



# OED REACH

## Aid Coordination

**A**id coordination lies at the heart of the CDF approach. It embodies partnership and can help build trust and ownership. To move from **donorship to partnership** in the development system, the Bank's challenge is:

- To exercise strategic leadership on aid coordination—at the country, regional, and global levels
- To transform Bank culture, approaches, and organizational capacity to support the shift to Country-led, goal-oriented, capacity building partnerships.

The current climate is ripe for global action.

### Key Findings:

**Aid coordination policies have proven ineffective.**

- Policies of the Bank (1989:OD14.30) and of the broader development community (1986: DAC guidelines) have not succeeded in putting the country in the driver's seat.
- Centrally determined donor and Bank policies and practices have hindered coordination and harmonization efforts at the country level.
- While coordination has increased the focus of aid on development priorities, it has had a poor track record in improving in-country capacity (figs.1-2).
- Governments see no improvement in the coherence of donor activities, marginal movement on adequacy of aid volume, and slight change in the exercise of donor selectivity.
- Perceptions are unanimous that there has been marginal improvement in the consistency of procedures or in the efficiency of MDB/donor practices.

Increasing aid bombardment, mismanaged accountability, and wasteful competition undermine local capacity and cause goal displacement and disempowerment of country leadership.

While ODA is decreasing, the players are multiplying.

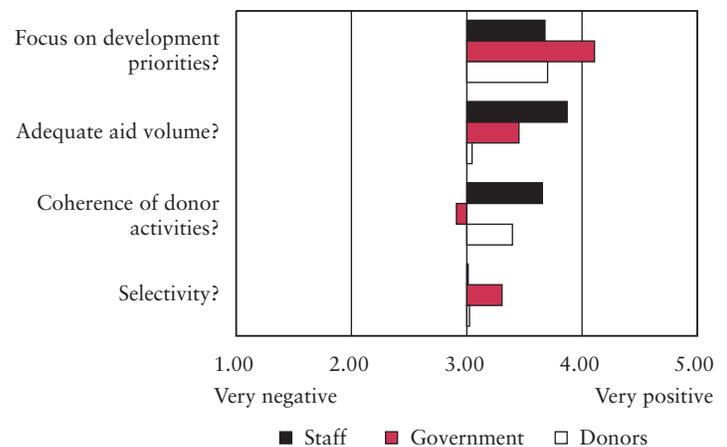
- Donor participation in CG's has grown from 7 in 1960 to over 50 in the 1990s.

### BRIEF

Based on the *Review of Aid Coordination and the Role of the World Bank*, to be discussed by CODE November 10, 1999.

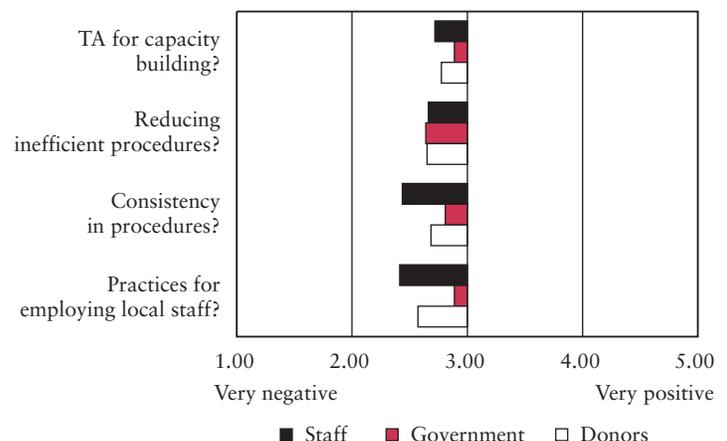
**Figure 1: Limited Success of Current Efforts**

Were there improvements in . . .



**Figure 2**

Were there improvements in . . .



- International NGOs registered in OECD countries grew from 1,600 in 1980 to 2,970 in 1993.
- Tanzania in the early 1990s had more than 2,000 projects supported by 40 donors, and all major donors were active in all major sectors.
- In Nepal NGO's increased from 220 to 1,210 between 1990 and 1993.

Each of these players has their own increasingly stringent procedures and reporting mechanisms for their results-hungry constituencies.

- Lack of harmonization creates the need for complex and divergent reporting systems, and requires management of multiple missions.
- Government capacity to plan based on *country* goals—to manage and measure for performance—is overwhelmed by the multiplicity of procedural requirements. This reduces country responsibility, disempowers leaders, and jeopardizes sustainability of results.
- The complexity of multiple reporting requirements makes benchmarking of donor performance impossible, thus impeding country capacity to select donors according to comparative advantage.

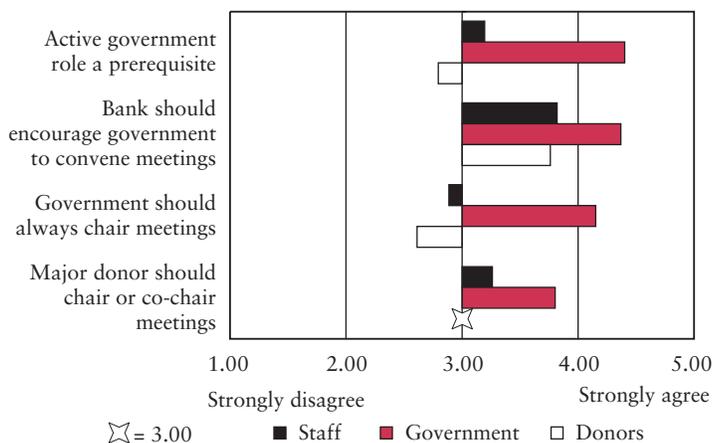
Solutions cannot come one country or one donor at a time. What is needed now is global leadership and global partnership to meet the accountability and learning needs of donors and countries alike.

### There Are Tensions and Barriers to Overcome

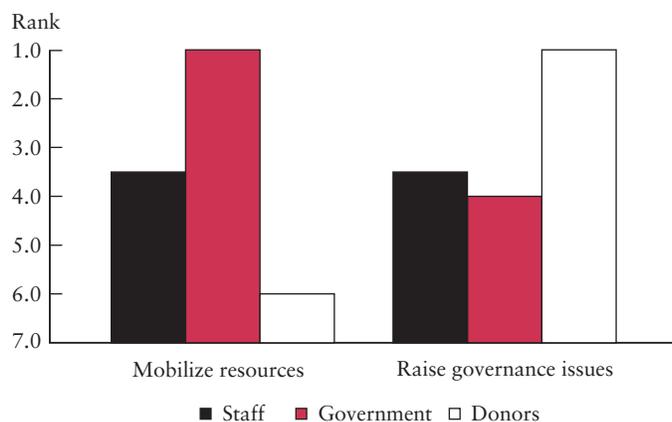
A central tension is the disconnect between WB staff/donors and the country regarding the responsibility for aid coordination:

- Aid-dependent governments see their role as crucial to effective aid coordination, but Bank staff and donors do not. (fig.3)
- The Bank has gained stature through its role in managing CGs, but a notable criticism in the survey (offered in writing and volunteered through interviews) is the perception of arrogance and insensitivity on the part of visiting Bank missions.
- Different perceptions and expectations of donors, governments, and Bank staff create impediments to country-led aid coordination:
  - In contrast to governments, more than half of Bank staff and local donor representatives surveyed did not see an active government role as a prerequisite for effective in-country aid coordination.
  - Donors place great emphasis on governance issues, while governments look to aid coordination as the way to mobilize resources (fig.4).
  - Most donors strongly favor greater involvement of civil society, but governments express a range of views, from cautious to critical.

**Figure 3: Different Perceptions of the Country's Role in Aid Coordination**



**Figure 4: Different Perceptions of Aid Coordination Objectives**



## Good Practices Indicate that the Challenges Can Be Overcome

### By Country

- To release the pressure of donor governance and to establish the trust that aid dollars are being well spent, the country must demonstrate a commitment to adopt international standards of transparency and accountability (Botswana).
- To further build confidence, governments must demonstrate institutional capacity to effectively formulate sound policy and allocate resources. (Countries such as Bolivia, Ghana, Tanzania, and Uganda are moving in this direction.)

### By Donor

- To support a shift to goal-oriented and capacity building aid coordination partnerships, donors need to build support from their authorizing environments to:
  - Adhere to country-led efforts to achieve coherence and selectivity in the application of aid resources.
  - Accommodate a mutually agreed, country-led reporting system.

- Given their leadership roles, the Bank and UNDP could explore a common fund for aid coordination capacity building.

### By the Bank

Bank leadership, in collaboration with the UNDP and the DAC, should be brought to bear on the global-level impediments posed by onerous aid procedures and reporting systems. While gains have been made, steadfast commitment is needed to address the global issues of proliferation of players, procedures, and processes.

Before Bank staff can work toward enabling country capacity, they need to internalize the commitment to shift the central role to governments.

Staff will need new skills and new instruments to play a different role in the CDF era. The WBI, in consultation with the regions, should review training and development programs for staff, clients, and even donors to foster partnership. For example training:

- Training in negotiation and facilitation techniques to reduce formality of meetings and to release creativity to find win-win solutions to competitive interests (e.g. Bolivia).
- Sensitivity training to reduce perceptions of arrogance and expand opportunities for shared learning.

New instruments:

- Poverty Reduction Strategy Papers and Country Assistance Strategy guidelines on how to work with partners to build capacity and to bring in the contributions of civil society and the private sector.
- New lending instruments that enable country leadership, such as sector program approaches and public expenditure reform credits (e.g. Bangladesh Health, Ethiopia Education, and Benin Public Expenditure Reform).

Bank-led CGs should be phased out, providing adequate time and resources are given to nurture a commitment to reform, and to build capacity.

### Partnership Agreements

Partnership agreements at the country-level between the country and its development agency partners could be used to delineate mutual responsibility, distinct accountabilities, and reciprocal obligations to reach shared goals.

## December Forum: Aid Coordination to Partnership

The Bank and UNDP efforts will be culminated in a Forum to be jointly sponsored and hosted by DAC,

### A Donor Reply to the Joint Bank-UNDP Aid Coordination Questionnaire

The impact of these barriers is not to be underestimated; it is essential that solutions be found to overcome them. It may be possible to address some of these issues by concluding partnerships agreements memoranda of understanding among the participants involved in a developing country. These agreements should include a section on the coordination principles and procedures that the players agree to adopt. To be a partner, one would have to sign the partnership agreement that could include rights and obligations.

December 6–8, 1999. The forum will bring together senior-level representatives from the donor community, country governments, and civil society in a facilitated action learning environment. A major aim is to generate creative options in preparation for the next DAC High-Level Meeting.

### The Climate Is Ripe

The international development goals articulated in the DAC 21st Century strategy, the CDF, and the UNDAF signal that the climate is ripe for bold initiatives and concerted actions. And as the country participants told the aid coordination workshop in February, **“We want to move from being recipients of aid to managers of aid.”**

### Methods and Collaboration

- Questionnaires completed by country officials, donor and MDB headquarters, local donor representatives, and Bank country managers and staff
- Action-learning workshops involving senior government officials and Bank staff who had completed the questionnaires
- Visits to 3 CDF pilot countries –Ethiopia, Ghana, and Vietnam
- Interviews with Bank managers and staff
- Extensive literature and document reviews

The UNDP has conducted a parallel evaluation of the Round Table aid coordination mechanism; the Bank and UNDP have collaborated on a joint questionnaire of donor and MDB headquarters, participated in each other’s workshops, and consulted periodically.

