

The World Bank
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JAMES D. WOLFENSOHN
President

November 16, 1999

To: Development Partnership Forum Participants

We soon will be entering the 21st Century, confronting even larger challenges of poverty and misery than today. We must travel light, leaving as much of our 20th Century baggage behind, including antiquated donor coordination methods, which have been documented in the attached OED review.

In the past few years, the Bank and its partners have been taking steps to address these concerns, and a clear consensus for change is emerging. In 1998, the Bank adopted a new partnership strategy and earlier this year launched the Comprehensive Development Framework (CDF). Both put partnership and country ownership at the center of the development paradigm. More recently, we have joined with the IMF to support a new initiative aimed at helping the poorest and most highly indebted developing countries to articulate and implement participatory poverty reduction strategies. Meanwhile, the UNDP and the Bank are coming together to assist countries build the capacity they need to take charge of their own development destinies. Finally, reflecting the results of the recent Stockholm meeting between donors and developing countries, the DAC has issued "On Common Ground," which captures the new consensus.

Against this background, the upcoming Development Partnership Forum offers a unique opportunity for us all to begin moving beyond consensus to commitment to change. I look forward to learning of the results of your deliberations. The stakes could not be higher.



James D. Wolfensohn

ROBERT PICCIOTTO
Director-General
Operations Evaluation

November 17, 1999

EVALUATION TRANSMITTAL MEMORANDUM

SUBJECT : Aid Coordination and the World Bank

The attached report prepared by the Operations Evaluation Department (OED) presents findings and recommendations emerging from a review of the World Bank's experience with aid coordination. On November 10, 1999, the report was reviewed by the Committee on Development Effectiveness of the World Bank's Board of Executive Directors, which endorsed its transmission to the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development.

Aid coordination lies at the intersection of several development effectiveness challenges. Globalization has brought new opportunities for development rewards but also new risks of instability and increased inequalities. Public concern with the efficacy of aid has grown. Poverty has increased and concessional flows have shrunk even as demands for official resources have multiplied, e.g. with respect to complex humanitarian crises. These trends have profoundly altered the context in which the World Bank operates.

In 1995, under new leadership, a strategic renewal of the organization was launched focussed on enhanced development effectiveness and improved linkages with the development community. In his October, 1998 speech to the Annual Meetings of the World Bank and International Monetary Fund, the Bank's President articulated "a new approach to development partnership ... led by governments and parliaments of the countries, influenced by the civil society of those countries ... where we in the donor community must learn to cooperate with each other, must learn to be better team players capable of letting go." Finally, partnership (along with ownership and results orientation) is embedded in the *Comprehensive Development Framework (CDF)* initiated in January 1999 and currently being piloted in thirteen countries. At the May 1999 DAC High Level Meeting President Wolfensohn conveyed his commitment to a common framework for development cooperation, with partnership at the center.

It is too early to evaluate the CDF and related initiatives. Indeed, the surveys on which the OED review is based were carried out prior to and during the early phase of CDF implementation. Thus, the perceptions of stakeholders with respect to the workings of aid coordination reported by OED reflect the lessons of past experience. Over 130 questionnaires were completed by Bank staff, recipient government officials, and donor agencies and their in-country representatives. These findings were supplemented by insights from workshops involving Bank staff and a worldwide group of 20 senior country officials with aid coordination responsibilities, three country visits, Bank staff interviews, and a literature review.

The review concludes that the development community has been well-served by the leadership of the Bank in managing aid coordination processes. Yet, the long-standing goal of

country leadership of the process remains elusive. The review identifies a number of barriers to be overcome –both on the part of the recipient country and on the part of donors.

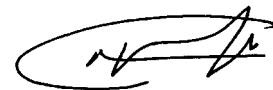
- Many countries lack the commitment and institutional capacity to make resource allocation choices in conformance with national development strategy and transparent standards and processes of accountability.
- Most donors and international agencies, including the Bank, continue to impose such barriers to country leadership as weak development orientation in their aid programs, proliferation of projects, divergent and complex procedural requirements, stand-alone project management structures that undermine capacity building, expensive supply-driven assistance for capacity building, and staff attitudes inimical to ownership and partnership –reinforced by input-oriented incentive systems.

The OED review recommends that:

- 1) the Bank align its aid coordination policies and practices with the CDF principles of ownership, partnership and results orientation; and
- 2) each Bank country team that supports a CG or similar mechanism work with the government and other development partners to formulate a strategy for moving to country leadership.

Each strategy would demonstrate how the Bank and other donors will help the government nurture policy reform, strengthen aid coordination capacity, and reach partnership agreements with donors that delineate mutual responsibility for development outcomes and the distinct accountabilities of each partner. High priority should be given to implementing these recommendations through the *Poverty Reduction Strategy Papers* (PRSPs). Support for harmonization of donor practices should also be considered.

Successful implementation of these recommendations will require consensus and collaboration among donors at the global level. Close cooperation with the UNDP, DAC members, including the EU, other donors (e.g. Saudi Fund, Kuwait Fund, etc.) and the Regional Development Banks (RDBs) is imperative if a common commitment to building effective development partnerships at country level is to be achieved.



Robert Picciotto
Director-General, Operations Evaluation

THE OPERATIONS EVALUATION DEPARTMENT

ENHANCING DEVELOPMENT EFFECTIVENESS THROUGH EXCELLENCE AND INDEPENDENCE IN EVALUATION

The Operations Evaluation Department (OED) is responsible for the independent assessment of the relevance, efficacy, efficiency, sustainability, and institutional development of World Bank Group operational policies, programs, and processes. The Director-General of Operations Evaluation, who oversees all evaluation work, reports to the Board of Executive Directors. The outputs of OED include independent reviews of all Implementation Completion Reports (ICRs) completed by operational units, in-depth program audit evaluations of a sample of 25 percent of all completed lending operations, major sector and thematic studies, Country Assistance Evaluations, and process evaluations, of which the current report is an example.

THE COMMITTEE ON DEVELOPMENT EFFECTIVENESS (CODE)

CODE is a committee of the World Bank Board of Directors that is charged, among other things, with reviewing the work program and OED and management responses, thereon and identifying policy issues for consideration of the Executive Directors.

Acknowledgments

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Abbreviations and Acronyms

ACBF	African Capacity Building Foundation	NatCAP	National Technical Cooperation Assessment and Programs
ADB	Asian Development Bank	NEX	National Execution Program
AfDB	African Development Bank	NGO	Nongovernmental Organization
AFR	Africa Region (World Bank)	NNGO	National NGO
BP	Bank Procedures	NLS	Non-lending services
CAE	Country Assistance Evaluation	OCS	Operational core services (World Bank unit)
CAR	Country Assistance Review	OD	Operational Directive
CAS	Country Assistance Strategy	ODA	Overseas Development Assistance
CDF	Comprehensive Development Framework	OECD	Organization for Economic Cooperation and Development
CEM	Country Economic Memorandum	OED	Operations Evaluation Department (OED)
CG	Consultative Group	OEDCM	Corporate Evaluation and Methods Group
CGCED	Caribbean Group for Cooperation in Economic Development	OP	Operational Policy
CIDA	Canadian International Development Agency	OPS	Operations Policy and Strategy (Bank unit)
CPIA	Country Policy and Institutional Assessment	PACT	Partnership for Capacity Building in Africa
DAC	Development Assistance Committee	PER	Public Expenditure Review
Danida	Danish International Development Assistance Program	PERC	Public Expenditure Reform Credit
DFID	UK Department for International Development	PHRD	Policy and Human Resource Development Trust Fund
EAP	East Asia and Pacific Region (World Bank)	PIU	Project Implementation Unit
ECA	UN Economic Commission for Africa; Europe and Central Asia Region (World Bank)	PMU	Project Management Unit
ESW	Economic and sector work	PPP	Purchasing Power Parity
EXT	External affairs (World Bank unit)	PR	Progress Report
EU	European Union	PRSP	Poverty Reduction Strategy Paper
GNP	Gross national product	RBM	Results-Based Management
GP	Good practices	RDB	Regional Development Bank
IBRD	International Bank for Reconstruction and Development	RM	Resident Mission
IDA	International Development Association	RT	Round Table
IDB	Inter-American Development Bank	SAR	South Asia Region (World Bank)
IDF	Institutional Development Fund	SDC	Swiss Agency for Development and Cooperation
IFC	International Finance Corporation	SDP	Sector Development Program
IMF	International Monetary Fund	Sida	Swedish International Development Cooperation Agency
INGO	International Nongovernmental Organization	SIL	Sector Investment Loan
JICA	Japan International Cooperation Agency	SIP	Sector Investment Program
LCR	Latin America and Caribbean Region (World Bank)	SP	Sector Program Approach
MDB	Multilateral Development Bank	SPA	Special Program of Assistance for Africa
MENA	Middle East and North Africa Region (World Bank)	UNDAF	United Nations Development Assistance Framework
MFDP	Ministry of Finance and Development Planning	UNDP	United Nations Development Program
MOP	Memorandum of the President	USAID	United States Agency for International Development
MTEF	Mid-term Expenditure Framework	WBI	World Bank Institute

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Executive Summary

The development community has long recognized the contribution that aid coordination could make to development effectiveness, and recent trends have reinforced its importance and potential. Official Development Assistance (ODA) flows have stagnated, development performance has been disappointing, and donor countries are increasing their demands for accountability and results. At the same time, low-income countries remain highly dependent on ODA.

2. Against this background, the Executive Directors of the World Bank asked the Operations Evaluation Department (OED) to review the role and experience of the Bank in aid coordination. This report presents the findings and recommendations of OED's review. A key objective was to examine both the constraints involved and the progress made in helping countries to assume more responsibility for aid coordination. Another objective was to determine the effect of the Bank's policies and procedures on government ownership of aid coordination processes in recipient countries and the development of their capacity to carry out the accompanying responsibilities.

3. The review deals with an important dimension of the Comprehensive Development Framework (CDF). The CDF includes partnership as one of its major principles, and aid coordination is closely linked with partnership. This link derives from the requirement of any partnership that all partners jointly develop and agree on their objectives, as well as on their respective accountabilities in realizing these objectives. It is also important that they support capacity development, which must take place if weaker members are to participate fully. A mid-1999 joint statement of four European Ministers of Development Cooperation is the most recent high-level expression of these concerns: it calls for better coordination among donors and a desire to see recipient countries in the "driver's seat."¹

Aid coordination is closely linked with partnership.

Results-Based Frameworks for Assessing Aid Coordination Activities

4. This review draws on several sources of evidence. To assess the historical performance of aid coordination activities, it refers both to standard evaluation criteria and to key policy benchmarks. Implicit in this approach is that aid coordination, like other aid instruments, should be regularly assessed for its contribution to development results. Drawing on responses to questionnaires, interviews, and workshops, the review explores the relevance, effectiveness, efficiency, and sustainability of aid coordination, and its contribution to institutional development. The main elements of aid coordination policy, issued by the Bank and the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD/DAC) in the 1980s, also provide benchmarks for assessing the Bank's experience. The overarching principles of the policy, which translate to criteria that permit assessment of the Bank's effectiveness in supporting aid coordination, include:

- The purpose of aid coordination should be to integrate external assistance with the development priorities of the recipient country.
- Responsibility for aid coordination should reside primarily with the recipient government.
- Both recipients and donors should adhere to strategic objectives and investment programs.

5. Two key elements of the development enabling environment in a country are policy performance and institutional quality; closely related variables are country commitment (ownership of sound development priorities and policies) and the institutional capacity to manage and coordinate aid (a subset of institutional quality). Figure 1 suggests a pattern of relation-

ships between these variables and aid coordination arrangements. Strong country commitment and high institutional capacity tend to be associated with *country-driven* arrangements, which should be more effective in promoting greater development effectiveness than arrangements driven predominately by donors. Conversely, the weaker the country commitment and the institutional capacity, the more likely donors will be to insist on *donor-driven* aid coordination in the interests of development effectiveness.

Figure 1: Country Characteristics and Aid Coordination

<i>Institutional capacity</i>	<i>Country commitment</i>	
	<i>High</i>	<i>Low</i>
<i>High</i>	<i>Country-driven</i>	<i>Joint-sponsorship</i>
<i>Low</i>	<i>Country-driven (with institutional strengthening)</i>	<i>Donor-driven</i>

6. How can aid coordination move into the country-driven quadrant? Depending on the current quadrant of a given country, the answer may be to strengthen country commitment, strengthen capacity, or do both. But the characteristics of the donors and international agencies also influence the relative ease or difficulty of moving to effective, country-led aid coordination. Figure 2 illustrates the influence of development assistance characteristics.

7. When donors and agencies have a high development orientation and are relatively few in number, the conditions for achieving country-led aid coordination are favorable. As the number of donors (and projects) increases, however, the environment becomes more challenging. Moreover, as non-development motives for aid provision—such as the commercial interests of donors—become dominant, effective, country-led coordination becomes problematic. While the end of the Cold War reduced the dominance of the ideological approach to providing aid, geopolitical considerations are still at work.

8. Effective aid coordination involves a process that guides the recipient country and the donors toward agreement that all partners will accept mutual responsibility for achieving development outcomes, as well as distinct accountabilities. For the country, these include a commitment to developing sound policies and effective institutions, while donors and agencies should agree to adopt a development orientation; achieve coherence with country development priorities; selectivity in keeping with comparative advantage, thus addressing the “numbers” issue; provide effective assistance in capacity building to create a level playing field among partners; and support country-led efforts to achieve these objectives.

All partners accept mutual responsibility for achieving development outcomes, as well as distinct accountabilities.

Figure 2: Development Assistance Characteristics and the Aid Coordination Environment

<i>Number of donors and agencies</i>	<i>Development orientation</i>	
	<i>High</i>	<i>Low</i>
<i>Low</i>	<i>Favorable</i>	<i>Relatively difficult</i>
<i>High</i>	<i>Challenging</i>	<i>Very difficult</i>

Main Findings and Recommendations

9. The overarching conclusion of the review is that the development community has been well-served by the Bank's support of aid coordination, but much remains to be done to achieve the long-standing goal of country leadership of the process.

In Context: The Bank's Role in Aid Coordination

10. World Bank-led aid coordination mechanisms and processes at the *apex level* (consortia and Consultative Groups) have expanded substantially over the past four decades. They cover a wide gamut of development issues and participants, and include some 60 recipient countries and 50 official donors. In a context of declining per capita aid disbursements for most countries, the Bank's support for aid coordination has helped to protect the level of resources mobilized for individual countries and to achieve a greater aid focus on development priorities.

Bank Policy: Development Partnership at the Country Level

11. Operational Directive 14.30, *Aid Coordination Groups*, was issued in 1989. It does not reflect recent thinking and practices in aid coordination, particularly the CDF emphasis on partnership and the Bank's newly expanded presence in the field.

12. The involvement of civil society and the private sector in the aid coordination process remains controversial. Most donors strongly favor greater involvement, while recipient governments express a variety of views, ranging from cautiously positive to skeptical, or even antagonistic. To address this ambivalence, experimentation with alternative approaches to involving other stakeholders in different phases of aid coordination is warranted.

Recommendations

13. The Bank's operational policy should be revised. New statements of Operational Policy, updated Bank Procedures, and examples of Good Practices, fully aligned with the principles of the CDF, should be produced.

14. The new Operational Policy should:

- Declare that country leadership of the management and coordination of aid resources is Bank policy.
- Emphasize partnership and collaboration among development partners—government, donors, civil society, and the private sector—at the country level.
- Stipulate proven ability to collaborate with partners as both a criterion for the appointment of operations managers and as an important element in the assessment of their performance.
- Stop the use of Project Implementation Units (PIUs), except in exceptional circumstances (such as post-conflict situations). They undermine national capacity building.

15. The updated Bank Procedures should include revised CAS guidelines that explain how the Bank will work with its partners to increase the coherence, selectivity, and efficiency of donor support; how the Bank, in collaboration with the UNDP and other partners, will help build government capacity for aid management and coordination; and how civil society and the private sector will participate in aid coordination processes. The procedures should also emphasize the use of new lending instruments—such as sector program approaches and public expenditure reform credits and loans—that facilitate the transfer of aid coordination leadership to recipient countries.²

16. The Good Practices statement should provide solid examples of strong country commitment; effective and efficient donor support, including support for capacity building; the productive involvement of civil society and the private sector; partnership agreements that delineate mutual responsibility and distinct accountabilities; and the use of new lending instruments in support of country leadership.

The development community has been well-served by the Bank's support of aid coordination.

Strategies for Country Leadership

17. Although the donor community has long been concerned with country leadership of aid coordination, only recently have signs of change begun to emerge in the management of aid coordination at the country level. Barriers to country-led aid coordination imposed by donors and international agencies, including the Bank, include often onerous and divergent administrative procedures and the numerous visiting missions that recipient countries must accommodate. This burden can add up to quarterly reports and visiting missions numbering in the thousands each year for highly aid-dependent countries.

18. Although a number of countries have expressed a strong desire to manage the process, only a few former Consultative Group countries (such as Korea, Malaysia, and Thailand) have fully assumed the role. Many countries lack the capacity to take on a lead role. Some lack the commitment and resolve to do so. The time has come for a real change—rapid, but deliberate and finely executed. A logical and critical step in this direction is for the Bank, in consultation with other partners and the affected countries, to give meaning to the concept of *country responsibility*. The Bank's chief role should be to support recipient country leadership, and to promote the capacity building needed to effectively exercise that leadership. This does not mean that the Bank should disengage itself from either the aid coordination process or from maintaining and strengthening its country programs. But by giving the country a chance to exert leadership, the Bank will be in a better position to assist in building long-term capacity, in line with CDF and OECD/DAC principles.

19. Some donors see little or no link between more effective aid coordination and higher global aid levels. But by linking the two, donors would encourage recipient governments to institute the politically difficult reforms that may be needed to make better use of aid and strengthen capacity.

Recommendations

20. Each Bank country team or department that supports a Consultative Group (or similar mechanism) should work with the government and other development partners to formulate a strategy to help the country assume leadership in managing and coordinating aid resources. Factors such as capacity and commitment will need to be taken into account to develop an appropriate strategy and timeframe for each country (see Annex 1 for further discussion). Each strategy should demonstrate how the Bank and other partners will:

- Help the government strengthen its aid management and coordination capacity.
- Reach partnership agreements with donors that delineate mutual responsibility and distinct accountabilities.
- Design agreed coordination principles and procedures (such as adhering to country-led efforts to bring about greater coherence and selectivity in the application of aid resources).
- Present a plan for carrying out joint monitoring and evaluation missions with other donors, in order to reduce the aid delivery costs that impede country leadership.³

Global Engagement with Donors for Country Partnership

21. The record of World Bank support of country-led aid coordination has been mixed. Actions by the Bank that have contributed to developing country capacity, and have generally been seen as positive steps by governments and other donors, include:

- Encouraging countries to play an active role in planning and preparing for efforts related to aid coordination
- Supporting sector development programs and donor selectivity and harmonization in selected countries and through the Special Program of Assistance for Africa (SPA)
- Strengthening Resident Missions and giving them more authority
- Supporting (in some countries) an expansion of in-country aid coordination forums and, at least on an alternating basis, in-country Consultative Group meetings.

The Bank's chief role should be to support recipient country leadership, and promote the capacity building needed to effectively exercise that leadership.

The record of Bank support of country-led aid coordination has been mixed.

Box 1. Country Management of Aid Group Meetings

International development goals spanning the first 15 years of the twenty-first century have received widespread endorsement. Strong country ownership, a core principle of the CDF, has been identified as essential for achieving these goals (Wolfensohn 1999:9-10; OECD/DAC 1996:13-17). Working with its development

partners, an important goal for the Bank should be the transfer of the management of all formerly Bank-managed aid group meetings to countries over the same timeframe. This will bring to conclusion approximately 50 years of constructive and fruitful efforts by the Bank to initiate, organize, convene, and chair aid group meetings. Through these meet-

ings, the Bank has helped to bring bilateral donors into the aid coordination process, mobilize vast amounts of aid money, put new issues on national and international agendas, and assist many countries in prioritizing their national goals, strengthening government institutions, and introducing proper procurement and accounting practices. The Bank has

also given impetus to the private sector, both local and international, as a critical partner in the development process. Now is the time for the Bank to demonstrate its commitment to the notion that ultimate responsibility for a country's affairs rests with the country itself.

22. Offsetting these positive accomplishments are the following findings:

- A number of local donor representatives, and to a lesser, but still significant, degree, borrower country respondents, find that Bank headquarters staff exhibit arrogant attitudes and nonconsultative behavior during their visits.
- About 60 percent of local donors who responded to the study survey were neutral or negative about the responsiveness of the Bank to donor views in the consultations preceding aid coordination meetings.
- Among agencies with whom the Bank shares aid coordination support roles, the closest parallel is with the UNDP. Despite examples of good practice, however, donor respondents note tensions that need to be addressed.⁴
- Donors find that the financial management capacity of recipients is often weak. This makes donors cautious about assuming the costs and risks of harmonizing the procedures that would enable them to be more flexible in contributing to broad sector development and public expenditure reform programs. Recipient governments, however, single out harmonization of donor policies and procedures as the first thing donors should do to improve aid coordination.
- There are few examples of aid coordination efforts that have led to greater donor selectivity.
- Years of debate among donors have yielded little action to reduce burdensome aid delivery transactions costs. Such a reduction would help countries to assume leadership in aid coordination.
- Overall, donor efforts to strengthen country aid management and coordination capacity have been expensive, supply-driven, and ultimately ineffective. Aid coordination activities are seen by both recipient countries and donors as doing little or nothing to improve country capacity.

Recommendations

23. Successful implementation of the report's recommendations will require consensus and collaboration among donors at the global level.

- The Bank should work closely with the UNDP; DAC members, including the EU; and the Regional Development Banks (RDBs) to establish a common understanding and commitment to building partnerships at the country level.
- In view of the central importance of capacity building to the development of effective country leadership, and the extensive experience of the Bank and the UNDP in the area, the two organizations should expand their current general agreement on aid coordination principles (UNDP 1996). The expanded agreement would include coverage of specific in-country aid coordination measures and procedures.

The Bank and the UNDP should expand their current general agreement on aid coordination.

- The Bank and UNDP should also examine the constraints to capacity building and explore, in consultation with other partners, the need for, and the features of, a common fund to finance capacity building for aid management and coordination.
- The Bank should continue to support harmonization of donor procedures among Multilateral Development Banks (MDBs) and in the SPA, as well as offering analytical assistance for similar efforts at the OECD/DAC that show promise of leading to greater development orientation and increased focus on development outcomes among DAC members.

Monitoring Progress Toward Country-Led Aid Coordination

24. Monitoring is essential, both to report on progress and to identify constraints to achieving that progress.

Recommendation

25. The Bank should develop a limited number of indicators to benchmark and monitor the progress of recipient countries toward assuming a leadership role in managing and coordinating the use of aid resources.

Training and Development

26. When donors and recipients were asked during the study survey to identify the three main weaknesses of the Bank's role in aid coordination, by far the most common criticism voiced by local donor representatives was a lack of consultation by visiting Bank missions. A notable conclusion emerging from the February 1999 workshop of senior government officials was that more attention should be given to developing the skills that government and donor staff need to coordinate aid effectively, including negotiation, facilitation, communication, economic and social analysis, information technology, and diplomacy.

27. If donors want recipient countries to assume a leadership position in aid coordination, they should note that more than half of Bank staff and local donors who responded to the survey were neutral-to-negative about the need for recipient governments to take the lead for in-country aid coordination.

Recommendation

28. The World Bank Institute (WBI), in consultation with the Regions, should review training and development programs for staff and clients to ensure that they cover negotiation and facilitation skills, sensitivity training, and other knowledge and skills needed to foster effective partnership and collaboration.

Notes

1. Press statement by the Ministers of Development Cooperation of Germany, the Netherlands, Norway, and the United Kingdom. Utstein Abbey (Norway), July 26, 1999.

2. For countries where the *Poverty Reduction Strategy Paper* (PRSP) is to be prepared, these elements could be incorporated in the PRSP.

3. In implementing the recommended approach, certain risks must be managed. For example, Consultative Group meetings have generated candid discussions between high-level donor and government officials. However, the experience of countries that have been moving to country-led processes shows that such contacts need not be lost.

4. The UNDP has conducted an evaluation of the Round Table (RT) mechanism during the time of this review. Periodic consultations and a joint survey of other donor agencies have been carried out in a collaborative manner.

The most common criticism was a lack of consultation by visiting Bank missions.

Résumé analytique

La communauté du développement reconnaît depuis longtemps que la coordination de l'aide contribue à l'efficacité de son action ; l'importance et les potentialités de cette contribution sont accentuées par les récentes tendances. Les flux de l'aide publique aux développement (APD) ont stagné, le bilan du développement a été décevant, et les pays bailleurs de fonds sont plus exigeants au plan de la responsabilité et des résultats. En même temps, les pays à faible revenu sont fortement tributaires de l'APD.

2. C'est dans ce contexte que les Administrateurs de la Banque mondiale ont demandé au Département de l'évaluation des opérations (OED) de faire un examen du rôle et de l'expérience de la Banque dans le domaine de la coordination de l'aide. Les conclusions et les recommandations de cet examen de l'OED sont présentées dans le présent rapport. L'un des principaux objectifs de l'étude était d'examiner à la fois les obstacles rencontrés et les progrès réalisés dans l'appui aux pays pour qu'ils prennent davantage en charge la coordination de l'aide. Un autre objectif était de déterminer l'effet des politiques et des procédures de la Banque sur l'appropriation des processus de coordination de l'aide par les gouvernements dans les pays bénéficiaires et sur le renforcement de leurs capacités à assumer les responsabilités qui en découlent.

3. L'examen porte sur un aspect important du Cadre de développement intégré (CDI). Le partenariat est l'un des principaux principes du CDI, or la coordination de l'aide est étroitement liée au partenariat. Ce lien découle du fait que dans tout partenariat, tous les partenaires doivent élaborer et arrêter d'un commun accord leurs objectifs, ainsi que leurs responsabilités respectives dans la réalisation de ces objectifs. Il est également important qu'ils appuient le renforcement des capacités, indispensable si l'on veut que les partenaires les plus faibles puissent participer à part entière. La déclaration conjointe adoptée à la mi-99 par quatre ministres européens en charge de la coopération pour le développement est l'expression la plus récente de ces notions, à un niveau élevé ; la déclaration appelle à une meilleure coordination entre les bailleurs de fonds et exprime le souhait que les pays bénéficiaires occupent « la place du conducteur ».¹

La coordination de l'aide est étroitement liée au partenariat.

Cadres d'évaluation des activités de coordination de l'aide basés sur les résultats

4. L'examen est basé sur plusieurs sources d'information. L'évaluation de la performance historique des activités relatives à la coordination de l'aide est faite en fonction des critères d'évaluation habituels ainsi que de paramètres clés de politique générale. Cette approche implique que la coordination de l'aide devrait, comme tous les autres instruments de l'aide, être régulièrement évaluée du point de vue de sa contribution aux résultats sur le plan du développement. Sur la base des réponses aux questionnaires, d'entretiens et d'ateliers, l'étude analyse la pertinence, l'efficacité, l'efficience et la viabilité de la coordination de l'aide, ainsi que sa contribution au renforcement institutionnel. Les principaux éléments de la politique de coordination de l'aide adoptée par la Banque et le Comité d'aide au développement de l'Organisation de coopération et de développement économiques (OCDE/CAD) dans les années 80 constituent eux aussi des points de référence pour l'évaluation de l'expérience de la Banque. Les principes fondamentaux de cette politique, qui sont traduits en critères pour évaluer l'efficacité de la Banque en la matière, sont notamment les suivants :

- L'objectif de la coordination de l'aide devrait être d'intégrer l'aide extérieure aux priorités de développement du pays bénéficiaire.

- La responsabilité de la coordination de l'aide devrait incomber principalement au gouvernement bénéficiaire.
- Les bénéficiaires aussi bien que les bailleurs de fonds devraient se conformer aux objectifs stratégiques et aux programmes d'investissement.

5. La performance des politiques publiques et la qualité institutionnelle sont deux éléments clés de l'environnement propice au développement dans un pays donné ; l'adhésion du pays (appropriation de saines priorités et de saines politiques de développement) et la capacité institutionnelle à gérer et à coordonner l'aide (composante de la qualité institutionnelle) sont deux variables étroitement liées à ces éléments. La figure 1 présente un schéma de relations possibles entre les variables et les arrangements de coordination de l'aide. La ferme adhésion du pays et la forte capacité institutionnelle sont généralement associées aux arrangements *conduits par les pays*, qui sont censés être plus propices à l'efficacité du développement que les arrangements conduits essentiellement par les bailleurs de fonds. À l'inverse, plus l'adhésion et plus la capacité institutionnelle du pays sont faibles, plus grande sera la probabilité que les bailleurs de fonds insistent, par souci d'efficacité du développement, sur une coordination de l'aide *conduite par les bailleurs de fonds*.

Figure 1: Country Characteristics and Aid Coordination

<i>Capacité institutionnelle</i>	<i>Engagement du pays</i>	
	<i>Fort</i>	<i>Faible</i>
<i>Forte</i>	<i>Conduite par le pays</i>	<i>Menée conjointement</i>
<i>Faible</i>	<i>Conduite par le pays (avec renforcement institutionnel)</i>	<i>Conduite par les bailleurs de fonds</i>

6. Comment peut-on déplacer la coordination de l'aide vers le quadrant conduit par le pays ? Selon le quadrant dans lequel se trouve actuellement le pays, la réponse peut consister à renforcer l'engagement du pays, à constituer des capacités, ou à faire les deux. Mais les caractéristiques des bailleurs de fonds et des organismes internationaux ont aussi une influence sur le degré de facilité ou de difficulté à s'orienter vers une coordination de l'aide efficace, conduite par le pays. La figure 2 illustre l'influence des caractéristiques de l'aide au développement.

7. Lorsque les bailleurs de fonds et les organisations ont une orientation marquée vers le développement et sont relativement peu nombreux, les conditions sont favorables à la coordination de l'aide sous la conduite des pays. À mesure que le nombre de bailleurs de fonds (et de projets) augmente, l'environnement devient plus ardu. D'autre part, lorsque la fourniture de l'aide est dominée par des considérations autres que le développement (comme les intérêts commerciaux des bailleurs de fonds), la coordination efficace de l'aide, sous l'impulsion du pays, devient problématique. Si avec la fin de la guerre froide, l'aide n'est plus dominée par des approches idéologiques, il n'en reste pas moins que les considérations géopolitiques sont toujours présentes.

8. La coordination efficace de l'aide suppose un processus permettant au pays et aux bailleurs de fonds de convenir que tous les partenaires s'engagent collectivement à réaliser les objectifs de développement, tout en acceptant des responsabilités distinctes. Pour le pays, il s'agira de s'engager à mettre en place de saines politiques et des institutions efficaces ; quant aux bailleurs de fonds et aux organisations, il leur faudra accepter d'adopter une approche orientée vers le développement ; de veiller à la cohérence de leurs activités avec les priorités de développement du pays ; de faire preuve de sélectivité, en fonction de leurs avantages

Tous les partenaires doivent accepter l'engagement conjoint de réaliser les objectifs de développement, ainsi que leurs responsabilités distinctes.

Figure 2 : Caractéristiques de l'aide au développement et contexte de coordination de l'aide

<i>Nombre de bailleurs de fonds et d'organisations</i>	<i>Orientation vers le développement</i>	
	<i>Forte</i>	<i>Faible</i>
<i>Faible</i>	<i>Favorable</i>	<i>Relativement difficile</i>
<i>Élevé</i>	<i>Problématique</i>	<i>Très difficile</i>

comparatifs (ce qui réglera le problème du « nombre ») ; de contribuer au renforcement des capacités en vue de donner des chances égales aux partenaires ; et d'appuyer les efforts conduits par le pays en vue de la réalisation de ces objectifs.

Principales conclusions et recommandations

9. La principale conclusion de l'examen est que l'appui de la Banque à la coordination de l'aide a été bénéfique à la communauté du développement, mais qu'il reste encore beaucoup à faire pour atteindre l'objectif, établi de longue date, de leadership du processus par les pays.

Dans le contexte : Le rôle de la Banque dans la coordination de l'aide

10. Les mécanismes et les processus de coordination de l'aide conduits par la Banque mondiale au niveau des *structures faitières* (consortia et Groupes consultatifs) ont connu une forte expansion au cours des 40 dernières années. Ils couvrent une vaste gamme de question de développement et de participants, et englobent environ 60 pays bénéficiaires et 50 bailleurs de fonds publics. Dans un contexte de baisse de l'aide par habitant pour la plupart des pays, l'appui de la Banque à la coordination de l'aide a contribué à préserver le niveau de ressources mobilisées pour des pays et à focaliser davantage l'aide sur les priorités du développement.

Politique de la Banque : Partenariat pour le développement au niveau des pays

11. La Directive opérationnelle 14.30 (*Groupes de coordination de l'aide*) a été publiée en 1989. Elle ne correspond plus aux conceptions et aux pratiques récentes en matière de coordination de l'aide, en particulier avec l'accent qui est mis dans le CDI sur le partenariat et la présence renforcée de la Banque sur le terrain.

12. La participation de la société civile et du secteur privé au processus de coordination de l'aide reste controversée. La plupart des bailleurs de fonds sont fortement en faveur d'une participation accrue de ces acteurs, tandis que les gouvernements bénéficiaires ont des points de vue divers, allant d'une attitude prudemment favorable à une attitude de scepticisme, voire d'hostilité. Pour surmonter cette ambivalence, il est souhaitable d'expérimenter différentes approches pour faire participer les autres parties prenantes aux diverses phases de la coordination de l'aide.

Recommandations

13. La politique opérationnelle de la Banque devrait être révisée. De nouvelles annonces de politique opérationnelle, des procédures révisées, et des exemples de bonnes pratiques pleinement alignés sur les principes du CDI devraient être préparés.

14. La nouvelle Politique opérationnelle devrait :

- Déclarer que le leadership du pays dans la gestion et la coordination des ressources de l'aide fait partie de la politique de la Banque.

L'appui de la Banque à la coordination de l'aide a été bénéfique à la communauté du développement.

- Mettre l'accent sur le partenariat et la collaboration entre les partenaires pour le développement — gouvernement, bailleurs de fonds, société civile, et secteur privé — au niveau du pays.
- Stipuler que la capacité éprouvée à collaborer avec les partenaires est à la fois un critère de recrutement pour les chefs des opérations et un élément important dans l'évaluation de leur performance.
- Arrêter l'utilisation des Cellules d'exécution des projets, sauf dans des circonstances exceptionnelles (comme dans les pays sortant d'un conflit). Ces cellules sapent le renforcement des capacités nationales.

15. Les procédures révisées de la Banque devraient inclure des directives SAP révisées expliquant comment la Banque entend travailler avec ses partenaires en vue d'améliorer la cohérence, la sélectivité, et l'efficacité de l'appui des bailleurs de fonds ; comment la Banque, en collaboration avec le PNUD et d'autres partenaires, entend contribuer à renforcer la capacité du gouvernement à gérer et à coordonner l'aide ; et comment la société civile et le secteur privé participeront aux processus de coordination de l'aide. Les procédures devraient mettre l'accent sur l'utilisation des nouveaux instruments de prêt — comme les programmes sectoriels et les crédits et les prêts à la réforme des dépenses publiques — qui facilitent le transfert du leadership aux pays bénéficiaires en matière de coordination de l'aide.²

16. Le document de pratiques recommandées devrait donner des exemples avérés de solide engagement du pays ; de soutien efficace et efficient des bailleurs de fonds, notamment au renforcement des capacités ; de participation productive de la société civile et du secteur privé ; d'accords de partenariat stipulant l'engagement conjoint et les responsabilités distinctes ; et d'utilisation des nouveaux instruments de prêt pour la promotion du leadership national.

Stratégies pour le leadership national

17. Bien que la communauté des bailleurs de fonds se préoccupe depuis longtemps du leadership national dans la coordination de l'aide, ce n'est que récemment que des signes de changement ont commencé à apparaître dans ce domaine au niveau des pays. Parmi les obstacles à la coordination de l'aide sous l'impulsion des pays, telle qu'elle est imposée par les bailleurs de fonds et les organisations internationales, y compris la Banque, figurent les procédures administratives souvent lourdes et divergentes et les nombreuses visites de missions que les pays bénéficiaires doivent recevoir. Cela peut représenter jusqu'à des milliers de rapports trimestriels et de visites de missions chaque année dans les pays fortement dépendants de l'aide.

18. Bien que certains pays aient exprimé le ferme souhait de gérer le processus, seuls quelques pays ayant fait l'objet antérieurement de Groupes consultatifs (comme la Corée, la Malaisie et la Thaïlande) ont pleinement assumé ce rôle de gestion. Beaucoup de pays n'ont pas suffisamment de capacités pour prendre le rôle de chef de file. Certains n'ont pas l'engagement et la volonté nécessaires pour le faire. Le moment est venu de procéder à un réel changement — rapide, mais résolu et bien exécuté. Un pas logique et important peut être fait dans cette direction si la Banque, en consultation avec ses autres partenaires et les pays concernés, donne un sens au concept de *responsabilité du pays*. Le rôle de la Banque devrait consister principalement à appuyer le leadership des pays bénéficiaires, et à promouvoir le renforcement des capacités nécessaire à l'exercice de ce leadership. Cela ne veut pas dire que la Banque doit se désengager du processus de coordination de l'aide ou renoncer au maintien et au renforcement des programmes de pays. Mais en donnant au pays la possibilité d'exercer son leadership, la Banque sera en meilleure position pour aider au renforcement des capacités à long terme, conformément aux principes du CDI et de l'OCDE/CAD.

19. Certains bailleurs de fonds considèrent qu'il y a peu ou pas de liens entre une coordination de l'aide plus efficace et des niveaux d'aide globalement plus élevés. Mais en liant les

Le rôle de la Banque devrait consister principalement à appuyer le leadership des pays bénéficiaires, et à promouvoir le renforcement des capacités nécessaire à l'exercice de ce leadership.

deux aspects, les bailleurs de fonds encourageraient les gouvernements bénéficiaires à mettre en œuvre les réformes politiquement délicates qui sont éventuellement nécessaires pour mieux utiliser l'aide et renforcer les capacités.

Recommandations

20. Chaque équipe-pays ou chaque département-pays de la Banque qui travaille à l'appui d'un groupe consultatif (ou d'un mécanisme comparable) devrait, de concert avec le gouvernement et les autres partenaires du développement, formuler une stratégie en vue d'aider le pays à prendre le rôle de chef de file dans la gestion et la coordination des ressources de l'aide. Des facteurs tels que la capacité et l'adhésion devront être pris en compte dans l'élaboration d'une stratégie et d'un calendrier appropriés pour chaque pays (voir annexe 1 pour plus de détails). Chaque stratégie devrait indiquer comment la Banque et les autres partenaires entendent :

- Aider le gouvernement à renforcer ses capacités de gestion et de coordination de l'aide.
- Conclure des accords de partenariat avec les bailleurs de fonds dans lesquels sont stipulées les responsabilités communes et les responsabilités distinctes des parties.
- Élaborer d'un commun accord des principes et des procédures de coordination (comme le fait de soutenir les efforts entrepris sous l'impulsion du pays pour améliorer la cohérence et la sélectivité dans l'application des ressources de l'aide).
- Présenter un plan pour la conduite de missions conjointes de suivi et d'évaluation avec d'autres bailleurs de fonds, en vue de réduire les coûts liés à la fourniture de l'aide qui sont une entrave au leadership national.³

Engagement global avec les bailleurs de fonds pour le partenariat au niveau des pays

21. Le bilan de la Banque mondiale dans le domaine de l'appui à une coordination de l'aide conduite par le pays bénéficiaire a été contrasté. Les mesures par lesquelles la Banque a contribué à renforcer la capacité des pays, et qui ont été généralement jugées positives par les gouvernements et les autres bailleurs de fonds, sont notamment les suivantes :

- Encourager les pays à jouer un rôle actif dans la planification et la préparation des efforts liés à la coordination de l'aide.
- Appuyer les programmes de développement sectoriel ainsi que la sélectivité et l'harmonisation des bailleurs de fonds dans les pays et dans le cadre du Programme spécial d'assistance pour l'Afrique.
- Renforcer les missions résidentes et leur conférer plus de pouvoirs.

Le bilan de la Banque en matière d'appui à la coordination de l'aide a été contrasté.

Encadré 1. Gestion nationale des réunions des groupes d'aide

<p>Les objectifs de développement international pour les 15 premières années du 21^e siècle ont été largement approuvés. La forte appropriation au niveau national, principe fondamental du CDI, est jugée indispensable à la réalisation de ces objectifs (Wolfenson, 1999 : 9-10 ; OCDE/CAD 1996 : 13-17). En collaboration avec ses</p>	<p>partenaires du développement, la Banque devrait se fixer comme objectif majeur de transférer aux pays, selon le même calendrier, la gestion de toutes les réunions des groupes d'aide qu'elle administrerait auparavant. Ce sera le couronnement de 50 ans d'efforts constructifs et fructueux qu'elle a déployés pour lancer, organiser, convoquer et</p>	<p>présider ces réunions. Dans le cadre de ces réunions, la Banque a contribué à incorporer les bailleurs de fonds bilatéraux au processus de coordination de l'aide, mobiliser de considérables fonds, faire inscrire de nouvelles questions à l'ordre du jour national et international, et introduire des pratiques appropriées de passation des marchés et de comptabilité. La Banque a</p>	<p>aussi donné un coup de pouce au secteur privé, tant local qu'international, en tant que partenaire important dans le processus de développement. Le moment est venu pour la Banque de démontrer son attachement à l'idée que la responsabilité ultime des affaires d'un pays incombe au pays lui-même.</p>
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- Appuyer le développement des forums de coordination de l'aide dans certains pays et la tenue de réunions des Groupes consultatifs, au moins en alternance, dans le pays.

22. En contrepartie de ces réalisations positives, voici les constatations qui ont été faites :

- Des représentants locaux de bailleurs de fonds et dans une moindre mesure, mais de façon tout de même significative, des représentants des pays emprunteurs interrogés estiment que le personnel du siège de la Banque est arrogant et n'est pas ouvert à la consultation pendant ses visites.
- Environ 60 % des bailleurs de fonds locaux qui ont répondu à l'enquête menée dans le cadre de l'étude ont été neutres ou négatifs au sujet de la réceptivité de la Banque aux points de vue des bailleurs de fonds durant les consultations préalables aux réunions de coordination de l'aide.
- Parmi les organisations qui partagent avec la Banque le rôle de coordination de l'aide, c'est le PNUD qui est le plus proche. Pourtant, en dépit d'exemples de bonnes pratiques, les bailleurs de fonds interrogés ont relevé des tensions à régler.⁴
- Les bailleurs de fonds estiment que la capacité de gestion financière des bénéficiaires laisse souvent à désirer. Ceci les incite, par conséquent, à la prudence quand il s'agit d'assumer les coûts et les risques liés à l'harmonisation des procédures qui leur permettrait d'être plus souples dans leur contribution aux programmes de développement sectoriel et de réforme des dépenses publiques. En revanche, les gouvernements bénéficiaires considèrent que l'harmonisation des politiques et des procédures des bailleurs de fonds est la première chose à faire pour améliorer la coordination de l'aide.
- Il y a peu d'exemples d'efforts de coordination de l'aide qui ont conduit à une plus grande sélectivité de la part des bailleurs de fonds.
- Des années de débat entre bailleurs de fonds ont débouché sur peu d'actions pour réduire les lourds coûts de transaction liés à la fourniture de l'aide. La réduction de ces coûts aiderait les pays à assumer le leadership dans la coordination de l'aide.
- Dans l'ensemble, les efforts des bailleurs de fonds pour renforcer la capacité de gestion et de coordination de l'aide au niveau des pays ont été coûteux, dictés par l'offre et finalement inefficaces. De l'avis des pays bénéficiaires aussi bien que des bailleurs de fonds, les activités de coordination de l'aide ont peu fait voire rien fait pour améliorer la capacité des pays.

Recommandations

23. Pour réussir, la mise en œuvre des recommandations du rapport passe par le consensus et la coopération entre les bailleurs de fonds à l'échelle mondiale.

- La Banque devrait collaborer étroitement avec le PNUD, les membres du CAD — y compris l'UE — et les banques régionales de développement en vue de s'entendre sur des approches et des engagements communs pour la construction de partenariats au niveau des pays.
- Compte tenu de l'importance primordiale du renforcement des capacités pour le leadership national, et de la riche expérience de la Banque et du PNUD dans ce domaine, les deux organisations devraient étendre leur accord général sur les principes de coordination de l'aide (PNUD, 1996). L'accord élargi porterait notamment sur les mesures et les procédures spécifiques de coordination de l'aide dans les pays.
- La Banque et le PNUD devraient examiner les obstacles au renforcement des capacités et étudier, en concertation avec les autres partenaires, la nécessité et les caractéristiques éventuelles d'un fonds commun qui servirait à financer les renforcement des capacités en matière de gestion et de coordination de l'aide.
- La Banque devrait continuer à appuyer l'harmonisation des procédures des bailleurs de fonds, parmi les banques multilatérales de développement et dans le cadre du Programme spécial d'assistance pour l'Afrique, tout en proposant une assistance analytique aux efforts comparables entrepris par l'OCDE/CAD qui semblent pouvoir conduire les membres du

La Banque et le PNUD devraient étendre leur accord général actuel sur la coordination de l'aide.

CAD à une orientation plus marquée vers le développement et à une plus grande focalisation sur les résultats en termes de développement.

Suivi des progrès vers la coordination de l'aide sous la conduite des pays

24. Le suivi est essentiel, aussi bien pour la présentation de rapports sur les progrès que pour identifier les obstacles au progrès.

Recommandation

25. La Banque devrait établir un nombre restreint d'indicateurs au regard desquels elle pourra suivre les progrès des pays bénéficiaires vers la prise de leadership dans la gestion et la coordination de l'utilisation des ressources provenant de l'aide.

Formation et perfectionnement

26. Lorsque les bailleurs de fonds et les bénéficiaires ont été priés, dans le cadre de l'enquête menée pour l'étude, d'identifier les trois principales faiblesses de la Banque dans son rôle de coordination de l'aide, c'est le manque de consultations de la part des missions de la Banque en visite sur place qui a été le plus souvent cité par les représentants locaux des bailleurs de fonds. L'une des conclusions notables de l'atelier de hauts fonctionnaires organisé en février 1999, c'est qu'il faudrait veiller davantage à développer les compétences que le personnel des gouvernements et des bailleurs de fonds doit posséder pour pouvoir coordonner efficacement l'aide, notamment la négociation, la facilitation, la communication, l'analyse économique et sociale, la technologie de l'information, et la diplomatie.

27. Si les bailleurs de fonds veulent que les pays bénéficiaires assument le leadership de la coordination de l'aide, ils devraient noter que, dans les réponses à l'enquête, plus de la moitié du personnel de la Banque et des bailleurs de fonds locaux a été neutre ou négatif sur la nécessité de confier aux gouvernements bénéficiaires le leadership de la coordination de l'aide sur place.

Recommandation

28. L'Institut de la Banque mondiale, en concertation avec les Régions, devrait examiner les programmes de formation et de perfectionnement pour le personnel et les clients, en vue d'inclure l'initiation à la négociation et à la facilitation, les cours de sensibilisation, et les autres connaissances et compétences nécessaires à un partenariat et une collaboration efficaces.

Notes :

1. Déclaration de presse publiée par les ministres de la coopération de l'Allemagne, des Pays-Bas, de la Norvège et du Royaume-Uni, Utstein (Norvège), 26 juillet 1999.

2. Dans le cas des pays pour lesquels un Cadre stratégique de lutte contre la pauvreté doit être établi, ces éléments pourraient être incorporés à ce document.

3. Dans la mise en œuvre de l'approche recommandée, certains risques doivent être gérés. Les réunions des Groupes consultatifs ont donné à lieu à de franches discussions entre les représentants de haut niveau des bailleurs de fonds et des gouvernements. Cependant, l'expérience des pays qui se sont orientés vers des processus basés sur le leadership national montre que ces contacts ne sont pas nécessairement voués à disparaître.

4. Le PNUD a effectué une évaluation du mécanisme de la table ronde pendant que le présent examen était réalisé. Des consultations périodiques et une enquête conjointe auprès des autres organisations de bailleurs de fonds ont été menées en concertation.

La critique la plus fréquente a trait au manque de consultation de la part des missions de la Banque en visite sur place.

Chapter 1

Introduction

At best, the supply of assistance is limited, and those who provide it have a proper interest in the economic performance of those who receive it. The receiving country has an equally legitimate need for an assurance that the aid available to it will be appropriate to its development requirements. The interests of both call for coordination at each end of the flow of assistance.

World Bank Annual Report 1965/1966, p. 7.

The Strategic Importance of Aid Coordination

1.1 The development community has long recognized how aid coordination can contribute to development effectiveness, and recent trends have reinforced its importance and potential. Official Development Assistance (ODA) flows have stagnated, development performance has been disappointing, and donor countries are increasing their demands for accountability and results. At the same time, low-income countries remain highly dependent on ODA.¹

1.2 Against this background, the Executive Directors of the World Bank asked the Operations Evaluation Department (OED) to review the role and experience of the Bank in aid coordination. This report presents the findings and recommendations of OED's review. A key objective was to examine both the constraints involved and the progress made in helping the countries to assume more responsibility for aid coordination. Another objective was to determine the effect of the Bank's policies and procedures on government ownership of aid coordination processes in recipient countries and the development of their capacity to carry out the accompanying responsibilities.

1.3 The review deals with an important dimension of the Comprehensive Development Framework (CDF). The CDF includes partnership as one of its major principles, and aid coordination is closely linked with partnership.² This link derives from the requirement of any partnership that all partners jointly develop and agree on their objectives, as well as on their respective accountabilities in realizing these objectives. It is also important that they support capacity development, which must take place if weaker members are to participate fully. Most of these elements were laid out three decades ago in the widely disseminated (in 9 languages) Pearson Commission report, *Partners in Development* (Pearson and others 1969: 127-28).³ A mid-1999 joint statement by four European Ministers of Development Cooperation is a recent high-level expression of these concerns: it calls for better coordination among donors and a desire to see recipient countries in the "driver's seat."⁴

Capacity development must take place if weaker members are to participate fully.

Scope

1.4 Annex 9 includes a list of papers and documents prepared for the review, and methods and sources are described in Annex 2. Sources include more than 130 responses to questionnaire surveys of Bank staff, government officials, donors, and international NGOs; two action-learning workshops; three country visits; literature and document reviews; and several concurrent OED Country Assistance Evaluations. The review has received valuable intellectual and financial assistance from the Swiss Agency for Development Assistance and Cooperation (SDC), which included support for a February 1999 workshop involving 19 senior aid coordination officials from recipient countries.

1.5 In conjunction with an evaluation of the Round Table (RT) mechanism conducted by the United Nations Development Program (UNDP), a joint survey of other donor agencies was carried out by the Bank (OED) and the UNDP. The Bank and UNDP reviews and OECD/

A new development cooperation paradigm has emerged.

DAC experience, will form a basis for discussion at a Development Partnership Forum, to be held at the OECD, December 6–8, 1999.

1.6 Although this review has focused on aid coordination at the country level, country-focused aid coordination occurs within important regional and global contexts. A recent interpretation of trends in development assistance indicates that a new development cooperation paradigm has emerged. Fifteen years after the end of the Cold War, a shift from geopolitics to globalization is seen as leading to greater attention to transnational problems. A related shift in agencies' approach to country aid is also observed—from one of entitlement, to one that places importance on effectiveness. The corollary is also drawn that “improved delivery is dependent on far greater coordination among donors than exists today” (Gwin 1999:2). As the attention of donors has shifted from geopolitics, it has also moved to governance and related issues, including human rights and corruption, which neither the Bank nor any of its donor partners would have been inclined to raise in aid coordination discussions even a few years ago.

The Changing Landscape of Aid Coordination

Attention of donors has shifted to governance and related issues, including human rights and corruption.

1.7 The Bank's experience in coordinating aid⁵ began in 1958, when it chaired a consortium of governments and institutions assembled in Washington to avert a foreign exchange crisis in India. The success of this approach for India and Pakistan triggered requests for similar fora. In response, Consultative Groups (CGs) were initiated in the mid-1960s for a number of countries. These consortia and CGs began as “donors' clubs”—recipient countries were not full-fledged members. Meetings were private, and recipient countries were invited to state their case and answer questions. The distinction between “member” and “recipient” was gradually and quietly dropped, and recipients became full participants.⁶

1.8 The number of participants in aid coordination fora for any given recipient country has increased markedly since the first aid consortia. Typically, six or seven donor countries, the Bank, and the recipient government (with the IMF as observer) attended these early meetings. Of about 160 borrower member countries, the Bank currently convenes and chairs CG mechanisms for approximately 60 countries (for a number of East European countries, CGs are jointly chaired with the EU). In addition, the UNDP and partner countries currently convene and chair RT mechanisms for about 20 countries, and Regional Development Banks (RDBs) chair CGs for another 4 or 5 countries. The number of official bilateral and multilateral donors can range up to 50 or more for some recipient countries.

1.9 Paralleling, but far exceeding, this growth has been a mushrooming of nongovernmental organizations (NGOs) in the development arena:

- The number of international NGOs registered in OECD countries grew from 1,600 in 1980 to 2,970 in 1993.⁷
- The growth of registered NGOs (international and local) in borrower countries has been even more dramatic. For example, in Bolivia the figure grew from 100 in 1980 to 530 in 1992, and in Nepal, from 220 in 1990 to 1,210 in 1993.

1.10 As organizer and chair of many aid groups, the Bank has played the role of middleman, which was often difficult, because the Bank was seeking more aid and better terms for recipients. The Bank often served as a counselor and a pacesetter in performance standards, and its power and influence could be enhanced by its representation of donors. But the reverse was also true: it could become a lightning rod for recipient resentment if the Bank was perceived as exercising pressure for reform. Forty years after the first consortium, these concerns have receded as donors and recipients have sought a spirit of partnership as a substitute for the previous hierarchical order.

Some Basic Concepts and Definitions from the Literature

1.11 Notwithstanding the long history of aid coordination efforts and use of the term *aid coordination*, there is little consensus in the development community on its meaning. Part of the problem has been that the objectives and goals of coordination, the means of coordination, and who takes the lead in coordinating tend to become intertwined.⁸ This report adopts the following definition:

Aid coordination comprises activities of two or more development partners that are intended to mobilize aid resources or to harmonize their policies, programs, procedures, and practices so as to maximize the development effectiveness of aid resources.⁹

1.12 This definition focuses on the two long-standing goals of aid coordination: resource mobilization and increased development effectiveness. This review will focus largely on the second goal. The term *harmonize* means bringing the policies, programs, and practices or procedures of development partners into alignment to reduce or eliminate waste and inconsistency.

1.13 The literature distinguishes several levels of aid coordination:

- *Information sharing and consultation*, to understand the activities, plans, and perspectives of other actors.
- *Strategic coordination*, to reach a consensus on policies, strategic objectives, and key procedures and practices.
- *Operational coordination*, to reach agreement on a common program or project to be carried out and financed jointly.¹⁰

1.14 While level one—information sharing and consultation—can be viewed the precursor to aid coordination, it lacks the active harmonization element embodied in the definition adopted above. A key distinction between the second and third levels of aid coordination—the strategic and the operational—is that under strategic coordination, projects continue to be financed by separate donors (although in a manner better integrated with national priorities), while under the latter, donors and the recipient country pool resources to carry out a joint set of activities or programs. Not surprisingly, the literature indicates that aid coordination becomes more difficult for participants as they try to move from one level to the next. Instances of strategic and operational coordination appear to have been most common during periods of crisis (see box 1.1), brought about by severe economic deterioration, food shortage, war, and prolonged violent conflict, rather than in “normal” times (Petesch 1996: 4, 1997: 12). Emerging case study evidence indicates that in some countries, sectoral aid coordination has, even in normal times, moved to the strategic and operational coordination stages.¹¹

International Support for Aid Coordination

1.15 A number of international institutions provide support for aid coordination efforts.

World Bank. The most visible role of the Bank in aid coordination has been to organize and chair about 25 CG meetings a year; over a two-to-three-year period, these involve more than 60 recipient countries.¹² During the past decade, the Bank has become increasingly involved in aid coordination efforts at the sectoral level. It has long been active in coordination at the project level, particularly in setting up co-financing arrangements. A number of countries—including Colombia, Korea, Malaysia, Morocco, Thailand, and Tunisia—have opted out of World Bank–convened CG mechanisms, concluding that it is possible to obtain and manage external resources on their own—from both official and private sources. Argentina, Botswana, Brazil, Chile, and China are among the Bank borrower countries that have rejected participation in a CG mechanism (or RT mechanism in the case of Botswana).

Donors and recipients have sought a spirit of partnership as a substitute for the previous hierarchical order.

Strategic and operational coordination have been most common during periods of crisis.

Box 1.1 Aid Coordination in Post-Conflict Settings

Effective aid coordination is particularly critical in a post-conflict reconstruction setting. Typically, many donors—each with its own agenda—are present, and the financial resources they contribute far outweigh what the recipient country is able to contribute. In such a setting, institutional capacity is often weakened, which makes it essential that another country or external agency coordinate aid. Among the findings of recent country studies of aid coordination in

post-conflict settings are the following:

- The earlier that coordinated action occurs, such as a joint damage and needs assessment, the more likely it is that subsequent aid coordination will be effective.
- The earlier the Bank establishes a resident field presence in a post-conflict setting, the more effective its subsequent aid coordination role will be.
- Early consultation and involvement with a wide range of domestic and international stakeholders, including civil society, the

private sector, and government, are critical.

- An umbrella mechanism that brings together the economic and political dimensions (such as the Ad Hoc Liaison Committee in West Bank and Gaza) is very useful.
- Providing aid within the recipient government's budget, while always desirable, is particularly important in post-conflict settings, where off-budget, bilateral "deals" typically lead to corruption and misuse of resources.
- Multi-donor use of spe-

cial mechanisms and procedures that expedite implementation of reconstruction efforts is also a positive step (such as the Tripartite Understandings of the Palestinians, Israelis, and international donors for West Bank and Gaza; the Bank-administered multilateral Holst Peace Fund, which has provided recurrent budget support for the new Palestinian Authority).

Source: Kreimer and others 1998: 24–25; Balaj and Wallich 1999.

UNDP. The UNDP's sponsorship of Round Tables (RTs) parallels, with some differences, the World Bank's role in CGs.¹³ The first RT was held in 1973, and during the 1990s at least one RT has been held in each of 27 countries. (See Chapter 3 for further discussion of World Bank–UNDP aid coordination relationships.)

IMF. The IMF is a mandated participant in every CG (and chaired the first CG for Ghana in 1965). The Bank and the IMF collaborate closely on all economic documents submitted to CGs.

Regional experience and the RDBs. During the 1960s, the World Bank provided staff support for country reviews in Latin America that were organized and chaired by the Committee for the Alliance for Progress (CIAP). During the same period, Guyana and Honduras organized and chaired their own aid group meetings. The Inter-American Development Bank (IDB) chaired a CG for Ecuador in 1965 and has chaired CGs in Central America since 1995. The Asian Development Bank (ADB) chairs CGs for Papua New Guinea (and has done so on occasion elsewhere in Asia). Recent agreement on a Standard Bidding Document by a Working Group on Procurement is a key step toward procedural harmonization among RDBs and with the World Bank.

European Union (EU). The EU and the World Bank jointly convene and chair CGs for several Eastern European countries. The EU has adopted guidelines on in-country operational coordination with EU member states, consistent with the DAC principles (OECD/DAC 1986).

Major Bilateral Donors. A major bilateral donor may convene a sectoral coordination group or a CG (as with the Netherlands in Indonesia before 1992).

1.16 The OECD Development Assistance Committee (DAC) also supports aid coordination efforts in its role as secretariat to OECD-member bilateral donors. The DAC has long been concerned with issues closely related to aid coordination, such as procurement untying. DAC is invited as an observer to CG meetings, as are the Bank and UNDP to DAC meetings.¹⁴

Chapter 2

Results-Based Conceptual Frameworks

The review uses standard evaluation criteria and key policy benchmarks in assessing historical performance. A framework relating country and donor characteristics to aid coordination arrangements is employed to draw implications for the future.

Evaluation Criteria and Levels

2.2 The Bank's contribution to aid coordination is one of several non-lending services it provides to client members and other partners. Aid coordination, like other aid instruments, should be regularly assessed to determine its contribution to development results. The following questions are framed to reflect the five evaluation criteria employed by OED: relevance, efficacy, efficiency, sustainability, and institutional development:

- How relevant have aid coordination efforts been in addressing the country's development priorities?
- Have the expected development results been achieved (efficacy)?
- How efficiently have they been achieved?
- How sustainable have such efforts been and to what extent have they focused participants on issues of development sustainability?
- How have the approaches to aid coordination affected institutional development?

2.3 Aid coordination can also be assessed against a hierarchy of evaluative levels. At the output level, aid coordination should be assessed by its contribution to the coherence, selectivity, harmonization, and volume of aid. At higher levels, aid coordination should be assessed in terms of its contribution to sound policy and institutional outcomes that, in turn, yield sustained development impacts.¹

Key Policy Benchmarks

2.4 Four documents issued in the 1980s—one by the OECD/DAC and three by the Bank—have been the main sources of policy guidance on aid coordination; they offer a set of benchmarks for the assessment of the Bank's experience.² Three overarching principles flow from these documents: (1) the purpose of aid coordination should be to integrate external assistance with the development priorities of the recipient country; (2) aid coordination should be primarily the recipient government's responsibility; and (3) both recipients and donors should adhere to strategic objectives and investment programs.

2.5 One or more of the four documents also refers to the need to strengthen the institutional capacity of recipient countries; to emphasize in-country aid coordination activities; and for collaboration between the Bank and the UNDP in support of the CG and RT processes.

2.6 Correspondence between these principles and the record of the Bank, other donors, and recipient countries over the last decade has been mixed, particularly for the central tenets of recipient government responsibility and participant discipline. It is also clear that the following two Bank operational recommendations have not been implemented (World Bank 1984 and 1989b):

- Establish a focal point within the Bank for monitoring and overseeing the CG process.
- Promulgate a strategy for transferring leadership for aid coordination to recipient governments.

Relevance,
efficacy,
efficiency,
sustainability,
and
institutional
development.

Determinants of Effective Country-Led Aid Coordination

Characteristics of the Recipient Country

Two key elements of a country's development enabling environment: policy performance and institutional quality.

2.7 The literature identifies two key elements of a country's development enabling environment: *policy performance* and *institutional quality*. Two closely related variables are *country commitment* (ownership of sound development priorities and policies) and the *institutional capacity* to manage and coordinate aid (a subset of institutional quality). Experience suggests that these two variables may relate to aid coordination arrangements and to development effectiveness. High institutional capacity and a firm country commitment are likely to be associated with *country-driven* arrangements that should promote greater development effectiveness than would occur under more donor-driven arrangements. Conversely, the weaker the country commitment and institutional capacity, the more likely it will be that donors will insist on donor-driven aid coordination arrangements in the interests of development effectiveness. The hypothesized relationships are illustrated in figure 2.1.³

2.8 Where capacity is high, but commitment is low, the matrix implies that donors will be intensely engaged with the government in order to minimize the potential for misallocation of resources in countries in which policy commitment is flagging or lacking. This arrangement is referred to as joint sponsorship. Another intermediate case is the reverse: high commitment, but low capacity. Country-driven coordination is possible under these conditions, but *strengthening of institutional capacity* should accompany it. Institutional capacity includes *organizational capability* and *the rules and incentive structures* that affect individual and institutional performance in policy formation, implementation, and the allocation of resources.⁴

Development Assistance Characteristics

2.9 How can a country move to the country-driven quadrant? Depending on the current quadrant, the answer may be to strengthen country commitment, strengthen capacity, or do both. But the characteristics of donors and international agencies also have a bearing on the relative ease or difficulty of moving to effective country-led aid coordination. Figure 2.2 illustrates the influence of development assistance characteristics.

Figure 2.1: Country Characteristics and Aid Coordination

<i>Institutional capacity</i>	<i>Country commitment</i>	
	<i>High</i>	<i>Low</i>
<i>High</i>	<i>Country-driven</i>	<i>Joint-sponsorship</i>
<i>Low</i>	<i>Country-driven (with institutional strengthening)</i>	<i>Donor-driven</i>

Figure 2.2: Development Assistance Characteristics and the Aid Coordination Environment

<i>Number of donors and agencies</i>	<i>Development orientation</i>	
	<i>High</i>	<i>Low</i>
<i>Low</i>	<i>Favorable</i>	<i>Relatively difficult</i>
<i>High</i>	<i>Challenging</i>	<i>Very difficult</i>

2.10 When donors and agencies have a high development orientation and are relatively few in number, the conditions for achieving country-led aid coordination are favorable. As the number of donors (and projects) increases, however, the environment for aid coordination becomes more challenging. Moreover, as non-development motives for providing aid—such as the commercial interests of donors—become dominant, effective country-led coordination becomes problematic. While the end of the Cold War has reduced the dominance of the ideological motive for providing aid, geopolitical considerations are still at work.⁵

Mutual Responsibility and Distinct Accountabilities under Country Leadership

2.11 Effective aid coordination involves a process leading to agreement by the recipient country, donors, and international agencies that all partners will accept mutual responsibility for achieving development outcomes. Each set of partners—country, donors, and agencies—also accepts distinct accountabilities. The accountabilities for the country include a commitment to develop sound policies and effective institutions. Those for the donors include adopting a development orientation, achieving coherence with country development priorities and selectivity along lines of comparative advantage (thus addressing the “numbers” issue), providing effective assistance in capacity building in order to create a level playing field for all partners, and supporting country-led efforts to achieve these objectives.⁶

As non-development motives for providing aid become dominant, effective country-led coordination becomes problematic.

Chapter 3

Stakeholder Views and Related Findings

This chapter synthesizes the views of 133 respondents to a survey completed by Bank staff, government officials, and local donor representatives. The survey included multiple-choice questions, which asked for a rating from 1 to 5 (lowest to highest). These questions were supplemented by narrative questions. The findings of other components of the review, including two workshops, three country visits, and reviews of the literature and statistical data sources, are also woven into the discussion. The material is organized by the five evaluation criteria: relevance, efficacy, efficiency, sustainability, and institutional development. (Survey methods and other data sources are discussed in more detail in Annex 2.)

Relevance: Broadening Commitment, Participation, and Agendas

3.2 The survey asked respondents to assess the relevance of aid coordination activities with regard to four widely accepted development goals. As figure 3.1 illustrates, poverty reduction consistently rated higher than the other goals.

3.3 Three factors have a potential bearing on the relevance of aid coordination efforts: (1) the commitment and role of the recipient government; (2) the extent of participation by country stakeholders; and (3) the agendas and venues for aid coordination fora.

Poverty reduction consistently rated higher than the other goals.

Commitment and Role of the Recipient Government

3.4 As suggested in Chapter 1, the role of the recipient government in aid coordination has expanded substantially since the first consortia—recipients now see a major role for themselves. Participants in the February 1999 workshop unanimously subscribed to the proposition that their governments should be seen as “managers of aid rather than recipients.” A strong government commitment to a lead role can also be inferred from figures 3.2 and 3.3, which depict the views of survey respondents on the role of the recipients in aid coordination—both in general, and with respect to in-country coordination.

The Bank’s Experience

3.5 In contrast to the views of government and local donors, Bank staff survey respondents were, on average, neutral about the extent to which government should assume responsibility—see figure 3.2. However, among respondents who were neutral or negative about government assumption of responsibility, figure 3.2 indicates that government preference for the Bank to play a leading role and lack of government capacity were selected as relatively important reasons for their view. As figure 3.3 indicates, Bank staff and local donor representatives were also ambivalent about whether an active recipient role is a prerequisite for in-country aid coordination efforts, or even whether government should always chair in-country coordination meetings. Between half and two-thirds of these respondents indicated neutral-to-negative ratings on these questions.

3.6 Several governments have participated actively in recent years in convening and chairing local meetings, set-

Figure 3.1: Relevance of Aid Coordination Activities

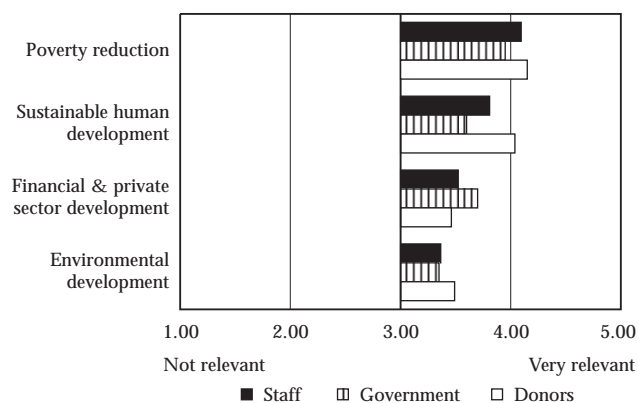


Figure 3.2: Role of Partner Government in Aid Coordination

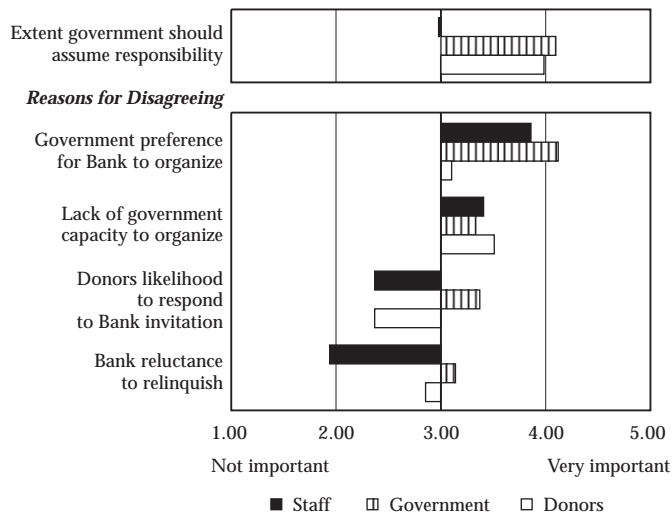


Figure 3.3: In-Country Aid Coordination

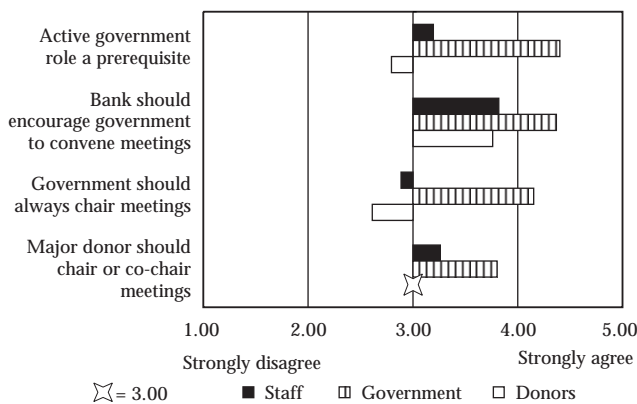
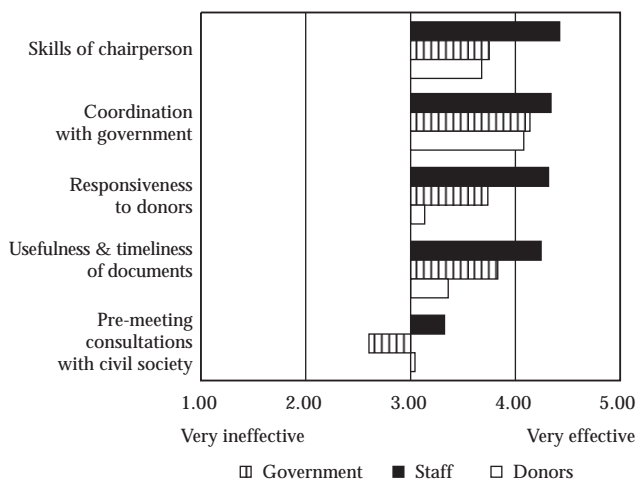


Figure 3.4: Effectiveness of Bank Coordination Support



ting the agendas, and preparing for the annual or biannual apex CG meeting (whether held within or outside the country). They are also participating more intensively in carrying out the preparatory analytical work that contributes directly and indirectly to aid coordination. Among the countries where signs of such participation have appeared are Bolivia, Ethiopia, Ghana, Tanzania, Uganda, and Vietnam.¹ The Bank has played a supportive role in these cases. In other countries, however, much of the initiative and preparation for the CG process still rests with the Bank, which also remains the sole convener and chair of most CG meetings.

3.7 Although these developments demonstrate that progress has been made, the Bank still tends to be seen as dominating the aid coordination process, and a number of donors and recipient countries still welcome the Bank's role. As shown in figure 3.4, survey respondents rated the Bank relatively highly on the effectiveness of its coordination with the government in preparing and conducting the most recent aid coordination meeting. At the same time, donor representatives criticize CGs as excessively formalistic, marked by lengthy "set speeches" and posturing, rather than genuine dialogue.²

Breadth of Stakeholder Participation

3.8 The participation of nongovernmental stakeholders—civil society and the private sector—in aid coordination processes has been the subject of increased attention and debate.³ Of the myriad entities within civil society, NGOs have been the focus of the most attention. In addition to providing services for development and humanitarian work at the grassroots level, many NGOs can—and do—engage in advocacy with governments and donors on matters affecting their interests. Private sector participation in aid coordination generally occurs through intermediary organizations that represent private sector interests, such as chambers of commerce and industry and other business associations.

3.9 Nongovernmental stakeholders are participating in aid coordination in some form in a number of countries, but the extent and the nature of their participation are in a flux. In most cases they participate on the margins of formal aid coordination activity, largely before and after CG meetings. In some countries, the involvement of nongovernment entities in aid coordination, particularly in CG meetings, is controversial and not fully accepted. A continuing issue is the difficulty of selecting a few representative spokespersons, especially in view of the great diversity within civil society.

3.10 Differences among groups of aid coordination participants about the relative importance of aid coord-

dination objectives reveal ambivalence over the role of nongovernmental sectors. Figure 3.5 suggests that engaging these sectors is a more important objective for the local donors who responded to the questionnaire than it is for either Bank staff or government respondents. The differences between government and donor responses are apparent in their frequency distributions. While about half of donor representatives thought engagement of these sectors was important or very important, less than 20 percent thought it unimportant. Government respondents were about equally divided in viewing this objective as important or unimportant.⁴

3.11 After considerable debate, most government participants in the February 1999 workshop came to the following conclusions about involving civil society in aid coordination:

- In spite of differences in the relative size, composition, and traditions of civil society in different countries, governments should be encouraged to experiment with a variety of means of involving civil society in priority setting and aid coordination.
- Involving civil society in the process involves both risks and opportunities. Risks include the potential for international manipulation and the effect of prolonged consultations on the timeliness of decisionmaking and implementation. Opportunities include consensus building that creates societal support for needed reforms, strengthened commitment to implementation, and increased transparency.
- Donor engagement with local civil society should occur with the concurrence, presence, and participation of government, and not independent of it.

The Bank's Experience

3.12 The Bank has given substantially more attention to cooperation with civil society (particularly NGOs) and the private sector in recent years, but is still in a tentative, experimental mode when it comes to actively seeking their increased involvement in aid coordination processes. This was clearly the case in the three countries visited for the review. Consistent with this finding, the results of the questionnaire surveys indicate that respondents rate the Bank's effectiveness in pre-meeting consultations with civil society lowest among five aspects of the Bank's support for aid coordination (see figure 3.4). About 70 percent of each of the three respondent groups rated the Bank's effectiveness in this respect as nil or ineffective. One reason for this may be that in a number of countries, the government's attitude is ambivalent, if not indifferent, toward civil society.

3.13 Ambivalence toward engaging civil society and the private sector in aid coordination processes was most evident in three CDF pilot countries: Ethiopia, Ghana, and Vietnam. Views on this issue, elicited from representatives of these sectors and from government and donor officials in each country, are summarized in box 3.1.

The difficulty of selecting a few representative spokespersons, in view of the great diversity within civil society.

Box 3.1 Civil Society and Private Sector Participation in Three CDF Pilot Countries

In view of the resources they bring, international NGOs (INGOs) are generally accepted as donors by recipient governments, although grudgingly or with suspicion in some instances. When it occurs, INGO participation in aid coordi-

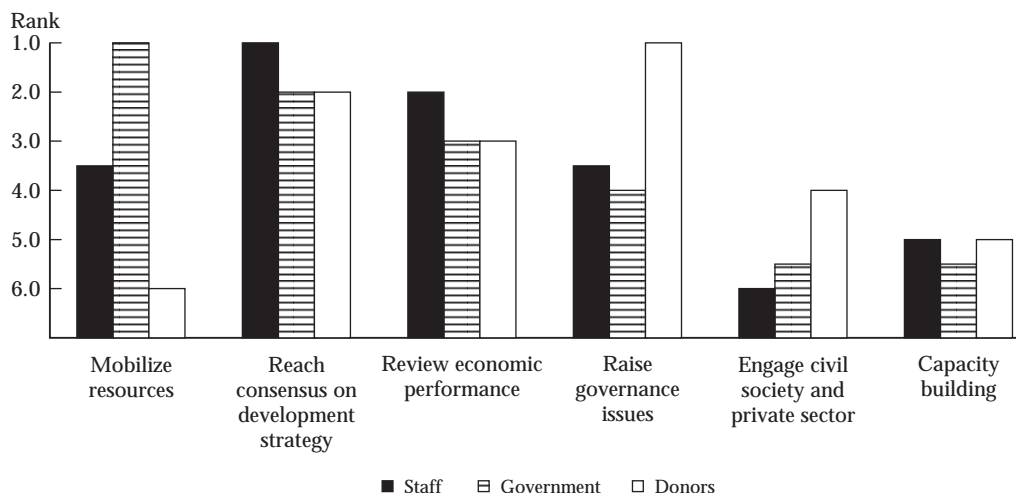
dination mechanisms tends to be greater at the local and implementation levels, rather than at the planning and national levels. With two exceptions—an INGO-selected observer at the last four CGs and a private sector observer at the most recent CG—full CGs have

been closed to NGOs. Civil society and the private sector are invited to in-country, "mid-term CGs" in one country. National NGOs (NNGOs) tend to be fragile and their relationships with government problematic, particularly

if they are engaged in advocacy.

In each country, civil society and the private sector have major concerns about the governance environment.

Figure 3.5: Objectives of Aid Coordination



Participants are less than unanimous regarding aid coordination objectives and agendas.

Agendas and Venues

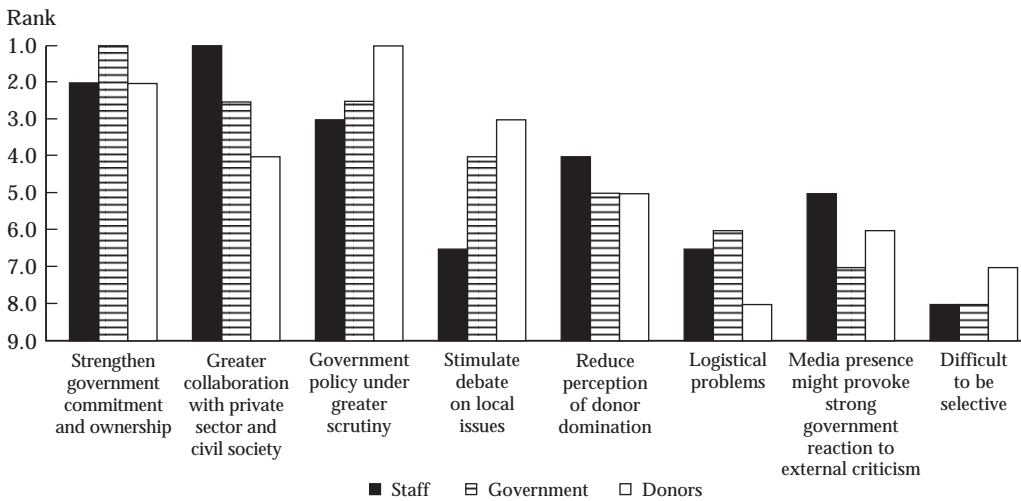
3.14 As noted, the focus of early aid coordination fora on aid mobilization has broadened. It now includes harmonizing donor policies and practices; negotiating economic policy reforms at the macro and sectoral levels; and, more recently, dialogue on a wide range of development-related issues. As shown in figure 3.5, however, participants are less than unanimous regarding aid coordination objectives and agendas. While reaching a consensus on development strategy and reviewing economic performance are consistently ranked high, there are sharp differences among respondents with respect to other objectives. Donors rank resource mobilization lowest, but governments rank it highest. Donors rank governance first, but it is among the less important objectives for governments. Bank respondents ranked both objectives in the middle, after consensus on development strategy and review of economic performance.

3.15 A recent Bank paper envisions apex-level aid coordination meetings, such as CGs, being convened and chaired by the recipient country, which has made the question of venue for such meetings a significant issue (World Bank 1998e: 2). While most CG meetings chaired by the World Bank are still held in donor capitals—the majority in Paris—16 CGs were held in the borrower country from 1996 through 1999.⁵

3.16 Views among participants on this issue vary widely, although on balance they favor at least some shift toward an in-country venue. Figure 3.6 shows how survey respondents ranked the potential advantages and disadvantages of holding in-country CG meetings. In almost every case, they emphasized the advantages of an in-country venue over the disadvantages. All three groups of respondents see the strengthening of government commitment and ownership as a main advantage of in-country CGs, but greater public scrutiny and collaboration with civil society and the private sector are also ranked relatively high. These meetings do tend to be heavily attended by government officials. For example, more than 100 officials attended the 1997 Aid Group Meeting in Bangladesh, and a high-level 70-member delegation accompanied the President of Tanzania in opening the 1997 in-country CG meeting.

3.17 These potential advantages of in-country meetings were reinforced in interviews with representatives of government, donors, and civil society during country visits. Box 3.2 summarizes several other advantages and disadvantages noted in the survey responses, workshops, and country visits. Reflecting these considerations, several Bank staff and other donor representatives favored alternating CG meetings between Paris (or some other donor country

Figure 3.6: Advantages and Disadvantages of In-Country CG Meetings



city) and the recipient country. Some countries (Indonesia, for example) have initiated this practice. Government participants at the February 1999 workshop cautioned against the simple conclusion that holding aid coordination meetings either inside or outside the country is inherently desirable. Progress, toward strengthening government ownership of the coordination process however, could lead to more in-country CG meetings.

Efficacy: Assertiveness Is Not Effectiveness

Poverty Reduction and Other Impacts

3.18 The ultimate test of the efficacy of any aid instrument, including aid coordination, is the results it produces on the ground. Clearly it is difficult to attribute development results to aid coordination when there are so many other potential intervening influences. But this difficulty does not diminish the importance of the attribution question. Survey respondents answered questions on the impact of aid coordination as it relates to the same broad development goals discussed earlier (see the section entitled Relevance: Broadening Commitment, Participation, and Agendas).⁶ The results shown in figure 3.7 are somewhat similar to those for relevance (see figure 3.1), in that poverty reduction received the highest average score among the three groups of respondents. The differences among the four goals, however, are not as clear-cut as they were for relevance. Furthermore, the average scores, while generally above the mid-point, are in most cases less than they were for relevance. More revealing is the distribution of responses by score. Figure 3.8 shows that even for the poverty-reduction goal, about half of the responses from the Bank and government, and three-quarters of responses from local donors, rated the impact of aid coordination activities as neutral or—as in the case of one government and eleven donor responses—negative.

The ultimate test of the efficacy of any aid instrument is the results it produces on the ground.

Outcomes

3.19 Outcomes are the enabling conditions for achieving development impacts. The results shown in figure 3.9 indicate that survey respondents assessed aid

Figure 3.7: Impact of Aid Coordination

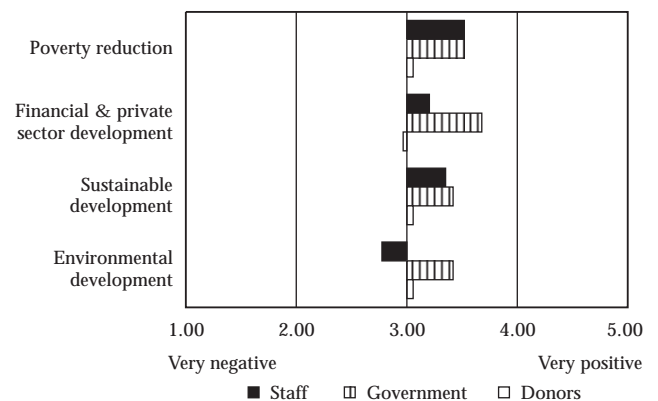
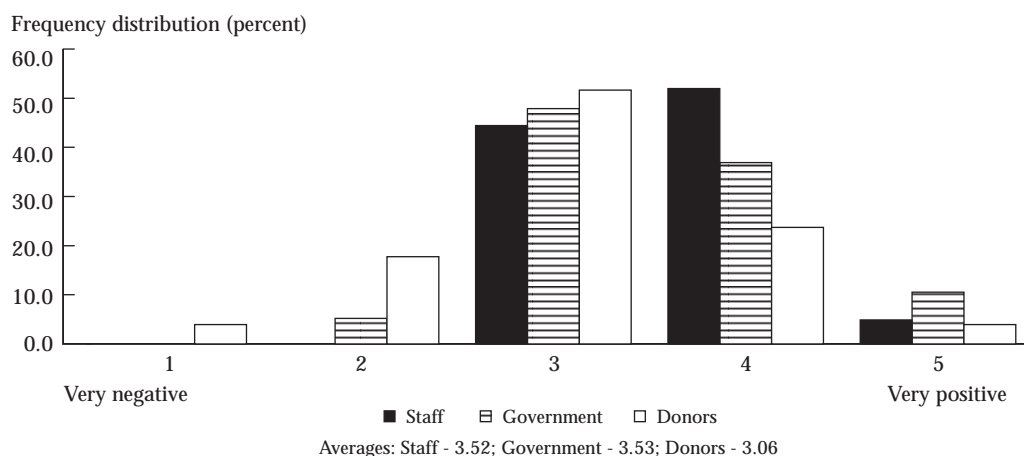
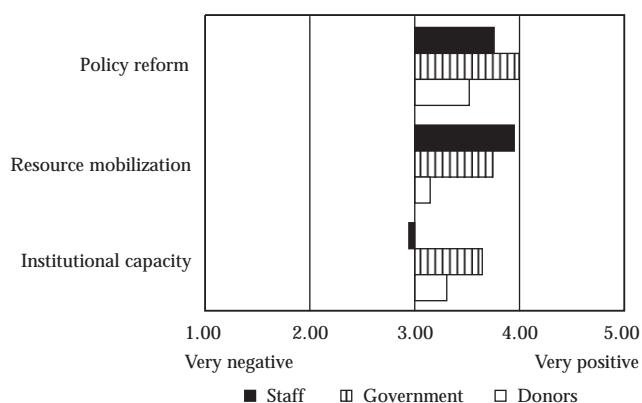


Figure 3.8: Impact of Poverty Reduction for Aid Coordination



coordination as having a positive effect on outcomes related to policy reform and resource mobilization. Influence on institutional capacity was seen by governments as less, and by Bank staff as much less, than on policy reform and resource mobilization. The distribution of scores demonstrates that while about a third of government responses indicated no influence

Figure 3.9: Outcomes of Aid Coordination



or negative influence on institutional capacity, almost half of local donor respondents and over 80 percent of Bank staff responses were in this category.⁷

Outputs

3.20 While it may be difficult to trace the effect of aid coordination efforts at the impact, and even at the outcome, levels, results at the output level should be clear. These outputs can be viewed in effects on the amount of aid and the strategies, policies, procedures, and practices of donors. Figure 3.10 presents the results from a series of questions about the ability of aid coordination to focus the attention of donors on development priorities and maintaining adequate aid volume. Views diverged more sharply for questions regarding the ability of aid coordination to produce more coherent donor support for national development priorities, with government responses

slightly negative on average. Respondents were very close to neutral in their views of the effect of aid coordination on selectivity—that is, on the pursuit of comparative advantage by donors.

Box 3.2: Additional Advantages and Disadvantages of In-Country CGs

Advantages:

- Broader participation by the recipient government—line ministries and local government
- Affords donor headquarters officials a first-hand view of the partner country
- Greater transparency

for recipient country nationals.

Disadvantages:

- A shift to the recipient country could lead to a downgrading of the level of donor representation at CGs. But all those interviewed in country visits, including local donor representatives,

either did not think that donor representation would be downgraded, or were not concerned by the prospect.

- Government officials have been known to express a preference for meeting outside the country, owing to the sensitivity of CG issues.

- Donor representatives might be less objective in their decisions in an in-country setting.
- Paris is a desirable venue because of its central location in Europe, and the Bank's facilities there were expressly designed to accommodate CG meetings.

3.21 As shown in figure 3.10, with respect to harmonizing donor's procedures and practices, all three groups of respondents were, on average, moderately negative in their assessment of the effect of aid coordination. The distribution of scores indicates that 42 percent of all respondents rated the effect of aid coordination on donor procedures and practices as negative or very negative. There was little variation among the three groups of respondents here—Bank responses were slightly above the overall average, and government responses slightly below. Fifteen of 20 responses from government were neutral to negative on this issue, and participants in the February workshop singled out harmonization of donor policies and procedures as the first thing donors should do to improve aid coordination.

3.22 These results are generally consistent with findings from other data sources. Greater coherence is claimed as a result of aid coordination efforts, but there is little systematic evidence to support the claims. It is seldom asserted that selectivity in comparative advantage is being tackled by aid coordination groups—even at the sectoral level. Unfortunately, the more common situation in countries that depend heavily on aid is what might be characterized as the *aid-bombardment syndrome*.

The Aid-Bombardment Syndrome

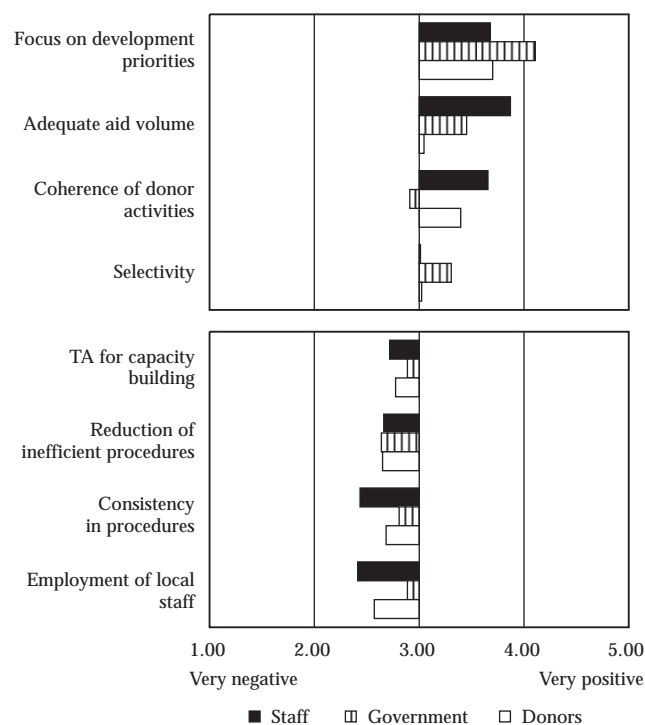
3.23 This syndrome (an unintended consequence of poor aid coordination) is apparent in countries where the sheer volume of resources and numbers of donors, activities, and complex and inconsistent procedural requirements overwhelm the government's capacity to plan, budget, manage, monitor, and evaluate. Countries that have experienced aid bombardment include Kenya and Zambia in the mid-1980s, which had about 600 projects supported by 60–70 donors. Similarly, Tanzania in the early 1990s had more than 2,000 projects supported by some 40 donors (van de Walle and Johnston 1996: 49).

3.24 OECD/DAC data on donor funding commitments illustrate the problem in a larger group of countries. Annual commitments to 25 low-income, aid-dependent countries averaged close to 400 per country between 1994 and 1996.⁸ The results of another DAC exercise suggest, but probably underestimate, the magnitude of the problem by sector (OECD/DAC 1999b).⁹ The data reveal that ten of the poorest and most aid-dependent countries had, on average, more than eight active official donors in the education and health sectors alone. Mozambique was in the top of all three sectors, with 19 reported donors in education, 16 in health, and 14 in agriculture. Tanzania and Ethiopia followed with 14 donors each in health, 14 in education for Tanzania, and 13 for Ethiopia.

Wasteful Competition—the Costs of Poor Aid Coordination

3.25 The literature is replete with descriptions of donors who compete with each other for scarce host country talent to design and implement their own projects. These projects are carried out on an ad hoc basis in so-called Project Implementation or Management Units (PIUs/PMUs). These units are separate from the line ministries that have the mandate—but lack the capacity—to do the job. They often drain government capacity and bring in highly paid expatriate consultants to fill technical and managerial positions.¹⁰ In these circumstances, poor aid coordination tends to weaken institutional capacity and reduce development effectiveness. (See box 3.3.)

Figure 3.10: Outputs of Aid Coordination



A common situation in countries that depend heavily on aid is what might be characterized as the aid-bombardment syndrome.

Box 3.3 The Impact of Stand-Alone Projects on Institutional Capacity in Africa

Reliance on independent local structures can destroy local institutional capacity. Because many routine ministerial functions have devolved to various projects, the central administration is starved of attention and

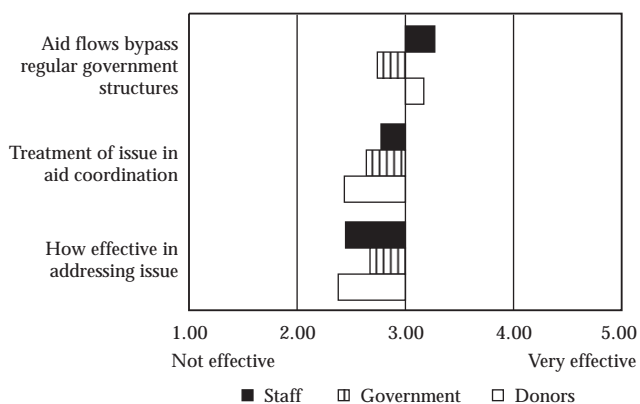
resources and given over entirely to patronage and rent-seeking, with predictable effects on morale and institutional capabilities. The projects often hire the government's most qualified or the most ambitious staff. Situations of consid-

erable disparity develop between the parts of the state apparatus that have adequate resources from aid support and the parts that cannot perform basic functions for want of resources. In the long run, the decay of parts of the central ad-

ministration becomes a self-fulfilling prophecy, because they have never gained the experience in implementation necessary to improve performance.

Source: van de Walle and Johnston 1996: 67-68.

Figure 3.11: Integration of Aid Resources



3.26 Survey questionnaires asked respondents to indicate the prevalence of stand-alone projects in the country, as well as the extent and effectiveness with which this issue was treated in aid coordination meetings. While respondents perceived this approach as only moderately prevalent, they rated as “ineffective” the attempts of aid coordination fora to address the problem (figure 3.11). About one-third of government and one-half of Bank staff/management and other donor respondents rated aid coordination as ineffective to very ineffective on this issue.

3.27 Poor aid coordination can add substantial costs to the delivery of aid for both recipient and donors, but the burden on a low-income country can be particularly heavy. In a setting with multiple donors and a coun-

try with fragile institutional capacity, poor coordination can impose a significant burden on the government. This burden is an accumulation of various factors, including onerous reporting requirements, each with its own detailed specifications, and numerous, uncoordinated visiting missions. For example, in one country visited during this review, each of the two largest donors sends from 20 to 30 visiting missions each month to the country for strategy formulation, operations design and appraisal, supervision, or evaluation. Available evidence, while not systematic, indicates that the Bank is not immune from imposing such burdens.¹¹ Box 3.4 suggests the magnitude of the problem in Africa.

3.28 It is well-known that donors reduce the value of aid by requiring donor-financed goods and services to be purchased from the donor country. This practice, known as *tying*, is

Box 3.4 The Cost of Poor Aid Coordination

A conservative estimate for a typical African country is that 600 projects translates into 2,400 quarterly reports a year submitted to different oversight entities,

and more than 1,000 annual missions to appraise, monitor, and evaluate. Each mission asks to meet with key officials, and each will ask the government to comment on its report. The

most common complaint voiced by officials interviewed for seven case studies of aid management in Africa was that aid “imposes too many administrative burdens.”

Source: van de Walle and Johnston 1996: 50.

estimated to reduce the value of aid by about 25 percent of total ODA (World Bank 1998a: 6). If aid coordination efforts could significantly reduce tying, they would clearly be cost-effective. A recent evaluation concluded that the Special Program of Assistance for Africa (SPA) had

made the most progress in harmonizing donor procedures to untie and streamline procurement practices for import support aid programs, but that “procedural difficulties” remained (World Bank 1998i: 8). The OECD/DAC has spent decades attempting to reach an agreement among its members on untying, but progress remains elusive.¹²

The Sector Program Approach—Good Practice in Aid Coordination?

3.29 Some sector program approaches (SPs) supported by the Bank and other donors are taking incremental steps in the direction of more effective aid coordination, but few of these efforts have fully realized their potential benefits. Analysis and experience indicate that to be successfully implemented, SPs require two main preconditions: a stable macroeconomic environment and a comprehensive budget process that adheres to a sound mid-term expenditure framework (Jones 1997, 1999). Other preconditions considered to be important prerequisites for effective sector approaches include:

- An approach that is truly sector-wide in nature, covering all relevant public expenditure and policies
- A clearly articulated sector strategy, accepted by all participants
- An agreement among all main donors to participate
- Transparent sharing of relevant information by all participants
- Implementation arrangements made in common by all donors to the extent possible
- Minimization of long-term technical assistance
- Acceptance by partners of joint accountability for program success
- The willingness of donors to co-finance the program by contributing to a common budget.¹³

Tying is estimated to reduce the value of aid by about 25 percent of total ODA.

Box 3.5 Approaches to Aid Coordination in the Health Sector in Mozambique

A recent analysis of aid coordination in the health sector in Mozambique suggests several factors that affect its contribution to effective development. (Pavignani and Durão 1997). The analysis found that incremental approaches, where objectives are set lower at the beginning and progressively raised as the system is strengthened, have been crucial to progress. It also concluded that critical factors have included widely shared information, committed leadership, frankness, risk-taking, and a long-term perspective.

Box 3.6 Do Sector Programs Result in Donor Concentration?

Some concentration might be expected in Ghana, where sector groups have been active in agriculture, education, health, and transportation (roads) for at least a decade. However, OECD/DAC data reveal a mixed picture:

- Donor numbers reported in each sector expanded sharply from the mid-1980s to the early 1990s, but so did aid committed.
- In the 1990s the number of donors declined slightly in agriculture and health, but aid fell much more steeply, while the number of donors increased from 15 to 19 in education, which experienced a decline in commitments of about 50 percent.
- Only transportation shows an unambiguous increase in donor concentration, with donor numbers declining from 15 to 13, while aid continued to grow.
- Overall, the average number of sectors per donor in Ghana increased from 20 to 27 from 1984–86 to 1994–96.
- Findings from a forthcoming OED Tanzania Country Assistance Evaluation find a similar diffusion and lack of donor concentration over the most recent decade.
- While other factors undoubtedly affect the number of donors, it seems reasonable to expect that sector program efforts to achieve greater coherence and selectivity will lead to greater concentration.

Box 3.7 Ethiopia ESDP: Achievements and Issues

A recent review of the preparation phase of the Ethiopia Education Sector Development Program (ESDP) comes to the following conclusions.

Positive Achievements:

- The Government of Ethiopia (GOE) has demonstrated strong and determined ownership and commitment.
- A decentralized approach has been

employed that is responsive to the Regions.

- Stronger GOE planning capacity has been built through “learning by doing.”
- A high degree of coordination among donors has been created by GOE insistence on joint missions.
- The entire sector was covered.
- Good analysis was conducted of procedures

and harmonization issues.

Unresolved Issues:

- There was little policy dialogue between GOE and donors, with the exception of the Bank, in earlier phases.
- Differences in donor procedural and documentation requirements delayed some donor participation.
- Donor concern about weak financial man-

agement procedures delayed funding or resulted in the use of different GOE funding channels, which made it difficult to set up accountability systems.

- There were widely differing perceptions of capacity needs, with sharp disagreements over technical assistance (TA) needs and modalities.

Source: Martin and others 1999: 39–42.

Donor concerns about financial management capacity surfacing as a key obstacle.

3.30 Taken together, these are stringent conditions to satisfy. The last item, in particular, contributions to a common budget, has been realized in only a few instances. Health SPs in Bangladesh, Ethiopia, Ghana, and Mozambique include this feature, but all donors do not contribute through the common fund. A key factor in the Ghana experience is the investment that donors made over a period of several years to strengthen the financial management systems of the Ministry of Health. This helped build donor trust in the ministry and was a key prerequisite for obtaining donor agreement (Peters and Chao 1997: 184–85). Even in this case, however, only one-third of all donor resources for the health sector flow through the common fund, and no donor provides completely unearmarked resources. The intensive Sector Development Program (SDP) efforts in education and health in Ethiopia are noteworthy for the unusually high degree of country commitment in their design. Implementation is proving to be difficult, however, with donor concerns about financial management capacity surfacing as a key obstacle to contributions to the sector-wide budget, particularly unearmarked funds (see box 3.7).

3.31 There is potential for tension between the sector program approach, which presumes a degree of central planning, and government decentralization. Decentralization could adversely affect aid coordination and development effectiveness if each donor had to deal independently with a different local jurisdiction in a decentralized environment. Another potential weakness is that SPs might exclude other development actors, such as NGOs, which may be quite active in a given sector and be able to contribute significantly to both the design process and implementation. Experience to date indicates relatively widespread involvement of these organizations at the implementation stage, but much less at the design stage.

Resource mobilization is the highest priority objective of aid coordination for governments.

Aid Coordination Effectiveness and Aid Volume

3.32 As illustrated in figure 3.10, government respondents viewed aid coordination as having a modest influence on aid volume at the country level, while local donor representatives saw it as having a neutral influence. Figure 3.5 suggests that resource mobilization is the highest priority objective of aid coordination for governments; for donors, such objectives as governance and economic performance rank higher in importance. However, several survey responses from donor headquarters little connection between more effective aid coordination and higher global ODA levels. If such a connection existed, it could send a message from donors that would reinforce decisions by recipient governments to institute the politically

difficult reforms that might be needed to strengthen capacity.¹⁴ For example, strengthening the coordination role of a finance ministry could meet strong resistance from politically powerful line ministries. Ministers may resist giving up control over resources, particularly where their control is linked to corruption (Disch 1999:3).

The Bank as Donor-Partner

3.33 As suggested by the survey results shown in figure 3.4, with the exception of pre-meeting consultations with civil society, the three groups of respondents ranked the Bank’s support for aid coordination as relatively effective. Bank respondents, however, rated this support consistently higher than did government officials or local donor representatives.

3.34 Several donors who responded to the survey noted Bank-UNDP tensions. Some ascribe these tensions to a lack of clarity in their roles in aid coordination. Three agreements between the two institutions between 1986 and 1996 have sought to clarify these roles. The 1996 agreement states that the country’s preferences are to be respected with regard to choice of consultative arrangement, and that “neither the CG, the RT, nor other coordination mechanism should be regarded a priori as the preferred mechanism.” Furthermore, if a government indicates that it wishes to change from a CG to an RT or vice versa, the Bank, UNDP, and the government will consult on the request at an early stage.¹⁵

3.35 Despite this attempt to spell out an orderly process, actual experience has been uneven. Some transitions have occurred with mutual agreement. For example, after initial UNDP aid coordination leadership, Vietnam became a CG country. The government and the resident representatives of both the Bank and the UNDP recognized that a CG was more appropriate than an RT, in view of the major capital financing requirements projected for the

Several noted Bank-UNDP tensions.

Figure 3.12: Relative Benefits and Costs of Aid Coordination

<i>Costs to donors</i>	<i>Benefits to recipients</i>	
	<i>Low</i>	<i>High</i>
<i>High</i>		<ul style="list-style-type: none"> • Untying for projects • Untying for import aid • Unearmarked contributions to Common Fund • Common procurement and disbursement procedures • Increased selectivity (comparative advantage)
<i>Low</i>	<ul style="list-style-type: none"> • Common budget cycles • Better information exchange 	<ul style="list-style-type: none"> • Joint missions • Earmarked Common Fund contributions • Common reporting procedures • Increased coherence with country priorities

By far the most common criticism was a perception, particularly by local donor representatives, of arrogance and insensitivity by visiting Bank missions.

country.¹⁶ However, there are other cases where interest expressed by the government for a change of aid coordination mechanisms has led to misunderstandings and tension between the Bank and the UNDP.

3.36 An example of positive collaboration has been coordination of this review with a parallel evaluation of the Round Table mechanism conducted by the UNDP. There have been periodic consultations and a joint survey of other donor agencies. The two reviews and OECD/DAC experience will form the basis for discussion by the Development Partnership Forum at the OECD, December 6–8, 1999

3.37 When donors and recipients were asked in the survey questionnaire to identify the three main weaknesses of the Bank's role in aid coordination, by far the most common criticism was a perception, particularly by local donor representatives, of arrogance and insensitivity by visiting Bank missions.¹⁷ Several also faulted the Bank's lack of transparency and timeliness in consultation and the sharing of relevant information. They also cited a lack of openness to their participation in processes that relate to more effective coordination (for example, the strategy-development process). One particularly damaging instance reported to an OED Country Assistance Evaluation (CAE) team occurred when a visiting Bank mission ignored policy agreements that had been reached between the government and other donor representatives, thereby setting back the policy reform process.¹⁸

The more important costs of aid coordination relate to measures associated with harmonizing procedures and bringing about greater integration of assistance.

Efficiency: The Benefits and Costs of Aid Coordination

3.38 The potential benefits of improved aid coordination include more positive outcomes and longer-term development impacts. As suggested earlier, they could also lower the cost of delivering aid, which in effect would release more aid resources directly to development. Aid coordination activities themselves incur costs—for example, the costs of participants' time, publications, travel, meeting facilities, and the like.¹⁹

3.39 While not trivial, the direct cost to the World Bank of providing aid coordination services is relatively small; a generous estimate is less than 3 percent of the Bank's Core Development Services budget, which totaled about US\$900 million in FY95 (see Annex 3 for further discussion). As perceived by participants (particularly donors), however, the more important costs of aid coordination relate to measures associated with harmonizing procedures and bringing about greater integration of assistance. The benefits arise from the reduced burdens and increased value of aid that would flow to recipient countries from undertaking such measures. While few quantitative estimates of these costs and benefits are available, it is possible to give an indication of the relative significance of the various integration and harmonization efforts that have been attempted in aid coordination fora. Figure 3.12 lists costs to donors and benefits to recipients from *low* to *high* on the vertical and horizontal axes, respectively.

Figure 3.13: Recurrent Costs

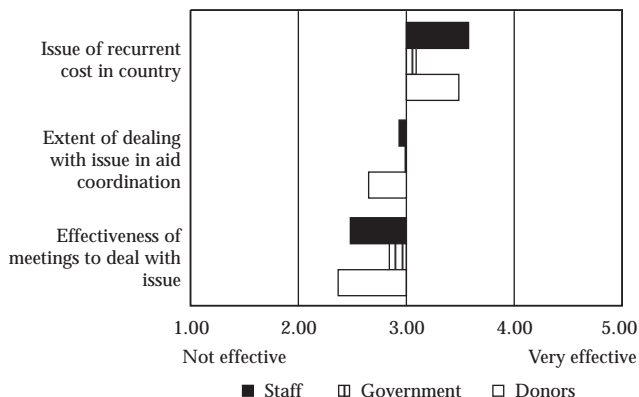


Figure 3.12 lists costs to donors and benefits to recipients from *low* to *high* on the vertical and horizontal axes, respectively.

3.40 The placement of measures among and within the quadrants of Figure 3.12 reflects a sense of their relative benefits and costs, as indicated by the information collected for this review. Their exact placement can, of course, be debated. It will also vary among some countries and sectors. The purpose of the exercise is to suggest that aid coordination entails certain costs and benefits that must be acknowledged.²⁰

Sustainability: From Information Sharing to Strategic Coordination

3.41 There are two aspects to the issue of sustainability and aid coordination: the sustainability of the aid coordination efforts themselves and whether and how effectively aid coordination fora deal with issues relating to the sustainability of development. A basic prerequisite for successful and sustained aid coordination at the sector level is open information sharing among partners. The visiting OED team heard complaints from government representatives about the difficulty of obtaining information on planned and ongoing donor activities. Donors complained about a lack of information on government budget and accounts. Another complaint was that some aid coordination meetings were limited to information sharing. The concern was that the sustainability of these meetings would be problematic unless they progressed to strategic coordination and dealt with policy and program issues. Some suggested that there were more efficient ways of sharing information, such as the Internet.²¹

3.42 A common issue in project assistance in many low-income countries has been the failure to adequately address the recurrent costs of projects. This typically has serious if not fatal consequences for sustainability. Survey questionnaires asked respondents to indicate the magnitude of the recurrent cost issue in their country of responsibility, as well as how well the issue was dealt with in aid coordination meetings. The results, shown in figure 3.13, indicate that while respondents perceived the recurrent costs issue as only moderately prevalent, they generally rated aid coordination meetings as ineffective in addressing the problem. Almost half of all respondents (and almost 60 percent of donor respondents) rated aid coordination as ineffective to very ineffective in dealing with this issue.

A common issue in low-income countries has been the failure to adequately address the recurrent costs of projects.

Institutional Development: Can Capacity Building Be Demand-Led?

3.43 The overall record of donor assistance to strengthen capacity for aid management and coordination has been mediocre, if not poor. The UNDP has critically evaluated its own extensive experience in providing assistance for capacity building in Africa.²² Capacity building was still a major issue in the countries visited for the OED review. Both donors and government complained of poor quality and supply-driven TA. The better experiences included bringing outstanding experts (with UNDP funding) to Vietnam for a series of short-term visits and the UNDP-funded National Execution (NEX) program in Ethiopia, where the government has had the flexibility to identify experts and their country of origin.²³

3.44 The discussion of institutional capacity in Chapter 2 emphasized the need to unbundle, or separate, the concept into three major components: organizational capability, internal and external rules, and incentives. These components need to be examined separately. For example, merely providing training and technical assistance will not be effective if the real problem is inadequate or perverse rules and incentive structures (non-transparent, not results-based).

Organizational capability, internal and external rules, and incentives.

The Bank's Experience

3.45 Three central Asian countries are among the few where the Bank has provided financial support explicitly to build aid coordination capacity. Three grants, each in the range of US\$300,000, were made from the Institutional Development Fund (IDF), to be employed in establishing aid coordination units. The effort to establish a Kazak aid coordination unit, later supported by the UNDP, has been generally effective. It has a staff of 15–20 people, manages an aid inflow of about US\$0.5 billion, and organizes monthly in-county aid coordination meetings chaired by the finance minister. To the extent that the Bank invites client countries to participate meaningfully in its analytical processes, such as economic and sector work (ESW) and Country Assistance Strategy (CAS) development, experience suggests that aid management and coordination capacity is bolstered.²⁴

Box 3.8 Capacity Building in Sub-Saharan Africa

At the 1996 Annual Meetings, the African Governors of the World Bank determined that the Bank and other donors had contributed to eroding capacity, especially through excessive use of

long-term assistance; African governments and international donors do not pay enough attention to fostering effective institutions; and capacity problems diminish the performance of all sectors.

They proposed a Partnership for Capacity Building in Africa (PACT), based on the following principles:

- Demand-driven, African-led and -owned solutions

- Capacity building that relies on consultation with a range of local stakeholders
- True partnership with Africa's international development partners.

Source: World Bank 1999f.

3.46 The Partnership for Capacity Building in Africa (PACT), initiated by the African Governors of the World Bank, is designed to enable learning from the lessons of past experience in the region.²⁵ It is likely that the mixed record of capacity building efforts reported in box 3.8 stems in part from a failure to diagnose adequately the reasons for low institutional capacity, or a failure to take adequate measures in response to the diagnosis.

Bank Processes and Instruments

Country Assistance Strategies

3.47 The review of the last two CAS documents for 15 selected countries (see Annex 4 for details) showed a modest trend toward sharper analysis of aid coordination issues. CASs appear to be increasingly linking development effectiveness to aid coordination and more clearly delineating the Bank's comparative advantage and selectivity compared with other donors (CASs for Malawi, Nepal, Tanzania, and Yemen are cited in Annex 4 as containing elements of good practice). But most of the reviewed CASs remain weak in addressing country capacity for aid coordination, and the efforts of donors to build such capacity. The CASs were weakest with respect to the efforts of donors to harmonize procedures. CASs that discussed the role of the Resident Mission in aid coordination unanimously judged it as a positive one, and many suggested that a stronger field presence with more authority would be an asset to the Bank's overall partnership agenda.

A stronger field presence with more authority would be an asset to the Bank's overall partnership agenda.

Lending and Analytical Instruments

3.48 The Public Expenditure Review (PER) has become a major Bank-supported analytical instrument and touchstone for public policy dialogue between donors and recipient governments. But few PERs have reviewed the extent of integration of donor resources intended for the public sector into the government budget. Such integration is one litmus test for measuring the commitment of governments to managing and coordinating aid effectively.²⁶

3.49 Bank-funded projects in Bangladesh, Ghana, Mozambique, Sierra Leone, Pakistan, Tanzania, Uganda, and Zambia have typically contributed to sector programs through Sector Investment Credits or Loans (SILs).²⁷ As suggested in the earlier discussion of the SP (paragraphs 3.28–3.30), experience varies considerably among and within countries. This variation reflects varying economic and institutional environments, as well as differences in SP design and coverage.²⁸ One key issue in this connection is whether the government really leads the SP or whether it is a blueprint designed and orchestrated by the Bank and/or other donors. Another issue is the degree of confidence donors have in the government's financial management systems. Nonetheless, SP and related initiatives constitute important "learning

Box 3.9 Tracking Support for Sector Programs

In a recent initiative, the SPA Working Group on Economic Management established a Task Group to explore practical options for tracking support for SPs in Africa. The primary

objectives are to accomplish the following:

- Monitor donor shifts toward SPs, in line with their stated objectives.
- Follow the evolution of implementation procedures under SPs.

- See if SPs deliver the benefits ascribed to them—that is, better predictability of donor commitments, higher flexibility, and greater ownership on the part of countries.

- Determine whether systematic tracking of SPs can provide an early warning that corrective action is needed.
- Try to establish best practice guidelines.

Source: World Bank 1999e.

laboratories” that have been associated with more effective country-driven approaches to aid coordination in several cases.²⁹

Decentralization of Bank Operations

3.50 The decentralization of Bank operations is implicit in the placement of the country director in the field. Although this practice has been universally acclaimed in Ghana and Vietnam, a lack of delegated authority and inadequate field presence were noted in survey questionnaire responses by several local donors in countries where the Bank’s field office is still headed by a resident representative.³⁰

3.51 Some observers suggest that pressures on donors to demonstrate results have made it more attractive to support projects, as opposed to sectors or programs. Immediate project outputs, such as miles of road constructed, for example, will be seen as more within the control of a single donor (van de Walle and Johnston 1996: 79). It has also been suggested that decentralization of donor operations and authority to the country level could lead to even greater preference for, or focus on, projects. This might lead to the conclusion that results-based management is incompatible with effective aid coordination. The problem in this case, however, is not results-based management, but rather that the results focus is at too low a level. The achievement of sustained results at higher levels—incomes and employment, health status, and the like—is more likely when development partners are working in concert, rather than independently.

Client and Staff Training and Development

3.52 A notable conclusion of the February 1999 workshop of senior government officials was that more attention needed to be given to the skills required to coordinate aid effectively. Participants noted that staff needed more training in the skills of negotiation, facilitation, communication, economic and social analysis, information technology, and diplomacy. Such skills must be developed to enable governments to design and carry out key economic and social studies and to analyze donor studies. Participants also suggested that aid coordination efforts would be more effective if donor staff had a better grounding in both the skill areas noted above, and of the country where they propose to work.³¹ That more than half of Bank staff and local donor survey respondents were neutral or negative about an active government role in aid coordination suggests that there is a significant bias to be overcome.

More attention needed to be given to the skills required to coordinate aid effectively.

Chapter 4

Country Context and Measuring Aid Coordination Quality

Case studies, country evaluations, interviews, and workshops generally validate the relationships depicted in figure 2.1—that countries with relatively high commitment and institutional capacity tend to have country-driven aid coordination arrangements, and countries weak in both categories tend to have donor-driven aid coordination arrangements.

Selected Country Experiences

4.2 The experience of Botswana clearly fits the matrix in figure 2.1. Both case study literature and ratings of institutional quality, policy performance, and the quality of aid coordination have consistently given it high marks—in effect, placing it in the “high-high” quadrant of the figure. Botswana also represents a case of strong country-driven aid coordination (see box 4.1). While other countries in the “high-high” quadrant, such as Colombia and Thailand, have exited or graduated from CGs, Botswana, even when it was much poorer and aid-dependent, rejected any arrangement that might be construed as donor-driven. A 1984 Bank paper noted that given Botswana’s track record and its ability to stand by its own national priorities, donors appeared to make “every possible effort to harmonize their preferences with those of the country.”¹

4.3 Case study evidence for several other countries—Bangladesh, Ethiopia, Ghana, and Vietnam—suggests developments that have led (or should lead) to more effective aid coordination. The evidence includes recent OED Country Assistance Evaluations for Bangladesh and Ethiopia (World Bank 1998b, 1999d), as well as the OED missions to Ethiopia, Ghana, and Vietnam carried out for this review (see list of papers in Annex 9).

4.4 But the experience of these countries also shows that country commitment, institutional capacity, the quality of aid coordination, and country leadership of aid coordination do not all progress smoothly together. Bangladesh represents one of the few reported instances in which donor efforts have resulted in greater coherence and selectivity (World Bank 1998b: 38). Yet the 1995 OED CAR for Bangladesh also cites serious institutional capacity problems, complaints about burdensome procedures required by donors, and weak borrower ownership and commitment (World Bank 1998b: 16, 22).

The quality of aid coordination, and country leadership of aid coordination do not all progress smoothly together.

Box 4.1 Country-Led Aid Coordination: Botswana

Key features of the institutional framework that made for country-driven aid coordination in Botswana included the following:

- Aid management and coordination was a core function of the Ministry of Finance and Development Planning (MFDP).
- External aid resources were entirely integrated into the national public expenditure budget.
- The MFDP had effective budget planning, execution, monitoring, and accounting capacities, maintaining tight control over intersectoral allocations.
- MFDP staff were placed in line ministry planning units in order to integrate aid resources, but were also rotated to acquire government-wide experience.
- The MFDP and line ministries were known for being tough negotiators with donors, but once agreements were concluded, they were observed.
- GOB insisted on its own procurement procedures, both for equipment and external consultants.
- Expatriate experts were placed into *line positions* in the GOB while nationals were being trained.

4.5 In the case of Ghana, the 1995 CAR was sharply critical of aid coordination processes (World Bank 1995: 64–68). The OED mission of April 1999, however, identified signs that these processes have become more effective (see box 4.2).

Measuring the Quality of Aid Coordination

4.6 The characteristics of countries and donors directly affect countries' ability to assume leadership in aid management and coordination. Several of these characteristics or factors could be combined to constitute a measure or index of the quality of aid coordination. A paper prepared for the review identified eight such factors:

- (1) Government is in the center of the process.
- (2) Aid coordination is concerned with key development issues.
- (3) Good information is readily available on the development plans and activities of participants.
- (4) Donors provide focused, coherent support to the national development strategy.
- (5) Donors provide assistance efficiently, thus minimizing transactions costs.
- (6) Donors have confidence in the quality and transparency of the government's financial management.
- (7) Donors contribute effectively to improving the government's institutional capacity for aid management and coordination.
- (8) The concerns of civil society and the private sector are addressed in aid coordination processes and outcomes.

4.7 Key measurable indicators can be identified for each of these factors. For example, the degree of donor concentration by sector could be one indicator for factor 4 (focus and coherence of aid); the extent of harmonization of donor missions, for factor 5 (efficient aid); and timeliness and quality of audits, for factor 6 (donor confidence in government financial management). These and other indicators could be measured through surveys and other evidence.² They would provide benchmarks for monitoring progress toward more effective aid coordination and partnership. Taken together, they would provide an index of aid coordination quality.

Box 4.2 The CG in Ghana: From Event to Process

- Quarterly, in-country “mini-CG meetings,” initiated in April 1998, are viewed as a useful complement to the biannual CG meeting.
- Building on almost a decade of capacity building in the health sector, the mini-CG recently endorsed 14 government-led, donor-supported Partner Groups.
- The first full CG meeting will be held in Ghana in November 1999, another step toward full country-led aid coordination.

Chapter 5

Conclusions

Main Findings and Conclusions

5.1 The review yields several broad findings based on the information gathered:

- World Bank–led aid coordination mechanisms and processes at the apex level (consortia and CGs) have expanded substantially over the last four decades. Agendas cover a wide gamut of development issues, with participation by approximately 60 recipient countries and 50 official donors.
- In the context of declining per capita aid disbursements for most countries, these efforts are seen by survey respondents as having helped to protect the level of resources mobilized for individual countries and to achieve a greater aid focus on development priorities.
- Governments and donors have long valued the Bank’s leadership by virtue of its competent staff, global experience, and the resources it brings to the table. But in spite of this record, and in spite of decades-old policies and pronouncements on the subject by the donor community, only recently have portents of fundamental change in the management of aid coordination at the country level been emerging in some countries.
- While governments are taking a more active role in aid coordination, particularly at the sector level, and many express a strong desire to manage the entire process, only a few former CG countries (for example, Korea, Malaysia, and Thailand) have fully assumed such a role.

5.2 The review identifies several overall constraints to country-managed aid coordination:

- Many countries lack the capacity—and some still lack the commitment to assume—a lead role.
- Donors find weak recipient financial management capacity a major impediment to taking on the costs and risks of the harmonization of procedures required to contribute flexible resources to sector development programs. Recipient governments, however, single out harmonization of donor policies and procedures as the first thing donors should do to improve aid coordination.
- There are few examples of aid coordination efforts that have led to greater donor selectivity (pursuit of comparative advantage), and years of donor debate have resulted in little action to reduce burdensome aid delivery transactions costs (such as those brought about by complex and divergent procedures), which would facilitate country leadership.
- Donor efforts to strengthen country aid management and coordination capacity have generally been expensive, supply-driven, and ultimately ineffective, and aid coordination activities are seen as having little or no positive effect on country capacity.
- Some donors see little or no connection between more effective aid coordination and higher global aid levels—a link that, if it existed, could send a message from donors to reinforce recipient governments in undertaking politically difficult reforms to strengthen capacity.
- Finally, if donors want recipient countries to assume aid coordination leadership, a survey result they should not ignore is that over half of Bank staff and local donor respondents were neutral to negative about the need for the recipient government to take the lead for in-country aid coordination.

5.3 The record of the World Bank in supporting a move to country-led aid coordination is mixed. The Bank’s influence is felt through its own operations and interactions with other donors. Actions contributing to country capacity, and generally eliciting positive reactions from governments and other donors, include:

- Promoting active country participation in planning and preparing for aid coordination-related efforts, such as ESW
- Support for sector development programs and donor harmonization in selected countries and through SPA
- Strengthened Resident Missions with greater delegated authority
- Supporting an expansion of in-country aid coordination fora in some countries and, at least on an alternating basis, in-country CG meetings.

5.4 Offsetting these accomplishments are the following findings:

- Many local donor representatives still experience, and find counterproductive, arrogant attitudes and non-consultative behavior by Bank headquarters staff when they visit.
- Continuing use by the Bank and other donors of PIUs to manage aid-assisted projects has been counterproductive in building institutional capacity.
- Among agencies with whom the Bank shares aid coordination support roles, the closest parallel is with the UNDP. Despite examples of good practice in the field, however, donor respondents note tensions that need to be addressed.

5.5 The involvement of civil society and the private sector in aid coordination processes remains controversial. Most donors strongly favor greater involvement, while recipient governments manifest mixed views, ranging from cautiously positive to skeptical, or even antagonistic. To address this ambivalence, experimentation is warranted with alternative approaches to involving other stakeholders in different phases of aid coordination.

5.6 The overarching conclusions are that the development community has been well-served by the support for aid coordination provided by the World Bank, but that community has a long way to go to achieve its long-standing goal of country leadership of the process.

Endnotes

Chapter 1

1. See Annex 3 for a discussion of aid dependency measures and their correlation with per capita incomes.
2. The Bank's approach to partnership was embodied in its 1998 Partnership for Development initiative (World Bank 1998e), which built on the seminal report *Shaping the 21st Century: The Contribution of Development Cooperation* (OECD/DAC 1996).
3. One or more of these attributes is mentioned in OECD/DAC 1996; Pearson and others 1969; Picciotto 1998; and World Bank 1998e. A recent survey characterizes aid coordination as "a key dimension in the operationalization of the partnership concept" (Disch 1999: 1).
4. Press statement by the Ministers of Development Cooperation of Germany, Netherlands, Norway, and the United Kingdom. Utstein Abbey (Norway), July 26, 1999.
5. This and portions of other sections of Chapters 1 and 2 are covered in more depth in an earlier, unpublished interim report, "Aid Coordination and the Role of the World Bank. An OED Review (Phase 1)." (World Bank 1999a). This section also draws on Mason and Asher 1973: 510–28.
6. CGs were similar to the consortia, except that they did not involve any pledging to meet estimated foreign exchange needs. The difference between the two has gradually become blurred.
7. International NGOs are often viewed as donors by recipient countries, which is legitimate to the extent that they generate external resources independently of those channeled to them by official donor agencies.
8. Some examples are provided from documents of Japan, the World Bank, the UNDP, Sweden, and Ethiopia, as reported in Miyoshi and Phillip 1998:3; World Bank 1984: 3; UNDP 1996:4; World Bank 1998e: 33; and Phillip 1998: 76, respectively.
9. Drawn in part from Lister and Stevens 1992: 5.
10. Drawn from Miyoshi and Phillip (1998:5–6), who employ the phrase "degrees of 'cooperation' toward full coordination," and label the second level of coordination "concertation" (taken from Barry 1988: 10).
11. See, for example, van de Walle and Johnston 1996; Carlsson, Somolekae, and van de Walle 1997; Pavignani and Durão 1997; and Phillip 1998. Also see further discussion of aid coordination on a sectoral basis in Chapter 3 of this report.
12. This figure includes the 13 borrower countries that are members of the Bank-chaired Caribbean Group for Cooperation in Economic Development (CGCED). In addition, the Bank chairs Donors Meetings (13 reported in 1999) and Investors Conferences (three in 1998, but none in 1999).
13. RTs are usually held in Geneva, and generally occur less frequently than CGs. Governments and the UNDP *jointly* convene and chair RTs. Their original focus was to be on small, least-developed, land-locked or island countries of Sub-Saharan Africa and Asia. The projected heavy needs for technical assistance by these countries and the UNDP's concentration on technical, as opposed to capital, assistance was thought to make for a good division of labor between the Bank and the UNDP. But both CG and RT countries in Africa tend to be low-income, highly aid-dependent countries.
14. The OECD organized and chaired aid group meetings for Greece and Turkey.

Chapter 2

1. The boxes in Annex 5 provide illustrative examples of evaluative levels and criteria for aid coordination. The most serious methodological issue here is that of attribution. Attributing a development outcome or impact to a given aid coordination activity can be difficult, owing to the influences of other potentially intervening factors. The review relied, to a considerable extent, on the informed judgments of experienced persons, expressed through questionnaires, interviews, and workshops. The case for attribution is then strengthened (or weakened) by comparing the alternative sources of evidence.
2. OECD/DAC 1986a; World Bank 1984, 1989a, 1989b. These principles, guidelines, and recommendations have been reiterated and further elaborated in OECD/DAC 1998. Donors have expressed support for such principles for decades. The *World Bank Annual Report* for 1970 endorses the reported consensus of a DAC meeting calling for the "recipient government to

take the responsibility for organizing and chairing local coordination meetings if it is able and willing to do so, with such assistance as it may feel it needs from the Bank, the UNDP, or other agencies.”

3. The *1997 Annual Review of Development Effectiveness* measures policy performance as a project-weighted index of three principal components: inflation, fiscal balance, and openness. For institutional quality, it draws on a measure employed by the *World Development Report 1997* (World Bank 1997d), based on a set of responses by foreign investors regarding the extent of red tape, the regulatory environment, and the degree of freedom from political pressure (Evans and Battaile 1998: 15, 20). OED evaluative research (Johnson and Wasty 1993) shows that country commitment and policy performance are closely related.

4. Incentives include the internal incentive structures of a bureaucracy (its values and reward systems) and the external incentives of market competition and the mechanisms for citizen voice or participation (World Bank 1998j: 9–10). Another set of recipient country characteristics that can have a bearing on aid coordination effectiveness includes: the *size of the country* and its *strategic or geopolitical significance*. Other things being equal, the larger the country and the greater its strategic significance, the more likely it will be that donors will take aid coordination seriously. But these characteristics are seldom if ever amenable to deliberate modification. The desire of government officials to maintain the status quo has also been cited as an obstacle to country leadership (World Bank 1998e: 34). This is part of institutional capacity, broadly defined to include incentive structures.

5. Another donor characteristic is diversity and complexity of procedural and accountability requirements, which can also impede greater country leadership. However, it is plausible that the greater the development orientation, the greater the willingness of donors to harmonize procedural requirements. The same comment applies to the internal incentive structures of donor agencies that mitigate against coordination (World Bank 1998e: 34). Several replies to the joint questionnaire sent by the UNDP and the Bank to donors mentioned development orientation and procedural diversity as potential barriers to effective aid coordination.

6. The OED data for 1998 suggests that mutual accountability is associated with a more mature relationship between the Bank and the borrower or other codeliverers. Under effective mutual accountability, the partners jointly clarify and set: (i) goals and responsibilities; (ii) performance expectations that are balanced by commensurate resources of each party; (iii) credible reporting mechanisms to demonstrate performance achieved and what has been learned; and (iv) reasonable review and adjustment systems to ensure that feedback on the performance achieved and difficulties encountered can be recognized and corrected as necessary (World Bank 1998n: 43).

Chapter 3

1. Based on literature and document reviews, interviews, and OED field visits to Ethiopia, Ghana, and Vietnam (Evans and Battaile 1998) (also see box 3.8, Ethiopia's Education Sector Development Program). A recent paper by Helleiner on aid relationships in Tanzania reports “dramatic change” at the macroeconomic management level, where the government is seen to have moved significantly toward the assertion and establishment of a degree of leadership over development programs . . . hardly conceivable . . . in 1995 (Helleiner 1999: 5).

2. A local donor representative interviewed by OED voiced a more critical observation. What was allegedly to have been a joint Bank-UNDP-government effort to develop a joint paper for the CG became two parallel papers, with the Bank insisting on giving prominent place to the paper prepared by its consultants, virtually ignoring the UNDP-government paper.

3. Some ambiguity in the terms *civil society* and *private sector* require clarification. *Civil society* refers to the not-for-profit sector; *private sector* to privately owned *for-profit* enterprises (and not-for-profit organizations intended to promote private sector interests, such as chambers of commerce). Civil society also includes other major groupings of organizations, such as religious bodies, professional associations, labor unions, community-based organizations, and non-profit educational and research organizations.

4. If the figures are disaggregated between civil society and the private sector, government respondents rated the latter's participation somewhat higher than that of civil society; local donor representatives' ratings were the opposite of government's, but the difference between the two is marginal.

5. It appears that in-country CG meetings will decline in number from a peak of 7 in 1998 to 3 in 1999. Of the 209 reported Bank-chaired or co-chaired CGs (including Aid Groups, Consortia, and Development Forums) held during 1992–99, 193 occurred in donor countries, with about 75 percent in Paris. In addition, there were 68 reported Donors Meetings and 9 Investors

Conferences, also chaired by the Bank, but only 5 occurred in borrower countries. Despite some corrections, these data, which are reported by Regions to the External Affairs Vice-Presidency, probably contain additional errors. See Annex 2 for further discussion.

6. Although several respondents remarked on the difficulty of doing so.

7. In contrast to respondent *views* about resource mobilization, the *facts* are that real ODA per capita has declined, not only globally since the first years of this decade, but also for virtually all recipient countries *individually*. See table 2 in Annex 3. For a schematic presentation of aid coordination impacts, outcomes, outputs, “production process,” and inputs, see box 1 and Annex 5.

8. Drawn from OECD/DAC—Creditor Reporting System electronic database. Commitments are taken as a proxy for the number of projects. The former will exceed the latter to the extent that there are multiple commitments per project. Some projects, however, may be active for a number of years without a fresh commitment of funds.

9. The underestimation could be the result of several factors: (1) 6 of 22 DAC donors did not respond; (2) the consistency of response varies considerably from country to country; and (3) respondents may have chosen not to mention sectors in which they considered themselves *not* “most active.” Interviewees during OED country visits to Ethiopia and Vietnam reported up to 30 official donors in the health sector alone. The DAC sector exercise reports 7 donors active in the Ghanaian health sector, but DAC CRS data for 1994–96 show 12 donors having made commitments to the health sector in Ghana.

10. A recent Danish government report on development cooperation issues in Tanzania concludes that such practices often undermine government ownership (Helleiner and others 1995: 14). In the early 1990s there were a reported 15 such stand-alone projects just in the health sector of Tanzania (van de Walle and Johnston 1996:49). Drawing from a review of donor experience in Africa, Berg concludes that technical cooperation in these circumstances “substitutes for and subsidizes government operating budgets,” and “misuses the technical assistance personnel resource, reducing its effectiveness for institution building” (Berg 1993: 213–14). The term *wasteful competition* was used to describe the situation by the *Philippines Country Assistance Review* (World Bank 1998g: 55): “Although past aid coordination by the Bank was praised by donors and government alike, there is much friendly but wasteful competition, especially in lending to the social sectors, and little reciprocal concern about other donors’ results.

11. An attempt was made to examine systematically the frequency of Bank missions, but the only available database is for supervision missions. Since these are the product of multiple determinants, no obvious pattern emerged from the data. For example, there was no observable relationship between frequency of missions and location of the Country Director in the field.

12. A determined effort was made by a DAC working party in 1998 and early 1999 to untie with respect to least-developed countries, but owing to continuing reservations by several DAC members, the May 1999 High-Level Meeting did not announce significant progress. Nonetheless, it has been argued that generic problems, such as procurement tying, may best be pursued at higher-level forums, such as the DAC and the SPA, rather than at the country level (Lister and Stevens 1992: 43). However, as the recent evaluation of SPA pointed out, linkages need to be strengthened between SPA and such country-level forums as CGs and local coordination mechanisms (World Bank 1998i: 109–14). The issue is not one of either-or, but a need for both-and.

13. These prerequisites are drawn from a range of literature (in particular, Harrold and Associates 1995), as well as from interviews conducted during country field visits.

14. One respondent argued that effective aid coordination will have little impact on the level of ODA. Reduction of the latter has to do with donors’ budget constraints. A more optimistic respondent noted that aid coordination is not expected to have an immediate effect on levels of ODA, but that it will contribute to long-term spending.

15. A change in mechanism to coordinate aid is to be formalized by a letter from the government to both the World Bank and the UNDP. *World Bank/UNDP Aid Coordination Agreement*, signed April 30, 1996 (para 5.2).

16. Interviews: Morey 1998 and Babson 1998.

17. These responses were provided in writing by 14 local donor representatives and were also volunteered by several donor interviewees during country visits.

18. This is by no means a new problem for the Bank. As far back as 1984, the report of the Jaycox Working Group noted: While the Bank is often looked to for leadership on coordination, our partners have not always found us the most cooperative

institution with which to work. Sharing information, even with co-financing partners, has often been done reluctantly, if at all, and there are reports of arrogance in some Bank staff attitudes toward other donors and borrowers (World Bank 1984: 13).

19. The Bank's *Operational Directive 14.30* draws attention to the efficiency of aid coordination activities when it calls for aid coordination groups to simplify and improve coordination among donors with, at times, competing demands and offers, and thus reduce the burden on the recipient's scarce staff time and resources, and the inefficiencies associated with duplicative efforts (World Bank 1989a: para 6(f)).

20. The previously cited paper prepared for the Norwegian Ministry of Foreign Affairs makes a persuasive case for operationalizing transactions costs [of delivering aid] so that they can be monitored (not necessarily measured at the cardinal level, but at least monitored for change over time) ...[so as to have]... a measure of efficiency gains. (Dische 1999: 47) With regard to sectors, the greater diversity and room for differences over basic priorities (for example, the relative roles of the public and private sectors) in agriculture than in education and health may explain what would appear to be greater progress made by sector programs in the latter sectors than in the former (Jones interview 1999).

21. The previously cited review of aid coordination commissioned by the Norwegian Ministry of Foreign Affairs finds that on the basis of experience reviewed in Mozambique, Tanzania, and elsewhere, participants find that aid coordination meetings that are limited to information sharing of only marginal use (Disch 1999:3).

22. See evaluation of "National Technical Cooperation Assessment and Programs," known as the NaTCAP initiative (Williams 1991: 7-8, 27-28).

23. NEX was introduced globally by the UNDP in the early 1990s.

24. The 1997 CAS for Côte d'Ivoire indicates that a PHRD grant was intended to support a new coordinating and monitoring unit for World Bank and UN-supported activities, to be fully integrated in government structure, and to have a long-term monitoring role. The Philippines *Country Assistance Review* identifies several approaches used by the Bank help improve country aid coordination capacity (World Bank 1998g: 51-56).

25. Established in 1991 with support from the Bank and other donors, the *Africa Capacity Building Foundation* (ACBF) seeks to build regional institutional capacity in policy analysis and development management. The ACBF has become a component of PACT, although major shortcomings in administrative and financial management were identified in Bank audits in 1992 and 1994 (World Bank 1998h: 49).

26. PERs for Tanzania have observed that donor resources are poorly integrated in the budget. The forthcoming OED *Country Assistance Evaluation* for Tanzania deduces that virtually 70 percent of donor resources do *not* pass through the government budget. This is not meant to suggest that direct provision of aid by donors to civil society and the private sector should be precluded, but that all resources channeled through the *public* sector should be integrated with the budget process.

27. Described in and in Peters and Chao 1998: 177-90.

28. Recent reviews of sector programs in Africa come to a rather cautious conclusion about their potential for these reasons. See Jones 1997 and 1999, as well as World Bank 1998m.

29. An emerging Bank lending instrument that seeks to put the recipient government in the "driver's seat" is the Public Expenditure Reform Credit (PERC) or Loan (PERL). The initial phase of the PERC would typically emphasize capacity building, with unearmarked resources, playing a larger role in subsequent phases. Prior confidence in the government's financial management systems is critical in view of the flexible budget support entailed by such operations.

30. One interlocutor noted that placing donor representatives with significant delegated authority in the field would reinforce the movement of CG meetings to the country, since representatives with greater levels of decisionmaking authority would already be located there.

31. Inadequate understanding by donor staff and consultants of the country in which they were working was also mentioned by several interlocutors during a country visit conducted for the review.

Chapter 4

1. Raphaëli 1984: 5. Sources for box 4.1 include van de Walle and Johnston 1996; Maipose, Somolekae, and Johnston 1996; Stacy 1999; and interviews with Johnston and Stevens 1998.

2. Several such indicators are proposed for each of the eight factors, along with possible measures and measurement methods, in *Aid Coordination—Moving toward Partnership: the Challenge of Measurement*. A Discussion Paper, June 1999. (See list of papers prepared for the review at the end of the main text).

A n n e x 1

Criteria for the Transfer of Leadership to Countries

1. In recent years, many donors, both bilateral and multilateral, have expressed a strong preference for developing countries to assume responsibility for their affairs. This is certainly the case with aid coordination at the local level. Prominent among the statements in this area are the 1986 OECD/DAC Guiding Principles for Aid Coordination with Developing Countries, which call for recipient governments to be “at the center of the process.” The Bank’s own OD 14.30, Aid Coordination Groups, issued in 1989, states unequivocally that “the responsibility for aid coordination rests primarily with the recipient government.” The more recent Bank paper on partnership (World Bank 1998e) reiterates this point, and the January 1999 CDF document expresses the Bank’s desire for the country to be in the “driver’s seat” (Wolfensohn 1999:9). A recent statement by the Ministers of Development in Germany, the Netherlands, Norway, and the United Kingdom reaffirms their governments’ desire to see the recipient governments in the “driver’s seat.”¹ The results of the findings of the main report confirm that recipient governments want to play a major leadership role in aid coordination. Representatives of many of these governments subscribe to the proposition that the aid paradigm should be shifted from “recipients of aid” to “managers of aid.” Yet 40 years after the first consortium for India was convened, and 30 years after many of the CGs were established, only recently have portents of fundamental change in the management of aid coordination at the country level been emerging in a few countries. There are still very few developing countries in the proverbial “driver’s seat” of aid coordination vehicles. The time has come for a real change—rapid, but deliberate and finely executed. A logical and critical step in this direction is for the Bank, in consultation with other donors and affected countries, to give meaning to the concept of country responsibility. It should work with its development partners to implement measures for the transfer of the leadership role for CG meetings to the recipient governments. This is not to suggest that the Bank should disengage itself either from the aid coordination process, or from maintaining and strengthening its country programs. By giving the country a chance to exert leadership in aid coordination, the Bank will be in a better position to sharpen its focus on, and assist in the building of, long-term country capacity, in concert with both CDF and OECD/DAC principles.

2. The Bank currently chairs CG meetings for about 60 countries over the course of 2 or 3 years.² A number of these meetings relate to countries with relatively high aid dependency and weak institutions. But this group also includes countries where aid dependency is minimal and public sector management is experienced and functioning at a relatively high level of competence. In determining what criteria might be used to guide the timing of the transfer of leadership for CGs and other aid coordination fora to the recipients, one obvious possibility would be the lending classification of a country by the Bank—IBRD, Blend, or International Development Association (IDA). This classification provides a measure of the country’s per capita income, but not of its institutional strength. Country Policy and Institutional Assessment (CPIA) ratings constitute a potentially more relevant criterion for guiding the transfer process. When per capita income is compared with CPIA ratings, however, some anomalies are apparent. For example, Ethiopia, with a per capita income of \$100, scores higher on the CPIA than countries with much higher per capita incomes, such as Bolivia, Romania, and Zimbabwe. Applying the criterion of public sector management, one of the components of the CPIA, as a measure of the country’s institutional strength also yields some anomalous ratings. For example, Egypt, with highly educated civil servants, scores lower on public sector management than Eritrea and Mauritania. Ethiopia scores as high as the Philippines, and both countries score highest among countries with CGs.

3. Another possible criterion is ODA as a percentage of GNP. Following this criterion, countries with currently active CGs and other Bank-led apex-level aid coordination meet-

Table A1. Groupings of CG Countries by Official Development Assistance (ODA) as Percentage of GNP

Group	CG countries ^a	1998 per capita (US\$)	IBRD	Blend	IDA	1993-97 as % GNP (US\$ m)	ODA group	
Group 1 — (1-2 years)								
	Croatia	4,520	X			0.6	ODA as % of GNP (0.0 - 4.9%) ↓	
	India	430		X		0.6		
	Indonesia	680		X		0.8		
	Nigeria	300		X		0.8		
	Philippines	1,050	X			1.5		
	Guatemala	1,640	X			1.6		
	Pakistan	480		X		1.7		
	Belize	2,610	X			3.6		
	El Salvador	1850	X			3.7		
	Vietnam	330			X	4.0		
	Egypt	1,290	X			4.1		
	Macedonia	1,290		X		4.4		
	Sri Lanka	810			X	4.4		
	Bangladesh	350			X	4.8		
Group 2 — (3-5 years)								
	Ukraine	850	X			0.4	ODA as % of GNP (5.0 - 9.9%) ↓	
	Romania	1,390	X			0.7		
	Bulgaria	1,230	X			1.6		
	Moldova	410		X		1.8		
	Azerbaijan	490		X		2.9		
	Tajikistan	350			X	3.5		
	Papua New Guinea	890	X			7.1		
	Zimbabwe	610		X		7.9		
	Honduras	730			X	9.2		
	Kyrgyz Republic	350		X		9.3		
	Kenya	330			X	9.4		
	Albania	810			X	9.6		
	Nepal	210			X	9.6		
Group 3 — (5-10 years)								
	Ghana	390			X	10.0		ODA as % of GNP (> 10.0%) ↓
	Guinea	540			X	10.8		
	Bolivia	1,000			X	11.5		
	Côte d'Ivoire	700			X	12.2		
	Senegal	530			X	12.4		
	Madagascar	260			X	13.0		
	Cambodia	280			X	14.8		
	Ethiopia	100			X	15.2		
	Uganda	320			X	15.4		
	Eritrea ^b	200			X	19.0		
	Haiti	410			X	21.4		
	Tanzania	210			X	22.1		
	Mongolia	400			X	23.3		
	Guyana	770			X	24.9		
	Mauritania	410			X	27.6		
	Malawi	200			X	28.4		
	Zambia	330			X	29.8		
	Nicaragua	390			X	38.0		
	Rwanda	230			X	51.6		
	Mozambique	210			X	76.2		
	Bosnia & Herzegovina	n.a.		X		n.a.		
	CGCED ^c	n.a.				n.a.		
	West Bank & Gaza	n.a.				n.a.		

a. Countries with Bank-led, apex-level CG meetings, Development Forums, Donors Meetings, or Investors' Conferences.

b. Country with only one apex meeting from 1992-99.

c. Caribbean Group for Cooperation in Economic Development, organized and chaired by the World Bank, with 13 member countries, including Guyana and Haiti (Haiti has its own CG as well). During 1993-97 the ODA ratios of CGCED countries ranged from 24.9 and 21.4 percent for Guyana and Haiti, respectively (as shown in the table), to 0.4 percent for Trinidad and Tobago.

Box A1.1. Building Aid Management Capacity in Kazakhstan and Vietnam

In 1992 the Bank made an IDf grant to Kazakhstan's aid coordination unit, known as the National Agency for Foreign Investment (NAFI), in the Ministry of Finance, to assist in designing and improving the system of management and coordination of external assistance. The grant was designed to finance the costs of a long-term aid coordination adviser on management of external assistance, a number of short-term consultants, training and study tours for NAFI staff, and procurement of equipment and facilities for the aid coordination unit.

The impact of the grant was mixed. There

was significant delay in contracting the long-term adviser, partly because of a lack of familiarity by NAFI with the Bank's procedures, as well as numerous reorganizations of NAFI and staff turnover. Once on board, however, the adviser established a strong working relationship with the staff of NAFI and created a database of externally financed technical assistance and investment projects, and worked with NAFI staff to prepare documents for the first and second CG meetings. Interviews with former NAFI staff and management indicate that the adviser was appreciated for his knowledge of the subject, his ability to transfer knowledge and skills in coordinating foreign aid,

and for establishing a foundation for the current aid coordination agency. The grant was followed a technical assistance loan (LN3642-KZ), which supports aid coordination and management.

The UNDP initiated a three-year technical assistance project in 1993. The project provided a long-term adviser, short-term consultants, training, study tours, and some equipment for the Foreign Economic Relations Department (FERD). Although stationed at the SPC (Central Planning Commission), the project established ambitious goals for improving the overall aid management

system, to include the line ministries and the provinces. It also sought to contribute to a "process" of improving government aid coordination.

The evaluation report points out that while the project was successful in strengthening the capacity of FERD, it had not achieved all of its original, ambitious goals for the overall aid management system. However, the project helped the government prepare documentation for the first donor meeting and subsequent CG meetings.

Source: IDf Grant TF28723-KZ Completion Report, December 4, 1996. UNDP 1996: p. 16.

ings, such as Development Forums, Donors Meetings, and Investors Conferences, were classified into three groups (see table A1.1).

- Group one comprises countries with ODA of up to 4.9 percent of their GNP.
- Group two comprises countries with ODA of 5–9.9 percent of their GNP.
- Group three comprises countries with ODA of 10 percent or more of their GNP.

4. These groupings by ODA ratio represent an attempt to classify countries by their readiness for leadership transfer. This is a crude criterion, however, and it should be tempered by an in-depth analysis of commitment and capacity in each case.

Group One: This group comprises such consortia as those for India and Pakistan, which go back 40 years in aid coordination fora chaired by the Bank. The group as a whole scores relatively highly on public sector management and on overall CPIA ratings. Three of the countries in this group also have relatively high levels of GNP per capita, and in all cases ODA as a percentage of GNP is below 5 percent, and in three cases it is below 1 percent. There would appear to be no reason that transfer of leadership to the countries in this group could not occur as soon as possible, and certainly within a two-year period.

Group Two: This group is primarily composed of countries in transition from centrally planned economies and some long-standing aid coordination beneficiaries, such as Kenya and Nepal. In four of the countries in this group, ODA as a percentage of GNP is below 2 percent. In only three is it higher than 9 percent, but still below the ceiling of 10 percent for this group. A period no longer than five years is suggested for the transfer of leadership to the countries in this group.³

Group Three: With one exception, countries in this group are IDA countries, and the majority are in Sub-Saharan Africa. They are characterized by the high aid-dependency syndrome—in some

instances, ODA exceeds 50 percent of GNP. Surprisingly, the overall CPIA ratings for countries in this group are identical to those in group one, which may indicate that at least some countries in the group have the capacity to assume responsibility for aid group meetings. Transfer of responsibility for countries in this group would be completed within a 5-to-10 year period, although some countries, such as Bolivia, Ethiopia, Ghana, Tanzania, Uganda, and Vietnam, may wish to take on this responsibility much sooner.

5. The implication of the suggested approach is that by the end of the first decade of the twenty-first century, if not before, all formerly Bank-managed aid group meetings will be managed by the countries themselves. This will bring to conclusion approximately 50 years of constructive and fruitful efforts by the Bank to initiate, organize, convene, and chair aid group meetings. The Bank can take a great pride in its accomplishments over this period. Through the mechanisms of the aid group meetings, it has helped to bring many bilateral donors into the aid coordination process and to mobilize vast amounts of aid money. In the process, it has assisted many countries to establish the capacity to prioritize their national goals, strengthen government institutions, and introduce proper procurement and accounting practices, to mention but a few achievements. The Bank has also given impetus to the private sector, both local and international, as a critical partner in the development process. Finally, it has put some rather controversial issues, such as gender, environment, governance, and corruption, on both national and international agendas, where the debate on these matters will most likely intensify in the years to come. But it is also the time for the Bank to demonstrate its commitment to the notion that ultimate responsibility for the country's affairs rests with the country itself. It is a critical step toward enhancing ownership, building national capacity, and emphasizing the principle of joint accountability.

6. In order to assist the recipient government in assuming sole responsibility for aid coordination, an adequate enabling environment must prevail. This means:

- A flexible technical assistance mechanism should be created to support the government's efforts to identify needs and sources of training and expertise for aid coordination. Since both the Bank and the UNDP are involved in supporting aid coordination mechanisms in different countries, it would be helpful if the two institutions would harmonize their activities by jointly developing a strategy to help individual countries build their capacities for aid coordination. Two case studies on technical assistance provided to countries to build aid management institutions, one in Kazakstan, provided by the Bank, and the other one in Vietnam, provided by the UNDP, showed considerable similarity in the design of the assistance and in the final outcomes (see box A1.1). One option would be to combine a portion of the Institutional Development Fund with similar funding from the UNDP.
- Aid coordination fora, particularly CGs, should place on their agendas a review of aid coordination at the local level, which is the most critical aspect of aid coordination. The CGs and the RTs were never meant to be a substitute for local capacity. The weakness of many apex aid fora is the absence of local capacity for follow-up on the ground. The purpose of the review will be to look into the strengths and weaknesses of local aid coordination and measures needed, or technical assistance required, to enhance the government's capacity to coordinate aid more effectively.
- In countries where the Bank will be phasing out its role as chair of the CG, consideration should be given to placing a Bank staff member in a central ministry, such as the ministry of finance, for up to one year to assist the government during the leadership transfer and to ensure continuity of the process.

A n n e x 2

Notes on Methods and Sources

Literature Review and Staff Interviews

1. Bibliographies of external and internal literature reviewed and a list of Bank staff interviewed are listed in Annexes 6–9. The findings from these sources are reported in more detail in the “Phase 1 Report,” which is available from the Corporate Evaluation and Methods Group of the Operations Evaluation Department of the World Bank (OEDCM).

Survey Questionnaires

2. Questionnaire surveys were designed and administered to five sets of aid coordination participants: (1) World Bank staff; (2) recipient government officials; (3) local donor representatives in recipient countries; (4) donor agency headquarters officials; and (5) INGOs. Survey responses were received from a total of 133 respondents: 43 World Bank staff, 20 recipient government officials, 54 local donor representatives, 15 donor headquarters officials (10 bilateral and 5 multilateral), and 1 INGO representative. The respective survey instruments are available from OEDCM.

3. The first three questionnaires were composed primarily of multiple-choice questions, in which the respondent was asked to choose from a 5-point scale. These were supplemented by several questions that requested brief narrative responses. Each questionnaire was structured around the following categories of questions:

- Goals for aid coordination
- Relevance and efficacy (impacts, outcomes, outputs) of aid coordination
- Instruments/inputs for aid coordination
- Efficiency or cost-effectiveness of aid coordination
- Aid coordination at the country level—aid management issues and resource utilization issues
- Role of the government in aid coordination.

Respondents were also asked to indicate up to three lessons from experience with aid coordination and up to three strengths and three shortcomings of the World Bank in such work.

4. The survey instrument sent to donor headquarters and INGOs was comprised of seven key issues regarding aid coordination, with narrative sub-questions under each issue. The issues included:

- Breadth of stakeholder participation
- Substantive agendas
- Resource mobilization
- CG/RT administrative issues
- Barriers to effective aid coordination
- Future issues for aid coordination
- Prospects for recipient country management of the process.

This instrument was jointly designed by OEDCM and the Management Development and Governance Division of the UNDP, which is managing the UNDP evaluation of the Round Table mechanism.⁵

Workshops

5. The review sponsored two headquarters-based action learning workshops on Aid Coordination in an Era of Partnership. The first workshop, on January 27, 1999, involved Bank staff; the second, on February 10–11, 1999, involved 19 senior recipient government

officials from as many countries. Both workshops discussed the results of questionnaire survey responses and sought to draw from the participants their views concerning the strengths and weaknesses of aid coordination processes and the Bank's role, and what could be improved. The second workshop, conducted over two full days, yielded particularly rich insights generated by interaction among the participants, most of whom were senior officials with significant operational or oversight responsibilities for aid management and coordination. Two skilled facilitators contributed substantially to workshop effectiveness. The proceedings of this workshop are available from OEDCM.⁶

Field Visits and Country Assistance Evaluations

6. Field visits to Ethiopia, Ghana, and Vietnam were conducted during April and May 1999. These countries were selected because of their relatively high degree of aid dependency and because in recent years they have embarked on a range of aid coordination initiatives. They are also CDF pilot countries. Reports on these country visits are available from OEDCM.

7. The review drew on the findings of Country Assistance Evaluations (CAEs) conducted by OED in 1999 to Burkina Faso, India, Uganda, and Tanzania. These CAEs entailed field visits, which employed question protocols prepared as part of the aid coordination review.

Country Assistance Strategy Review

8. To supplement the above sources of information, as well as to provide an indication of the way in which the Bank is incorporating aid coordination and partnership in its own planning and strategy documents, the two most recent CAS documents were reviewed for a sample of 15 countries. This review is summarized in Annex 4.

Collaboration with other Donor Agencies

9. The review benefited from close collaboration with several other donor partners. In addition to the already mentioned UNDP evaluation, periodic discussion and exchange of drafts and comments have occurred between OED and the donor agencies of Norway and Switzerland, as well as the Development Cooperation Directorate of the OECD. The intellectual and financial assistance from the Swiss Agency for Development and Cooperation (SDC) made invaluable contributions to the workshops held in early 1999.⁷ The OED UNDP reviews, and relevant OECD/DAC experience, will provide the main input to a Development Partnership Forum, to be held at the OECD, December 6–8, 1999. The implications of the reviews for the development community will be discussed by senior donor agency and recipient country officials and civil society representatives.

Data on CGs

10. The Bank-wide source of information on CGs is the External Affairs Vice-Presidency (EXT), which is responsible for the Bank's Paris office, where a majority of CG meetings are held, as well as liaison with the EU, OECD/DAC, and the UN. EXT compiles an annual calendar of aid group meetings convened and chaired, or co-chaired, by the Bank.⁸ Information for the calendar is supplied by Bank Regions to EXT. In the course of the review, some errors and omissions in the calendar were identified.⁹ Thus, while the data presented in the main text on CG meetings are believed to be a reasonable representation of orders of magnitude, some errors probably remain.

Annex 3

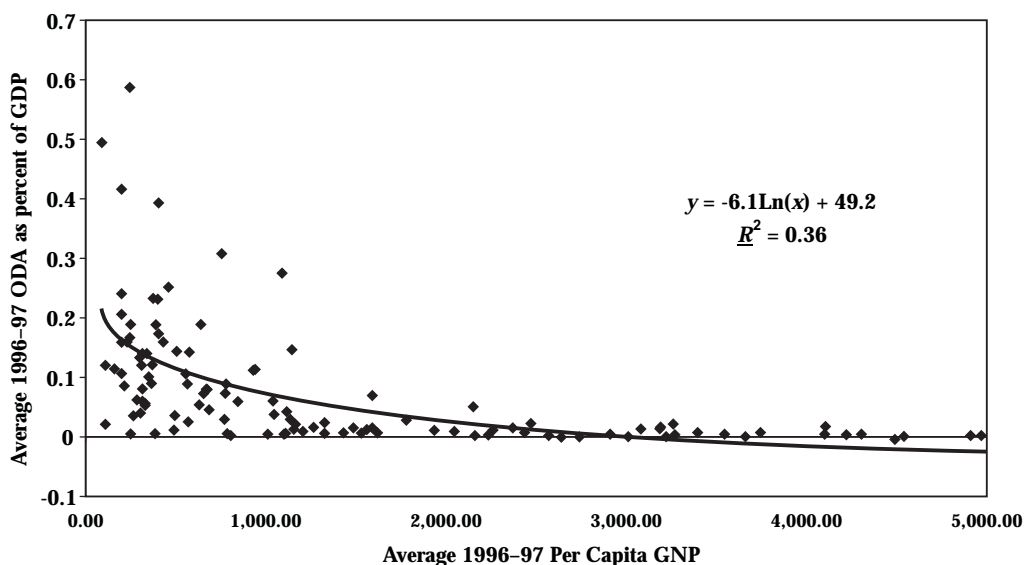
Aid Dependency, Transactions Costs, and Coordination Costs

Aid Dependency

1. Notwithstanding declining ODA, aid dependency in low-income countries remains high. The importance of aid coordination is clearly greatest in these countries because they tend to be the most aid dependent, and donors consequently have a greater impact on the development process. Data from 116 developing countries for 1996–97 confirm an inverse association between aid dependency and GNP per capita, as shown in the scatter diagram in figure A3.1. The logarithmic curve fitted to these points suggests that a 1 percent decline in GNP per capita is associated with a 6 percent increase in aid dependency (defined as the ratio of ODA to recipient GNP).¹⁰

2. Table A3.1 shows values for selected groupings of countries and individual countries represented in figure A3.1. For example, the 20 mostly highly aid-dependent countries, with an average GNP per capita of US\$369, received (on average) ODA equivalent to 26 percent of their GNP, in contrast to the 58 countries with the least aid dependence, with an average ODA to GNP ratio of 1.0 percent and an average GNP per capita of US\$2,313. The importance of, and setting for, aid coordination must differ radically for the two groups of countries.

Figure A3.1: ODA as a Percentage of GDP and per Capita GNP (116 countries), 1996–97



Source: World Bank, *World Development Indicators*, electronic database.

Table A3.1: Aid Dependency and GNP per Capita, 116 Countries, 1996–97 Averages

<i>Country grouping and selected countries</i>	<i>ODA/GNP (%)</i>	<i>GNP per capita (US\$)</i> <i>(GNP via Atlas method)</i>
Average for 116 countries	7.9	1,421
Average for top 20 countries (ranked by ODA/GNP in descending order)	26.0	369
Average for top 58 countries	14.7	529
Average for bottom 58 countries	1.0	2,313
<i>Top twenty countries (descending order)</i>		
1. Guinea-Bissau	58.70	245
2. Mozambique	49.45	90
3. Rwanda	41.60	200
4. Nicaragua	39.30	405
5. Guyana	30.80	755
6. Cape Verde	27.50	1,090
7. Mauritania	25.15	460
8. Malawi	24.05	200
9. Mongolia	23.25	375
10. Bhutan	23.15	400
11. Chad	20.60	200
12. Congo, Rep.	18.90	640
13. Mali	18.90	250
14. Lao PDR	18.85	390
15. Tanzania	18.25	170
16. Zambia	17.35	405
17. Madagascar	16.70	245
18. Comoros	15.95	430
19. Burkina Faso	15.95	230
20. Niger	15.90	200
<i>Bottom five countries (descending order)</i>		
1. Venezuela	0.05	3,220
2. Turkey	0.05	3,010
3. Belize	0.00	2,740
4. Costa Rica	-0.05	2,640
5. Malaysia	-0.40	4,490

Note: Aid dependency is defined as ODA as a percentage of GNP.

3. While some extreme values (for example, 59 percent aid dependency for Guinea-Bissau and 50 percent aid dependency for Mozambique) undoubtedly reflect underestimation of GNP, the difference in aid dependency between the top 58 countries and the bottom half (14.7 percent vs. 1.0 percent) is dramatic, as are the individual differences between the top 20 countries and the bottom 5. Regional variations are also striking. Of 53 countries

with an aid dependency ratio above 5 percent of GNP, 33 are in AFR, 4 in EAP, 6 in ECA, 6 in LCR, 2 in MNA, and 2 in SAR. Of the 63 countries with a ratio below 5 percent, only 8 are in AFR.

Real Aid Disbursements per Capita

4. While aid dependency remains high in low-income countries, aid disbursements per capita have been declining in real terms in most countries since the early 1990s. Table A3.2 shows this to be the case for low-income countries as a whole and, with the small exception of Nicaragua in 1996, true for the sample of individual countries shown in the table.

**Table A3.2 . ODA Disbursements per Capita
(US dollars, adjusted by 1997 IBRD/IDA Loan Commitment Deflator)**

<i>Year</i>	<i>All least- developed countries</i>	<i>Other low- income countries</i>	<i>Ethiopia</i>	<i>Ghana</i>	<i>India</i>	<i>Nicaragua</i>	<i>Philippines</i>	<i>Tanzania</i>
1977	22.6	2.9	6.3	17.1	2.9	27.1	7.8	37.8
1978	24.6	3.1	6.3	17.6	2.8	25.5	8.8	38.7
1979	28.9	3.5	8.0	24.7	3.2	65.6	8.8	50.2
1980	32.5	4.6	8.5	26.8	4.8	120.4	9.4	54.7
1981	29.1	4.3	9.4	19.3	4.2	75.3	11.3	53.7
1982	29.0	3.9	7.2	17.6	3.3	58.7	9.4	48.9
1983	25.4	3.7	11.3	12.8	3.4	54.1	10.9	39.2
1984	23.6	3.6	11.1	22.9	2.9	46.6	9.1	33.5
1985	25.0	3.3	20.0	19.0	2.5	38.3	10.1	26.6
1986	26.9	3.8	16.2	31.7	2.9	51.1	18.5	33.3
1987	29.2	3.7	15.0	33.7	2.3	44.3	13.8	41.6
1988	29.3	4.6	21.7	44.1	2.6	65.0	14.6	43.9
1989	29.9	4.8	16.0	52.0	2.2	68.4	14.1	37.5
1990	33.8	4.7	20.4	38.8	1.7	88.9	21.3	49.0
1991	32.0	5.5	20.9	58.1	3.2	213.1	17.0	43.1
1992	31.2	5.7	23.5	38.4	2.8	166.4	27.1	49.5
1993	27.2	4.9	20.5	38.2	1.6	81.0	22.7	34.0
1994	28.7	6.4	19.6	32.8	2.5	141.8	15.8	33.7
1995	28.7	5.9	15.8	38.3	1.9	151.7	12.9	29.8
1996	24.1	5.7	14.7	37.5	2.1	213.7	12.7	29.5
1997	22.1	4.5	10.6	27.4	1.8	90.8	9.4	30.7

Donor Diffusion in Ghana and Aid Transactions Costs

5. Tables A3.3–A3.5 show that the average number of sectors per donor in Ghana increased sharply from 1984–86 to 1990–92, and continued to increase, but by less, over the next four years, to 1994–96. Over the decade, all of the increase was among bilateral donors, for whom the average number of sectors per donor increased from 19 to 26 during the last half of the 1980s and to 29 by 1994–96. But the average number of sectors per multilateral donor declined from 22 to 16 over the same period. Donor commitments per sector, after increasing markedly between 1984–86 and 1990–92, declined somewhat over the next four years. The same pattern holds for both bilateral and multilateral donors. Thus, while the picture is ambiguous for multilateral donors, the evidence of deconcentration or diffusion of

bilateral donors among sectors is clear, with a continuous increase in sectors per donor, but a decline in commitments per sector in the 1990s.

Coordination Costs

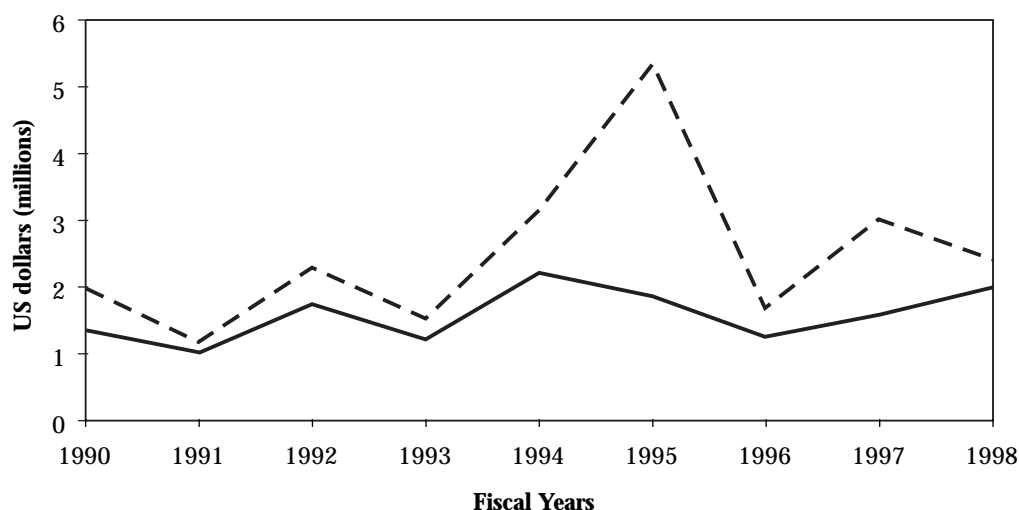
6. Aid coordination activities incur costs. There are the direct costs of staff time, publications, travel, meeting facilities, and so forth. In addition, there are the *opportunity costs* of the participants. Calculation of even the direct costs of aid coordination activities is not a straightforward matter. One attempt estimated the cost to the Bank of providing aid coordination services “for a sample country with a CG and modest field representation” at 2.65 staffyears, including allowance for ESW and field office and regional management time (World Bank 1984: 14). Applying the current average “fully loaded” cost of US\$200,000 for a Bank staff member to this estimate yields a total cost of \$26.5 million a year. However, Bank financial data on the direct costs of its aid coordination services were reported at \$2 million in FY98, far lower than the costs implied by the staffyear estimate.¹¹

7. As shown in figure A3.2, these costs have fluctuated fairly sharply around a modest rising trend over the last nine years. When Bank support for the SPA and for UNDP-sponsored RTs is netted out, however, the yearly fluctuations are reduced considerably, as shown by the solid line in the figure.

8. Figure A3.3, which shows reported cost to the Bank per aid coordination “event,” provides some indication of direct *unit costs*. A modest rising trend is observable, but this is about half as steep in relative terms as the increase shown in figure A3.2. While this observation is not inconsistent with a possible deterioration in aid coordination “efficiency,” it could also reflect increased scope and complexity of aid coordination agendas over the decade.

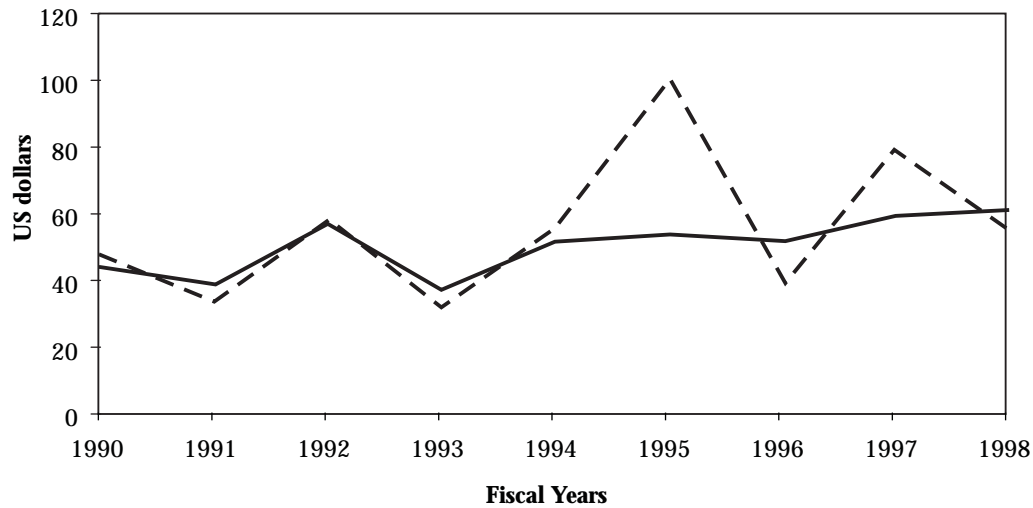
9. The most striking aspect of these data is their relatively modest magnitude when compared with total Core Development Services provided by the Bank (services in support of lending operations and non-lending services), which amounted to almost US\$900 million in FY95. However, there are two sources of underestimation: first, the data undoubtedly underestimate the portion of joint product cost (such as ESW) that could be attributed to aid coordination. But even if these are off by two- or threefold, the magnitudes would still be relatively small. Second, a broad definition of “aid coordination cost” would include at least some portion of the cost of *co-financing services*. The inclu-

Figure A3.2: World Bank Aid Coordination Support: Direct Cost



Note: dashed line includes support to Regional and RT meetings.

Figure A3.3: World Bank Aid Coordination Support: Cost Per Event



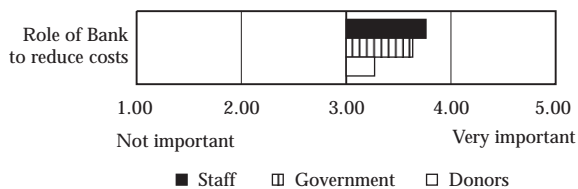
Note: dashed line includes support to Regional and RT meetings.

sion of this element would bring the reported direct cost of aid coordination services in FY96 to US\$11.1 million.

10. One survey question asked respondents to assess the Bank’s efforts to reduce the cost of aid coordination through such measures as keeping meetings outside the country to a minimum, employing electronic communications, and utilizing local resources to help prepare for meetings. The results shown in figure A3.4 indicate that respondents see the Bank as being only modestly effective in this role. Other donors were the most critical, with 65 percent of respondents either neutral or negative.

11. An issue for in-country participants in aid coordination mechanisms is the *opportunity cost* of participation. The countries visited as part of the review—Ethiopia, Ghana, and Vietnam—have embarked on a path of increasingly intensive in-country aid coordination efforts. Interviewees were asked if they thought the benefits yielded by these efforts justified the costs. While responses were generally positive, several interlocutors indicated that they had coped with expanding aid coordination activity by becoming selective as to which groups and meetings they participated in, and others suggested that it was time to consider some streamlining of mechanisms.

Figure A3.4: Efficiency



A n n e x 4

Analysis of Bank CAS Documents

Methodology

1. OED undertook a review of the two most recent CASs for 15 selected countries, which are listed at the end of this annex.¹²

2. Eight criteria were identified for the review (yes/no answers):

- Coherence of CAS with country national strategy.
- Aid coordination (hereafter AC) is an explicit element or objective of the CAS.
- AC is explicitly linked to development effectiveness.
- CAS discusses Bank's comparative advantage or selectivity.
- CAS discusses role of government in AC and aid management.
- CAS discusses government capacity for AC and aid management.
- CAS discusses Bank efforts to build government capacity for AC/aid management.
- CAS discusses harmonization of donor procedures.

3. A ninth supplementary criterion—discussion of the role of the Resident Mission (RM) in AC—was considered in addition to the set of eight principal criteria.

4. CASs were also reviewed for discussion of cooperation with other institutions (required by CAS guidelines) and discussion of specific AC frameworks and activities. All CASs scored positively on both these criteria, so they were not included in the comparative scoring described below.

5. A final criterion examined was the presence of an “other donors” column in the CAS Matrix Annex. However, of the 30 CASs, 9 had no matrix. Of the remaining 21 CASs, more than half (13) did not have a column on activities of other donors. The overall top scorer in these ratings, Nepal, had such a column only in the second CAS. Tanzania, the second-highest scorer, did not have the columns in either CAS. Côte d'Ivoire and Pakistan, among the lowest scorers, each had the matrix only in the second CAS, and neither had a column. Mali and Kenya each had columns in the second CAS only.

Results of Review

6. The first set of results shown is for the older set of CASs only (positive responses out of total number of criteria). The two columns refer to: (a) the eight principal criteria listed in paragraph 1 and (b) including the ninth criterion (role of the Resident Mission).

Eight criteria/CAS

Côte d'Ivoire:	1/8	(13%)
Kenya:	2/8	(25%)
Pakistan:	2/8	(25%)
Georgia:	3/8	(38%)
Mali:	4/8	(50%)
Ethiopia:	4/8	(50%)
Malawi:	4/8	(50%)
Indonesia:	4/8	(50%)
Vietnam:	4/8	(63%)
Yemen:	4/8	(50%)
Ghana:	5/8	(63%)
Bangladesh:	5/8	(63%)
Mauritania:	6/8	(75%)
Tanzania:	6/8	(75%)
Nepal:	8/8	(100%)

Nine criteria/CAS

Côte d'Ivoire:	2/9	(22%)
Kenya:	2/9	(22%)
Pakistan:	2/9	(22%)
Georgia:	4/9	(44%)
Mali:	4/9	(44%)
Ethiopia:	4/9	(44%)
Indonesia:	4/9	(44%)
Vietnam:	4/9	(44%)
Ghana:	5/9	(56%)
Malawi:	5/9	(56%)
Yemen:	5/9	(56%)
Bangladesh:	5/9	(56%)
Mauritania:	6/9	(67%)
Tanzania:	7/9	(78%)
Nepal:	8/9	(89%)

7. Score results for latest CAS only (positive responses out of total number of criteria):

Eight criteria/CAS

Mali:	3/8	(38%)
Pakistan:	3/8	(38%)
Côte d'Ivoire:	4/8	(50%)
Georgia:	4/8	(50%)
Ethiopia:	5/8	(63%)
Mauritania:	5/8	(63%)
Indonesia:	5/8	(63%)
Vietnam:	5/8	(63%)
Bangladesh:	5/8	(63%)
Ghana:	6/8	(75%)
Kenya:	6/8	(75%)
Tanzania:	6/8	(75%)
Yemen:	6/8	(75%)
Malawi:	7/8	(88%)
Nepal:	7/8	(88%)

Nine criteria/CAS

Mali:	4/9	(44%)
Pakistan:	4/9	(44%)
Côte d'Ivoire:	5/9	(56%)
Georgia:	5/9	(56%)
Ethiopia:	5/9	(56%)
Indonesia:	5/9	(56%)
Mauritania:	6/9	(67%)
Vietnam:	6/9	(67%)
Bangladesh:	6/9	(67%)
Kenya:	6/9	(67%)
Tanzania:	6/9	(67%)
Ghana:	7/9	(78%)
Yemen:	7/9	(78%)
Nepal:	7/9	(78%)
Malawi:	8/9	(89%)

8. Score results (for both CASs):

<u><i>Eight criteria/CAS</i></u>			<u><i>Nine criteria/CAS</i></u>		
Côte d'Ivoire:	5/16	(31%)	Côte d'Ivoire:	7/18	(39%)
Pakistan:	6/16	(38%)	Pakistan:	7/18	(39%)
Mali:	7/16	(48%)	Mali:	8/18	(44%)
Georgia:	7/16	(48%)	Kenya:	8/18	(44%)
Kenya:	8/16	(50%)	Georgia:	9/18	(50%)
Ethiopia:	9/16	(56%)	Ethiopia:	9/18	(50%)
Indonesia:	9/16	(56%)	Indonesia:	9/18	(50%)
Vietnam:	9/16	(56%)	Vietnam:	10/18	(56%)
Yemen:	10/16	(63%)	Bangladesh:	11/18	(61%)
Bangladesh:	10/16	(63%)	Yemen:	12/18	(67%)
Ghana:	11/16	(69%)	Ghana:	12/18	(67%)
Malawi:	11/16	(69%)	Mauritania:	12/18	(67%)
Mauritania:	11/16	(69%)	Malawi:	13/18	(72%)
Tanzania:	12/16	(75%)	Tanzania:	13/18	(72%)
Nepal:	15/16	(94%)	Nepal:	15/18	(83%)

9. *Nepal* was the overall highest scorer in the review, except for the case of the latest CAS and using nine criteria, in which it was second to *Malawi*. Depending on which number of criteria was used and which category (oldest, latest, or both CASs), *Côte d'Ivoire*, *Mali*, *Kenya*, and *Pakistan* were among the lowest scorers in one category or other.

10. Trends from older to latest CAS (percent positive scores):

	<u><i>Eight criteria/CAS</i></u>	<u><i>Nine criteria/CAS</i></u>
<i>Africa Region (AFR)</i>		
1. Côte d'Ivoire	38% to 50%	22% to 56%
2. Ethiopia	50% to 63%	44% to 56%
3. Ghana	63% to 75%	56% to 78%
4. Kenya	25% to 75%	22% to 67%
5. Malawi	50% to 88%	56% to 89%
6. Mali	50% to 38%	44% to 44%
7. Mauritania	75% to 63%	67% to 67%
8. Tanzania	75% to 75%	78% to 67%
<i>East Asia Region (EA)</i>		
9. Indonesia	50% to 63%	44% to 64%
10. Vietnam	63% to 44%	44% to 67%
<i>Europe and Central Asia Region (ECA)</i>		
11. Georgia	38% to 50%	44% to 56%
<i>Middle East & North Africa Region (MENA)</i>		
12. Yemen	50% to 75%	56% to 78%
<i>South Asia Region (SA)</i>		
13. Bangladesh	63% to 63%	56% to 67%
14. Nepal	100% to 88%	89% to 89%
15. Pakistan	25% to 38%	22% to 44%

11. Using eight criteria only, there is an overall positive movement between the older and most recent CASs of 13 percent. On a regional basis, MENA shows the most improvement (25 percent), although this figure should be qualified because only one MENA country was included in the review. The Africa Region has the next highest percentage rate of improvement (16 percent), while ECA and EA are tied at 13 percent. The SA average shows no change in either direction.

Elements of Good Practice

12. *Nepal*

1996 CAS

- Detailed discussion of *selectivity*.
- Lending criteria include IDA's comparative advantage relative to other donors, which means that in some important sectors in Nepal, IDA will not develop new operations.
- Acknowledgment that selectivity will be subject to strong internal and external pressures for the Bank to be involved more broadly.
- Potential to achieve more lasting results attributed to selectivity, since resources will be used more effectively.
- Detailed discussion of *coordination with other institutions*, including identification of sectors where coordination is achieving positive/less positive results.
- Notes increasingly active government leadership role with local donors, including initiative in suggesting to donors where they should concentrate future assistance.
- Clear emphasis on importance of maintaining and enhancing government and donor AC efforts, including specific recommendations to government (such as maintaining proactive role) and to donors (including considering the financing of recurrent costs in high-priority projects/programs).
- One of the points on the agenda for Board consideration is "proposed approach to donor coordination."

1998 CAS

- *Linkage* between AC and effectiveness:
 - » Weak absorptive capacity is strained by large number of donors and NGOs operating in a piecemeal and uncoordinated manner in-sector.
 - » Major lesson learned: donor-aided projects have been poorly coordinated, with donors sometimes competing rather than cooperating in aid allocations.
 - » Part of problem is that donors have been slow in developing common insistence on good governance at central level.
- CAS strategy therefore includes collective donor action to foster the stronger governance needed to reduce waste and mismanagement.
- One of the potential risks is lack of donor coordination.
- Analysis of impact of aid on *government capacity*.
- Donor assistance has tended to substitute for creation of national capacity to plan and implement.
- Government aware of damaging effect on integrity and sustainability of development process; wants to ensure it takes greater responsibility for shaping /managing it.
- CAS matrix has column on "other donors."

13. *Tanzania*

1994 CAS

- *Linkage* between AC and effectiveness.
- Health services are constrained by, among other things, uncoordinated donor activities that often bypass the ministry.
- A group of government project coordinators is working with encouragement of the Resi-

- dent Mission (RM) to exchange ideas on project implementation.
- Integrated sectoral strategy approach already showing very positive results in overall program implementation and donor coordination in roads sector.
 - » In interest of increasing aid effectiveness, IDA is channeling foreign exchange through a market-based allocation mechanism and is urging other donors to do the same (counted as attempt at harmonization of donor procedures).
 - *Selectivity*:
 - » Integrated sectoral strategies imply that governments and donors will need to agree on which donor should be responsible for assisting in specific sectors and subsectors.

1997 CAS

- *Selectivity*
- One of lessons learned: Bank did not work closely enough with government and other donors to reduce number of overlapping projects in portfolio and focus attention on core activities.
- Government *capacity*, and efforts to *build capacity*.
 - » Success of Bank program will depend on lead taken by government in setting development priorities and its ability to coordinate the activities of donors.
 - » Bank aims to build needed capacity in areas critical for sound economic management, including building capacity for policy analysis in Ministries of Finance and Planning.

14. *Malawi*

1996 CAS

- *Selectivity*
- AIDS/HIV activities currently adequately funded by other donors, but Bank would be responsive to request for help should situation change.
- No new PSD operations foreseen, but, should funding from other donors not materialize, Bank may be asked for support of a technical assistance operation to accelerate privatization.
- *Government capacity*
- Previous regimes created competing structures representing central ministries. New government believes in decentralization and is currently evaluating, with help from donors, the best approach.
- Government (GOM) encouraging Bank to seek input from various segments of society in formulating its assistance strategy.
- At 1995 CG, GOM announced intent to establish a monitoring capability in the Ministry of Finance to coordinate achievement of deadlines for project policy conditions and implementation targets.
- *Cooperation with others*
- Importance of donor community in Malawi demonstrated by impact of 18-month suspension of aid, starting in 1992, which helped inaugurate democratic reform.
- Bank and IMF have aimed to coordinate technical assistance to central ministries (Finance, Customs, Reserve Bank) although currently, "IMF, donors and Bank may together be inadvertently overloading the central ministries with expatriate advisers, detracting from local capacity building."
- Bank, through CG chairmanship and its RM, has played leading role in donor community. Participates in monthly meetings organized by UNDP for UN family in field, as well as weekly coordination meetings organized by UNDP for ambassadors/high-level representatives. Meetings are highly productive forums for decisions on issues such as donor response to drought.

1998 CAS

- *Coordination and selectivity*
- Following transition to democracy, there was significant increase in number of donors,

particularly concentrated in agriculture, education, health, and environment sectors.

Donor community (with many agencies constrained by HQ mandates) has yet to succeed in streamlining interventions to maximize impact and minimize claims on capacity.

- Experience of last few years argues for bringing donor community into strategic and investment frameworks, with each donor focusing on areas of comparative advantage.
- CAS will pursue “critical cost-cutting themes” including *donor coordination*.
- Need for selectivity in Bank’s program has been subject of dialogue with government and other donors in preparing current CAS. Bank efforts will be focused where they have maximum impact, implying no lending interventions where existing projects are not performing well.
- Capacity in Malawi, government commitment, donor presence, and Bank capacity will be decisive criteria determining where Bank intervenes. A CAS annex matrix exemplifies Bank’s selective approach, showing both Bank and donor contributions to GOM program.
- Principle of selectivity will be pursued when responding to GOM is recent request that Bank become involved in funding additional areas.
- Bank needs to be catalyst fostering development of cohesive sector strategies and investment programs to provide umbrella for activities of donor community. Longer-term agreed objective is for “a greater streamlining of donor activities.”
- *Government capacity*
- Due to capacity limitations, lack of adequate strategic frameworks, and desire to maintain aid flows, GOM has not been able to impose coherence on conflicting donor inputs.
- Lesson learned: inadequately coordinated donor interventions have strained capacity and delivered sometimes conflicting messages.
- GOM is considering strengthening its system of aid management. Donors have decided to reinforce efforts to help GOM develop strategic frameworks and then to work within them.
- *Linkage of AC with development effectiveness*
- Donor coordination is very good at one level—CAS provides details of AC frameworks including various donor groups collaborating toward moving to SIPs in some sectors.
- Nevertheless, it is apparent that coordination only partially effective in results. In many sectors, many donors are still pursuing individual programs with great cost to limited Malawi capacity.

15. *Yemen*

1996 CAS

- *Aid coordination and selectivity/comparative advantage*
 - » Donor coordination takes on special meaning in Yemen, where range of problems forces World Bank to be highly selective.
 - » IDA must not only be catalytic in attracting additional cofinancing, but must encourage other donors to take lead where they have comparative advantage or special expertise.
 - » The Bank is working closely with donors to develop sectoral reform programs.
- *Linkage between AC and effectiveness:*
 - » Yemen is one of the most water-short countries in world. Addressing serious problems will require well-coordinated effort between government and donors.
- Role of *Resident Mission*. Opened in January 1995, the CM is expected to play key role in AC among local donor representatives.

1999 CAS

- Guiding principles for Bank’s strategy include *selectivity* and *partnerships*.
- Lending assistance focused on limited set of priorities makes close collaboration with development partners essential.
- In the CAS areas of emphasis, it is important to move forward in full partnership with both government and all substantial donors in relevant sectors.
- In important sectors where there is no Bank lending, Bank will continue to provide TA and

- encourage donors to support sectoral reforms. In some sectors, Bank involvement may attract new donors (such as rural access, which has no specific donor support now).
- In parallel, RM would continue its active role in partnership-building with donor agencies, government representatives, and other relevant organizations through monthly operational discussions and day-to-day liaison.
 - Major points of contact for Bank donors and government agencies would be on sectoral basis, to make specific plans for coordinated financial and technical support, to harmonize strategy and policy at sector level, and to address sector-specific implementation problems.
 - *Capacity*
 - Bank will provide initial technical support for Ministry of Planning to play leading role in coordination of donor support.
 - Bank would encourage MOP to take part in such meetings and to take lead in general coordination meetings on cross-cutting issues.

Countries Selected for CAS Review: *Two Most Recent Reviews*

Africa Region (AFR)

1. Côte d'Ivoire	6/94	and	8/97
2. Ethiopia	5/95	and	8/97
3. Ghana	4/95	and	8/97
4. Kenya	2/96	and	9/98
5. Malawi	3/96	and	8/98
6. Mali	12/94	and	4/98
7. Mauritania	10/94 ¹³	and	5/97
8. Tanzania	5/94 ¹⁴	and	5/97 ¹⁵

East Asia Region (EA)

9. Indonesia	2/95	and	6/97 ¹²
10. Vietnam	10/95	and	8/98

Europe and Central Asia Region (ECA)

11. Georgia	3/95 ¹⁶	and	9/97
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Middle East & North Africa Region (MENA)

12. Yemen	1/96	and	5/99
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South Asia Region (SA)

13. Bangladesh	9/95	and	3/98
14. Nepal	4/96	and	11/98
15. Pakistan	8/94 ¹⁷	and	11/95 ¹⁸

Annex 5

Evaluative Levels and Criteria for Aid Coordination

Box A5.1: Aid Coordination (AC) Evaluative Levels Hierarchy

Impacts: Impacts are the ultimate development results on the ground. Four main categories of broadly accepted “global goals” at the results-on-the-ground level are: (1) poverty reduction; (2) finance and private sector development; (3) human development; and (4) environmental sustainability.

Evidence: Country and donor reporting, research and evaluations; independent research studies; questionnaire and interview responses.

Outcomes: Outcomes are the enabling conditions within the country for achieving results on the ground, or development impacts. Four major categories of outcomes are: (1) policy reform; (2) institutional capacity (including governance); (3) resource mobilization (private and public); and (4) the state of development cooperation among development partners in the country.¹⁹

Evidence: Country strategy and budget documents; country and donor reporting, research, and evaluation documents; independent research studies; questionnaire and interview responses.

Outputs: Immediate: (i) CG Chairperson reports contain actionable and monitorable recommendations that require participants to follow-up and report back to the next meeting. (ii) Agreements are reached regarding aid pledges; macroeconomic policy frameworks; global and sectoral public investment and expenditure programs; sectoral policy issues; donor procedures and practices. **Higher Level:** (i) Donor strategies focus in a more *coherent* manner on the country’s key development priorities; (ii) donor-supported activities are more *selective*, better reflecting the *comparative advantage* of each donor; donor procedures and practices are more *consistent*; (iii) an adequate *quantity* of aid resources are available to the country.

Evidence: (1) Aide Mémoires; Memoranda of Understanding; CG Chairperson’s Reports and Press Releases (2) Questionnaire and interview responses; country and donor strategies, donor budget and evaluation documents; selected OED evaluations (e.g. CARs); other secondary sources.

Production Process: Formal and informal AC activities, e.g. CG and re-

lated meetings; multiparty and bilateral sectoral and project-level meetings; working groups and task forces; bilateral meetings; phone calls; mail and electronic communications; document exchange; visiting missions

Evidence: Meeting announcements and agendas; questionnaire and interview responses; selected OED evaluations; such operational documents as CASS, as relevant.

Inputs: Financial resources, technical expertise and management attention devoted by participants (Government, Bank, Donors)

Evidence: (1) Direct costs (financial and staff time) to the participants; (2) Indirect costs: activities undertaken in part to contribute to AC, e.g. economic analyses; number of donors and projects in sector or country (reduced effectiveness beyond some level); number of donors with in-country presence and delegated authority; degree of donor dominance, e.g. one donor accounting for over 50% of ODA

Box A5.2. Evaluative Criteria for Aid Coordination

Relevance:

- To what extent are AC activities relevant to the global goals of (1) poverty reduction; (2) finance and private sector development; (3) human development; and (4) environmental sustainability?
- To ensure relevance, how participatory are AC processes in involving stakeholders (government, donors, representatives of civil society and the private sector) in preparing for and reporting on meetings, and in ensuring that stakeholders or their representatives have a voice at meetings?

Efficacy: To what extent have AC activities achieved results at the *impact, outcome and output* levels (as described in Box 1)?

Efficiency:

- (1) *Process Efficiency:*
- What was the quality and timeliness of documentation prepared for AC activities?
 - How skillful was the chair in moderating

AC fora, including being responsive to participants?

- What was the quality of press releases and conferences (and other media events)?
- How willing were participants, including government and other donors, to engage in a constructive dialogue on economic policy issues? On other germane issues such as governance and corruption?

(2) *Cost-Effectiveness:*

While one of the objectives of AC is to lower the cost of delivering aid (for donors and for the recipient country), aid coordination itself has a cost.

- To what extent have AC mechanisms and initiatives lowered or increased the transactions costs of delivering aid, or left them about the same?
- To what extent have means been adopted to minimize AC costs, e.g. through keeping meetings outside the country to an essential minimum, making optimal use of electronic communications, utilizing local resources to help

prepare for meetings, etc.?

(3) *Bank Input Quality:*

- To what extent did the Resident Mission contribute to the effectiveness of the Bank's AC role?
- How well (in terms of quality and timeliness) was it supported by headquarters in AC functions?

Sustainability: To what extent have AC activities, particularly those in-country, been regularized and sustained, as opposed to being *ad hoc* and sporadic? To what extent have they focused on issues of *development* sustainability?

Institutional Development:

Have the Bank or other donors helped build the government's capacity to manage and coordinate aid? What have been the results? Substantial, modest, or negligible? Or have other practices to circumvent weaknesses (e.g. separate project implementation units) had a counterproductive effect on capacity?

Annex 6

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Informational Interviews

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1. Franz Kaps, Senior Advisor, Aid Coordination and Partnerships, ECAVP, March 31, 1998
2. David Pearce, Anchor for Russia, ECCA1, April 2, 1998
3. Oscar de Bruyn Kops, Anchor for Indonesia, EACIQ, April 7, 1998
4. Haven North, Independent Consultant, April 15, 1998.
5. Katherine Marshall, Director, Social Policy and Knowledge Management, EASSD, April 16, 1998
6. James Adams, Director for Tanzania and Uganda, AFCO4, April 17, 1998
7. Shahid Javed Burki, Vice President, LCRVP, April 23, 1998
8. Heidi Hennrich-Hanson, Anchor for Philippines, EACPQ, April 23, 1998
9. Khalil-Zadeh Shirazi, Regional Manager, Strategy and Partnerships, EAPVP, April 28, 1998
10. Pablo Guerrero and James Funna, Program Coordination, Partnerships, SRMPG, May 6, 1998
11. Phyllis Pomerantz, Director for Mozambique and Zambia, AFCO2, May 7, 1998
12. Roy Morey, Director, Washington Office, UNDP, May 7, 1998
13. Alexander Shakow, Deputy Corporate Secretary, May 11, 1998
14. Sarwar Lateef, Senior Advisor, Poverty Reduction and Economic Management Network (PREM), May 12, 1998
15. Mark Baird, Vice President, Strategy and Resources Management (SRM), May 15, 1998
16. Paul Evans, Political Science Department, Harvard University, May 18, 1998
17. Michael L.O. Stevens, Public Sector Management, PRMPS, May 19, 1998
18. Jean-Marc Pradelle, *Conseiller*, Club du Sahel, OECD, Paris, May 25, 1998
19. Nicholas Van Praag, Conference Director, European Office, World Bank (EXT), Paris, May 25, 1998
20. Ramond Toye, Press Officer, May 25, 1998
21. Janine Savaux, Conference Officer, May 26, 1998
22. Bernard Wood, Director, Development Cooperation Directorate (DCD), OECD, Paris, May 27, 1998
23. Richard Carey, Deputy Director, DCD/OECD, Paris, May 27-28, 1998
24. Brian Hammond, Head, Reporting Systems Division, DCD/OECD, May 27-28, 1998
25. Arthur Fell, Principal Administrator, DCD/OECD, May 27, 1998

26. James Michel, Chairman, Development Assistance Committee, OECD, Paris, May 28, 1998
27. Ross Paul, Capacity Building Unit, Africa Region, July 9, 1998
28. Etienne Baranshamaje, Senior Projects Officer, Africa Region, July 15, 1998
29. Robert Floyd, Task Manager, African Capacity Building Initiative (ACBI), Africa Region, July 21, 1998.
30. Christine Wallich, Director, Corporate Strategy, SRM, July 31, 1998
31. Patti Petesch, Independent Consultant, April 28, 1998/August 10, 1998
32. Kiochi Miyoshi, Resident Representative; Anne Emig, Program Officer for Research; and Barbara Phillip, Consultant, Japan International Cooperation Agency (JICA), USA Office, Washington, August 11, 1998
33. Alfredo Sfeir-Younis, Special Representative, New York UN Office, EXT, August 12, 1998
34. G. Shabbir Cheema, Director, Management Development and Governance Division, Bureau for Development Policy, UNDP, New York, and other UNDP officials of the Bureaus for Africa, Asia and Development Policy, November 23, 1998
35. Bradley Babson, EAP (former Resident Representative in Vietnam), December 3, 1998
36. Theodore Ahlers, Country Director for Benin, Niger and Togo, AFC13, January 5, 1999
37. Stephen Jones, Oxford Policy Management, July 6, 1999.
38. OED: Asita De Silva, Gianni Zanini, Helen Abadzi, Jayati Datta-Mitra, Poonam Gupta, Linda Dove, Luis Landau, Luis Ramirez, Roger Robinson, Timothy Johnston

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Papers and Documents Prepared for the Review

All papers are available from the Corporate Evaluation and Methods Group of the Operations Evaluation Department of the World Bank (OEDCM).

1. "Aid Coordination and the Role of the World Bank: An OED Review (Phase I)" January 1999.
2. Proceedings of Workshop, "Aid Coordination in an Era of Partnership," February 10-11, 1999, Washington, D.C.
3. Report of OED Mission to Ghana, April 11-22, 1999.
4. Report of OED Mission to Vietnam, April 26-30, 1999.
5. Report of OED Mission to Ethiopia, May 3-11, 1999.
6. "Aid Coordination: Moving toward Partnership: the Challenge of Measurement," June 1999.
7. Post-Conflict Reconstruction and Aid Coordination: The West Bank and Gaza Experience, OED Précis No. 186, by Barbara Balaj and Christine Wallich, Spring 1999. (Prepared in part for the OED review of aid coordination, and supported in part by OEDCM.)

Annex Notes

1 Press statement, Utstein Abbey (Norway), July 26, 1999.

2 This figure includes the 13 borrower countries that are members of the Bank-chaired Caribbean Group for Cooperation in Economic Development (CGCED). In addition to meetings chaired exclusively by the World Bank, CGs for about eight East European countries are chaired jointly by the Bank and the EU. CGs for Central America are chaired by the IDB, and for Papua New Guinea, by the ADB.

3 Some adjustments were made in this group to take into account realities on the ground. Six countries in group one, listed below the dotted line, were moved to group two. These countries, although with ODA ratios below the 5 percent ceiling, are former members of the socialist block, and almost all are recent members of the Bank. Since these countries are in transition from centrally planned to free market, globalized economies, it is proposed, unless Country Departments think otherwise, that they be moved to group two.

4. Responses were received from 15 official donor organizations, including those for Austria, Australia, Canada, Denmark, Germany, Japan, the Netherlands, Norway, Portugal, and the United States, as well as the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, and the Inter-American Development Bank. The only international NGO responding to the survey sent by OED was Christian Aid of the UK.

5. Expenses for the February 10–11 workshop, including participant travel costs, were supported by an allocation from the OED-SDC (Swiss Agency for Development and Cooperation) Partnership Trust Fund.

6. Mr. Marco Rossi, currently head of the Policy and Research Division of SDC, was seconded to OED in October and November 1998 and developed the design followed for the workshops. The OED review team has also drawn upon a very insightful paper, *Aid Coordination and Aid Effectiveness*, by Arne Disch, and commissioned by the Ministry of Foreign Affairs of the Norwegian Government (Disch 1999).

7. The aid group meetings included in the calendar are generally at the apex—or countrywide—level, rather than sector meetings—such as CGs, Development Forums, Donors Meetings, Investors Conferences, and the like.

8. For example, the December 1997 CG Meeting for Tanzania, held in Dar Es-Salaam, is not mentioned. The 1999 calendar shows a CG meeting for Croatia, a country for which there has never been a CG and for which one is not envisioned.

9. The fit of the curve to the data, as measured by the R^2 of 0.36, is relatively low, owing to the wide spread of observations at lower per capita income levels. Other measures of aid dependency include ODA per capita and the ratio of ODA to central government expenditures. While the magnitudes differ, a similar inverse relationship with GNP is observed and the country rankings are similar. Each aid dependency measure has its limitations. The ODA to GNP ratio was chosen because it is available for a relatively large group of countries and because it is the most widely employed measure. Its main limitation is that GNP in very low-income countries tends to be underestimated. The *Purchasing Power Parity (PPP)* method of conversion to a common unit partially corrects for this, but PPP-adjusted data are not quite as widely available as data employing the Atlas method of conversion. The inverse relation of ODA per capita to GNP per capita is less pronounced than that shown in figure A3.1, owing to several outlier countries, while the relation of ODA to central government expenditures is more pronounced, but data are available for only 68 countries.

10. The “fully-loaded” cost includes fringe benefits and overhead. The figure for direct financial cost does not include services provided for Regional and Round Table meetings, which in FY98 were reported to be only about \$0.5 million. See figure A3.3.

11. In some cases, the CAS was embedded in a Staff Appraisal Report (SAR) or Memorandum of the President (MOP).

12. MOP Agricultural Services Project

13. SAR Second Integrated Roads Project

14. There was also a Progress Report (PR) in 4/96 (not included in this review)

15. There was also a PR in 2/99 (not included in this review)

16. SAR Rehabilitation Credit

17. MOP Social Action Project (SAP)

18. There was also a PR in 4/97 (not included in this review)

19. Adapted from the *Scorecard* under the Bank’s *Strategic Compact*.

MANAGEMENT RESPONSE: OED REVIEW OF AID COORDINATION AND THE ROLE OF THE WORLD BANK¹

I. Introduction

1. The upcoming Development Partnership Forum provides an important opportunity for the development community to take stock of the lessons learned from past aid coordination efforts, and to set the stage for early progress in the new millennium. As background for this meeting, the OED review of aid coordination—and the companion UNDP evaluation—is timely and will no doubt prove useful for the Forum’s deliberations. The Bank’s own self-evaluations of the past few years have led us to broadly similar conclusions about the aid system and the Bank’s role in it.² These provided the genesis for the Bank’s partnership strategy³, which in turn foreshadowed the articulation of the Comprehensive Development Framework (CDF) earlier this year, under the strong leadership of President James D. Wolfensohn. Though the CDF is still very much a work in progress, the early indications from clients and partners alike are most encouraging.

II. Summary of OED Findings

3. The OED review highlights the weaknesses of past aid coordination efforts. While noting some areas of success, its main message is that aid coordination has made little progress in strengthening global ODA levels, increasing donor selectivity, reducing transaction costs associated with aid delivery, harmonizing donor policies, and strengthening countries’ aid management and coordination capacities. It points to weak country commitment and capacity as partly responsible. But it also highlights serious problems on the donor side, and the urgent need to address them by minimizing non-development motives for providing aid, pursuing selectivity along lines of comparative advantage among donors, and encouraging Bank staff and other local donor representatives to promote recipient government leadership of in-country aid coordination. It concludes that the development community has been well-served by the Bank in managing aid coordination processes, but that the Bank’s historical record on country-led coordination has been mixed.

III. Management Perspective

4. Management generally agrees with the thrust of the OED analysis. However, we do not believe that it adequately conveys the Bank’s current vision of development partnership—and the centrality of country focus to the vision—or the intensity of Management and staff commitment to real change, including in attitudes and behaviors. Relevant follow-up work is underway at three levels:

¹ This response will be revised as appropriate following the Development Partnership Forum in Paris on December 6-8, 1999, and submitted as a Management Response to the World Bank Committee on Development Effectiveness.

² See *Assessing Aid—What works and What Doesn’t and Why*, Policy Research Report, World Bank and Oxford University Press, 1998.

³ See “*Partnership for Development: Proposed Actions for the World Bank*” (SecM98-421) June 9, 1998, and “*Partnership for Development: From Vision to Action*” (SecM98-789) September 23, 1998.

⁴ See *Assessing Aid—What works and What Doesn’t and Why*, Policy Research Report, World Bank and Oxford University Press, 1998.

- **Country.** Building on the CDF principles of ownership and partnership, the Bank has begun to work with the IMF and other multilateral and bilateral partners to support the preparation of the new country-led Poverty Reduction Strategy Papers (PRSPs).⁶ The Bank also is following closely the on-going CDF pilots for good practices in strengthening country ownership and capacity, and intends to work with UNDP to identify specific actions to increase the national ownership of aid mobilization and management processes. These initiatives reaffirm the need for country frameworks, under which the respective assistance strategies of the Bank and other agencies can be developed, implemented, and evaluated.
- **Global.** But for this to work well, greater harmony in donor practices, procedures, and policies will be needed. The Bank is working with other Multilateral Development Banks (MDBs) to inventory MDB operational policies, procedures, and practice; a key goal is to identify the scope for harmonizing both program- and project-based policies and practices, including those that deal with fiduciary, environmental, and social safeguard issues. This work program could usefully be expanded at an early stage to embrace bilateral donors and clients. The Bank plans to step up its support for this effort, working together with UNDP and other development partners to help provide the associated capacity building support for client involvement.
- **Bank.** The report usefully highlights the importance of public expenditure reviews, sector investment programs, and programmatic lending instruments for the ownership and partnership agenda. Bank Management agrees with this assessment, and will reflect this and other recommendations, as appropriate, in the planned revision of the Bank's operational policy on donor coordination. However, the timetable for this work will itself need to reflect the rhythm of partnership, mindful of evolving country conditions, the policy dialogue with partners and the lessons emerging from the CDF pilots and the PRSP process.

IV. Conclusion

5. Management is fully committed to the CDF ownership and partnership agenda as a necessary condition for improving the development effectiveness of donor assistance programs. But even more, we see these principles as essential for improving the effectiveness of countries' own development programs. In the end, this must be our compass. With this objective in mind, we believe that the steps outlined above—at the country level, through the CDF and PRSP process; at the global level, to harmonize donor policies, procedures, and practices; and at the institutional level, to utilize instruments that will facilitate country-led donor-supported programs—constitute a strong plan of action designed to get results.

⁵ See “*Partnership for Development: Proposed Actions for the World Bank*” (SecM98-421) June 9, 1998, and “*Partnership for Development: From Vision to Action*” (SecM98-789) September 23, 1998.

⁶ See “*Poverty Reduction Strategy Papers—Status and Next Steps*” (SecM99-699), October 28, 1999.

Report from CODE Committee on Development Effectiveness

Review of Aid Coordination and the Role of the World Bank

The Committee met on November 10, 1999 to discuss the OED report *Review of Aid Coordination and the Role of the World Bank* (SecM99-709). In view of the upcoming DAC seminar on Aid Coordination to be held in Paris on December 6, the Committee agreed to take up the report in two stages, with the second stage meeting to be scheduled soon after the DAC seminar. The Committee emphasized the importance of senior level Bank management participation at the DAC seminar, reflecting the priority that the Bank attaches to improving management of aid. The Committee focused on the members' preliminary reactions to the paper and listened to an oral presentation of Management's Response. It also heard a report from the Chairman of the CODE Subcommittee on the discussion held the previous day on aid coordination with officials of UNDP and DAC.

The Committee welcomed the OED report noting that it is the culmination of a request by the Board for a review of the role and experience of the Bank in aid coordination. Committee members appreciated the candor of the report and were pleased that it had been prepared in parallel with UNDP's report on aid coordination. Members endorsed the report's findings and recommendations. Members noted that the report is necessarily a retrospective look at the actual state of coordination, and perceptions of the costs and consequences associated with prevailing practices among bilateral and multilateral development partners, and that officials of developing countries, donor

agencies, and Bank staff alike had been able to speak for themselves through surveys, interviews and workshops conducted as part of the study. The Committee agreed that independent, objective assessment is critical to well-informed and thus well-founded reforms and that OED had provided such an assessment through a forthright report. The Committee also noted the positive changes that have taken place as OED has undertaken this work with respect to partnerships, including the Comprehensive Development Framework (CDF), Poverty Reduction Strategy Papers (PRSPs) and other initiatives. They emphasized the importance of considering the report's findings and recommendations in this broader context and with an overall focus on poverty reduction. Members indicated that there was now a "window of opportunity" for major improvements in aid coordination. They emphasized a strategic global approach, looking for early wins, and moving on to more complex issues in a concrete and measurable fashion. This needs to be complemented by increased efforts to build country level capacity and partnerships agreements.

The Committee focused on a number of major issues including but not limited to:

Country Ownership. The Committee recognized the critical importance of country ownership and the need to develop a strategy and time frame for partner governments to take over aid coordination. While noting that some countries have overcome the barriers and are exercising leadership in aid coordination, the Committee emphasized that the extent of the barriers should not be underestimated. For example, the tensions between partnerships and ownership, the power imbalance inherent when one party is the benefactor and the other the recipient, and the need to reconcile country ownership with increased donor and citizen demands for accountability. Some members also noted both the importance and the complexity of developing country-led processes for involving other stakeholders, including civil society and the private sector, in aid coordination activities. In addition members recognized that there were issues around timing

and sequencing and that all too often external deadlines can constrain ownership in partner countries as well as improved coordination among development partners. In view of all these circumstances, members agreed that it will be important to develop a clear understanding and some practical steps for progressively enhancing country ownership of aid coordination.

Capacity Development. The Committee recognized the critical links between capacity and ownership. In view of the opportunity costs involved, the members agreed that building capacity for aid coordination should be considered in the broader context of overall development management and public sector reform. Most members agreed with OED's recommendation to stop the use of Project Implementation Units (PIUs) except in exceptional circumstances because they undermine national capacity building. But some members asked what should be put in their place when there are local capacity constraints and stressed the need for countries and donor agencies to be more creative in fostering capacity. OED also clarified that the question was not so much to stop the use of PIU's but to find exit strategies for their use.

Harmonization of Donor Processes, Procedures and Instruments. The Committee emphasized the critical importance of harmonizing multilateral and bilateral donor processes and procedures with respect to financial management, procurement, reporting and other issues. Some members noted that harmonization does not mean that all partners should start using World Bank procedures and stressed that the aim should be to develop processes that are managed by national structures and through national procedures and budget cycles. Members also noted the importance of further harmonizing and consolidating donor business plans and analytical instruments and making greater use of approaches such as the sector program approach. They agreed that such harmonization and consolidation should help to enhance selectivity and reduce the administrative burden of aid coordination for recipient countries. However,

concern was expressed that harmonization not occur around the lowest common denominator, and that we not lose sight of the value of diverse approaches.

Mechanisms for Aid Coordination. Committee members also agreed on the need to think through the evolution of mechanisms for aid coordination such as the UNDP Round Tables and the Bank Consultative Groups and to encourage country management of such aid group meetings. They also encouraged fresh approaches to aid coordination such as those being used for the Consultative Group to assist the Poorest (CGAP), the Cities Alliance and for some post-conflict situations. Aid coordination at the sub-regional level (e.g. Central Asia, Central America, Southern Africa) and related to economic integration should also be considered. But Committee members also noted that coordination of aid activities is often difficult to achieve within as well as between donors, that donors are driven by their own set of imperatives and accountabilities and that improved aid coordination will require much greater cooperation earlier on in the planning process and improved sharing of information.

Organization and Staffing of the Bank. Committee members stressed the importance for effective aid coordination of decentralization of the Bank's organization and activities. They welcomed the recent changes in this regard and noted the need for further decentralization, including of sectoral staff, as well as improved coordination across the Bank Group. Committee members also emphasized that Bank recruitment, training and performance evaluation must take into account the need for people oriented toward working effectively in partnership. In this context members noted that over fifty percent of Bank staff surveyed had indicated that they were not enthusiastic or neutral that an active government role was necessary for effective aid coordination. Members stressed the importance of better understanding the reasons for this skepticism, particularly given similar views held by locally based staff of other donor agencies, and whether views have begun to change as a result of the introduction of the CDF. At the same time

members noted that the Bank needs to invest more effectively in staff development with respect to attitudes, incentives and approaches to aid coordination. The Committee also agreed that the Bank needs to revise its Country Assistance Strategy (CAS) guidelines to reflect an emphasis on aid coordination and its operational policies and procedures to take account of recent thinking and practices in aid

coordination, particularly the CDF emphasis on partnerships and the Bank's expanded presence in the field.

Next Steps. Following the DAC seminar CODE will revisit OED's recommendations and Management's Response, both of which are expected to be informed by the DAC discussion.

Jan Piercy, Chairperson

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