

## **PANEL ON DONOR COORDINATION - FRAMEWORK FOR HOLDING DONORS TO ACCOUNT**

**IDRC, Ottawa, March 9, 2005**

**G.K.Helleiner**

Existing mechanisms of accountability for aid are severely flawed/biased, and are practically useless to aid recipients. Far more attention is needed to actual practice and problems of implementation, and far less on statements of principle/rhetoric/grand objectives.

- 1 The focus of accountability at present (as in the past) is on recipients' performance, and on the individual requirements of donors, one by one – with all of their varying accounting practices, timetables etc. This kind of accountability addresses only the needs of donors and their auditors, parliaments etc. Accountability and reporting is therefore always "upward", never "downward" to presumed beneficiaries.
- 2 The prime objective of current accountability is short-term accountability/avoidance of "error". Extreme risk aversion is at present preventing sensible risk management on the part of the 'typical' donor.
- 3 Donors seem to have much greater concern with 'type I' errors (being too liberal, risking error of including mistaken projects/programmes) than with 'type II' errors (being too conservative, with error of excluding worthy projects/programmes).
- 4 The transfer of "ownership" and/or coordination/harmonisation involves reduced capacity to identify one's own money and its impact. Auditors' and results-based approaches have trouble with 1) collective responsibility and 2) the measurement of longer-term impacts. The transfer of ownership/coordination/harmonisation is also contrary to current "donor culture".

Donor accountability, apart from to donors' own parliament/auditors, also exists within the DAC peer review process. But this is not useful to recipients/partners – it is too general and too far away from the practical realities of their own development programmes.

With all of the talk of the need for "ownership" by recipients/partners and the need to lower transactions costs (harmonisation, etc.), put the locals in the driver's seat, improve governance, etc, where is the accountability to the recipient governments and peoples? Or, put differently where is the accountability to the donor's own stated objectives: the lofty rhetoric at the OECD DAC in 'Shaping the 21st Century', the OECD'S aid effectiveness material and harmonisation/coordination materials, or accountability to other donors who have entered into collective commitments?

The only meaningful way for such accountability to occur is at the recipient/partner country level. Only there can recipients/partners see whether change is under way, by how much and by whom.

The only credible device for achieving such accountability is through periodic independent assessment.

Donors need to be assessed to determine whether or not they deliver on their promises either collectively or individually, for example in:

- 1 delivering on aid commitments;
- 2 making commitments that are predictable and long term
- 3 untying procurement (including tackling the technical assistance problem)
- 4 subjecting aid to recipient priorities/transfer of ownership
- 5 giving aid in ways which support local processes/systems (e.g. budget support, SWAPS etc);
- 6 supplying requested information to the recipient/partner government in useable form;
- 7 reducing transactions costs, coordinating meetings, evaluations, etc; and

8 providing flexibility in response to unexpected shocks.

If donors are not delivering on their promises, we need to understand why not. There are important links between donor practices and recipient capacities, behaviour etc which need to be taken into account. Evaluation is therefore needed of "aid relationships", which depend upon performance by both partners. Assessment needs to uncover the realities/hypocrisies of donor activity as well as those of partners (The "partnership" terminology is much abused) It also needs to take note of the great variety in donor performance.

### **Tanzania Model**

The experience of Tanzania over the last 10 years provides the elements of an approach, even though some donors have been much more enthusiastic than others. The Tanzanian model originated with an independent report (funded by a concerned Scandinavian donor) by a 5 person group including two independent Tanzanians at a time (mid-1995) when aid relationships were severely strained. The report was presented to the Government of Tanzania (GOT) and geared toward a new government which, together with sympathetic local representatives of donors, acted quickly on its major recommendations - above all, to promote local ownership of programs and more genuine "partnership". Agreement was reached (early in 1997) on a set of fairly concrete and monitorable steps (known locally as the "agreed notes", since there was no formal compact) to be undertaken both by the Tanzanian government (notably efforts to improve "governance") and by the donors - including, on the donor side, the timely provision of donor data, adherence to agreed national priorities, the strengthening of national financial management, open dialogue. Unique to Tanzania, agreement was also reached to monitor progress in a systematic and independent way.

With full and frank cooperation from the majority of donors, reports on progress were made by the (independent) chair of the original group to the next 3 Consultative Group meetings, including a major review in 1999 in which grades of A to F were assigned for each of 18 specific agreed objectives (by agreement, collective, not individual, assessments of donor performance were made). By that time, the process was working sufficiently well that agreement was reached (in 2000) to systematize it by the establishment of an Independent Monitoring Group (IMG), made up again of both Tanzanians and foreigners (this time including a Ugandan). Its secretariat was provided by an independent Tanzanian research institution (the Economic and Social Research Foundation). Again, it reported to the annual Consultative Group meeting (Dec. 2002). The second IMG report (by a new group, only the Tanzanian chairman remains the same) is being finalized now and will shortly report to the Tanzania CG meeting.

All this was further systematised in the Tanzania Assistance Strategy, put together in 1999-2000 under Tanzanian leadership, again with full donor cooperation, to guide both donors and the GOT on how best to incorporate external support into GOT's development programmes (including its PRSP). This is now morphing into a Joint Assistance Strategy.

The results of the Tanzanian model have included:

- 1 serious efforts to reduce transactions costs;
- 2 introduction of budget support, basket funding and SWAPS (and reduced relative importance of projects);
- 3 increased provision of donor data in locally usable and standardised/harmonised form - consequently much more ODA activity is registered in GOT development budget (estimate: 76% of aid accounted for in 2002-3, vs. 46% in previous yr);
- 4 rationalised calendar planning, e.g., some harmonizing of meetings and procedures, alignment of donor and local budget/accounting cycles, provision of "space" free from donor demands at particularly critical (e.g. pre- budget) times;
- 5 reduced relative importance of technical assistance in overall aid (this is regarded by Tanzanians as a success indicator);
- 6 designation of "lead donors" in sector basket funds, permitting reduced number of missions

& reports; and

7 continued attention to agreed objectives.

Lessons from the Tanzanian experience:

- 1 Better processes and increased coordination at the recipient country level are possible.
- 2 There are no panaceas in SWAPs, basket funds or budget support or any other "cure", per se, particularly if they are still subject to stop-go funding (with the IMF as the inappropriate gatekeeper and the risk of other politically-motivated rug-pulling), without longer-term commitments.
- 3 Some donors want to move. Some are reluctant. It is best to go forward with those who are willing rather than wait for those who are not.
- 4 Systematic and independent monitoring, by informed and respected personnel, with broad terms of reference, is helpful. And supportive local donor(s) may be needed to push the idea since local government cannot.
- 5 Do not expect short-term miracles. Change takes time. Slow and steady is better than crash programmes (and flops).
- 6 There is a risk of "process" overloading and higher transactions costs. Addition of new (programme-based) processes may be a problem if old ones also continue.
- 7 There is likely to be varying success even within the same partner country e.g., in Tanzania, genuinely improved partnership in the health sector seems to work, in some others progress has bogged down.
- 8 Mutual trust and respect are critical. Accountability, transparency, and commitment to learning are essential.
- 9 It is helpful to have considerable devolution of donor authority, with adequate capacity to act and, of course, headquarters support for overall objectives (in this case, WB, now UNDP and UK, and always Scandinavians were key).
- 10 Personalities matter (on both sides). Tanzania was lucky. There were remarkable Tanzanian(s) and donor representatives (including World Bank).
- 11 Technical assistance is especially sensitive - because it is often unwanted by partners, has a poor benefit/cost record, and is usually tied.

**Conclusion:** The Tanzanian model isn't for everyone, but it is replicable, and deserves attention.