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Rethinking Aid Coordination

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1. Introduction

Should aid be better coordinated? And if so, how? The case for aid coordination is a powerful one. As aid poured into Haiti in the wake of a massive earthquake in January 2010, television coverage around the world broadcast two different realities. One story was about well-organized aid-givers collecting record donations and dispatching food and medical equipment by the tonne to Haiti. The other was a story about aid stymied by a lack of coordination. Television crews depicted Haitian families and children complaining that none of the food, medical assistance, or shelter was reaching them. The President of Haiti soon spoke out: "I am not in a position to criticize anybody, not in the least people who have come here to help me," Preval said. "What I am staying is, what everybody is saying is, that we need a better coordination."[2]

The failure to coordinate was soon apparent to all. A few days after the crisis, Medecins Sans Frontieres announced that international coordination of the relief effort "is not existing or (is) not sufficient".[3] A month or so later, an assessment by Refugees International concluded that "coordination and communication between Haitian civil society and UN and international NGOs are largely missing, with both sectors operating along parallel and separate lines."[4] Many local organizations were unable to access meetings at the UN compound in Port-au-Prince: they were either unaware of their meetings, did not have proper photo-ID passes for entry, or did not have the staff capacity to spend long hours at the compound. Yet their inclusion in coordination was crucial to avoid overlap and to maximize outreach and coverage.[5] The result was a situation familiar to all concerned with humanitarian relief. Foreign governments, UN agencies, and some 900 international NGOs trying to coordinate among themselves, often ineffectually, and mostly in the absence of Haitian groups trying to work in their own

[1] I am indebted to Barbara Lee, Jonathan White, Alan Gelb, Ezra Suruma, and Brenda Killen for their excellent comments on the first draft of this paper, and to Christina Ward for her research assistance. This paper was later published in Homi Kharas, Koji Makino and Woojin Jung, eds. *Catalysing Development: A New Vision for Aid*, Brookings Institution Press 2011.

[2] "Haiti aid needs better coordination", by Patricia Zengerle and Jackie Frank, Port-au-Prince, Wed 27 Jan 2010, REUTERS (http://www.reuters.com/article/idUSTRE60O29A20100127).

[3] The Haiti manager of Medicins Sans Frontiers Benoit Leduc, speaking in Port-au-Prince was cited by Mark Memmott, "Doctors Without Borders: Coordination of Aid Still Not Sufficient in Haiti", NPR, see www.npr.org/blogs/thetwo-way/2010/01/haiti_doctors_without_borders.html.

[4] Patrick Duplat and Emilie Parry, "Haiti: From the Ground Up", Field Report by Refugees International, 2 March 2010 at www.refugeesinternational.org/policy/field-report/haiti-ground

[5] At the UN compound in Port-au-Prince, UN agencies and international NGOs had established "task-specific cluster groups to improve communication across operating agencies, discuss specific needs, and coordinate activities in order to avoid overlap and maximize outreach and coverage of a response."

communities.[6]

In Haiti coordination failure reflected longstanding problems, not unique to Haiti. Three years before the earthquake, the World Bank convened a technical meeting about Haiti to discuss how better to coordinate development assistance. The records of that discussion highlight a core issue which afflicts outside assistance to countries: who should coordinate whom and how?

Haiti proposed to the World Bank's 2007 technical meeting that its own Ministry of Planning and External Cooperation should be the main coordinator of assistance and proposed a plan for strengthening and restructuring the Ministry to permit it to coordinate aid strategically, sectorally and geographically.[7] Haiti's proposal reflected an approach to which donors have long paid lip-service. In the Paris Declaration of 2005, over one hundred aid-providers committed to ensure that development assistance would be provided in a manner which permits developing countries to set their own strategies and objectives and have donors align behind these objectives and use local systems.[8] In practice, however, many other donor priorities intervene.

In Haiti after the 2010 earthquake, it may have seemed necessary to sideline the country's government which itself had been devastated by the quake.[9] But that sidelining has a longer history. Back in 2007, Haiti's plan to strengthen its capacity and take over coordinating external assistance met with little support. Donors agreed to "meet at the representative level in Port-au-Prince to consider and coordinate the assistance they could provide" in order to strengthen Haiti's capacity. The donors' main concern was to ensure that they better coordinated among themselves, including distributing tasks among themselves and ensuring that they presented common positions on key issues. They agreed to more regular and structured meetings with the government of Haiti. However, donors firmly reasserted their own leadership of efforts to coordinate assistance: in-country led by the Resident Coordinator of the UN System with the World Bank leading among capitals.[10]

In 2010, the preoccupation of donors to coordinate among themselves, sidelining the government and local organizations, was further entrenched as international NGOs poured into the country. The Haitian President, accused of not ensuring that aid reached the needy, said: "The Haitian government has not seen one cent of that money that has been raised for Haiti. I presume that that means the money is going to NGOs." [11] Here the

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[6] The Refugees International report (as above) notes that Haitian groups were either unaware of their meetings, did not have proper photo-ID passes for entry, or did not have the staff capacity to spend long hours at the compound.

[7] See the international discussion paper prepared within the World Bank, posted at WB's discussion paper at http://www.paho.org/english/d/csu/WB07-DiscussionPaper.pdf (accessed 5 November 2010).

[8] The Paris Declaration, endorsed on 2 March 2005, is an international agreement to which over one hundred Ministers, Heads of Agencies and other Senior Officials adhered (see www.oecd.org)

[9] There were daily discussions with the government but the government was very clearly not "in charge".

[10] HAITI: Technical Meeting on Aid Coordination and Budget Support, Friday 23 March 2007, *Summary of Discussion and Agreements Reached.* See http://siteresources.worldbank.org/INTHAITI/Resources/March23Mtgsummary.pdf (accessed 5 November 2010)

[11] "Haiti aid needs better coordination", by Patricia Zengerle and Jackie Frank, Port-au-Prince**,** Wed 27 Jan

President was referring to approximately 900 international non-governmental organizations who were involved in delivering relief to Haiti after the earthquake (see Worthington in this volume). As noted above, the efforts of these groups to coordinate among themselves, facilitated by the UN, tended not to include Haitian groups.

Haiti is but one example of coordination failure. Another rather different example is Mozambique. Far from sidelining the government, donors have flocked to Mozambique because they like and trust the government to the extent that some describe the country as a "donor darling". Nevertheless coordination problems have been rife.

Mozambique was the subject of a study by independent experts in 2005 called *Perfect Partners?* The researchers concluded that in spite of efforts to improve donor coordination, donors were failing to reduce "the overall burden on capacity-starved institutions".[12] They reported that at least one donor mission was arriving Mozambique every working day (they were unable to calculate the full number because so few donors complied with the reporting requirements of Mozambique's Department of International Cooperation). The picture they depict of aid flowing into Mozambique was one of donor-generated chaos. They estimated that half of total public spending was grant aid, spent off-budget, and coming into the country through a multitude of uncoordinated, donor-driven, development and technical assistance projects which did not add up to a coherent whole.[13] Where aid was directed to government ministries, such as the Ministry of Agriculture, they found that "fragmented donor interventions and the continuing strength of established individual niches and of the interests (and rent-seeking) that such fragmentation often creates" negated the impact of the aid.[14]

An ostensible solution to coordination failure in Mozambique has been attempted in recent years, by persuading donors to deliver aid in the form of general budget support. In theory, this should be a way to resolve the coordination problems described above, putting the government at the centre of the coordination of external assistance. Interesting, the results are not as obvious as might be expected.

In a study of budget support provided to Mozambique, De Renzio and Hanlon report that the process began rather promisingly.[15] The original group of 6 donors willing to give budget support was small and active, and tried to enter into genuine policy dialogue with the government, including on governance issues. But the growing influence of the group and its access to senior government officials soon provoked envy among other donors.

Mozambique's budget support donors' group soon grew from 6 to 18 as donors who had not been part of the initial process "bought a seat at the table" by contributing (even quite

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2010, REUTERS (http://www.reuters.com/article/idUSTRE60O29A20100127).

[12] Killick, T, Castel-Branco, C and R Gerster (2005) *Perfect Partners? The performance of Programme Aid Partners in Mozambique, 2004*. Report to the PAPs and the GoM, Maputo. Quotation from page 35.

[13] As above, quotation from page 46.

[14] Ibid at p.47.

[15] Paolo deRenzio and Joseph Hanlon, "Contested Sovereignty in Mozambique: The Dilemmas of Aid Dependence", GEG Working Paper 2007/25, at http://www.globaleconomicgovernance.org/wp-content/uploads/Derenzio%20and%20Hanlon_Mozambique%20paper%20rev%20120107.pdf.

small amount) to the budget support program. A Memorandum of Understanding spells out the terms under which these 18 donors are willing to provide aid as general budget support, the arrangements for periodic performance reviews, and the reciprocal obligations with which the parties undertake to comply. A regular cycle of annual and mid-term reviews is set up based on 24 sectoral and thematic working groups, which meet regularly to accompany the formulation and implementation of government policies, including reforms included in the Performance Assessment Framework (PAF), a summary matrix which forms the basis of policy dialogue.

The process of dialogue with the government is, as described above, a cumbersome one which gives donors a voice (in the various working groups) across all parts of government. Further exacerbating this, De Renzio and Hanlon report that the increase in donor participation in budget support increased the costs and damage of donor activity. Meetings with the government became larger and less expert. The larger number of donors brought different priorities to the table including HIV/AIDS, the investigation and prosecution of past corruption, and land privatisation. These problems were compounded by the rapid turnover of donor staff in Mozambique whose average stay of two years or less, rarely gives time to understand the underlying issues.

Problems of coordination in Mozambique are persisting according to the 2010 Annual Review of Mozambique's Program Aid Partners.[16] Their interviews with government officials and other partners reveals a breakdown in the "dialogue" between donors and the government. They depict an atmosphere of mutual accusations, where legalism is used to pursue agendas outside the Memorandum (mentioned above), and open discussion is being replaced by the use of written responses to mutual accusations. They write that mutual evaluations are being turned into a kind of tribunal to try the Government of Mozambique. Even the new Memorandum of Understanding, held up by donors as a positive milestone in their relationship with the government, is perceived by partners in Mozambique as asymmetrically in favour of the donors, produced under great pressure and accepted by the government in order to ensure disbursements.

The cases of Haiti and Mozambique highlight that rethinking the coordination of aid requires a more radical reappraisal of basic premises than is present in most current debates. Looking in from outside, donors seem mired in discussions of how to improve the processes they use to inform each other of their respective efforts. More recently, they have branched out into discussions of how to include China and emerging donors in those discussions. This paper seeks to crack open the premise upon which the debate is structured – the notion that what the aid system needs is "more coordination".

In the next section of this paper, I argue that we should begin by carefully distinguishing "coordination" from "cooperation" in development assistance. The fundamental goal of "coordination" is to ensure that the efforts of one do not stymie the efforts of another donor. In the end, this paper asks whether this can only be achieved by ensuring that

[16] Carlos Nuno Castel-Branco, Rogerio Ossemane and Sofia Amarcy, Mozambique: Independent Evaluation of the PAPs' Performance in 2009 and Performance Trends in the Period 2004-2009, (Institute de Estudos Sociais e Economicos, 9 April 2010).

coordination is rooted in, and managed by, governments receiving development assistance.

2. Redefining coordination and and cooperation

A few years ago, a former budget director of Uganda reflected on the deluge of donor delegations with whom she was having to contend. It struck her as ludicrous that she was in fact observing a parade of the same half dozen countries, simply coming under different guises: as DFID, USAID, AFD, CIDA, SIDA, Norad, the World Bank, the IMF, the UNDP, the FAO, UNEP, and so on.[17] Her point was simple, why do donors create institutions for cooperation in development assistance, and then so often ignore them and pursue their efforts one by one?

In this section, I propose that coordination in development assistance is almost always used to describe activities which paper over a failure more deeply to cooperate.[18] Consider that the United Kingdom, the United States, Japan, and Canada (and 183 other countries), could cooperate in providing development assistance, by channeling all their contributions to the World Bank. The Bank could then use pooled information, established rules and procedures for working with a developing country government to provide the assistance. No further coordination would be required.

By contrast, each of the UK, USA, Japan, and Canada pursue development assistance goals through a multiplicity of actors and programmes, including through several domestic agencies (including departments of aid, defence, environment, energy, policing, and health), through their own NGOs funded by aid budgets, through special international programmes (such as the Global Fund for HIV/AIDs, Malaria, and Tuberculosis), and through a range of different international organizations. For this reason, coordination is important.

<u>Cooperation in development assistance</u>, I define as donors working together to plan and deliver aid, such as by creating an international institution in order to pool funding, information and expertise, and collectively make decisions, such as in the IBRD or the IDA of the World Bank.

The argument for cooperation is that it enables donor governments to pool their resources and knowledge, and to create a capacity to deliver development assistance which has some degree of mutually recognized stability, neutrality and autonomy. Cooperation can reduce the number of "donors" or ensure a single or dominant donor with whom a government can work, a factor to which various scholars have attributed significance in the success of aid to Taiwan, Botswana.[19]

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[17] Cited in Jennifer Welsh and Ngaire Woods, Exporting Good Governance, Wilfred Laurier University Press, 2007 (Introduction).

[18] This is very different to the approach political scientists take to the concepts of coordination and cooperation: Keohane [complete]; Aggarwal and Dupont [complete].

[19] See Brautigam, Deborah (2000). *Aid dependence and governance*. Stockholm: Almqvist & Wiksell International; Azam, Jean-Paul, Shantayanan Devarajan, and Stephen A. O'Connell, "Aid Dependence Reconsidered." Policy Research Working Paper 2144, World Bank, Washington DC (1999).

Typically to cooperate in such a way, states need to create institutions or agreed norms and rules so that each can be more certain both about what they should do, and what others are likely to do. Overall by creating institutions, states can bring to the fore longer-term aims and goals, and they can reduce their transactions costs.[20] This rationale underpins the creation of international organizations such as the IBRD or IDA.

In practice, cooperation in development assistance is relatively limited compared to the bilateral (or non-multilateral) activities of governments. In spite of having created international institutions for cooperation, the longest-standing OECD/DAC member states have continued to channel the lion's share of their development assistance budgets through their own bilateral programs. The OECD DAC reported in September 2010 that in the period 1989-2008, the multilateral share of total overseas development assistance stayed relatively stable ranging from 27% to 33%, excluding debt relief. However, removing the contributions of EU member states to the EU (which have risen faster than other components), the share of multilateral overseas development assistance has declined from 22% in 1989 to 20% in 2008.[21] Put another way, about 80% of aid is still delivered through bilateral agencies.

Why do states not cooperate in development assistance? Four sets of reasons stand out. First, there are national reasons. There are <u>vested interests</u> in programs delivered in ways which benefit national companies and non-governmental organizations, and particular government agencies. P<u>ublic support for aid</u> is widely thought to be sustained by stamping the national flag on projects, funds, and activities. <u>Accountability</u> to national taxpayers is thought to requie the use of national auditing procedures and projects and policies achieved and reported within the fiscal year and within the electoral cycle.

A second set of reasons are about values and the genuine philosophical differences about to what aid should aspire. For example: should poverty reduction trump infrastructure development?; should HIV/AIDs treatment trump maternal health?; should indigeneous rights trump growth and energy strategies? Donors often disagree. The result is that they pursue different goals.

Third, cooperation is thwarted by genuine disagreements about what works and where. The evaluation of aid is plagued with both methodological and political difficulties. The protracted time frames involved in achieving development results implies difficulties in evaluating aid in the short-run. This is compounded by inherent difficulties in establishing causation between aid expenditures and outcomes. As a result, bilateral donors often prefer to deliver aid where they are most unilaterally convinced of the merits of their interventions, and where they can quickly change course if it seems to pose reputational or other risks to the Minister or government giving the aid.

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[20] See Abbott, K. and Snidal, D. (1998) Why States Act through Formal International Organizations. *The Journal of Conflict Resolution.* 42(1): 3-32. and Keohane, R. and Martin, Lisa L. (1995) The Promise of Institutionalist Theory. *International Security.* 20(1): 39-51.

[21] 2010 DAC Report on Multilateral Aid, OCED, Paris September 2010, at http://www.oecd.org/dataoecd/23/17/45828572.pdf (accessed 5 November 2010).

A final explanation for why donors do not use multilateral institutions as much as they might relates to the perceived weaknesses of multilateral agencies, accused of having cumbersome and time-consuming procedures, a lack of transparency, higher overheads (with higher absolute costs and salaries), and a lack of accountability. More generally, major donors argue that there is insufficient evidence of the effectiveness of multilateral aid, particularly as regards development impact and value for money, despite agencies' high levels of investment in evaluation, assessment, disclosure, and communications systems.[22] That said, several new donors such as Korea, and Central and Eastern European countries are now giving the largest share of their aid multilaterally, as evidenced in the latest report of the OECD/DAC.[23]

<u>Coordination in development assistance</u> is not the same as cooperation. It does not involve governments working together to plan, deliver and achieve a common goal. When two donors join forces to plan and build a well, they are cooperating. Coordination, by contrast, refers to how different activities can be organized so as to take place in harmony, or so as not to thwart one another. Harmonization means coordinating among agencies to ensure that two wells are not built side by side in the same place; or that two different agencies vaccinate the same children twice inadvertently damaging them. Coordination is not ambitious, principally it serves to prevent inadvertent damage caused when donors are ignorant of each other's actions.

Coordination is important because so little cooperation takes place. Large numbers of donors each "doing their own thing" in developing countries gives rise to an urgent need for some coordination, or a way to ensure that all of these activities take place in harmony. The problem is not a new one. In 1981 Lesotho was said to have 61 separate donors financing 321 projects.[24] In 2002, Vietnam was said to have 25 official bilateral donors, 19 official multilateral donors, and about 350 international NGOs accounting for over 8000 development projects.[25] The costs of multiplicities of donors include reversible costs such as from duplication and waste, as well as irreversible costs such as undermining the quality of governance or retarding the development of public sector capacity.[26] The debate about coordination arises as donors seek to reduce such costs.

Through coordination donors seek to lessen the risks of one agency's actions being inadvertently rendered more costly, useless or damaging by the actions of another agency. It involves information-sharing around at least three things: (1) <u>what is being planned:</u> sharing information about donors' current and forward-looking projects and their financing; (2) <u>with whom and when?</u> ensuring mechanisms for working with a country or community which do not lead to bottlenecks, over-stretch and paralysis; (3)

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[22] This is reported in chapter 6 of the 2010 DAC Report on Multilateral Aid, OECD, Paris September 2010, at http://www.oecd.org/dataoecd/23/17/45828572.pdf (accessed 5 November 2010).
[23] As above.
[24] Elliott Morss, "Institutional Destruction Resulting from Donor and Project Proliferation in Sub-Saharan African Countries." *World Development* 1984, 12(4): 465-70.
[25] Acharya, Arnab; Ana Fuzzo de Lima and Mick Moore, "The Proliferators: Transactions Costs and the Value of Aid." Institute of Development Studies. Sussex, UK (2003).
[26] Stephen Knack and Aminur Rahman, "Donor Fragmentation and Bureaucratic Quality in Aid Recipients" Policy Research Working Paper Series 3186, World Bank 2004.

what has been delivered: sharing timely and accurate information and what is being delivered, where, and how effectively.

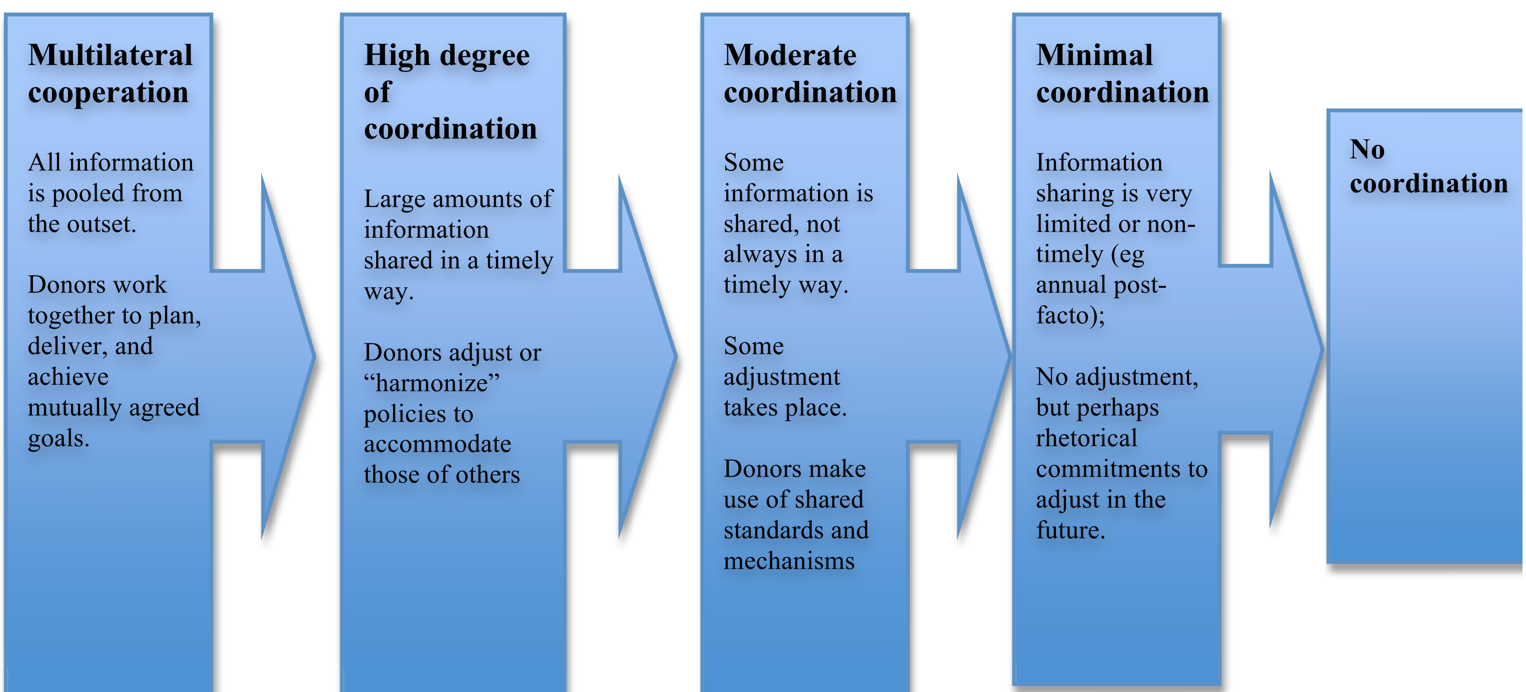
Too often coordination is seen as an ex-post process – mostly meetings - where disjointed activities and different interests are cobbled together before being imposed on a government by donors. The authors of the evaluation of Mozambique's Program Aid Partners propose that instead, coordination should be ex ante. They give the example of coordinating analytical work, arguing

> "would it not be easier, more effective and efficient to have collective decision making (the government of Mozambique and partners) on the analytical work that must be done to support and facilitate reforms and other policies that the government intends to apply – i.e. *ex-ante* coordination around the needs of the government's program – instead of subsequently trying to coordinate studies determined by several partners individually and according to their own agendas?

They highlight that coordination is linked with strategy and plans not with meetings alone. Put another way, Figure One above links the timely sharing of information with adjustments to policy. This cannot occur ex-post, or where it can, it will often incur much greater cost.

Drawing together this discussion, we might think of coordination on a spectrum with cooperation at one end and development assistance which is purely bilateral and not-coordinated at the other. Falling into the middle of the spectrum are various degrees of coordination, from providing a minimum of information about one another's activities.

Figure 1: Cooperation and coordination from donors' perspectives



The above figure highlights that coordination is in the first place about information-sharing. Variations in coordination relate to the timeliness and extent of information shared because these have direct effects on the extent to which other donors can adjust their actions or policies.

Even the first part of coordination - information-sharing - is not easy. This is reflected in a recent evaluation by the World Bank which highlights repeated failures to share information about current and forward-looking projects which may mean a sub-optimal allocation of resources both from the donor and the recipient perspectives.[27] Many organizations find it difficult to share information across their own internal Departments and staff. The difficulties of sharing information across literally hundreds of donor agencies are yet greater and more costly. Hence the figure above depicts from right to left an increasingly difficult scale for international efforts to improve aid coordination.

3. The international donor model of coordination

Attempts to create an international donor-driven model of coordination have been led by the OECD/DAC at two levels: standard-setting for all donors at the international level; and country-level coordination of international donors active in any one country for which the DAC is trying to set standards and create a norm of monitoring and enforcement.

At the core of the DAC's traditional coordination role is an international reporting and standard-setting system whereby members commit to report their official development assistance to the organization, and agree to abide by tight definitions as to what constitutes overseas development assistance. In creating and protecting this definition of official development assistance, the DAC has been successful.

At the international level, the OECD/DAC process is also about ensuring cooperation among multilateral and bilateral donors. In the above section, I noted that only about 20% of official development assistance is channeled through multilateral agencies. I did not mention that this share of aid itself poses serious coordination problems because the 20% does not flow to one multilateral. Most of it flows to six "clusters" of international organizations. These are: EU Institutions (37%), the International Development Association (IDA) of the World Bank Group (21%), UN Funds and Programmes (10%), the Global Fund (6%), and African and Asian Development Banks (4% and 3%). Beyond these clusters of organizations lie another 300 or so multilaterals to whom the rest (approximately 18% of multilaterally channeled aid) flows. The result is significant competition by multilateral agencies for funding, and for influence and a lead coordination role "on the ground".

In recent years, the DAC had facilitated a multilateral process, already mentioned in this paper, to enhance the effectiveness of aid by setting standards in relation to donor actions with one another as well as in-country. The Paris Declaration and Accra Agenda for

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[27] See at http://econ.worldbank.org/external/default/main?pagePK=64165259&theSitePK=469382&piPK=64165421&menuPK=64166093&entityID=000009486_20040521170827

Action set out a series of commitments by donors to better practice.[28] This includes working harder to harmonize development assistance by donors coordinating with one another, by simplifying procedures, and by sharing information to avoid duplication.[29]

These commitments have been agreed alongside interlocking commitments to ensure greater: ownership, meaning that developing countries would set their own strategies for poverty reduction, improving their institutions and tackling corruption; alignment, meaning that donors would align behind these objectives and use local systems; results, meaning that developing countries and donors would shift focus to measurable development results; and mutual accountability, meaning that donors and partners would be mutually accountable for development results.

The very first element in this agenda is "ownership", or a commitment to ensure that developing countries set their own strategies for poverty reduction, improve their institutions and tackle corruption. To this end, donors commit to aligning their delivery of aid to national institutions and standards. Most agree, however, that progress in this regard has been at best modest. For example, even in the case of the subset of donors who give general budget support to Mozambique (who have agreed the Memorandum discussed above) only 58% were using the national systems for audit by 2010.

Stepping back from the rhetoric, however, coordination at all levels has become too easily associated with meetings as though the simple sharing of space for limited periods of time will magically result in the delivery of timely information which permits of appropriate policy adjustment. By contrast, this paper has defined coordination as requiring the timely sharing of information so as to permit appropriate policy adjustments.

At the country level ex-ante coordination is sometimes required (such as of analysis, as argued above, before goals are set). Where meetings are held, they need to be of well-prepared and well-functioning groups: the Mozambique Annual Review argues that "to improve the functioning/effectiveness of the working groups it may be necessary to rationalize them, simplifying their architecture in a very substantial way, having far fewer people in each group (which requires specialization of the Program Aid Partners) and allocating staff with technical expertise to discuss each group's specific matters".[30] The people involved in meetings need to have knowledge (or "institutional memory") as to their agency's history with the government, prior advice, and formal and informal commitments. Too often this is missing: both the 2010 Annual Review of Mozambique and the study by De Renzio and Hanlon note the problems posed in this regard by donors' regular rotation of staff.

Having created a coordination framework, the longstanding OECD/DAC members would now like to induct emerging economies and other "new" (as they see it) donors. The

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[28] http://www.oecd.org/document/18/0,3343,en_2649_3236398_35401554_1_1_1_1,00.html
[29] http://www.oecd.org/dataoecd/11/41/34428351.pdf; http://www.oecd.org/document/18/0,3343,en_2649_3236398_35401554_1_1_1_1,00.html
[30] Carlos Nuno Castel-Branco, Rogerio Ossemane and Sofia Amarcy, Mozambique: Independent Evaluation of the PAPs' Performance in 2009 and Performance Trends in the Period 2004-2009, (Institute de Estudos Sociais e Economicos, 9 April 2010).

OECD/DAC countries are concerned that China, for example, is avoiding their carefully crafted standards on issues such as the use of export credits, debt sustainability, corruption, and governance. That said, the available evidence suggests that the gap between China's actions and the actions of OECD/DAC donors is not as different as often assumed (Brautigam 2010, Woods 2008).

At least three obstacles stand in the way of expanding the OECD/DAC process. The first is that argued by Kangho Park: many new partners believe the Paris Declaration lacks legitimacy because it was conceived and driven by traditional donors with developing countries only brought into the process later.

A second obstacle is that emerging economies do not see the OECD/DAC process as having been effective in improving the performance of aid. To quote Brautigam: China does not participate in donor-led groups (the Paris Club, Consultative Groups, the DAC process on coordination) not least because "they generally do not see aid from the West as having been very effective in reducing poverty in Africa". (Brautigam 2010,section 6). Brautigam 2010 (section 7) transparency is important, but African governments themnseves know how much aid and development finance they are getting from China.

Third, the international donor-led coordination process does not speak to the issues the emerging economy donors prioritize. Their way of delivering aid is different. Emerging donors' aid overall (with China skewing the picture) is more closely aligned with recipient government priorities. China does not set up Project Implementation Units. Its own eight principles of aid set out a strong framework of mutuality, including at a practical level (for example, "The experts dispatched by China to help in construction in the recipient countries will have the same standard of living as the experts of the recipient country. The Chinese experts are not allowed to make any special demands or enjoy any special amenities"; and "In providing any technical assistance, the Chinese government will see to it that the personnel of the recipient country fully master such technique"). The emerging donors do not impose conditionality. The fact that China, India, Brazil, Korea, and Thailand have all been recipients of aid shapes their approach.

The aid of emerging donors tends to be far less fragmented than that of OECD/DAC donors. OECD/DAC donors typically offer small amounts of funding to many projects across several sectors (in each of which they impose their own, different reporting requirements) with health and education being particularly popular (Knack and Rahman, 2008). And the problem is getting worse not better. The Accra Agenda for Action 2008 highlighted the increasing and costly fragmentation of aid and duplication of initiatives.

By contrast, emerging donors tend to focus on fewer sectors and focus on sectors which are less fragmented (such as infrastructure). For example, in a report on aid effectiveness in Cambodia, the government report that in 2006 alone, there were 17 aid projects in the health sector (CDC); this contrasted to the road and transport sector where over twenty years a group of eight donors financed more than 50 projects. (Council for the Development of Cambodia, *The Cambodia Aid Effectiveness Report 2007* Phnom Penh: Royal Government of Cambodia).

In sum, the international donor coordination system has achieve some modest successes in setting standards of reporting among DAC donors. However, significant obstacles remain to progress towards effective in-country coordination.

4. A country-led coordination model

The problem with the internationally-driven model of coordination is that in practice it can crowd out local processes of priority-setting, of delivery and implementation, and of evaluation and feedback. Simply put, the donor agenda and attention becomes focused on inter-donor relations and negotiations. "Consultative group" and "country coordinating mechanism" meetings take place in which the country's representatives sit watching donors argue. To quote a World Bank evaluation: "To date, the move to genuine country-led partnerships that effectively combine ownership and partnership is being made in only a few IDA countries, typically in one or two sectors."[31]

Tellingly, almost all suggestions for improvements in processes focus on donors. The World Bank proposes that donors could better share information, co-finance projects, jointly take part in strategic programming for countries, and have donor coordination meetings.[32] The OECD/DAC propose more coherence among multilateral donors, the use of common arrangements, shared analysis, and complementing each other's activities.

Neglected is an analysis of how aid coordination could be rooted in, and managed by, governments receiving development assistance. The rationale for investigating this rests on three hypotheses.

First, the aid-receiving government is probably the most likely repository of the necessary information (even accepting the problems all governments have in accessing and using the information at their disposal). This is increasingly true as the number of donors (public and private) increases, their rotations of staff remain short (and therefore their access to information is yet more limited and short-term) and the number of countries, communities, and sectors in which donors operate increases.

Second, the incentives effectively to ensure coordination are likely to be stronger within the aid-receiving government (even when they are relatively weak) than within donor agencies who work within very strong incentives not to coordinate. This paper has outlined some of the reasons why donors prefer not to cooperate, and equally to limit coordination. I would add to these that the costs of non-coordination are more likely to be concentrated at the local level. By contrast, the benefits of non-coordination are strong for donors seeking to meet other objectives (speedy disbursement, quick results, domestic political priorities).

Finally, development effectiveness (which provides the rationale for efforts to improve coordination) requires effective government. Here the most important part of the

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[31] http://www.aidharmonization.org/download/243243/Aid_Coordination_-_OED_Review.pdf

[32] http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/0,,contentMDK:20120720~menuPK:235710~pagePK:41367~piPK:51533~theSitePK:40941,00.html

OECD/DAC agenda is the link between coordination and "ownership" and "alignment". This link was further emphasized in the subsequent Accra Agenda for Action drawn up in 2008.[33] That agenda highlighted country ownership and the support of country systems: "We will strengthen and use developing country systems to the maximum extent possible", and respect "countries' priorities, investing in their human resources and institutions, making greater use of their systems to deliver aid, and increasing the predictability of aid flows." Making this a reality surely requires having developing country governments lead in coordinating aid into their own countries, and focusing efforts on enhancing their capacity so to do.

Some implications for the High-level Forum

In November 2010, the OECD will convene a High Level Forum on Aid Effectiveness. This is the fourth such Forum and the continuation of a process which began in Rome in 2003 when major donors agreed to harmonize procedures and practices among themselves. In Paris in 2005, donors and developing countries agreed a set of principles to improve aid effectiveness and specific targets to be reached by 2010. The Paris agreement was further endorsed in Accra in 2008. In Seoul participants will take stock of progress toward the targets set out in the Paris Declaration.

This paper proposes that the HLF4 needs to address or catalyse a country-led approach to coordination. Countering such an approach is the view that a "lack of trust" prevents donors from embracing a country-led approach to coordination, and that trust is best built up (slowly) through the Paris process. This paper has argued that a more urgent approach is needed.

The lack of trust argument requires close scrutiny. For example, among the targets to be assessed in Seoul is the second Paris indicator - one of the "alignment" targets. It sets out standards for countries' improvements in public financial management (as measured by PFM/CPIA) and procurement systems. The implicit assumption is that if countries improve on these measures (ie their ability to use and account for aid), donors will trust them more and align more of their aid. Yet anecdotal evidence suggests that countries improving their country systems have been receiving <u>less,</u> not more, budget support. [OECD report] What does the wider evidence tell us? Further evidence could be revealed from information about target (5a) Use of public financial management systems, and (5b) Use of country procurement systems. It might well be the case that, as argued earlier in this paper, donors are not lacking trust in national institutions. Rather, they simply like to maximize their own control over projects and programs for reasons of their own changing interests, accountability, and public relations. For this reason, serious moves towards a country-led agenda would need a push from the highest political level, so as to cut through the countering incentives.

The sixth Paris target under scrutiny in Seoul is that to reduce by two-thirds parallel project implementation units (PIUs). This is a worthy and important goal. A caveat must be lodged however. The experience of Mozambique with general budget support,

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[33] http://www.endpoverty2015.org/files/ACCRA_4_SEPTEMBER.pdf; http://www.oecd.org/document/44/0,3343,en_2649_3236398_43385196_1_1_1_1,00.html

reported in this paper, is sobering. Although Mozambique freed itself from some aid with PIUs attached, it soon found itself embroiled with 24 donor-created working groups overseeing its use of budget support. As donors giving budget support acquired greater influence, so too more donors began rapidly to contribute and take a place at the table. There is little or no evidence of donors stepping back with anything like such alacrity. Put simply, donors find it difficult genuinely to withdraw from influencing policy and projects in-country. To quote a senior aid official “we just can’t keep our hands off things”. This is a further reason why a more country-led approach to coordination is as necessary as it is difficult to achieve.

The simplest philosophical principle underlying the Paris process of standard-setting is to get donors to focus more on what countries need, rather than what donors wish to give. In this the Paris target on technical cooperation is telling because it reveals how much technical cooperation is about what donors wish to supply – and how little it is about what a country needs. The target set in 2005 is for 50% of technical cooperation flows to be implemented through coordinated programs consistent with national development strategies. It would be great to see the Seoul High Level Forum “get serious” on this issue. At the heart of it lies the reality that much donor technical assistance diverts developing country governments away from their own priorities, sapping their ability to meet the challenges donors would (in theory) like them to address and to plan around. The positive opportunity is for countries to receive assistance, of the kind Haiti called for in 2007, genuinely to strengthen their capacity to coordinate external assistance coming into their country.

Working Papers

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