Working Paper 248

Incentives for Harmonisation and Alignment in Aid Agencies

Paolo de Renzio
with
David Booth, Andrew Rogerson and Zaza Curran

June 2005

Contents

Acronyms

ACP	Africa, Caribbean and Pacific
AECI	Spanish Agency for International Cooperation
BWIs	Bretton Woods Institutions
CAP	Country Assistance Plan (DFID)
CAS	Country Assistance Strategy (World Bank)
CO	Country Office
CSO	Civil Society Organisation
CSP	Country Strategy Papers (EC)
DAC	Development Assistance Committee (OECD)
DFID	Department for International Development (UK)
DG	Director General
DGDEV	Directorate- General for Development (EC)
EC	European Commission
EDF	European Development Fund
EU	European Union
GDP	Gross Domestic Product
HIP	Harmonisation in Practice (Zambia)
HQ	Head Quarters
IMF	International Monetary Fund
LDCs	Least Developed Countries
MDBs	Multilateral Development Banks
MDGs	Millennium Development Goals
M&E	Monitoring and Evaluation
MOFA	Ministry of Foreign Affairs
MoU	Memorandum of Understanding
MS	Member States (EU)
NGO	Non Governmental Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OPCS	Operations Policy and Country Services (World Bank)
PAF	Performance Assessment Framework
PDP	Performance Development Plan (DFID)
PGD	Policy for Global Development (Sweden)
PRSC	Poverty Reduction Support Credit (World Bank)
PRSP	Poverty Reduction Strategy Paper
SDC	Swiss Development Cooperation
SECO	State Secretariat for Economic Affairs (Switzerland)
Sida	Swedish International Development Agency
SPA	Strategic Partnership with Africa
SWAp	Sector Wide Approach
TAPED	Tools and Procedures for Effective Development (DFID)
UN	United Nations
UNDP	United Nations Development Programme
USAID	US Agency for International Development
WB	World Bank
WHIP	Wider Harmonisation in Practice (Zambia)

Summary

The scope of this paper is to assess the importance of incentive systems internal to aid agencies in their efforts to deliver on the commitments made in the Rome Declaration on Harmonisation. It looks at different factors which influence individual and collective behaviour in aid agencies, and discusses whether these work for or against the adoption of harmonised practices and of the new paradigm in development cooperation based on donor coordination and country ownership. Its findings are based on case studies of six members of the DAC Task Force on Harmonisation and Alignment, of which four are bilateral donors (United Kingdom, Switzerland, Sweden and Spain) and two are multilateral agencies (the World Bank and the European Commission).[1]

The rationale for the study stems from a perception that despite the various steps taken to implement the Rome Declaration, progress on harmonisation has been fairly slow. High-level commitment to the harmonisation/alignment agenda has not yet been translated into significant changes on the ground. This may be due to inconsistencies and contradictions in the internal incentive systems, which create obstacles for the pursuit of harmonisation objectives.

The promotion of incentive systems which work in favour of harmonisation efforts needs to be based on the recognition that the behaviour of individuals working in aid agencies is shaped by a number of factors. These may include political as well as institutional and individual factors, and may change between headquarters and field offices. The overall findings of the study point to a certain degree of 'disconnection' between the high-level declarations and commitments, and the challenges related to turning these commitments into effective additional 'signals' at lower levels of the organisation, which can bring individual behaviour in line with harmonisation objectives. Further measures needed may vary from organisational re-structuring to the development of clear policy guidelines, or from a review of existing procedures to formal and informal individual incentives which reward practical efforts to promote harmonisation. All agencies involved have adopted some initiatives at different levels, but hardly in any case do these amount to a coherent strategy for ensuring that internal incentive systems are fully compatible with the predicaments of harmonisation.

At the *political level*, there has been a significant effort by Senior Management in all agencies involved to transmit to staff members the message that harmonisation has to be considered as a priority. These efforts have taken different forms, from high-level statements to requests for regular reporting, to the organisation of specific events and the dissemination of personal messages, brochures and material. Senior managers were assisted in this respect by the existence of international fora such as the DAC, in the context of which dialogue was promoted and common positions on harmonisation were developed. In some cases, however, external political factors limited some agencies' capacity to consistently deliver on its commitments. Politicians concerned with visibility tend to show limited support for the harmonisation agenda. NGOs and private sector lobbies are often concerned with losing some of their sources of funding. Where partner governments do not show enough commitment and leadership, harmonisation efforts may have limited scope. Therefore, political factors already highlight some of the contradictions that exist in fostering incentive systems which are favourable to harmonisation.

At the *institutional level*, initiatives have been much less consistent. A number of agencies have undergone a process of gradual decentralisation of resources and responsibilities to country offices. Often, however, this has not been matched by sufficient support and guidance from headquarters on defining and disseminating policy guidelines which clarify when and how to engage in harmonisation at country level. Agencies have tended to rely instead on a 'pilot-based system' which has created

---

1 Note however that the EC is a full DAC member.

lots of valuable experience but limited useful internal learning. Harmonisation units/focal points have been created in most agencies, but in many they lack the resources and the status to really make a difference and influence general policy directions. Progress on reviewing internal rules and procedures in order to make harmonisation simpler in practice has been very uneven. Also, limited effort has been put into tracking and monitoring harmonisation efforts in a systematic and consistent way, with collection of information often more linked to external reporting needs rather than internal management purposes. It is clear that despite strong messages from Senior Management, the lack of an institutional framework which renders harmonisation not only easier, but almost necessary can create conflicting incentives that undermine harmonisation efforts.

Finally, very little attention has been given by most agencies to *individual level* incentives, despite their clear importance in affecting behavioural choices. Recruitment policies, performance assessment and promotion systems hardly ever include any mention of harmonisation as a criterion to be taken into account in weighing or rewarding individual characteristics or behaviour. On the other hand, training initiatives which include modules and topics on harmonisation have been undertaken by some of the agencies involved and are bound to grow. Also, informal incentives are present in some cases, either through peer recognition or 'harmonisation awards'. These are often seen as very important by staff and should not be underestimated. However, if the perception persists that at crucial points (e.g. when promotion decisions are made) other criteria take precedence over harmonisation efforts, individuals may again face conflicting incentives when deciding on their best course of action.

Some issues were consistently mentioned in discussions with staff interviewed. These highlight common challenges for aid agencies looking at assessing and modifying their internal incentive systems. They can be summarised as follows:

- Organisations with management cultures which promote and reward innovation in all fields including harmonisation, and welcome challenges to the status quo and suggestions for improvements are more likely to engage in harmonisation than organisations which mostly reward compliance with existing rules and procedures;

- For harmonisation to take hold, positive incentives need to be enhanced and negative incentives need to be weakened or removed at all three levels – political, institutional and individual;

- The link between headquarters and field offices needs to be strengthened so that the wealth of experience on harmonisation which exists at country level can be effectively utilised by the organisation as a whole;

- Programme approaches such as SWAPs and budget support have in-built harmonisation characteristics which make their adoption particularly advantageous for promoting harmonisation. This, however, should not lead to the argument that efforts to harmonise and align project aid are unimportant or destined to fail;

- Personalities and individual characteristics are fundamental factors in the success or failure of harmonisation efforts, especially at country level. Aid agencies need to be aware of this in defining their human resource management policies;

- Interactions between agencies at the international level are a powerful source of change in internal incentive systems. The challenge is to make existing international mechanisms more effective in the adoption of common approaches and in the monitoring of their implementation;

- Harmonisation has many benefits, but its costs are also quite high. The direct and indirect costs that harmonisation implies in financial and time terms often go unrecognised by headquarters, creating difficulties and conflicting incentives.

Another useful tool that the study provides for aid agencies that want to assess their own internal incentive systems and adopt new measures to promote harmonisation is a review of the many initiatives that different agencies have undertaken over the past few years. These are mentioned in the table below, along with some suggested areas for further action based on the analysis of the findings.

	Past Initiatives	**Further Actions**
Political Level	• Statements from Senior Management • Introduction of new legislation	• Public information campaigns • Support partner governments in aid harmonisation • Strengthen international mechanisms
Institutional Level	• Decentralisation • Creation of Harmonisation Units • Adoption of Action Plans • Review of procedures • Introduction of more flexible aid modalities	• Formulation of policies and guidelines • Improve M&E systems • Deal with resistance to change
Individual Level	• Recruitment policies • Training initiatives • Peer recognition	• Improve formal and informal incentives

To conclude, the study draws some general positive and negative elements and lessons about ongoing efforts to foster harmonisation in different aid agencies, and provides some suggestions for further research, which should look in more detail at the crucial issue of how incentive systems affect harmonisation efforts at country level. The great emphasis put by many of the interviewees on the importance of focusing on the country level and of including the incentives faced by partner governments and donor staff in field offices points to an interesting and necessary follow-up to complement the findings of this study.

1 Introduction

This aim of this paper is to highlight the role of incentive systems in aid agencies in the promotion of aid harmonisation and alignment, and providing some guidance to aid agencies in improving their internal incentives. It consists of a comparative assessment of six aid agencies, namely the UK Department for International Development (DFID), the World Bank, Swiss development cooperation agencies (SDC and seco), the European Commission, the Swedish International Development Agency (Sida) and the Spanish Agency for International Cooperation (AECI). These agencies were selected to reflect a variety of bilateral and multilateral institutions, different organisational structures and varying degrees of involvement in the harmonisation debate. The purpose of the assessment is not to evaluate or judge any individual agency's effectiveness in deploying internal incentive systems, or rank performance across agencies, but to come to a better understanding of the factors working in favour of or against harmonisation, and to highlight some concrete actions that agencies can implement in order to improve their capacity to engage in harmonisation in a constructive and effective manner.

The main elements of this study are: (a) *reviewing practice* on incentives and their rationale in a few aid agencies; (b) *assessing evidence* on whether these incentives work, agreeing on a set of criteria on which to base this assessment, and (c) *making recommendations* on what practical incentive systems might be put in place in aid agencies to promote more effective harmonisation efforts.

This reflects the need to translate high-level commitment to the harmonisation/alignment agenda into concrete changes in behaviour and impact at country level. Despite the steps that have been taken to implement the Rome Declaration, limited results can be shown which point unambiguously to the successful introduction of the new model of development cooperation based on donor coordination and country ownership. More strikingly, there are significant differences from country to country, with uneven progress and limited understanding of the bottlenecks which prevent a faster and more uniform adoption of the new paradigm. In an effort to explain some of these discrepancies, there is a growing perception that incentive systems within aid agencies can play an important role in shaping efforts towards enhanced harmonisation efforts and increased aid effectiveness.

The paper is structured as follows. Chapter 2 sets the background in terms of providing a simple discussion and definition of the key terms involved, and presenting the methodology that was used for the study. Chapter 3 outlines some of the general findings from the six case studies, and brings out common issues and trends which characterise incentives for harmonisation. Chapter 4 lists some of the specific initiatives that different agencies adopted to improve their internal incentive systems, and assesses to the extent possible their effectiveness. Chapter 5 concludes and presents some thoughts on follow-up work, which would look into country-level incentives, including those generated by the behaviour of partner governments.

2 Conceptual Background

A good starting point for a discussion of the ways in which internal incentives in aid agencies affect their capacity to engage in harmonisation is the definition and contextualisation of the two main concepts involved: **harmonisation** and **incentives**.

2.1 On harmonisation

Despite its very widespread use, the term harmonisation does not have a clear-cut definition. Recent efforts, mostly under the aegis of the DAC, to come to a common understanding have been graphically summarised in the following pyramid structure.
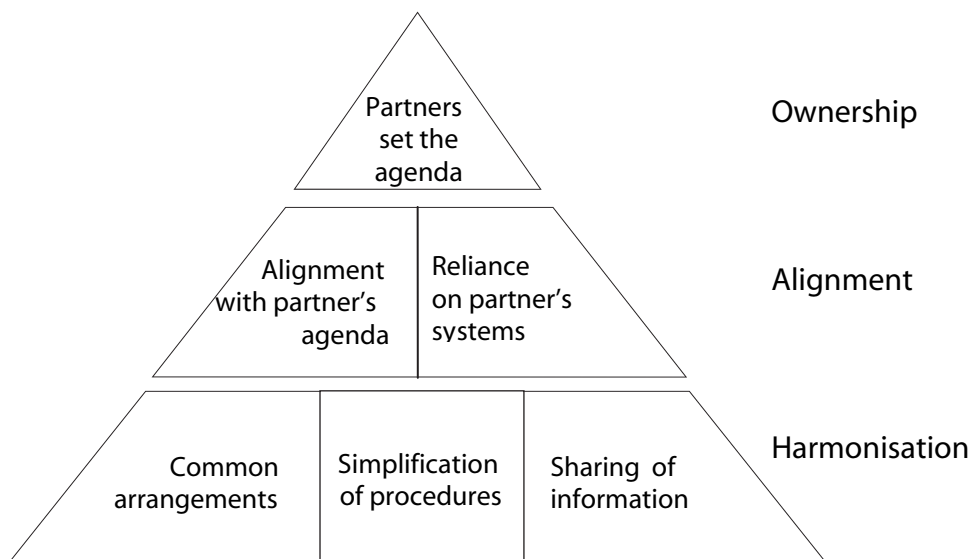
A narrow definition of harmonisation relates to increased coordination and streamlining of the activities of different aid agencies, and is based on three main underlying ideas:

a) The development of *common arrangements* for planning, managing and delivering aid;
b) The gradual *simplification of procedures* and specific requirements in order to reduce their burden on partner governments (e.g. reducing missions, reviews and reports, etc.);
c) The *sharing of information*, in order to promote transparency and improve coordination.

The concept of harmonisation, however, is often used in a more general sense which also includes the concepts of alignment and ownership, and which claims that effective partnerships for development not only require donors to act according to the above principles, but also need to be based on the following objectives:

a) Partner governments take a *leadership* role in setting the development agenda and in coordinating donor efforts;
b) Development assistance is increasingly delivered in accordance with partner countries' *priorities*;
c) Donors rely on partner country *systems* and *procedures*.

For the purposes of this paper, harmonisation will be conceived in a wider sense, as covering aspects both of harmonisation and of alignment. Issues related to ownership by partner governments, although discussed at various points in the paper, are somewhat beyond the scope of the present study. Although the focus here is on the internal workings of different aid agencies, it is the relationship with partner government policies and processes and the capacity to adapt to and 'align' with them that provides the final test against which the effectiveness of harmonisation efforts needs to be judged.

The last few years have seen a series of initiatives to promote harmonisation and alignment, both at global and at country level. These include:

• The creation of the OECD/DAC Working Party on Aid Effectiveness and Donor Practices, which has been working on defining guidelines and good practices in various areas, including harmonisation and alignment, public financial management, aid untying, procurement and managing for development results;
• The establishment of Technical Groups by the MDBs and other donors to tackle issues such as financial management, procurement, environmental assessments, and analytic work;
• Aid agencies and partner governments, individually as well as collectively, have initiated the process of preparing harmonisation action plans;
• Activities across a wide range of countries, such as: (a) formation of government/donor working groups; (b) development and initial implementation of joint government-donor action plans for harmonisation and alignment; (c) preparation of joint multi-donor country assistance strategies; (d) development of harmonised approaches to budget support operations; (e) growing interest in sector support as a harmonisation tool; and (f) more streamlined project implementation and management procedures;
• Some incipient mechanisms for monitoring progress in harmonisation efforts, such as the country surveys sponsored by the SPA Budget Support Working Group and the DAC, and the web-based Country Implementation Tracking Tool;
• In the wake of the High-Level Forum on Aid Effectiveness, held in Paris in March 2005, a series of indicators and targets for harmonisation and alignment are being defined.

These initiatives have created an increasing level of awareness of and commitment to the more general cause of enhancing aid effectiveness by improving aid modalities and donor practices. However, there are many indications of difficulties in turning these initiatives into tangible improvements in development outcomes. The great disparities in levels of engagement and commitment, among aid agencies and partner governments, are a source of obstacles and contradictions. Some of these are linked to incentive systems internal to aid agencies, which might prevent a more effective adoption of the harmonisation agenda.

2.2 On incentives

Incentives can be defined as 'including the rewards and punishments that are perceived by individuals to be related to their actions and those of others'.[2]

Individual and collective behaviour in aid agencies is influenced by a number of different factors which shape the existing incentive system, such as:

---

2 Ostrom, E. et al.: Aid, Incentives and Sustainability. An Institutional Analysis of Development Cooperation. SIDA Studies in Evaluation 02/01. SIDA, Stockholm, 2001 (p. 6).

- Knowledge and understanding of the external environment;
- Perceptions of political and/or managerial priorities;
- Personal motivation and adherence to agency mission (e.g. poverty reduction);
- Criteria for performance assessment/career advancement of staff members;
- Peer pressure/recognition related to certain types of behaviour.

There are very few detailed studies on the topic of incentives in aid agencies. None of them deals directly with the issue of promoting harmonised practices.

In her 1975 book on aid relationships and the workings of USAID,[3] Judith Tendler identified some basic contradictions which prevent aid agencies from being more effective and adaptive. More in particular, she described the misfit between the incentives provided by USAID's structure and the tasks it was meant to carry out. For example, its decentralised structure, while potentially positive, 'brought with it the undesirable result of making alienation from the environment a functional aspect of organisational life'.[4]

Elliot Berg[5], discussing donors' perceived inability to learn from past experiences, points to a number of internal organisational factors, such as high turnover of staff, sluggishness of horizontal information flows, and an excessive reliance on blueprint approaches to project design and implementation. He claims that 'adaptive or process approaches are called for, but these have been introduced only in the last few years. Such approaches require flexible structures and procedures, and a staff of motivated self-starters. But the kind of pragmatism and adaptability required are not abundant in most aid agencies'.[6] Pressure to spend, the 'Christmas tree' tendency (where additional components are constantly added to projects which therefore become less focused and manageable), and the consequences of political appointments to top leadership positions are also mentioned as part of the incentive system that prevents organisations from being better learners.

A team of researchers from Indiana University, led by Elinor Ostrom, analysed the incentive systems at work within Sida to assess the level to which they worked in favour of the objective of sustainability. They identified a series of factors which provide negative incentives for staff, namely: (a) rapid rotation of staff among different assignments, (b) few mechanisms in place to ensure post-field knowledge transfers, (c) a growing proportion of temporary staff hired, (d) career advancement criteria unrelated to performance of past projects, (e) strong pressure to disburse allocated budgets, and (f) great amount of information and control left with contractors.[7]

A recent World Bank working paper[8] links quality and impact of aid efforts not only to the quality of governance and accountability in the partner government, but also to the incentive system that prevails in the aid agency. Aid agencies could improve their capacity to direct good aid even into bad environments by adopting an incentive system that only rewards good projects. They lean instead towards a culture of 'pushing money', where only the number of accepted projects matters, and not their quality.

---

3   Tendler, J.: Inside Foreign Aid. Johns Hopkins University Press, London, 1975.

4   Ibid., p. 36

5   Berg, E.: Why Aren't Aid Organizations Better Learners? Paper presented at EGDI Seminar, 24 August 2000.

6   Ibid., p. 9

7   Ostrom, E. (op. cit.)

8   Waly, W.: The Quality of Foreign Aid: Country Selectivity or Donors Incentives? World Bank Policy Research Working Paper 3325. World Bank, Washington DC, 2004.

Despite the fact that none of the above-mentioned studies concentrates specifically on incentives for harmonisation, their contentions, along with plenty of anecdotal evidence from aid agency staff and evaluations are relevant to the topic. Gradually, attention has turned to the need to design appropriate incentive systems, and led donor and partner governments to the inclusion of a specific commitment in the Rome Declaration to 'develop, at all levels within our organisations, incentives that foster management and staff recognition of the benefits of harmonisation in the interest of increased aid effectiveness'.[9]

There are a number of different contexts in which incentives can play a role in favour of or against harmonisation efforts, linked to the pyramid structure which summarises the different components of the harmonisation agenda presented above. First of all, incentives are at work **within aid agencies (1)**, and possibly in different ways at headquarters and in country offices, or along the lines of control and accountability that exist between the two. Secondly, in the interactions **among aid agencies (2)**, both at the international level (in fora such as the DAC itself, the Executive Boards of MDBs, or other more informal groupings such as the Like-Minded Donors) and at country level (in Budget Support groups, sector working groups, etc.). Thirdly, positive or negative incentives for harmonisation may exist in the relationship **between donors and partner governments (3)**, where specific aid programmes are designed, negotiated and monitored (see figure below).

---
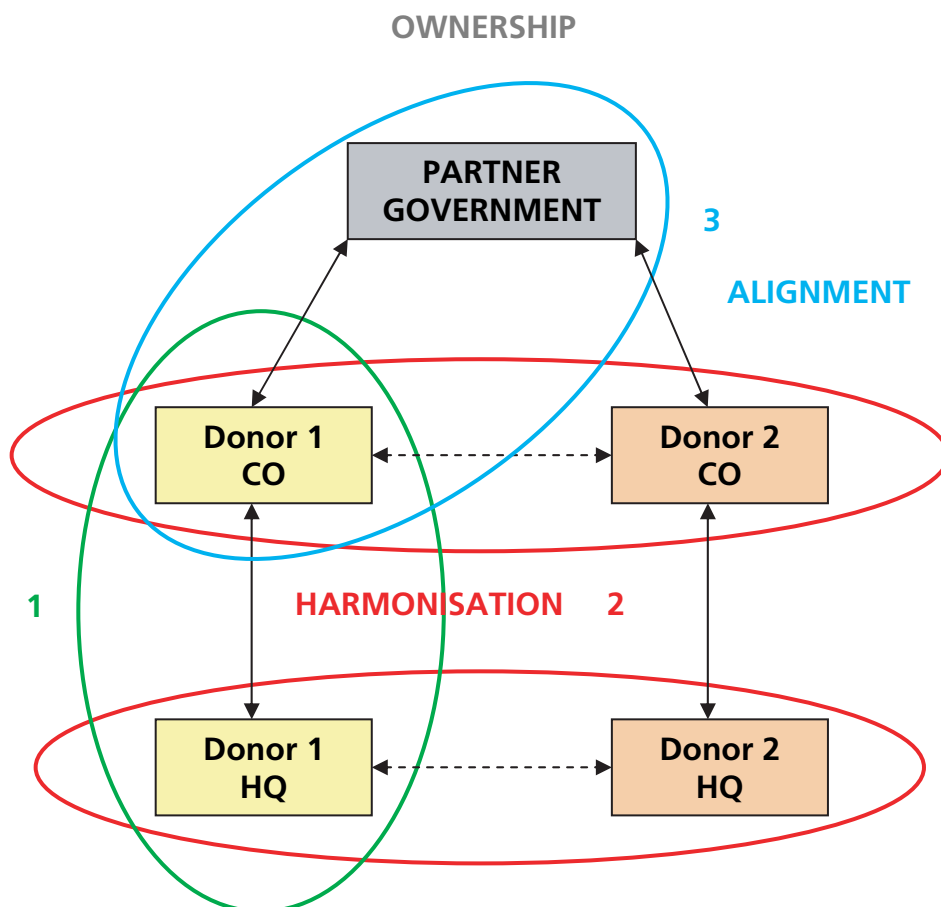
9   Rome Declaration on Harmonisation, adopted at the Rome Conference on Harmonisation, 24-25 February 2003.

A realistic analysis of incentive systems needs to recognise the differences between these diverse contexts, along with the different sets of actors and interests involved, and the different degrees of altruism and commitment that characterise individuals working in aid agencies and in partner governments. For example, a small donor may decide, depending on its organisational structure or on its political mandate, to either invest substantially in harmonisation efforts in order to maximise the possible impact of its limited funding, or to 'go it alone' in an effort to make a visible impact in a limited number of ex-colonies and not spread its resources too thinly. Similarly, staff in a Country Office may respond differently depending both on the incentive structure internal to the agency and on the one created by the external environment. The latter can include for example efforts by the partner government to 'divide and rule' by playing donors against each other.

2.3   On incentives for harmonisation

So, in more practical terms, what is meant by incentives for harmonisation? What are the factors that bring individual and collective behaviour in line with harmonisation efforts? The DAC Guidelines on Harmonisation[10] outline a series of good practices which could lead to a shift in the incentives faced by staff of aid agencies. These include:

- Create top level advocates of harmonisation;
- Encourage initiatives in partnership and joint working by country offices;
- Decentralise decision-making;
- Ensure programme managers' awareness of the degree of flexibility;
- Manage staff to create the right environment for them to behave collaboratively and flexibly;
- Set transparent performance standards;
- Be open to assessments of aid management performance;
- Review procedural requirements regularly;
- Review legal framework;
- Ensure coherence between the various agencies of an individual donor.

To encourage harmonisation, agencies could also look at criteria for annual performance assessments and promotion, special awards related to success in supporting harmonisation, peer recognition, 360 degree feedback from partners and other donors, incentives to ensure that information flows freely, specific training, and so on. On the other hand, agencies should be aware of 'perverse' incentives which could hinder harmonisation efforts, such as costs of changing work modalities, fear of loss of power and control, institutional rigidities, need for visibility, political requirements to show results on the ground, disbursement imperatives, inflexible rules and regulations, tying of aid and unexpected spending cuts.

It therefore seems that an aid agency which takes harmonisation seriously needs to develop the capacity and the willingness to subordinate its own activities and outputs to a commitment towards joint outcomes/results. Contributing to the *total effectiveness* of the aid effort in any country may require a re-definition and re-alignment of its individual objectives. In order to do this, some of the values that each agency needs to promote include: (a) awareness, in the form of detailed knowledge of the external environment in which the agency functions, both at the international and at the country level; (b) openness and transparency, making information available widely on policies and activities, eliminating bureaucratic secrecy and mistrust; and (c) flexibility, in order to collaborate globally and

---

10 Harmonising Donor Practices for Effective Aid Delivery. DAC Guidelines and Reference Series. OECD, Paris, 2003.

adapt to specific country situations.

These values need to be reinforced through the concrete incentives faced by staff both at headquarters and in country offices. These in turn depend on political, institutional and individual level factors and practices, that shape the perceptions and motivations of individuals in relation to the agency's priorities and to their own opportunities for personal development, professional achievement and career advancement.

In order to assess the forces and factors working for or against harmonisation efforts in the agencies involved in the study, a framework was developed which outlines a series of levels and areas of interest where positive or negative incentives could be present.

At the **political level**, the following factors should be taken into account:

- Relationship with donor country politicians (or with Boards/Councils in the case of multi-lateral organisations), to assess the degree of understanding and commitment of the political leadership to the harmonisation agenda;
- Relationship with civil society, in order to understand some of the additional external forces shaping the aid agenda in donor countries;
- Attitude of Senior Management, as the first and foremost signal of the priority attached to harmonisation in each organisation;
- Relationship with partner governments, to discern the importance of country-level context for harmonisation efforts.

In some of the case studies, it also became clear that interactions with other donor organisations was another important political level factor in creating incentives for harmonisation, given the pressures and opportunities arising in the international system that can stimulate internal change in each donor organisation.

At the **institutional level**, incentives can be shaped by:

- The organisational structure, which determines where responsibilities for harmonisation lie, and the degree of autonomy given to country offices in shaping country programmes according to local priorities and systems;
- Existing policies and guidelines, in the sense of providing staff with clear direction and guidance about why, when and how to engage in harmonisation efforts;
- Operational procedures which define the mechanisms through which aid is delivered (programme design and evaluation, financial management, procurement, etc.), and the differing degrees of flexibility that exist in adopting common arrangements with other agencies or partner governments;
- Monitoring & evaluation systems which require staff to report on harmonisation efforts, and to develop ways of assessing their effectiveness.

Finally, at the **individual level**, the following areas have to be considered:

- Recruitment policies that allow for the selection of individuals which are more knowledgeable or more likely to engage in harmonisation efforts;
- Skills and training opportunities to ensure staff are kept up to date and made aware of the importance of harmonisation and of the mechanisms to promote it;
- Staff assessment and career system, through which formal incentives for harmonisation can be

provided, by building harmonisation criteria into individual performance assessment systems or into promotion paths;

• Peer pressure/recognition which strengthens informal incentives and individual perceptions of the value of engaging in harmonisation activities.

Interviews were carried out on the basis of this framework with key staff in each agency, including senior managers, staff in charge of human resources and financial management, regional departments and country desks, and units responsible for harmonisation. These were complemented by a very limited number of telephone interviews with field staff in country offices. The country interviews were done partly in order to gauge the relevance of the opinions gathered at headquarters level. The general findings and common issues and trends that became evident during the interviews are presented in the next chapter.

3. General Findings and Common Issues

This chapter brings together the material gathered through the interviews carried out along the course of the study. It attempts to analyse and compare the different experiences and incentive systems that exist in the participating agencies, looking at the different levels and factors specified in the framework for analysis. As expected (given the selection criteria used), there is a great variability in the degrees to which the organisations involved have made progress towards creating incentive systems that are favourable to harmonisation. This is the reflection of many underlying factors which are beyond the scope of this study.[11] The chapter also highlights a number of common issues and challenges which arise from the comparative analysis, and which should be taken into account in assessing the way in which incentive systems promote or hinder harmonisation efforts in aid agencies.

3.1   General findings

Political Level

The relationship between aid agencies and their political masters is not surprisingly a controversial one. Politicians in donor country governments tend to be mostly concerned with showing tangible and concrete results for funds spent on development cooperation, or with promoting national interests abroad. Meanwhile, most aid agencies have been trying to shift their focus to a more coordinated approach and to align their support behind partner country strategies and policies focused on poverty reduction.

While donor country ministers have signed international declarations in Monterrey and Rome, committing their governments to harmonisation and alignment, the pressures coming from parliamentary committees or other politicians back home can push in the opposite direction. Moreover, in many cases politicians are not very familiar with the intricacies of the aid system or with the details of the harmonisation agenda. In the United Kingdom, Parliament's overall concern is with the effectiveness of aid in reducing poverty, and harmonisation has benefited from being one of the priority areas for DFID's Spending Review. On the other hand, in Switzerland and Spain, politicians are generally considered to have a limited understanding of some of the concepts and policies involved, and to prefer traditional projects with visible outputs.

Contradictions are not limited to bilateral donors; in the Board of the World Bank harmonisation is not always an issue that everybody agrees with. Relaxing procurement guidelines to allow for more openness provoked reactions from shareholders worried about losing contract opportunities. Country offices are told to harmonise but at the same time to maintain a leadership position and be present in all priority sectors.

Some degree of latitude and a different set of incentives to pursue harmonisation is given to Senior Managers of aid agencies by the international fora on harmonisation in which they participate. These bring them in close contact with colleagues from other agencies, pushing them to align with recognised international best practice and not be seen as laggards. This kind of phenomenon is also very important at the country level, where close collaboration among representatives of different donors brings about reciprocal commitment and informal control, exerting pressure on those who do not harmonise by excluding them from working groups and consultation fora. In this sense, while for

---

11 These may include historical and cultural considerations in donor countries, differences in political leadership, etc.

example the World Bank and DFID see themselves as 'harmonisation champions', the Swiss agencies tend to adopt a much more cautious approach, criticising DFID's approach to harmonisation as being too hasty. Spain recognises instead that its current practices are not in line with new international standards, but is launching new initiatives to tackle this problem.

> 'The Swiss approach to harmonisation is a 'critical-constructive' one. We have been practising the principles of harmonisation for a long time already, while other donors seem to have discovered them only recently.'
> *SDC Senior Manager*

Civil society and the private sector in donor countries represent further sources of incentives. Development NGOs in many countries tend to rely on bilateral funding for their programmes, and therefore see a move towards programme support which increasingly channels funds through partner governments as a potential threat to the sustainability of their operations. Similarly, private firms which bid for aid contracts would inevitably prefer tied aid and unified procedures, rather than open international competition and use of country-specific procurement systems. In the United Kingdom, the advocacy function has tended to prevail over the service-delivery role in the case of major development NGOs. As a consequence, several have been lobbying for aid quality and effectiveness which in many instances is favourable to harmonisation, as in the case of concerted efforts around debt reduction.

In more general terms, the most important messages that staff in aid agencies will listen to, and which are most likely to determine their behaviour, are the ones coming from their Senior Management and from partner country Governments. In all agencies involved in this study, respondents identified harmonisation as one of the priorities identified by Senior Management for their organisation, with their attitude being supportive of the overall move towards the adoption of more harmonised practices. There were different ways in which messages were passed on, from high level statements to speeches and reports, from brochures distributed to all staff to the organisation of special events.

What varied more was the incisiveness and decisiveness of follow-up actions, and the resolve to translate the statements into concrete changes in other factors determining staff behaviour at the institutional and individual level, as will be clarified below. As put by one of the respondents, attitudes of senior management can range from an instrumental commitment to harmonisation, whereby statements mostly consist of lip-service responses to internal or international pressures, to an intellectual commitment which recognises its intrinsic value and embraces it as the new paradigm in development cooperation. These different kinds of commitment almost inevitably get reflected in the quantity and quality of the messages that senior managers transmit to their staff, and in turn in the incentives that individuals face in stepping up their implementation of harmonisation commitments. An example of the possible conflicting incentives provided by managers is provided by the European Commission. Despite the clear signals in support of harmonisation, several different staff in the Commission, though uninvolved in the specific project, cited the same disappointing African case where after 18 months of patient efforts, an experiment in delegated cooperation proposed by a country office was finally turned down by management. Whilst the failure was partly attributable to the attitude of other donors, staff sentiment mainly focused on the field staff not getting backing from their own management.

Relationships with Partner Governments of course also provide key incentives for aid agencies to engage in harmonisation. A proactive government taking a leadership role in coordinating donor activities will inevitably create an enabling environment for harmonisation. However, this is the exception rather than the rule, for different reasons. Sometimes there is a lack of sufficient capacity

within the partner government to effectively coordinate the interventions of a large number of donors. In some other cases, there are vested interests at play, whereby partner governments may fear harmonisation and may prefer to deal with individual donors or play donors against each other, rather than confront a unified group of agencies with a common approach and common requests.

Even where partner governments do not seem interested in harmonisation, the overall purpose of development effectiveness should provide a strong enough incentive for donors to cooperate in a number of areas which require limited government participation, in order to avoid wastage and duplication. Some agencies are taking this on board, by building into their guidelines for the formulation of country programmes requirements to consult and coordinate with other donors, and to agree to joint activities where possible. The specific area of relationships with partner governments was not adequately covered in this study, given its focus on aid agencies and on headquarters level. Some very important issues remain regarding the incentives created at country level by the interaction between aid agencies and partner governments.

Institutional Level

One of the main institutional factors shaping the incentives for harmonisation within any agency is its organisational structure, which determines how roles and responsibilities are defined and shared within the agency, how reporting and accountability lines work, who has decision-making power over what, and so on. There are four main issues about organisational structure which became apparent during the study as having an influence on incentive systems

First, the higher the degree of decentralisation of staff, resources and responsibilities to the field, the better the agency's perceived performance in harmonisation, as a decentralised structure is more able to respond to local circumstances and collaborate more effectively with other agencies present at the country level. Most of the agencies investigated are moving in this direction, including the European Commission and the World Bank. However, as with any decentralisation process, effectiveness depends crucially on the recognition of the different role that headquarters need to play in a decentralised structure: production of coherent guidelines, ongoing technical support and backstopping, monitoring and evaluation, dissemination of best practice, etc.

In many cases this still seems to be lacking, as respondents from field offices often complained about lack of clear guidance from headquarters on harmonisation practices, and headquarters often seemed not to be aware of the full scale of harmonisation activities going on at country level. Moreover, decentralisation can be undermined if officers at headquarters have an interest in maintaining the status quo, as in the case of sector technical advisers within Sida and the World Bank.

Second, a related crucial issue has to do with the balance and reciprocal relationship between regional/ country departments and sector departments, as already mentioned in the case of Sida. In general terms, country staff tend to give more attention to harmonisation and alignment issues, being more aware of the imperatives of local coordination, while sector specialists tend to focus on technical soundness and formulation of coherent programme packages that follow similar cross-country standards. This contradiction was quite clear also in the case of the World Bank, where the capacity of Country Directors to build harmonisation into projects and programmes was limited by the fact that these were designed by sector specialists who responded to a different set of incentives. This was seen as a problematic factor by some respondents.

Third, the creation and positioning of a harmonisation coordination function within the organisation

is another important factor. In the agencies involved in the study this varied from a 6-8 person team at the World Bank endowed with available resources to support harmonisation activities, to a part-time position in the Swiss and Spanish case with no additional resources made available. If such a function is positioned at the centre of the organisation, close to Senior Management, it will be able to influence key processes and send out strong messages. This was particularly clear in the cases of the World Bank and of Sweden. If instead it is relegated to a more marginal position, as in the case of Spain – where the General Sub-Directorate for Planning and Evaluation of Development Policies is not even an integral part of AECI – probably it will receive much less attention, and the most it will be able to achieve is to disseminate documents that not many people will read.

Finally, in some donor countries, the presence of various agencies active as aid providers further complicates things, requiring internal harmonisation before any attention can be given to external coordination efforts. The case of Spain was interesting in this respect, as the practice of 'decentralised cooperation' allows Spanish local governments to engage in development cooperation independently from central government agencies. The cases of Germany, Japan and Belgium could also be quoted in this respect, although they are not part of this study.

> 'There are too many pilot initiatives going on. Harmonisation needs to be mainstreamed.'
> *World Bank Country Director*

The existence of clear policy guidelines on harmonisation is another important precondition for translating political commitments into behavioural changes. Many respondents in various agencies lamented the fact that they recognised the importance of harmonisation, but they weren't sure how to reflect that in their practices. A World Bank respondent said she was aware of many different definitions of a SWAP, but she could not find out which one to follow. Swiss field officers also mentioned a lack of sufficient clarity in the corporate position on what is harmonisation and how it is supposed to be pursued in different contexts and with which instruments.

The Harmonisation Action Plans drafted by most of the agencies involved stopped quite short of being policy documents, and looked more like reports designed to comply with a specific commitment made in international fora rather than internal management tools. In many cases they were not circulated widely, reflecting their limited purpose. Positive cases that deserve to be cited in this respect are the new Swedish Policy for Global Development, approved by Parliament, which contains clear commitments to harmonisation and alignment, and the numerous policy papers and documents produced by the World Bank in its regular reporting to the Board on harmonisation matters.

Despite this overall lack of consistent policy direction, various agencies are involved in significant experimentation with harmonisation mechanisms in various countries, and are gradually trying to improve on their use of these pilot experiences for wider learning and policy guidance. The most encouraging examples come from the so-called 'Nordic Plus' group, formed by agencies from Scandinavian countries, the Netherlands, DFID, Ireland and others, who are increasingly pushing for joint programming initiatives, both in the form of sector and budget support and of 'delegated cooperation' mechanisms of different sorts.

> 'When it comes to making harmonisation happen, we are in the market for radical ideas.'
> *DFID Manager*

Another fundamental factor for harmonisation, often quoted as the main impediment to the adoption of joint arrangements, relates to operational procedures, those which define the rules and regulations about what an agency is allowed and not allowed to do with its funds, and the degree of flexibility

it has. Flexible procedures, as in the cases of Switzerland, DFID and Sweden render the process of engaging in harmonisation much easier. Accounting, procurement and reporting rules which are easily adaptable allow for channelling funds through another donor, or through pooled funds without unnecessary burdens or authorisations. Regulations which recognise the particular nature of development cooperation, and therefore allow for greater flexibility, provide stronger incentives for harmonisation.

Most of the agencies involved in the study have been undergoing a process of reviewing their internal procedures in order to allow for more flexibility in the adoption of 'harmonised' instruments such as programme support, delegated cooperation, adoption of country systems and joint programming and reporting. These changes have been or are being introduced to respond to a series of challenges, coming both from field offices which may seek help when facing concrete bottlenecks, and in other cases from outside the agency, either through external pressure or international commitments. Many agencies, apart from reviewing existing procedures, have also introduced new aid instruments. One example is general budget support, which channels funds directly through the partner government budget systems once fiduciary assessments have given enough guarantee that those funds will be effectively used. While this is seen as an opportunity to allow for faster disbursements in cases where aid resources are expected to grow rapidly, it also provides a strong incentive for engaging in harmonisation, as in the case of the European Commission. Pressure to spend continues to be a problem in all agencies, again especially in those which are seeing their budgets increasing. Disbursement targets almost inevitably provide negative incentives for harmonisation, as too often the necessary delays that harmonisation implies are not taken into account. More generally speaking, there is a clear risk that if harmonisation requirements are built into new procedural guidelines without recognising the costs that they entail in terms of staff time, consultation processes, etc., individuals will have a perverse incentive to treat harmonisation requirements as 'boxes to tick' rather than developing a genuine commitment to the new development cooperation paradigm based on aid effectiveness and country ownership.

> 'In any argument about adopting another donor's procedures or being more flexible, the 'killer argument' is always that we risk being found negligent according to our Regulations'
> *EC Official*

Monitoring and evaluation of harmonisation efforts is an area where so far little progress has been made. Despite numerous international efforts at keeping track of country-level initiatives, through databases, websites and surveys, few agencies seem to have a system in place which allows them to have a clear and complete picture of the number and nature of harmonisation activities they are involved in. Ad-hoc tables and matrices are produced in great quantities to respond to specific requests, but most often they only provide snap-shot pictures, and rarely turn into effective instruments to seriously track harmonisation initiatives. Evaluation is rendered more difficult by the current lack of clear links between harmonisation efforts and development outcomes. However, this is mostly due to the fact that there has not been enough time yet to develop a methodology which can clearly prove the positive impact of harmonisation efforts.

Individual Level

Individual level factors should be considered as complementary to political and institutional level ones. They include the ways in which an agency chooses, develops and rewards its staff in such a way as to promote harmonisation.

First of all, the promotion of harmonisation requires a different mix of skills as opposed to a more

traditional project-focused approach. An agency pursuing harmonisation vigorously should probably recruit fewer technicians and more people with generalist backgrounds and a keen sense for institutions, negotiation and coordination. At the moment, except for DFID and Sida, it was difficult to find evidence of any such trend emerging. In most other cases, apart from Country Directors and harmonisation coordinators, few job specifications or staff profiles took these matters into account.

Another way of promoting a shift in internal expertise towards harmonisation is to make sure that staff with relevant field experience move back to headquarters to a position where they can influence more general policy issues, and that a reasonable amount of cross-regional exchange also happens to ensure mutual learning and sharing of experiences. This happens quite regularly in many of the agencies considered, except for the Spanish case where headquarters staff and field staff have separate careers and contractual arrangements, therefore limiting the agency's capacity to have a clearer grasp of harmonisation challenges at country level.

Training is also a very important individual level factor, not only to instil and disseminate knowledge of and commitment to harmonisation, but also to make sure staff members are aware of the opportunities that exist, especially in cases where policies and procedures have been reviewed and need to be implemented. In this respect, while in agencies such as AECI there were no existing training opportunities focusing on harmonisation, in others (DFID and the World Bank) a number of initiatives had been undertaken, in induction courses for new staff, in more advanced refresher courses on operations, in regional meetings and retreats, and so on. Joint training was also being tested as a possible avenue for like-minded donors.

> 'Training has fallen behind reform. Many people are just not aware of the degree of flexibility that exists.'
> *World Bank Senior Manager*

The only case where harmonisation appeared consistently in personal performance assessment systems was in DFID, given its 'cascading' structure of priority setting whereby if something appears on a senior manager's delivery plan, it almost automatically gets included in priorities at the lower level, and so on. Other agencies did not make much use of harmonisation criteria in assessing staff performance, but relied mostly on informal incentives related to job satisfaction, peer recognition, and rewards. These ranged from explicit awards given, for example to the World Bank Tanzania team working on joint programming with other agencies, to invitations to talk and present at special events, to specific mentions in speeches and best practice dissemination. In some cases, they were related to country-level interaction among different agencies, to mutual recognition of common efforts and to the satisfaction that comes from being at the cutting edge of current efforts. These informal incentives were generally considered very effective by respondents. That was so even though most of them did not believe that they led to any substantial difference in career advancement, which more often was linked to achievement in other areas.

This evidently provides conflicting incentives, as individuals perceive their efforts in harmonisation not to be directly linked to their organisation's stance on harmonisation, and not adequately rewarded. At the World Bank, for example, formal procedures for promotion are vetted and approved in the last instance by sector boards, which are more likely to reward individuals for their technical achievements and their project design, implementation and completion performance, rather than for the time and effort they have invested in donor relations or in negotiations with partner governments.

3.2   Common issues and challenges

This section brings out and discusses some issues that were repeatedly brought up in discussions with respondents, and which highlight common challenges for aid agencies looking at assessing and modifying their internal incentive systems.

Cultures of Compliance vs. Cultures of Innovation

A clear distinction became evident across the agencies involved in the study. The formal and informal incentives at work in some of them tended to clearly encourage and reward innovation in many areas, including harmonisation. From messages coming from senior managers to systems for peer recognition, a perception that individuals within the organisation are expected to challenge the status quo by providing their contribution to the improvement of the organisation's policies and procedures can be a strong motivator for harmonisation to take hold at all levels. The additional effort that is required from individuals to engage in harmonisation, both in terms of time and of commitment to new and improved practices, needs to be recognised and valued by management.

In contrast, some other agencies tend to reward compliance to existing rules and procedures. In this case, individuals may feel that they are better off by sticking to normal ways of doing things rather than speaking out about obstacles which exist to improving effectiveness or proposing alternative systems. There are therefore no incentives to promote harmonisation, unless there is strict guidance from above on the necessity of doing so.

Translating Political Commitment into Behavioural Change

Another general lesson from the comparative study was that in all agencies there exists a certain degree of disconnection between the emphasis on harmonisation at political level, in official declarations and messages coming from Senior Management, and the relative lack of follow-up action at the institutional and individual levels. In order for the incentive structure to work in a way that actually changes the behaviour of individuals within each agency, positive incentives need to be enhanced and negative incentives need to be weakened or removed at all three levels – political, institutional and individual. Changes at only one level are quite unlikely to succeed. This is not to say that initiatives at all three levels are equally important – it is clear the political level is the most powerful and necessary determinant of overall change. Nevertheless, even a major change of direction at the political level will not produce the required changes throughout the 'system' unless other factors are taken into account. There is a need to adopt new policies, review and change procedures, regularly monitor efforts, choose the right staff, develop appropriate skills, and provide the correct formal and informal recognition for harmonisation. Some of these necessary adjustments should be expected to take further time and effort, but are also necessary if harmonisation is to become common practice throughout the organisation.

Bottom-up Drive and Learning Processes

While much of the political drive for harmonisation comes from commitments adopted in international fora by leaders of both developed and developing countries, its content and significance is clearly based on practical experience of the aid relationship at country level. In most cases the real drive for harmonisation, the demand for it, and the clear indication of its necessity as the way forward for aid

agencies is most evident in country offices.

Field staff are the ones who most directly perceive the disadvantages and contradictions of not harmonising. In some cases they are prompted by partner governments who are searching for new ways of dealing with a multiplicity of donors and projects. Headquarters staff are not always aware of this, or may only become gradually more aware as time goes by. Information is collected in a scattered fashion, little effort is put into monitoring, tracking and assessing harmonisation efforts on the ground, and poor guidance is provided where needed. A step-change is required in the relationship between headquarters and field offices in the push for harmonisation. The support function of headquarters needs to be taken a lot more seriously if learning is to spread across the organisation. More opportunities need to be given to field staff to share experiences, both within and across regions, and to in turn influence corporate policies by returning to headquarters after gaining useful practical experience in country offices.

Choice of Aid Modalities

Some of the respondents seemed to assume that harmonisation and programme aid were synonymous terms. Clearly one of the key factors in making headway on the harmonisation and alignment agenda is the ability to adopt programme modalities (SWAPs, pooled funding, general budget support) and other forms of joint implementation. In recent Swedish experience it was often the appearance of a specific joint-funding proposal on somebody's desk that was the trigger for the necessary effort to investigate and then clear away the procedural obstacles to more harmonised working. Without a push of this sort, change would certainly have been much slower, and the forces of inertia more powerful, even in an organisation where the harmonisation objective has the highest level of support from senior management. In other cases (e.g. with the World Bank and EC), similar factors led to the introduction of new financing mechanisms (PRSCs, budget support, etc..), thereby fundamentally altering some of the incentives faced by individuals, given that these new instruments have an inherent harmonisation component which stems from the adoption of country systems and procedures after careful fiduciary scrutiny.

It is important to note, however, that harmonisation/alignment and joint funding arrangements are conceptually distinct, and it should not be argued that efforts to harmonise and align project aid are unimportant or destined to fail. On the contrary, even in cases where programme modalities are not present, such as when local conditions do not allow for their adoption, there are a number of ways in which donors can coordinate and harmonise their activities in ways that are beneficial to aid effectiveness, regardless of government involvement or leadership.

Individuals Make the Difference

Personalities and individual characteristics as fundamental factors in the success or failure of harmonisation were stressed by a large numbers of respondents in all agencies. Harmonisation efforts at country level can make or break depending on the individuals involved. An active Minister, a group of committed donor representatives, someone with a vision taking leadership, people willing to talk and to solve problems together may count more than the most flexible procedures or the strongest policy declarations. Aid agencies need to be aware of this and act accordingly, by placing much more attention on all aspects of human resource management, from recruitment to skills development, to the shaping of attitudes and behaviours through formal and informal incentives.

Pressure from International Fora

The role of the DAC, the EU and of other fora where harmonisation has been discussed and pushed forward has been of fundamental importance. One of the most powerful sources of changes in the internal incentive structure of development agencies – at least the bilaterals – comes from the interactions between these agencies at the international level. The most important internal changes may be those that make agency staff more responsive to the pressures and opportunities arising in the international system. The presence of the World Bank and other multilateral institutions in some of these fora has added to their value.

One of the existing challenges is to make these international mechanisms more effective in the adoption of common approaches and in the monitoring of their implementation. The DAC Peer Review system, for example, could be strengthened in order to include a more stringent assessment of efforts to comply with international harmonisation commitments. Mechanisms for introducing informal 'competitive' incentives in order to stimulate emulation of best practice by all DAC members could also be considered.

Recognising the Costs of Harmonisation

A very common complaint coming from respondents in country offices related to the lack of a clear understanding by their respective headquarters of the costs involved in 'making harmonisation work'. Many complained that they were expected to focus and report on harmonisation efforts, from donor coordination to joint programming and funding, from analytical work to programme evaluations, without being given the means to do so. This mostly refers to the time-consuming practices that harmonisation involves, including numerous meetings, extended negotiations and consensus building.

Reduced numbers of staff, potential conflict with competing corporate priorities, and the lack of devoted financial resources thus tend to create significant obstacles for country offices in delivering on the commitments to harmonisation. Sometimes these negative incentives seem to be compensated by other informal ones which exist at the country level, including a degree of peer stimulation and control among staff from different aid agencies, and individuals recognising the needs and merits of local coordination in response to priorities expressed by partner governments for greater coherence in aid provision.

The issue of shifting and possibly increasing transaction costs coming from the adoption of harmonised practices is still mostly untackled and unpacked within most aid agencies. It deserves further attention in order to make sure that the costs of harmonisation do not end up overshadowing and undermining its potential benefits.

4.Review of Specific Initiatives and their effectiveness

This chapter summarises in the tables below some of the main initiatives that the agencies involved in the study have undertaken over the past few years to promote harmonisation and to improve their internal incentive systems. The aim is to provide aid agencies more in general with an overview of possible opportunities for learning from ongoing efforts, and for application in their own organisations. An attempt to assess the effectiveness of these initiatives is included, along with some further suggestions on future actions to be taken stemming from the analysis presented in the previous chapter.

Political Level

Main initiatives	Assessment of Effectiveness
Statements from Senior Management	All agencies involved in the study have seen efforts made by Senior Management to transmit to staff members the message that harmonisation is to be considered as a priority. These efforts have taken different forms, from high-level statements to requests for regular reporting, from the organisation of specific events to the dissemination of personal messages or general brochures and material. The effectiveness of these measures has depended crucially on one hand on their repetition and consistency over time, and on the other on them being followed up by reinforcing measures at the institutional and individual level.
Introduction of new legislation	Enshrining commitments to alignment and harmonisation into legislation (e.g, Sweden) has helped create an overall climate which is more favourable to harmonised practices.

Further Actions	Comments
Public information campaigns with politicians and NGOs	In order to create further support for harmonisation, and make sure that it does not remain a completely obscure concept to stakeholders outside aid agencies, more efforts should be put into building awareness and knowledge of harmonisation issues and their potential impact on aid effectiveness among, in particular, politicians and NGOs. In this respect, care needs to be taken to separate harmonisation issues from the move towards budget support in such explanations.
Increase efforts to support partner governments in aid harmonisation	The importance of building technical capacity for effective aid coordination in countries where partner governments have demonstrated political commitment to harmonisation cannot be overstated, as increased capacity contributes crucially to government leadership and ownership.
Strengthening international mechanisms for monitoring progress	The importance of internationally coordinated efforts to push the harmonisation agenda forward and gradually win more active supporters calls for a strengthening of the existing mechanisms for ensuring effective implementation of international commitments on harmonisation.

Institutional Level

Main initiatives	Assessment of Effectiveness
Decentralisation	Decentralisation of staff, functions, responsibilities and budgets to Country Offices has been undertaken to different degrees by most of the agencies involved in the study, and has greatly enhanced their capacity to respond to local priorities and to engage more constructively with partner governments and other aid agencies at country level. In some cases, however, country offices felt that they were not receiving sufficient support and guidance from headquarters on harmonisation matters.
Creation, staffing and resourcing of harmonisation units	The establishment and positioning of units for coordinating harmonisation activities can be interpreted as a signal for the agency's commitment to harmonisation, and influences its ability to follow up on its commitments. According to various experiences, the closer such unit is placed to top management, and the better the quality and quantity of human and financial resources devoted to it, the more it will be in a position to influence and shape the agency's policies. Otherwise it will only function as a channel for disseminating information and reporting to external actors.
Adoption of Harmonisation Action Plans	Not all agencies involved in the study have prepared such plans, despite the DAC requirement to do so. Moreover, the quality of those which were approved varies greatly, also because in some cases these were considered more as an external marketing tool rather than and internal management one. Their effectiveness depends mostly on the quality of the internal follow-up mechanisms that are put in place. In some cases there were great delays in setting up such mechanisms and no clear responsibilities, while in others targets and commitments were subject to more effective monitoring and follow up.
Reviewing operational procedures	A number of agencies have put great effort into reviewing and modifying their procedures with relation to project cycle management, financial management, procurement, etc.. with the specific scope of rendering them more flexible and open up more opportunities for harmonisation. One of the factors influencing the effectiveness of such measures relates to the corresponding efforts that have been put into disseminating the new procedures and making sure managers and staff are aware of them and of how to use them. Another important factor was the presence and use of the DAC Good Practice papers which provided useful guidance in this respect.
Introducing more flexible aid modalities	Aside from the review of existing procedures, the adoption of new, more flexible aid delivery modalities such as programme and budget support, which are 'inherently' harmonised given the fact that they rely on joint funding of government programmes through government systems, has been very effective in promoting harmonisation in those countries where the overall policy environment and government systems have passed the scrutiny of joint donor assessment about fiduciary risk. For some agencies, this has been a useful alternative route to by-pass the more rigid procedures related to project aid. The risk, however, is that of triggering resentment and resistance both internally (from staff with project-type skills) and externally (possible hostility by NGOs and private sector lobbies)

Further Actions	Comments
Formulation of policies and guidelines on harmonisation activities	Despite the large amounts of documents and reports published by various agencies about harmonisation, it became quite clear from the study that in most agencies there is a perceived lack of clear policies and guidelines for staff to follow to decide if, when and how to engage in harmonisation activities. Ad-hoc approaches mostly driven by country-level initiatives seem to predominate at the moment, accompanied by a plethora of pilot initiatives. More effort should therefore be put in the definition of clearer tools for providing guidance to country offices. This is related to the increasingly crucial and different role that harmonisation units at headquarters level need to play in collecting and disseminating information on best practice cases, in supporting country-level initiatives and in 'mainstreaming' harmonisation across agency practices.
Improving M&E systems for harmonisation activities	At the moment, agencies tend to rely on ad-hoc matrices and tables summarising ongoing harmonisation activities, both at headquarters and at country level. These are not regularly and consistently updated, and are often prepared to respond to immediate reporting needs and requests, without being utilised as an effective management tool for tracking ongoing efforts, assessing their performance and feeding back into policy-making. Despite the difficulties in evaluating the impact of harmonisation activities, there is scope for a more coherent approach to managing information about these that agencies should adopt.
Dealing with resistance to change	There is a need to recognise with more clarity and honesty the forces that are working against harmonisation in the ongoing reforms within each agency aimed at promoting it. Potential losers need to be identified, and strategies designed to 'buy them over', or re-define their roles and responsibilities. More flexible procedures may render certain functions redundant, while a country-focused approach will inevitably change the role of sectoral technical specialists. If these factors are not taken into account, efforts to promote harmonisation may be much less effective than expected, or encounter excessive resistance.

Individual Level

Main initiatives	Assessment of Effectiveness
Recruitment policies	Some agencies have started to formally recognise the importance of recruiting staff with the right skills for jobs which are likely to involve a substantial harmonisation component, mostly country directors and staff in charge of harmonisation at headquarters. This has involved reviewing staff profiles and job descriptions. The value of mobility between field and headquarters posts, and across regions, is also increasingly recognised. Experience has shown that the right people in the right places can make an enormous difference in terms of 'making harmonisation happen'. *(continued/...)*

(.../continued)

Training initiatives	In general terms, training has been vastly overlooked as an instrument for providing incentives and skills for staff to engage in harmonisation more effectively. Only a few of the agencies involved in this study have designed and implemented training modules which cover harmonisation topics. Some of these have been very successful, and have met with high demand from staff, having been perceived as highly innovative. Others that covered inter-personal skills which contributed to staff capacity to engage more constructively in negotiation and collaboration were also seen as very positive. Not surprisingly, in those agencies where more effort was put into training, staff knowledge of and commitment to harmonisation was much higher.
Peer recognition and 'Harmonisation Awards'	Incentives linked to peer recognition and formal awards received by individuals or teams working on harmonisation were generally perceived as providing very strong incentives in favour of engaging in harmonisation activities. However, quite often there was a perceived contradiction between the presence of informal incentives of this sort and the lack of more formal ones related to pay or promotion. Also, in some cases the perception was that what was being rewarded was not harmonisation as such, but innovation more in general.

Further Actions	Comments
Improve formal and informal incentives	Individual level incentives received least attention by most agencies in their efforts to provide incentives in favour of harmonisation. This has caused a potentially dangerous hiatus between the stated policy priorities that individuals feel that they have to follow and comply with, and the incentives they actually face when having to choose among competing priorities. In some cases, the most rational individual response is to treat harmonisation as a 'light' priority, deserving little more than lip-service. This can potentially undermine harmonisation efforts, unless formal and informal individual level incentives are factored in, either by fostering an internal culture which inherently values harmonisation practices and innovative behaviour, or by practically rewarding individual efforts in this direction.

5. Conclusions and Next Steps

This study has focused on the importance of internal incentive systems for promoting harmonisation in aid agencies. It has looked at factors shaping incentives for harmonisation in a sample of six agencies. The analysis has highlighted the fact that, despite the numerous initiatives undertaken within different agencies to promote harmonisation practices and provide incentives to its staff to engage in harmonisation activities, efforts so far have often lacked the overall coherence needed to substantively transform internal incentive systems in ways that are much more favourable to harmonisation.

Positive elements that were registered include the wealth of harmonisation experiences which already exist at country level; the efforts undertaken by Senior Management in all agencies to make sure that harmonisation is perceived as a priority; the introduction of new and more flexible aid modalities which are 'inherently' harmonised; and the existence of international mechanisms which contribute to creating better conditions for harmonisation to take roots.

Negative factors included the lack of consistency between political commitments and statements on one side, and the need for wider reform measures at the institutional and individual level on the other, to make sure incentives systems are coherently in favour of harmonisation. Moreover, they included a lingering resistance to change, especially in organisations characterised by a bureaucratic, compliance-driven approach, and a lack of sufficient support and guidance in terms of policy guidelines and advice to be provided by headquarters to country offices, and active championing by headquarters of locally-grown initiatives.

The overall assessment points to the great importance that incentive systems play in shaping an agency's ability to constructively and effectively engage in harmonisation efforts, and to the lack of sufficient attention which has been given to this issue. It also points to some of the challenges that still exist in the ongoing efforts to make aid more effective and responsive to country circumstances. Reforming incentive systems within aid agencies, given the complexity of the issues involved, and some of the tensions highlighted in the study, is no easy task. Some of the initiatives adopted by the agencies involved can be considered as examples to draw from for guidance, along with the identified suggestions for further action.

The scope of the study was somewhat limited by its narrow focus on the headquarters level of the agencies involved, meaning that no attention was given to the precise role that partner governments play in shaping harmonisation opportunities at country level, which in turn influence the incentives faced by agency staff at country level, where most harmonisation activities are negotiated and where they finally happen. It is abundantly clear that partner governments' attitudes towards harmonisation are also shaped by incentive systems, which can work in favour of or against harmonisation.

To respond to these considerations, the purpose of the research covered in this paper would be greatly complemented by further work with the specific intent to explore country-level incentives and dynamics. Some of the main questions that such further research should address include:

• What are the main factors for and against harmonisation faced by institutions and individuals in partner governments? Who are the main actors involved? What incentives do they have to promote alignment and harmonisation by donors? And how do they differ from one institution to another?

• What are the incentives that country office staff face which are generated by the local context? What is the relative importance of local context as opposed to HQ policies in shaping individual behaviour? What are the incentives at work to promote coordination among donors at country

level? What can be done when the partner government is not interested in harmonisation?

- How do government and donor policies on the choice of different aid modalities influence the incentives for and against harmonisation?

- How shall we come to a better understanding of what shapes opportunities for harmonisation in different country contexts?