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Donor Coordination Strategies

The continuing decline in official development assistance resources worldwide has led to both an increased need for donor coordination and an excellent opportunity to make coordination more effective:

- Virtually all donor agencies are under increased pressure to show results, whether from parliaments, the public, or in the case of multilaterals, from member states;
- The World Bank's internal reforms (Strategic Compact) include placement of increasing numbers of country directors in the field;
- UN agencies are working toward unified country programs;
- Developing countries have called on donors to improve their practices (at UNCTAD, OECD, etc.), and are increasingly interested in taking charge of coordinating their assistance resources; and perhaps, most of all
- Bad coordination is most pervasive and harmful in the poorest, most vulnerable developing countries.
- USAID also has more reason to care about coordination. Achievement of our strategic objectives depends in large part on the actions of other donors. However, with reduced staff in the field and increased pressure, USAID missions cannot afford to waste time on non-essential coordination activities.

In early 1998, USAID/Haiti decided to address this dilemma by taking a more targeted approach to interacting with the in-country donor community. The mission invited PPC to assist them in developing a donor strategy. Based on positive feedback from USAID/Haiti, PPC began to consider whether other missions might find development of such a strategy helpful. In December 1998 we used a similar approach at the invitation of USAID/Colombia. PPC would like to invite other USAID missions to join us in testing the ideas we developed from these early experiences - whether by comparing them with your own experience, trying them out as time

and resources allow, or inviting PPC in to assist with the basic legwork and information gathering.

What is a donor strategy?

For a specific developing country, a donor strategy tries to analyze the donor community as a whole organism, so that its behaviors can be forecast and used to better assist the host country and to advance USAID's particular objectives. Developing a donor strategy means identifying the obstacles and opportunities presented by other donors for each of a mission's strategic objectives and deciding which obstacles and/or opportunities merit an investment of time and resources in the short and medium term. So donor priorities can then be aggregated into mission priorities.

It is important to be realistic, of course, about the time line and about the nature of USAID's major counterparts. The variables affecting the strategy -- rise and fall of politicians in the host country, changes in government and personnel of partners, our own political imperatives, new trends in development thinking -- all- these are in a constant: state of change. USAID's fellow bilateral agencies run differently than headquarters. For almost all of them, policy is made at headquarters, local offices have very little autonomy or programming authority, and local representatives are often not: even development specialists, much less technical experts.

1. Donor strategy analysis -- the base case

The building blocks of donor strategy analysis are a series of fundamental questions that need to be answered to construct a Usable picture of a given community situation. That increasingly rare phenomenon, a sustainable development mission in a country not recently unhinged by disaster or conflict, would probably want to answer all of them. We recognize that conflict and disaster present special coordination challenges and will treat these in separate sections. We also recognize that more limited objectives would indicate a proportionally scaled-down donor analysis. However, in all cases, the central questions to be answered are essentially the same. The first of these is: what kind of coordination is already in place?

A. What kind of coordination is already in place?

After working with USAID/Haiti on their donor strategy, PPC concluded that enhancing donor coordination might be thought of as a continuum that can expand to include: information exchange, systematic division of labor, common policy and institutional

frameworks, and a common process of performance monitoring at both macro-economic and sectoral levels.

1. Information Exchange: The most basic type of coordination, usually involving regular meetings of donor representatives working in a particular sector. It may or may not include representatives of the host government.

2. Division of Labor: In the next stage of coordination donors' divide up the tasks. Coordination has moved beyond talking about programs already in place to some sense of shared planning, however ad hoc. Again, the host government may or may not be fully engaged.

3. Common Frameworks: The host government and donors agree on policy objectives in a sector, although implementation methods may vary widely among donors. Essentially, there is agreement on where everyone wants to go with the sector, but not necessarily on how to get there. Ideally the IMF, the World Bank, the host government and the donors are all heading in the same direction. Leadership is clear -- if not by the host country alone, then by the host country in partnership with a donor or donors.

The key difference between "divisions of labor" and "common frameworks" is that in the latter there is not only no contradiction, there is positive synergy among the various donor efforts. The donor environment facing USAID/Haiti's reproductive health So shows what this means:

Most: donors stay away from reproductive health programs specifically and service delivery in general (leaving the field to USAID), resulting in less than desirable 0-4 USAID's programs in this area with the health programs of other donors. USAID focuses on local service delivery through the private sector, whereas other donors, when they fund service delivery, tend to focus on supporting the central Ministry Or limited service delivery through regional offices. Although this is, in principle reasonable division of labor, in fact the respective programs do not articulate well together to enhance the general impact of investments in health or to avoid duplication. (USIAD/Haiti, 1998)

4. Monitoring Performance: in this stage, the host government and the donors not only agree on where a sector is going and how to get there -- they agree-on how to determine when success has been achieved. Those who have tried to develop common indicators on a country basis know how difficult this is. However, there is hope for eventual agreement on worldwide indicators with the release and ongoing refinement of the DAC common indicators set, which was developed in cooperation with

the World Bank, UNDP and DAC member evaluation specialists and officials from developing countries.

Many different actors in developing countries (both official and unofficial) can be important in arriving at a rounded view of the state of the donor community. The mission's opinions, experience and analysis are, of course, the touchstone from which any such effort must proceed. In addition, it is helpful to consult with:

1. Ambassador and key members of the country team. Improving donor coordination demands a certain amount of flexibility and willingness to compromise. The amount of space within which a mission can operate is circumscribed by such factors as role development assistance plays in the overall U.S. foreign policy approach to the host country and on what overall USG agencies are active in country. The interest and Skills of the Ambassador can also be useful resources in improving coordination.

2. Host country officials and potential officials. What frustrations does the current ruling party have with the donor community? What do local officials think; How does the opposition see the donor community?

3. Other donors. A key part of coordination is to be able to perceive the local donor configuration from the political vantagepoint of counterparts. In addition to the large donors, local World Bank, IMF, regional bank, and UN agency representatives, it is often useful to talk to donors with good reputations for an interest in coordination (Canada, UK), whether major or not.

4. Local and international non-governmental organizations. These are especially important for assessing coordination in specific sectors and for getting a sense of how coordination problems are affecting the poorest.

5. Business community, local and expatriate. The aspirations of the business community and their perspective on donors form an important part of the analysis.

C. What are some of the obstacles to better coordination?

1. The host government has almost no incentive to improve coordination, but can stand to benefit by dividing the donors. Dueling donors have their uses, such as helping to provide a nurturing environment for bad policies and corruption.

2. The country is debt-ridden and multilateral bank fixated. A country dependent upon keeping the big multilateral loans flowing can be rather cavalier toward the bilateral donors, which mostly provide grants. As reported at a discussion on coordination during the Mission Directors' conference ("Notes of Breakfast Meeting with Amb. James Michel, Chair of the Development Assistance Committee, Tuesday, November 3, 1998"), this has been the recent experience in Ecuador, with the result that coordination efforts are hampered by the lack of host government political will.

3. Coordination has degenerated after an enthusiastic start. When exchange of information or division of labor run into obstacles, donors can get frustrated and start lowering the level of participation in coordination meetings. Or interest in coordination on the part of a major donor may evaporate with a change in personnel because little or no incentive to cooperate is emanating from their headquarters.

4. Policy rears its head. Sometimes an exchange of information can go no further because of fundamental policy AS USAID 2014 differences. As USAID Bolivia described this situation:

Rather than seeking to resolve policy differences among each other, it becomes easier not to meet at all. An example of this situation has existed in the health sector. USAID and PAHO attempts to form a broader health donor group three years ago fell apart due to lack of agreement among donors on the importance of financial sustainability with respect to a new Government of Bolivia health insurance program. (USAID Bolivia, 3/88).

5. Leadership is lacking -- or can't gel. To move from division of labor to a common framework requires that some actor take charge of the process. Ideally, the host country should take the lead, but sometimes this is not possible - the government lacks capacity (or is overburdened with donor demands), the minister in the relevant sector is not politically secure enough, etc.

For a somewhat extreme example of what donor leadership can do, consider the experience of the World Bank in West Bank/Gaza:

After the signing of the Declaration of Principles, the World Bank played an important role in analyzing the development needs and needs to support the start up of a new administration. They promoted donor coordination, provided technical assistance cc Palestinian planners, and, at donor request, created and administered two trust funds. In the absence of a central authority in the West Bank and Gaza, the World Bank provided critical services that were useful to the U.S. and other donors as well as cc the Palestinians. The U.S. supported the Bank in each of the activities it undertook.

The Bank mission of January-February 1993 analyzed the economic issues and developmental challenges facing the West Bank and Gaza, producing a six-volume report (Developing the Occupied Territories), that was the basic reference document on the West Bank and Gaza for USAID and other donors relating to macro level policy issues, private sector development, agriculture, infrastructure, and human resources. Their August 22, 1994 update and two-year projection of needs was, a useful reference. (ANE/MEA, 6198).

6. Fractures at the core: disagreement among the IMF, the World Bank and the host government. It is exceptionally difficult to have a functional common framework where there is basic dissension on macro-policy among the three core actors. This is especially deadly when the Bank and the Fund work at cross purposes, and ministries of the host government start choosing sides.

7. Donor domestic political constituencies weigh in, creating policy incoherence. A working common framework can easily be sideswiped and damaged by the intervention of domestic political interests on the part of one or more donors. These interventions can be manifested as legislative directives (to which a number of donors are subject in one form or another) or worse still, by conflicting actions of other agencies of the donor's own government.

D. How can these problems be overcome efficiently?

1. Strengthen the host government's capacity to lead. One of the best investments a mission may make in improving coordination is in enhancing the capacity of the host government to lead. In the education sector in Morocco, USAID began a process that has been adopted by the host government:

Donor coordination for girls, basic education is unique in that The Ministry of National Education (MNE) initiated regular monthly donor meetings in June 1997... Since the (MNE) initiated regular meetings, significant progress has been made. At the January 1993 meeting, a number of Policy issues were discussed. USAID was requested to co-chair a task force with the MNE on policy issues. This important evolution seems to acknowledge USAID's comparative advantage in the policy area and will facilitate progress in specific areas critical to USAID and overall GCM and donor objectives. It will also strengthen coordination with MNE technical departments in relevant policy areas (Helen Soos, Donor Coordination and USAID Assistance in Morocco, 11 2198, p. 27).

USAID/Mozambique Director Cynthia Rozell reported at the Mission Directors' Conference ("Notes of Breakfast Meeting") that Mozambique has a changed landscape now that the host government has developed the strength to determine how donor funds should be deployed. The Government indicated priorities and invited

donors to choose among them. Unfortunately conflicts in donor procedure (such as accounting, reporting, tying and procurement) severely hampered this approach.

2. Take the lead ourselves. USAID often has advantages as a leader in the donor community that are not necessarily dependent upon the size of our program (he who has the gold does not always rule). Strong on the ground presence, technical superiority and (not least) a general lack of commercially motivated programs give us credibility.

USAID can also use the DAC Partnerships Strategy ("Shaping the 21st Century") to encourage other donors to get moving on improved cooperation. The DAC Strategy makes all DAC donors at least morally obligated to move toward coordination at the common frameworks and common indicators levels and to support host country leadership in the process. There has been considerable progress in raising the profile of the Strategy in the past year (its principles were endorsed by the Birmingham Summit) and internalizing its importance in donor headquarters.

Missions in Africa can leverage cooperation from other corporation from other donors by taking advantage of the excellent work done in the Special Program of Assistance for Africa (S2A) to harmonize and improve donor approaches and procedures.

3. Look to another bilateral donors for leadership. The medium-sized donors with strong coordination ethics and reasonable standards of development quality (Canada, UK) may be more than volume donors too much under the sway of exporter interests.

4. Use the multilaterals. The World Bank, the leading regional bank or the UNDP are all possibilities, all with some drawbacks. The great advantage of the multilateral banks is the size of their programs and the incentive that host countries have to keep those programs flowing. Unfortunately, most multilaterals do not devolve much decision-making authority to their local representatives, although this is slowly changing for the better. The utility of a multilateral lending agency also varies with the type of coordination involved. They are strong on policy and in the design stage of projects and programs, but not especially interested in implementation issues. As USAID Bolivia has noted with reference to the World Bank, once the Bank's loans are in place, loan resources become effectively host country-owned, and the Bank takes little to no interest in coordinating implementation arrangements with smaller bilateral donors. (USAID/Bolivia 1998, p. 10).

Beyond the base case: post-conflict and disaster

A. Post-Conflict

The difficulty of devising a donor strategy usually increases exponentially in post-conflict situations. One rarely .has the advantage that obtained in the West Bank-Gaza situation (cited above) where there was such a general absence of both government authority and pre-existing donor involvement that a single institution, like the World Bank, could conveniently take charge. The more characteristic situation includes an unwieldy number of actors (both donor and host country) and very low levels of trust. Moreover, the process of coordination itself becomes more important as almost every action taken by donors is laden with political significance.

There is no one-model for coordinating external assistance in post-conflict/Peacebuilding situations. In fact, lots of things have been tried -- sometimes in one country. Flexibility is key as is bearing in mind that donor coordination should be a means to sustainable peace and development. Further, in peacebuilding situations, the nature of the donor coordination mechanism can be a tool to effect participatory, sustainable results.

The nature of post-conflict environments. To help craft an effective donor strategy in these environments, we need to understand some of the characteristics of conflict-impacted situations:

- Post-conflict peacebuilding normally is ... Multidimensional -- involving not only development, but political, human rights, humanitarian and military/security components. There are many players -- and many agendas.
- These environments are highly political. The effects of aid and other interventions can have significant and unintended political consequences, such as increased aid dependency.
- Societies emerging from conflict have special needs. The overriding challenge is to restore damaged relationships and rebuild trust. infrastructure is only part of the equation.
- Post-conflict environments are characterized by change. Dealing with them requires flexibility.

Effective peacebuilding is best underpinned by intimate knowledge of the local situation and conditions. Donors need to have the best information of local dynamics and players, and local sources are the key.

An effective donor coordination strategy, requires really understanding the roles of key players, both external and internal -- in the field and at headquarters. Some considerations:

- Experience has shown that the role of external actors is often over-emphasized. The role of internal actors is often neglected. Coordination -- even in conflict impacted countries -- must involve national and local players in key roles where possible.
- Aid coordination involves many different tasks. These may include at the "macro" level, assessment, strategy preparation, and resource mobilization. At the field level it may involve in-country coordination at the sectoral level. There may be several "lead actors." in Bosnia, the World Bank played a lead role in economic reconstruction at several levels, including sectoral coordination in the field. In Rwanda, the Bank was involved primarily in joint assessments, while in Haiti other players were key.

There is a special imperative for strategic coordination in peacebuilding situations. Demands are great and resources very small. The political nature of these situations demand agreement on common political and reconstruction strategies.

- There are a number of efforts underway to encourage strategic planning and implementation. For example, there has been an effort to develop a strategic framework in Afghanistan under the UN's leadership. Also, UN has selected Sierra Leone as the next strategic framework" country.
- The bottom line is that there is an urgent need for integrated, strategic approaches which are locally defined. Common assessments and joint analyses are fundamental.

U.S. leadership. Obviously, USAID will want to look for opportunities to assert leadership or to leverage our resources. Often, this will be where we are the largest contributor, or at least among the largest. However, in many situations, USAID may have other bona fides. These may result from our role in a peace

process, personal relationships, etc. In some countries in Latin America, for example, we have opportunities in sectors where we are not large contributors, for such reasons.

OTI, and now other donors, are talking about "platforms," that is, programs or mechanisms in place to implement activities in transition situations. USAID platforms and those of other partners can offer opportunities to leverage our activities or join with others.

USAID is now developing strategies, analytical tools and frameworks for enhancing the work we already do to prevent conflict. These and other key USG planning processes such as MPPs should inform the development of mission donor coordination strategies.

In addition, representatives from capitals have started meeting regularly to discuss peacebuilding and prevention policies and tools, as well as specific conflict situations. The post-conflict units group, for example, could be a resource to enhance coordination or address particular problems at the country level.

B. Disasters- a recent example

Natural disaster situations are rife with disincentives to coordination. There is intense pressure to respond quickly and dramatically. Reliable information is largely unavailable. Ministries are often incapacitated. Donor political figures and their entourages will want to visit, and however necessary this may be to mobilize resources, it makes heavy time demands on local representatives.

Donor coordination, even under such pressing conditions, is still necessary for both short and long term reasons. In the short-term it can help cut down on overlap : and waste. Look at a broader time horizon, donor coordination can prevent some of the collateral damage (from haphazard donor interventions and host country policy backsliding that disasters do to long-term development efforts.

In a recent example, donor coordination appeared to be lacking during the immediate emergency response in the wake of Hurricane Mitch. The USAID mission expressed a desire to coordinate despite a lack of human resources. It was unclear to what extent the World Bank and the IDB were supporting coordination efforts. Other than a few initial, but unorganized, meetings called by UNDP -- for donors, UN agencies and PVOs -the numerous donors in country did not appear to be communicating, and the UN

assessment and coordination team was not equipped to perform the function its name implies.

The GoH provided the framework for the initial emergency response, coordination mechanism. There were pre-existing structures, which provided the allocating/accounting/clearing house function, with whom both USAID and the US Joint Task Force group liaised with general success in delivering/distributing food and non-food emergency relief. Otherwise, the donor coordination function was passed to individual ministries or agencies to which responsibility for the various service sectors are assigned. Note that in cases where a ministry headquarters had been destroyed, the staff and records may have been lost for good. For example, the Ministry of Health lost much of its capacity to support the response effort.

The biggest obstacle to success in this endeavor was -- and still may be -- a clear desire on the part of most donors to be seen by their public and the GoH as responding positively. This means getting the most visible assistance package delivered onto Central American soil as soon as possible via airlifts, DARTs and other emergency teams. Japan sent a MASH unit, Canada and France sent engineers, doctors, etc., the Netherlands, Sweden and Norway sent airplanes to the hardest hit areas with emergency supplies, the Vatican (Holy See) was also a player. Perhaps most visible, was the Mexican aid package which included a very large, hardworking team of soldiers who came with food and medicine and with heavy equipment to repair roads, buildings, airports, etc..

Coordination problems and resolution strategies:

- Due to the lack of reliable information/proliferation of questionable information, donors, including USAID, feel the need to carry out their own on-the-ground assessments. This leads to implementation delays.
- Excessive food aid levels and temporary economic measures (such as price controls) can have particularly negative long-term consequences for sustainable development. Coordinated approaches by donors are needed to limit the damage.
- Exchange of information can be particularly valuable in the gap between the onset of the disaster and the confirmation by USAID/Washington of the level of funding that will be made available. During this period, other donor may well be addressing U.S. priorities. Coordination, particularly on a sector basis, could assist in more carefully targeting of U.S. resources to provide value added.

- Given pressures on staff and USAID's participatory style, perhaps a practical approach to fostering regular exchange of information would be to invite representatives of other donors to participate in some mission staff meetings.

III. Some Open Questions

- Stovepiping. Coordination is often most conveniently done by sector with individual host government ministries. How can stovepiping be avoided, particularly when the host government does not have a central coordinating authority to keep track of externally provided resources? How can crosscutting issues be integrated so that the sum of the parts of a donor strategy is a coherent whole?
- Central coordinating authority versus decentralization and local participation. The development literature (i.e, Casson, 1994) frequently suggests that coordination works best where the host government has a central authority with overall responsibility for managing the use of external resources. At the same time, decentralization and devolution of authority to the local level is often strongly supported by USAID (and by some developing country governments and other donors).
- CG/RT process. What changes should be made in the CG and RT processes to better reinforce in-country coordination and host government empowerment?
- Lack of capacity or diversion of capacity? How real is the lack of management capacity in developing countries and how much of this "lack" results from donor overburdening of local officials with excessive missions, documentation requirements and the like?

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