



Commonwealth and La Francophonie Workshop The Future of Aid: User Perspectives on Reform of the International Aid System

Hilton Hotel, Yaounde, 1-2 June 2006
Facilitated by ODI

Workshop Report

Introduction

A two-day workshop was organised by the Commonwealth Secretariat and the Organisation Internationale de La Francophonie on 1-2 June 2006 at the Hilton Hotel in Yaounde, Cameroon and was facilitated by the Overseas Development Institute (ODI). This is the final of three workshops run jointly by the Commonwealth Secretariat, the La Francophonie and ODI on the future of aid. The first was held at Marlborough House, in London, in January 2005, and was titled “Preserving Multilateralism: User Perspectives on Reform of the International Aid Architecture”. The second was held in Dhaka, Bangladesh, on 20-21 March 2006. The outcomes from the workshops will be fed into the technical theme discussion of Commonwealth Senior Finance Officials at the time of the Commonwealth Finance Ministers Meeting, in Colombo, 12-14 September 2006. ODI will be making the main presentation and the summary of the discussion will be reported to Finance Ministers by the Chair of the Senior Finance Officials meeting. It is also proposed that the Report from the workshops and the outcomes of the discussions, in Colombo, be circulated to the OECD’s DAC, the IFIs, UN, EU and selected bilateral donors. It is also hoped that Commonwealth and Francophone member countries, both donors and recipients, will propagate the outcomes of these deliberations in relevant fora.

Participants in this workshop, in Yaounde, consisted of government officials and civil society representatives from twelve countries in Africa: Benin, Cameroon, Congo, Cote d’Ivoire, Kenya, Lesotho, Mozambique, Senegal, Sierra Leone, Tanzania, Uganda and Zambia. (See Annex 1 for a complete list of participants.)

Day 1 started with a welcome from the chair, Dr **Indrajit Coomaraswamy (IC)** (Commonwealth Secretariat), and an Opening Address by the Secretary of State, Ministry of Economy and Finance, Cameroon, Mr **Denis Oumarou**. The subsequent sessions included the following presentations, each followed by a discussion:

- Context setting/overview and most pressing issues related to the international aid system – facilitated by Mr **Matthew Odedokun (MO)** (Commonwealth Secretariat)
- The UN Development System – facilitated by Mr **Simon Burall (SB)** (ODI)
- The World Bank and Regional Development Banks – facilitated by Dr **Bishakha Mukherjee (BM)** (ODI)
- The European Union – facilitated by Mr **Sven Grimm (SG)** (ODI)
- The Paris Declaration and its implications at country level – facilitated by **SG**

Participants were asked on **Day 2** to carry out a matrix scoring exercise on the comparative advantages of some bilateral and multilateral organisations with which they were familiar. The workshop concluded with a discussion on lessons learnt and recommendations to be made to the Commonwealth Senior Finance Officials meeting, in Colombo, in September 2006.

Summary

The year 2005 was a landmark year in terms of efforts to “scale up” aid. Within that context, this workshop was intended to gain a regional perspective on the current practices and necessary reforms of the international aid system from the point of view of African users – including governmental officials, civil society and private sector actors. The workshop focused on how the United Nations, multilateral development banks and the European Union currently operate and on ideas/existing proposals to make them more effective. There was also a general discussion about the Paris Declaration and steps that recipient countries have taken or should begin to take to translate the Paris agenda into reality on the ground. Before the close of the workshop, participants drew up a list of ideas and proposals to be presented to the Commonwealth Senior Finance Officials when they convene in September 2006.

Day 1

Session 1: Welcome and Introduction

Participants were welcomed by the Chair (IC) of the workshop. The objective of the workshop was twofold: to learn from recipient government, civil society and private sector representatives about their experiences of working with different bilateral and multilateral agencies, and to find out from them what reforms they thought were needed to make the international aid architecture work more effectively.

The consultation asked several questions, including:

- What is the role of aid in Africa?
- Is the Paris Declaration on aid effectiveness (2005) enough to make the international aid system work better?
- If not, what else may be needed?
- What is the value-added or comparative advantage of bilateral and multilateral agencies respectively?
- How should they change?
- What levers do recipients have or need?
- Can recipient governments say “no” to donors?
- What is the role of regional/international interlocutors like the Commonwealth and La Francophonie in facilitating collective action?

In light of a growing recognition among donor and recipient governments that significant reforms need to be made to the international aid architecture, this consultation was emphasised as being particularly timely. While there is no clear or tidy process or specific forum to discuss reforms to the international aid system among Southern stakeholders, the events and commitments made in 2005 provide valuable opportunities to engage in such discussions and identify ways to follow up on the Paris Declaration. This consultation in Cameroon – following an earlier one in Dhaka - was agreed as being an important

contribution to this process by feeding ideas and proposals on aid architecture to the Commonwealth Senior Finance Officials meeting due to take place, in Colombo, in September 2006.

Session 2: Setting the context: from the “Washington Consensus” to a new leading paradigm of effective aid

Presentation

MO reviewed how the aid philosophy evolved from the Washington Consensus/Structural Adjustment Programmes/liberalisation in the 1980s to the current paradigm based on the principles: ownership, partnership and accountability. The proposed doubling of aid flows to Sub-Saharan Africa from DAC-donors posed both opportunities and challenges. Africa also received aid from Arab-related bilateral and multilateral sources. Although aid volumes from Arab-related sources to the Sub-Saharan Africa were still relatively modest, they were sizeable and were expected to rise substantially in the near future in view of the current oil boom.

The volume of aid, based on the donor pledges, could reach US\$130 billion by 2010. Trends in ODA to the Sub-Saharan Africa had broadly been in line with the trend of combined ODA to all developing countries, although an increasing share to the region has been witnessed in the past two or three years. The share of grants to Sub-Saharan Africa also exhibited an increasing trend. However, the share of multilaterals in total aid flows has been falling after the mid-1990s. Regarding aid quality, the findings from the 2002 Needs Assessment Survey carried out by OECD-DAC on current aid problems were summarised as: donor-driven priorities and systems; uncoordinated donor practices; and difficulties of aid recipients in complying with donor procedures. It was also pointed out that these problems were exacerbated by the proliferation and ever-increasing number of aid agencies, currently over 90. These problems have led to the emergence of a consensus among donors and a number of recipient countries on what needs to be done to make ODA work better. This has resulted in the adoption of the five principles of *ownership, alignment, harmonisation, managing for results and mutual accountability* as the basic pillars of the *Paris Declaration on Aid Effectiveness* (April 2005).

While the Paris Declaration is a step in the right direction, it should not be regarded as a cure-all- for aid issues. In particular, it does not cover all problems of aid delivery and a number of the targets that have been agreed are not specific. In addition, the consensus on principles needs to be translated into practical action.

Discussion

The discussion commenced by focusing on the significant macroeconomic challenges posed by the scaling up of aid. It was pointed out that sharp increases in inflows can lead to excess liquidity that fuels inflation and exerts pressure on the balance of payments. In the short run, there can be an appreciation of the exchange rate. The dangers of experiencing the Dutch disease were highlighted. This led to a call to establish effective monitoring and evaluation systems in recipient countries to assess the impact of scaled up aid. It was recognised that the composition of public expenditure was important in seeking to maintain macroeconomic stability in the context of a sharp rise in aid flows. Priority should be attached to achieving a balance between projects with short and long

gestation. Short gestation projects and programmes can increase the supply capacity of economies and contain inflation and balance of payments disequilibria.

It was pointed out that aid should reflect human, economic and social rights and aspects of gender equality. There was concern that the philosophy of aid was governed by donor politics. Instead, the view was expressed that it should be based on need. It was important to achieve an appropriate balance between need and performance in determining aid allocation. It was also contended that actions of donors lacked coherence, with some donors continuing to be reluctant to harmonise. It was also pointed out that donors did not always meet their pledges. There was often a mismatch between commitments and disbursements.

There was general agreement that country ownership and priorities were not taken into account sufficiently, despite rhetoric to the contrary. It was stressed that ownership should reflect the voices of the poor and marginalised.

Participants recognised that while scaling up of aid was welcome, there were problems related to absorptive capacity. Emphasis was placed on the need to strengthen weak delivery systems. Priority was also attached to donors assisting countries to create mechanisms for managing resources effectively. The Tanzania Assistance Strategy, prepared by the government and key stakeholders for managing relations with donors, was considered a model of best practice.

There was a call for greater clarity about the definition of aid and the respective roles of loans and grants. Concern was also expressed about the proliferation of new donor mechanisms such as the Millennium Challenge Account and the various Global Funds which were not bound by the Paris Declaration. In addition, it was pointed out that it was unclear whether emerging donors like China and India were part of the Paris Declaration. It was important to focus on how their assistance could be made effective.

Participants stressed the need to achieve progress on target indicators of the Paris Declaration. They recognised recipients now had a mutual accountability instrument with which they could hold donors to account and needed to organise themselves to achieve this.

Multilaterals were considered difficult partners. Their procedures and level of scrutiny was such that the “hassle factor” of doing business with them was seen as a deterrent. It is possible that they are perceived as difficult to engage with, because bilaterals tend to “outsource” the difficult issue of scrutiny to them.

Session 3: UN Development Cooperation

Presentation

SB led the session on the UN development system. The UN has a range of roles. These include: the setting of standards and norms; the development and upholding of international law; the delivery and coordination of humanitarian assistance; the provision of technical assistance; and the disbursement of development aid.

The UN is traditionally seen as a small donor, and with only an 8% share of the total ODA this view appears to be valid. If the UN was compared to the other multilaterals though,

the UN was a much larger donor, with IDA having only a 6% share of total ODA (figures from 2002). There has been a steady increase in total ODA disbursed since the early 1990s and since 2000 funding through the UN has increased more quickly than both the EU and IDA. This did not correspond to the way the UN was usually viewed and this was because it was the DAC figures for UN disbursements which were normally used. These only take into account contributions made to the core budget and not those made to trust funds and other special contributions from bilateral donors.

The UN disbursed 37% of its funding to just four countries: Afghanistan, Iraq, Sudan, and the West Bank and Gaza. Only a third of its funding goes to low income countries.

There were a significant number of challenges facing the UN. Unlike the World Bank, it had no independent source of financing. Core funding to the UN has fallen since the early 1990s and non-core funding has significantly increased creating significant problems for the organisation. In addition, as ODA rises, the UN may have trouble maintaining its share of total aid because, like other multilateral agencies, funding was worked out using a burden-sharing formula and funding can only grow at the speed of the slowest member. If the growth in aid through existing multilateral agencies does not match increases in ODA then more vehicles for disbursement could be created further fragmenting the system.

The UN itself has become increasingly fragmented as more agencies, funds and programmes have been created causing a series of problems including: creating competition between UN bodies for the same donor funds and policy space; and overlap, duplication and gaps at both the country and global level.

The UN reform process has picked up since 1997. The agreement on the MDGs helped to focus the world's efforts. The establishment of the UN Development Group (UNDG), consisting of all UN agencies and the IFIs as observers, was pushing UN agencies to act as one at country level. The strengthening of the Resident Coordinators, and the moves towards single UN houses in country, was helping to make strategy and delivery more coherent at the national level. Parallel efforts at the global level have led to the creation of the Executive Committee of the UNDG in an attempt to develop a more coherent and strategic approach at the headquarters level.

2005 was a particularly busy year for UN reform. The High-Level Panel on Threats, Challenges and Change, which examined UN reform through the prism of peace and security, reported at the very end of 2004. Kofi Annan's 'In Larger Freedom' report, written in response to this, laid out the agenda for the organisation's reform for consideration by the 2005 Millennium Review Summit.

This summit, though widely seen as a failure, contained a few elements that offer opportunities for further reform. One has led to the creation of the 'High-Level Panel on UN System-Wide Coherence in the areas of Development, Humanitarian Assistance and Environment'. This panel reports to the General Assembly in the summer of 2006 and, because of its composition, could make a significant intervention into the UN reform debate (the panel members are included in Annex 3 of this report).

As the UN reform process moves forwards the critical questions facing the organisation is what role it should play in the area of aid disbursement and how the reform process can best be managed to strengthen this role.

Discussion

During the discussion, the question was raised whether the balance between bilateral and multilateral development assistance was right or whether more aid should be delivered through the multilateral system. If it was agreed that multilateral agencies should deliver

more aid, and this question was not resolved, then further questions were raised concerning which was the right multilateral agency to deliver this aid and whether legitimacy or efficiency were the most important criteria to take into account when making this decision.

There seemed to be sense of disillusionment among the participants about the effectiveness of the UN system. In their view, its procedures and systems were cumbersome and expensive.

The view was expressed that UN reform would take too long. It was also pointed out that Southern voices, including civil society, have been lacking in the discussions about UN reform. Another view was that UN priorities needed to be derived from the country level, not from world politics.

The UN's strength was seen in its role in setting international norms and standards and for establishing international law. The view was expressed that the UN should not have an enhanced role in the disbursement of ODA. Rather it should play a policy and donor co-ordination role, building on its legitimacy as an organisation with near universal membership.

Concern was expressed that 37 per cent of UN assistance was allocated to just four countries. Country experiences with UN development agencies were varied but there was recognition of its primacy in conflict resolution and peace-keeping operations.

Session 4: The World Bank and Regional Development Banks: status, challenges, opportunities and possible directions of travel

Presentation

The next presentation on the World Bank and Regional Development Banks (RDBs) was made by BM. Her presentation looked at the facts about Multilateral Development Banks (MDBs) and their operations, their roles with particular reference to the World Bank/IDA, emerging policy trends and issues and choices for reform and future directions..

BM raised a series of questions in her talk:

- Is Wolfowitz's "zero tolerance" approach toward corruption the right approach?
- Should WB/RDB allocations be based on performance?
- Are regional development banks modelled too much in the image of the WB? What should the division of labour between them be?
- What should be the role of grants vs. loans?
- What will be the impact of the proliferation of global funds like the (GFATM)? Do they distort country priorities?
- What are the limits of the PRS strategy?
- How to address issues of asymmetrical governance?
- Does the WB suffer from "mission creep" and is it trying to do too much?

Discussion

The discussion focused on the division of labour between the World Bank and Regional Development Banks. It was contended that this relationship had improved at the country operations level as a result of decentralisation. However, the question was also raised

whether the decentralisation of the African Development Bank (AfDB) served merely to increase overhead costs. One of the participants pointed out that the AfDB was not the only regional bank operating in sub-Saharan Africa. There were other regional/subregional banks.

A number of concerns were expressed about the difficulties of doing business with the multilateral financial institutions. Not all stakeholders were involved in loan negotiations; civil society and the private sector were excluded. Participation was also nominal rather than substantive and effective even in the PRSP process, despite rhetoric to the contrary. Conditionality was intrusive and paid insufficient attention to the pace and sequencing of reforms. In addition, decision-making was too slow, with disbursement taking up to two years, caused by the World Bank and Regional Development Banks not streamlining and harmonising their procedures. It was also important for loan disbursement to take into account the effects of conflicts and humanitarian disasters.

There were a number of issues raised which were specific to the World Bank. It was argued that an unhealthy tension was created by the World Bank being the gate-keeper for aid disbursement from other donor agencies when it was a profit driven organisation. (This does not recognise that the Bank's net income is ploughed back into operations, including IDA funding.) The Bank was also called upon to take greater account of local/national circumstances when designing and implementing projects. Merit was also seen in drawing on a national pool of experts rather than outside teams.

There was a call for changing the governance structures of the World Bank to increase the voice of smaller shareholders. It was also stated that the balance between performance and needs was not correct (e.g. as reflected in the CPIA). In addition, the view was expressed that if there was governance failure/corruption, individuals rather than the whole country should be held responsible. The AfDB was lauded for adopting this approach in the water and marine resources sectors in Sierra Leone.

One participant questioned the Bank's move back into infrastructure development, particularly large projects. It was contended that poor people did not benefit from them. There was a strong view that the Bank should do more to mainstream gender issues. A number of participants spoke of the importance of micro-finance as a crucial element of any strategy for inclusive and gender-sensitive rural development. The World Bank was called upon to provide seed capital to local micro-finance institutions. It was also pointed out that microfinance had its limitations. It tended to be short-term. Funds were also needed for medium- and long-term lending.

All participants emphasised that the external debt problem of low-income countries, including HIPC completion point countries, had not been resolved. While the Multilateral Debt Relief Initiative (MDRI) was a welcome development, a number of issues still needed to be addressed. The civil society representatives called for a full and unconditional write-off of all external debt.

Civil society participants indicated that it was important for Finance Ministries to be fully transparent on all matters related to the national budget. They stressed that civil society had an important watch dog role to play in this respect.

Both the Commonwealth Secretariat and OIF were called upon to build capacity in developing countries to enable them to negotiate more effectively with IFIs.

Session 5: EU Development Cooperation

Presentation

SG presented on the European Union (EU) and followed the format of outlining some facts, the EU's role, EU policy trends and issues and current choices about reforms and future direction.

The EU as a whole was providing most of the development assistance to Africa. While the European Commission spent about 43% of its funds in Africa, the average for bilateral European aid allocated to the neighbouring continent was at around 53%. Member States and European Commission combined are spending roughly €4 billion annually on aid to Africa. This aid level was going to increase in the foreseeable future, as the new EU Member States were included with very small sums. Yet, the establishment of bilateral development cooperation programmes were part of the requirement for EU Member States (the so-called *acquis communautaire*). Of the six previous priority sectors of EC aid, most was provided to social sectors (21%) followed by transport (19%) and support to institutional capacity building and support to macroeconomic policy (16% each). The latter has become largely synonymous with budget support.

Concerning its role, however, the European Union was more than a donor agency. Beyond providing aid, it played a major role in trade policy (e.g. the current negotiations about Economic Partnership Agreements, EPAs, between the EU and sub-regions within the ACP group). Additionally, it has an increasing leverage in foreign policy (e.g. via the African Peace Facility). The European Union, it has to be recalled, was not founded as an aid agency, but rather for European internal reasons (economic and political integration). However, a large number of policy areas have an indirect impact on Africa, e.g. – and most prominently – agricultural policy, but also issues like migration and consumer protection.

Recent bigger discussions and decisions in development cooperation at European level concerned its policy basis. The new European Consensus on Development of 2005 was replacing the policy statement of 2000. While re-emphasising values, its new feature was the scope: it is a single document for all European aid, i.e. for both Commission and Member States. Furthermore, the Commission's aid was thematically comprehensive. European aid will increase substantially if commitments were met. Yet, the funding for Commission aid was limited. The financial planning of the European Union for the years 2007 to 2013 has established an overall ceiling for the EU budget, and furthermore limited spending for external actions to €50 billion. The European Development Fund, additionally, will provide about €2 billion over the period of 2007 to 2013.

In the tradition of the European Consensus on Development, the EU Africa Strategy attempted at providing an overall framework for coherent action of all European actors (Commission and Member States) and across all policy areas. For the first time, there was one reference document for European aid. The tendency towards an increasing European orientation of EU donors appeared to have gained speed – without leading to focussing all actions around the European Commission. Still, the jury was out on whether the EU would be more poverty oriented.

Discussion

The EU did not focus sufficiently on weaning countries away from aid dependency. While there was rhetoric about partnership, the participatory process was not effective. Each recipient country should be able to define its own priorities. The EU tended to adopt programmes which lack country specificity and were not responsive to country policies. Participants stressed that country needs and priorities must be key. There was a call for strengthening mutual accountability by improving performance of joint institutions and joint budgeting of aid (e.g. through including civil society).

One view was that the European Commission (EC) should play more of a co-ordinating role instead of acting like another bilateral donor. Another was that priority should be attached to harmonisation of procedures between the EC and the national donor agencies. Yet another perspective was that the EU had an important role to play in supporting lumpy infrastructure investment and had improved its performance in recent years. It was also pointed out that rural development needed greater attention and that the EU should maximise the impact of its aid on the private sector.

Participants indicated that the negotiating capacity of ACP countries should be enhanced. It was argued that the ACP/EU relationship was important because individual African countries were not strong enough to face globalisation alone. However, concern was expressed that the EPA process was flawed and contradictory with the EU focusing too much on liberalisation. Despite this, it was recognised that EPAs offered an opportunity to change past practice and negotiate development-friendly instruments.

Participants believed that the “deconcentration” process should be given greater substance by transferring more responsibility to EU delegations in the field. The need to enhance monitoring of the use of EU funds was also recognised. In addition, there was a call to enhance coherence with regard to fisheries policy.

Day 2

Session 1: The Paris Declaration

Day 2 began with a short overview by SG of the 2005 Paris Declaration on Aid Effectiveness, including a summary of the twelve indicators that have been drawn up by the OECD DAC and the different targets on each of these indicators that donors and recipient governments have agreed to meet by 2010.

The Paris Declaration has been signed by a number of OECD-DAC donor countries, but also beyond the DAC framework (e.g. Saudi Arabia, Kuwait) and recipient countries, not least a large number of African countries. For some signatories – in particular China – it does not seem clear whether their intention for signing resulted from their role as a recipient or donor. The group of signatories also included a number of international NGOs as observers and potential watchdogs. The aid consensus, therefore, exceeded the narrower framework of donor countries. The Paris Declaration intended to build on a platform of ownership, harmonization, alignment, and mutual accountability (as well as managing for results) as a recipe to make aid more effective. While harmonization was an issue among donors, alignment goes beyond it: the term described the donors’ orientation on recipient country priorities. It therefore acted as a pre-condition for ownership.

Some recipient governments have begun to work with donors to make some progress in terms of implementing the Paris agenda in practice. The presentation took examples from Asian countries, which could be replaced by some African examples such as Tanzania, Mozambique or Uganda. In the Asian context, for instance, Vietnam has drawn up a set of principles with its development partners that provided an illustration of how the Paris agenda can be realised in practice ('Hanoi Decl'). The document includes comprehensive progress indicators and targets for 2010 that are even more ambitious than the Paris ones. Other countries have drafted Harmonisation Action Plans, e.g. Cambodia, or have signed Memoranda of Understanding (MOUs) or other such documents like a 'Code of Conduct'.

The Paris Declaration needed to be understood as a political document, rather than a checklist. The assessment of progress will have to be done jointly and leaves space for interpretation. Some issues do not have very clear targets attached to them, e.g. the untying of aid. No timeline nor level of untying was written down. Yet, the declaration was one document of reference for recipient countries to remind donors of their words and commitments and it could be regarded as a starting point for processes at country level.

The session was intended to get views from a user perspective about what each country was doing in terms of turning Paris into a reality, and also about what the limitations of the agenda may be and what donors, recipient governments, and CSOs have yet to work on to ensure aid was more effective.

Discussion

It was recognised that the Paris Declaration was a landmark event. However, it was stressed that more progress was needed. Paris targets were rather vague and not very specific. If necessary, it should be seen as an evolutionary process that goes beyond 2010 – the current deadline – for implementing the Declaration. It was also pointed out that all development partners should be included.

Participants also stated that while the Declaration was fine in principle, they had concerns regarding its comprehensiveness and how binding the commitments within it were. There was some scepticism based on experience, for instance with HIPC, where donors had not delivered fully. It was pointed out that shortfalls in delivery among donors were also emerging on the Multilateral Debt Relief Initiative (MDRI).

Another view expressed was that while there was a lack of specificity in the Paris Declaration targets, the scope existed for countries to reduce these. Countries should go beyond a code of conduct to develop an action plan, including assigning responsibilities to donors to implement it.

One perspective was that there was a real problem of ownership of the Declaration in most countries. It was contended that if ownership was not increased, more powers would be given to donors as alignment and harmonisation proceeds. This could result in a cartel of donors who could gang-up to impose policies on countries, leading to a uniform development paradigm dominated by donor interests.

It was suggested that there was a need to harmonise national, regional, continental and global initiatives within national frameworks. There was discussion of the Tanzanian experience. Tanzania had a framework for donor co-operation even before the Paris Declaration. It took the initiative in getting donors to co-ordinate and to find appropriate

slots for their interventions, according to their comparative advantages, within the country framework.

Tanzania had also identified its preferred modalities for delivering assistance. General budgetary support was the preferred option. Even Japan had switched from project financing. General budgetary support had increased government ownership. Some disadvantages had been experienced with basket funding (SWAPs) as most donors, within the basket, had different procurement and reporting systems.

Participants stressed that national systems should be respected, especially by the World Bank and IMF, where these had been developed jointly with them in a transparent way. Another problem with basket funding was that donors tended to end up consulting directly with line Ministries while bypassing the Ministry of Finance. There was a general concern that in key sectors donors continued to bypass the budgetary process, undermining co-ordination and the capacity to set national priorities.

It was emphasised that countries would need capacity building if they were to benefit from the Declaration. There was some reference to capacity building in it but there were no concrete implementation measures.

Two further issues were raised in the workshop. First, would the Paris Declaration apply to ongoing donor programmes and projects which pre-dated it? Should existing agreements be amended? Secondly, should there be another forum/framework for other donors who were working outside the PRSP or should countries content themselves with one framework that did not include all donors?

Session 2: Comparative advantage of different bilateral and multilateral institutions: a matrix scoring exercise

There was a participatory exercise to compare the strengths and weaknesses of bilateral and multilateral agencies that workshop participants are familiar with.

A matrix scoring exercise¹ was used to try and quantify the participants' perceptions of donor agencies. The participants were divided into four groups (one consisting of English-speaking government officials, a second consisting of French-speaking officials, a third made up of English-speaking CSO representatives and a fourth of French-speaking CSOs). Each group carried out a pair-wise comparison and matrix scoring exercise of five to six donor agencies that participants were familiar with. In the pair-wise comparison, groups took pairs of agencies and asked: "comparing these two agencies, what is (donor A) really good at?" The characteristics that emerged were written down as "best practice" characteristics of donor agencies. Each of the selected donor agencies were then scored against the "best practice" characteristics. Agencies were given three marks for an above-average performance, two marks for average, one mark for a below-average performance, and no marks at all for extremely poor performance. The groups were encouraged to debate and change the scoring as much as they liked until they were satisfied with the scoring. See Annex 2 for a detailed summary of how the exercise was carried out and for the matrices elaborated by all four groups.

¹ For more information on matrix scoring exercises, see Maxwell, S (1997) "The use of matrix scoring to identify systemic issues in country-programme evaluation" in *Development in Practice* Vol 7(4): 408-415

Some of the findings worth highlighting include the following:

- **The World Bank/IDA** scored highly on level of financing, concessionality, budget support, predictability, untying of aid, alignment, efficiency and long-term impact. It scored poorly on conditionality, level of bureaucracy, transparency and flexibility.
- **The African Development Bank** scored highly on level of financing, accountability, concessionality, transparency and long-term impact. It scored poorly on speed of disbursement, flexibility, transparency, efficiency, level of bureaucracy and budget support.
- **The EU** scored highly on level of financing, accountability, concessionality, untying of aid, access for CSOs to aid and long-term impact. It scored poorly on conditionality, level of bureaucracy, speed of disbursement, respect for national systems and ownership.
- **UNDP** scored highly on untying of aid, concessionality and long-term impact. It scored poorly on level of bureaucracy and speed of disbursement.
- **DFID** (ranked by two groups) scored highly on alignment, predictability and speed of disbursement. It did not score poorly on any of the characteristics identified.
- **AFD** (ranked by two groups) scored highly on alignment, predictability and speed of disbursement. It did not score poorly on any of the characteristics identified.

The IMF was ranked by one group (though it is not an aid agency) and scored poorly on all the characteristics identified by that Group. Japan was ranked by one Group and scored highly on level of financing, transparency and long-term impact. It did not score poorly on any of the characteristics identified by the Group concerned. KFW was also ranked by only one Group and scored highly on alignment, predictability, level of bureaucracy, long-term impact, use of national expertise, concessionality and transparency. Badea was also ranked by only one Group. It did not score highly on any of the criteria and scored poorly on budget support and flexibility.

All participants felt the exercise was useful and allowed them to learn about examples of each other's experiences in a short time.

Session 2: Concluding panel session: lessons learned and future actions

Participants were encouraged to formulate proposals and ideas for action to be submitted to the Commonwealth Senior Finance Officials meeting in September 2006. All participants recognised that the Paris Declaration provided a framework for mutual accountability which had the potential to transform recipient/donor relations. In this

respect, they emphasised the importance of achieving the targets built into the Declaration. The participants drew particular attention to the following.

Priorities for recipient governments

- develop frameworks to facilitate the implementation of the Paris Declaration
- have country driven policies to guide and manage aid with a view to obtaining maximum benefits from sustainable management of aid
- develop a national strategy for aid coordination that provides room for aid management and alignment
- parliament should sanction loan/dept accumulation (to strengthen oversight)
- define development policies and processes based on a participatory approach involving civil society and the private sector
- create an enabling environment which can enhance accountability, transparency and good governance
- establish and strengthen good governance and anti-corruption structures and create a forum for dialogue in order to operationalise the national aid strategy with stakeholders (govt/donors/CSOs); use this forum to define indicators/targets by donors/state/non-state actors together)
- take concrete economic, political, and social measures to orientate support from donor agencies towards the accomplishment of national priorities

Priorities for donor agencies

- undertake actions to fulfil commitments under the Paris Declaration and emerging and potential donors were called upon to recognise this Declaration
- group themselves in order to harmonise policies and aid delivery systems to make them more effective
- harmonise procedures (written with clarity for all stakeholders) and align them with the national strategies and priorities
- support independent drafting of aid strategies and policies of partner states
- adopt and respect national policies and systems in order to reinforce local capacities for sustainable development
- the UN should be responsible for setting all norms and standards for co-ordination, harmonisation and delivery of aid
- promote mutual accountability and ensure predictable aid flows for completion of projects and programmes and set measurable targets
- orientate aid towards the accomplishment of priorities set by recipient states
- make procedures and conditionalities for aid delivery more flexible
- make procedures and conditionalities for aid delivery more streamlined
- honour commitments under HIPC to ensure additionality

Participants suggested that the Commonwealth and OIF secretariats should:

- facilitate dialogue among civil society representatives from different regions to share experience
- ensure efficient follow-up from the meeting to ensure that those who were in Yaounde were involved in any other follow-up process
- ensure that the Paris declaration is discussed nationally

Annex 1: List of Participants

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Annex 2: Matrix ranking exercise

Matrix ranking exercise

Workshop participants were asked to participate in a matrix ranking exercise, (a) to identify the desirable attributes of aid agencies, and (b) to score different agencies against these attributes. The procedure was as follows.

- a. Participants identified a small number of agencies, both multilateral and bilateral, of which they had first hand experience. The names of the agencies were recorded on cards.
- b. They then compared these in pairs, using all possible combinations, identifying positive features (“comparing agency X and agency Y, what are the particular strengths of X? And of Y?”).
- c. A matrix was then established on a table, with agency cards across the top, as column headings, and attribute cards down the side, as row headings.
- d. Each agency was then scored against each attribute, using 1-3 matches, or in some cases 0 matches.
- e. Once this had been completed, participants were asked to score each agency overall, taking account of the scoring.
- f. At the end of the exercise, the results were recorded and discussed.

Scoring Exercise for Group I (Government Representatives; working language: English)

Characteristics	DfID	BADEA	ADB	AFD	EU	WB (IDA)
Consessionality	3	1	2	1	2 (EIB)	2
Volume	2	1	3	2	2	3
Budget support	3	0	1	1	2	3
Predictability	3	1	2	3	1	2
Flexibility	2	0	2	2	1	2
Speed of Disbursement*	3	1	1	3	2	3
Alignment	3	1	2	3	2	2
Total	19	5	13	15	12	17

The German agency KfW and OPEC were both proposed as donors to be considered but rejected due to the requirement to limit the number selected.

Lengthy discussion centred around the importance of the different stages leading to disbursement, from approval of the Board, the time it might take to fulfil all of the conditionalities imposed before the aid becomes effective, through to the length of time it might take from this until the aid is finally disbursed.

The composition of the group (included representatives from Cameroon) meant that significant differences were noted between the countries represented in relation to their experiences with the two bilateral donors chosen. One reason suggested was that the two

bilateral donors had different national self-interests depending on the country to which they were disbursing aid.

Significant discussion also centred on loan flexibility. The group noted that some donors were better than others at allowing changes to the use of aid once it has been disbursed if local conditions change. Some allow aid to be moved between projects, or will still disburse even if not all of the conditions have been met. The group drew the distinction between donor flexibility expressed like this and the alignment of donor priorities to those of the recipient countries. It was noted that recipient countries have to learn to say no to donors if their priorities are not met.

The group considered harmonisation as a criterion but felt that this was too difficult to capture in this exercise because it involved comparing all of the donors together in one go.

Scoring Exercise for Group II (CSOs; working language: French)

Characteristics	World Bank	IMF	EU	UNDP	AfDB
Respect for national priorities	1	0	1	2	2
Participatory approach	1	0	2	1	2
Strengthening capacities	1	0	1	2	1
Light on conditionalities	0	0	0	1	1
Light procedures	0	0	0	0	1
Respect for own transparency rules	0	0	1	1	1
Access for CSOs to aid	1	0	3	1	2
Decentralisation of aid-management	1	0	2	2	1
Speed of disbursement	0	0	0	0	0
Untying of aid	3	0	0	3	2
Consistency of donor policy over time	0	0	0	2	2
Total	8	0	10	15	15

Scoring was generally made hesitantly (“stingy on attributing beans”), as participants felt that all donors could do better and thus 3 points should not be attributed. This changed slightly in the course of the exercise. Interesting that IMF got no marks, but it is questionable whether it is a donor, anyway. Speed of disbursement was also seen as inappropriate for CSOs, as they often were supposed to draw on their own resources for an interim time. Another clear issue was the criticism for heavy procedures, which were regarded as too cumbersome for CSOs on the side of all donors. (There was some uncertainty regarding the workings of AfDB, but the tendency to ascribe it with more national ownership won the upper hand in discussions). Some are in contradictions to legislation (e.g. untying of aid) and reflect discontent with the practice (EU call for tenders are open to EU and ACP nationals for bidding, which, in practice means that EU

companies are favoured, the participants felt). Some discussions centred around whether coherence and “coherence over time” (which I rephrased into consistency) would be the same thing and which one would be more important. In the end, it was felt that coherence proper was already in there with the last point and in the issue of respect for own transparency.

Scoring Exercise for Group III (CSOs; working language: English)

Characteristics	World Bank	DfID	EU	UNDP	AfDB
Respect for national systems	1	2	0	1	2
Accountability	3	3	3	2	3
Ownership	1	2	0	1	2
Participatory	2	3	2	1	2
Predictability	2	2	1	1	2
Flexibility	0	2	1	2	1
Level of financing	3	3	3	2	3
Alignment	2	2	1	2	2
Transparency	1	1	1	1	1
Monitoring	2	2	2	2	2
Efficiency	3	2	3	1	1
Bureaucracy	2	2	1	1	1
Total	22	26	18	17	22

The Civil Society representatives, who worked in English, identified five agencies to focus upon in the matrix scoring exercise. They identified 12 characteristics against which they graded the chosen agencies. Of these, they gave the highest priority to the following five characteristics (in order of importance): ownership; respect for national systems; level of financing; predictability; and monitoring. Each characteristic was carefully defined. The discussion focused on how country priorities, strategies and systems could be given primacy. Within this context, the need for participatory and consultative processes at the national level was emphasised. Importance was also attached to donors playing an active role in monitoring the use of aid funding and evaluating its impact. In doing so, participants in this group were of the view that individuals found guilty of malpractice should be named and pressure should be exerted for action against them. Collective punishment involving withholding resources from a country or project/programme was considered inappropriate.

Scoring exercise for Group IV (Government representatives; working language: French)

Characteristics	World Bank	AfDB	AFD	KFW	EU	Japan
Country priorities	2	3	3	3	2	2
Predictability	2	3	1	3	2	2
Simplicity of procedures	1	2	2	3	1	1
Long term impact	3	3	2	3	3	3

Flexibility	1	2	2	2	1	2
Use of national expertise	2	2	1	3	2	1
Level of concessional financing	3	3	2	3	3	3
Transparency	2	3	1	3	1	3
Response time	1	1	2	1	1	1
Total	17	22	16	24	16	18

The overall thrust of the discussion was that countries need to prioritise based on their needs and that aid should be used to create durable impact. This meant that aid should be used to produce lasting change through infrastructure development, capacity building and rural development. The group found it difficult to limit themselves to 5 agencies and felt that it was important to give representation both to the French and German agencies. They also felt it was vital that Asian donors should be represented and chose to go along with Japan because of its established and older presence. The group remarked that China had projects which were very “visible” and very “concrete”. Some members of the group said they liked that kind of aid because you could see what the aid was resulting in.

When several specific issues arose related to aid prioritisation and effectiveness, it was agreed that these would be covered if country aid priorities were taken into account.

There was some discussion about transaction costs but the conclusion was reached that it was not a separate characteristic but that it could be subsumed under “simplification of procedures” which had been included as a characteristic.

ANNEX 3: Members of the High-Level Panel on UN System-Wide Coherence in the Areas of Development, Humanitarian Assistance and Environment

- **Shaukat Aziz** (Co-Chair), Prime Minister, Pakistan
- **Gordon Brown**, United Kingdom, Chancellor of the Exchequer
- **Luís Dias Diogo** (Co-Chair), Prime Minister, Mozambique
- **Mohamed T. El-Ashry**, Egypt, Senior Fellow, United Nations Foundation
- **Robert Greenhill**, Deputy Minister, International Cooperation, Canada
- **Ruth Jacoby**, Ministry for Foreign Affairs, Sweden
- **Ricardo Lagos Escobar**, President of the Republic of Chile
- **Louis Michel, Belgium**, European Commissioner for Development and Humanitarian Aid
- **Benjamin W. Mkapa**, Former President, United Republic of Tanzania
- **Jean-Michel Severino**, France, Director General, French Development Agency
- **Josette S. Shiner**, United States Department of State
- **Jens Stoltenberg**, (Co-Chair), Prime Minister, Norway
- **Keizo Takemi**, Former State Secretary for Foreign Affairs of Japan

Ex Officio Members

- **Kemal Derviş**, Turkey, Administrator of UNDP
- **Lennart Båge**, Sweden, President of IFAD