicators in country performance assessment.

2) prevalence of underweight children (under-five years of age), 3) under-five mortality rate; the "outcome" indicators are 4) net enrolment ratio in primary education, 5) primary completion rate; 6) ratio of girls to boys in primary, secondary and tertiary education; 7) proportion births attended by skilled health personnel; 8) proportion of 1 year old children immunised against measles; 9) HIV prevalence among 15-24 year old pregnant women; 10) proportion of population with sustainable access to an improved water source.

Secondly, the indicators are intended to measure in a more detailed way the performance of the country's sectoral policies in the sectors supported by the EC. The EC and Member States are in the process of defining an indicative list of some 20 key indicators that will serve as a guide for partner country discussions and for the work of EC delegations. It is intended that these discussions would involve the partner country, all the donors (particularly Member States) and the World Bank, and incorporated into the CSP. The sectors concerned are health, education, transport, water and sanitation, rural development and food safety, regional integration and environment.

Finally, concerning indicators, the EC has recognised that the PRSP provides an ideal framework for ensuring that donor assessment of the performance of partner countries is based on a unique set of indicators per country, defined by the government in a process that would ideally be transparent and participative. Recognition by the EC that the indicators in the PRSP remain unsatisfactory, and there is a need for discussion with partner country governments and other donors in defining indicators in the PRSP, was an issued picked-up in the World Bank presentation.

The *World Bank* reported on the "indicators and targets for the IDA 12 interim monitoring system (2002 – 2004)" for the existing 18 PRSP (as of November 2002). The results are mixed and reflect concerns expressed by the EC. For example, in the case of education indicators, no partner country include all three education indicators, 8 include none, 8 include an indicator for primary school completion, yet all 18 have at least one indicator for literacy and many include indicators of secondary and tertiary education. And in the case of immunization indicators, 12 partner countries have some indicators for immunization and 4 countries have plans to monitor measles immunization.

The presentation made by *Sida*, Sweden and the brief presentation made by *DFID*, United Kingdom provided useful contrasts in approaches to, in particular, the formulation of the country strategy process.

In the case of Sida, the formulation of a Country Strategy Paper (CSP) starts some 18 months prior to implementation and includes a Country Analysis (CA) and a Results Analysis (RA), along with a 'hypothesis' for development co-operation over the next five years. These analyses and hypothesis are discussed and debated with the MFA and then summarised at the beginning of the CSP. What emerges in the first part of the CSP is a summary of findings from the CA and RA followed by are a series of statements presented in the form of overall policy objectives and sector-specific targets, outlining how the Swedish government intends to address and prioritise its development co-operation over a 5-year period. Once a draft CSP has been adopted by the Swedish Government this provides the basis for discussion with the Government of the partner country on the implementation of development co-operation over the coming years.

In the case of the relationship, in particular, between the CSP and the PRSP Sida states: "In those countries where a national poverty reduction strategy is produced, or where a PRS process is on its way, the Swedish CSP will use these as a starting point. Country Analysis, strategy formulation, policy dialogue and follow-up mechanisms will be linked to the national poverty reduction strategy".[8] Yet despite this positional support by Sida for the PRSP the CA, for all practical purposes, remains the effective starting point for formulation of the CSP.

In the case of *DFID*, Country Assistance Plans (CAPs) set out the details of how they will work as part of the international development effort to support countries in achieving the objectives of their strategies to reduce poverty. These "strategies" differ from country to country but are likely to take the form of a (interim) PRSP, Government Development Plans, or even state or provincial level plans or strategies. DFIDs CAPs cover the volume of resources, the use of financial and personnel resources (i.e. direct budget support, sector support, project assistance, technical assistance) and DFID's approach to working with international development partners to support countries in implementing their development strategies. In this way the CAPs are different from CSPs as they start from the basis of the Country's own Poverty Strategy and assess to what extent it is appropriate for DFID to support this rather than starting from DFID's analysis of what the country should do to reduce poverty.

Finally, other matters, not addressed in this section, yet raised by representatives during the course of presentations and discussions, are presented in the following section in the context of key issues for discussion.

[8] See Sida (2002) Summary of Sida's position towards national poverty reduction strategies (PRS).

Section 4:

Key Issues for Discussion

There was a clear consensus amongst both donors and partner country representatives for the need to work together to harmonise the country strategy processes that would improve the overall effectiveness of aid and reduce the transaction costs of managing development assistance. A number of key issues arose out of the presentations and were illuminated in discussions between the various representatives of partner countries and donor communities.

4.1 Common building blocks

There would appear to be at least three core areas in which there is considerable potential for developing common building blocks in the country strategy processes.

First, the PRSP process provides an important and perhaps unprecedented window of opportunity for building a *framework for donor co-operation*. All the donors present more or less align their country strategy process, in countries where they exist, with the PRSP. However, donors recognised that further harmonisation that links the PRSP to the country strategy process of individual donor countries, requires more discussion. For instance, the World Bank appear to favour the approach taken by DFID, where their country strategies are developed more in the form of a "business plan" that respond to the partner country strategies (often a PRSP). But this would appear to be less acceptable to some donors including Sida and the EC. The extent to which donor countries are prepared to "off-load" activities normally carried out in their country strategy process and "on-load" these onto the PRSP process for instance remains unclear. Also, while UNICEF indicated a commitment by the UN to "get behind" the PRSP there were very practical concerns raised, for instance, over the capacity of personnel to take on new initiatives in the absence of adequate training.

Furthermore, the workshop focused on those countries with, more or less, well functioning PRSP processes. Tanzania, in particular, has witnessed numerous donor initiatives concerning harmonisation generally but Vietnam and Bolivia have also been the focus of considerable attention. The willingness and opportunity to engage in deeper harmonisation is likely to be uneven between countries and further consideration needs to be given to dealing with countries in crises or failed states who have not initiated or are slow to take-up the PRSP process. In doing so it will be important for this to take place alongside ongoing discussions on harmonisation in countries with a PSRP process to avoid the risk of widening the gap between the approach to "good" and "bad" performers.

Secondly, there is the potential for co-operating in *country analytic work*. There appeared to be a common consensus amongst donors for the development of common country analytic work linked to the PRSP process.[9] Each donor would potentially use the results of this analytic work for their country strategy process. The practicalities of moving towards a common country analytic work will vary from donor to donor. The UNDGO reported that the UN does not carry out analytic work but rather relies on work carried out as part of the PRSP process. Amongst the bilateral donors DFID would appear to have been the most progressive in linking their country analytic work to the PRSP process. While Sida closely studies the PRSP, for instance, the CSP formulation relies on analytic work carried out by Sida personnel in the form of a CA. This is similarly the case with the EC formulation of the CSP. Whether or not donors decide to move towards country analytic work that is linked to the PRSP there would appear to be a good case for sharing information. The UNDGO has proposed the use of modern information technology in order to ensure that all stakeholders have access to and can take part in the ongoing analytic work. The experience of establishing the website "Tanzania On Line" and which was used for this purpose could be used as a best practice example. Also in Tanzania, the UNDGO reported that many of the bilateral donors rather than carrying out their own analytic work rather supported the TAS.

Thirdly, there is the possibility for further co-ordination in developing indicators for *reporting and monitoring*. In this regard there have been several promising developments. The PMMP adopted in Tanzania provides the basis for monitoring and assessing the results of poverty reduction efforts. The EC has developed and the WB tracked the use of poverty assessment indicators. However, some cautionary steps need to be taken. The three partner countries as well as several bilateral donors and the UNDGO cautioned against putting in place a single set of indicators applicable across countries. Rather donors should base the development of indicators on the donor country's own monitoring system.

4.2 Obstacles to overcome

While there is considerable potential for developing common building blocks in the country strategy process there remain several obstacles to over come if harmonisation is to be successful.

- There is a potentially serious tension between the importance of working within a partner country strategy process such as the PRSP

[9] A notable initiative is the Country Analytic Work (see www.countryanalyticwork.net) website that has been been developed to facilitate coordination and cooperation among countries and donors with goals toward improving development impact and cost-effectiveness for both capacity building and knowledge sharing. The website provides a Document Library with access to project documents from partner agencies; Contact Points for the agency people with whom to communicate; Main Product Toolkits for the main diagnostic products; Procedures for conducting analytic work; and Examples of Best Practices.

on the one hand and the need for donors to be accountable to their constituent stakeholders on the other. The latter often requires standardised formats for reporting activities in all the partner countries. World Bank pointed out, for instance, the requirement for the Board to carry out an independent poverty assessment.

- Several participants, including the EC and the MFA of Sweden pointed out that the country strategy process of donors actually serves a wider purpose than simply providing development co-operation. The CSP of the EC in particular serves as an instrument both for development co-operation and for broader policy dialogue". This would appear to be the case, similarly, with the CSP of Sida. Thus while donors may well agree to harmonise on the country analytic work and the reporting and monitoring it is quite possible that differences will remain in the objectives of the country strategy and even the approach to achieving these objectives
- At present other donors do not appear to be prepared to readily accept the approach, linking country analytic work to the PRSP process, taken by DFID. If the moves towards harmonisation are to yield positive results in the form of reduced transaction costs then there will be need for a unified response from all donors to build common framework for donor co-operation.
- A more pragmatic and potentially more easily resolvable issue concerns such procedural matters as terminology and timing. There is considerable variation in the terminology used to describe the various components of country strategy processes, and donors tend not to co-ordinate their various development co-operation initiatives.

4.3 Comments and observations

While recognising various obstacles, representatives raised a number of additional issues concerning harmonisation.

- The DAC Task Force for Harmonisation of Donor Practices has enumerated a number of important recommendations and these provide a sound basis for further moves towards harmonisation.
- In encouraging partner countries to adopt procedures to enable harmonisation donors should be willing change their own procedures to, amongst other things, build frameworks for donor co-operation, co-operate in country analytic work and co-ordinate reporting and monitoring.
- An important and necessary component includes building the capacity of human and institutional resources in partner countries to ensure procedures can be implemented that enable harmonisation.
- Donors delegating authority to "the field" to make certain procedural decisions is an important pre-requisite for good harmonisation.
- Donors should, and have a responsibility to, inform their constituent stakeholders that procedural changes are being made in the interests of harmonisation generally and reducing the transaction costs of development co-operation specifically.
- If harmonisation is to be successful there is a need to build trust both between donors and between donors and partner countries.

- While there is a clear consensus amongst both donors and partner country representatives for the need to work together to harmonise the country strategy processes it is important to move from words to action to ensure real changes occur.

Section 5:

Summary and Ways Forward

The purpose of this workshop was to explore the ways of aligning country strategy processes, streamlining procedures and identifying common building blocks of the country strategy process where development organisations could work together with the intention of reducing the burden of the transaction costs of donors and partner countries.

It is important to understand that, in doing so, the workshop has been organised, not to set up a parallel structure, but rather to draw upon the support and possibly build a coalition of like-minded donors, multi-lateral organisations and partner countries who could together provide support in pushing for further harmonisation of country strategy processes in support of ongoing initiatives.

There was a clear consensus amongst both donors and partner countries for the need to work together to harmonise the country strategy processes that would improve the overall effectiveness of aid and reduce the transaction costs of managing development assistance. There are at least three core areas in which there is considerable potential for developing common building blocks in country strategy processes that make effective progress towards the MDG. First, the PRSP provides an important and perhaps unprecedented window of opportunity for building a framework for donor co-operation. Secondly, there is the potential for co-operating in country analytic work. Thirdly, there is the possibility for further co-ordination in developing indicators for reporting and monitoring.

Given the apparent commitment of donors to harmonisation, there would appear to be a good case for continuing discussions in the context of already established forums. In particular, local dialogue, between donors and partner countries, is an important driver in the move towards harmonisation. In a broader context, the OECD DAC Task Force for Harmonisation of Donor Practices has carried out important work in this area over the last few years and a High Level Forum on harmonisation will be organised by the DAC Task Force on Donor Practice and Multilateral Development Banks in Rome during February 2003. This meeting is particularly relevant as the core areas identified above as offering considerable potential for developing common building blocks in the country strategy processes are discussed in detail in the good practice papers published by the DAC Task Force that have been very briefly summarised in Section 2 of this report.

Annex I:

Agenda (revised)

Country Strategy Workshop 12–13 December 2002
City Conference Centre "Norra Latin", Stockholm, Sweden

Wednesday 11 December

7 p.m. Informal dinner at Sida, Sveavägen 20.

Thursday 12 December

9:00 Introduction by Mr Bo Göransson, Director General of Sida

Introduction of participants

10:00 Presentation of the country strategy process in Bolivia by Ms Marianela Zeballos, Director, Vice-Ministry of External Finance, (previous) Government of Bolivia

11:15 Presentation of the country strategy process in Vietnam by Mr Duan Tho Nam, Deputy Director, Foreign Economic Relations Department, Ministry of Planning and Investment, Vietnam

12:30 Lunch

13:30 Presentation of the country strategy process in Tanzania by Mr Khijjah Ramadhani, Deputy Permanent Secretary, Ministry of Finance, Tanzania

14:45 Comments to the presentations and discussion.

17:00 End of session.

The three country presentations should focus on the following issues

a) Describe and analyse the process and content you have developed for the analytical work of the country strategy process.
- What has been the role of different actors, such as civil society, academia, donors and the multilateral organisations?

b) Describe and analyse the process you have developed for elaborating the PRSP.
- What has been the role of Parliament and other democratic institutions in the process?

c) Describe the process of setting up a monitoring system for the PRSP.
- What has been the involvement of your Government in the country strategy processes of the European Commission, the UN system, the World Bank and bilateral development agencies?

In the afternoon session participants are asked to comment on the following issues

With reference to the processes related to PRSP: the country analysis, the elaboration of a strategy and the setting up of a monitoring system:

- To what extent and in what way have you participated in the processes?
- To what extent and in what way have you supported the processes?

Friday 13 December

Moving from specific country experiences to a more general discussion

9:00 How can we, the donor community, move towards greater harmonisation of country strategy processes?
- What common building blocks can be identified?
- What procedures could be harmonised?
- What are the windows of opportunity at this time?
- What are the obstacles and how could they be overcome?
  · In the country analysis
  · In the strategy setting
  · In the monitoring process
  · In the policy dialogue

Comments by Ms Sally Fegan-Wyles, UNDGO,
Mr Michael Green, European Commission,
Ms Giovanna Prennushi, World Bank,
Mr Daniel Arsenault, CIDA, and
Mr Jan Olsson, Sida
Mr Bengt Ekman, Sida
(on DAC Task Force on Donor Practices)
Ms Cecilia Thorfinn (on EC´s development of indicators)

Discussion among participants in the workshop

12:30 Lunch

13:30 Closing session: Summarising the results of the discussions and identifying the way forward

Chairman: Ambassador Gus Edgren Rapporteur: Mr Dan Vadnjal

Annex II:

List of Participants

Mr Duan Tho Nam
Deputy Director, Foreign Economic Relations Department
Ministry of Planning and Investment, Hanoi

Mr Khijjah Ramadhani
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Chairperson: Ambassador Gösta (Gus) Edgren

Rapporteur: Mr Dan Vadnjal, Consultant

TOWARDS ENHANCED CO-ORDINATION AND HARMONISATION

Multilateral and bilateral development agencies are becoming increasingly aware of the burden placed on partner countries due to the lack of co-ordination among international development partners. Several initiatives are now being taken to explore possibilities of harmonising country strategy processes, procedures, formats and time frames in order to reduce the transaction costs of partner countries as well as of the donors themselves.

To support ongoing processes Sida organised a *Country Strategy Workshop* in Stockholm in December 2002. The purpose was to explore ways of aligning country strategy processes, streamlining procedures and identifying common building blocks. The broad participation in the workshop included three partner countries (Bolivia, Tanzania and Vietnam), seven bilateral agencies and the UN, the World Bank and the European Commission.

Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.

Sida

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