

# **DAC TASK FORCE ON DONOR PRACTICES**

**Workshop on Donor Practices  
11 – 13 September 2002  
(Pre-Implementation and Reporting & Monitoring)**



## **AGENDA ITEM 2**

**Partners' Priorities and Perspectives on  
Harmonising Donor Practices**

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**Needs Assessment Report**  
**Survey on Partners' Priorities and Perspectives on**  
**Harmonising Donor Practices**

**Final Report**  
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## Executive Summary

This report is a synthesis of eleven country studies commissioned by OECD on: burdens faced by partner governments' aid administration systems in their dealings with donors and suggestions for priorities changes to donors' practices to reduce these burdens.

Interviews were undertaken with officials from central government, line ministries, project implementation units and relevant civil society organisations in the following countries: Bangladesh, Bolivia, Cambodia, Egypt, Mozambique, Romania, Senegal, South Pacific, Tanzania, Uganda and Vietnam.

Using data from the country studies, burdens reported by partner country officials were clustered into seven groups. The most frequently reported burdens were:

- poor fit of donor activities with national priorities and systems
- the practice of donor procedures in partner countries (especially regarding procurement, tied aid and donors changing their systems, policies and staff)
- inconsistency among donors (referring to the multiple and diverse requirements of donors).

Other burdens mentioned were: excessive demands on the time of the partner country's officials; disbursement delays; lack of information; and donor demands being beyond national capacity of the partner country.

Respondents in each country were asked to identify changes to donor practices that would ease the above burdens, and contribute to increased ownership of donor-funded development initiatives. For discussion on the proposed solutions, these were grouped into the following: improvements to donor practices in relation to the partner country (D-G), improvements in practices between donors (D-D) and improvements to individual donor systems (DS). The most frequently mentioned suggestions were:

- Use common procedures (D-D)
- Use the host nation's systems (D-G)
- Communicate more (DS)

Other suggestions, in descending order of importance were:

Simplify procedures (DS); untie aid (DS); respect national priorities (D-G); strengthen local capacity (D-G); extend the use of budget support (D-G); extend the use of SWAps (D-G) use a coordination structure (D-D); use more locally sourced technical assistance (DS) understand the local context (D-G); simplify procedures (D-D); simplify the review process (D-G); decentralise to the local office (DS).

# INTRODUCTION

1. This report is a synthesis report on eleven country studies<sup>1</sup> commissioned by OECD and carried out by the University of Birmingham – with Mokoro and the Overseas Development Institute – on the burdens that partner country officials face in their day to day working with donors. In addition, information on possible priority solutions to these burdens and examples of good practice was also sought. The Terms of Reference for the study were

2. “To consult ... partner countries on their perceptions of donor practice with a view to identifying and analysing:

- Those practices that place the highest burden on partner governments in terms of ownership, aid transaction costs and aid effectiveness:
- Opportunities to cost-effectively improve aid delivery”

3. It is worth noting at the outset that if you ask a negative question you are likely to get only negative or problem answers – this is clearly only one side of the coin. Many respondents volunteered that their relations with donors were generally good. The comment from a Mozambican is perhaps more positive than most but captures the sentiment; thus “ ..fundamentally, I do not see donors as imposing burdens but as ‘partners’ in a joint enterprise of increasing government responsibility”.

4. This report is structured into three sections: the first is a description of the burdens as reported; the second is an interpretation of the burdens; and the third is a description of the solutions suggested. A further detail on the method, including the checklist of issues for interviewers, is in Annex 1. Charts describing the burdens reported in each country, and overall, are included in Annex 2.

5. The Task Force on Donor Practices, a two-year working group established by OECD's Development Assistance Committee, commissioned this report. The Task Force formed three sub-groups to focus in more detail on the issues of: financial management and accountability; the pre-implementation phase of the project and programme cycle; and reporting and monitoring. In relation to other work of the Task Force, this report will contribute to two Good Practice Reference Notes, focusing on the pre-implementation and reporting and monitoring stages of the aid cycle only. It should be noted that for this report respondents were asked for opinions on all aspects of the aid process and burdens and the report therefore discusses some issues which are beyond the remit of the Task Force.

## Method

6. In each country a range of predominantly government officials – from central government, line ministries and project implementation units – were interviewed<sup>2</sup>. This was done using a semi-structured interview method. Further information and the guidelines for each interviewer are provided in an Annex to this report. All of the interviewers have substantial practical experience of the regions they were studying. The guidelines were designed to be both rigorous between countries but also to allow for local flexibility. This was necessary as it was felt that a more formal survey approach was not appropriate given the

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<sup>1</sup> The countries were: Bangladesh, Bolivia, Cambodia, Egypt, Mozambique, Romania, Senegal, South Pacific (Fiji, Samoa and Vanuatu), Tanzania, Uganda and Vietnam.

<sup>2</sup> The University of Birmingham and our associates would like to formally thank the local offices of UNDP and the South Pacific Forum Secretariat who assisted and facilitated this task.

seniority of the officials and the desire to go beyond routine, one-word responses. The nature of many of the relationships explored required an in-depth discussion and probing, rather than a simple question and answer approach. This report and the results should not be treated as a 'scientific survey'; nevertheless it does provide useful information across the countries studied. While quantitative analysis was limited, clear patterns did emerge.

## Abbreviations

|        |   |
|--------|---|
| AsDB   | Asian Development Bank                                  |
| CDF    | Comprehensive Development Framework                     |
| DAC    | Development Assistance Committee (OECD)                 |
| DFID   | Department for International Development (DFID)         |
| EC     | European Commission                                     |
| EU     | European Union  |
| GNP    | Gross National Product                                  |
| HIPC   | Heavily Indebted Poor Countries                         |
| IADB   | Inter-American Development Bank                         |
| IMF    | International Monetary Fund                             |
| MECOVI | Acronym for the Bolivian annual sample household survey |
| NGO    | Non-governmental organisation                           |
| OECD   | Organisation for Economic Cooperation and Development   |
| PARPA  | Mozambique's PRSP                                       |
| PEAP   | Poverty Eradication Action Plan (Uganda's PRSP)         |
| PRBS   | Poverty Reduction Budget Support                        |
| PRSC   | Poverty Reduction Support Credit                        |
| PRSP   | Poverty Reduction Strategy Paper                        |
| SWAp   | Sector Wide Approach                                    |
| TA     | Technical Assistance                                    |
| WB     | World Bank  |



reporting and monitoring system also often becomes 'projectised'. These parallel management systems undermine national institutions and contradicts the objective of capacity building.

Source: Nickson, A. 2002

11. The issue of fitting into national systems is often made more acute in situations where partner countries have designed frameworks for donor assistance. These frameworks are varied between countries and with differing legal status, however they are all attempts to establish the 'rules of engagement' between donors and the partner country. In most cases the donors have all agreed to such frameworks; however the experience of Uganda (see box below) and Bolivia suggests that there are often difficulties in implementation and in detailed compliance. Paradoxically it is likely that, with the general trend towards PRSPs, this problem of non-compliance with agreed frameworks – where they exist – may increase. (Paradoxically because the PRSPs are supposed to provide a framework of shared policy, but this also becomes a benchmark against which 'non-compliance' becomes visible.)

### **Box 2: Fitting into Uganda's framework: the devil is in the detail**

This problem was put into much sharper focus in Uganda than in other countries as the intended relationships between the Government of Uganda and donors have been clearly stated in *Volume 3 Poverty Eradication Action Plan [PEAP] Building partnerships to implement the PEAP*. In Uganda the guidelines for such a partnership are referred to as the Stockholm principles and are reproduced in a box in the suggestion section below.

This is an ambitious – indeed almost unique – attempt to develop detailed principles of partnership for the relationship between donors and a recipient nation. A few points are worth noting. First the World Bank has accepted the PEAP as equivalent to a PRSP. Secondly the clear commitment to a specific form of disbursement, namely budget support, as the main aid instrument and the phasing out of projects. Thirdly the specific commitment to donor harmonisation: thus there should be joint analytical work, appraisal and reviews; joint output and outcome indicators; uniform disbursement rules and accountability rules.

In many of the interviews the respondents noted that the donors had accepted the PEAP but in practice were still setting up new systems or going through different channels. The contrast between the reality and the rhetoric was noted with some officials complaining of 'double standards'<sup>4</sup> being practised by the donors. It was not clear to what extent the donors had collectively and individually agreed all the terms outlined in the 'Stockholm principles'. What is likely is that the donors had generally agreed to support the PEAP, which is slightly different to agreeing to all the details of the above principles<sup>5</sup>. In such situations the practice of implementation is more important than official statements of support and/or agreement. Furthermore it is unrealistic to imagine that all the donors can be expected to support and accept all the guidelines and policy implications of a document of 103 pages.

Nevertheless the sense from the Ugandan government officials that the donors were setting up separate systems and/or were not fitting into the prevailing system was clear and was

<sup>4</sup> Donors' double standards were a strong theme during the time of the interviews as Museveni – President of Uganda – had just made a major speech on this subject. In particular respondents noted the case of trade policy where donors' pressed the Government of Uganda to reduce subsidies while providing large payments to their own farmers and industrial workers.

<sup>5</sup> From other sources it seems that DFID has had an internal debate about the extent to which it complies with the principles. It was not possible to systematically check the extent to which different donors had signed up to the detail of the document.

amplified by the clear notion that not only was this time consuming but also that it was “wrong” and against an apparent mutually agreed position. From the donor harmonisation perspective it is interesting to note that the degree of commitment to Budget Support was the main area of some disagreement in what was generally accepted as a country where harmonisation was excellent.

Source: Amis, P. 2002

12. It is worth noting that in several countries – notably South Pacific – respondents noted that the problem of dealing with incompatible donor and government systems was not such a problem to the government as it was shouldered by consultants. This observation also applied in relation to some other administrative burdens

### **Donor procedures in partner countries**

13. The second most frequently mentioned problem related to individual donor procedures in partner countries. This was a composite cluster that included: lack of freedom of procurement; inappropriate technical assistance and the problem of donors frequently changing their systems, policies and staff. Of respondents mentioning this burden, 50% highlighted the issue of procurement, 40% technical assistance and changing systems and staff accounted for approximately 10% of responses.

14. In each of the eleven countries studied, with the exception of Mozambique, Bolivia and Uganda, this burden was one of the two largest reported. Mozambique was exceptional in that this burden was hardly mentioned at all. However it should be noted from the Mozambique study that there was a considerable reluctance to disapprove of donor practices.

15. This cluster does incorporate a wide range of problems but they all relate either directly or indirectly to the nature of the donor-partner relationship. On the issue of frequent turnover of donor staff, this anecdote from Uganda is interesting: ...an official who was looking tired noted how exhausted he was getting by having to explain yet again to new individuals how the system worked.

16. The perceived lack of flexibility over procurement – and by implication the untying of aid and technical assistance – is a well-known and important problem with aid disbursement. As noted in the ‘solutions’ section below, improvements in donor procedures and especially untying aid were also represented in the range of solutions suggested. The box below illustrates how donors’ procedures in Vietnam – in particular relating to technical assistance (TA) and procurement – can reduce the value of aid and the sense of ownership experienced by the partner government.

#### **Box 3: Donors’ procedures reduce aid value in Vietnam**

All government interviewees in Vietnam highlighted technical assistance as problematic – even commenting that it was the least useful form of aid. This was mainly due to the foreign consultants’ lack of knowledge of the local context. Tension was also generated by donors’ inadequate consultation of government views when deciding on the type and role of TA and selection of TA personnel.

Procurement procedures were identified as an issue for three reasons:

- Due to their complicated, time consuming and costly nature, with the added

complication of differing rules for each donor.

- Due to restrictions placed on local companies that prevented them from participating in bidding. Hence, for instance, some donors would not let state owned enterprises bid if they were connected to the Ministry involved, while contractors could only be from outside the province in which the project would be undertaken. This was felt to exclude those firms with the most appropriate local experience.
- If aid was tied then choice was restricted, the equipment purchased was not always of an adequate quality or compatible with existing equipment and it was always more expensive than in a competitive bid. Thus tied aid was cited as a factor that most diminishes the value of aid.

In addition respondents noted that donors' lengthy and cumbersome procedures at the project preparation stage often cause delays and have resulted in projects taking several years to come to fruition. As a result, projects were often out of date by the time they began – project objectives were no longer relevant or appropriate; technology specified in the project design was obsolete – but the procedures involved were so lengthy and complex it inhibited those involved from making the necessary changes.

Source: Bartholomew, A. and Lister, S. 2002

17. Resistance to both local technical assistance and the untying of aid are emotive subjects as they implicitly imply a lack of confidence in local systems; however they are also important as they often relate to individual donor practices and policies. The following comment from Romania is symptomatic: "It is difficult to work with ... consultants. The bad practice seems to be ... use of a list of companies who are the only ones that can bid for a contract. It may also be a problem in the selection procedures!" The box below provides an interesting story on the procurement of textbooks in Egypt.

#### **Box 4: Procurement Procedures: Who decides on textbooks in Upper Egypt?**

Some donor procedures can constitute a barrier to ownership and participation since they reflect a lack of trust and respect for the decision-making abilities of partners. A respondent noted: "The donors will not say that they don't trust you but you feel it. They will not let you make a decision unless they agree to it." She then explained how a donor had objected to two books selected by the Ministry of Education for school libraries in Upper Egypt (the poorest region of Egypt and one with a reputation for producing radical Islamic activists). The basis for the donor's objection was that the books promoted violence and hatred. They were 'Anna Karenina' and 'The Brothers Grimm' – both of which are already widely known in Egypt. She ends the story thus:

"Do they think that we would choose inappropriate books? They do not trust us. They are over-concerned about the content of the books. It has come to the point where we can't even choose the books for our own children to read!"

Source: Pratt, N. 2002

### **Inconsistency amongst donors**

18. This burden was significant in most countries, particularly Uganda. This inconsistency is a core problem that underlies recent initiatives for donor harmonisation. Essentially this illustrates an internal problem within donor systems and relates closely to domestic accountability issues and individual donor policies. For example some donors argued that their ability to take part in "basket funding" arrangements was limited and/or constrained by

their responsibilities to account for public expenditure to their domestic governments, parliament, audit agencies and public opinion.

19. Understanding the multiple procedures of, and fulfilling the different requirements from, each donor imposes a drain on the resources of partner governments. The box below illustrates such a situation in Bolivia. This burden also links closely to the above burden of excessive demands on time.

#### **Box 5: Competing reporting systems in Bolivia's poverty reduction programme**

There has been enormous donor interest in close monitoring of the impact of Bolivia's anti-poverty strategy. Since 1999, five donors (World Bank, IADB, UNDP, Sweden and Canada) have funded an annual sample household survey, known as MECOVI, in order to measure changes in household poverty levels. MECOVI is carried out by the National Statistical Institute (INE). However each donor demands a separate financial and technical reporting system. The head of the unit within INE responsible for MECOVI heads a 20-person team. She estimates that 45% of her time is spent on complying with these different donor reporting and monitoring demands. The nature of the MECOVI task is highly integrated – from planning, training, operational (i.e. fieldwork), through data processing and dissemination. Yet donors are very inflexible and impose high levels of conditionality regarding the use of their funds. Some require that this can only be used for foreign consultants. Donors have refused to finance the fieldwork that lies at the heart of the sampling exercise.

Source: Nickson, A. 2002

20. There are often similarities between each donors' procedural requirements of aid management. From the study, it was not clear whether once one donor system was mastered it helped in understanding other donor systems. If this were so, then it would lessen the problem of different donor systems being used.

21. Although the differing reporting formats among donors and between donors and government in Vietnam and Bangladesh was commented on, often resulting in more time being spent on reporting, respondents there did not feel this was an important issue. This was mainly because it did not cause the same kinds of delays or problems as those experienced at the project preparation and implementation stage. As a result, it seemed to be accepted as a fact of life by the interviewees. For example, a government respondent from Bangladesh noted "...we simply have to live with this... besides the government cannot ask for anything different – donor is high, government is low".

#### **Excessive demands on time**

22. This was a fairly common response across the majority of countries studied, although it was less commonly mentioned in Egypt, Vietnam, Tanzania and Bangladesh. This is perhaps the most unspecific of the burdens mentioned. Furthermore it is in many ways an outcome of several other burdens and issues. The extent to which donor practices impose 'excessive' demands depends to some extent on whether the demands are seen as 'necessary' or 'unnecessary' which is a difficult judgement. It is clear that the specific ways that donors work is part of the problem, in particular the 'mission approach'. A mission usually involves a team of individuals or consultants – typically both partner and international – reviewing a particular subject in a very short time period. These are often timetabled at the donor's convenience rather than the partner's convenience.

23. From experience, this mission approach, with its short timetable, leads the consultants to demand almost instant reactions from partner officials. This amounts to almost a kind of 'institutional impatience'. A government respondent in Bangladesh illustrated this with the following comment "...they [donors] tell you when they are coming and you have to clear your diary, regardless of your schedule ...".

24. There was also a sense from some respondents of an irritation at partner officials having to explain the same point again and again. There is an element almost built into the mission approach of endlessly 'reinventing the wheel' and of going around the same circuit. In addition this problem is often compounded by the frequency and timetabling of missions. This was noted in several countries. The box below provides a vivid example of the problem.

**Box 6: Six missions from the same agency at the same time asking the same questions to the same people?**

An official in the Government of Uganda Ministry of Finance, Planning and Economic Development noted that at one point recently they had six missions visiting at the same time. Thus they were 'hosting' missions associated with the PEAP, PRSP, PRSC, CDF, Capacity Building and Education. With the possible exception of the last two the missions were all effectively asking the same questions to the same individuals on behalf of the same agency; namely the World Bank. Each mission insisted on individual appointments –whether for ulterior motives or simple secretarial ease of organisation was not clear. It was also noted that such a process also completely overloaded the World Bank Uganda office. The same official also noted that the other donor characteristic was to talk to different people about the same thing in an attempt to "play one official off against another" [it was noted that this was not in effect treating the Government of Uganda as a proper administrative system and was an attempt to circumvent it and/or get buy-in to a particular approach on a piecemeal way<sup>6</sup>].

In the Education Sector – with the most developed SWAp in Uganda – it was reported that visiting missions were coordinated by the chair of the relevant committee.

In conclusion it worth noting the problems created by the timing of missions; and by the practice of using short term missions as a way of collecting information; but also the difficulties of co-ordination and/or harmonisation even within one donor!

Source: Amis, P. 2002

25. With regard to missions, some multi-donor initiatives can reduce these time burdens but some can increase them. For example, in the good case, donors consolidate multiple missions into a single mission that reduces time pressures. However in some cases multi-donor initiatives can create more burdens if each individual donor insists on its own involvement in missions and pursues its own agenda; the result is increasing co-ordination problems and unwieldy missions. The problem is often caused by a refusal of donors to accept other agencies' analytical work.

### **Disbursement delays**

26. This was a fairly consistent but moderate problem in all countries. It can be noted that this was the most important burden identified in Bolivia. There are two elements to this

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<sup>6</sup> An official noted how donors worked in a "subtle way to understand your challenges and then pick upon the one's that supported their [donor] agenda's"

problem. Firstly the issue of delays relating to bureaucratic procedures. Secondly, there were disbursement delays relating to the question of conditionality and wider political-economic considerations. The potential solutions would be clearly very different.

27. In some countries the issue of decentralisation of country offices bore heavily on the problem of bureaucracy related delays. The need to refer back to donor headquarters was often the source of the problem. The box below from Tanzania illustrates this kind of problem.

**Box 7: Delays in disbursement of aid and unpredictable aid flows in Tanzania**

Complaints were raised that donors were generally very slow at delivering what they promised. Both the preparation and implementation stages were consequently seriously affected. Donors are quick to make funding pledges, but as soon as one gets to the details of the intervention and the conditions for delivering the funds, serious delays built up. At the preparation stage examples of 5-10 years' delay were mentioned in the water and road sectors, which were self-reinforcing since early feasibility and design studies became obsolete and had to be redone. At the implementation stage, the main complaint was the excessive time taken to issue 'no-objection' in connection with procurement processes. One procurement operation usually involves a series of 4-6 such approvals by the donor, of which one approval could take up to a year. The World Bank and the European Commission were the main targets for such critique.

Source: Ronsholt, F. 2002

28. Delays resulting from political and economic considerations were particularly significant in the budget support programmes/ SWAps in Tanzania and Mozambique. The process of withholding large scale funding, for whatever reason, creates serious problems for partner countries. In Tanzania it was noted there was no agreed approach by PRBS (Poverty Reduction Budget Support) donors to dealing with slippages and politically motivated delays or the cancellation of funding. The government is well aware of the volatility of budget support to changes in government-donor relations and is concerned about the substantial variations in the bilateral funding arrangements for PRBS, particularly as regards disbursement conditionalities.

29. For Bolivia disbursement delays related mainly to conditionalities. In addition problems were experienced when disbursement was cut prior to national elections. Both these problems, which have been experienced in other countries, are discussed below.

**Box 8: Political and economic matters delaying disbursement in Bolivia**

**Conditionalities affecting disbursement:**

World Bank (WB) and IMF conditionality imposes a major burden on the Government of Bolivia (GoB) in the form of delayed disbursements. This leads to a consequent failure to meet implementation targets, and also incurs interest charges. The conditionality takes two forms. First, there are technical conditions specific to the project itself that must be fulfilled prior to disbursement. The GoB view now is that it is preferable to negotiate and comply with such conditions prior to signing the contract with the WB, thereby avoiding the cost in interest charges and in delayed implementation.

The second form relates to conditions that are not linked directly to the project itself, namely the structural adjustment form of conditionality. This often involves loan disbursement in tranches subject to compliance with these conditions being met. However, often such

compliance is beyond the control of the GoB itself. For example, where approval of new legislation is a condition, this may not be possible for the executive to ensure if it does not have a stable majority in the legislature.

In December 2001 the IMF halted its financial support for the GoB poverty reduction programme through its Poverty Reduction Growth Facility because of non-compliance with a condition to approve a new income tax law that had been under discussion since 1998. A vicious circle then develops. The decision to delay disbursement, imposed by the WB/IMF, itself means that revenue estimates for the next reporting period are less than originally estimated. Hence this leads to a worsening of the fiscal deficit. Because the fiscal deficit itself is one of the core indicators used for structural adjustment conditionality, the GoB then fails to meet the original macro targets under conditionality, which becomes a further argument used by the WB to delay loan disbursement. This self-reinforcing vicious circle is a major cause of complaint by the GoB.

#### **Pre-election reductions in disbursement:**

A related common donor practice is to slow down disbursement during the pre-election period (e.g. 1997 and 2002). During the first half of 2002 the overall disbursement rate fell by 80% of the expected level because of this. There are two reasons given for this. First, donors fear that funds may be diverted for political campaigning. Second, concentrating aid flows at the start of a new administration is seen as a way of both highlighting to the incoming administration the important role of aid and also of applying political leverage over the new government on fundamental policy issues.

Source: Nickson, A. 2002

#### **Lack of information**

30. The problem of lack of information was reported as a relatively modest problem across all the countries studied with the exception of Mozambique where it was the second most reported problem. Comments reflected an impression that donors were often not always transparent with information with partner countries. There was a specific and general element to this feeling. The specific case was related to financial information, in particular budget allocations. For example in Mozambique, government respondents highlighted donors not reporting aid disbursement to the Treasury which made budgeting and financial management difficult. The more general case relates to general analytic work. This is exacerbated as some partner countries have weak information and library systems that often result in situations where de facto the donors often have better access to information about the partner country than the partner government itself. The case depicted from Senegal is illustrative of some of these issues.

#### **Box 9: Inadequate exchange of information in Senegal**

Three specific points were made. One was about the lack of information, with the example of two donors who took Senegal off their list of aided/priority countries without explaining why. The second was about the stage at which information was shared with government. The example here concerned a donor that was perceived to only share information (about the spending of its funds) with government at the project/programme review stage. The third and final point made in this respect by one of the people met was about the culture of relative secrecy of his donor agency, which he compared unfavourably with that of most other donor agencies in Senegal.

Source: Leurs, R. 2002

31. It is hoped that the advent of the Internet might overtime lessen this problem as donors put more documentation on the web. An official in Uganda remarked that getting donors' manuals for reporting is now easier as they can be downloaded from the web. The implication was that before the Internet such hardcopy manuals were often very important documents and prized possessions which one's colleagues had a tendency to borrow! There are signs that some Ministries and countries – External Relations Division Ministry of Finance in Bangladesh and, in Tanzania, [www.tzonline.org](http://www.tzonline.org) - are using the Internet successfully as a way of disseminating information including government documentation for government and donor officials.

### **Demands beyond national capacity**

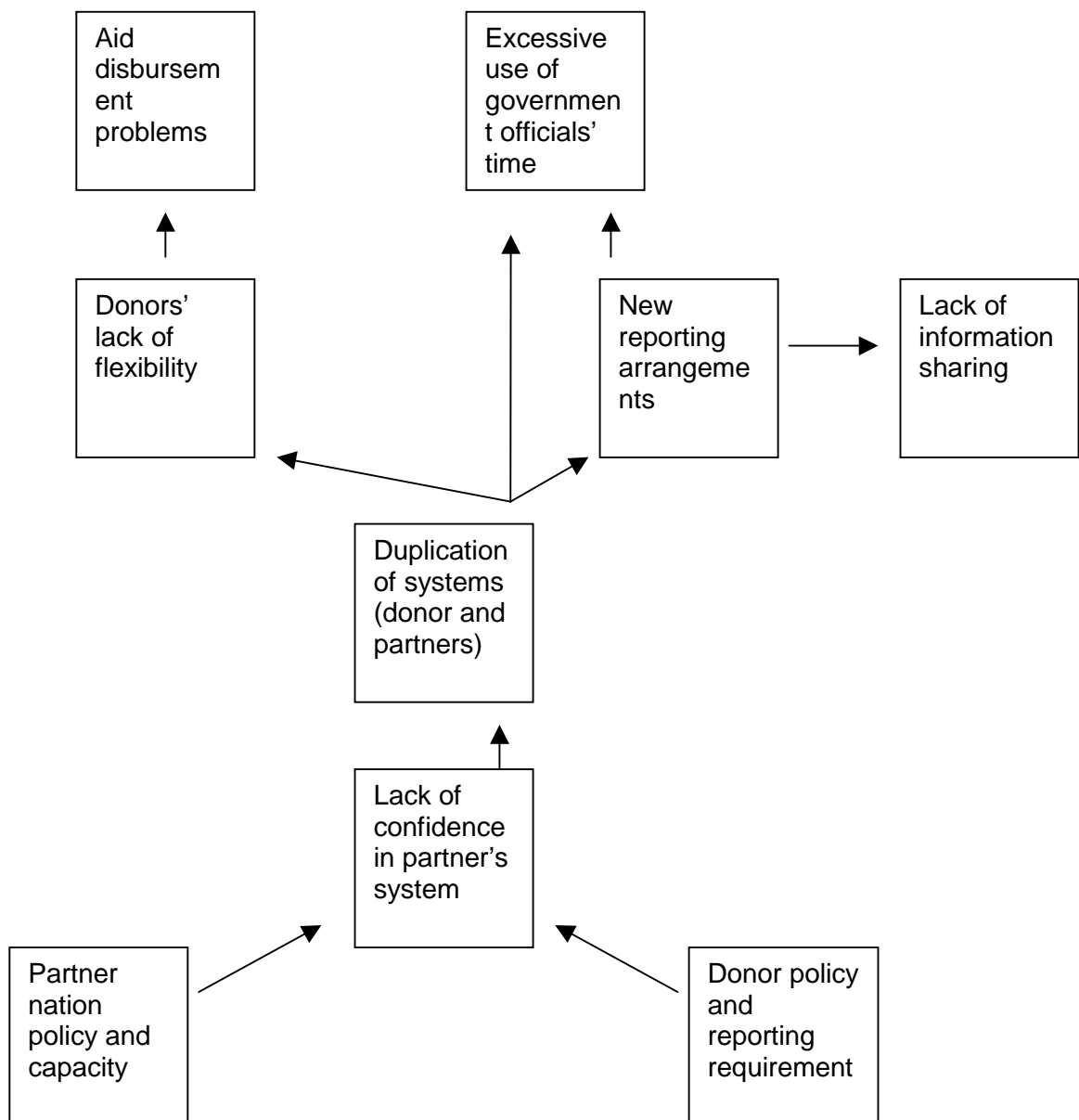
32. This was perceived as the least important burden overall but was relatively significant in Tanzania, Romania and Bangladesh. This burden is to some extent similar to that mentioned concerning a lack of fit with national systems. However it expresses the idea that partner country officials are being asked to do things for which the time and skills are not available (locally). This is particularly relevant to questions associated with public sector reform. The idea that the donors are seeking to push reform too fast was a strongly held view by a few officials in Tanzania. This issue is also related to information technology thus in Bangladesh it was noted that the donors were able to respond to information requests almost instantly because of their IT systems and a donor expected the same from the government – for whom, with limited technology and technical experts, such a rapid response was not possible.

# INTERPRETATION OF THE BURDENS

## The burdens are all related to each other

33. During the country studies, and with the in-depth discussion with the respondents, it has become clear that many of the burdens are in fact highly related to each other. The figure below is an attempt to relate – in a simplified form – the most frequently reported ‘burdens’ to each other and to other ‘deeper’ causes.

Figure showing the interconnectedness of donor-partner burdens



## Is there a core problem? And what is the nature of the problem?

34. What the figure above shows is that there is a core problem connected to three interrelated issues. This core problem is essentially one of donor-partner relations rather than a specific problem of donor harmonisation as such.

35. Firstly the host nations' capacity and policy is clearly one factor. This affects the extent to which it is able to respond to donor demands. In this context capacity is understood in terms of skills, resources (human and other) and technology. Capacity is also the ability to formulate and implement policy. The capacity of the countries studied varies from very low to moderate. A related issue is the nature of the partners' policy. It is an unrealistic assumption that partner and donor policy objectives will be always congruent. In some cases they are not. The issue is how these differences are mediated. The point to make however is that there is sometimes not just a problem of 'using government systems' but also of general disagreement in the policy arena. It is suggested that some of the apparently 'procedural' problems are often disguising potentially real differences in policy.

36. Secondly there is the policy and specific requirements of the donor agency – and in many cases these can be traced back to legal requirements in the donor's parent country. All donors – bilateral and multi-lateral – have their own procedures and policy directions. Their procedures are often an adaptation of some of the procedures that are adopted in the public sector in the donor's own country. The most formal are methods of accounting for public funds. All donors have a mechanism through which the expenditure of public funds is made accountable to the donor's own taxpayers. This accountability is often via an intermediary audit authority and/or reporting to a democratic assembly. The different traditions (e.g. legal systems based on code Napoleon vs. precedent), mechanisms and involvement by donor politicians, officials and the electorate are all significant in the way donors operate in practice. These mechanisms, traditions, political context and practices are significant in attempts at donor harmonisation. This is particularly the case with multi-donor initiatives and the move to budget support. However, in addition, donors do also have specific policy agendas of their own which are clearly important as well as these 'quasi-legal' requirements.

37. An important and related issue – which was highlighted in the studies of Bolivia, Uganda, Tanzania and Mozambique – is the extent to which the local office of a donor has autonomy and/or flexibility in following donor systems, procedures and policies. The evidence seemed to be clear that the greater the autonomy of the local office, the easier it was to be flexible and to make arrangements at the local level and according to local conditions.

38. The third issue is related to the 'lack of mesh' between the two issues discussed above. At its simplest this can be represented that the donor – for whatever reason – lacks confidence in the host nations' systems<sup>7</sup>. The result is also from the partner's side and the problem of low ownership. This is a real problem in that it is made harder as the relationship is often – in financial terms – highly asymmetric and there is as yet no common agreed mechanism and/or incentives to resolve conflict and disputes. A digression may help to illustrate the issue. In many countries central governments transfer substantial funds to local governments (in the UK for example local government receives approximately 80% of its funding from the centre). In all systems – federal or unitary – there is a mechanism through which the centre can intervene if the local tier goes seriously 'off the rails'. In a federal system the local tier is protected by a written constitution but there still remains a mechanism – ultimately via a supreme court – to adjudicate in such disputes. The donor-partner relationship has no such mechanisms.

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<sup>7</sup> This is clearly a donor-centric view. An alternative partner formulation might describe the problem in terms of a "lack of flexibility of the donor systems".

## Underlying problems in aid relationships and the costs they give rise to

39. The box below illustrates – from an analytical viewpoint – the main underlying problems with aid relationships and the type of costs that they give rise to.

### Box 10: Underlying problems and types of cost

*Low trust:* --weak government capacity causes low trust in government's abilities.

Donors reduce this cost by bypassing government, or by seeking assurances (e.g. better information, intermediation by other donor) or by helping to build capacity

--lack of predictability in aid flows (short term, variability, conditionality changes, suspensions, unreliable disbursement) causes low trust of donors by partners. Aid recipients reduce this cost by accepting all offers however incompatible, or by maintaining multiple channels of aid, or by seeking assurances (e.g. longer term commitments by donors), or by reducing reliance on aid

*Low ownership by recipients:* donor practices which bypass government maintain or worsen low ownership<sup>8</sup>. This occurs both because of low participation by government and because parallel structures set up by donors compete scarce skills away from government. The result is less development of government capacity, reproducing low trust.

*Low incentives to good practice:* incentives are low if rules, rewards, staff selection, training and evaluation do not prioritise good practice by donors or recipients. Low incentives to good practice serve to reproduce bad practice and its resulting costs

*High aid management costs:* aid management costs increase for government when aid is channelled through government departments and they take on the tasks of planning, managing and accounting for resources. Managing multiple donors with varying procedures and requirements further raises aid management costs.

*High assurance costs:* the costs for government of providing assurance (data, analyses of performance, standards and means of enforcement e.g. in financial management) increase when donors entrust government with funds. The costs for donors increase (longer term commitment of funds, less unilateral conditionality) when seeking to provide assurance to governments that are relying more on aid flows through single channels (SWAps, budget support).

Source: Hubbard, M. 2002

40. Important observations from the above box are that:

- As ownership problems are reduced, recipients taking on the burden of management face increased aid management costs (Batley 2002), and increased costs of providing broader assurance to donors regarding the governance environment. However these changes may reduce costs in respect of individual reporting. Donors seeking to provide greater assurance to recipients who are relying on single channels of assistance (e.g. for

<sup>8</sup> Ownership is low where recipients have little part in initiating, planning, controlling, managing and reviewing the activity. Low ownership results in low incentives, low initiative and efficiency losses widely recognised in management theory and practice.

SWAPs or budget support) may also face increased costs in the form of reduced discretion (e.g. longer term commitments, less unilateral change).

- Transaction costs (i.e. aid management costs plus assurance costs) differ for donor and recipient in the same aid transaction. (For example they are not always equally spread between donor and partner)
- Transaction costs are only part of the costs involved in the aid relationship. The other part is any efficiency losses (due to lowered morale and initiative and loss of scarce skills to donors' parallel structures) associated with low ownership by government, when donors bypass government. Such efficiency losses raise the cost of future aid transactions by raising future assurance costs to donors of working with government. They thereby make parallel structures more attractive to donors in the future. This is the low ownership trap.

## **Ensuring quality and cost effectiveness in aid delivery**

41. A related discussion is the necessity for both ensuring quality and cost effectiveness in aid delivery. There may well be some 'burdens' that are seen as 'excessive' but which are in fact important for good practice and efficient aid management. In designing new and more flexible systems – which may often simplify procedures – it is important that this issue of quality is not ignored. Any reform approach must seek to balance the gains – in reducing costs – with the potential costs in reducing the quality of aid effectiveness.

## **Donor harmonisation: reducing or moving costs around?**

42. In at least three of the countries studied – Tanzania, Mozambique and Uganda – the reports noted a suspicion that some attempts at donor harmonisation, particularly those associated with moves to Budget Support and SWAPs, have tended to move costs around rather than reduce them<sup>9</sup>. The experience of Tanzania and Uganda suggests that the move to SWAPs – which may reduce costs for the partner country – often seems to increase the costs to the donors. These costs are often unevenly distributed between donors. Thus, for example, the chairs of sector committees and/or donor coordination committees often spent a substantial amount of their and their individual donor's time in making such arrangements work. This was particularly clear in the case of the Health SWAP in Uganda. However it is also very important to realize that the evidence suggests the start up time and management are very important in ensuring these new arrangements are successful.

43. The second related issue is of costs within the partner country government system itself. In Tanzania (see box below) there seemed to be an increase in the costs on the central financial ministries. In other cases, like Uganda – and in particular in countries adopting an explicit decentralization strategy – there were processes which resulted in costs being minimized at the central level but increased at the next tier of government. The Poverty Action Fund in Uganda, which allocates HIPC funds through the Poverty Eradication Action Plan via line ministries to districts, would be a case in point. The process of donor harmonization and funding through the budget to the centre has clearly reduced transaction costs at the centre. However when the funds are then turned into 'earmarked funds' that are then administered via complex guidelines by the line ministries to the districts, the administrative costs on the districts are substantial. Furthermore this process is undermining local decision-making at the district level – and the logic of decentralization – since each

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<sup>9</sup> These movements of costs are essentially in the short run. Given the relatively recent introduction of these new forms of Aid disbursement it is not easy to ascertain what will happen to such costs in the long run. Tentative evidence from the Uganda Education sector suggests that some costs may decrease in the long run.

local department in the district (health, education etc.) is now orientated to the central line ministries rather than the district itself.

**Box 11: Reducing costs in Tanzania or moving them around?**

Many donor representatives have expressed their concern about increasing transaction costs on their side in connection with the development and monitoring of SWAps and similar coordinated aid arrangements (while at the same time appreciating the higher levels of transparency, information sharing and therefore potential quality of their support). It is clear that those developments, if followed in any detail, require an intensive participation from the local donor community. Likewise the Ministry of Finance and other central ministries will find that the pressure on them will increase. These increased transaction costs should be compared to savings that may mainly occur elsewhere.

Sector ministries will in an ideal SWAp/budget support arrangement have no direct and separate dealings with individual or groups of donors. They will interact through joint processes (sector planning, public expenditure review, annual sector reviews) and obtain all funding through normal government systems. The shifting burden from donor interaction at sector institution level to Ministry of Finance should be accompanied by changes in staff complements and qualifications. Donors should benefit from reduced inputs and missions from headquarters and a much-reduced workload (locally as well as at headquarters) on tedious administration such as tendering, contract and payment processing. For those savings to be fully reaped, a restructuring of the local donor organisations will be needed. Devolution of powers to the local offices for deciding mission schedules and negotiation of joint arrangements and funding releases, combined with a staffing structure more focused on policy, planning and monitoring issues will be necessary ingredients.

In an environment of increasing use of SWAps, donors will make major savings on their own transaction costs by concentrating their resources in a few sectors. A small discrete project in a non-focal sector will from a donor viewpoint be much easier to implement than a small contribution to a large SWAp. In such cases donors could rely their donor colleagues in sectors of limited support and simply provide funds for arrangements negotiated between the government and such other donors.

Source: Ronsholt, F. 2002

## **SUGGESTIONS FOR PRIORITY IMPROVEMENTS TO DONOR PRACTICES**

44. Respondents – predominantly government officials – were asked to suggest changes to donor practices that they viewed as highest priority for reducing the burdens experienced. Whereas with the issue of burdens the interview guidelines requested 3 burdens, discussion of suggestions was on the basis of open response – no specific number of suggestions was stipulated. Therefore the number of responses from different interviews varied substantially.

45. Given the open response, suggestions were clustered under fifteen headings and priorities in each country were then ranked using a 3-point system. Suggestions which respondents judged to be:

- most important and which were mentioned in several interviews were allocated 2 stars
- relatively less important and where suggestions were mentioned with moderate frequency - 1 star
- suggestions mentioned relatively infrequently or not at all were assigned no stars.

46. The suggestions were then ranked according to overall frequency of mention – judged by the total number of stars assigned to each suggestion. The ranking is shown in table 2, which also illustrates the number of stars generated in each country. Table 3 below offers a consolidated picture of the ranking of suggestions.

47. This analysis is more a way of representing the diversity of opinions suggested than a formal statistical approach. This is partly as a result of the sample size, respondent selection and number of individual responses. Nevertheless the analysis is representative of the range of suggestions made in the country studies.

**Table 2: Priority suggestions for improvements to donor practices in each country**

|   | Uganda | Senegal | Tanzania | Cambodia | Egypt | Vietnam          | Moz'bique | Bang-ladesh | South Pacific | Romania | Bolivia <sup>10</sup> |
|---|--------|---------|----------|----------|-------|------------------|-----------|-------------|---------------|---------|-----------------------|
| Use common procedures                       | ■      | ■■      | ■        | ■        | ■■    | ■                | ■         | ■■          | ■             | ■       |                       |
| Use host nation's systems                   | ■■     | ■■      | ■■       | ■■       | ■     | ■■ <sup>11</sup> | ■         |             |               |         |                       |
| Communicate more                            |        | ■       | ■        | ■■       | ■     | ■                | ■■        | ■           |               |         | ■■                    |
| Simplify procedures (within a donor system) | ■      | ■■      |          | ■■       | ■■    | ■■               |           |             | ■             |         |                       |
| Untie aid                                   | ■      | ■       |          | ■■       | ■■    | ■■               |           | ■           | ■             |         |                       |
| Respect PRSP/national priorities            | ■■     |         |          |          | ■     | ■                | ■         | ■■          | ■■            |         |                       |
| Strengthen local capacity                   |        | ■■      | ■■       | ■■       |       | ■                | ■         |             | ■             |         |                       |
| Use a coordination structure                |        | ■■      |          |          | ■     |                  |           |             |               | ■■      | ■■                    |
| Budget support                              | ■■     | ■       | ■■       |          |       |                  | ■■        |             |               |         |                       |
| SWAps                                       | ■■     |         | ■■       |          |       |                  | ■■        |             |               |         |                       |
| Replace TA /use local                       |        |         |          | ■■       | ■■    |                  |           |             |               | ■■      |                       |
| Understand the local context                | ■      |         | ■        |          |       |                  |           | ■■          |               |         |                       |
| Simplify procedures (between donors)        | ■      |         |          |          |       | ■■               |           |             |               |         |                       |
| Simplify the review process                 | ■      |         | ■        |          |       |                  |           |             |               |         |                       |
| Decentralise to local office                |        |         | ■        |          |       |                  |           |             |               |         |                       |

<sup>10</sup> The Bolivian study asked a very specific question solely focused upon Reporting and Monitoring.

<sup>11</sup> The suggestion from Vietnam was towards “harmonising” between donor-country systems rather than using the host system.



## **SUGGESTIONS FOR IMPROVEMENTS TO PRACTICES AFFECTING DONOR-PARTNER RELATIONS**

### **Use the host nation's system**

49. One popular suggestion, detailed in the next section: 'donor-donor', is that donors should harmonise procedures amongst each other. How they harmonise is another question. A popular suggestion in Egypt, Mozambique but more especially in Uganda, Tanzania, Cambodia and Vietnam, is that donors collectively harmonise around the host nation's system. Even if only individual donors harmonised around the host nation system, respondents perceived burdens on the government would be reduced.

50. In Senegal five specific proposals were made in relation to greater integration with national systems:

- Match donor financial/budget cycles with the national budgetary cycle
- Integrate donor planning and evaluation missions into a national calendar
- Make greater use of the PRSP as a donor co-ordination mechanism
- Make greater use of national procedures through the more widespread adoption of budget support
- Evolve gradually towards greater use of national implementation bodies (i.e. gradually phase out donor project or programme created parallel implementation structures)

51. Another related suggestion was that government should inform itself better of existing donor procedures, as this would also reduce the burden imposed on government (in terms of fewer delays in processing donor delays).

52. In Vietnam the burdens most frequently mentioned related to discrepancies between government and donor systems – particularly in project preparation. It should be noted that in Vietnam the priority was for harmonisation *between* donor and government systems and not for donors to necessarily harmonise around the government's current systems. For example, international procedures/ standards, where applicable, could be used to enhance government procedures for donors then to converge around.

### **Respect the PRSP/ national priorities**

53. Respondents in South Pacific, Uganda and Bangladesh noted this suggestion as a high priority; it was relatively important to respondents in Egypt, Mozambique and Vietnam. In Bangladesh several respondents in sector ministries highlighted a desire for donor conditions to complement, not be at odds with, government policies – to retain policy "sovereignty" and a degree of ownership over aid activities.

54. As a pre-requisite of maintaining government ownership of aid activities and to impose greater discipline on donors, respondents in Vietnam preferred that the government should first specify its own policy frameworks and investment priorities, with donors then taking appropriate convergence actions.

55. Mozambican officials were keen to ensure donors respect the PRSP process (PARPA in Mozambique) as a framework of priorities, into which donors should ensure their actions fit.

56. Respondents in a few countries also mentioned the need for donors to advise them of funding directed through NGOs – to have a better overview of who was doing what where, and to ensure activities complemented national priorities and other activities in the country.

57. The box below describes the donor-partner partnership principles for Uganda's PRSP (known as the PEAP).

**Box 12: PEAP partnership principles – The 'Stockholm Principles'**

**Shared commitment**

Donor support will only be sought/provided for programmes that are in the Poverty Eradication Action Plan

**In addition Government will**

1. Continue with increased focus on poverty eradication [at minimum Poverty Action Fund funded programmes as a share of total budget will remain constant]
2. Continue with increased tax revenue effort
3. Assume full leadership in donor co-ordination process (at central, sectoral and district level)
4. Decline any offers of stand-alone donor projects
5. Strengthen monitoring and accountability (including value for money evaluations)
6. Continue to improve transparency and combat corruption
7. Continue to strengthen district capacity
8. Develop comprehensive, costed and prioritised sector wide programmes eventually covering the whole budget
9. Further develop participation and co-ordination of all stakeholders (including Parliamentarians)
10. Strengthen capacity to co-ordinate across government (so it speaks with one voice)

**In addition donors will....**

1. Jointly undertake all analytical work, appraisal and reviews
2. Jointly set output/outcome indicators
3. Develop uniform disbursement rules
4. Develop uniform and stronger accountability rules
5. Ensure all support is fully integrated into sector wide programmes and is fully consistent with each sector programme's priorities
6. Continue to increase level of untied budget support
7. Increase level of delegation to country offices
8. Abolish topping up of individual project staff salaries
9. End individual, parallel country programmes and stand-alone projects
10. Progressively reduce the tying of procurement

Source: PEAP Vol 3, 2001 pp 3-4

**Strengthen local capacity**

58. In Cambodia, Senegal and Tanzania this was a frequent suggestion, and fairly frequently in Mozambique, South Pacific and Vietnam. In Senegal, specific suggestions included the following:

- Establish more capacity building funds
- Donors to help improve the capacity of sectoral Ministries and local government – perhaps through the increased use of long term external consultants working within the government

- Capacity building should concentrate on skills required by sector ministries to manage SWAps and in contract formulation and management skills of government – particularly if use is made of contracting out of development work to the NGO and private sectors
- Design an exit strategy for donors from the beginning

59. With regard to missions and evaluations, in Senegal some respondents suggested that donors should do more to support the further development of national monitoring and evaluation capacity – so that all donors could eventually use nationally produced information and reports. However, others felt that donors should continue to carry out independent annual audits, especially for large programmes.

60. In Mozambique concerns related to strengthening local capacity necessary for the government to expand its leadership role in aid management, and especially in the financial management area. Respondents in Vietnam suggested capacity building should be an underlying principle of all donor actions, specifically those aimed at increasing government ownership. More specifically, donors should always seek to build government capacity rather than substitute for it.

### **Budget support and SWAps**

61. Continuing and widening the use of budget support and SWAps was a very strong suggestion in Uganda, Mozambique and Tanzania. This is unsurprising given that these countries have most experience of these aid delivery mechanisms.

62. Greater use of budget support was suggested in Senegal as respondents believed it would:

- allow for greater national autonomy about how to allocate resources
- lead to greater national ownership (actions are focused around government policies and systems) of the development process
- lead to faster disbursement and a higher utilisation rate for aid
- require the use of national procedures by donors

63. A respondent noted however that Senegal would need to adopt an integrated and performance-based three-year rolling recurrent and capital budget, before budgetary support could be generalised. (A Public Finance donor working group has just been established to study the current system and to identify the changes required before other donors can or will move to budget support.)

64. While some Mozambique government agencies viewed project aid as attractive in terms of simplicity in management, the Government of Mozambique was keen to move towards sector and budget support, on grounds of ownership and reduced transaction costs. However, with these possible advantages come the additional costs of conversion and the new demands by donors on government for ever deeper reform and better reporting. Thus, respondents in Mozambique suggested the case for budget support might be better pursued in terms of strengthening government systems rather than of lowering the costs of aid.

65. In Tanzania, government respondents believed most existing burdens could be overcome by using budget support – with major gains in government ownership, bringing all aid on-budget and therefore using one set of management, procurement, and accounting standards. However, few respondents were confident that budgetary aid would become the dominant aid instrument in a foreseeable future. The main constraints mentioned by government officials and donors, included the following:

- budget aid may reduce costs of disbursement transactions, but is yet to prove that it can deliver improved public service delivery and poverty reduction (mentioned by donor as well as government representatives).
- widespread concerns remain within the donor community about the extent of corruption and reliability of financial systems, in spite of the improvements made in government financial management systems, accounting and reporting
- the high dependence on local authorities in implementing core public expenditure programmes, while management reforms and capacity building at this level are still in their infancy - thus several respondents suggested assistance in strengthening local capacity as a high priority, relating to the 'strengthen local capacity suggestion, below
- some donors maintain a policy of aid visibility and therefore funding attribution
- other donors were concerned that their direct and informal contacts with implementing sector institutions would be severed if project aid ceased and all funds were channelled through the Treasury. Large government-donor forums (e.g. SWAp management committees with typically 20-50 participants) would become the main points of personal interaction and useful sources of information and ad hoc facilitation would dry up.

66. Despite their preference for budget aid, government respondents were also concerned about the associated higher volatility. This is a particular risk in situations where budget support decisions are finalised by the donor when the government is already into the year of budgeted support. There were examples of these problems in Mozambique and Tanzania.

67. Mozambican government officials supported further budget support, and SWAps, because the initiatives to date had helped improve donors' coordination with each other and with the government. The major benefits of these initiatives were the resultant reduction in transactions costs and an increased sense of ownership by the government. However they also noted that these schemes did take excessive time to establish, with negotiations to formulate a SWAp in education, for example, taking several years.

68. In Mozambique the sector programmes and budget support arrangements are based on detailed written agreements setting out the terms and procedures of the relationship between donors and with the government. The fact that they are formalised helps the sides to have confidence in the permanence of the arrangement. Although one donor noted that such formalisation might inject a certain rigidity.

69. In Tanzania too, another of the most frequently proposed solutions was the establishment of SWAps across all sectors. Combined with efforts to harmonise the donors' requirements, formats and procedures as far as procurement, reporting and audit are concerned, respondents felt burdens could be significantly reduced. However success depended on:

- donors achieving a degree of harmonisation – though respondents considered donor bureaucracies so heavy that little optimism existed on this issue
- all donors supporting a sector, fully respecting the SWAp and not continuing ad-hoc project type operations in parallel. This was a particular concern where some donors did not contribute to a basket or pooled fund or where such funds were not established.

70. Donor respondents in Tanzania felt baskets and pooled funds had a tendency to create complicated management structures, and resulted in increased transactions costs for donors. A large part of the transaction costs relate to the establishment phase and are a function of the inability to create a standardised basket funding system. Therefore donors with large shares of their funding programmes relating to sectors where SWAps have been developed, saw the investment in such arrangements as likely to pay off in the medium to

long term. Donors with limited operations in a sector expressed that stand-alone project support was a much more efficient way of implementing their support.

### **Understand local context**

71. Respondents in Bangladesh suggested that donors needed to be more appreciative of the difficult operating circumstances in Bangladesh, especially regarding institutional inertia. In particular, donors should understand that the institutional changes necessary to raise efficiency cannot happen overnight.

### **Simplify the review process**

72. In Tanzania, a further suggestion was to simplify the review process – in particular the annual bilateral consultations. Many respondents on both government and donor side saw these consultations as unnecessary rituals of the past. The large meetings and preparation of special briefs placed serious demands on limited staff time. Furthermore the required briefs often contained information the donor had already received through current sector programme management processes. This was also a suggestion in Uganda in relation to the SWAps in Education and Health where it was felt that the large donor biannual reviews could be replaced by an annual review.

## IMPROVEMENTS TO DONOR-DONOR RELATIONS

73. That donors should use **common procedures** was the most frequently mentioned suggestion with regard to changes to practices amongst donors. The suggestion was a high priority for respondents from Egypt, Senegal and Bangladesh, but notably was mentioned in almost all countries. The elimination of 'unnecessary' differences amongst donors was perceived as important to reducing burdens.

74. Respondents in Romania suggested standardisation could be achieved through convergence around international practices, where applicable. In Vietnam, it was suggested donors should converge around, and develop, government procedures.

75. Converging around host nations' systems is an option often advanced by both government officials and donors – in part to enhance ownership, but also to avoid potential problems of donor rivalry if the option is to converge around one donor's system. However such convergence is not possible in some countries, where government systems are insufficiently developed. Government respondents there suggested establishing a new set of procedures – combining the strengths and avoiding the weaknesses of each donor's system. However there were doubts over the feasibility of this option. In particular – would all donors' specific needs be included? Would they be willing to adopt a new system – and would headquarters give the necessary authorisation?

76. Respondents in Senegal suggested donors need to harmonise their own procedures first (internally) before acting to simplify and standardise procedures and thus making effective progress towards harmonisation with other donors.

77. Harmonising donors' requirements and procedures were particularly important in the tasks of procurement, reporting and auditing in Tanzania. One respondent noted that convergence between EC and EU member states' procedures was a 'natural expectation', and could make a significant difference to reducing transactions costs – particularly given the large volume of aid Tanzania receives from the EU. In Senegal some respondents proposed the EU should lead the harmonisation effort on behalf of the European bilateral donors.

78. Most of the people who advocated greater harmonisation of donor procedures felt that there was inadequate political will in the donor community to achieve this. One respondent in Senegal also talked of past efforts where – as an attempt at harmonisation – lead donors had already tried (unsuccessfully) to impose their own procedures on other donors. One donor trying to dominate proceedings led to donor rivalry and general bad feeling and negatively affected future discussions of harmonisation.

79. The use of a **coordination structure** was very important to respondents in Bolivia, Romania and Senegal; and relatively important in Egypt.

80. Respondents in Senegal suggested that lead donors in different sectors should play a stronger coordinating role of all the donors active in the sector concerned, so that, ideally, they could serve as a single contact point or intermediary for government. However, this should not preclude collective donor meetings with government where this was deemed to be useful or necessary. A related suggestion was to increase the current work of sector-focused donor groups.

81. However, in the longer term, a number of people proposed that government should adopt a more proactive approach (on policy as well as project/programme design,

implementation and evaluation). Also they should seek to engage more collectively with donors, on a sectoral basis, through the planning or finance ministries and sector ministries concerned.

82. Suggestions were also made that donors and government should go through the sectoral planning and co-ordinating units more systematically, rather than having direct relationships with the other (implementing) organisations concerned, which makes the work of these units more difficult and less effective.

83. The health sector in Bolivia uses a donor coordination committee for joint formulation and evaluation of activities – and respondents believed this initiative could be expanded to other sectors. In health, three technical sub-committees were established to focus on each of the pillars in the sector strategy. Problems have been encountered through. The committee has been affected by inter-donor rivalry between donors responsible for coordinating actions in areas that overlap – resulting in a delay in fund disbursement.

84. In Romania two respondents proposed a similar donor-coordination unit. Donor respondents were keen for such coordination to be undertaken by the government, to improve their control of donor activities. However they highlighted numerous obstacles such as that deciding the exact location within government for a coordination unit would be difficult given the resultant political implications. They also suggested coordination is better achieved by sector ministries, rather than central government. Finally they noted that donor coordination in general is difficult without first resolving the problem of donors' different procedures, agendas and ideologies.

85. In some countries there was a general sense that donors should **simplify their procedures** – referring to multi-donor initiatives as well as the issue of all donors committing to simplify their individual procedures. This was reported in Vietnam and to a lesser extent in Uganda.

## IMPROVEMENTS TO PRACTICES WITHIN INDIVIDUAL DONOR SYSTEMS

86. The suggestion that donors should **simplify – and make more flexible – their individual procedures** was made by respondents in Senegal, Egypt, Cambodia and Vietnam, and less so in Uganda and South Pacific. In Senegal and Vietnam this included a reduced number of evaluations and other missions (and more joint missions and evaluations). In addition to reducing the number of annual missions and reports, donors should also consider limiting other missions and reports to mid term and end of project/programme evaluations. In Vietnam a further suggestion was increased continuity between project preparation and management units. There was general concern about improving the current problems of dealing with lengthy, cumbersome and inflexible donor procedures.

87. A frequently mentioned priority in Egypt, Cambodia and Vietnam was the **untying of aid**. Some respondents in South Pacific, Uganda and Bangladesh also noted this suggestion. In Vietnam it was believed that tied aid resulted in either personnel or equipment that was at a higher cost and often of an inferior quality than if it had gone out to competitive tender. It was therefore recommended that the aid recipient be given the responsibility to decide the origin of project inputs. In Egypt four respondents perceived an underlying problem of poor trust by donors of partners' decision-making. They too suggested a priority was also to increase partners' involvement in **procurement** processes and increase partners' choice options. Similar sentiments were expressed in Bangladesh although respondents were not optimistic about donors changing their policies.

88. Utilising more locally-sourced goods and local expertise in **technical assistance** was a particular priority in Egypt, Cambodia and Romania – to retain economic growth benefits of aid and because local experts often had skills on a par with external consultants, but also had greater knowledge of the local context. In Senegal one respondent advocated greater government control over whether foreign technical assistance was necessary and, if so, who should be contracted. While generally critical about the usefulness of external consultants, in Romania government respondents did note the growing appreciation of external consultants – when they worked within government structures for sustained periods. They believed such practices should be extended.

89. **Decentralising to the local office** has been discussed in the 'interpretation' section above. However it should be noted that in Tanzania this also suggested as a possible solution. More generally, in Senegal several people met recommended more decentralisation of in-country donor offices and felt that one of the benefits of this would be to lead to faster and more effective co-ordination of aid.

90. Greater **communication** was quite frequently mentioned in several countries as a priority change to donors' practices, and was especially important in Bolivia, Cambodia and Mozambique. It was noted in Vietnam that greater transparency is a two-way process and could be increased by both donors and government. Therefore, as respondents in several countries suggested, donors and government should increase efforts to share information with each other concerning, for example, donor-government agreements, activities, procedures, reports and evaluation results.

91. Disseminating lessons learnt could improve the effectiveness of future aid activities. Sharing information about activities could also benefit coordination efforts and reduce duplication. In Tanzania greater transparency (to the government) was suggested in the areas of in-kind procurement and disbursement in particular. Bolivian respondents however did note a particular reluctance of donors to share financial information with each other.

92. Respondents in Egypt were particularly concerned with increasing the frequency of communication between donors and government implementation agencies – at all stages of the planning process. Government officials would also like more information on donors' rationale for their aid allocations – a point which links to the suggestions of ensuring donors' actions fit with national priorities.

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## Annex 1: Method and checklist of issues for interviews of partner country respondents

This report is a synthesis of studies undertaken in eleven countries: Bangladesh, Bolivia, Cambodia, Egypt, Mozambique, Romania, Senegal, South Pacific (Fiji, Samoa, Vanuatu), Tanzania, Uganda and Vietnam. The selection of partner countries was discussed and agreed in consultation with DAC, to ensure representation of geographical regions and development issues. All of the interviewers have substantial practical experience of the regions they were studying.

In each country, interviews were conducted with 15-25 respondents from central government, line ministries, project implementation units and relevant civil society organisations. The interviews sought to establish partner country officials' perspectives on the main burdens imposed by donor practices; and discuss respondents' priorities for improvements to donor practices. Examples of where donors have changed their practices to reduce burdens were also sought, to inform a separate output of the Task Force - Good Practice Reference Notes on Pre-implementation work and on Reporting and Monitoring.

Officials from a wide range of bilateral and multilateral donor agencies and other international organisations in each country were also interviewed. Discussions with donor staff concentrated on examples of good practices to reduce burdens and opportunities and constraints to implement good practices; the findings from these interviews primarily contributed to the above mentioned Good Practice Reference Notes.

While the exact sample size and respondent selection varied between countries, all interviewers followed the same guidelines of seeking interviews with 15-20 partner country respondents according to the agreed profile, below.

### Partner Country Studies: Respondents Profile

|                           | Essential   | Desirable  |
|---------------------------|---|--|
| <b>Partner Government</b> | <ul style="list-style-type: none"> <li>▪ Ministry of Finance – aid coordination unit or equivalent</li> <li>▪ Ministry of Planning – aid coordination unit or equivalent</li> <li>▪ Any other central aid management unit (e.g. in Ministry of Foreign Affairs, President's Office)</li> <li>▪ Ministry of Finance – overall budget making section (or separate Treasury Unit dealing with budget)</li> <li>▪ PRSP unit</li> <li>▪ Development coordination unit</li> <li>▪ 4-5 sectoral ministries in receipt of significant aid flows – social (health and education) – infrastructure</li> <li>▪ Local government (if they receive significant aid)</li> </ul> | <ul style="list-style-type: none"> <li>▪ Lead Minister for policy on aid</li> <li>▪ Local/ Provincial/ State government in receipt of aid flows</li> <li>▪ Supreme audit institution</li> <li>▪ Statistics agency</li> <li>▪ Project office – preferably a large one, involved with coordination issues (offices; delivery units e.g. hospital)</li> <li>▪ SWAP coordination unit</li> <li>▪ Additional sector ministries where relevant and possible</li> </ul> |

|               |  |   |
|---------------|--|---|
|               | <b>NOTE:</b><br>Offices dealing with and reporting to multiple donors would be particularly desirable.   |   |
| <b>Donors</b> | <ul style="list-style-type: none"> <li>▪ UNDP</li> <li>▪ World Bank and relevant Regional Development Banks</li> <li>▪ 5-6 bilaterals – including ideally ones involved, and some not involved, in collaborative aid (Head of Mission preferably)</li> <li>▪ Chair of donor coordination groups</li> </ul> | <ul style="list-style-type: none"> <li>▪ Additional bilaterals where relevant and possible</li> </ul>   |
| <b>Other</b>  |  | <ul style="list-style-type: none"> <li>▪ Relevant civil society organisations</li> <li>▪ NGOs involved in PRSP</li> <li>▪ Specified local consultants (who have worked with a range of donors)</li> </ul> |

The checklist below – designed and agreed jointly by all interviewers – was used to structure all interviews with partner country respondents.

## Checklist for interviews of partner country respondents

### NOTES

This checklist is of issues that the interviews and country reports must address. While notes are included relating to how you might initiate discussions, and clarifying the exact issues we wish to examine, this document is not intended as a script or questionnaire.

How research notes are kept is personal choice – however some issues for quantitative analysis are highlighted ‘to template’ and that information must be entered into the accompanying Excel template after the interview, to assist your own country analysis and to assist comparative analysis by the core research team.

All stages of the spending cycle should be considered when discussing ‘burdens’. Namely, *analytic work pre-implementation* (e.g. missions, studies); *implementation* (e.g. procurement, disbursement); *reporting and monitoring*.

Regarding good practices – primarily we wish to identify and examine good practices, specifically relating to pre-implementation work and reporting and monitoring. However, if a failed good practice attempt is identified, this may also make a useful and interesting case study – whether concerning pre-implementation or reporting and monitoring work or general attempts to improve the aid management system.

It may be necessary to lead in to discussion of ‘burdens’ (sections 2,3) and good practices (sections 4,5) through general discussion around aid management. For

example by asking general questions relating to their experiences with donors. Perhaps discussion of what practices (and which donors?) make aid management easier/ more difficult. How you lead in to such discussions and gain information about the issues below will be determined by the country's culture and your personal style.

## 1. DETAILS OF RESPONDENT

- Job category: central govt, sector min, local govt, NGO, other [to template]
- Which donors do they deal with?
- Does dealing with donors form a major part of their workload? Is it supposed to form a major part of their workload?

**NOTE:** As appropriate, you may wish to gather other details – for example respondent's position within the organisation's hierarchy; precise role (policy or implementation); their relations to other actors in aid administration.

## 2. WHAT ARE THE MAIN BURDENS DONORS IMPOSE ON YOU?

### NOTES:

Translating 'burdens' may be problematic – researcher should use their own judgement as to which terms (problems/ burdens/excessive costs) are most suitable to use to convey the focus of this section. The stress must be on tasks (e.g. studies, reports, missions) that are superfluous to assuring quality in the spending of the resource.

The advised approach is a general discussion on burdens, before asking for the three biggest (as an open question), and then the other information listed below.

Do not show them, or systematically go through, the list of donors burdens provided to you. That list is only intended to brief you on matters arising from the literature, and inform your discussions with the respondent.

- List three biggest/ most important burdens
- Why are each of these regarded as a burden?
- How far are these burdens necessary/unnecessary and how far reasonable/unreasonable? (It may be useful to probe respondents' opinions of the strengths and weaknesses of the aid receiving governments' systems.)
- Try to get examples of 'bad' practice too.
- Are these three burdens specific to an aid instrument/ stage of the spending cycle?

## 3. BURDENS BY STAGE OF SPENDING CYCLE AND AID INSTRUMENT

- Are any other burdens experienced which are specific to
- each of the aid instruments: projects, sector programmes, budget support
- each stage of spending: pre-implementation, implementation (including disbursement and procurement), reporting and monitoring

### NOTES:

This section requires qualitative assessment. Please ensure each of the above categories – as far as possible – is discussed. E.g. burdens relating to pre-implementation of projects; implementation of projects... burdens relating to pre-

implementation of sector programmes; implementation of sector programmes; reporting...etc.

#### **4. WHAT ARE YOUR EXPERIENCES OF GOOD PRACTICE BY DONORS?**

- Can respondents suggest any existing examples of good donor practices that minimise burdens on them? Or of donors changing their practices so that they become less of a burden?

##### **NOTES:**

This section is intended to identify candidates for good practice case studies that can be further investigated, triangulated and written up for potential inclusion in the final output as a box.

As far as possible, prompt them for examples. Whilst the good practice references will focus on pre-implementation and reporting and monitoring, for the 'Needs Assessment Report', informative examples of good practice relating to other parts of the spending cycle should not be ignored.

#### **5. WHAT ELSE COULD BE DONE WHICH WOULD REDUCE EXCESSIVE BURDENS DONORS IMPOSE ON YOU?**

##### **NOTES:**

The advised approach is a general discussion on improvements to donor practices, before asking for the three most desirable and most feasible (as an open question).

Do not show them, or systematically go through, the list of possible good practices provided to you. The list is only intended to brief you on matters arising from the literature, and inform your discussions with the respondent.

If the three most desirable are not judged feasible, please probe for reasons why not. Of the three most feasible changes, please probe how likely they are to happen.

- List the three most desirable changes that could be made to reduce the excessive costs of aid administration.
- List the three most feasible changes that could be made to reduce the excessive costs of aid administration.
- Why are these so important?
- Have they been tried? Why/ why not?