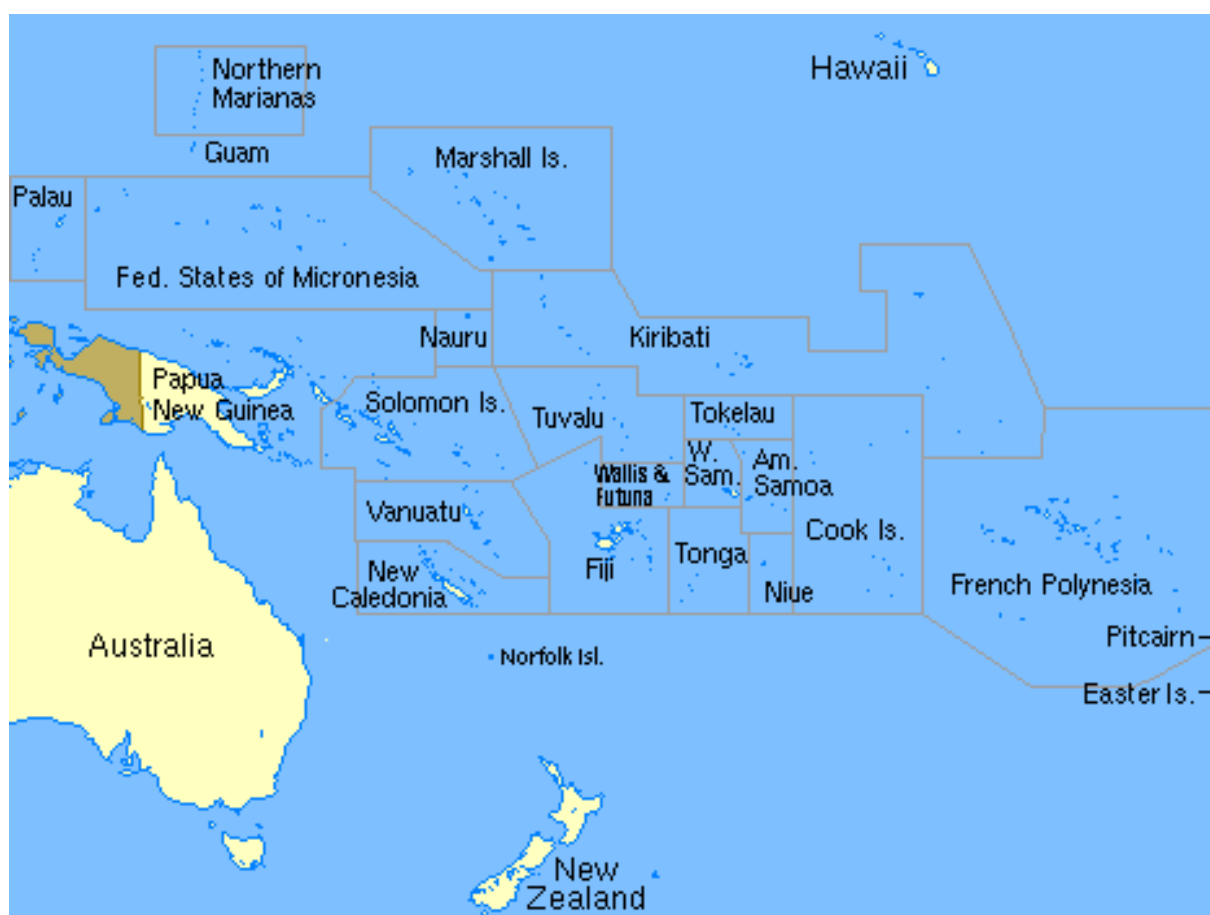# Harmonising donor policies & practices in the Pacific

Report of the joint
Australia – New Zealand Research Project

March 2001

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Abbreviations and acronyms

ADB	Asian Development Bank
AusAID	Australian Agency for International Development
CER	Closer Economic Relations
CFTC	Commonwealth Fund for Technical Cooperation
DAC	OECD Development Assistance Committee
DEAP	MFAT Division of Evaluation Analysis and Program Support
DESD	Vanuatu Department of Economic and Social Development
DEV	MFAT Development Cooperation Division
DPM	New Zealand Development Program Manager
EU	European Union
FEMM	Finance and Economic Ministers Meeting
INTV	Vanuatu Technical Institute
IT	Information technology
MFAT	New Zealand Ministry of Foreign Affairs and Trade
MOU	Memorandum of understanding
MSCs	Management service consultants
NGO	Non-government organisation
ODA	Official development assistance
PCC	Project coordinating committee
PIC	Pacific island country
PMG	Project monitoring group
PIIDS	Pacific Islands Investment and Development Scheme
PMR Fund	Australian Policy and Management Reform Fund
QAG	Quality Assurance Group
TAG	Technical Advisory Group
UNDP	United Nations Development Programme
WHO	World Health Organisation

Recommendations

The joint Australia – New Zealand research project has produced a number of recommendations intended to facilitate the harmonisation of donor policies and practices in the Pacific. Most of the recommendations relate to the bilateral programs of Australia and New Zealand. However, many can be applied to other donors in the region and be extended to regional and multicountry programs. The key recommendations follow.

1. Australia and New Zealand should agree to pursue the harmonisation of their aid policies and procedures in the Pacific as a priority goal.

2. Australia and New Zealand should seek to discuss the harmonisation initiative with Pacific island governments as soon as possible.

3. Australia and New Zealand should look for opportunities to extend harmonisation initiatives to other donors. Both countries should remain open to learning from the harmonisation experiences of others.

4. Partner governments should be encouraged to strengthen their aid coordination mechanisms, as donor harmonisation will be most effective if they take the lead in managing and coordinating aid.

5. Where partner governments have limited capacity to coordinate aid effectively, the harmonisation initiative should be used to build local capacity.

6. Australia and New Zealand should adopt the proposed implementation schedule for 21 harmonisation options covering policy, programming, operational and institutional issues.

7. To maximise the sustainability and effectiveness of the harmonisation initiative, Australia and New Zealand should promote and undertake joint policy dialogue wherever possible.

8. When prioritising and sequencing the introduction of individual harmonisation options, Australia and New Zealand should take into account:
   – the preferences of recipient governments
   – the numbers of donors involved in a particular sector
   – the forms of aid being provided (for example, small grants scheme)
   – specific country circumstances
   – problems of duplicated effort that have already been identified, and
   – the level of understanding in Pacific island countries about the policies and procedures of donors.

9. Australia and New Zealand should agree to pilot a comprehensive harmonisation program in one or two countries. While the implementation of individual harmonisation options should be pursued wherever there are benefits in doing so, it may be useful to develop a comprehensive program in a country such as Samoa, where there already exists a strong commitment and key mechanisms to promote aid coordination. If it were considered appropriate that a second country be included in a pilot phase (as a way of gauging the relative performances of partner governments) it is recommended that Vanuatu be that country.

10. Given the size and involvement of Australian and New Zealand support for education and training, both countries should comprehensively review the polices and procedures applied under the scholarship and training programs of their aid agencies and consider measures to simplify and harmonise the operating mechanisms used.

11. Australia and New Zealand should review program/project design, management and monitoring procedures to ensure that actions to promote donor harmonisation are followed through and monitored for their effectiveness.

12. Australia and New Zealand should maintain a joint steering committee as the primary mechanism for monitoring the overall progress of the harmonisation initiative.

Executive summary

1. In October 2000 Australia and New Zealand initiated a research project to assess the degree to which the different approaches and procedures used by aid donors cause problems for Pacific island countries (excluding Papua New Guinea). The project was also to propose measures for improving aid delivery at both strategic and operational levels.

2. The study focused on the potential for Australia and New Zealand to harmonise their bilateral aid to the Pacific islands. Both donors have close links with the region that go well beyond aid. It is also apparent that in many situations the two donors already work together and, where appropriate or encouraged by the partner government, have sought to align their aid delivery mechanisms. In fact in many situations the lack of alignment of aid programs is more striking between other donors than between Australia and New Zealand. So, although the research focused on the bilateral programs of Australia and New Zealand, it also considered the potential for some initiatives to be adopted at the regional level and extended to other donors.

3. The objective of harmonisation is to align the policies, programs, practices and procedures of donors so as to reduce waste and inconsistency in aid delivery, and increase aid effectiveness. Harmonisation can also encourage better recipient-led aid coordination. Partner governments should take the leading role in managing and coordinating aid to the greatest extent possible; it should be an integral part of their planning and budget processes.

4. The study reveals that there are many opportunities for enhancing the delivery of aid to the Pacific islands through the harmonisation of donor policies and procedures. The best opportunities exist in countries, such as Samoa, that already have a strong political commitment to aid coordination and reasonably effective systems for that coordination. It is expected that most donor harmonisation activities in such countries would be led and promoted through the partner government and, where possible, in accord with partner government systems.

5. Key ingredients for donor harmonisation in a Pacific island country include:

    *   a stable political environment

    *   a well-defined statement of national development priorities, formulated through a thorough consultation process

    *   development priorities that are effectively integrated into annual planning and budget processes

    *   sector planning with strong line department commitment

    *   a well-developed aid policy and clear understanding of how consultations with donors should be conducted, and

- effective institutional arrangements to ensure that the roles of central and line agencies are clear and understood.

6. In countries with less effective systems for managing and coordinating aid it is likely that the harmonisation initiative will need to be more donor-led. However, this approach may lead to negative reactions from partner government agencies and so be less sustainable. Therefore it will be important for donors to work together to build the capacity of local agencies to manage aid. To the extent possible, efforts to build such capacity should be in line with the wider planning and budgetary practices of the partner government.

7. While it is not recommended that the harmonisation of Australian and New Zealand policies and procedures be limited to one country, it may be useful to pilot the process by developing a comprehensive program in a country such as Samoa, which already has a strong commitment and the key mechanisms to promote aid coordination. Samoa is in a good position to immediately implement many of the proposed options as well as others, and provide feedback on their impact on the delivery of assistance by both Australia and New Zealand.

8. If it is considered appropriate for a second country to be included in a pilot phase as a way of gauging the relative performances of partner governments Vanuatu could be that country. While Vanuatu has developed some mechanisms for coordinating aid it is not as advanced as Samoa and therefore would provide useful comparisons. Another benefit of choosing Vanuatu and Samoa is that both have education and training programs with Australia and New Zealand and it is expected that both would be keen to promote harmonisation in this area.

9. A special case can be made for promoting harmonisation in post-conflict environments. In these situations it is essential that assistance be delivered in a timely and effective manner. Local administrations are often preoccupied with other issues and may forgo some of their usual management responsibilities. However, even in these situations it is important that local capacity for coordinating aid is supported as much as possible so that the partner government can assume responsibility for aid coordination.

10. Members of the project team visited four countries – Kiribati, Samoa, Tuvalu and Vanuatu – to identify the perspectives of Pacific island countries on harmonisation. The discussions held in these countries suggested that there are a number of aid delivery issues that could be usefully addressed through harmonisation.

11. While it is important that partner governments support donor harmonisation, it is equally important that the program/project managers of the respective donor agencies support the move towards harmonisation. They should not view the recommendations of this study as creating additional work that does not reduce workloads or result in clear efficiency gains in the aid program. Given the importance of the managers' support, the project team gathered

extensive feedback about the proposed harmonisation from staff of the Australian and New Zealand donor agencies.

12. From a review of the existing operations of the Australian and New Zealand agencies, the information gathered in each of the four countries visited, the team's experience and knowledge of other Pacific islands and a review of international reports and studies, 33 options for harmonisation were developed and 21 identified as offering the greatest scope for relatively quick implementation. These have been grouped into four broad categories.

Policy options

1. Publicly adopt a policy to promote harmonisation, and indicate key priorities to be pursued.

2. Share analysis and diagnostic work in preparing regional/country and sector strategies in a systematic manner.

3. Consult on policy issues as early as possible in the policy development process.

4. Establish regular consultations between program managers using IT, video conferencing and/or stopover opportunities on missions.

5. Harmonise incentive-based policy reform activities where these exist.

Programming options

6. Pilot a single co-funded program for Niue and Cook Islands.

7. Coordinate the forward programming of missions as much as possible in accordance with the partner government's priorities.

8. Undertake joint programming missions on a case-by-case basis.

9. Allow other donors observer status on missions on a case-by-case basis.

10. Report in accordance with the partner government's budget cycle.

11. Develop guidelines for various co-financing models based on lessons learned.

Operational options

12. Develop a standard format for project requests.

13. Use partner systems for procuring goods and services on a case-by-case basis.

14. Develop a standard clause (for terms of references) that directs contractors to factor in harmonisation issues.

15. Consolidate the management of funds for small aid activities.

16. Harmonise the management of education and training.

17. Use joint project coordinating committees and/or technical advisory groups on a case-by-case basis.

Institutional options

18. Arrange shorter, more intensive skills-based or issues-based joint training for AusAID and MFAT staff and extend the electronic networks.

19. Share in-country office resources in Tuvalu.

20. Share performance indicators.

21. Share – rather than standardise – terminology.

13. These options have different levels of complexity but the project team believes that all could be relatively easily implemented after they are endorsed by the two donor agencies and agreed with the respective partner governments. Even though the list of options was drawn up with a focus on harmonisation between Australia and New Zealand, it is recognised that in many instances there may be scope for working with other donors. The project team expects that the implementation schedule developed to manage and monitor the harmonisation of Australia's and New Zealand's bilateral aid would include early consultations with other donors to assess the potential for multidonor adoption of harmonisation.

14. Central to the success of the harmonisation process will be joint dialogue. Harmonised policies will complement – and help to build the sustainability of – the options that focus on donor practices (operations). The optimal approach is therefore to harmonise policies and practices in tandem rather than in sequence.

An outline of how this might work follows.

1. In the context of the development priorities of individual recipient countries, Australia and New Zealand discuss and agree on strategic policy objectives.

2. Australia and New Zealand undertake a joint mission to assess current aid programs and future directions and opportunities.

3. After Australia and New Zealand agree on the objectives and future directions they coordinate missions (program, sectoral, etc.) and activities as appropriate (such as joint project coordinating committees and participating in or observing each other's missions where useful).

4. Australia and New Zealand agree to implement other options for improving and harmonising practices as appropriate, drawing from the options listed or identified from time to time.

15. The next steps in the move to harmonise Australia's and New Zealand's donor policies, programs, practices and procedures should be as follows.

a) Seek donor agency agreement to the harmonisation options and implementation schedule. The schedule could be finalised only after management has endorsed a draft schedule that was developed in close consultation with the key players involved.

b) After the options have been endorsed, consult with partner governments. This would probably be undertaken at two levels. It would be useful to explain the processes of harmonisation at an early regional meeting such as the Finance and Economic Ministers Meeting while undertaking specific consultations with countries where harmonisation can be progressed relatively quickly or in those specifically selected to trial options.

c) When finalising the implementation schedule, agree on time lines and performance measures. It will be important to establish a mechanism (possibly the steering committee for this study) to monitor the progress made and to review the potential for either spreading the use of some of the options more widely or for introducing options that are currently considered a lower priority.

1   Introduction

Structure of this report

1.1   This report begins with a summary of the purpose, objectives and methodology for the study (section 1). This is followed by an assessment of the similarities and differences between Australian and New Zealand aid programs in the Pacific (section 2), covering areas such as the forms and channels of aid, the preparation of programs, and project procedures. The report goes on to discuss the issues and needs of Pacific island countries in terms of the enabling environment required for effective coordination and harmonisation of aid (section 3). It also outlines existing harmonisation experience in the region (section 4).

1.2   Based on these data and analysis, the report summarises the scope for harmonising donor practices in the region, and sets out a range of options specifically for consideration by Australia and New Zealand (section 5). These options cover policy, programming, operational and institutional aspects of aid programs. A list of priority harmonisation options is recommended for implementation, based on an assessment of their impact and feasibility, and a possible implementation plan is presented. The report finishes with the project team's conclusions and recommended next steps in the move toward harmonisation (section 6).

Purpose

1.3   This research project assesses the degree to which the different approaches and procedures used by aid donors are a problem for Pacific island countries[1] and makes a number of proposals for improving the situation, at both the strategic and operational levels. It recommends harmonisation strategies for Australia and New Zealand, with the potential involvement of other donors.

1.4   The terms of reference for the study are given in annex 1.

Objectives

1.5   The objectives of the study are to:

  1.   identify the extent of problems arising from a lack of harmonisation of donor practices in the Pacific islands

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[1]   Papua New Guinea is not included in this study.

2. assess the practices used by major donors and their rationale, and the degree of alignment and compatibility between these practices

3. review the extent to which donors consult with each other about their aid programs and activities, and coordinate their programs and activities

4. recommend strategies for harmonising practices among donors to the region at both the strategic and operational levels, and

5. propose a framework for Australia and New Zealand that includes specific and practical harmonisation actions that could be undertaken by the Australian Agency for International Development (AusAID) and the New Zealand Ministry of Foreign Affairs and Trade (MFAT).

Scope of the study

1.6   Initial discussions between the project team and the AusAID–MFAT steering committee confirmed that the scope of the study could be further defined as follows.

- Its focus is on Australian and New Zealand bilateral programs in the Pacific. If warranted, issues relating to regional programs and support for regional organisations as well as to working with non-government organisations should be highlighted as potential areas for future harmonisation.

- The study is expected to have a regional application, with specific case studies undertaken in selected countries. The countries chosen should reflect the region's diversity and be seen as test cases.

- Other donors can be covered to demonstrate or amplify a point. However, the main focus should be on the Australian and New Zealand donor agencies. The involvement of other donors and agencies is to be considered at a later date, depending on the outcome of the study.

Definitions

1.7   The project team's first concern was to clarify the meaning of the term 'harmonisation' and the difference, if any, from 'aid coordination'. The World Bank defines aid coordination as:

> … activities of two or more development partners that are intended to mobilize aid resources or to harmonise their policies, programs, procedures and practices so as to maximize the development effectiveness of aid resources.[2]

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[2] World Bank, *Review of Aid Coordination and the Role of the World Bank*, Report No. 19840, Washington, DC, October 1999, p. 3.

1.8   A 1993 UNDP report took this definition further by emphasising the close links to resource management and the responsibility of the recipient in managing the processes of coordination.

> Aid coordination is not an end in itself but a means to achieving efficient and effective use of aid resources. Aid coordination is thus closely associated with resource management. It follows that it is the recipient government which is primarily responsible for aid coordination.[3]

1.9   Harmonisation is seen in the context of these responsibilities. This study notes that the World Bank definition of harmonisation is:

> … bringing the policies, programs, practices or procedures of development partners into alignment to reduce or eliminate waste and inconsistency.[4]

1.10   These definitions emphasise that aid coordination and harmonisation are closely linked. Just as coordination is an aspect of efficient and effective management of resources, harmonisation is an aspect of coordination. It is a subset of activities to which donors can contribute, freeing up resources within partner government agencies to allow them to more effectively discharge their other responsibilities.

1.11   Harmonisation can be considered at different levels – where one donor adopts the policy or procedure of another donor, where a donor adopts the policies or procedures of the partner or recipient or where two contractors funded by two donors agree to adopt a similar practice or approach. Table 1.1 clarifies the different levels of harmonisation.

Table 1.1 **Different levels of harmonisation**

Level	Description	Example
1 Donor–donor	Donors adopt equivalent policy, procedures, etc.	New Zealand and Australia adopt the same acquittal format.
2 Donor–recipient	Donor adopts policy, procedures, etc. of recipient.	New Zealand adopts a recipient's acquittal format.
3 Technical	Contractors adopt equivalent policy, procedures, etc. when implementing a donor project.	NZ management service consultants and Australian managing contractors agree on a common technical approach in project implementation in a common sector.

1.12   Equally, harmonisation can apply to the various aspects of the donor–recipient relationship – policy, programming, operational and institutional. These aspects are used later in this report to help identify and organise harmonisation options.

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[3]   UNDP, *Aid Coordination Concepts and Issues*, 1993.

[4]   World Bank, Report No. 19840, p. 3.

Justification

1.13   It has long been recognised that harmonised donor practices can contribute to a more coordinated aid effort and in turn to more effective aid.[5] While a small number of developing countries have been able to coordinate and manage their aid effectively, many are not able to articulate and assert the necessary policy and implementation controls.[6] At the core of this issue is the institutional capacity of recipient governments to manage and coordinate the development assistance they receive. Poor coordination among donors leads to duplicated effort and wasted aid resources. It also places a heavy burden on the limited managerial capacities of recipient governments, which must deal with a range of procedures, planning cycles, policy directives and stand-alone projects.

1.14   The importance of effective donor coordination in the delivery of development assistance is exemplified by initiatives such as the World Bank's *Comprehensive Development Framework* and the work of the OECD Development Assistance Committee (DAC) in promoting development partnerships. The World Bank itself notes that donor coordination mechanisms are generally 'less than satisfactory' and that the current system for delivering development assistance is characterised by 'a multiplicity of actors, with often different priorities, lending terms and procedures'.[7] While the international donor community recognises that aid coordination is a function of the recipient country, increasing attention is now being given to donor harmonisation as a complement to more effective aid coordination.

> … recipient governments … single out harmonisation of donor policies and procedures as the first thing donors should do to improve aid coordination.[8]

1.15   It has also been found that one of the greatest impediments to partner governments playing a greater role in aid coordination is the onerous and often divergent administrative procedures and the numerous visiting missions that they must accommodate. Between January and November 2000 the Samoa Aid Coordination Unit attended over 120 aid project coordination/review meetings.

1.16   Growing awareness of the problems caused by the lack of harmonisation has seen a number of donors begin to address the issue more vigorously. The UK Department for International Development (DFID) and other European donors have pursued sector-wide approaches and increased aid delivery through partner government institutional structures as a way of bringing about a greater degree of harmony between donor procedures. The World

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[5]   *Partners in Development*, Report of the Commission on International Development, New York, 1969; *More Effective Aid*, A report to the South Pacific Forum, SPEC, Suva, 1976.

[6]   World Bank, Report No. 19840, p. viii.

[7]   World Bank 1998, *Partnerships for Development: Proposed Actions for the World Bank*, A discussion paper.

[8]   World Bank, Report No. 19840, p. 28.

Bank has also commissioned research into the issue and has adjusted its own delivery mechanisms to increase donor harmonisation.

1.17 The Australian and New Zealand donor agencies have also recognised that harmonisation is an issue that needs to be considered in the Pacific context because the small island states of the Pacific have limited management and technical resources. They commissioned this research project to identify appropriate harmonisation opportunities and strategies for the Pacific.

Methodology

1.18 Four consultants were engaged for the project, drawn from the United Nations Development Programme (UNDP), a Pacific island country, New Zealand and Australia. The members of the project team and the people consulted are listed in annex 2. An outline of the methodology used for the project follows.

- The team met for three days in Canberra for a briefing with the joint Australian and New Zealand steering committee for the study to confirm the scope for the study and agree on the methodology. This included discussion of the degree to which other donors would be involved in the initial work, and the Pacific island countries to be visited by the team as case studies.

- A review was undertaken of the relevant aid management practices of Australia and New Zealand.

- A member or members of the team visited Kiribati, Samoa, Tuvalu and Vanuatu to identify the perspectives that Pacific island countries had on harmonisation.

- The team reconvened for one week in Canberra to consolidate the information from all sources and present draft harmonisation proposals to a workshop of relevant desk staff in both AusAID and MFAT. The period in Canberra also included further discussions with the steering committee to confirm the progress being made in the study.

- A draft report was then prepared for consideration by the two agencies. The study has emphasised the need for practical solutions that, if adopted by AusAID and MFAT, could be implemented and discussed with Pacific island partners.

1.19 In addition to reviewing a number of significant international reports on aid coordination and donor harmonisation, the team considered the findings of a questionnaire developed by MFAT. It had been completed by personnel administering the New Zealand aid program in Wellington and at posts, as well as by some AusAID staff. A sample of the questionnaire and the summary produced by MFAT of the findings of the survey of MFAT officers appears at annex 3 and the documents reviewed by the team are listed in annex 4.

2 Australian and New Zealand programs in the Pacific

Overview of aid to the Pacific

2.1   The importance of aid varies greatly between Pacific island countries. In 1998 aid to Fiji was $44 per person (prior to the coups – it would now be considerably less) while aid to Tuvalu was more than ten times that figure (table 2.1).

Table 2.1 **Volume of aid and aid per person, by Pacific island country, 1998**

Country	Volume of aid	Aid per person
	US$ million	US$ million
Cook Islands	8.07	403.50
Fiji	36.45	44.02
Kiribati	17.27	200.81
Samoa	36.40	205.65
Solomon Islands	42.62	102.45
Tonga	25.62	258.79
Tuvalu	5.18	470.91
Vanuatu	40.62	223.19

Note: Net disbursement of Official Development Assistance (ODA) in the Pacific.
Source: DAC website.

2.2   Relative to aid recipients in other regions, Pacific island countries receive aid from a small number of bilateral and other sources.

- For a long time there has been six main bilateral donors: Australia, France, Japan, New Zealand, the United Kingdom and the United States. The volume of aid from the latter two donors to most of the Pacific island countries has now been scaled down to very low levels.

- Donors such as the People's Republic of China, the Republic of Korea and Taiwan have developed new programs with the region. Their aid tends to be for one-off large capital projects such as new hospitals and government office buildings.

- Canada maintains a small grants program, while several countries have small grant programs administered by missions.

- The Asian Development Bank (ADB) and the European Union (EU) have been the largest multilateral donors.

2.3   Australia, Japan and New Zealand are the main bilateral donors on the basis of aid to the region by DAC donor and including aid through regional organisations (table 2.2).

Table 2.2 **Aid to the Pacific region by DAC donor, 1998**

Donor	1998
	US$ million
Australia	78.8
France	15.7
Japan	71.7
New Zealand	57.6
United Kingdom	19.0
United States	8.3
Asian Development Bank	34.7
European Union	7.6
World Bank (International Bank for Reconstruction and Development, International Development Association & International Finance Corporation)	4.5
United Nations	8.8

Note: Includes aid provided through regional organisations.
Source: DAC website.

- In 1998, all assistance from the United Kingdom was directed through regional organisations or programs, while significant portions of aid from France and the United States were also directed through these channels (39 per cent and 57 per cent respectively).

- French and US assistance to the countries covered by the study is very small.

- No other DAC donors had a bilateral program of assistance to any one of the countries of more than US$1 million except France, which is the largest bilateral donor to Vanuatu after Australia. However, this aid is directed mainly towards maintaining French systems and would be less readily suited to harmonisation than the programs of other donors.

2.4 The levels of aid provided by the three main bilateral donors to the independent Pacific island countries that are members of the Pacific Islands Forum have not changed greatly over time, particularly in the case of New Zealand and Australia (table 2.3).

- Australia's position as the largest overall donor to the region is attributable to its larger volume of aid through regional programs.

- In most years Japan was the largest donor to six of the eight countries listed, Australia the largest to Vanuatu and New Zealand the largest to Cook Islands.

2.5 International financial institutions provide loans to Pacific island countries.

- The Asian Development Bank is the main multilateral lender, providing over two-thirds of its assistance in the form of a small number of loans to two or three countries. The ADB has an extensive program of technical assistance projects, which are not linked to existing or projected loans and are provided as grants.

- The World Bank has a small number of activities while the European Union has a more even spread across countries of the region.

2.6   UN organisations have a wide spread of mainly small technical assistance activities. They are also important as implementing agents for funds in trust that are shown in bilateral aid data.

Table 2.3 **Aid to Pacific island countries by major donor, 1996–98**

Partner government	Australia			Japan			New Zealand		
	1996	**1997**	**1998**	**1996**	**1997**	**1998**	**1996**	**1997**	**1998**
	US$ million	US$ million	US$ million	US$ million	US$ million	US$ million	US$ million	US$ million	US$ million
Cook Islands	1.14	1.19	1.19	0.26	0.14	0.37	**5.59**	**5.73**	**4.30**
Fiji	12.54	13.90	11.16	**18.59**	**16.94**	**19.23**	6.64	5.41	4.41
Kiribati	**4.77**	4.93	4.99	4.53	**6.70**	**8.54**	1.98	2.44	2.03
Samoa	8.35	9.11	8.23	**10.14**	**10.14**	**14.81**	6.50	6.07	5.61
Solomon	8.03	8.14	8.01	**18.20**	**21.04**	**10.05**	4.34	5.21	4.45
Tonga	8.09	7.84	**6.31**	**11.54**	**7.95**	5.03	5.59	5.56	4.31
Tuvalu	3.07	0.80	**1.94**	**4.62**	**6.74**	1.04	1.40	1.68	1.59
Vanuatu	**11.67**	**8.39**	**9.10**	2.21	2.82	3.75	3.66	4.60	4.41

Note: Excludes aid provided through regional organisations. The largest donor for each country in each year is indicated in bold. DAC reports by calendar year, which does not correspond to donors' financial years, and this may account for some of the fluctuations in expenditure from year to year.

Source: DAC figures in constant prices.

Australian and New Zealand programs

2.7   Australia and New Zealand provide similar forms of aid and have similar channels for disbursing aid, as shown by table 2.4. More details, based the policy, programming, operational and institutional aspects of their aid programs, are provided in annex 5.

•   Both countries emphasise governance and have special funds for areas of less traditional project assistance, such as the judiciary, police and ombudsmen.

•   Both countries are supporting conflict resolution in Solomon Islands.

•   Both countries provide regional funds to support the private sector indirectly through the South Pacific Project Facility managed by the International Finance Corporation (World Bank).

•   Both countries operate small grants schemes. These schemes form a small proportion of the total bilateral allocations. New Zealand schemes for Kiribati, Tonga and Vanuatu are about 1–3 per cent of total annual aid allocations to those countries in the financial year 2000–01. Australian figures for 1999–2000 for Samoa, Solomon Islands, Tonga and Vanuatu reflect similar proportions of 0.8–3 per cent of total country allocations.

2.8   The differences in approaches include the following.

- New Zealand maintains a separate fund for gender-related activities; Australia incorporates these into the projects.

- Australia no longer directly supports private sector joint ventures with Australian enterprises as New Zealand does through its Pacific Islands Investment and Development Scheme that links island and New Zealand partners.

- There are some minor differences in, for example, the health field where New Zealand funds medical assistance in some specialised fields and for treatment in New Zealand, while Australian programs include health projects but no allocations for treatment in Australia.

Table 2.4 **Forms and channels of Australian and New Zealand aid to Pacific island countries**

Aid form and channel	Australia	New Zealand
Budget support	✗	✓ (Niue & Tokelau only)
Sectoral aid	✓ (PNG only)	✗
Trust fund	✓ (Tuvalu)	✓ (Tuvalu)
Projects	✓	✓
Small projects funds	✓	✓
Special-purpose funds		
Governance	✓ (Policy & management reform)	✓ (law & justice)
Conflict resolution	✓	✓ (Solomon Islands)
Gender initiatives	Included in projects	✓
Medical visits	✗	✓
HIV/AIDS	✓	✓
Scholarships		
Donor country	✓	✓
Home country	✓	✓
Third country	✓	✓
Private sector		
Development banks	✓	✓
Private enterprise	✗	✓
Staffing assistance	✓	X (phasing this out)
Non-government organisations		
Grants	✓	✓
Volunteers	✓	✓
Emergency/disaster relief	✓	✓
Mission administered fund	✓	✓

Note: Does not include funds that are available for regional institutions such as the University of the South Pacific or the South Pacific Board of Educational Assessment, but does include funds that are available on a regional basis for inclusion in bilateral programs. For example, both Australia and New Zealand provide funds to support aspects of governance from separate pools of funds available for countries of the region. There is also some overlap in the classification used between, for example, items described as projects, smaller projects funded through cash grants from a small projects fund and the items shown as special-purpose funds, which are for projects. Some reference to Papua New Guinea is included to indicate the use of budget support and sectoral aid but programs for Papua New Guinea were not examined in the course of this research project.

Regional and multicountry programs

2.9   In addition to their bilateral programs, Australia and New Zealand support the region's network of multilateral organisations and provide funds for multicountry projects. Both Australia and New Zealand also support regional organisations and in doing so make an annual membership contribution and provide significant support for work programs of the majority of the organisations. The membership contributions are normally set through the respective governing bodies of these organisations while the work program support is based on direct, independent high-level consultations between each of the regional organisations and AusAID and MFAT. Specific work program activities have generally received prior endorsement by all member countries.

2.10   The support provided to regional organisations by both donors is complicated by the fact that in the context of these organisations both Australia and New Zealand have a dual role as member and donor. The dilemma appears to be that, as a member, Australia or New Zealand may agree to support certain activities but when asked to fund the activity often find it difficult to accept the implementation approach proposed. Efforts to influence the approach or have greater levels of accountability are often described by regional organisations and sometimes other members as interference. There are also likely to be situations in which Australia and New Zealand adopt different approaches to requests received from a regional organisation.

2.11   The management of regional programs differs from how each donor manages its bilateral program. Overall, there appears to be more emphasis placed on reporting and accountability in the bilateral programs and a greater likelihood of sanctions for poor performance. This is particularly the case where managing contractors are involved in delivering the assistance and there is the opportunity to withhold payment under the contract for not delivering the planned outputs. For many of the regional programs, particularly those managed by regional organisations, both Australia and New Zealand appear to give greater latitude.

Preparation of programs

2.12   Both AusAID and MFAT follow a similar cycle in program preparation, though it is not followed with uniform regularity by either agency. The figure 2.1 indicates the typical steps taken in program preparation between a statement of aid policy and the identification and preparation of new activities at the project level.

2.13   Aid coordination meetings take place periodically and normally involve the partner governments and donor agency staff in the partner country. Aid planning meetings are also held periodically between the partner governments and AusAID and MFAT staff and are an opportunity to discuss the future direction of the aid program. These meetings are often held to coincide with the visits of officers from Canberra or Wellington. Preparatory planning

Figure 2.1 **Steps taken when preparing an aid program**
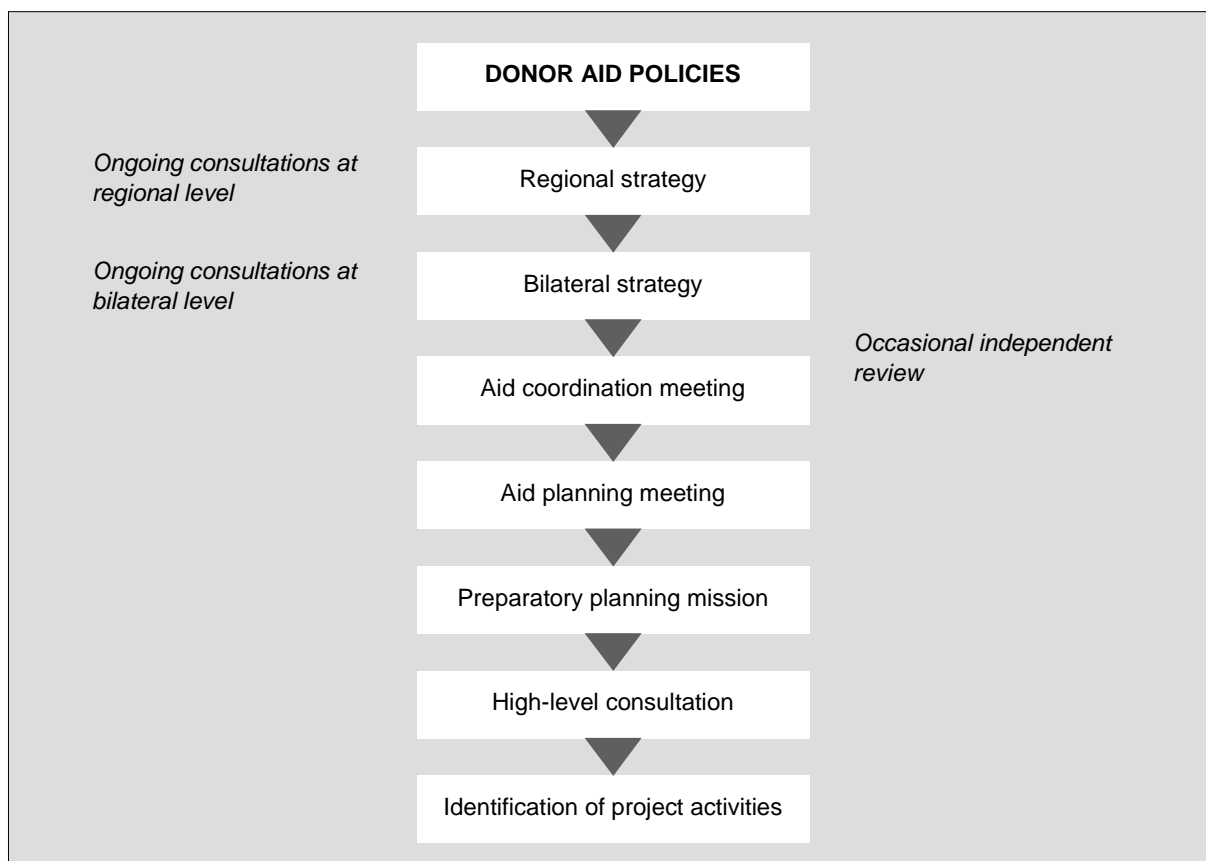
missions normally take place in advance of high-level consultations. These are an opportunity to jointly develop the agenda with the partner government and to ensure that the focus of the discussions at the high-level consultations is primarily at policy level.

2.14   The global aid policies of Australia and New Zealand are adapted at the regional level through close and continuing geopolitical interests in the stability and economic and social welfare of the island countries. This is facilitated by dialogue through the various regional forums. Australia produces a comprehensive Regional Strategy Statement that defines the policy and focus of Australia's aid program in the South Pacific. Both countries have similar representation at posts, including the coverage of Tuvalu from Fiji. Australia's post in Wellington is responsible for the relationship with Cook Islands and Niue. Both organisations are responsible for the preparing country aid strategies, which may be guided by an independent review commissioned on an occasional basis, such as New Zealand's recent study for Samoa.[9]

2.15   At the mission stage, there is some divergence in Australian and New Zealand practice – in most cases by AusAID's use of a two step process: (i) a preparatory planning mission, which may take several days and identifies the forward program, followed by (ii) a high-level

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9   Schoeffel Meleisea and others, *Samoa Strategy Study: Independent Assessment to the Governments of Samoa and New Zealand*, September 1999.

consultation, which reaches formal agreement of the program. AusAID does not employ the two-step process in all cases; it depends on the scale of work to be undertaken. MFAT missions have historically tended to review all aspects of a program over 3–5 days, concluding with a formal agreement on the future program. The missions give rise to agreement to proceed on new projects according to the project cycle as administered by the two agencies.

Project procedures

2.16 Project management by both AusAID and MFAT is guided mainly by internal requirements. Neither aid program is based on legislated requirements other than the processes of budget and accountability to parliaments through reports, committee hearings and questions. Both agencies have considerable scope to define programming and operational procedures within their overall external accountability frameworks.

2.17 Both AusAID and MFAT are subject to internal and external audits and both may be affected by changing national policies such as in relation to accrual accounting or procurement. Enactments under the Closer Economic Relations (CER) agreement require that products and services available from both countries are accorded equal treatment.

2.18 Project procedures are dynamic and are continually being modified at the operational level or by review. MFAT currently has three reviews covering:

• geographic focus and the extent to which the program is meeting poverty

• the education and training program, and

• the use of management service consultants (MSCs) in the program.

2.19 AusAID's Quality Assurance Group (QAG) has a continuing role to identify lessons for improving designs and implementation. During the past two years QAG has completed reviews on project quality at entry, risk management and quality of implementation. In MFAT the Division of Evaluation Analysis and Program Support has a similar role.

2.20 Both donor agencies have extensive manuals with supplementary guidelines or checklists on issues such as gender, governance and the environment. AusAID makes additional reference to human rights and to population and family planning. AusAID's documentation is much more extensive than MFAT's, is more directive and contains much more detailed discussion of the issues. Both agencies require Logframes to be used in the project cycle. AusAID makes extensive use of the Internet in its procedures and in commercial opportunities. As MFAT has not moved far down this path, AusAID information on the Australian aid program is more readily available, including to recipient countries. Both agencies are governed by national guidelines relating to contracts for procurement and personnel. Hence any modifications in these areas would be complex.

Comparisons with other donors

2.21   Evidence suggests that the aid policies and procedures of Australia and New Zealand in the Pacific may be more closely aligned than they are with those of other donors to the region. Japan has very specific rules and procedures for delivering assistance. Its overall aid policy is very closely linked to broader foreign policy objectives and as a consequence there is a reluctance to introduce broader issues of conditionality into project design. There is also a strong emphasis on large capital projects, which from a very early stage in the design are driven by the private sector objectives of Japan's implementing agency. Under these circumstances the private contractor is concerned to deliver the project within a given time frame with little concern for the activities of other donors. A similar situation exists with some of the other bilateral donors such as China and Taiwan.

2.22   For smaller bilateral donors such as the United Kingdom and Canada there appears to be greater scope for harmonising policies and procedures and to some extent individual countries are pursuing this harmonisation. However, in the process of Australia and New Zealand discussing this report with other donors further opportunities may be identified.

2.23   The aid policies and procedures of the European Union are much more complex those of Australia and New Zealand. EU aid is provided under a partnership agreement between the 15 members of the European Union and 77 countries of Africa, the Caribbean and the Pacific. The agreement is far reaching. As a negotiated document it promotes links with other donors but, by virtue of its multilateral nature, it reduces the flexibility in how aid is provided.

2.24   The UN aid programs are less defined but, because of their multilateral nature, their operating procedures are often considered to be rather rigid.

2.25   The multilateral banks, with their capacity to develop relatively large program loans, have become prominent partners in development and reform in a number of the Pacific island countries. They have a narrower focus than the bilateral donors and so often promote/demand greater levels of conditionality.

Conclusions

2.26   The analysis suggests that there is a high degree of convergence between Australia and New Zealand in the policy and operational aspects of their respective aid programs in the Pacific. In fact the degree of alignment between the Australian and New Zealand programs is much greater than both appear to have with most of the other major donors. However, despite this it is apparent that the differences that remain do limit the capacity of partner governments to coordinate Australian and New Zealand aid more effectively.

2.27   Because the policies and procedures of other donors are diverse, steps taken by Australia and New Zealand to harmonise their policies and practices must be seen as only a

first step in donor harmonisation in the region. Other donors must be encouraged to consider options for harmonising their policies and practices.

2.28   Because of their strong geopolitical interests in the Pacific, over time it is likely to be easier for Australia and New Zealand to maintain a greater degree of harmony in many policy aspects of their aid programs than in the operational aspects. Procedures will change over time to reflect domestic political changes and wider operational reforms in each agency, or will evolve in response to changes in partner government policies. Also, as active members of DAC both Australia and New Zealand have endorsed a number of global objectives for development assistance and seek to adhere to a basic framework for delivering aid.

2.29   Nevertheless, on the operational aspects of delivering aid there can be expected to be a number of opportunities for increased synergy between AusAID and MFAT. Both have similar approaches to preparing bilateral programs/projects but in most cases both continue to work in parallel. A first step in harmonisation would be to synchronise many of these steps and share basic information more readily. This would result in joint missions, increased synergy in strategies and policy positions, and less time and resources of partner governments in supporting the steps required by donors in the program/project preparation process.

2.30   It is apparent that when Australia and New Zealand provide regional support, and in particular the extra-budget support (above the membership contributions) to the regional organisations, they use different policy and procedures from those used for their bilateral support. This suggests that there are opportunities for internal harmonisation as well as greater harmony between Australia and New Zealand in how they provide support to the regional organisations. It is recognised that the situation with regional organisations is complicated by the dual role Australia and New Zealand have with the organisations, as both a member and a donor.

3 Harmonisation issues affecting Pacific island countries

3.1   The degree of harmonisation between aid donors' policies and procedures affects aid coordination, which is recognised as principally a recipient government's responsibility. This section examines the issues affecting the ability of Pacific island countries to take the leading role in managing and coordinating aid effectively.

Aid coordination capacity

3.2   The special problems of small island countries are well documented in the work of the United Nations, regional aid organisations, recipient and donor countries, and scholars. Equally well known by donors and recipients alike are the deficiencies that inhibit effective aid management and coordination by developing countries, including those of the Pacific. A stream of reports and studies repeatedly identify the problems listed in box 3.1 that, to a greater or lesser extent, apply to most Pacific island countries. Most of the problems relate to the management of national resources, of which aid may be a minor part.

3.3   The range of problems referred to in box 3.1 indicates that harmonisation can make only a minor contribution to the overall problem of efficient and effective management and coordination of national resources, including aid resources. But some of the problems – those under the heading 'Aid relations' – provide more immediate scope for donors to assist in resolving aid management problems in the recipient country.

3.4   Pacific island countries have consistently noted that aid programs tend to be driven by donors but many have been slow to take the lead in relation to policies, priorities and procedures for coordinating and managing aid. The World Bank and, more particularly, the ADB and the UNDP have promoted the use of aid coordination mechanisms with varying degrees of success. The Round Table or Consultative Group meetings have very rarely led to substantial improvement in the way aid is used. Other more country-specific technical assistance has been difficult to sustain in most countries.

Box 3.1   **Factors that affect the capacities of Pacific island countries to manage and coordinate aid**

Data
- Lack of a database
- Lack of an information and documentation system that builds on work done

Policy
- Inadequately defined scope and priorities for aid in the public investment program
- In the absence of clear policy direction, a tendency towards donor-driven programs

Planning
- Weakness in planning or weak linkages between planning and operations
- Lack of stability in the planning environment due to the combination of political, organisational and personnel change

Systems
- Inadequately defined, standardised and up-to-date procedures that would facilitate decision making and delegation
- A short-term approach to resolving problems
- An inclination to adopt a new solution related to a new project rather than to build on existing structures
- No follow-through on attempts to institutionalise systems
- High turnover of local staff from a small pool
- A lack of guidelines to promote the use of local consultants from the private sector or NGOs
- Attendance at courses that do not necessarily meet priority needs and a lack of job-specific administrative training for lower level staff
- Shortcomings in financial management and procedures for accountability
- A lack of forums at the operational level to inform donors

Aid relations
- A tradition of overdependence on expatriate advisers followed by uncritical acceptance of expatriate advice
- A lack of guidance for donors
- A lack of control over donors
- A lack of standardised procedures for reporting and accountability
- A lack of standardised approaches and conditions for aid-funded personnel

Case studies

3.5   A review of aid coordination and management in the four countries used as case studies for this research project – Kiribati, Samoa, Tuvalu and Vanuatu – suggests that aid coordination capacity varies quite considerably in Pacific island countries and that there has been fairly significant progress in managing aid in some countries. Progress is most obvious in countries where there is commitment at the political level and by senior civil servants.

3.6   Samoa seems to have developed the most robust aid coordination mechanisms, with the Government taking a lead role in its negotiations with donors. It is also clear that, as the Samoa authorities have increased their ownership of aid coordination, key donors have become aware of the need to increasingly coordinate their policies and procedures for delivering aid. In other words, the existence of strong aid coordination mechanisms has heightened the need for donors to harmonise their approaches to delivering aid, as well as to be more in line with the strategies being adopted by the partner government.

3.7   Other countries in the Pacific seem to have less ownership of aid coordination and as a consequence the need for donor harmonisation is less apparent. However, in these cases the need may even be greater. The lack of effective aid coordination is often the result of limited institutional capacity. When this is the case the authorities find it even more difficult to manage donor support that is fragmented and bound up in complicated and varied policies and procedures. If donors harmonised their polices and procedures there would be less of a burden on these limited government structures, and resources could be redirected to greater aid coordination.

3.8   Each of the countries in the case studies confirmed that aid coordination would be more effective if there were greater harmonisation of donor policies and procedures. However, in all four cases there was a shared perception that the need for harmonisation was more apparent between other donors than between Australia and New Zealand. It would appear that in many cases partner governments consider that, while there maybe a convergence among donors and multilateral banks on broad policy issues, there remain significant differences in how policy is translated into programs and projects.

3.9   Despite the suggested synergy between Australia and New Zealand on many aid issues, discussions revealed some key differences at the sector and project levels. In the scholarships and training area there were a number of differences revealed. While progress has been made in Samoa to have joint project coordinating committees this has not necessarily eliminated perceptions of a lack of harmony. Some of these perceptions relate to differences in the broader bilateral relationship that Australia and New Zealand have with the Pacific island countries. Others relate to concerns by partner governments that their views on scholarships and training are inadequately considered. And others relate to differences between the contracted agents of Australia and New Zealand over issues such as the most appropriate training approach.

3.10 Other issues that were seen to be hampering more effective aid coordination at the national level and that could be overcome with better harmonisation between Australia and New Zealand were the duplication of project management meetings and of project design and review missions. Officials in the four case study countries stressed that, apart from placing an added burden on partner governments, this duplication often resulted in different interpretations of events or project successes/failures and in the partner government being asked to decide whether the 'Australian' or 'New Zealand' approach was better. This form of competition also occurred between in-country advisers, with all vying for the support of the partner government agency.

3.11 Both Samoa and Tuvalu believe that the more regular reporting, usually by in-country advisers, under the Australian aid program means that both the partner government and AusAID are kept better informed of program progress. This reduces the possibility of issues emerging without notice during the programming mission or high level consultations. By contrast the New Zealand approach relies much more on the longer annual mission that culminates in high-level talks to undertake evaluations at both the operational and programming level. This often means that urgent decisions about how to use funds prior to the end of the financial year overshadow the policy/program focus intended at the high-level talks.

3.12 The timing of missions was a key concern for all countries included in the case studies. The small number of partner government officials involved in aid coordination are often required to participate in a wide range of meetings within their own country, with their presence normally required at all program and project planning, management and monitoring meetings. Many of these meetings are the direct result of donor requirements. Others have been instituted as a mechanism for enhancing coordination and consistency in approach across sectors where managers have been given greater autonomy. Aid coordination officials – as central players in understanding the country's development program, most of which continues to be funded by donors – are also required to represent their Government at regional and international conferences. The missions combined with the heavy workload at home mean that the time available in any one year for key donor programming missions and high-level consultations is limited. Harmonisation efforts that would reduce pressure on national aid coordinators and/or allow for longer term scheduling were seen as advantageous.

3.13 Information gained from the four case studies (annex 6) highlights what partner governments need to have in place if they are to be able to take the lead in coordinating aid and promoting harmonised policies and procedures among aid donors. Some of the key requirements for an environment that enables donor policies and procedures to be harmonised are:

• a stable political environment

• a well-defined statement of development priorities established through wide consultation

• development priorities effectively integrated into annual planning and budget processes

- sector planning with strong line department commitment

- a well-developed aid policy and clear understanding of how consultations with donors should be conducted

- effective institutional arrangements to ensure that the roles of central and line agencies are understood

- well-developed aid management tools with agreed project presentations and reporting, and

- strong institutional arrangements to ensure accountability.

3.14 Of the four case study countries, Samoa appears to meet most of these requirements. The Ministry of Foreign Affairs maintains a database of all aid programs delivered to Samoa and tracks the number of donor and project meetings it is involved in. The data are used to report on the performance of the Aid Division as part of the national budget process. Treasury plays a key role in overseeing project development, management and reporting and recently published a detailed Manual on Project Planning and Programming. Line agencies are encouraged to play an active role in managing and reporting on aid projects and it is clear that, with increased autonomy, line agencies are seeking donor cooperation in harmonising their procedures.

3.15 Vanuatu, under its Comprehensive Reform Program, has developed useful aid management and coordination systems. However, the sustainability of these systems will be tested only when expatriate advisers complete their terms.

3.16 Kiribati and Tuvalu have some systems in place but, with frequent staff movements and a less active approach to leading the aid coordination process, there is not the same level of cohesion as in the bigger administrations.

4   Harmonisation experience in the Pacific

4.1   Donor harmonisation is a reality, as the research has revealed. There is a wide range of examples, including a number in the Pacific. Some involve Australia and New Zealand while others involve either Australia or New Zealand working with another donor. These examples are important because they provided the project team with a range of precedents on which to base its recommendations. This section looks at these initiatives and the lessons that can be drawn from them.

4.2   The United Kingdom in its White Paper on International Development, published in 2000, noted that it has 'worked hard to promote greater harmonisation among development agencies'. It refers to an example where the United Kingdom has worked with Germany, the Netherlands and Norway to coordinate development efforts in Tanzania, using the sector-wide approach as a model for how the United Kingdom and others might work elsewhere. In Malawi, the United Kingdom has agreed to work with Sweden, Denmark and Norway under a common mechanism for disbursing aid and jointly reporting. Under this arrangement, the assistance is to be provided in support of the Malawi Government's budget with the Government reporting quarterly on expenditures.

Exchange of information

4.3   The most obvious donor effort in harmonisation in the Pacific is through dialogue at the policy, program and project levels to ensure that there is consistency in the advice provided and in the form and structure of program and project support. This exchange of information seems to be used most frequently in managing the small grants schemes and in providing scholarships and training support. These cases often involve Australia, New Zealand, Canada and, on some occasions, Japan.

4.4   However, information exchange in the Pacific remains relatively ad hoc, varies between countries, and does not always involve the partner government. It is also interesting that in the case of the Australian and New Zealand aid programs for Fiji and Tuvalu, there is greater interaction on the Tuvalu development program than on Fiji's even though the AusAID and MFAT officers that cover both countries are based in Fiji. The officers have regular meetings before and after field visits to Tuvalu and Canberra-based staff, project personnel and visiting consultants all have briefings with both offices, either jointly or separately, before visits to Tuvalu are undertaken. UNDP is now often included in these meetings and, when specific issues arise, either information is passed on to other donors or alternative views are sought from them.

4.5   The personality factor or how well individuals know each other also plays a part in how regularly and effectively information is shared between donors. Frequent changes in the personnel managing programs and the turnover of posted officers also have an impact.

Box 4.1   **Two harmonisation examples from Vanuatu**

Vanuatu Technical Institute (INTV): Tour Guide Training Program (1998–99)

New Zealand, Australia and the UNDP pooled resources and paid accountable cash grants to the Vanuatu Department of Economic and Social Development. The department prepared the terms of reference for technical assistance to analyse training needs, design the program and pilot delivery with INTV trainers. The department advertised, selected and recruited the consultants, managed the project and acquitted the funds from donors.

This project used Vanuatu Government systems and was therefore expected to strengthen those systems. While the project has been successful and is still being operated by INTV, there were some issues.

• There was no contract between the Vanuatu Government and the consultants.

• The consultants were paid late.

Vanuatu rural water supply

Both New Zealand and Australia have a small program of cash grants for rural water supply, channelled through the Rural Water Supply Unit of the Vanuatu Department of Health. The unit does the purchasing and installation, prepares the completion reports and undertakes the acquittals.

• New Zealand has a management service consultant to monitor progress.

• New Zealand has its own selection criteria for projects, which can diverge from the Vanuatu Government's criteria.

• Japan and other donors also support water supply, but Japan 'likes paperwork' and wants mid-way reports, etc.

• New Zealand and Australia sometimes fund rural water supply through Head of Mission Funds, but the Rural Water Supply Unit is often not involved or concerned with this.

Support for the Vanuatu rural water supply presents several harmonisation opportunities.

• New Zealand could harmonise its selection criteria for projects with the Vanuatu Government's criteria.

• New Zealand and Australia could use the Rural Water Supply Unit as the implementation coordinator for projects funded through Head of Mission Funds.

• New Zealand, Japan, Canada and Australia could pool funds in a Water Supply Trust Fund and have a co-funded project, possibly monitored by one management service consultant.

Formal agreement for specific project or activity

4.6   The Tuvalu Trust Fund, which primarily involves the Governments of Tuvalu, Australia, New Zealand and the United Kingdom, is the most formal arrangement in the Pacific where donor harmonisation of policies and procedures was necessary for its establishment. The fund was established in 1987 and continues to be managed under an international agreement signed by the four parties. For the fund to be established the donors, together with the partner government, had to agree on a number of issues that affected the way donors provided development assistance. Of particular significance was the need for the donors to agree to give 'aid in advance of need' and to provide for a degree of country ownership and leadership not normally provided. The twice yearly meetings of the board of trustees has provided many opportunities for joint decision making and, in the case of Australia and New Zealand, opportunities to encourage synergy in their development objectives for Tuvalu and in the policy objectives pursued by the Government of Tuvalu.

Program approach

4.7   Opportunities for donors to come together with the partner governments to map out support programs have arisen when countries undertake comprehensive economic and financial reforms or are in crisis. In such cases the harmonisation of inputs from a number of donors is essential to a program's success. Both Samoa and Vanuatu provide good examples of where donors have effectively worked along side the partner government to map out joint strategies of support at the program level. A recent meeting of donors on strategies for dealing the crisis in Solomon Islands led to an agreement among donors on specific areas they would focus on in Solomon Islands. The discussions, which included Solomon Island officials, focused on the best use of resources and ensured that donors concentrated on areas where they had a comparative advantage.

Sector-wide approaches

4.8   As noted earlier a number of European donors have been using the sector-wide approach to provide development assistance for some years. There have also been efforts to adopt a similar approach in the Pacific, although the model used does not promote the level of donor harmonisation that is seen elsewhere. In the Pacific greater attention is being paid to get cooperation at the sector level by ensuring that donors involved in the same sector do not duplicate activities and that where possible there is joint reporting. In Samoa, Kiribati and Vanuatu there are examples of donor cooperation at the sector level.

4.9   Australia has recently been developing a more comprehensive sector-wide mechanism for providing support to the health sector in Papua New Guinea. Should this prove successful it is likely that it will be adopted in other sectors in Papua New Guinea and may be considered in other Pacific aid programs.

> **Box 4.2   An example of the sector-wide approach**
>
> Australia, the World Bank, the World Health Organisation (WHO), the European Union and New Zealand are among the key donors involved or about to become involved in providing support to the health sector in Samoa. Australia, the World Bank and the WHO are specifically involved in providing support for a major reform program, which has the overall goal of ensuring that the population of Samoa has equitable access to a modern, effective, efficient and environmentally friendly health service. The program will be planned and delivered through close collaboration with the private sector and non-government organisations.
>
> A draft memorandum of understanding that defines the broad areas of collaboration and cooperation between the Government of Samoa, Australia, the World Bank and the WHO has been prepared. While not final this document suggests that it will also provide a framework for planning, implementing and monitoring health projects for other contributors. The memorandum identified consultation, policy development, technical support, information sharing, monitoring and reporting as areas for cooperation.
>
> A brief review of the Australian project design and the World Bank project memorandum suggests that there is some likelihood of duplication, at least in the area of institutional strengthening in the Australian project and policy support by the World Bank. While a number of people have recognised this it seems that any adjustments will be made during actual implementation. This presupposes a number of things:
> * effective monitoring mechanisms are in place
> * project implementation is flexible and allows adjustment of outcomes/outputs, and
> * collaboration between implementing agents is good.

Operations

4.10   At all stages of the project cycle there have been examples of donor harmonisation. These have included joint design and evaluation missions, the harmonisation of scholarship selection processes and collaboration between Australia and New Zealand on in-country training programs in Samoa and Tonga.

> **Box 4.3   Harmonised training and scholarships**
>
> The Samoa Government has taken key responsibility for coordinating short-term training so that there are now clear policies on what training will be funded by Japan, the Commonwealth Fund for Technical Cooperation, Australia and New Zealand. There have been some issues related to different interpretations of allowances (arose when students were evacuated from Fiji).
>
> In Samoa, Australia and New Zealand discourage short-term courses overseas and focus on in-country training. At the request of Samoa the programs of Australia and New Zealand are coordinated through a single program coordinating committee.
>
> The implementing agent for the New Zealand program pointed out differences in how Australia and New Zealand assessed the performance of training activities, with a feeling that New Zealand's evaluation processes were more stringent than Australia's. There were also differences in the application process.
>
> Tonga has accepted the same coordination arrangements for the in-country training programs of Australia and New Zealand (with the same implementing agent for Australia and New Zealand) but it does not allow a single project coordinating committee.

5 Prospects for harmonisation

5.1 The harmonisation of donor policies and procedures has the potential to provide considerable benefits to Pacific island countries and if achieved should allow recipients of aid to improve their coordination and management of the aid.

5.2 This section summarises the benefits of and constraints to donor harmonisation. It also looks at the potential for promoting greater harmonisation between Australia and New Zealand. The project team puts forward a range of specific harmonisation options. Based on an analysis of their impacts and feasibility, harmonisation priorities are suggested, together with a tentative plan for their implementation.

Benefits of donor harmonisation

5.3 Across the Pacific, countries receiving aid have achieved varying levels of success in coordinating donor support. In the absence of recipient direction, donor-led harmonisation may make a modest contribution to aid management if the recipient endorses the harmonisation measures proposed. Harmonisation led by two or three donors has the potential to set a model for others to follow or for the recipient to request that other donors follow. In these circumstances, the initiative of the donors can have a catalytic effect that promotes coordination by the recipient.

5.4 The most obvious benefit of donor harmonisation is the expected increase in the efficiency with which aid is delivered and the greater effectiveness of the overall aid program. At the strategic level it should result in the better use of resources, with more directed to delivering effective programs and projects. At the operational level it should reduce the burden on partner government administrations by simplifying and reducing the number and types of meetings, documents (design and reporting), etc. required as part of the process of providing aid. If all development agencies, including non-government organisations, reduce the proliferation of small programs, valuable administrative capacity in recipient countries will be freed.

5.5 Harmonisation may also help identify best practice. A critical issue for donors considering harmonisation is that any change to current practice improves how aid is delivered and increases the benefits to recipients at less cost to all parties.

5.6 Although most of the benefits of donor harmonisation accrue to recipient countries, in most cases donors will also benefit if they promote recipient-led aid coordination. It is expected that a key imperative for the harmonisation of donor procedures will be a reduction in the administrative burden on donor program/project managers. Harmonisation should mean that simpler processes than those currently used will be adopted. Where the harmonised

procedures accord with the established practice of the partner government the recipient agency should accept and take more responsibility for managing and reporting on programs/projects.

Constraints to harmonisation

5.7   There are many reasons why aid recipients have been reluctant to embrace donor harmonisation. In the Pacific, when the subject has been discussed some partner governments have immediately expressed concern about the potential for donor collusion and so about the likelihood that donors will begin to dictate as a group on how aid will be provided. It is no secret that there are many instances of project proposals being 'shopped around' until a willing donor can be found. In other situations, donors have found themselves funding the same activity as another donor or being asked to continue a program begun by another donor who is reluctant to continue.

5.8   While some of this reluctance on the part of recipients suggests a lack of trust in donors it is also the result of deficiencies in their aid coordination mechanisms. It is strongly suggested that harmonisation is likely to be more effective if it is directed by recipients who can *require* donors to follow certain policies, approaches or procedures. The current international approaches of the World Bank, DAC and the UNDP all acknowledge the central role of the recipient. A recent Norwegian study[10] concludes that:

> If the host government does not have a development program and strategy in place, donors cannot substitute for this by coordinating their own strategy processes, but should rather support government's efforts at developing a credible program.

5.9   On the donor side there are also many examples of obvious reluctance to embrace harmonisation as 'best practice' for delivering aid. This reluctance may be the result of a donor's overarching foreign policy that dictates the form and extent of consultations that must take place between sovereign states. Some donors use their aid programs to promote foreign policy objectives and, as a consequence, may not wish to refuse an aid request, despite reservations expressed by other donors. It was also clear that when donors, for example, began placing greater emphasis on gender equity in development there was rivalry between donors for the limited number of program/project ideas emerging and as a result there was a reluctance to share ideas. For some donors there is also a fear that harmonisation could lead to 'domination' by another donor who perhaps has a larger program, or to loss of visibility in the partner country.

5.10   It must also be recognised that another constraint to harmonisation is the fact that from time to time political and foreign policy distinctions become more evident. In the Pacific, the Australian and New Zealand Governments have not always found it possible to take the same

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[10] Arne Dirsch for Norwegian Ministry of Foreign Affairs, *Aid Coordination and Aid Effectiveness*,

position on all issues. The political and foreign policy stances taken by partner governments also change from time to time, causing Australia and New Zealand to reassess their positions and, in this process, develop differences.

5.11 For multilateral donor agencies, including the European Union, procedures are guided by international agreements to which recipients are a party and, as a consequence, the scope for harmonisation is limited. It is simply not on the agenda for the European Union, for example, to consider modifying complex procedures arrived at and agreed to through an equally complex process of international conventions. For example, in the event that Australia, New Zealand and perhaps other bilateral donors were able to agree to a common form of acquittal for expenditure, it cannot be assumed that the European Union would change its agreed system for acquittals. The EU arrangement has been reached by multilateral agreement on a global basis, as well as by bilateral arrangements at the local level. Consequently the prospects for harmonised procedures among bilateral donors are considered better than with multilateral donors.

5.12 Harmonisation is a more complex process than unilateral action. It is relatively easy for donors to respond to special problems of the Pacific island countries unilaterally, such as Australia and New Zealand introducing accountable cash grants, or the ADB and the European Union providing special regional offices to service Pacific island countries. These measures require initiative, internal decisions and bilateral acceptance. Harmonisation requires the additional elements of international negotiation and multilateral agreement.

5.13 A recent DAC meeting noted that harmonisation might stop short of 'making procedures entirely uniform, as there were advantages to be drawn from pluralistic instruments'. The same meeting also cautioned against a proliferation of frameworks that might add to any burden on recipient countries.[11]

Options for harmonisation

5.14 In considering the prospects for harmonisation the project team developed 33 harmonisation options (table 5.1) covering the following aspects of donor aid programs:

* policy
* programming
* operational
* institutional.

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[11] OECD, Ad Hoc DAC Meeting on Donor Procedures, OECD DCD/DAC/M (2000) 4, 3 August 2000.

5.15 The options were developed from a review of the existing operations of the Australian and New Zealand donor agencies, the information gathered in each of the four countries included as case studies, the team's experience and knowledge of other Pacific islands, and a review of a range of international reports and studies.

Table 5.1 **Harmonisation options for Australia and New Zealand**

Policy	Programming	Operational	Institutional
1 Publicly adopt a policy to promote harmonisation, and indicate key priorities to be pursued.	**7 Pilot a single co-funded program for Niue and Cook Islands.**	**18 Develop a standard format for project requests.**	**28 Share in-country office resources in Tuvalu.**
2 Share analysis and diagnostic work in preparing regional/ country and sector strategies in a systematic manner.	**8 Coordinate the forward programming of missions as much as possible in accordance with the partner government's priorities.**	**19 Use joint project coordinating committees and/or technical advisory groups on a case-by-case basis.**	**29 Arrange shorter, more intensive skills-based or issues-based joint training for AusAID and MFAT staff and extend the electronic networks.**
3 Consult on policy issues as early as possible in the policy development process.	**9 Undertake joint programming missions on a case-by-case basis.**	20 Arrange joint sector or program meetings.	30 Strengthen the staff exchange program of both donor agencies.
4 Establish regular consultations between program managers using IT, video conferencing and/or stopover opportunities on missions.	10 Undertake back-to-back missions.	21 Simplify reporting requirements and periods.	**31 Share performance indicators.**
5 Harmonise incentive-based policy reform activities where these exist.	**11 Allow other donors observer status on missions on a case-by-case basis.**	**22 Use partner systems for procuring goods and services on a case-by-case basis.**	**32 Share – rather than standardise – terminology.**
6 Allocate funding to support national aid policy and institutions.	12 Time missions to coincide with partner government's budget cycle.	23 Facilitate partner participation by breaking larger contracts into a series of smaller ones.	33 Accept that harmonisation must be accompanied by changes in systems for implementing and monitoring aid programs.
	13 Report in accordance with the partner government's budget cycle.	**24 Develop a standard clause (for terms of references) that directs contractors to factor in harmonisation issues.**	
	14 Adopt a consistent approach to conditions and accountability in project agreements.	**25 Consolidate the management of funds for small aid activities.**	
	15 Develop guidelines for various co-financing models based on lessons learned.	26 Maximise partner management of projects by, for example, using management service consultants.	
	16 Use sector-wide approaches. (This covers the various models already tested or being developed.)	**27 Harmonise the management of education and training.**	
	17 Harmonise approach for approving and managing regional programs, and ensure greater complementarity with bilateral programs.		

Note: The 21 options highlighted in bold offer the greatest scope for relatively quick implementation.

5.16 By covering the policy, programming, operational and institutional aspects of aid programs, no undue emphasis has been placed on the 'nuts and bolts' of delivering aid. The categorisation and numbering of the options should not be seen as prioritising the options in any way. In fact, as will be seen there is a real need to approach harmonisation in a manner that allows action to be taken when opportunities arise.

5.17 For each option the team identified the key benefits, constraints, management risks and resource implications of implementing it. This information is in annex 7, along with the feasibility of these options working or being implemented. To test their feasibility a workshop of AusAID and MFAT policy and program staff responsible for the Pacific aid programs of Australia and New Zealand was held on 15 December 2000 in Canberra. The staff were asked to provide a feasibility rating from 1 (very feasible) to 5 (impossible) for the options identified.

Priority options

5.18 Most of the 33 options for harmonising donor policies and procedures offer benefits. But the project team believes that the 21 options highlighted in bold in table 5.1 and discussed briefly below offer the greatest scope for relatively quick implementation. These options were chosen on the basis of the views of those most directly involved in carrying harmonisation forward in both agencies (that is, the policy and program staff of AusAID and MFAT) as well as comments made during the workshop.

Policy options

1. *Publicly adopt a policy to promote harmonisation, and indicate key priorities to be pursued* (feasibility 1)

A joint policy on harmonisation that highlights the importance of strengthening the partner government's role in aid coordination would demonstrate a tangible commitment to partner-led development. It would signal to partner governments and the donor community the harmonisation options being pursued and may in itself open up new or expanded opportunities.

2. *Share analysis and diagnostic work in preparing regional/country and sector strategies in a systematic manner* (feasibility 2)

The adoption of this option would ensure that the strategies of Australia and New Zealand, either joint or parallel, are prepared in the most cost-effective manner – minimising missions and duplication of research. This option has potential for specific sectors/countries, with the greatest potential existing at the regional level. That is, there are opportunities for sharing analysis and diagnostic work when AusAID is preparing its Pacific regional strategy or MFAT is undertaking an education review.

3. *Consult on policy issues as early as possible in the policy development process* (feasibility 2)

The implementation of this option would ensure that Australia and New Zealand agree on what is to be given emphasis in policy dialogue at the preparatory stage of program development. It would also ensure that the perspectives of each agency are understood by the other. These perspectives could then be used in the presentations made by both in high-level consultations or talks.

4. *Establish regular consultations between program managers using IT, video conferencing and/or stopover opportunities on missions* (feasibility 1)

Establishing a policy on consultations at program manager level will facilitate an improved understanding of harmonisation issues at the operational level, without diluting the agenda of the high-level annual talks by extending them beyond policy discussions.

5. *Harmonise incentive-based policy reform programs where these exist* (feasibility 2)

The aim of this option is to increase the synergy of the approaches of AusAID and MFAT to economic and financial reform in the Pacific. A joint approach would require agreement in the policy dialogue at the preparatory stage of program development and would ensure that the partner governments are aware of the shared perspective of both donors at the project formulation stage. This option builds on an existing policy initiative by AusAID and would simply extend the approach to MFAT.

Programming options

6. *Pilot a single co-funded program for Niue and Cook Islands* (feasibility 2)

The most significant benefits of this pilot would be a reduction in the administrative costs of the small Australian program in Cook Islands and Niue. New Zealand, which has a significant aid program in these countries, would have the key role of overseeing the co-funded program. The option has the potential to increase the synergy of the donors' programs. Australia generally seeks to provide strategic support for initiatives that complement New Zealand's efforts.

For this option to be successfully implemented AusAID and MFAT would have to agree on the funding of New Zealand's additional administrative burden. AusAID would also need to develop an appropriate mechanism for ensuring the continued visibility of Australia's support for these two countries.

7. *Coordinate the forward programming of missions as much as possible in accordance with partner government's priorities* (feasibility 2)

The key benefit of this option would be improved time management and ultimately better prepared missions. Partner governments would have a greater degree of ownership and would be encouraged to prepare for such missions more systematically.

8. Undertake joint programming missions on a case-by-case basis (feasibility 1)

Joint programming missions would reduce the burden on host countries and offer increased opportunities for synergy in recommendations for future action. This option is very feasible for pre-feasibility/design and program missions. Joint missions are already used for conflict situations.

9. Allow other donors observer status on missions on a case-by-case basis (feasibility 1)

This option has the potential to reduce the commitments of partner governments. However, the presence of observers may reduce the potential for open dialogue in some instances. It might be possible to use in-country personnel or technical assistants to carry out the observer function.

10. Report in accordance with the partner government's budget cycle (feasibility 1)

As partner governments increasingly focus on performance budgeting there is great advantage in ensuring that the reporting on aid projects supports this approach. In many instances donor funding is a key component of the funding of departmental or ministerial work programs. If a donor project report were provided in accordance with the budget cycle it would provide information to be used by the department/ministry in reporting on its performance to the Treasury, Cabinet and Parliament.

The implementation of this option is not expected to unduly increase the burden on the donor agencies as all they need do is ensure that the program/project design phase takes account of the reporting requirements of the host agency.

11. Develop guidelines for various co-financing models based on lessons learned (feasibility 1)

Such guidelines would increase transparency in the approaches offered and perhaps lead to the development of new models. Co-financing arrangements would need to ensure donor visibility and agreement on project strategy and reporting requirements.

Operational options

12. Develop a standard format for project requests (feasibility 2)

Small grant submissions are already highly standardised and the design formats for larger projects have a high degree of similarity. The biggest differences appear to be in language and emphasis. The key benefit of further standardisation would be improved understanding by partner governments of both project outputs/outcomes as well as what is expected of them. Increased standardisation of project formats would lead to more consistent reporting approaches.

13. Use partner systems for procuring goods and services on a case-by-case basis
     (feasibility 1–5)

This option would promote the tender and procurement systems of partner governments and ensure that goods provided under aid can be serviced and maintained locally.

The project team found it difficult to give a feasibility rating to this option as its successful implementation depends on the context, local capacity, and the nature of purchase and project.

14. Develop a standard clause (for terms of references) that directs contractors to factor in harmonisation issues (feasibility 1)

If harmonisation of donor policies and procedures is to become a reality, all terms of references for program and project designs and studies should refer to issues of harmonisation. A checklist of issues to be considered would need to be developed. Evaluations and appraisals of programs and projects would then need to verify how harmonisation has been or will be addressed.

15. Consolidate the management of funds for small aid activities (feasibility 2)

At present a number of donors have a range of small grants schemes. This has led to each donor developing their own management and monitoring systems, which are often considered overly complex and costly. There are also examples of funding duplication because partner governments have directed requests simultaneously to a number of donors.

This option would make delivering this form of assistance more efficient and reduce the opportunities for duplicated effort. However, it would also have an impact on visibility of individual donor support.

16. Harmonise the management of education and training (feasibility 2)

The major benefit of this option would be the increased consistency it would bring to awarding scholarships and training. This would reduce confusion and potential for donors to be played off against each other. There would also be an opportunity to increase consistency across the region and review options of offering scholarships to regional institutions through partner governments directly to save costs.

The value of harmonised management of education and training will vary according to context and country. The joint selection as currently carried out in Tonga may have wider applicability.

17. Use joint project coordinating committees and/or technical advisory groups on a case-by-case basis (feasibility 4–5)

This option is linked to the option of standardising project formats although there already exists situations where joint project coordinating committees are used even though both donors operate through different project mechanisms.

Project coordinating committees and technical advisory groups offer scope for careful monitoring of a program or project and, where they involve more than one donor, can ensure consistency of approach. There may be a need for specificity, particularly when dealing with different managing contractors. However, this can be handled through a parallel arrangement that is linked to the multidonor PCC–TAG process.

Institutional options

18. *Arrange shorter, more intensive skills-based or issues-based joint training for AusAID and MFAT staff and extend the electronic networks* (feasibility 3)

This option would provide AusAID and MFAT staff with more opportunities for networking and access to different training. The agencies could share training expertise and resources. It would not be an easy option to implement.

19. *Share in-country office resources in Tuvalu* (feasibility 3)

At this stage this option applies to Tuvalu, where AusAID has a small office. The key benefits of the option would be more opportunities to share information as well as to increase office effectiveness with the recruitment of a second person. The donors would be able to synchronise their requests to the Government of Tuvalu for information.

There are a number of operational practicalities that would need to be addressed. More broadly, issues of national aid identity and visibility would need to be resolved. It is possible that a 3-way memorandum of understanding between the Government of Tuvalu, and Australia and New Zealand may be required.

There may be opportunities to apply this model to other areas in the future.

20. *Share performance indicators* (feasibility 1)

This option would ensure better and more consistent information and databases in both donor agencies. It would be easy to share performance indicators but the feasibility of sharing other information has a rating of 5.

21. *Share – rather than standardise – terminology* (feasibility 1)

This option, which does not imply standardised terminology, would lead to better understanding between the two agencies and by others of AusAID and MFAT.

5.19 Other options are likely to be revealed as harmonisation is promoted and when program and project design and review teams are specifically encouraged to identify possibilities. It is also expected that, as options are implemented, other avenues for rationalising the activities of AusAID and MFAT will be identified.

Implementation of priority options

5.20 The majority of the 21 options just discussed could be implemented relatively quickly and at little real cost. Those options about which there are concerns or reservations could be piloted or implemented using a staged approach. Annex 8 provides a draft schedule for implementing the priority options.

5.21 There are also many lessons that can be drawn from the implementation of these options. The United Kingdom's recently published White Paper on International Development includes some very straightforward proposals for procurement through partner government, sector-wide delivery and building ownership of development assistance efforts by the partner governments. The White Paper itself is a very good example of what is being suggested under option 1.

5.22 A key aspect of the harmonisation process will be joint dialogue to address the scope for harmonising policy. This dialogue would complement and help build the sustainability of the options that focus on donor practices. Thus the harmonisation of policy and practices needs to be tackled in tandem. The following steps could achieve this.

1. Australia and New Zealand discuss and agree on strategic policy objectives.

2. Australia and New Zealand undertake a joint mission to assess current aid programs and future directions and opportunities.

3. After Australia and New Zealand agree on objectives and future directions they coordinate missions (program, sectoral, etc.) and activities as appropriate (such as joint project coordinating committees and participating in or observing each other's missions where useful).

4. Australia and New Zealand agree to implement other options for improving and harmonising practices as appropriate, drawing from the options listed or identified from time to time.

5.23 The implementation of many of the harmonisation options could be managed through the range of aid delivery channels. What is important is that the donors avoid a piecemeal approach by drawing up an implementation framework that can be monitored and regularly reported on.

• *Regional/sector level:* As already indicated, the harmonisation of strategies might best be launched at the regional level, with the development of the next AusAID regional strategy paper a possible starting point. Alternatively, it could be advanced at the sector level and begin through an exchange of information and early drafts of the MFAT education strategy.

• *Bilateral:* There are many opportunities for launching initiatives to promote harmonisation at the bilateral level. Such harmonisation is already occurring. The joint selection of scholarship recipients used in Tonga could be introduced in other countries

on a case-by-case basis. The joint project coordinating committee, work program and reporting used in the Samoa in-country training program also has ready application elsewhere.

- *Sectoral:* The experience gained in the joint AusAID–MFAT polytechnic project should provide very useful guidance if it is decided to proceed with a sector approach to education in Kiribati.

- *Project:* There are a number of options that could be used either on a trial basis or introduced as new projects are developed. These projects could be monitored and used as a guide to broadening the use of the principles developed. There is the potential for a joint meeting chaired by the partner government and involving Australia, New Zealand and Canada to approve and acquit small projects in Kiribati.

- *Procedural:* A number of the options (for example, standard harmonisation clauses in terms of reference, and more systematic approaches to consultations between donors) include specific procedural issues and should be relatively easily implemented.

5.24   There are also good examples of harmonisation initiatives in the countries used as case studies. As already noted, Samoa has developed a number of mechanisms with donors to promote harmonisation, including joint reporting, joint sector missions and memorandums of understanding that set out the responsibilities of individual donors in supporting development in specific sectors. Vanuatu also provides some useful examples and, from the research done in that country, it is apparent that a number of harmonisation options are already being tested.

5.25   Although the project team does not recommend limiting the harmonisation of Australian and New Zealand policies and practices to one country, it may be useful to pilot the process by developing a comprehensive program in Samoa, which already has a strong commitment and key mechanisms to promote aid coordination. Samoa offers the potential to immediately implement many of the priority options as well as pilot others, and provide feedback on their impact on the delivery of assistance by both Australia and New Zealand.

5.26   If it was considered appropriate to have a second country included in a pilot phase (as a way of gauging relative performance of partner governments) the project team recommends that Vanuatu be selected. While Vanuatu has developed some mechanisms for coordinating aid it is not as advanced as Samoa and, therefore, would provide useful comparisons. A further reason for choosing Vanuatu and Samoa is that both have education and training programs with Australia and New Zealand and it is expected that both would be keen to participate in harmonisation in this area.

5.27   A major lesson learned from recent experience in Solomon Islands is that in post-conflict environments there are often real opportunities for donor harmonisation. Although it is preferable for harmonisation to be undertaken with the partner country firmly in control of aid coordination, the experience in Bougainville and Solomon Islands demonstrates that donors will more readily work together, share information and overcome differences in policy

and procedures in post-conflict times. To sustain this type of effort, resources need to be directed to building coordination capacity and to strengthening economic and social planning and finance management systems.

5.28 For the implementation of a number of the priority options to be sustained, AusAID and MFAT will need to address issues related to managing change. AusAID has recently established a small team that will work directly to senior management to promote reform. A task of this team could be to monitor the harmonisation process and identify issues with respect to management processes and systems within the agency that impedes implementation of any of the harmonisation options.

5.29 There may also be a need to review the forms used by the two donor agencies as well as the scope for introducing monitoring mechanisms to ensure that harmonisation becomes an established practice.

5.30 The following items, listed in the chronological order of the project cycle, would need to be reviewed in pursuing many of the priority options.

- *AUSGUIDE* includes guidelines for a 'partner government's proposal', though it is not clear how (or how frequently) these are used. MFAT's *Project Management Cycle Manual* does not have a similar reference. The initial screening process for projects could be examined, placing particular emphasis on best practice. There are some differences in terminology, so a common terminology could also be considered.

- *Sectoral or cross-cutting guidelines:* Specific guidelines are used for a sector, such as education, a subsector (HIV/AIDS) or cross-cutting issues such as gender (both agencies), environment (both agencies), poverty alleviation, human rights and population (AusAID). Common guidelines may be useful to Pacific island countries, particularly in a sector such as education where both programs have significant inputs, provided that uniformity did not limit the support opportunities available.

- *Logframes:* Because both organisations use Logframes there could be value in a common version and a common approach to training in its use, including for relevant personnel from Pacific island countries.

- *Agreements at the project level:* It is assumed that umbrella agreements for overall programs have sovereign and identity elements that exclude them from any need for harmonisation. In any event they do not impose a continuing burden on recipients. Both countries require subsidiary agreements at the project level.

- *Personnel contracts:* Both agencies have involved partner countries in the selection process for individuals or teams being contracted for aid delivery, but it is not a standing requirement and there do not appear to be any firm guidelines. A common approach may be useful.

- *Procurement:* Both organisations claim to have a flexible approach to procurement based on best value.

- *Internet:* A common approach to the use of the Internet, both in relation to web pages and commercial opportunities, would appear to offer advantages to Pacific island countries.

- *Project committees:* Both countries use project management or coordination committees for similar purposes but they are not a standing requirement of either donor agency. It may be possible to use a single committee in respect of sectors or ministries or institutions when both donors are providing assistance. For example, both countries are represented on the scholarships committee in Tonga. The same approach may be useful in projects.

- *Project reporting:* Reporting requirements vary according to agency and project. There is also variation in the use of other instruments of performance monitoring, such as audits and technical advisory groups. Pacific island countries may benefit from a more uniform approach from the initial report to the project completion report.

- *Acquittal forms:* Acquittal of cash grants is an aspect of reporting that appears to provide varying degrees of difficulty for some countries. Although AusAID has greatly reduced its use of cash grants, they are still in use in some countries for small grants and are used widely by MFAT. The task of acquittal may be simplified if the two agencies used a common approach.

6 Conclusions and the next steps

6.1   Donor harmonisation brings the policies, programs, practices and procedures of donors into alignment to reduce or eliminate waste and inconsistency in aid delivery. If effective it can support more effective aid coordination, which must be the responsibility of the recipient (partner) government. Partner governments must take the leading role in managing and coordinating aid and this role must be considered an integral part of their economic and social planning and national budget processes.

6.2   Even though Australia and New Zealand have already aligned some of their aid delivery mechanisms, the study reveals that there are still many opportunities for them to harmonise their donor policies and procedures. The best opportunities in the Pacific region exist in countries such as Samoa, where there is strong political commitment and reasonably effective aid coordination systems already in place. In these countries – and unfortunately there are very few of them – it is expected that any donor harmonisation will be led/promoted by the partner government and where possible the harmonisation of procedures and practices would be in accord with the partner government systems.

6.3   In countries that do not have resilient aid coordination systems or where there is little leadership in economic and social planning and aid management it is likely that donors will have to take the lead in the harmonisation process. However, this approach is less sustainable and may lead to negative reactions from partner government agencies. So it will be important for donors to work closely together to build in-country capacity and to help build systems of management and reporting that align with the planning and budget practices of the partner governments.

6.4   It could be counterproductive to work with a line agency in a collaborative way with other donors (for example, the sector approach in Kiribati) unless the systems of management and reporting accord with those of the central administration. In countries that lack aid coordination capacity it is essential that donor harmonisation efforts are not viewed as donor collusion or ways to make the job of donors easier. The efforts must have positive benefits for the aid recipients.

6.5   A special case can be made for donor-led harmonisation in post-conflict situations because in these circumstances it is absolutely essential that the assistance be delivered in a timely and effective manner. However, even in these situations it is important that local capacity is built as soon as possible so that the partner government can assume responsibility for aid coordination.

6.6   While it is important that there is partner government support for donor harmonisation it is equally important that the program/project managers of the donor agencies are responsive to the need and benefit of any moves to harmonise polices and practices with others. The

recommendations of this study must not be seen as creating additional work that will not reduce workloads or result in clear efficiency gains in the aid program. Given the importance of this, the proposed 21 priority options for harmonisation were developed from feedback provided by AusAID and MFAT program managers. These options have different levels of complexity but the project team considers that all can be relatively easily implemented after they are endorsed by the two donor agencies and agreed with the respective partner governments.

6.7   Although the options focus on harmonisation between Australia and New Zealand the team recognises that in many instances there may be scope for working with other donors. The implementation schedule developed to manage and monitor the harmonisation process should include early consultations with other donors to assess the potential for multidonor adoption of harmonisation.

6.8   The next steps in the move to harmonise Australia's and New Zealand's donor policies, programs, practices and procedures should be as follows.

1. Seek donor agency agreement to the harmonisation options and implementation schedule. The schedule could be finalised only after management has endorsed a draft schedule that was developed in close consultation with the key players involved.

2. After the options have been endorsed, consult with partner governments. This would probably be undertaken at two levels. It would be useful to explain the processes of harmonisation at an early regional meeting such as the Finance and Economic Ministers Meeting while undertaking specific consultations with countries where harmonisation can be progressed relatively quickly or in those specifically selected to trial options.

3. When finalising the implementation schedule, agree on time lines and performance measures. It will be important to establish a mechanism (possibly the steering committee for this study) to monitor the progress made and to review the potential for either spreading the use of some of the options more widely or for introducing options that are currently considered a lower priority.

Annex 1
Study terms of reference

Background

There is increasing international recognition of the importance of effective donor coordination in the delivery of development assistance, exemplified by initiatives such as the World Bank's *Comprehensive Development Framework* and the work of the DAC in promoting development partnerships. The Bank itself notes that donor coordination mechanisms are generally 'less than satisfactory' and that the current system for delivering development assistance is characterised by 'a multiplicity of actors, with often different priorities, lending terms and procedures'.[12]

At the core of this issue is the institutional capacity of aid recipient governments to manage and coordinate the development assistance they receive. Poor coordination amongst donors leads to duplication and waste of aid resources. It also places a heavy burden on the limited managerial capacities of recipient governments, which must deal with a multitude of procedures, planning cycles, policy directives and stand-alone projects.

This issue has important implications for the small island states of the Pacific region, with their significant management and technical resource constraints. Donors to these countries utilise a range of different country strategy documents, with distinct programs, policies and implementation procedures (attachment 1). Harmonising donor practices may significantly ease the administrative burden on recipient governments, freeing up resources and resulting in more efficient and effective aid delivery.

Australia and New Zealand have leadership roles as major donors in the Pacific and have a close working relationship on many issues. Through this close bilateral relationship and strong links to the region there is an opportunity for Australia and New Zealand to demonstrate practical approaches to harmonisation that have a positive impact on development outcomes in Pacific island nations.

Objectives

This research project aims to assess the degree to which the differing approaches and procedures used by donors are a problem for Pacific island countries[13], and put forward

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12 World Bank, *Partnership for Development: Proposed Actions for the World Bank*, Discussion Paper, 1998.

13 PNG is not included in this definition.

suggestions on how to improve the situation. The project would consider these issues at both the **strategic** and **operational** levels.

The objectives of the project are to:

1. characterise the extent of problems arising through a lack of harmonisation of donor practices in the Pacific islands region, including an assessment of:

    • practices used by major donors and their rationale, including legal requirements (would cover Australia, New Zealand, Japan, United Kingdom, France, Asian Development Bank, UNDP and the World Bank)

    • the degree of alignment and compatibility between these practices

    • the extent to which donors consult and coordinate with each other about their aid programs and activities

    • recipient government aid coordination mechanisms, policies and practices and any opportunities and constraints these might present

    • key issues and their implications for Pacific island governments and for aid effectiveness

2. recommend strategies for harmonising practices amongst donors to the region at both the strategic and operational levels

3. propose a harmonisation framework for Australia and New Zealand that includes specific and practical harmonisation actions that could be undertaken by AusAID and MFAT in order to increase aid effectiveness and to promote improved aid management by recipient countries.

AusAID and MFAT are sponsoring this project with the primary aim of developing specific suggestions for harmonising their activities in the Pacific. However, it is hoped that this work may eventually provide a basis for wider involvement. Other donors will be consulted in the design and conduct of the project and their cooperation encouraged.

Study team

AusAID and MFAT will assemble a project team with experience and expertise in development assistance in the Pacific. It is proposed that the team comprise the following:

Team Leader and Australian Development Cooperation Expert

The Team Leader and Australian Development Cooperation Expert would be a senior person with experience in leading development cooperation missions and a strong understanding and background in development cooperation issues in the Pacific – especially from an Australian perspective. They would be responsible for:

- team leadership including:
  - overall management and direction of the team
  - oversight of analysis
  - finalisation of recommendations and the final report;
- taking the lead in consultations;
- identifying key harmonisation issues (especially constraints and opportunities) from the perspective of the Australian development cooperation program;
- within a team approach assisting in the development of strategies to promote donor harmonisation;
- facilitating and participating in consultations with relevant stakeholders (AusAID, MFAT, PIC governments, non-government organisations and other donors) on harmonisation strategies that could be adopted by the Australian and New Zealand aid programs; and
- contributing to the preparation of the final report.

Pacific Island Development Cooperation Expert

The Pacific Island Development Cooperation Expert would be a senior person with experience in participating in development cooperation missions and a strong understanding and background in development cooperation issues in the Pacific – especially from the perspective of being a Pacific island partner in development cooperation. They would be responsible for:

- identifying key harmonisation issues (especially constraints and opportunities) from the perspective of Pacific island stakeholders (especially governments, communities and NGOs);
- within a team approach assisting in the development of strategies to promote donor harmonisation;
- facilitate and participate in consulting with relevant stakeholders AusAID, MFAT, PIC governments, non-government organisations and other donors) on harmonisation strategies that could be adopted by the Australian and New Zealand aid programs; and
- contributing to the preparation of the final report.

New Zealand Development Cooperation Expert

The Development Cooperation Expert would be a senior person with experience in participating in development cooperation missions and a strong understanding and background in development cooperation issues in the Pacific – especially from a New Zealand perspective. They would be responsible for:

- identifying key harmonisation issues (especially constraints and opportunities) from the perspective of the New Zealand development cooperation program;

- within a team approach assisting in the development of strategies to promote donor harmonisation;

- facilitating and participating in consultations with relevant stakeholders (AusAID, MFAT, PIC governments, non-government organisations and other donors) on harmonisation strategies that could be adopted by the Australian and New Zealand aid programs; and

- contributing to the preparation of the final report.

Development Cooperation Research Officer

The Development Cooperation Research Officer would have a sound understanding of AusAID and MFAT policies and procedures and experience in working on development issues in the Pacific. The Research Officer would be responsible for:

- conducting background desk research and analysis of the practices used by major donors in the region and assessing the degree of alignment and compatibility between these;

- identifying existing mechanisms for donor coordination (especially the extent to which donors consult with each other about their programs and activities);

- identifying issues and problems faced by PICs arising as a result of a lack of harmonisation of donor practices;

- within a team approach assisting in the development of strategies to promote donor harmonisation; and

- contributing to the preparation of the final report.

Methodology

The study will be conducted in two stages.

Stage 1

Once assembled the team will be briefed by the joint AusAID/MFAT steering committee (briefing location to be determined). The project parameters will be clarified through those discussions and a detailed work program for project implementation will be developed by the project team. The work program will be submitted to the steering committee for approval.

Stage 2

It is anticipated that the work program will involve the project team:

- meeting with AusAID and MFAT officers based in Australia and New Zealand to obtain first-hand perspectives and gather background information;

- making arrangements for travel to and meeting with PIC government representatives with responsibilities for aid coordination, other donors (representatives of Japan, United Kingdom, France, ADB, UNDP, World Bank) and AusAID and MFAT representatives overseas

    - the team will travel to the following Pacific island countries: Kiribati, Samoa, Solomon Islands (to be confirmed on the basis of political developments) and Vanuatu

    - discussions will identify the key issues and problems resulting from a lack of harmonisation, and develop insights on how these can be addressed

- considering lessons learned from previous initiatives and experience on donor harmonisation in Pacific island countries

- preparing a draft report on the basis of the background information and field consultations. This report would include preliminary findings and recommendations and would be submitted to the joint AusAID/MFAT steering committee for comment. The steering committee may seek the views of other donors

- conducting a workshop with the joint AusAID/MFAT steering committee at which the report's recommendations and the implications of those recommendations are discussed

- submitting a final report taking into account the views of and comments provided by the joint AusAID/MFAT steering committee.

Outputs expected

Stage 1

The outputs required of stage 1 will be:

- a brief written summary of key issues arising and the outcomes of the briefing by the joint AusAID/MFAT steering committee; and

- a detailed workplan for the project that sets out an overall methodology and plan for the project and required inputs (showing for each project team member the tasks to be undertaken and days required to perform those tasks).

Stage 2

A draft and final report that addresses the objectives of the study. The reports will include:

• a summary description of the key policies and practices used by major donors to the Pacific (Australia, New Zealand, Japan, United Kingdom, France, ADB, UNDP, World Bank) and the rationale behind these;

• an assessment of their alignment and compatibility, identifying the key issues and problems caused by a lack of harmonisation and implications for Pacific island countries and aid effectiveness;

• recommendations on strategies and specific actions that could be taken by donors in the region to harmonise their practices and deliver better aid; and

• a harmonisation framework describing specific and practical steps that Australia and New Zealand could take to harmonise the planning and delivery of their aid to PICs.

The reports must include an Executive Summary of no more than 5 pages. Each report will be presented in the form of four hard copies (two each to AusAID and MFAT) and two electronic copies (one each to AusAID and MFAT) on formatted 3.5″ diskettes in MS Word 6.

The team will provide the joint steering committee with a draft report and will finalise this within fourteen days of receiving written comments from the AusAID and MFAT representatives on the project steering committee.

Reporting

The project team will report to a join steering committee comprised of representatives of AusAID and MFAT.

Duration and timing

Timing	Task
August	Select project team.
Early September	Contracting.
Mid-September	Initial briefing with AusAID and MFAT to discuss the project. TOR will be refined and a detailed work program developed based on these discussions.
Late September	Preparatory work such as discussions with AusAID and MFAT staff, arranging meetings in the region, conducting background research to gather information on the policies and procedures of AusAID, MFAT and other donors.
October	Discussions in the region with AusAID/MFAT posts, PIC governments, and other donors.
November	Prepare draft report and present this to AusAID and MFAT.
Late November	AusAID/MFAT discussion and comments.
December 2000	Finalise report, AusAID and MFAT to develop follow-up actions as appropriate.

Attachment 1

Country strategy documents used by major donors to Pacific island countries

Donor or creditor	Country strategy statement	Net ODA to PICs, 1998 (excl. PNG)*
		A$ million
Australia	Country Strategy	126
Japan	Country Aid Implementation Guidelines	114
New Zealand	Framework Paper	92
Asian Development Bank	Strategy for the Pacific: Policies and Programs for Sustainable Growth	55
United Kingdom	Country Strategy Paper	30
France	Medium Term Guidelines	25
United Nations	various (eg UNDP-Country Cooperation Framework)	14
United States	Strategic Plan	13
European Union	Unknown	12
World Bank	Pacific Islands Regional Strategy	7
Other	various	11
Total		**499**

* Excludes French Territories and former US Trust Territories.

Annex 2
Project team & people consulted

Project team

Garry Wiseman	Team leader
Rob Macalister	Team member
Kolone Vaai/Epa Tuioti	Team member
Doug Campbell	Team member (research)

People consulted

Samoa

Ms Noumea Simi	Assistant Secretary, Economic and Aid, Ministry of Foreign Affairs
Ms Onosefulu Fuata'i	Assistant Secretary, Staff Training and Scholarships, Ministry of Foreign Affairs
Dr Matagialofi Luaiufi-Moli	Secretary, Public Service Commission
Mr Iulai Lavea	Deputy Financial Secretary, Treasury Department
Mr Latu Toga Kupa	Director, Samoa Water Authority
Mr Ed Peek	First Secretary, AusAID, Australian High Commission
Mr Pati Gagau	Projects Manager, AusAID
Ms Judi Hayes	Projects Manager, AusAID
Ms Ivapene Seiuli	Projects Officer, AusAID
Ms Nikki Reid	Second Secretary (Aid), New Zealand High Commission
Ms Sera Gagau	Development Assistant Officer, New Zealand High Commission
Ms Dawn Tuiloma	Deputy Chief Executive Officer, Academic Director Samoa Polytechnic
Ms Diane Hendey	New Zealand In-Country Training Project Manager
Mr Peter Hopgood	AusAID In-Country Training Project Manager

Kiribati

Mr David Yeeting	Permanent Secretary for Foreign Affairs
Mr Iamti Rakautu	Deputy Secretary, Public Service office
Ms Wiriki Tooma	Public Service Inspector, Public Service Office
Ms Katarina Tofinga	Human Resources Planner, Public Service Office
Mr Timau. I. Tira	Chief Education Officer, Ministry of Education, Training and Technology
Mr. Peter Tong	Director Planning, Ministry of Finance and Economic Planning
Mr Tekeraoi Nangka	Aid Coordinator, Ministry of Finance and Economic Planning
Mr David Schupp	Budget Adviser, Ministry of Finance and Economic Planning
Ms Adele O'Brien	Deputy High Commissioner, New Zealand High Commission, Tarawa
Mrs Tinia Teuruaria	
Mr Nigel Ewels	Second Secretary (Development Cooperation), AusAID

Tuvalu

Mr Panapasi Nelesone	Secretary to Government
Mr Seve Paineu	Director, Economic Research and Policy Division, Ministry of Finance and Economic Planning
Mr Malie Lototele	Economist
Mr Luke Paineu	Aid Coordinator
Mr Geoff Adelide	First Secretary (Development Cooperation – Fiji/Tuvalu), AusAID
Ms Nicki Hill	Second Secretary, Fiji/Tuvalu, MFAT

People consulted (continued)

Vanuatu

Mr Jimmy Andeng	Director General, Department of Strategic Management
Mr Nike Nike	Coordinator, Comprehensive Reform Programme
Mr Ed Attridge	Adviser, Comprehensive Reform Programme
Mr Michael Moriarty	Adviser, Comprehensive Reform Programme
Mr Jeffrey Wilfred	Director General, Ministry of Finance and Economic Management (MFEM)
Mr Mark Bebe	Director of Finance (MFEM)
Mr David Hamilton	Team Leader, AusAID MFEM Project
Mr John Naviti	Acting Director General, Department of Economic and Social Development (DESD)
Mr Henlyn Saul	Department of Economic & Social Development
Mr Geza Strammer	Adviser/Technical Assistant, Department of Economic & Social Development
Mr Jesse Dick	Department of Education
Kalmele Matai	Director, Schools, Department of Education
Mr John Gideon	Senior Project Officer, Department of Education
Mr Thomas Simon	Acting Director, Administrative Services, Department of Education
Mr Johnson Waibaiat	Director General of Health
Mr Gideaon Mael	Ministry of Health
Ms Nadine Alatoa	Acting Director General, Prime Minister's Department
Mr Roy Matariki	Head, Rural Water Supply Unit
Mr Piter Visser	Project Engineer, Rural Water Supply Unit
Mr John Watson	Acting Director General, Department of Forests
Mr Adam Gerrand	Principal Forest Utilisation Officer, Department of Forests
Mr Tate Hanungton	Senior Forest Utilisation Officer
Mr Daniel Lamoureux	Principal, National Institute of Technology (INTV)
Mr Chris Cookson	AusAID Team Leader, INTV Project
Mr Rufino Pineda	Technical Education Adviser, INTV
Ms Antoine Thyna	Principal Scholarships Officer, Training and Scholarships Unit
Mr Massing Theophile	Finance Officer, Training and Scholarships Unit
Mr Alan Kelly	AusAID Adviser, Training and Scholarships Unit
Mr Rob Taylor	New Zealand High Commissioner
Ms Jacqui Caine	Deputy High Commissioner and First Secretary, NZODA
H E Perry Head	Australian High Commissioner
Mr Geoff McConnell	First Secretary, AusAID
Mr Nick Duggin	Programme Support Officer, UK Department for International Development (DFID), Port Vila
Mr Ian Collingwood	Senior Education Adviser for the Pacific Region, DFID, Suva
Mr Cheolghee Kim	Project Specialist/economist, ADB South Pacific Regional Mission
Mr Savenaca Siwatibau	Head, ESCAP Office, Port Vila
Mr Siliga Kofe	Senior Economist, ESCAP
Mr John Williams	Adviser, ESCAP
Mr Charles Kick	Adviser, ESCAP

People consulted (continued)

AusAID–MFAT

Steering committee

Heather Riddell	Deputy Director, DP2 (Melanesia/Micronesia), Development Cooperation Division, MFAT
John Munro	Director, Pacific Bilateral Section, AusAID
Margaret Callan	Director, MPAC, AusAID
Paul Flanagan	Ag ADG, AEB, AusAID
Chris Bleakley	AEB, AusAID

Workshop participants

Alicia Barden	Program Officer, Policy and Management Reform Section, AusAID
Cecilie Young	Project Officer, Vanuatu, AusAID
Ceri Teather	Project Officer, Vanuatu, AusAID
Chris Bleakley	AEB, AusAID
Christine Bouchard	Project Officer, Fiji & Tuvalu, AusAID
Cynthia Burton	Country Program Manager, Solomon Islands & Micronesia, AusAID
Deidre Kerr	NZ High Commission, Canberra
Don Will	Development Program Manager, Tonga & Tuvalu, MFAT
Frederick van der Vloodt	Program Manager, Vanuatu, Kiribati & Micronesia, MFAT
Geoff Miller	Director, Pacific Regional Section, AusAID
Heather Riddell	Deputy Director, DP2 (Melanesia/Micronesia), MFAT
Ian Robertson	Desk Officer, Scholarships, Fiji, Samoa, Tonga, Kiribati & Tuvalu, AusAID
Iris Domeier	Program Officer, Regional Pacific, AusAID
Jarmila Seymour	Program Officer, Samoa, AusAID
John Munro	Director, Pacific Bilateral Section, AusAID
Margaret Callan	Director, MPAC, AusAID
Patricia Sullivan	Country Program Manager, Fiji, Tuvalu & Nauru, AusAID
Paul Flanagan	Ag ADG, AEB, AusAID
Paul Roche	Country Program Manager, Samoa, Cook Islands & Niue, AusAID
Peter Lund	Program Manager, Samoa, MFAT
Ralph D'Alterio	Program Officer, Tonga, Pacific Bilateral Section, AusAID

Annex 3
Sample questionnaire & summary of findings

Sample questionnaire

Background

DPM Survey

There is increasing international recognition of the importance of effective donor coordination in the delivery of development assistance, exemplified by initiatives such as the World Bank's *Comprehensive Development Framework* and the work of the DAC in promoting development partnerships. The Bank itself notes that donor coordination mechanisms are generally 'less than satisfactory' and that the current system for delivering development assistance is characterised by 'a multiplicity of actors, with often different priorities, lending terms and procedures'.

At the core of this issue is the institutional capacity of aid recipient governments to manage and coordinate the development assistance they receive. Poor coordination amongst donors leads to duplication and waste of aid resources. It also places a heavy burden on the limited managerial capacities of recipient governments, which must deal with a multitude of procedures, planning cycles, policy directives and stand-alone projects.

This issue has important implications for the small island states of the Pacific region, with their significant management and technical resource constraints. Donors to these countries utilise a range of different country strategy documents, with distinct programs, policies and implementation procedures. Harmonising donor practices may significantly ease the administrative burden on recipient governments, freeing up resources and resulting in more efficient and effective aid delivery.

Australia and New Zealand have leadership roles as major donors in the Pacific and have a close working relationship on many issues. Through this close bilateral relationship and strong links to the region there is an opportunity for Australia and New Zealand to demonstrate practical approaches to harmonisation that have a positive impact on development outcomes in Pacific island nations.

Australia and New Zealand are jointly undertaking a research project aimed at assessing the degree to which the differing approaches and procedures used by donors are a problem for Pacific island countries and putting forward suggestions on how to improve the situation. The project would consider these issues at both the **strategic** and **operational** levels.

AusAID and MFAT are sponsoring this project with the primary aim of developing specific suggestions for harmonising their activities in the Pacific. However, it is hoped that this work may eventually provide a basis for wider involvement. Other donors will be consulted in the design and conduct of the project and their cooperation encouraged. As part of preparatory work for the project it would be useful if New Zealand Development Program Managers responded to the following questions:

Please complete one form for each country/program. Complete hard copy or electronic copy.

Name:_____

Country/Program:_____

Question 1.   To what extent do problems arise in your program through poor donor coordination? Please refer to specific examples if possible.

Frequency of Problems (tick as appropriate)

A lot   Often   Sometimes   Never

Examples:_____
_____
_____

Question 2.   To what extent do benefits arise in your program through good donor coordination? Please refer to specific examples if possible.

Frequency of Benefits (tick as appropriate)

A lot   Often   Sometimes   Never

Examples:_____
_____
_____

Question 3.   With respect to your program to what extent and how do donors consult and coordinate with each other about their aid programs and activities?

Extent of Consultation (tick as appropriate)

A lot   Often   Sometimes   Never

Means of Consultation (tick as many as appropriate)

Informal   Donor Consultative Group coordinated by World Bank or ADB

Regular in-country Donor Coordination Meetings

Meetings organised by recipient partner   Other (please describe)

Comments:_____

_____

_____

Question 4.   What are the recipient partner's aid coordination mechanism, policies and practices and any opportunities and constraints these might present?

Means of Aid Coordination (tick as many as appropriate)

None   National Development Plan or Strategy

Aid Coordination Department or Agency

Requirement for approval of most or all projects   Other (please describe)

Comments:_____

_____

_____

Question 5.   Can you nominate specific and practical harmonisation actions that could be undertaken by AusAID and MFAT in order to increase aid effectiveness and to promote improved aid management by recipient countries?

Possible Aid Harmonisation Measures (tick as many as appropriate)

None   Assist Development of National Development Plan or Strategy

Strengthen Aid Coordination Department or Agency

Circulate Proposed Projects to other donors for information/comment

Joint Funding of Projects   Joint/Complementary Country Strategies

More Staff Exchanges   Pooled Funding   Other (please describe)

Comments:_____

_____

_____

Summary findings

The following is a summary of the key findings arising from the MFAT responses received from the above survey.

Question 1

To what extent do problems arise in your program through poor donor coordination? Please refer to specific examples if possible?

The average response from all DPMs on this was 2.2 or 'had problems slightly more than sometimes'. The Pacific DPMs score was 1.8 or 'had problems slightly less than sometimes'. The programs that they said never had problems were Vanuatu, Niue, China and Africa. The program with the most problems was the NGO program.

Specific comments from DPMs included:

- it is difficult to find out which donors are funding particular NGOs (PNG);
- work in East Timor is often uncoordinated (Timor);
- especially messy where a donor only completes half a project (Tokelau);
- ADB on occasion made incorrect assumptions about NZODA (Kiribati);
- would not necessarily know if problems had occurred (PIIDS< Africa);
- poor coordination leads to a duplication of effort (Pacific Regional);
- eastern islands livestock project involved poor coordination of co-financiers (Indonesia);
- in-country training programs are a source of AusAID/NZODA duplication (Samoa);
- UNESCO have created problems by overlapping in teacher development (Tonga); and
- multiple funding of NGOs in the Pacific by means of different funding regimes is a long-standing problem (NGO).

Question 2

To what extent do benefits arise in your program through good donor coordination? Please refer to specific examples if possible.

The average response from all DPMs on this was 3.0 or 'often had benefits from good donor coordination'. The Pacific DPMs score was 2.6 or 'had benefits between often and sometimes'. The programs with the least benefits were NGOs, China, Samoa, Tuvalu, Niue and Tokelau. The programs with the most benefits were ADAF and Vanuatu.

Specific comments from DPMs included:

- a good joint project is the Niue Hospital where WHO is funding the building work and NZODA is funding the architect/building management services;

- good examples are AusAID assisting in the selection of scholarship students and a UNDP framework for public servant capacity building which NZODA is supporting (Timor);

- benefits can arise where joint funding enables a project which is beyond NZODA's capacity. Good coordination can also mean donors can take a firm stance when a major problem occurs (Vanuatu);

- understanding other donors' approaches to cross-cutting issues and an ability to identify collaboration opportunities was important (Kiribati);

- sharing of information assists in targeting of scarce resources (Bougainville);

- UNDP, ADB & WB partnership for Governance Reform and UNDP/GOI electoral projects seemed to have worked well (Indonesia);

- NZODA and AusAID have agreed on an integrated in-country training program (Samoa);

- AusAID acknowledges NZ Police links to Samoa in proposed capacity building project (Samoa);

- Trust Fund leads to clear consolidated information on what donors and recipient government are doing (Tuvalu);

- NZODA/ADB & NZODA/AusAID working in concert and sharing of contractors have led to 'bigger bang for bucks' (Cook Islands);

- cooperation between NZODA and AusAID at post level have pressured improved scholarship selection processes by recipient government (Tonga);

- multi-agency support to regional initiatives for NGOs such as Pacific Regional Stakeholders Workshop on NGO Capacity Building is good (NGO); and

- increasing number of ADAF proposals are in support of established IFI (international financial institutions) funded programs.

Question 3

With respect to your program, to what extent and how do donors consult and coordinate with each other about their aid programs and activities?

The average response from all DPMs on this was 2.7 or 'consultation between donors occurs somewhat less than often'. The Pacific DPMs score was 2.9 or 'consultations occur at just less than often'. The programs with the least consultation were ADAF, NGO, Pacific Regional Education, Health and Justice, China, Samoa, Niue and Tokelau. The programs with the most consultation were Tonga and Vanuatu.

The most common means of inter-donor consultation and coordination is 'informal' (n = 2), with 'in-country coordination' a distant second (n = 9), and 'donor consultative groups' and 'recipient organised meetings' tied at third (n = 8). 'Recipient organised donor meetings' in the Pacific were claimed for only PNG, Vanuatu and Tonga.

Specific comments from DPMs included:

- MSCs are encouraged to also maintain links and exchange information (Kiribati);

- program policy might be improved by greater dialogue with other donors (PIIDS);

- AusAID and ADB best at coordinating but WHO and UN agencies worst; and

- donor visits to Wellington present important coordination opportunities (Tonga).

Question 4

What are the recipient partner's aid coordination mechanism, policies and practices and any opportunities and constraints these might present?

The most common means of recipient partner's aid coordination mechanism is an 'aid coordination agency' (n = 14), with 'a national development plan' second (n = 9), and 'requirement for approval of projects' at third (n = 8). Many Pacific countries used all three of these mechanisms (ie Vanuatu, Kiribati, Bougainville, Samoa, Cook Islands). Regional and global programs featured few coordination mechanisms while Asian programs tended to only have an 'aid coordination agency'.

Specific comments from DPMs included:

- where the aid coordination agency is weak there is a tendency to go direct to line departments (PNG);

- sometimes proposals have been presented to both NZODA and AusAID by the coordination agency with them being advised of that situation (Kiribati);

- aid coordination agency often puts donors in touch with each other (Africa);

- poor aid coordination leads to slow processing of proposals, slow implementation and inadequate follow-up (Tuvalu); and

- recipient government does no encourage donors to coordinate as it seeks to play one off against the other (Tonga).

Question 5

Can you nominate specific and practical harmonisation actions that could be undertaken by AusAID and MFAT in order to increase aid effectiveness and to promote aid management by recipient countries?

The most commonly nominated means of harmonisation was 'circulate proposals to other donors' (n = 16), with 'joint funding' second (n = 15), and 'strengthen the aid coordination agency', 'joint strategy' and 'pooled funding' tied at third (n = 10). Regional and global programs placed little emphasis on 'strengthening aid coordination agencies' and comparatively more on 'assisting national development plans', 'joint or pooled funding' and 'circulating proposals to other donors'. Asian programs tended to emphasise informal

mechanisms ('circulate proposals' and 'staff exchange') and Pacific programs tended to evenly support 'strengthen aid coordination agency', 'circulate proposals', 'joint or pooled funding' and 'joint strategy'. Under bilateral programs, assisting 'national development plans' seemed to be more often supported in countries in crisis (n = 4, ie Bougainville, Timor, Indonesia and Tonga).

Specific comments from DPMs included:

- project details could be circulated between donors in a summary or abstract form (PNG);

- donors should also share reports and feasibility studies (Niue);

- processes need to be streamlined and not time-consuming (Timor);

- realistically proposals should be circulated to only AusAID (Kiribati):

- a common set of acquittal requirements would be useful (Kiribati);

- stronger dialogue on policy issues such as private sector could be mutually beneficial (PIIDS);

- staff exchanges could be of a short-term nature, ie 1–2 months (Bougainville);

- NZODA/AusAID coordination helpful in identifying niche opportunities where overall program dominated by IFIs (Indonesia);

- AFTA/CER should prompt closer AusAID/NZODA at desk level (Philippines);

- scope exists for better use of combined resources such as skilled personnel (ASEAN);

- donors seeking to harmonise need to tread carefully so as not to offend strong in-country sense of ownership of aid program (Samoa);

- strengthening the aid coordination agency will not address problems with the recipient government's public service as a whole (Tuvalu);

- pooled funding may relieve aid 'indigestion' in recipient government (Tuvalu);

- a joint country strategy/studies would highlight that NZODA and AusAID have separate but complementary programs (Cook Islands);

- key need is having UN agencies working better (Cook Islands);

- avoid joint funding as it makes projects complicated and causes delays. Pooled funding is preferable (Tonga);

- development of donor strategies should include provision for input from donor country NGOs (NGO);

- there needs to be a greater commitment and acceptance of informal exchange (ADAF); and

- co-financing is useful where there is a clear rationale for it. If no rationale then it may be detrimental (ADAF).

Conclusions

Aid coordination appears to be something that everybody agrees is good but there is not necessarily a consensus as to how it can be improved. Variation in respondents' viewpoints will be shaped by their experience, attitudes and the particular program being managed. There are, however, a few themes that may be discerned from the DPM opinions canvassed by the survey.

- There was not a strong view that there were many problems or benefits from aid coordination at the moment – this may be a problem in itself.

- NGOs are problematic for aid coordination.

- Information mechanisms are very important for aid coordination – it could be useful to define the modalities of informal coordination and see if they can be improved or encouraged.

- Recipient capacity is very important for aid coordination although weak capacity may reflect broader weaknesses in the recipient government's public service.

- Improved sharing of information, strengthened recipient capacity and rationalised funding mechanisms seem to be key planks to improved coordination within the current framework of aid provision.

- A specific area possibly offering scope for improved coordination between AusAID and NZODA is with respect to scholarship nomination/selection arrangements in the Pacific.

Annex 4
Documentation reviewed

United Kingdom Government, *Eliminating World Poverty: Making Globalisation Work for the Poor*, White Paper on International Development, December 2000.

Department of Foreign Affairs, Ireland, Donor harmonisation in sector programmes: issues and challenges, Keynote paper for PRAGRI High Level Meeting, Dublin, 29 March 1999.

UNDP, *Lessons Learnt form the UNDP Regional Programmes in Pacific*, March 2000.

South Pacific Forum, *More Effective Aid*, June 1976.

Development Co-operation Directorate, Development Assistance Committee, Summary Record of the Twenty-Eighth High Level Meeting, Paris, 11–12 May 2000.

Disch, Arne, *Aid Coordination and Aid Effectiveness*, A report submitted to the Norwegian Ministry of Foreign Affairs by ECON Centre for Economic Analysis.

World Bank, Operations Evaluation Department, *Review of Aid Coordination and the Role of the World Bank*, Washington, DC, 28 October 1999.

UNDP, *Evaluation Findings in 1994*, OESP Series on Lessons Learned, OESP, 1995.

Draft Samoa Strategy – Independent assessment to the Governments of Samoa and New Zealand, September 1999.

Treasury Department, Samoa, *Manual on Project Planning and Programming*, Apia, 2000.

Annex 5
Aspects of aid programs relevant to harmonisation in the Pacific

Aspect	Component	Australia	New Zealand	Comment
Policy	Political context & bilateral relationships with recipients	No significant difference in relationships with Pacific island countries. Special relationship with PNG and given lead donor status by New Zealand. Has developed policy on good governance, earmarking a proportion of its PIC allocation for funding based on commitment to reform (incentive-based). For the less economically viable atoll states, recognises that self-reliance will probably never mean independence from aid.	Special interests in the Polynesian sub-region. Considered to be the lead donor by Australia in Cook Islands and Niue. Applies six guiding principles: partner responsibility, building capacity, sustainability, reducing poverty, participation, and involving the New Zealand community. Emphasises flexibility and responsiveness to PIC priorities through a larger number of small grants.	National sovereignty limits further harmonisation at the bilateral level. Harmonisation opportunities are most likely when linked to allowing leadership where special relationships exist. There is the potential for harmonisation between Australia and New Zealand on incentive-based reform funding.
	Aid strategies: regional, country, cross-cutting issues, sectoral.	Policy guided by a three-year regional strategy that reflects different degrees of self-reliance between countries, promotes the issue graduation from aid for some and specifically addresses cross-cutting issues. Governance support focuses on public sector.	Emphasises country strategies with a range of cross-cutting policies. Greater focus in governance on civil society.	There is not much evidence of consultation between Australia and New Zealand at a preparatory stage. Information is frequently exchanged after strategies have been prepared but this is not a procedural requirement.
	Dialogue: Australia–New Zealand	Annual brief high-level talks are held in alternate capitals. Dialogue at posts depends on individual relationships. Dialogue between desk officers is the exception.		Greater use should be made of dialogue at all levels to enhance harmonisation.
	Dialogue: multilateral	Annual donor consultations are chaired on a rotation basis. Both countries are active members of all Pacific regional organisations and participate in Forum dialogue with partners. Both are members of DAC.		
	Dialogue: bilateral with recipients	There is continual dialogue on aid through PIC posts. Australia has aid representative in Funafuti.		New Zealand has no representative in Funafuti. There is scope for sharing services.

Aspect	Component	Australia	New Zealand	Comment
Programming	High-level consultations	Has two-step process: programming mission followed by a high-level consultation. The consultation is usually in-country and usually annually. AusAID mission is short and general, focusing on new components.	Has single mission culminating in high-level talks. The longer mission considers both operational and programming matters.	Approaches to high-level consultations differ. Harmonising preparation by PICs and timing of meetings could reduce work for PICs. Partners could initiate agreement on the preparation they need to do. Donors should acknowledge that recipient financial year and budget process should set date for programming missions.
	Missions: program, sectoral, regional, cross-cutting	Both countries (and other donors) have a continual cycle of missions, often at short notice, usually at dates suggested by them. PICs often accept dates whether they are convenient or not.		Scope for harmonisation by coordinating the timing of missions for common purpose – eg on a sector or on a cross-cutting issue or theme (gender or governance). Countries should provide quarterly schedules of proposed missions for the next quarter. Demands from missions detract from the need for recipients to develop their own sector strategies.
	Co-financing: joint and parallel financing	Both countries express a willingness to consider co-financing. Parallel financing is favoured over joint financing. Australia has created a special fund with the World Bank to deliver resources to the region. There is general resistance to joint funding at a practical level.		Joint financing experience is not very satisfactory – eg Bougainville. They need a clear definition of roles and responsibilities agreed at the time of design. Reporting and accountability mechanisms need to be spelt out.
Operational	Project cycle: needs assessment, design and appraisal	Uses AUSGUIDE, which is very long, has detailed discussion of issues, and is more directive. Size is a deterrent to regular use by some desk officers. Manual is available on the website, which overcomes the problem of continual reviews, supplements and updates.	Manual of Project Procedures is user friendly and an accessible size, is appropriate for use by a large number of consultants, including those on small projects. It is not on the Internet.	No advantage is seen in a comprehensively harmonising the different types of presentation of the project cycle used by the two countries. But see the following comments on particular aspects.
	Terms of reference models	Both countries use a variety of models. There are differences in the models proposed by Australia and New Zealand for all stages of the project cycle. Program managers can adapt all models.		There could be advantage in the donors using more consistent models for terms of reference.

Aspect	Component	Australia	New Zealand	Comment
Operational (continued)	Initial identification of activity	AUSGUIDE includes guidelines for partner government proposals. The extent of their use is unclear. Optional approaches have the advantage of flexibility and possible disadvantage of uncertainty.	Has no standard format for partner government proposals. Country programs may offer guidance for specific activities.	Adoption of formats developed by partner countries would help build capacity. All donors could assist in developing a checklist.
	Contracting – project management	CER requires equal treatment of bidders from Australia and New Zealand. AusAID's use of internet facilitates equal treatment.	Has more uniform approach to the use of MSCs across all types of projects. Places greater emphasis on partner government management with use of MSCs in a monitoring role.	
	Procurement: Australia and New Zealand	Support for good governance programs stresses the role of pubic sector expertise at Commonwealth, State and local government levels.	Preference is to use New Zealand or Australian sources and increasingly PIC sources but scope exists to use other sources where appropriate. Limited interest from Australia in opportunities under ODA program.	Harmonisation in Australia and New Zealand is not seen as a problem. Best-value-for-money objective should be given greater prominence.
	Procurement: in-country	Both countries claim that they maintain opportunities subject to best value.		PICs would wish to see best value for money globally. Some still emphasise the need for more opportunities for local business.
	Monitoring: use of project coordinating committees	Project coordinating committees are used according to project design. Australia has given greater emphasis to steering committees, technical advisory groups and project monitoring groups.		There could be an advantage in a harmonised approach to the use of project coordinating committees.
	Periodic review–reporting	Review and reporting processes can be an overwhelming burden inimical to the provision of assistance.		There could be an advantage in a harmonised approach to simplify reporting requirements.
	Reviews, evaluation and lessons learned	AusAID devotes considerable resources to quality assurance at all stages of the project cycle through evaluation and systems for applying lessons learned.	MFAT's focus is on mid-term reviews of projects. Ex-post evaluations have not been done for several years.	There is scope for sharing experience and potential for joint reviews and the development of common performance indicators.

Aspect	Component	Australia	New Zealand	Comment
Operational (continued)	Education and training	Both countries have overlapping schemes with common aims and pools of beneficiaries but complex guidelines.		There is scope for a joint review of the schemes of both countries, with the aim of maximising benefits to beneficiaries and simplifying administration.
Institutional	Staff policy	Australia includes in its program costs the employment of locally engaged staff.	Two-thirds of its program managers are rotated from the diplomatic core (average tenure is 18 months).	AusAID is better resourced. Resource availability affects design and implementation approaches adopted by both. Greater parity in the level of delegation in the field would help promote harmonisation.
	Staff training	Makes extensive use of training.	Its smaller unit means restricted training opportunities.	MFAT could take advantage of AusAID courses by attending more.
	Staff exchange			Appears to work well but it should be regularised. The exchange scheme could be used to monitor and promote harmonisation.
	Data and information sharing	Tends to occur through high-level meetings and on the initiative of individuals, particularly at posts. It is less common between desk officers.		There is scope for regularising exchange of information on programming, country, sectoral and thematic reports.
	Publications	Tend to have public relations focus – often out of date for operational purposes.		
	Change management			Both MFAT and AusAID need to ensure that there is institutional understanding and commitment to implement changes – ie harmonisation practices.
	Use of information technology	Make more extensive use of IT.		
	Jargon	There are differences in jargon and concepts.		A standard glossary would be helpful to PICs.

Annex 6

Enabling environment in partner countries for donor harmonisation

	Requirement	Samoa	Vanuatu	Kiribati	Tuvalu	Comments
National strategy	Political stability	Stable. General elections in March 2001.	Some political shuffling; however, generally stable. Donor perceptions shaped by other Melanesian instability and minor historical incidents within Vanuatu.	Stable but limited real commitment to reforms.	Relatively stable but recent death of PM may lead to some changes. Limited commitment to real reform.	Political stability is difficult to predict but stability and commitment to strengthening national policy development with strong planning and budgeting are important to ensure country-led aid coordination.
	National development strategic planning	Regularly publishes two-year Statement of Economic Strategy (SES), which is actively pursued at all levels of government. Also prepares three-yearly Public Sector Investment Program (PSIP). A 10-year Action Plan is being prepared for UNCTAD.	Since the introduction of the ADB-coordinated Comprehensive Reform Program (CRP), the CRP matrix has acted as Vanuatu's national development plan.	Published a four-year Strategic Plan (2000–2003).	Strategy plan is out of date. Now relies on annual Governor-General speech to the Parliament to identify development priorities based on 'Vision 2010'.	It is important that beyond the development of a strategic plan there is commitment to implementation and subordinate supporting systems (see below).
	Integration of plan, strategies and budget	The sectoral/thematic issues need to be reconciled with the SES, PSIP and budget estimates.	Vanuatu coordinates national priorities for donor assistance through the Government Investment Programme (GIP). All new activities greater than VT$1m (NZ$17 000) (planned to be increased to VT$4m) have to be directed into the GIP for donor funding. The GIP is tied into annual budget process.	The sectoral/thematic issues need to be reconciled with the Strategic Plan, Public Sector Investment Program and budget estimates.	The sectoral/thematic issues need to be reconciled between the strategies, Public Sector Investment Program and budget estimates. Trust Fund and other 'windfall' income has seen a greater level of local funding for development.	In Tuvalu and Kiribati development strategies are not linked closely enough to budget processes.

	Requirement	Samoa	Vanuatu	Kiribati	Tuvalu	Comments
National strategy (continued)	Line departments/ national direction and commitment	Line department capacities vary.	Line department capacities vary.	Line department capacities vary.	Line department capacities vary.	All Pacific island administrations suffer from limited capacity or understanding of aid relationships. Line departments often rely on key agencies of planning, finance and foreign affairs to do the bidding with donors, with subsequent little ownership or commitment at line agency level. In other cases responsibilities remain centralised, limiting line agency involvement and commitment.
	Stakeholder consultation/ plan	Extensive consultations for the development of the SES and PSIP.	Limited, though planned to be developed with the ongoing implementation of CRP.	Very limited.	Very limited. Increase in recent years in consultations with outer island communities.	All Pacific island countries have sought to hold national summits or stakeholder consultations that go beyond the public sector. This is often not followed up on a regular basis or the roles of NGOs and the private sector are ignored at the time of project implementation.
	Sector plans	Plan to cover two sectors per year. Plans will also be used to revise corporate plans and functions of departments.	Sector plans are being prepared with donor assistance (education, agriculture, infrastructure).	AusAID involved in developing education sector plan.	Not developed.	Sector planning needs to be strengthened as part of the process of strengthening ownership at line department level.

	Requirement	Samoa	Vanuatu	Kiribati	Tuvalu	Comments
Aid coordination	Steering committee	Has project steering committees to guide specific reforms.	Ministerial Budget Committee approves GIP. ADB and the Government convene CRP Coordinating Committee twice a year.	Not developed.	Not developed except in case of Tuvalu Trust Fund with board meeting.	While the use of project steering committees is most advanced in Samoa it is important that these do not overload the small number of key officials. They must be driven by national needs and not donors.
	Aid policy	Has an aid policy, mainly at sector level. Also has local counterpart funding policy.		Not developed.	Not developed.	It is critical for national leadership that countries develop a policy for dealing with donors that addresses issues such as comparative advantage.
	Donor consultation	Sector meetings are held for health and education and are planned for agriculture.	Only one has been held to date (ADB).	Has not had a donor consultation meeting since ADB organised consultative meeting in Japan in 1998.	Has not had a donor consultation meeting for many years. Its most recent one was in the early 1990s and focused on additional resources for the Trust Fund.	PICs should take initiative in close consultation either through a round table process or local information meetings. Any meeting needs to be relevant to national objectives. They should not be held outside of the region. There needs to be agreement by all parties on the objectives, etc.
	Aid coordination committee (ACC)	ACC with Ministry of Foreign Affairs (MFA) as secretariat and chaired by the Prime Minister. Follows PSIP and Project Manual.	ADB and Government convene CRP Coordinating Committee twice a year. Holds occasional meetings to discuss specific sectors/ projects (eg population policy).	Cabinet Coordinating Committee.	Development Coordination Committee (DCC) under the chairmanship of the Secretary to Government meets regularly.	ACCs/DCCs need to be well established with clear lines of communication with Cabinet and role clearly understood by donors.

	Requirement	Samoa	Vanuatu	Kiribati	Tuvalu	Comments
Aid coordination (continued)	Sector coordination	Sector coordination is not yet clear.	Occasional meetings to discuss specific sectors/ projects (eg population policy). Informal donor coordination within sectors.	Sector coordination not yet clear.	Sector coordination not yet clear.	The ACC/DCC process should be a mechanism for promoting sector coordination.
	High-level consultations/ talks	Key ACC officials from Treasury/MFA and Public Service Commission involved in high-level consultations or talks.	With some donors, including Australia and New Zealand.	Regular high-level consultations with both Australia and New Zealand that involve the main coordination officials.	Regular high-level consultations with both Australia and New Zealand that involve the main coordination officials.	These talks could be better coordinated with country participation prior to meetings. They should provide an opportunity for broader debate on harmonisation.
	Aid unit	Well-organised and staffed unit based in MFA.	Aid Management Unit in the Department of Economic and Social Development (DESD). Significant donor support to this office, whose main role is coordination.	Aid Coordination Officer post in National Economic Planning Office.	Aid Coordination Officer post in Ministry of Finance and Economic Planning. Ministry of Foreign Affairs also has role in donor relations.	Given the integral role played by the aid coordination unit/officer it is important that relationships/roles are well defined and that there are close links between Treasury/ Finance so that aid projects are fully integrated into planning and budget processes.
	Project level committees	Mushrooming project committees for implementation, monitoring and coordination.	Most large projects have a project monitoring group to review outcomes.	Normally established as part of donor project management requirements.	Normally established as part of donor project management requirements.	In Samoa there may be a need to rationalise the committee system.

	Requirement	Samoa	Vanuatu	Kiribati	Tuvalu	Comments
Aid coordination (continued)	ODA monitoring	MFA has a database on bilateral and regional programs. Summary is included in budget estimates.	DESD does not take very active role in implementing and monitoring projects. Donors tend to follow up directly with line departments. DESD currently has limited evaluation capacity to help assess new projects for inclusion in the Government Investment Program.	Very limited although list of inputs by donors prepared as part of budget process.	Very limited although list of inputs by donors prepared as part of budget process.	In most countries greater efforts need to be made to maintain data systems and to monitor donor inputs beyond a quick review as part of the development of the budget.
Aid management	Defined strategy for donors	Strategies for each donor based on national priorities and perceived donor strengths.	Some donors have developed their own strategies for Vanuatu, presented to/endorsed by the Vanuatu Government.	Very ad hoc with duplicate requests to a number of donors. Mainly left to line departments.	Very ad hoc with duplicate requests to a number of donors. Mainly left to line departments.	More comprehensive and defined strategies are required to avoid duplication and time wasting.
	Database(s)	MFA keeps database on project meetings as a performance measure for the budget.	DESD has a plan to develop aid databases.	Not developed.	Not developed.	Databases are needed in most countries.
	Defined roles for aid within national institutions	Roles are defined although there are some areas of tension between MFA and Treasury. Reviews are being undertaken of the functions of government departments in Public Sector Commission Institutional Strengthening Program (AusAID).		Fairly centralised in National Economic Planning Office.	Weak. Roles have been defined but there is little capacity for implementation.	Defined roles are necessary to avoid duplication and inter-departmental rivalry.

	Requirement	Samoa	Vanuatu	Kiribati	Tuvalu	Comments
Aid management (continued)	Standard project design format	A manual was launched in December 2000.	Has developed (with donor input) a project profile form, which is used by line departments for submission of aid activity in the GIP, and for donor requests.	Has a common format for small grant requests.	Has a common format for small grant requests.	Donors do not always follow standard formats.
	Standard project report format	Format is included in the manual.	Has developed a standard project completion report (including acquittal form). Most donors have to follow up directly with line departments about its implementation.	Has a common format for small grant projects.	Has a common format for small grant projects.	Donors do not always follow standard formats.
	Accountability and audit	A backlog of audited public accounts was cleared in 2000. The Audit Office is hindered by a lack of capacity to provide audited financial statements. Australian project is currently helping Audit Office.	Vanuatu Government has a standard acquittal form but it is not always completed well by line departments.	Very limited. Australian small grants have stopped because of poor acquittals.	Very limited. Has problems in getting acquittals.	This is essential to encourage donors to delegate responsibilities to partner governments for project implementation.

Annex 7
Appraisal of harmonisation opportunities

Options	Benefits	Constraints	Management of risks	Resources	Feasibility[a]
Policy					
1. Publicly adopt a policy to promote harmonisation, and indicate key priorities to be pursued	Reinforce ownership Focus	Lack of program manager ownership & commitment Misunderstanding by PICs re harmonisation policy	Donor and PICs should adopt harmonisation policy Bottom up planning PIC participation Training in policy	Funds for travel Resource implications for ongoing implementation and awareness	1
2. Share analysis and diagnostic work in preparing regional/country and sector strategies in a systematic manner	Advance identification of collaboration opportunities Reduce workload for PICs and in assessment and analysis Promote Australia – New Zealand complementarity	Different Australia – New Zealand national interests inhibit joint strategies	Joint teams/consultations at planning stage Could present two strategies in one paper	Time in additional consultation Possible savings in shared resources PIC and donor	2
3. Consult on policy issues as early as possible in the policy development process	A more consistent approach to policy. Policy quality in both agencies would benefit from the wider perspectives that early consultation would bring. Resource savings through the ability of each agency to use work done by the other.	Timing of policy development efforts may differ. Additional consultations may extend the time taken to develop policy.	Systematic communication between agencies on future policy development intentions.	Resource savings through the ability of each agency to use work done by the other.	2
4. Establish regular consultations between program managers using IT, video conferencing and/or stopover opportunities on missions.	Improve understanding of harmonisation issues at operational level	Availability of staff/extra time Additional New Zealand and Australian cost and personnel	Use of IT especially for preparatory and follow-up Staff exchange enhance harmonisation operational dialogue	Time Money Travel	5

Options	Benefits	Constraints	Management of risks	Resources	Feasibility[a]
Policy (continued)					
5. Harmonise incentive-based policy reform activities where these exist	Consistency in response PIC reform Shared responsibility of Australia and New Zealand Bring Australia and New Zealand together	PIC perception donor-driven agenda/ganging up Reduced options for advice to PICs Different New Zealand and Australian political interests	Role for Forum of Economic Ministers	Time and travel for additional consultations	2
6. Allocate funding to support national aid policy and institutions	Improve PIC capacity therefore led by PICs Enhance PIC enabling environment for harmonisation	Lack of PIC initiative Lack of capacity High turnover, political will	PIC need to develop policy and assert control for this	Reallocations within ODA programs	3
Programming					
7. Pilot a single co-funded program for Niue and Cook Islands	Reduce overheads from PICs and donors Better, simpler management Cost savings: less missions	Niue and Cook Islands views: perceptions of being donor-driven/loss of opportunity A loss of influence and visibility A political interests	Good choice of management agent Good accountability back to Australia Memorandum of understanding involving MFAT	Management fee	2
8. Coordinate the forward programming of missions as much as possible in accordance with the partner government's priorities	Reduced burden on PICs and improves their planning Improved advance preparations	Scheduling and availability PIC planning capacity and their inability to say 'no'	Improved forward planning Submission of annual forward program of visits to be approved quarterly	Time	2
9. Undertake joint programming missions on a case-by-case basis	Save PIC time, etc. Increases common understanding	Scheduling – A/NZ/PIC Overload PIC system Need for compromise	Longer lead time, selectivity	Savings in later coordination Savings for PICs Savings in team composition	1
10. Undertake back-to-back missions	Save PIC time Improves common understanding		As above	As above	3

Options	Benefits	Constraints	Management of risks	Resources	Feasibility[a]
Programming (continued)					
11. Allow other donors observer status on missions on case-by-case basis	Improves common understanding	Openness by PIC in discussions	As above	Limited	**1**
12. Time missions to coincide with partner government's budget cycle	Improves quality of budgeting decisions Improve complementarity between PIC and donor resources	PIC capacity PIC need to identify appropriate time	Donors need clear pipelines		**3**
13. Report in accordance with the partner govern-ment's budget cycle	Increases transparency of actual donor funding Strengthens basis for budget planning for future years for PICs	Donor requirements to their own Parliaments	Donor management information systems adjustments required	Need to be considered	**1**
14. Adopt a consistent approach to conditions and accountability in project agreements	Consistency in response to PIC needs Shared responsibility, A/NZ Bring NZ/A together	PIC perception donor-driven agenda/ganging up Reduced options for advise to PICs Different NZ/A political interests	PIC must be party to the agreement	Increased consultation time	**4/5**
15. Develop guidelines for various co-financing models based on lessons learned	Facilitate use and effectiveness of co-financing Reduce burden on all parties Additionality of resources Facilitating comparative advantage and enhanced value for money	Program managers' resistance because of past experience Reluctance to lose national identity (sovereignty) Donors are risk averse	Develop awareness and training Establish improved monitoring	Joint task force to develop models	**1**

Options	Benefits	Constraints	Management of risks	Resources	Feasibility[a]
Programming (continued)					
16. Use sector-wide approaches. (This covers the various models already tested or being developed.)	Strengthens PIC involvement, systems and institutions Greater donor focus with improved management	Potential to undermine role of central agencies Lack of donor trust in partner and inadequate partner capacity and systems Distortion of PIC priorities Reduced capacity to meet donor accountability requirements	Ensure involvement of central agencies Strengthen PIC financial/ accounting/audit systems Caution in selection of sector	Not able to determine	**3**
17. Harmonise approach for approving and managing regional programs, and ensure greater complementarity with bilateral programs	Discipline for regional organisations Enhance complementarity regional/bilateral programs Regional programs more focused Give greater choice to PICs, therefore improved aid management	Resistance by regional organisations Political culture re regional programs	Need opportunities to rethink/ reconsider regional approaches Regional sectoral forums Link Council of Regional Organisations in the Pacific (CROP) sectoral steering committees	Time Possible savings and better value for money	**3**
Operational					
18. Develop a standard format for project requests	Reduces burden and simplification of project documents Improves PIC management	Needs to meet both donor and PIC requirements	Donor contributes to design of standard format with PIC leadership	Joint planning meeting in country	**2**
19. Use joint project coordinating committees and/or technical advisory groups on a case-by-case basis	Simplification of management by PIC Facilitate information sharing	Scheduling Differing donor accountability requirements	Must be PIC driven		**4/5**

Options	Benefits	Constraints	Management of risks	Resources	Feasibility[a]
Operational (continued)					
20. Arrange joint sector or program meetings	Simplification of management by PIC Facilitate information sharing Individual project contribution to sector better understood	Scheduling Differing donor accountability requirements	PIC driven and clear sector priorities		**3**
21. Simplify reporting requirements and periods	Simplification and reduced PIC burdens Improves aid quality	Donor accountability requirements may be different from PIC needs Donor/PIC reporting requirements	Integrate donor and PIC internal reporting requirements (eg departmental reports) Targeted training and development of manuals (standard report formats and use of IT) for PICs in project monitoring and reporting Use of PMG/TAG reporting as basis for contract payments	Training Documentation Increased PMGs/TAGs	**3**
22. Use partner systems for procuring goods and services on a case-by-case basis	Strengthens PIC systems Increases choices Potential for sourcing locally with maintenance and backup Reduces donor management requirements	Ensuring value for money Lack of integrity, capacity in system Lack of capacity and technical backup Existing project contract arrangements do not compel use of partner systems	Strengthen PIC systems with technical assistance for procurement Effective monitoring	Value for money Use of IT	**1-5**
23. Facilitate partner participation by breaking larger contracts into series of smaller ones	Increased opportunities for local participation	Contracts are not coordinated	Strengthening local procurement systems Improving management and coordination systems	Increased management burden	**2**

Options	Benefits	Constraints	Management of risks	Resources	Feasibility[a]
Operational (continued)					
24. Develop a standard clause (for terms of references) that directs contractors to factor in harmonisation issues	Ensures comprehensive attention to harmonisation issues by all parties Reduced technical dissonance	Lack of understanding of harmonisation by contractors No rewards for ensuring harmonisation No performance measure for harmonisation	Adjust standard terms of reference Increase awareness of contractors Additional oversight and development of performance measures	Remodelling and oversight/monitoring	**1**
25. Consolidate the management of funds for small aid activities	Simplified processes of management and monitoring Reduced political involvement in project choices Fewer small project funds and increased PIC role in management	May reduce flexibility for PIC in choice of donor Less control by donors in meeting cross-sectoral diversity Reduced opportunities for ensuring national profile (donor) May require some changes in field office delegations	Must be PIC led Clear guidelines		**2**
26. Maximise partner management of projects by, for example, using management service consultants	Strengthened partner government capacity Increased synergies Increased ownership and improved likelihood of integration into budget processes Cash grants that bring increased flexibility	Lack of capacity Donor accountability requirements	Use of MSCs for technical backstopping and monitoring Strengthening domestic budgeting monitoring capacity Strengthened contractual links between MSCs and partner governments		**4**

Options	Benefits	Constraints	Management of risks	Resources	Feasibility[a]
Operational (continued)					
27. Harmonise the management of education and training	Improved PIC capacity to manage training needs Simplified accessibility to schemes Reduced management burden on donors and PICs Cost savings with better use of resources Reduced inequities between students	Loss of identity and donor policy requirements Lack of capacity and/or trust Potential for political interference and nepotism	PICs need transparent set of priorities and guidelines for selection and management Donor representation on selection boards and/or development of monitoring mechanisms PICs need to recognise individual donor contributions to broader national education strategy PIC management capacity enhanced Harmonise allowance, monitoring, nomination, briefings, etc.	Savings expected in management costs of donors Strengthen management of PICs	2
Institutional					
28. Share in-country office resources in Tuvalu	Shared use of resources in the field Reduced burden on PICs	Equity in service for donors	Clear guidelines on operation of the office	Shared between donors	3
29. Arrange shorter, more intensive skills-based or issues-based joint training for AusAID and MFAT staff and extend the electronic networks	Economies Increased opportunities for networking Increased training opportunities	Scheduling Different training needs Absence of incentives for training Staff turnover makes it difficult to capitalise on training	Joint planning and development of training courses Joint evaluation Flexible delivery Training policy	Airfares Use of IT	3

Options	Benefits	Constraints	Management of risks	Resources	Feasibility[a]
Institutional (continued)					
30. Strengthen the staff exchange program of both donor agencies	Increased networking Understanding Professional development	Release Staff turnover makes it difficult to capitalise on exchange Disruptive Organisational commitment	Need for exchange policy	Allowances	**No rating**
31. Share performance indicators	Reduced duplication of effort and improved quality of decision making	Time Additional responsibility for program managers	Formalisation of networking Information needs analysis	Systems development	**1**
32. Share – rather than standardise – terminology	Reduced confusion	Keeping it current Tendency to keep reinventing	Web based		**1**
33. Accept that harmonisation must be accompanied by changes in systems for implementing and monitoring aid programs	Harmonisation becomes integral to donor operations	Lack of commitment Turnover of staff Harmonisation perceptions inhibit implementation	Leadership Clear policy Training Monitoring and evaluation including rewards	QAG and DEAP guidelines to factor in harmonisation as performance measures	**3**

a Denotes feasibility of option being implemented. Rating from 1 to 5 where 1 = can easily be done and 5 = impossible.

Annex 8
Draft implementation schedule for harmonisation options

Priority options	Action required	Time frame	Cost implications	Issues
Policy options				
1. Publicly adopt a policy to promote harmonisation, and indicate key priorities to be pursued.	Along the lines of the UK White Paper, include appropriate references in next Pacific Strategy Statement (Australia) and similar document for New Zealand. Jointly announce at next FEMM/Forum how policies will be put into operation. Seek PIC reactions and develop with PICs joint actions. Revise AUSGUIDE and MFAT manual to reflect new policy directives.	Next 12 months.	Will be need to be some consultative meetings (travel costs).	Develop monitoring mechanisms to identify how policies are being put into action. Establish joint committee (or continue existing steering committee) to review progress and report on a regular basis to senior management of AusAID and MFAT. Recognise that as with Australia's policy management reform it will be necessary to introduce harmonisation step by step, with more progress likely in some countries than others. Need to develop a program of action and select actions to be introduced on a trial basis.
2. Share analysis and diagnostic work in preparing regional/country and sector strategies in a systematic manner.	As soon as possible, both AusAID and MFAT need to share production timetable for strategy documents. Establish a mechanism for sharing information. There is potential for an IT network of Pacific policy and program staff through which draft documents could be shared and commented on.	Immediate.	None.	As strategy documents are the major tools for developing policy positions, etc., take immediate action on this option.

Priority options	Action required	Time frame	Cost implications	Issues
Policy options (continued)				
3. Consult on policy issues as early as possible in the policy development process**.**	At an annual AusAID–MFAT meeting, include discussion of new policy initiatives and how these will be introduced in bilateral discussions that are then held individually with each PIC.	Launch in 2001.	None.	Ensure that the perspectives of each agency are understood by the other. These would then be used in the presentations made by both in high-level consultations or talks. Ensure that PICs understand the different policy positions that may be taken and the impact these then have on the aid programs/projects that are designed.
4. Establish regular consultations between program managers using IT, video conferencing and/or stopover opportunities on missions.	After a review of all potential consultation processes and their costs, develop a policy on consultations. Revise AUSGUIDE and MFAT manual to highlight the importance to program/project designers and managers of need for consultations and demonstration of how harmonisation will be promoted.	Ongoing.	There will be additional costs to current program management costs. Their magnitude will depend on consultation process adopted.	
5. Harmonise incentive-based policy reform activities where these exist.	Review relevant activities in both programs with a view to identifying harmonisation opportunities	Over next twelve months	Initial desk study. Possible savings in administrative costs	New Zealand does not currently undertake significant activities in this area. Differences of view on policy priorities may arise.

Priority options	Action required	Time frame	Cost implications	Issues
Programming options				
6. Pilot single co-funded program for Niue and Cook Islands.	AusAID will identify potential program in consultation with Niue or Cook Islands and consult with MFAT on management and reporting arrangements.	As soon as possible.	There would be some management costs incurred by MFAT. These would need to be built into the total cost of program.	Need to ensure Australian visibility and assure PIC involved that proposal is not designed to reduce Australian support but to make more efficient use of resources. Recognise that management costs may be higher for pilot. However, if New Zealand assumes management of Australian programs in both Niue and Cook Islands there should be no need for an AusAID post in Wellington.
7. Coordinate the forward programming of missions as much as possible in accordance with the partner government's priorities.	Because of its links with options 6 and 7, coordinate and allow adequate lead time.	As soon as possible.	None.	This programming needs to be monitored carefully as past attempts have been difficult because of not being able to build in adequate time for planning. All parties must agree to make a commitment.
8. Undertake joint programming missions on a case-by-case basis.	Get the endorsement of respective PICs and agreement to proposed mission timetable. Once joint mission is approved, negotiate on terms of reference and agree on team selection.	Over next twelve months.	Costs to each agency should be reduced, particularly if combined teams lead to a smaller number of people from each agency travelling.	This will require real commitment by all involved, as mission scheduling is already problematic.
9. Allow other donor observer status on missions on case-by-case basis.	Obtain PIC endorsement.	Immediately.	Negligible as decision to include observer will involve consideration of costs.	This is a fall-back position when option 6 is not possible or practical.
10. Report in accordance with the partner government's budget cycle.	Review the situation in each PIC. Ensure that program/project reports satisfy PIC parliamentary accountability needs as well as the needs of the donor.	As soon as possible.	There may be costs involved if donor management information systems need to be adjusted.	Donors would have access to information on the full impact of their program/project on sector budget of PIC.

Priority options	Action required	Time frame	Cost implications	Issues
Programming options (continued)				
11. Develop guidelines for various co-financing models based on lessons learned.	Establish a joint taskforce to develop models. Revise AUSGUIDE and MFAT manual to incorporate guidelines.	Immediate.	Travel and manual revision costs.	Monitoring tools would need to be developed to ensure guide is used.
Operational options				
12. Develop a standard format for project requests.	Establish a joint in-country taskforce with respective PIC to agree to a single project format, where this does not already exist.	Immediately.	None.	Some countries, including Vanuatu, have already developed a standard format.
13. Use partner systems for procuring goods and services on a case-by-case basis.	Identify possibilities and document processes followed for adoption by others.\n\nInclude need for this to be explored as part of the project design process in AUSGUIDE and MFAT manual.	As soon as possible.	None.	If a project's design promotes the use of partner systems for procurement then it must be a precondition in the contract when appointing management service consultants or Australian managing contractor.
14. Develop a standard clause (for terms of references) that directs contractors to factor in harmonisation issues.	Revise AUSGUIDE and MFAT manual.	As soon as possible.	None.	Monitoring mechanisms need to be developed.
15. Consolidate the management of funds for small aid activities.	Because this consolidation must be PIC-led, arrange meetings in PICs to determine the guidelines and potential for involving other donors.	Immediate.	None – potential savings.	This approach is already being trialled in Vanuatu.
16. Harmonise the management of education and training.	Develop terms of reference and undertake joint review of existing policies and processes. It is likely that there would a range of recommendations, some of which could be introduced region-wide while others would be PIC-specific.	As soon as possible but with implementation for beginning of 2002 academic year.	Travel, etc.	The issues that need to be considered include differences in allowances, timing of payments, briefings, and student support processes.

Priority options	Action required	Time frame	Cost implications	Issues
Operational options (continued)				
17. Use joint project coordinating committees and/or technical advisory groups on a case-by-case basis.	Review each agencies activity pipeline with a view to identifying areas where this could be useful.	During the next twelve months	Probably lower program costs, but admin costs may increase through greater need for coordination. Probably a net saving.	May be difficult to reconcile the contractual issues for each agency that underlie PCCs and TAGs.
Institutional options				
18. Arrange shorter, more intensive skills-based or issues-based joint training for AusAID and MFAT staff and extend the electronic networks.	Review existing staff training provided by AusAID and MFAT and identify options for running joint activities or having participants from both agencies involved.	During 2001.	Need to be reflected in learning agreement of individual officers.	It would not be an easy option to implement.
19. Share in-country office resources in Tuvalu.	Review current functions and workload of AusAID-appointed officer and, in conjunction with MFAT, develop the role of a joint office. This would include an assessment of staff and other resources needed and a decision on office space.	As soon as possible.	Cost of representation in Tuvalu for both agencies should be offset by reduced management costs in Suva office.	Need to consult with Tuvalu Government on resource implications and potential impact on AusAID and MFAT programs.
20. Share performance indicators.	Because this is connected with option 2, establish a mechanism for sharing information.	As soon as possible.	None.	Need to develop monitoring mechanisms.
21. Share – rather than standardise – terminology.	Because this is connected with option 2, establish a mechanism for sharing terminology.	As soon as possible.	None.	Need to develop monitoring mechanisms to ensure that information is updated on regular basis.