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#### **Key points**

- The Harmonisation and Alignment (H&A) agenda offers important opportunities for the water sector.
- The sector's progress towards H&A remains piecemeal – with substantial differences between countries and within the water supply, water resources management and sanitation sub-sectors.
- Future efforts in H&A need to reach down to decentralised levels of government, in tandem with strengthening implementation capacity.

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# Why is Harmonisation and Alignment difficult for donors? Lessons from the water sector

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armonisation and Alignment (H&A) — when donors harmonise their policies and procedures and align their development assistance with countries' development strategies - is regarded as a critical foundation for ensuring that aid helps reduce poverty effectively (see Box 1 for a definition of H&A). In 2003, donors committed themselves to this process. Developing countries also committed to formulating clear development policies and establishing governmentled processes to manage aid effectively. In the 2005 Paris Declaration, donors and developing countries agreed a further set of indicators for H&A and established several partnership commitments against which to track progress.

Research on the usefulnesss of H&A in the water sector, based on the Danish International Development Agency's (Danida) experiences in six sub-Saharan African countries and Bangladesh, offers some lessons for donors in the water sector. The findings suggest that achievement of H&A is affected by real-world contexts and that progress at the country level could be faster. Donors are advised to:

- undertake active steps, particularly to reduce transaction costs for partner governments, to foster silent partnerships and joint donor missions and reviews;
- review internal incentives towards H&A if
  they are to relinquish control of processes
  successfully, and partner governments are to
  establish ownership of them. Incentives can
  include strengthening donor representation
  at field offices to facilitate regular dialogue
  with partner countries, and encouraging the
  creation of internal management structures
  that reward innovation and flexibility at
  country level; and
- complement H&A activities aimed at national



Progress towards harmonisation and alignment in the water sector could be faster

sector policies and systems with strengthening implementation capacity, to create the conditions for achieving concrete gains in poverty reduction. This will, however, require partnerships that reach beyond recipient country capital cities.

#### The water sector and H&A

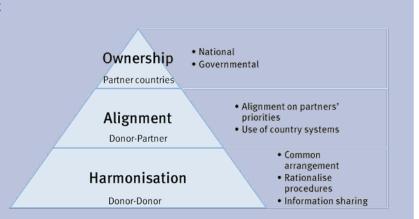
The Water Supply and Sanitation (WSS) sector has been slow to integrate with national poverty reduction and development strategies and with wider national policy frameworks and accompanying efforts towards H&A.

Reasons for this include an established dominance of large donor-funded projects focused on hardware delivery, accompanied by low sectoral budget allocations and a lack of coherent and reliable official sector data. This has had negative repercussions for the strategic development of the sector, as its ability to prioritise investments and plan ahead remains limited. Thus, water sector stakeholders need to work towards common goals, strategies, procedures, decision-making and resource-allocation systems.

#### **Box 1: Defining Harmonisation and Alignment**

**Harmonisation:** a foundation for links between donors that can reduce transaction costs for partner governments. Activities can range from the informal exchange of information to simplified procedures and common arrangements for designing, managing and implementing aid.

**Alignment:** building relationships between donors and partner governments, by aligning donor inputs with national processes. A distinction is made between 'policy alignment' and 'systems alignment' to manage the process of aid implementation. Policy alignment is assistance that reflects and supports partner governments' national and sector develop-



ment strategies, while systems alignment is aid that uses government systems and procedures – for example, public financial management systems, monitoring and evaluation frameworks and procurement procedures.

Definition: OECD Development Assistance Committee

H&A has several benefits for the water sector. First, it could enable more systematic incorporation of donor activities into national policy and budget decisions that can trigger systemic change. In these cases, useful pilots and innovations are linked to large funding and capacity-building programmes, and gaps in implementation are identified and addressed. An example is the rural water supply programme in Uganda, where one-off projects are being replaced with a comprehensive approach to sustainable service delivery. Second, budget and programme support can be used to address weak public regulatory functions, particularly the underfunding of critical governance mechanisms in the sector. An example is the policing of effluent discharges. Third, under new aid modalities, greater engagement could take place with planning and finance ministries in those areas that provide opportunities to link water-related and fiscal reforms. An example is the discussion regarding subsidising agricultural groundwater pumping (through reduced electricity rates and inefficient recovery systems) or export bans for high water demand and low value crops in areas that are water-scarce.

#### **Lessons from Danida projects**

The seven Danida-supported activities suggest that this framework has increased awareness about H&A at the country level, but that progress in implementing these agendas is patchy and heavily constrained by national, political and socio-economic contexts.

There is no single path for successfully achieving H&A in a sector. Some important factors to consider when analysing how to proceed in a particular sector include: the extent to which the recipient government is capable of providing an overall lead; how far public financial management systems and sector policy frameworks already exist; and the number of

donors and compatibility of their different institutional requirements.

The importance of context has been shown by Danida's work in several countries. For example, overall progress towards a Sector-Wide Approach (SWAp) was greater in Uganda, where the Ministry of Finance lent general support to alignment and poverty reduction, than in Kenya, where a SWAp was developed without a strong drive from central government. Donor coordination worked well in Zambia, where the bulk of development aid for the sector was coming from three major countries (Germany, Ireland and Japan). It was more difficult in Burkina Faso, where, in addition to European and North American donors, Taiwan and a number of Islamic countries also provided support to the sector, some of them without a permanent presence in country.

#### Lesson 1: In harmonisation, start small

Some progress towards harmonisation can be achieved in almost all contexts, and frequently is. This could start with regular informal meetings between donors in the same sector, to exchange information and develop an understanding of each others' positions and possible steps towards H&A. In time, these could evolve into formal donor meetings chaired on a rotating basis. Exchanges between donors can trigger further cooperation, including annual donor sector reviews (as practised in Benin), or the common organisation of sector capacity-building activities (pursued by some sector donors in Kenya).

Particularly effective in terms of minimising transaction costs are silent partnerships between donors, because they reduce the number of donors with which a recipient government has to interact. Such a partnership has been evolving between Danida and the Swedish International Development Cooperation Agency (Sida) in Burkina Faso on inte-

grated water resources management, with Sida providing a long-term adviser through a wider Danida-administered programme. Yet, Danida's experience shows that, in the interim, such arrangements can also increase transaction costs for donors managing such relationships, which means that donors might be reluctant to engage in them.

## Lesson 2: In alignment, keep engagement flexible and pragmatic

There has been some progress towards SWAps, but the extent of policy and systems alignment depends on the degree to which there are systems or processes to align to. Where there is a strong national and sectoral drive towards alignment and poverty reduction, including Ministry of Finance support, progress is better. In the seven countries where Danida supports the development of SWAps, broad 'road maps' for accomplishing these have formed an important tool in this process. These road maps have reflected the presence or absence of a clear driving force (a capable sector ministry, for instance) and an enabling environment at national level. In Kenya, a joint financing agreement between three donors - Sida, Danida and Germany's GTZ - and the sector partner government, helped spur concrete action towards a SWAp, without the active support from the Ministry of Finance. This is one of the reasons why overall progress towards this approach remains slower than in Uganda, where Ministry of Finance support existed.

Progress towards alignment also differs between sub-sectors. Efforts towards alignment with government systems vary between rural and urban water supply, sanitation and integrated water resources management. Preliminary experience suggests that the urban and rural water supply sectors seem to advance faster than the sanitation sub-sector, where slow progress is linked to low prioritisation, limited funding and greater reliance on private promotion and investment. Increased fragmentation of sub-sectors means that responsibilities for sanitation partly overlap those of the health, education and environment sectors, making it more difficult for donors to align with partner governments. Burkina Faso is an example of how alignment can evolve at a different pace between sub-sectors: the Burkinabe Parastatal National Water and Sanitation Office (ONEA), which manages drinking water and sanitation services in urban areas, has developed a strategic plan for urban sanitation. This is accompanied by a 3-year performance contract between the agency and the government, and is now supported by donors. On the other hand, progress in aligning efforts for rural sanitation has been much slower, partly because of ambiguities over which sector is responsible for it.

Danida's in-country experiences in supporting SWAps suggest that progress towards H&A is likely to be incremental. A pragmatic and flexible approach, that allows different sub-sectors and

donors to join-up gradually and at their own pace, might work best. Such an approach was used, for example, in Bangladesh, where the process towards a SWAp in the entire water sector turned out to be lengthy and piecemeal. Coordination around the Total Sanitation Campaign in Bangladesh, one subcomponent of wider sector alignment, has proved to be more fruitful in achieving concrete outputs under the campaign (see Box 2).

### Lesson 3: Donors need to revise internal incentives

A final important lesson from Danida's engagement with H&A is that donors tend to avoid more difficult harmonisation and alignment issues. There is a trend to take on tasks that are easier to accomplish, such as increased donor coordination or the provision of capacity-building support to sector governments, but to go no further than that. Issues that require donors to change individual ways of operating - for example by increasing their presence in a country and/or ceding control to national financial management systems – are lower down the list. There may be sound reasons for continuing established practice, but to increase aid effectiveness, it is important to loosen control and allow country ownership to grow. As partner governments are often reluctant to push donors because of power asymmetries, it may be appropriate to establish external review mechanisms, aimed specifically at donor compliance with the 2005 Paris Declaration.

#### **Moving forward**

Two areas are emerging that could usefully complement existing H&A efforts in the WSS sector. First, governance changes can have profound impacts on the planning, funding and implementation of new services, and how the sector addresses broader poverty reduction challenges. Most WSS sectors in developing countries are currently undergoing extensive reforms, including the replacement of supply-oriented service delivery by demand-based approaches. In many cases, this development is occurring in parallel with decentralisation of decision-making over wider water resource governance and service delivery. Implementation processes at sub-sector and local levels must therefore be developed in tandem with H&A.

Often, a rush to decentralise has resulted in weak capacity at lower levels that is being exacerbated by the concentration of effort and resources at the national level under H&A. The danger is that local and sub-national failure to deliver water supply and sanitation services under decentralised and demand-based approaches will challenge the basis for H&A at higher levels, by reinforcing a sense that the sector 'isn't working' properly. Capacity-building efforts should be aimed, in particular, at areas that support the planning, implementation and monitoring of water supply and sanitation services. They

#### Box 2: The total sanitation campaign in Bangladesh

In Bangladesh, policy commitment among donors and the Ministry of Local Government, Rural Development and Cooperatives (MoLGRDC) to take steps towards a sector programme approach has turned out to be a lengthy process, with few immediate opportunities for alignment. The next best approach has been to support a National Sanitation Campaign (NSC) initiated by the Government of Bangladesh under the leadership of the MoLGRDC.

Launched in 2003, the campaign aims to achieve total sanitation coverage in Bangladesh by the year 2010 and involves a wide range of development partners, NGOs, local government institutions and private sector organisations. NSC planning, coordination and monitoring takes place through formally-established task forces at national, regional and local levels. The national steering committee of the campaign is hosted by MoLGRDC and includes all development partners and relevant line ministries. Collaboration between the different stakeholders includes elements of strategy development, advocacy, awareness creation, hygiene promotion, social marketing and monitoring.

The approach is pragmatic and flexible: rather than creating a single fund, development partners support different parts of the campaign, and rather than relying solely on government monitoring systems, the monitoring process is divided between government stakeholders, NGOs and donors based on geographical presence in country.

Source: Based on 'Danida Bangladesh' in Danida (2006)

could, for example, make information about water availability and existing water schemes more readily accessible, and strengthen the competence of sector staff in analysing and using such information for planning and implementation.

Second, the Paris Declaration should be extended to include other development actors, such as non-governmental organisations (NGOs). H&A is often much less pronounced at sub-national and local levels, also because NGOs operating in the sector do not generally consider themselves as being part of the new aid agenda. Alignment efforts at national level can thus easily be undermined at decentralised levels. This is particularly true for the

WSS sector, which is highly dependent on capital funds from donors and NGOs for water supply schemes. Though some NGOs have already taken steps towards aligning their operations with the plans and procedures of local governments, such attempts should be more formalised and could be advocated for at international meetings.

Harmonisation and Alignment offers an important opportunity for the water sector to move towards more strategic interventions – which are crucial for making headway in poverty reduction. Sector donors need to realise the high stakes by proactively engaging with, and prioritising, the new aid agenda.



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This paper is based on a review of Danida-supported activities in the water sectors of seven developing countries (Bangladesh, Benin, Burkina Faso, Ghana, Kenya, Uganda and Zambia) and on a study on the mainstreaming of water and environment for DGIS (Netherlands); both undertaken by the Water Policy Programme of ODI and MetaMeta Management. For more detailed information see Danida (2006), DGIS (2006).

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