

The Drive to Partnership Aid Coordination and the World Bank

THE WORLD BANK HAS CONTRIBUTED TO international aid coordination since the late 1950s through the widely known Consultative Groups (CGs). Over the past four decades, the very nature of aid coordination has changed, and the number and kinds of actors involved on both the donor and recipient sides have multiplied. At the same time, development effectiveness has been disappointing. Against this evolving landscape, it is useful to take stock, to review the lessons learned, for aid coordination.

The Strategic Importance of Aid Coordination and Partnerships

The international development community has long recognized the strategic 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 greater accountability and better results. At the same time, low-income countries remain highly dependent on ODA.

In this context, the Executive Directors of the World Bank commissioned the Operations Evaluation Department (OED) to review the role and experience of the World Bank in aid coordination. Specifically, OED was asked:

- To examine both the constraints involved and the progress made in helping countries assume greater responsibility for aid coordination.
- 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 attendant responsibilities.

Partnership and the Comprehensive Development Framework

Because aid coordination has increasingly involved a multitude of actors, it is closely linked with the notion of partnership, promoted by the Comprehensive Development Framework (CDF). Launched in 1999, the CDF brings together all actors in the development process—government, multilateral and bilateral aid agencies, the



private sector, nongovernmental organizations (NGOs), and civil society. The Poverty Reduction Strategy Papers (PRSPs), launched in 2000, seek to put the CDF principles into practice in IDA countries.

CDF Principles

- *Ownership by the country.* The country, not assistance agencies, determines the goals and the phasing, timing, and sequencing of the country's development programs.
- *Partnership* with government, civil society, assistance agencies, and the private sector in defining development needs and implementing programs.
- *A long-term vision of needs and solutions*, built on national consultations, which can engender sustained national support.
- *Structural and social concerns* treated equally and contemporaneously with macroeconomic and financial concerns.
- *Results orientation.* Success has to be judged by progress on the ground toward equitable and sustainable development.

Partnerships in Evaluating Aid Coordination

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.

In conjunction with an evaluation of the Round Table (RT) Mechanism conducted by the United Nations Development Program (UNDP), a joint survey of donor agencies was carried out by the Bank (OED) and the UNDP. The Bank and UNDP reviews and OECD/DAC experience formed the basis for discussion at a Development Partnership Forum held at the OECD, December 6–8, 1999.

The Changing Landscape of Aid Coordination

Over the past 40 years, the number of bilateral and multilateral donors in aid coordination forums has dramatically increased, with 50 or more agencies participating in some recipient countries. Simultaneously, the number of NGOs involved in the development arena has also soared—including the creation of both new international NGOs in the OECD countries and new international and local NGOs in recipient countries.

Of about 160 World Bank borrowing member countries, the Bank currently convenes and chairs CG meetings for about 60, including a number of CGs for East European countries that are jointly chaired with the European Union (EU). Many international institutions also provide support for aid coordination efforts. The IMF is a mandated participant in every CG. The UNDP and

partner countries currently convene and chair Round Table meetings for about 20 countries, and Regional Development Banks (RDBs) chair CGs for another 4–5 countries. The OECD Development Assistance Committee (DAC) also supports aid coordination efforts among its OECD-member bilateral donors. DAC and the Bank attend one another's meetings as observers.

New regional and global developments, particularly since the end of the Cold War, have led to changes in donor perspectives and aid policies. Aid is no longer viewed as an entitlement, and growing emphasis is being placed on the effectiveness of aid utilization. Donor aid policies have also shifted away from an emphasis on Cold War geopolitics, toward such issues as governance, corruption, and human rights in the recipient country.

Framework for Evaluating Aid Coordination

The review assessed the relevance, efficacy, efficiency, and sustainability of aid coordination and its contribution to institutional development in recipient countries. The Bank's effectiveness in supporting aid coordination was also measured against established Bank/OECD/DAC benchmarks, including:

- 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.

Putting the Recipient Country in the Driver's Seat

The international community, including the World Bank—most recently through the CDF and PRSPs—has reaffirmed the importance of putting the recipient country *in the driver's seat* in devising its development program and in leading the aid coordination process.

Policy performance and institutional quality are key elements of a country's development enabling environment; closely related issues are country commitment and institutional capacity (figure 1). Experience suggests that high institutional capacity and a firm country commitment are likely to be associated with *country-driven* aid coordination arrangements, and 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 in the interests of development effectiveness. *Joint-sponsorship* of aid coordination is more likely to be the outcome if one of these two elements is missing.

Country-led coordination can be improved by strengthening country commitment and/or institutional capacity, but the number and orientation of donor agencies and projects also has a bearing on aid coordination leadership outcomes (figure 2). When donors have a

high development orientation and are relatively few in number, the conditions for achieving country-led coordination are favorable. As the number of donors and projects increases, however, the environment for aid coordination becomes more challenging. Moreover, as nondevelopment motives for providing aid—donor commercial interests, for example—gain dominance, effective country-led coordination will become problematic.

Figure 1: Country Characteristics and Aid Coordination

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

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> |
| Low | Favorable | Relatively difficult |
| High | Challenging | Very difficult |

Stakeholder Viewpoints on Aid Coordination

Commitment and Role of the Recipient Government

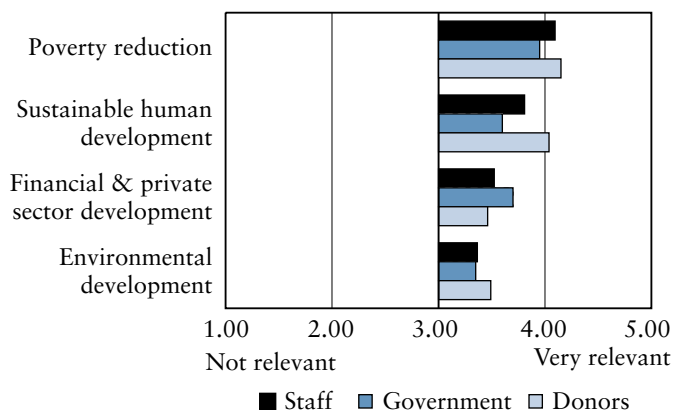
In contrast to the views of government and local donors, Bank staff survey respondents were, on average, neutral about the degree of responsibility that governments should assume for aid coordination at the apex and local levels. Bank staff believe that recipient governments often lack the capacity to perform aid coordination functions, and/or preferred the Bank to play the leading role. Yet, many recipient governments are now assuming a greater role in the aid coordination process—for example, through convening and chairing local meetings, setting the agendas, and participating more intensively in the preparatory analytical work that contributes directly or indirectly to aid coordination. In other countries, however, the main responsibility for aid coordination meetings continues to rest with the Bank.

Although these developments demonstrate that progress has been made, the Bank still tends to be seen as dominating the aid coordination process. A number of donors and recipient countries continue to welcome the Bank's role, and give high ratings to its effectiveness in aid coordination.

The survey asked respondents to assess the relevance of aid coordination activities with respect to four widely

accepted development goals. Poverty reduction consistently ranked higher than other goals (see figure 3).

Figure 3: Relevance of Aid Coordination Activities

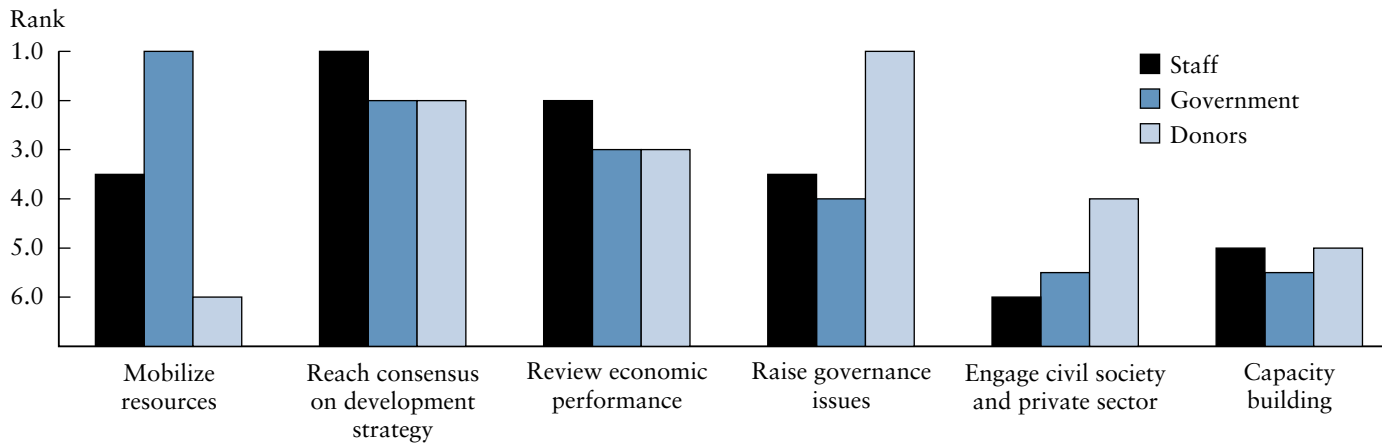


Breadth of Stakeholder Participation

The participation of nongovernmental stakeholders—the private sector and NGOs—in aid coordination processes has been the subject of increased attention and debate. 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 nongovernmental 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.

Stakeholder viewpoints about engaging nongovernmental actors in the aid coordination process have been mixed. Engaging these sectors is more important to the local donors than to either Bank staff or respondents from recipient governments. After considerable debate, most recipient government participants in a conference held as part of the review 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 among 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 carries both risks and opportunities. Risks include the potential for international manipulation and the effect of prolonged consultations on the timeliness of decisionmaking and implementation. Consensus-building that creates societal support for needed reforms, strengthened commitment to implementation, and increased transparency are among the opportunities.
- Donor engagement with local civil society should occur with the concurrence, presence, and participation of government, and not independent of it.

Figure 4: Objectives of Aid Coordination

The Bank has given substantially more attention to cooperation with civil society, particularly NGOs, and the private sector in recent years. It is still in a tentative, experimental mode in actively seeking their increased involvement in aid coordination, and the Bank's effectiveness in pre-meeting consultations with civil society was rated lowest among a number of aspects of the Bank's support for aid coordination.

Agendas and Venues

The focus of early aid coordination forums on aid mobilization has broadened, and now includes harmonizing donor policies and practices; negotiating economic policy reforms at the macroeconomic and sectoral levels; and, more recently, dialogue on a wide range of development-related issues. As figure 4 demonstrates, however, participants are less than unanimous regarding aid coordination objectives and agendas.

With respect to aid coordination venues, 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 countries during 1996–99. Views among stakeholders vary widely, although on balance they favor at least some shift toward recipient-country venues, with some preference indicated for alternating venues. All three groups of stakeholders see the strengthening of government commitment and ownership as the main advantage of in-country CGs, but greater public scrutiny and collaboration with civil society and the private sector are also ranked relatively high. Government respondents cautioned against the simple conclusion that holding aid coordination meetings either inside or outside the country in question is inherently desirable, although progress toward strengthening government ownership of the aid coordination process could lead to more in-country CG meetings.

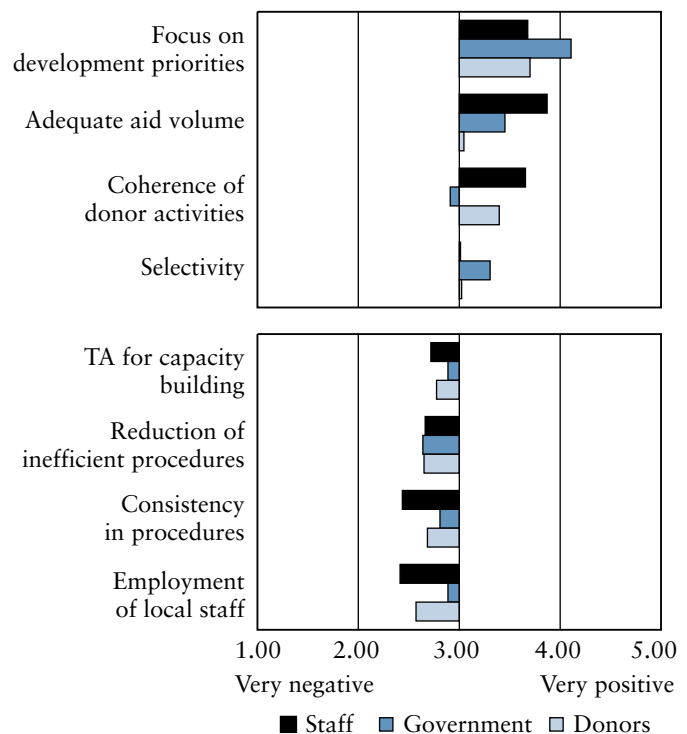
Stakeholder Views on Efficacy, Outcomes, and Outputs

The ultimate test of the efficacy of any aid instrument, including aid coordination, is the results it produces on the ground. Although it is clearly difficult to attribute

development results to aid coordination when there are so many other potential intervening influences, the issue of attribution is important.

The average scores of all stakeholders surveyed were generally in the positive range in rating the impact of aid coordination activities on the goals of poverty reduction, financial and private sector development, sustainable development, and environmental development. When viewed by score, however, a somewhat different picture can be seen. In the rating of impact on poverty reduction, for example, about half the Bank respondents and three-quarters of local donors rated impact as neutral, or, in the case of one government and 11 donors, as negative.

Aid coordination outcomes were rated positively

Figure 5: Outputs of Aid Coordination

with respect to policy reform and resource mobilization, but were seen as far less influential with respect to institutional capacity development.

Stakeholder views diverged sharply for questions regarding the ability of aid coordination to produce more coherent donor support for national development priorities. Respondents rated the effect of aid coordination on selectivity—that is, on the pursuit of comparative advantage by donors—as close to neutral. All three groups were moderately negative with respect to the impact of aid coordination in harmonizing donor procedures and practices (see figure 5).

The Costs of Poor Aid Coordination

Aid coordination has produced an aid-bombardment syndrome in many heavily aid-dependent countries: an unintended consequence of poor aid coordination, when the sheer volume of resources and numbers of donors, activities, and procedures overwhelm the government's capacity to plan, budget, manage, monitor, and evaluate. Poor aid coordination can also weaken institutional capacity—by using project management units separate from line ministries to implement stand-alone projects, for example. Donors also reduce the value of aid by requiring donor-financed goods and services to be purchased from the donor country. Tied aid is estimated to have reduced the value of such aid by about 25 percent.

The Relative Benefits and Costs of Aid Coordination

The potential benefits of improved aid coordination include more positive outcomes and longer-term development impacts. Figure 6 represents the perceived benefits and costs of aid coordination efforts by donors and recipients. The figure suggests that participants should first address the lower-cost efforts in order to lay a foundation for tackling the high-cost, high-benefit challenges.

Sustainability Concerns

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 deals with issues relating to the overall sustainability of development. Information-sharing has been a problem on both sides: government representatives note the difficulty of obtaining information on planned and ongoing donor activities, while donors point to a lack of information on government budgets and accounts. Still others lament that aid coordination has been reduced to mere information-sharing, and that all participants needed to progress to the level of strategic coordination. Regarding overall development sustainability, aid coordination meetings are not seen as effective in addressing such issues as recurrent costs for projects.

Another element of sustainability concerns institutional development. The overall record of donor assistance in strengthening capacity for aid management and coordination has been mediocre, if not poor. Both donors



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Figure 6: 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 |

and recipients complain of poor quality and supply-driven technical assistance. Efforts are currently under way, especially in Central Asia and Africa, to improve institutional aid management and coordination capacity.

Bank Processes and Instruments

There is a modest trend toward sharper analysis of aid coordination issues in Country Assistance Strategies (CASs), although most CASs remain weak in addressing country capacity for aid coordination, donor support for capacity-building, and harmonization of donor procedures. CASs do indicate that resident missions have played a positive role in aid coordination. Decentralization to the field has benefited aid coordination, although it has focused more on specific projects than on overall programs. Sector programs and related initiatives constitute important “learning laboratories” that have been associated with more effective country-driven approaches to aid coordination in several cases. Recipient government officials would also like to see more Bank/donor staff training in the skills required to coordinate aid effectively.

Main Findings and Conclusions

Overall Constraints to Country-Managed Aid Coordination

- Many countries lack the capacity—and some 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 harmonizing procedures. Recipient governments, however, single out harmonization of donor policies and procedures as the first thing donors must do to improve coordination.
- There are few examples of aid coordination efforts that have led to greater donor selectivity, and years of debate have yielded few results in reducing burdensome aid delivery transaction costs.
- Donor efforts to strengthen country aid management and coordination capacity have generally been ex-

pensive, 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. Such a link would 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, they must take into account attitudinal constraints: over half of Bank staff and local donor representatives were neutral to negative about transferring leadership to recipients.

Findings on the World Bank’s Role

The record of the Bank in supporting a move to country-led coordination is mixed. On the positive side, donors and recipients recognize the Bank’s efforts to: (i) promote active country participation in planning and preparing for aid coordination-related efforts; (ii) support sector development programs and donor harmonization; (iii) strengthen resident missions; and (iv) support an expansion of in-country aid coordination forums in some countries. But problems remain. There has been a lack of sufficient consultations by Bank staff when visiting and a continued use of project implementation units. While relationships appear to have been improving recently, tensions have continued between the Bank and the UNDP over aid coordination roles in the field.

Recommendations: Moving Toward Country Leadership of Aid Coordination

Bank Policy

In order to align policy with the CDF principles of partnership, ownership, and results orientation, the Bank should develop new operational policy for aid coordination. This policy, supplemented by new Bank procedures and good practice statements, would, among other things:

- Declare that country leadership of the management and coordination of aid resources is Bank policy.
- Emphasize partnership and collaboration among all governmental and nongovernmental actors at the country level.
- Use proven ability to collaborate with partners as a criterion for the appointment and the performance assessment of operations managers.
- Use project implementation units only in exceptional circumstances or when there is no feasible alternative, and commit to a monitorable phase-out plan.

Strategies for Country Leadership

Each Bank country team or department that supports aid coordination should work with the government and other development partners to formulate a strategy to help the country assume a leadership role. Such strategies 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 responsibilities and distinct accountabilities.
- Design agreed coordination principles and procedures.
- Present a plan for carrying out joint monitoring and evaluation missions with other donors to reduce barriers to country leadership.

Global Engagement with Donors for Country-Led Partnership

Successful collaboration among donors at the global level will also be necessary.

- The Bank should work closely with the UNDP; DAC members, including the EU; and 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 effective country leadership, the Bank should work with the UNDP and other partners with experience in this area to formulate a coordinated approach to capacity development.
- The Bank should continue to support harmonization ofonor procedures and policies among Multilateral Development Banks and in sector programs, as well as offering analytical assistance for similar efforts by the OECD/DAC.

Monitoring Progress

Monitoring is essential to identify constraints and to report on progress. Together with its partners, the Bank should develop a limited number of indicators to benchmark and monitor progress toward aid coordination leadership at the country level.

Training and Development

The World Bank Institute and the Regions should review training and development programs for staff and clients to ensure that they cover needed aid coordination skills, including negotiation, facilitation, and listening.

CODE Response

THE COMMITTEE ON DEVELOPMENT EFFECTIVENESS (CODE) welcomed the report and expressed appreciation that it had been prepared in parallel with the UNDP's report on aid coordination. Members endorsed the findings and recommendations. They noted that positive steps have been taken in approaching partnerships since OED began this work, including the Comprehensive Development Framework, Poverty Reduction Strategy Papers, and other initiatives. CODE emphasized the importance of considering the report's findings and recommendations in this broader context, with an overall focus on poverty reduction. Members indicated that there is now an opportunity for major improvements in aid coordination, emphasizing a strategic global approach, with complementary work to build country-level capacity and partnership agreements.



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