



# **Donor Coordination: Strategies and Perspectives**

## **Annexes**

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## **Annex I: Key Questions/Diagnostics**

### **Annex I: Key Questions/Diagnostics**

The questions below are typical of those used by PPC/DCO in assessing the status of donor coordination within a client country.

- ❖ What kind of donor coordination is going on now?
- ❖ Who are the primary donors involved? To what extent?
- ❖ Who have worked together previously in a similar context/same sector?
- ❖ What is the indigenous, client country context that requires donor action/coordination?
- ❖ What are the underlying contexts/constraints shaping donor objectives in donor countries? What are the motivational factors driving donor aid that could facilitate/hinder improved donor coordination? Ideological? Commercial? Former Colonial Powers? Other Trade, National Security, Foreign Policy Considerations?
- ❖ What is the present role of the host government in donor coordination? Is the host government adversarial or collaborative?
- ❖ What frustrations do members of the current ruling party have with the donor community? What do local officials think? How does the opposition see the donor community?
- ❖ Where may other opportunities exist for improving results by increasing collaboration?
- ❖ What would it take to make increased collaboration happen?
- ❖ What are USAID's advantages and disadvantages for increasing donor coordination?
- ❖ Will the benefits of intensified collaboration justify the costs?

## **Annex II: Assessment Questions from OECD/DAC**

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The DAC has also set out a number of questions to be used for internal review/assessment by donor agencies. The questions result from an informal consultation of multilateral secretariats in September 2000. They are enumerated in the summary of the meeting, “Strategic Monitoring of Key Changes in Agency Procedures and Behaviour Needed to Implement Country-Led Partnerships.”<sup>1</sup> While not all the questions conform to USAID views, the list illustrates the kinds of broad issues that many donors feel are important when considering donor coordination and are now being discussed at the DAC.

#### *1) Facilitating the Emergence of National Visions/Development Frameworks/ Strategies*

- ❖ Are we aligning our bilateral and multilateral country assistance strategies with the national vision/strategy? Are we talking and interacting sufficiently regarding key reference documents, such as the UN Common Country Assessments, PRSPs and our individual agency country strategies and business plans? Are all agencies with a contribution to make being systematically integrated into the process?
- ❖ Are we coordinating sufficiently on the ground to ensure that the various partnership frameworks are geared to an overall national development agenda setting process, which is effectively owned and managed by the developing country? Are developing country governments and stakeholders being overwhelmed by multiple partnership frameworks?
- ❖ Are we making sufficient progress in defining and implementing ways and means to make programme and sectoral approaches work effectively as strategic frameworks for channeling assistance?
- ❖ Are we providing appropriate encouragement/assistance for broad participation in the formulation of national visions/strategies including civil society, private sector, and sub-national authorities?

#### *2) Facilitating the Emergence of Strong National Capacities for Development Policy Management*

- ❖ Are we coordinating sufficiently to build strong centres of policy advice in partner countries?
- ❖ Are there clear cases of proliferation in the provision of policy advice that need to be addressed? Are we conducting upstream economic and sector studies in ways which involve and help to strengthen partner country expertise and institutions? Are we giving sufficient support to national monitoring and evaluation processes and capacities?

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<sup>1</sup> DCD/DIR(2001)6, 6-7.

## Annex II: Assessment Questions from OECD/DAC

- ❖ How are we helping or hindering the national budget process as the key instrument for the management and accountability of all public resource-use, both national and externally provided?
- ❖ Are we able to support medium-term fiscal frameworks with greater stability and predictability of future aid flows, especially in view of the IMF's recent indication of a readiness to treat aid as a revenue stream rather than as a financing item in assessing fiscal sustainability in the context of PRSPs?
- ❖ Is conditionality being streamlined across the system?
- ❖ Are capacity issues sufficiently integrated into partners' development strategies?
- ❖ Are we responding in a sufficiently coordinated and concerted way to the capacity-building needs associated with the partnership approach?

### *3) Simplification and Harmonization of Multiple Donor Procedures*

- ❖ Are the various efforts to rationalise donor procedures making progress? How can they be given more impetus?
- ❖ Is sufficient attention being given to the links between these efforts and the strengthening of development management capacities in partner countries with the ultimate objective of using partners' own procedures whenever possible?
- ❖ Are there areas where additional collective impetus would be helpful?
- ❖ Are we exploiting information technology to promote the use of standard formats and common reporting systems?

### *4) Information-Sharing Practices and Mechanisms*

- ❖ Is information-sharing becoming a more systematically practised feature among development agencies and with other stakeholders?
- ❖ Is information technology being sufficiently exploited?
- ❖ How are information sharing platforms such as the Global Development Gateway and Devlink (the UN Development Group information platform) helping country programme managers and supporting participatory development?

### *5) Statistical Capacity Building*

- ❖ Is statistical capacity building receiving sufficient priority as a central requirement in partnerships based on development indicators relevant to the countries' needs as a tool for policy-making and accountability?
- ❖ Is there sufficient coordination of statistical capacity building efforts? Is PARIS21 being effectively supported in this regard?

## Annex III: Main Case Studies

### Annex III: Main Case Studies

This section extracts from the donor coordination assessments PPC/DCO conducted in a number of developing countries from 1999 - 2002. The assessments for Mexico, the Philippines, Jamaica, Nepal and Morocco examine donor coordination via the four main Types (Information Exchange, Division of Labor, Common Framework, and Harmonization). It is important to bear in mind *that the case studies are context specific* and reflect situations as they existed when the studies were written. Also some evolution in our ideas about donor coordination issues and strategies will be evident, especially in considering the more recent Mozambique case study in Annex IV.

### Mexico (1999)

#### *Overview*

The Mexican government believes donor coordination is its responsibility and such an important function should not be relinquished to any individual or group of foreign donors. USAID/Mexico serves as a facilitator, which diverges from the traditional donor coordination framework. The Mission seeks to lead by example and partnership with Mexican public and private entities instead of forming donor groups where it could perhaps more directly exert formal leadership.

The US/Mexico bilateral agreement provides an overall political framework under which USAID operates. As such, political sensitivity between the US and Mexico is an important factor. For example, “South-South” appears to be offensive to Mexican partners so the Mission uses horizontal programming terminology such as “technical cooperation” and “training.”

Overall cooperation between the Mission and OECD/DAC is low, and between WB/IMF/IDB it is moderate but increasing. Regional cooperation is low; South-South Cooperation and trilateral initiatives are extensive and increasing. The US/Japan Common Agenda cooperation is very active and intensifying, while the Trans Atlantic Initiative is low, but of great interest. Although USAID funding is a very small part of the national effort, USAID has leveraged major Mexican counterparts and MDBs and influenced other donor investments. IDB and WB programs are significant (\$1b) but have difficulty disbursing funds because they are required by law to consult with the GOM before acting.

Particularly successful aspects of the USAID/Mexico program that may be of interest to other missions include overcoming strong government resistance, finding ways to work with Mexican civil society, and bringing NGOs into public/private partnerships

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with the GOM. The DAC Strategy for the 21<sup>st</sup> Century and the WB CDF can serve to inform the public private partnership process already underway in Mexico.

### *Analysis of Donor Coordination by Type*

#### Information Exchange

The system for exchanging information is informal and there is no common framework per se. This is primarily due to the fact that the GOM insists on assuming a leadership role for development assistance and donor coordination. Donors, consequently, find themselves engaged mainly in informal information sharing rather than in influencing how Mexico requests and uses donor resources for its own development. Three parties - USAID, IMEXCI and CIDA- approved a schedule of information sharing activities, joint field visits to set a common framework and a plan for joint field level program planning and implementation. Unfortunately, the Canadians are only mildly interested and this initiative is not progressing. Headquarters to headquarters exchange, such as the US-Japan Common Agenda and the US-EU Transatlantic Initiative, are improving information exchange and overall coordination. It is also recognized that at the technical level there is a need for sector-specific information exchange.

Mexico could strengthen information exchange in a number of ways:

- Pursue relationships with key donors with whom USAID has existing cooperation agreements.
- Expand the process of collecting information on other donors.
- The Mission has worked hard to link its Mexican strategic partners with major US foundations. USAID/Washington could assist the Mission in this effort by sharing information on some of the lesser known US based foundations that provide substantial funding to sectors of strategic interest to the Mission.
- Develop and distribute a full color pamphlet describing the Mission's programs and priorities. Such a publication would enhance the Mission's effort to interface with GOM, civil society and the donor community.
- Some joint funding and coordination conferences have been organized, but more could be done to promote broader donor participation for funding of conferences in specific development sectors and for conferences with crosscutting themes.

#### Division of Labor

USAID/Mexico sees itself as the intellectual leader in environment, energy, health, democracy and governance sectors. However, an informal division of labor is discernable.

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- There is substantial collaboration between USAID and the World Bank on environmental programming, developing microenterprise, and democracy programming.
- The IDB's strategy supports the GOM's decentralization process while emphasizing sectors that promote social development, particularly poverty reduction activities.
- IMEXCI provides training on a government to government basis in a classroom setting.
- UNDP no longer provides financing to host countries rather it plays a facilitating role, providing trust fund services and technical expertise to donors, including the private sector.
- Japan manages a large loan portfolio and leads bilateral donors (through JICA) to co-finance development banks.
- Health is left to PAHO and USAID, although USAID is phased out of Population.
- The Mexican Institute for International Cooperation is working closely with the Japanese on training programs for Central America and with USAID on programs in Central America after hurricane Mitch.

Foreign embassies in Mexico could possibly be tapped into by the Mission to play roles larger than their apparent budgets and programs indicate.

### Common Framework

There is no general common framework. The GOM does not encourage donors to lead donor coordination. There are no coordinated attempts by the donors themselves to provide strategic coverage for Mexico's various development challenges. Donors in Mexico function as a group of peers only to a limited extent and only at the sector level. Where there is overlap or close working level contact in a sector or with a Ministry, there is also close information sharing and program collaboration. Family planning is a good example of inter-agency coordination and of government to NGO implementation cooperation. Mexico's university cooperation with Guatemala illustrates the way civil society can become involved in development cooperation activities across national borders.

On the other hand, lack of a common framework is detrimental in other areas, such as in HIV/AIDS. HIV/AIDS is not seen by the GOM as a priority and there is a lack of recognition of the vital role that prevention education plays in limiting new infections. Furthermore, the WB, IDB and several bilaterals are not engaged because Mexico's OECD classification as a developed country prevents them from funding HIV/AIDS projects. Some bilateral donors face additional constraints. For example, Japan requires requests for support to come from the host government and the GOM has not yet made a request for HIV/AIDS assistance. However, Japan agreed to provide \$600k over 3 years for HIV/AIDS equipment.

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There are several steps the Mission could take to enhance cooperation. One method is to strengthen Mexico's capacity to carry out successful Mexican-led donor coordination. The Mission portfolio could be used to develop cooperation with Mexico through an interagency mode that would enhance national, regional, and local cooperation. Stronger Mexican-led donor coordination would also likely lead to the identification of new and untapped resources for sectors deemed by GOM and civil society to warrant international cooperation.

### Harmonization

GOM/USAID have planned a joint project evaluation for 2002, otherwise, donor coordination remains ad hoc.

### *Partners*

Coordination occurs at national, state and local levels, and simultaneously at each of these levels between the GOM and NGOs, the GOM and the private sector, and NGOs and the private sector. Additionally, Mexican institutions/individuals serve as leaders who interface with trilateral developing country institutions.

Partnering has more potential in Mexico than currently realized. The private sector is relatively untapped because of the absence of a philanthropic culture. Also, the GOM has traditionally resisted a strong NGO role. However, the GOM gave permission to USAID to create new NGOs and/or strengthen and mobilize assistance to Mexican non-government actors. As with official donors, NGOs defers leadership to the GOM and serve more as technical advisors. Most NGOs either lack the capacity to submit acceptable proposals to embassies, or they fail to observe the embassies' proposal guidelines, funding restrictions and/or target groups. There is reluctance on the part of GOM to have NGOs involved in World Bank projects.

The Mission seeks to achieve cross-sector synergies within its portfolio and with local partners. For example, sustainable forestry, local governance, and environmental planning are jointly improving natural resource use in the Yucatan. The Mission is also working towards expanding US/Mexico cooperation and South-South programming as a central focus of the Mission's development dialogue with Mexico although USAID/Mexico trilateral cooperation with IMEXCI is severely constrained because budgetary authority is not available.

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### The Philippines (1999)

#### *Overview*

The donor community in the Philippines seems to be in transition from division of labor to a common framework. Exchange of information is widespread, facilitated by GOP and by donors themselves. At the project level, coordination/division of labor seems to be a part of doing business.

There is general consensus on where the country and its donors want to go. The country plan, the Medium Term Philippine Development Plan, provides a frame of reference for donors, although not quite to the point of a genuine common framework.

The three major donors are Japan, WB and ADB. The remaining funding is primarily in grant form from the US, Canada, Australia, Germany, Belgium, EC, UN or, alternatively, through loans from Spain, France, and Saudi Arabia.

Large lenders face implementation hurdles, lack of counterpart funding, and slow procurement and other procedural delays, so disbursement rates are slow. There is a lack of consistency because the roles of three of the principal government coordinators—National Economic Development Authority (NEDA), DOF [see acronym list] and Coordination Council for Private Sector Participation (CCPSP)—are not delineated. Consequently, there are questions about the ability of these institutions to effectively coordinate donor interactions of line ministries and the ability of NEDA's regional offices to effectively work with LGUs [see acronym list].

The GOP needs to clarify the relationship between CCPSP and NEDA. Donors are making efforts to strengthen these agencies too. On the other hand, Mission programs command respect among other donors, especially in Governance and Local Democracy, Growth with Equity in Mindanao, Accelerating Growth, and Investment and Liberalization with Equity.

#### *Analysis of Donor Coordination by Type*

#### Information Exchange

Overall, information flows freely and informal consultations are frequent and expected. USAID/Manila has superior command of information on activities of other donors, complemented by an unusually strong institutional memory. The rule for virtually all of its activities is almost automatic consultation with other donors. USAID reports a close and cordial relationship with the IMF in the Philippines. Moreover, the IMF consults closely with other donors in making recommendations to the GOP. IMF letters represent a consensus view with the ADB and the World Bank. Policy differences

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that separate USAID and European donors may be overcome by keeping in touch with GTZ [see acronym list].

One small, informal focus group of key partners should be convened to see whether there is really a need for an additional donor mechanism between project cooperation and the Consultative Group (CG) policy discussions. In contrast to Mexico, the government only occasionally takes the initiative in calling donors together in a group; usually the groups respond to perceived demand.

There is a strong link between the CG process and the in-country coordination mechanisms that appears to be helpful in keeping communications open with the more centrally managed donors. This is significant for a country in which Japan is the largest donor. Also, the World Bank and the Philippines Department of Finance chair the CG process. It is progressive in that it provides an opportunity for substantive policy dialogue and is more than just a pledging session.

In addition, the World Bank calls donor community leaders several times a year for informal breakfast discussions. In contrast to Mexico's sectoral vacuum regarding information exchange on the technical level, sectoral working groups in the Philippines feed into CG work and are considered affiliated with the CG process. Participants in the sectoral groups include representatives of donors, governments and the NGO community. There are also informal working groups on agrarian reform, local government finance, health, judicial reform and micro enterprise. There is concern that some of the groups are growing too numerous, too formal and the number of participants too large for any sort of meaningful discussion. On the other hand, some groups are gathering vitality through increased interest.

### Division of Labor

A critical factor in bridging the gap between division of labor and a common framework is the stance of the host country. In the Philippines, there is already considerable collaboration at the project level. The WB and ADB collaborate with the Mission. However, both are under increasing pressure to produce tangible results in reducing poverty and fighting corruption. Efforts could be encouraged to draw them even closer to USAID, which has expertise in both areas. UN agencies play an important role as political neutrals, which can help work out differences among donors. The Mission made it clear that collaboration with the EC was not a priority at this time. USAID/Manila has made important contributions to fostering the growth of a partnership environment by maintaining institutional memory, demonstrating adaptability, and re-positioning. USAID has not yet found a good requirement system for investments in sunk costs associated with collaboration.

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The GOP has a framework plan known as the Medium Term Philippine Development Plan (MTPDP), which the donors acknowledge, although they do not give it the weight that a fully articulated CDF might. The government makes an effort to manage aid flows according to this plan and in context of available resources. WB partnership is guided by Wolfensohn's proposal for a CDF. The UN system of agencies is testing the UN Development Assistance Framework. This is an attempt to strive for coherence among UN agencies' development activities and emphasizes working with other partners. Overall, PPC did not find evidence of a common framework yet. Development agencies, especially bilaterals, see a survival based need to support each other and to care about the quality of development assistance as a whole.

In the health sector, there seems to be a subgroup for every subsector and one for almost every major disease. The new Under Secretary at the Department of Health (DOH) was put in charge of all foreign assistance projects, and seemed to appreciate the Mission Director getting personally involved in reviving the population group.

In the environment sector, the team had a clear approach to dealing with other donors for mutual benefit (innovate-incorporate) and was able to enhance management of natural resources. The team was able to find a replicable way to deal with an environmental issue that met with the government's needs and then incorporated other donors into the scaling up function (i.e. Coastal Resource Management Program). The team also invested its efforts in helping the local authorities access the environmental programs of the donors, including showing LGU officials how to write proposals for WB funding. Specifically, the Integrated Watershed Management (IWM) approach permitted an extensive process of participatory consultation beginning with recommendations of local experts, taking on board comments of civil society, and consulting with current partners. The challenge to coordinating the IWM is to overcome the often-artificial division of watershed management projects, from environment projects and agricultural projects. The GOP tried to overcome this division by pushing for better coordination among departments of agriculture, agrarian reform and environment/natural resources.

In the economic growth sector, USAID is a niche player, providing technical and management services to complement economic reform activities of the multilaterals. Challenges remain, especially in Mindanao, where, although there are a considerable amount of resources and attention, there is also a major effort to integrate ex-combatants into the local economy in order to achieve a more stable and competitive economy. This is one area where the Mission thought in-country coordination was not particularly helpful.

### Common Framework

The Department of Finance is the counterpart to the World Bank in the Consultative Group process. The DOF negotiates all conditionalities with donors and

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works to enforce compliance by line agencies with those terms. NEDA performs a number of tasks to facilitate efficient donor coordination for the Filipino government. These activities include providing LGUs with a guide to the availability of ODA grants, a matrix of ODA terms and conditions, a directory of ODA funding facilities, a matrix of ODA facilities, a list of ODA pipeline and committed projects, as well as tracking of donor commitments. The Coordinating Council for Private Sector Participation focuses on tracking ODA funded projects at the implementation level. The ADB and European Commission are moving towards watershed management. Donors expect USAID to lead in the health sector. USAID may also possibly lead an anti-corruption initiative. The Mission may wish to intensify contact with those Pacific Rim donors most active in the Philippines, such as Japan, Canada, Australia, while keeping channels of communication open to Europe. There is a danger of overextension and burnout.

The reasons for the gap between the Philippines' division of labor and its common framework can be attributed to three factors. First, although there is general agreement on broad goals, there are important policy differences among major development actors hindering the realization of those goals. Second, major bilateral donors seem to be focussed primarily on their relationships with the multilaterals (ADB and WB), and thus devote less time and attention to one another. Finally, the government's mechanisms for managing donors are going through a period of realignment, leading to confusion among donors about which entity is responsible for which function.

Good targets for collaboration in the Philippines are areas in which GOP has a reasonably clear idea of what it wants, understands where donors agree, has the technical edge to realize objectives, and where donors have new or reliably funded activities on stream. In order to solidify common objectives, it is pertinent to take advantage of program revisions made by important donor partners such as Canada, EC, Germany and UNDP. The challenge is to integrate collaboration into achievement of results so that staff members have a real incentive to work towards a common framework with partner institutions.

### Harmonization

Donor coordination of this type was not observed.

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### Jamaica (1999)

#### *Overview*

In Jamaica, the EC is overwhelmingly the largest donor. Other major actors, who are notable for their commitment rather than for their volume of assistance, include Canada, UK, the Netherlands, Germany, and Japan. USAID is the leader of technical quality, focussing on a small number of strategic objectives that draw from areas where USAID is well respected in the donor community (i.e. micro finance, natural resources management, reproductive health, and primary education). Jamaica is representative of how well crosscutting sector synergies can enhance donor coordination. Jamaica seems to be in a common framework mode.

#### *Analysis of Donor Coordination by Type*

##### Information Exchange

There is a small group of donors with a strong, institutionalized system of information exchange. The absence of the IMF, and the modest programs of the WB and IDB, means that these institutions have a less dominant role than is usually the case, allowing the donors to function as a group of peers. The UNDP is responsible for maintaining mechanisms for donor consultation and information exchange. Generally speaking, Jamaica has a strong system of information exchange including regularly updated and circulated project lists, a recent agreement to include representatives of relevant GOJ agencies, and there are regular monthly sector-wise environmental group meetings.

A donor/lender community has developed in which an overall direction is agreed to during an annual retreat, and is supplemented by meetings throughout the year. At the heart of the system are a series of technical working groups each led by a donor, with meeting schedules and agendas that respond to the donors' level of interest. Despite an active exchange of information, there does not seem to be any systematic effort to coordinate coverage or to link project development with other objectives.

##### Division of Labor

The WB and IDB foster an enabling environment for economic activity, which includes improving public-sector services. The IDB and EC take care of infrastructure. In addition, the IDB, PAHO and USAID collaborate in the health sector, while USAID dominates reproductive health, specifically. Education has a limited number of donors with well-integrated programs that cover both rural and urban areas and all levels of education. Some division of labor is evident in the economic growth sector, and seems to

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be working. Policy dialogue, an enabling environment, and infrastructure all have their own specialist donors, with whom the rest of the donor community is relatively content.

There is still a need to encourage self-discipline in project quality in the poverty sector. This is a sector where it is natural for crosscutting coordination to occur, (i.e. addressing youth crime through a poverty reduction initiative). UNDP has taken the lead and is interested in maintaining the donor/lender structure. The Netherlands, EC, Canada, IDB, and Germany also provide financing. There is donor perception that coordination decreased when the Ministry of Industry took over micro-enterprise from the Office of the Prime Minister. The DLC infrastructure group, (EU, USAID, OECD, UK), focuses on practical implementation issues. Regular contact with the EU is important.

In the environmental sector, current donor effort areas include institutional strengthening of key Jamaican agencies; provision of institutional strengthening/small grant support to environmentally focussed NGOS; water supply, sewerage and solid waste disposal; energy conservation; support for parks, coastal marine areas and biodiversity; and watershed conservation. The major donors in this sector are Canada (institution building), EU (capital projects, parks, watersheds), IDB (watersheds), WB and Germany. The EU plays an important role because it is launching a major Caribbean Environmental project. USAID links various strata of environmental assistance with its “ridges to reef” approach. There is still a need to include NGOs more directly.

In the health sector, the major donors are USAID, IDB, and PAHO. USAID is dominant in reproductive health, and the IDB focuses on sector reform and institutional strengthening. Donor-lender community coordination on health issues is not clear-cut. There are periodic meetings geared towards exchanging information, however, the working group has fallen into disuse.

The UK is taking a leading role in education. In this sector, the division of labor is strong. USAID’s primary education assistance program (PEAP), which focussed on teacher training for math in primary school, is a strategy that the IDB successfully replicated. The World Bank is the other donor taking the lead in education coordination .

### Common Framework

Part of Jamaica’s common framework for coordination is founded on the premise that donors and the government have agreed to disagree. Bunching up and occasionally even competition occurs in some sectors and types of assistance in Jamaica, (i.e. micro/small business assistance and environment). This partially reflects donors’ desire to invest in activities that stand a chance of producing sustainable benefits that are not overly sensitive to the larger economic environment.

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The Netherlands is phasing out of Jamaica, leaving the question over whether or not USAID will take a leadership role. USAID should make use of its representative in Brussels as an advisor and partner. This would help to cultivate a closer relationship with the EC and could be followed up with possible synergy with EC's interest in youth/crime issues. The UK and Canada share USAID's concerns and values. The UK's ability to contribute is augmented by the presence of a staff member of the UK's Department for International Development (DfID). Stovepiping—focusing too narrowly and thereby missing the big picture—is continuing to hamper coordination, especially since the EC's programs often do not fit into current categories. USAID might consider promoting the formation of a cross cutting donor-lender group in an area that could benefit several SOs (i.e. poverty reduction and youth crime).

Jamaica's emerging education approach could be used to energize coordination in other sectors, but only if it works for all parties, especially the GOJ. In this instance the UK would be the donor leader, and USAID would continue to help on the sidelines. Jamaica's strategy for the environmental sector is an example where donor attention on sustainability issues was launched from exchange of information into the development of a common framework. Sustainability is an area that needs more donor attention. The government's capacity to provide recurrent cost financing is slim and fading. USAID could work with like-minded donors to increase self-discipline within the donor community. USAID may push for opening up the donor-lender coordination process to increase involvement of government, civil society and the private sector.

A private sector firm (Development Options) leads the coordination group in the microenterprise sector. USAID perceives disagreement among the group on the fundamentals of how microenterprise assistance should be implemented. Other commentators maintain that the accepted principles espoused by WB Consultative Group to Assist the Poorest (CGAP) are generally honored by all donors. There is a sense that Government policy towards micro-finance lacks strength. Some donors think a need exists to increase attention to small businesses versus micro-enterprises. Part of the problem is the lack of clarity by the government in demarcating the two. Coordinating a common strategy in the micro-enterprise sector might benefit from more coherence, a common sense of purpose, and linkages with a financial sector framework. A stronger USAID role may facilitate these changes.

In the financial sector, a strategy for offloading the financial sector institutions now owned by the government is needed. The IDB and its Multilateral Investment Fund will be key players in this area, along with the WB. The MIF has a special mandate to use its grant funds to improve the environment for private sector activity. Policy dialogue occurs through the annual IMF Article IV consultations. The WB leads a working group on macroeconomic issues and periodically meets with key government officials. For the US, the Embassy is the main interlocutor with the GOJ on macro policy issues.

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Crime and poverty donor efforts are in their early stages. There are considerable opportunities for synergy with other donors. The EC has a new poverty action program in the works. Collaborating closely with the IDB and the UK may be particularly helpful in the early stages of the Special Objective (SpO). Depending upon the pace of other donors' implementation, it may be useful to establish a dedicated working group on the subject.

In the health sector, USAID is exploring whether sufficient interest exists for active donor-lender coordination on health in a broader context. A method to discover the level of interest is to organize a group around a more crosscutting theme (at risk youth) to explore the possibility of cross-sectoral synergy with other donor programs related to community level initiatives. There is a rough division of responsibility among donors and lots of exchange of information through donor-lender committees.

The donor-lender community and the Ministry of Education have agreed to collaborate. The Mission should periodically document progress in the education sector. Encouraging government leadership in coordination requires that the host government get something out of the process that is valuable, otherwise there won't be any incentive to cooperate.

#### Harmonization

Donor coordination of this type was not observed.

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### Nepal (1999)

#### *Overview*

In Nepal, there are a large number of donors, assistance dominates the development budget, and the GON is weak following a decade of political instability. The donors' diverse programs, strategies, objectives and management requirements present a formidable burden to the GON, emphasizing the need for donors to sort out some of these issues themselves. Donors are focusing increasingly on building government capacity and on basic governance forms. Local ownership and program sustainability are derivative of the DAC 21<sup>st</sup> Century Strategy, and have become explicit program objectives. Major donors are exploring the possibility of moving from project funding to program funding.<sup>1</sup>

#### *Analysis of Donor Coordination by Type*

##### Information Exchange

Nepal is faced with several challenges that differ slightly from the subsequent base cases, such as: divergent objectives and frameworks, timing and sequencing, focus and packaging, and administrative demands on NGOs and the Government. The situation is compounded by recent political changes that forced donor strategies to focus more on local ownership, sustainability, and program funding. Even under these pressures, Nepal succeeded in developing a good system of information exchange among key donors in specific sectors.

A significant part of Nepal's system of information exchange is its emphasis on thematic groups. There is strong support for USAID efforts to facilitate cooperation among non-official partners, which should be explored with other donors and established as best practice. More emphasis on administrative linkages, linkages to regional institutions, and joint assessments also need to be made. In fact, recent experiments with joint assessments should become standard donor practice. The role of the GON in donor coordination must be strengthened, especially its ability to undertake strategic planning, and to acquire, process, analyze and act on information. It is important for information to be established "upstream" in the program process.

##### Division of Labor

There is a need to develop similar donor approaches to inter-sectoral partnerships and financial sustainability. Pilot projects have to achieve wider national application and

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<sup>1</sup> For a brief summary of the results of the 1996 and 1998 WB CAS reports, see World Bank-OED, "The Drive to Partnership: Aid Coordination and the World Bank," 48.

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must concomitantly enhance returns to scale. Sustaining efforts in different sectors is another area that needs attention. Some of these challenges can be addressed by better budget decisions, more effective allocation of staff and institutional reform. Focussing on donor division of labor in sub-sectors is not adequate.

The major donors in the health sector share informal common frameworks and have structured effective divisions of labor for some health sub-sectors. Operational coordination works well in child survival and family planning, and less effectively in HIV/AIDS and maternal health care. District level diversity is the rule for the health system as a whole.

In the agriculture sector, the Agriculture Perspective Plan (APP) lays out a set of interventions in which many donors provide support consistent with this framework. APP suggests that these inputs be part of a package. However, past experience with integrated rural development suggests that administrative packaging is seldom an adequate solution.

### Common Framework

There is donor consensus on the conditions contributing to poor macro-economic performance: poverty of human capital, physical constraints on access and growth, and governance and institutional capital (which is the central concern of emerging donor strategies). There is general agreement that donor approaches at the local level do not add up to a sustainable development effort or provide any significant constraint on a corrupt and inefficient administration. Donors are very operationally focused in their decentralization. There is no current common framework among donors on how their local level activities will be impacted, or how their operation experience will feed into the reform of the administrative system and numerous related laws that require amendment. A key component of USAID's gender work and micro finance is that there is no consensus on approaches and institutional arrangements.

In Nepal's population and health sector there are small groups of core donors with effective informal frameworks for activities in specific sub-sectors. Several key donors feel that the draft Long Term Health Plan, which has yet to receive Cabinet approval, is inadequate. The DFID and GTZ are leading an assessment effort, while USAID is also actively participating.

The emerging consensus is that community mobilization, empowerment and participation are essential to improve program effectiveness, sustainability, transparency and accountability. The importance of a lead donor providing a strong secretariat is also acknowledged. Both donors and GON lack coherent frameworks for the sector or for institutional reform within the sector. This is also related to a problem of building capacity within the GON for strategic planning and coordination, and of finding donor

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coordination mechanisms which will encourage greater harmonization of donor approaches.

Donors have expressed commitment to the Nepalese government's Agriculture Perspective Plan (APP) and several donors are assisting with implementation. There are however, significant problems with the core concept of selectivity and sequencing in APP, which may conflict with donor poverty strategies. Although there is no coherent framework among donors, all agree it is an important issue, and are trying to address it accordingly.

### Harmonization

In Nepal, specific targets, support levels and the strategic choices necessary to reach them have to be established. In the PHN [see acronym list], agriculture and environment sectors, performance indicators are well understood and data are collected. Donor questions still exist about the capacity of the GON to absorb and utilize data in order to direct programs more effectively. Declining resources and "results" programming, with pressures to focus and manage interest, make it difficult to respond to strategic gaps in donor response. Donor coordination is very staff intensive, which can limit donor coordination effectiveness beyond information sharing, because all donors come with mandated priorities and strategies. Nepal's case highlights several areas that should be considered when developing a general framework for common assessment tools. These include:

1. Although donors may agree on a common goal, because of their different policy approaches, coordination is sometimes not optimized. Common goals, and objectives/milestones should be delineated at specific intervals within a mutually agreed upon timeframe, so that no matter what processes are implemented, sight of the ultimate goal is not lost.
2. Donors must develop a system for gathering pertinent data to address development challenges, according to specific objectives and goals.
3. A mechanism for monitoring milestones and results must be established. Indicators that reflect achievement and performance levels must also be created to the satisfaction and agreement of all participants.
4. Gaps in donor response, such as donors that are geographically close but not involved, must be addressed at the information exchange stage.
5. Mutual responsibility, accountability and commitment are necessary ingredients.

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### Morocco (2000)

#### *Overview*

In Morocco, coordination varies widely from sector to sector, and depends on the initiative and consensus of donors. There is no formal donor coordination mechanism and no regular forum for donors to meet and share programs, experiences and constraints. The exception is the EU and the UNDP coordination of the UN system. The World Bank is the preeminent donor in Morocco. Other multilateral donors include the EU, EIB, and the AfDB. The UN has nine active entities in Morocco with UNDP leading three priority areas. France is the largest bilateral donor joined by Germany, Canada, Japan and Spain. NGOs include CRS [see acronym list], Enda-Maghreb, America-Mideast Educational and Training Services, Inc. (AMIDEAST), the Near East Foundation, German Foundations, Oxfam/Quebec, and numerous European PVOs.

#### *Analysis of Donor Coordination by Type*

##### Information Exchange

The UNDP provides a forum for donor coordination at the request of the host government. Ad hoc donor coordination occurs at the initiative of individual donors, and when donor sponsored teams visit Morocco. The EU has a technical office in Rabat, which manages implementation and coordinates technical visits from the HQ in Brussels, where final decisions are made. The EU also holds monthly meetings. USAID/EU coordination is close in nearly all of USAID's strategic areas and is strengthened through regular consultations at the HQ level through Washington and Brussels. Each partner is familiar with the activities of the other, and coordination occurs through both formal and informal channels as appropriate. Periodic Bank Missions allow donors to renew contacts as well. USAID/Canadian Coordination occurs through the EU expanded meetings (during which there is regular contact between USAID's environmental and economic growth staff).

Morocco maintains a strong system of information exchange in its health, environment, and economic growth and girls education sub-sectors. A voluntary donor coordination committee for the health sector formed 5 years ago, consists of the EU, UNFPA, UNICEF, and USAID. JICA joined in 1996. Donors meet 3-4 times a year to share information and experiences, discuss current and planned activities, and address specific program issues that require urgent or consensus decisions. Donors take turns hosting the meetings. USAID used the voluntary donor coordination committee to continue external assistance after its withdrawal in bilateral health activities at the end of 1999. Coordination in the environment sector occurs through informal channels, and has resulted in co-funded activities. Coordination in economic growth is extensive. There is a significant exchange of ideas aided by a networking process in sub-sectoral components that reaches across a broad spectrum of financial and policy issues. As for girls'

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education, MNE initiated regular monthly donor meetings to facilitate coordinating information exchange.

### Division of Labor

There is close collaboration between the WB and USAID in overall economic and financial issues and sectoral programs. WB contributes mostly on a conceptual level, reflecting its pre-eminent policy and institutional development role. It is the donor that takes the lead in new areas of programming, based on macro-economic assessments and other supportive analyses, i.e. structural adjustment and stabilization, sector assessments, and poverty assessments. The WB complements Bank loans with Japanese grant funds through small grant programs for studies or start-up activities. The World Bank understands its critical role of complementary grant assistance, which the GOM requests for technical assistance and other support. The GOM also engages other donors to finance activities that the WB has initiated, improving its debt structure over the long term. GOM manages donor programs through the Ministry of Foreign Affairs and Cooperation, and seeks to blend Bank resources with grant funds. The AfDB is a donor of capital investments and its programs tend to focus on infrastructure and financial capital, areas that USAID lacks the resources to support. AfDB also supports activities that complement USAID objectives in health, environment, economic growth and basic education.

The UN manages nine entities in Morocco. The UNDP is charged with overall coordination of UN agencies, though each has its own autonomous staff and budget. The UNDP and UNIDO support loans to micro-enterprise lending and UNDP's new Microstart program. USAID collaborates with UN partners as appropriate. The EU is a major donor in the private sector. Its private sector activities include the following: financial market development (drawing on GOM/USAID experience), industrial standards (benefiting from USAID work in industrial environment), industrial zones, microenterprise, (building on USAID experience and possibly utilizing the Moroccan NGO which USAID established), and professional associations (along the lines of the New Enterprise Development, NED, approach).

In order to help with sustainability, policy advocacy, and service delivery, USAID partnered with NGOs in Morocco. NGOs have proven to be critical for Moroccan civil society's expression of views on policies and services. USAID/French Caisse Française de Développement (CFD)<sup>2</sup> is the primary entity for coordination in areas of irrigation, watershed development, sanitation/water supply in Fez, urban housing, agribusiness exports, and microenterprise.

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<sup>2</sup> Now the [Agence Française de Développement](#)

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Morocco's Water Resources Management Project (PARE) is probably its best example of a well-coordinated sub-sector division of labor framework. PARE supports key Ministries and water related institutions for studies, policy and institutional strengthening. The EU and EIB also support watershed management. AfDB has provided significant resources for infrastructure and related management investments. The French, through CFD, are heavily invested in irrigated agriculture, dam construction, urban sanitation, potable water in rural areas and urban low income housing. USAID/French Coordination is promising in both the environment and private sector. The French are the second main donor after USAID. USAID/German Coordination is most promising in environment, where a majority of their resources are provided.

The Germans consider environment to be their priority sector and they support a range of activities while collaborating with the Ministry of Environment. As Japanese assistance levels increase, their embassy is seeking new investments, and is open to co-financing USAID supported activities at all levels of cooperation. Japan supports irrigation, solid waste collection and a disposal program. Japan also works with the Ministry of Environment to develop a national strategy, and to establish guidelines for garbage collection and disposal, along with a rural water and sanitation program with L'Office National de l'Eau Potable or National Office of Potable Water (ONEP). Areas of collaboration between USAID/Spain are girls' basic education.

Other potential activities for collaboration fall under the NGO/community grant program and sanitation/water supply interventions. USAID partnership with NGOs in each strategic objective or sector aims to strengthen NGO and community organizations in family planning, health and AIDS, water resources management, small and medium enterprises and girls' education.

### Common Framework

Morocco's common framework is reflective of innovative approaches, viable institutions and a strategic direction for numerous private sector activities in SME development, microenterprise, and agribusiness export promotion. It is also characterized by government replication of USAID projects and an emphasis on the importance of sustaining Moroccan capacity building and dynamic sustainability.

There are three key elements to USAID's coordination approach: the groundbreaker role, the diagnostic research and learning institution approach, and mutual reflection/collaborative decision making. The groundbreaker role is a conceptual and systemic institutional approach to achieve impact and sustainability in targeted sectors. It often involves the role of the private sector and a range of NGO players to complement the role of government at both the central, provincial, and local levels. Through the diagnostic research and learning institution approach, strategic directions are reinforced with diagnostic studies, assessments and research which enhance understanding

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constraints and improve the impact of development actions. Mutual reflection/collaborative decision making represents the “big picture” approach. USAID undertakes studies and assessments from a systemic and institutional position that considers: public/private sector roles among institutions, long term sustainability, policy and institutional frameworks which provide appropriate incentives, policy, and institutional reform.

There is a New Health Financing and Management loan that focuses on health sector reform to implement a 5 year strategy and policy that will provide adequate health services to the poor, in a financially stable manner. The WB reinforces the Ministry of Health through capacity building, policy and institutional reform, infrastructure, and investment to improve public and private health service delivery. The EU and the Ministry are incorporating this strategy into their programs in other regions of the country. The EU completed a Family Planning project in the North and pilot project in Family Planning and post-partum treatment in 12 maternity hospitals. These projects were based on approaches developed by the Ministry of Public Health with USAID support.

The EU also subsidized a \$1.25 million HIV/AIDS surveillance and syndrome treatment program that was based on the USAID AIDSCAP pilot experience. Replication includes training materials, Morocco specific algorithm charts and reference cards. The EU and USAID priorities coincide in the PHN/health sector and the Ministry encourages cooperation. The EU is likely to move into some areas from which USAID withdraws (Safe Motherhood, Integrated Child Health, AID/STD, and expansion of integrated rural services).

UNFPA supports a range of activities in population, including policy, strategy and demographic censuses as well as related objectives that complement USAID’s population/health priorities such as education, women’s rights and employment. UNICEF has adopted a decentralized focus on integrated service delivery in 5 priority provinces. On the national level, UNICEF purchased vaccines for distribution by the Ministry. Plans are in order to work directly with village health associations, supplementing their health service focus with potable water and hygiene through CRS’ method developed under a USAID funded water project. Other donors provide various types of support for the health sector. The following areas are among USAID’s major impacts in the provision of leading edge techniques of best practice and strategic direction : family planning, child survival, emphasis on safe motherhood, integrated service delivery, rural focus, STDs and HIV/AIDS, social marketing, private sector services, decentralization, and policy.

In water resource management, the WB supports GOM in every aspect. Its Environmental Management Project complemented USAID’s early support to the new Directorate of Environment when it was formed within the Ministry of Interior. The

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environmental sector has strengthened the Ministry of Energy and helped it to define a viable and credible role with respect to other Ministries. A viable approach in industrial pollution and energy efficiency for collaboration between government and business would help to establish standards and norms for pollution control. With declining resources, USAID has sought to leverage its resources with the GOM.

USAID's pilot approach for interventions focuses on demonstrating successful technologies that can be replicated by others. Sustainable water resource management in Morocco requires first an improved policy, regulatory and institutional framework; second, improved environmental technologies; and third, broadened public participation. Other donors provided complementary synergy through seminars, studies and advocacy with and through various ministries including the Ministry of Environment. For example, in peri-urban, urban and industrial sectors, USAID is working with Moroccan institutions and donors to leverage resources for USAID pilot projects and their wide-scale replication.

Pilot activities have attracted local and donor support, and are focused on issues and activities which are likely to be readily replicated. USAID support for Agence Nationale de Lutte contre l'Habitat Insalubre or National Shelter Upgrading Agency (ANHI) and Fonds d'Equippement Communal or the Municipal Finance Bank (FEC) has resulted in impressive work in the urban sector. The "best practices" gleaned from this collaboration are being integrated into government policy and factored into other donors' programs. USAID is working with the Embassy of Japan's Economic Cooperation Program to structure co-financing arrangements with USAID for pilot projects planned with several municipalities to introduce low cost, neighborhood scale environmental technologies for liquid waste management.

USAID's privatization project was fully and successfully implemented in accordance with its design by the end of 1996. It established standards of transparency, extended the benefits of privatization to Morocco's middle class as investors and business owners, and enhanced the development of Morocco's financial markets. Post USAID privatization is not rapid because of lagging performance and greater difficulties; i.e. time consuming procurement procedures for audits and studies under current MOF procedures, reduced levels of assistance, etc. The private sector was strengthened, encouraging the creation of institutions as necessary to promote a sustainable system to advance GOM priorities. Subsequently an enabling environment for microenterprise evolved, i.e. a far reaching law was crafted that eliminates key policy constraints and requires a plan for sustainability.

Donor activity in the following areas of private sector development is significant: structural adjustment, macro economic policy reform, financial institution development, greater subsector assistance and related institutional and policy reform. Private sector development is implemented through private mechanisms, which complement GOM policies and programs rather than being managed by the GOM. The EU plans to support

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professional training through Moroccan institutions that contribute to private sector development and other sectors, building on USAID's TFD approach. AfDB provides complementary loans to expand savings, capital markets and credit to the private sector (the Bank's Contractual Savings Development Loan). AfDB has a long-standing program in professional training. UNIDO is working with the Ministry of Commerce and Industry to develop a strategy to promote competitive and innovative clusters of SMEs.

The WB is the largest donor for basic education in terms of funding and is complemented by USAID. AfDB is the second significant donor in terms of funding and its loans supplement the WB loan for school construction and material support. The EU is poised to become a major donor. The French support WB/BOM and have a complementary program with UNESCO and ILO too. Other bilateral support comes from Spain, Japan, and Canada. UNDP and UNICEF are developing pilot activities for replication in selected rural BAJ provinces, paralleling USAID's focus in other primary schools. USAID's strategy for training is expected to be used in UNICEF supported provinces. USAID impacted this sector through a collaborative effort with Moroccan and donor partners to develop a strategy for rural girls' education (this approach is expected to become the Moroccan technique to be replicated by other donors as well as integrated into national education policy). The challenge is to share experiences of the pilot activities currently being implemented throughout Morocco, and integrate the best features.

### Harmonization

Donor coordination of this type was not observed.

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### **Annex IV: Special Situation Case Studies**

#### **A. Post Conflict**

##### **Rwanda (Post 1995)**

###### *Overview*

Successful military action by the GOR in late 1996 resulted in most of the civilian refugees returning to Rwanda. The GOR has never forgotten what it regards as an uncooperative and uncommitted donor community during that period, and the fact that it had to do the job on its own. Consequently, much of Rwanda's relationship with donors is tainted with resentment that does not bode well for partnership development and cooperation.

###### *Analysis of Donor Coordination by Type*

###### Information Exchange

There are several communication problems between GOR and donors. There is some disagreement, for example, over the degree of importance that should be accorded to poverty reduction, budget allocation to the social sectors, human rights, democratization, governance, and the manner in which assistance is provided. The Rwandans believe donors impose political conditionality amounting to a double standard [i.e. engagement in the Democratic Republic of Congo (DRC) but not Uganda]; the GOR feels that donors have inconsistent philosophies, preaching Rwandan ownership but circumscribing it in reality. (This was apparently manifested in the imposition of conditions, insufficient provision of budget support and subordination of Rwanda's priorities to donors' own national priorities).

Donors, on the other hand, believe the GOR's capacity is limited, which is a major constraint to effective ownership and priority setting. They agree that GOR management of AID programs is improving, but are otherwise cautious because there are still too many "turf battles" between the Finance Ministry and Technical Ministries. There is concern that donors want to do better but are too busy managing their own programs to devote the time necessary to coordinate programs with the GOR and other donors effectively. Another hindrance on the part of donors, is the fear that GOR preoccupation with control and security could hinder equitable growth; and there is a perception that the GOR does not like criticism of its policies/programs.

Even so, coordination meetings, prompted by tragic history and a need for recovery, are taking place. There were 3 round tables held in January 1995, July 1995

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and June 1996 in which the UN took the lead in assisting Rwanda to present its recovery programs and to solicit widespread donor support. These UNDP organized sessions promoted coordinated approaches at the sector level, specifically on: repatriation, resettlement, social reintegration; food security, education, private sector development, (although there is no agreement on desired sector strategies). Further meetings for health, resettlement, justice and governance have been delayed.

Stockholm provided the opportunity for the GOR to demonstrate adherence to IMF enhanced structural adjustment facility and indicated good progress on macro-economic reforms. Points of contention still exist between the GOR and donors, particularly over the GOR's military engagement in DROC, military expenditures, social spending, and the group resettlement policy. There is general agreement that UNDP and WB should help the GOR prepare donor meetings, but that the GOR should be in the lead. The UNDP is tasked with establishing a Working Group to examine mechanisms of donor coordination and make recommendations (WG, UK, Netherlands, Canada, Sweden, WB, IMF, EU, and AfDB are all involved).

### Division of Labor

There is a need for major financial support from donors. Long-term commitment for budget support goes either directly to the GOR or through a multilateral debt relief trust fund: UK, Belgium, WB, AfDB, IMF, EU, Netherlands, and the US. The perception is that the US and UK are considered by Rwanda as the strongest bilateral supporters. The second group of bilaterals is also supportive, but concerns over Rwanda's involvement in the DRC temper their attitudes. This group includes Germany, Japan, Norway, and Switzerland. France is the most negative bilateral donor in Rwanda because of its support of the previous regime.

The WB and IMF are the leaders on macro economic issues. The UNDP is the leader of donor coordination for sector programs, capacity building and the implementation of technical assistance requirements. However, there is minimal effectiveness in meeting its coordinating responsibilities. The UNDP plays a coordinating role, but has some major limitations on its ability to function as a true coordinator beyond information gathering. It needs the active support of bilateral donors to be successful in organizing dialogue with the GOR. Donors need to find a way to carve out time in their overworked schedules to provide support, and they must include collaboration on defining with the GOR their individual advantages more precisely.

### Common Framework

Although, there are relatively fruitful high level conferences at the HQ level, they have not translated into a strategic working partnership on the ground. For this to happen, major donors need to discuss a common approach with the GOR that is pro

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equity and pro security. The UN common country assessment (CCA) framework offers good potential for arriving at this goal, but for the CCA process to succeed, donors must commit the time and participate fully in strategy debates.

Donors and the GOR see eye-to-eye on a number of priorities (justice, economic growth, macroeconomic reforms, food security, health, education and capacity building). But, the GOR bristles at criticism, which presents a problem for donors, who believe there must be an honest dialogue. For partnership to succeed, both must reconcile conflicting objectives: Rwanda insists on primacy of security, exercising tight political control of its population, allowing for only very limited democratization. Donors are calling for an equitable development strategy. They are concerned about high military expenditures and Rwanda's involvement in the DRC.

Fundamental tension persists: the RPF (Rwanda Patriotic Front) believes it is capable of reconciling the Rwandans, while at the same time running the state under tight controls. Donor partners understand the valid security concerns, and urge that its development programs support the goal of long-term stability through equitable economic assistance.

### GOR Priorities:

*Budget Consolidation with Donors:* The government strongly prefers that donors provide the bulk of their support in the form of direct cash transfers to the public budget to enhance government ownership and provide fungibility to other priorities (i.e. security).

*Debt Relief:* GOR feels that Rwanda's economic decision making would be facilitated if the overhanging debt were progressively reduced.

*Public Sector Capacity:* There are unconfirmed reports that an informal preference system exists.

*Justice:* On the subject of genocide, all cases, but the most serious, have been remanded to a traditional system for adjudicating disputes.

*Economic Growth:* Only with private sector led growth and policies, that support its expansion, can basic human needs be fulfilled. The debate on the approach to growth is: should growth reduce poverty by stimulating growth of the small middle class or is the strategy to "go with the winners" and let the benefits of their success filter down?

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*Education:* The GOR plans to expand enrollment and train enough qualified teachers, revise the curriculum and build more skills, as an important tool of reconciliation, with an emphasis on equity.

*Food Aid and Security:* The GOR favors food aid which spurs domestic production through small enterprise and “food for work” type projects. There is a need for a coherent food security strategy, which is being hindered by a lack of leadership and appropriate priority setting within the Ministry of Agriculture

*Health:* Leadership is present in support of reducing the incidence of HIV/AIDS and recognizing its impact on society and the economy, although it is still a sensitive issue.

*Security/Stability:* National security is paramount for the GOR.

*Reconciliation:* Rwandans must learn to work together on a common basis.

*Decentralized Authorities:* The GOR is moving towards greater decentralization. However, devolution will not occur at the expense of security and control.

### Donor Priorities:

*Sustainable Development and Equitable Economic Growth:* Productive sectors of the economy and the social sectors must be supported in order to achieve sustained long term improvement and growth. There is also a need for greater emphasis on social sector spending (i.e. 40% of the public budget is allocated for security), poverty reduction and private sector capacity and growth. Donors support the GOR’s structural adjustment program to allow for appropriate incentives to the private sector.

*Participation, democratization, governance, civil society, decentralization, transparency and accountability:* These principles must be adhered to in order to have equitable growth. Donors vary in their views on the extent to which the GOR is committed to these issues.

*Justice:* Donors actively support the GOR’s programs to instill institutional justice. They differ in their support to the GOR’s proposal to remand most criminal charges to a traditional form of dispute adjudication outside of the formal justice system.

*Food Security:* All donors believe improved food security is a critical component of broad-based growth and poverty reduction.

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*Capacity Building:* Donors agree with the GOR that human resource and institutional development is indispensable to long term growth.

*Health/AIDS/Family Planning:* Donors wish to place greater emphasis on these issues. Rwandan officials see this as too sensitive especially in the aftermath of genocide, but it is a stated priority of the new Ministers of Health.

*Education:* Donors lined up to support a new phase of sector support under the leadership of the World Bank, and agree with the GOR that education is a vital tool of reconciliation.

*Stability:* All donors agree that the country cannot overcome its past w/out long term stability. The question is how to achieve it. Aid expenditures are down, and Rwanda has not been able to absorb all the financial aid provided by donors since 1995. The pipeline has swelled as a result and investments in human resources have been held up pending the GOR's issuance of a human resources development strategy.

### Harmonization

Donor coordination of this type was not observed.

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### **Colombia (1999)**

#### *Overview*

In Colombia, the biggest problem is internal aggression, which threatens the survival of the nation. If the peace process fails to produce positive results, all other programs may be in jeopardy. Coordinated support for the peace process is absolutely critical. A plan based on developing highly participatory programs that are sustainable in the long run is also imperative. Both the US and Colombian government see the Alternative Development Program (AD) as an action that is parallel and complementary to incipient peace efforts.

A central element of Colombia's AD program is promoting productive schemes based on permanent crops with market linkages which permits integration into the economic system, promotes formation of social capital, and counteracts the factors which generate violence. The donor community has begun to meet under the leadership of UNDP to coordinate their efforts. However, it is clear that Colombia's case is quite different from the other post conflict cases. Its development plan is directed by the peace process objectives and not by donor coordination efforts towards development.

#### *Analysis of Donor Coordination by Type*

##### Information Exchange

The IDB, UNDCP, and USAID share a common vision in Colombia: to address the basic needs of a rural population, and to exercise a good informal dialogue among themselves. This group is encouraging participation by other donors and NGOs under the Alternative Development effort, which includes the recent role the UNDP took in calling monthly donor meetings to exchange information on Alternative Development and democratic programs.

The GOC's refocus of its development strategy to the rural poor calls for the donors to engage in a policy dialogue. This may lead to other major donors, i.e. the EC, to also refocus their country strategies to rural areas. The GOC recognizes the need to include all participants in a dialogue if they want an eventual peace agreement. It will be possible, through eventual joint efforts, to evaluate the impact of various Alternative Development Programs. Joint efforts have already occurred and have been successful through the joint support of reporting and making known information on human rights violations.

The agenda for the monthly meetings have been brief and have included the presentations of key donor programs, general discussions on the GOC's new administration's progress in policy reform, and the status of key frameworks such as the

## **Annex IV: Special Situations – Post-Conflict**

Plan Colombia. Ad hoc meetings between donors also take place on an as needed basis and often focus on specific sectors or areas of shared interest. Many of these meetings are held in the absence of the GOC.

The process of exchanging information began with an informal mechanism established by UNDP, which eventually will be formalized by the Agencia Colombiana de Cooperación Internacional (ACCI). USAID will engage directly with relevant donors to ensure evolution of this process. USAID will meet with UNDP to lend assistance in the development of constructive agendas for the monthly meetings to ensure they are relevant and valuable to other donors. USAID will continue to promote other donors to support ACCI through discussion in UNDP monthly meetings and ad hoc bilateral meetings with donor partners. Bilateral meetings may provide useful donor program information in the division of labor process, as well as in identifying activities that may impact USAID's own programs.

Meetings may also be arranged with the German Mission to Colombia as well as the EC Mission for the purpose of monitoring the evolution of their programs and to facilitate timely planning and coordination in the event they launch AD programs. Meetings with the Germans in Bonn and the EC in Brussels are also important to ensure transparent exchange of information.

### Division of Labor

USAID is prominent in the administration of justice, human rights, and the Alternative Development Program. The IDB's relevant program focus is on AD (infrastructure and institution building) and support for justice. The UN (UNDP and UNDCP) support AD (law enforcement, Plante and ACCII), and democracy (judicial system reform, human rights, training). The WB focus is on the peace process (conflict resolution, justice of peace programs). The WB, IMF and IDB are working together to address the current financial crisis facing the GOC. The IDB tends to focus on monitoring GOC performance on loan conditionality and not program impact. These actions risk undermining USAID's Alternative Development Program if its funds are used for unsustainable development efforts.

The IDB, UNDCP, UNDP, WB, and Canada are key partners for development w/USAID. The EC and Germany may also develop programs relevant to USAID. It is important for USAID to assist ACCI to identify the roles and niches that other donors have carved out for their respective programs, to assess their complementary and respective programs, and their potential impact on the Justice sector. USAID will meet with ACCI and IDB to discuss the need for a Rural Development Program Review Process to ensure donor programs are sustainable and that they contribute to the peace process. It is also important for USAID to discuss the need for such a review process with IDB/Washington in order to gain high level HQ support.

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USAID/Colombia has 2 priority areas for strengthening cooperation: establishing GOC leadership for donor coordination, (especially to minimize the negative impact of turf battles among key donors), and to establish operational frameworks (especially to maximize the complementarity of programs).

### Common Framework

There are turf issues between some of the major donors. The UN agencies are struggling among themselves to be the leading institution not only for the UN, but for the donor community as a whole. This strains the GOC's ability to deal effectively with the UN and it wastes the time of the GOC and availability to other donors. There is evidence that without common frameworks, donors design and go forward with programs and projects that may miss opportunities to work in conjunction with, or consult with other donors' efforts. For example, in the justice sector, training programs often duplicate efforts, or provide training in areas that are of lesser importance, or may be entirely unnecessary.

In the absence of the framework provided in the "Plan Colombia", donors will continue to develop their own programs separately with a number of GOC institutions in absence of other critical partners. Some major donors are pessimistic about GOC's commitment to the development process and its willingness to play the role of a serious leader in coordinating donor programs. Discussion of the GOC's Cambio Para Construir La Paz, detailed operational approaches, and targets for the reform of the Justice sector will take place with development. It may not be enough to change IDB and other key donor approaches to reform.

It is important that USAID convinces these key donors of the real constraints in the justice sector. A special meeting must be arranged with each donor's headquarters with the aim of presenting evidence of weaknesses of current judicial sector reform efforts and to convince each one of them of the urgent need for reform within the context of the 5 points identified by USAID. These meetings will serve to establish a closer working relationship in Colombia and facilitate opportunities for joint efforts in evaluation and performance monitoring. The process will begin with Cambio Para Construir La Paz and Plan Colombia. USAID bilateral meetings with each, the Germans and the EC, are important for securing their participation into the AD effort.

### Harmonization

Joint efforts to evaluate the impact of various actions will eventually include training programs and seminars. USAID will work with ACCI in consultation with other donors to organize a workshop to establish transparent performance monitoring procedures and standards for donor programs in the Justice sector.

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### **Haiti (1999)**

#### *Overview*

In Haiti, depending on the sector, information exchange and division of labor had strong foundations until the fall of the Government. A coherent common framework was not as apparent. However, aside from Kosovo, it is the only other post conflict case study in which information on common assessment tools is available. Unfortunately, progress made under information exchange and division of labor suffered from political disarray. It is not clear how many steps backwards have been taken as a consequence. Perhaps the most valuable lesson learned from the experience in Kosovo is that an effective coordination mechanism is attainable. All four types of donor coordination were evident.

The IMF's financial stabilization programs broadly impacted the economic climate, induced significant restructuring of the role of government, and affected the long-term sustainability of USAID investments—especially with respect to the Mission's strong emphasis on the private sector. In sectors where USAID's programs stress service delivery and local capacity building, sustainability will depend on other donors' support for both policy and institutional reform at the national level. Finally, the Government's decentralization policy depends on the ability of all donors, including USAID, to integrate their investments regionally.

#### *Analysis of Donor Coordination by Type*

##### Information Exchange

Donors report that any issues that involve several Ministries seem to be exceedingly difficult, as there is no mechanism for resolving disputes among Ministries or donors. Several major donors believe nothing can be done until the political crisis is resolved and Government leadership is restored. The impact of the crisis is ubiquitous. Key legislation is stalled, administrative and economic reform is slow, and political leadership is divided. Nevertheless, the situation is fluid and provides an opportunity to find new coordination mechanisms that will enhance the impact of USAID programs.

The Mission plans to meet regularly with key donors in each sector to assure coherence in approaches to decentralization in the sector. USAID also plans to significantly strengthen linkages between donor efforts to build capacity within key ministries and USAID's field programs. With assistance from AID/W, the Mission will engage key donors at headquarters level on policies and programs supportive of decentralization. Of particular importance will be the Common Agenda with Japan (the US has recently reached agreement on Japanese support of USAID's decentralization efforts) and the annual consultations with the EC.

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The monthly breakfasts of the heads of delegations appear to be useful and effective for exchange of information. However, sectoral level consultations have generally been absent since the political crisis. The flow of information within various delegations from those breakfasts to sectoral chiefs is not necessarily effective. Heads of delegations need to make an effort to restore sectoral consultations on some periodic basis. The Commission Mixte, which includes Government, donors, and stakeholders, is a potential consultative mechanism. A preparatory process for a CG meeting, involving a discussion in Haiti of the World Bank poverty paper with all stakeholders could be a very productive process. However, due to the recent elections, government legitimacy is weak. Any PRSP initiative is being viewed with caution by donors, because, by definition the government designs its own PRSP, and currently there is no overwhelming recognition of the newly elected Aristide Administration.

On the other hand, in at least two sectors, democracy and governance and economic growth, other countries in the LAC region have been important players. It would be worthwhile exploring with other donors ways in which such a “south-south” dialogue might be used. Teleconferencing with donor policy makers on Haiti, either centering on the Mission or AID/W might be explored. Periodic meetings at the senior level of donors engaged in (a) Financial Stabilization and Shadow Programs, and (b) decentralization was critical in the past. Mechanisms need to be found to assure greater consultation in the design of major programs. Unfortunately, the Shadow Programs ultimately fell apart because the Haitian government cut support. Towards the end of 2000, the IMF started a new Shadow Program, but prospects for its success are still unclear.

In regard to streamlining the government, there was strong IMF leadership under the 1998 Shadow Program to solicit donor support from USAID and other donors and there was excellent information exchange. This initiative, though, was abandoned. By sector, information exchange on the Environment in Haiti was excellent, although less effective in Health, DG, and Human Capacity. The deterioration of information exchange in these areas was primarily due to reduced government support for donor coordination mechanisms (whether for lack of will or institutional capacity remains unclear).

### Division of Labor

The partnership of the Government and a lead donor in organizing donor coordination has proven effective in the past and USAID will work to restore this practice. The current stagnation in the decentralization process constrains both USAID's program of poverty reduction, empowerment at the local level and supporting investments by other donors. Immediate action is needed to find mechanisms to improve policy coherence among the several sectors, to increase the effectiveness of public investments and services, to deal with recurrent costs, and to consolidate local

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democracy. The de facto division of labor between USAID and other major donors, in which the IFIs and EU have taken the lead in providing budget support and technical assistance, has yet to demonstrate results in the field.

Building on existing work on streamlining government, the Mission will coordinate with other donors' support for administrative and financial reform in order to establish an enabling environment for effective decentralization, with particular attention to cooperation in civil service reform and financial decentralization.

Most donors are far more centralized than USAID: program initiative comes from headquarters, field reps have limited control over design teams, and donors' assistance policies are not negotiable at the country level. In consequence, a successful donor coordination strategy in Haiti, as elsewhere, depends on a good flow of information between Washington and the field and a parallel dialogue in both the field and in Washington with key donors.

The transition from relief to development is incomplete in Haiti. The proliferation of small projects and credit lines engendered by the relief effort still persist and threaten to overburden the Government's implementation capacity. Project proliferation among donors and competition within sectors persists. The Public Investment Program (PIP) has called for a radical focusing of donor efforts, but the rationalization of donor portfolios cannot be effected solely in the field.

USAID will explore closer collaboration among the key donors' sectors related to the Mission Strategic Plan in the conduct of basic strategy and sectoral analyses—perhaps through joint assessments.

- In at least two sectors (D/G and E/G), other countries in the LAC region have been important players. It would be worthwhile exploring with other donors, ways in which such "south-south" dialogue might be used.
- Consultations among headquarters and field staff of key donors will be encouraged at strategic points in program development.
- USAID will work with PPC to better focus the Early Project Notification (EPN) system on up-stream consultation in Haiti.
- USAID/Haiti will explore with other key donors and AID/W an experiment based on the OECD/DAC's recent recommendations on harmonizing donor procedures. This could be done in an experimental sector or two.

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### Common Framework

Donor time spent establishing, with the Government, a strong sectoral framework can provide a good return on investment. The reforms contained in the IMF Economic Stabilization Program and the subsequent “Shadow Program” provided an instructive model. The IMF negotiated the goals, defined institutional requirements, and prioritized actions. It then identified assistance requirements (balance of payments support, technical assistance, etc.), mobilized donor support, and monitored performance. In the fiscal area, if not in structural reforms, slow but significant progress was achieved. In most sectors, however, this level of coordination was not attained. In consequence, such issues as the respective roles of the public and private sector, sectoral priorities (e.g., curative vs. preventative health or the role of reproductive health), or establishing responsibility for recurrent costs remain unresolved in most sectors in which the Mission is engaged. Periodic meetings at the senior level of donors engaged in Financial Stabilization and Shadow Programs (no longer operational), and decentralization were and still are critical.

Government leadership in establishing sectoral frameworks is essential, along with the concomitant participation of all-important stakeholders. USAID's active involvement at the local level and with the private sector puts the Mission in a good position to encourage this process of dialogue. The Mission will work to expand the dialogue among donors, civil society and the government.

The recent World Bank paper, “Haiti: The Challenges of Poverty Reduction” was already discussed by the donors in Washington in April. This paper provides a good foundation for a discussion among stakeholders of operational frameworks for development—sector by sector. The Mission will take the lead in trying to encourage such an exchange to inform the process of framework development.

The financial stabilization program organized by the IMF has made significant progress in its fiscal and monetary goals, if not its structural goals. However, donors do not appear to have established any linkage between these reforms and their sectoral investment programs, which are running well ahead of the reform package. The results are clearly identified by the World Bank's recent PIP: unsustainable or ill-advised projects, unresolved structural issues, and burgeoning recurrent costs. There are also examples of design teams making recommendations at odds with elements of the stabilization program (topping off Ministry salaries or providing assistance to public-sector firms slated for privatization). USAID will take the initiative in trying to build the missing linkages among the donors.

Along with other key donors, USAID will actively pursue ways to improve the implementation of the Government's decentralization strategy. USAID's proposed HPZ [see acronym list] strategy offers a potential coordination mechanism at the local level

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and the Mission will work with the Government, donors and local stakeholders to offer support to the coordination process at the local level. Periodic meetings will be encouraged for key donors at the regional level and local stakeholders.

USAID will work with major donors and the World Bank to identify assistance requirements to respond, sector by sector, to the issues identified in the PIP and facilitate the needed policy and institutional reforms. Effective donor coordination will require the major donors to deal with three related issues:

- the financial capacity of the Government to absorb current investments
- capacity building and administrative reform in the several ministries
- the design of donor programs so that they better fit Haiti's current capacity.

This is a complex topic that will have to be directed by the monthly heads of delegation meetings, and perhaps will require a dedicated donor meeting similar to that on the World Bank poverty paper.

A key weakness in donor coordination is the project identification and design process. There are recent examples from USAID and other donors where consensus at the field level has been unmade in headquarters or where intervention at headquarters was needed to resolve disagreements in the field. There is at least one example, in education, where consultation among lead donors was less than desirable during the design of a critical new program.

### Harmonization

Reaching agreement on common performance targets and measurements would appear to be a productive way to induce greater harmonization of approaches. Mechanisms need to be found to assure greater consultation in the design of major programs. It is a common complaint that donor procedures and reporting requirements, mandated from headquarters, post an excessive burden on countries with weak capacity. The multiplicity of donors and of small projects in Haiti makes this a particular problem.

### *USAID Strategy*

- Political Crisis: The Mission will give high priority to working with other donors to find ways to integrate new political forces (e.g., advocacy groups and Mayors) as quickly as possible into the political process and to mitigate existing disabling conflicts.

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- Strong Leadership at the Policy Table: USAID needs to move aggressively to the policy table and to use its field experience to generate policy and institutional issues which need government and donor attention—sector by sector.
- Increase Donor Policy Coherence on Decentralization and the Role of Civil Society: USAID will initiate a dialogue among relevant donors on the decentralization process with the objective of harmonizing positions and will engage donor policy leadership at headquarters in the dialogue. Operationally, the Missions' work with Mayors combined with the new HPZ strategy provides the mechanism necessary to move from dialogue to action.

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### Kosovo (1999 and 2002)

#### *Overview*

In Kosovo, USAID's Office of Foreign Disaster Assistance (OFDA), the lead USG humanitarian agency, had the foresight to support the United Nations Inter-Agency Coordination Unit (IACU). Strong coordination among the various donors and NGOs was paramount, given the emerging political architecture in Kosovo led by the UN and NATO with an expanding parallel government led by the Kosovo Liberation Army (KLA). Other important lessons learned from this experience include the following: Kosovo challenged existing coordination structures and relationships. As a result, new structures and types of actors arose and evolved demanding flexibility and timeliness from donors and implementing partners. Political considerations, both internal and external, needed to be factored into response planning. Kosovo proves that as difficult as donor coordination is, there is still substantial potential for success.

#### *Analysis of Donor Coordination by Type*

##### Information Exchange

Meetings were held on a daily basis, first in Skopje/Macedonia chaired by UNHCR, then in Pristina chaired by the UN-Inter-Agency Coordinating Unit, immediately following the arrival of the NATO/Kosovo Protection Force (KFOR) in June. Initially, meetings in Pristina were broadly attended given the security threats (mines, snipers, continuing clashes between warring parties, ethnic tension among civilians).

It was also possible to locate people and hold *ad hoc* meetings as needed, temporarily resolving the communications problem. The Director of OFDA gave a radio interview to National Public Radio for the program "Morning Edition" (June 16), in which he described the coordination in Kosovo as exceptional because the newly arrived humanitarian community was confined to the same workspace for security reasons. The newly formed IACU quickly distributed a telephone contact list, and a schedule of sectoral coordination meetings.

A few donor coordination meetings were held, including the UN (IACU and HCR). The European Commission (DG-1b) hosted one on June 22, 1999, focusing on damage assessments and the EC-funded IMG assessment in particular. The first bilateral coordination and planning meeting in Pristina was held on June 25, and hosted by ECHO [see acronym list] in Pristina. Prior to this time, ECHO had willingly shared the minutes of the meeting it held on shelter rehabilitation in Skopje with its implementing partners.

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Based in Geneva, FOCUS<sup>1</sup> participated in the Consultative Group process in Geneva, sharing information on airlifts and food aid deliveries. In Washington, the Swiss Embassy provided USAID with contact information for Swiss Disaster Relief (SDR) and FOCUS in Pristina. Like the emergence of new developing country donors on the scene following Hurricane Mitch in Central America (i.e., Mexico), the emergence of donor consortia is a recent phenomenon worthy of note. A similar arrangement was developed with the US, France, and the UK for much the same purpose, to airlift food to Kosovo. Strangely, FOCUS representation at coordination meetings in Pristina seemed to be non-existent. Why did the tri-governmental entity adopt such a low profile in the field?

A bilateral meeting between USAID and the UK/DFID yielded some insight into DFID's plans and objectives in Kosovo. However, no one anticipated DFID's aggressive approach on the ground. Enjoying full logistical support from the British component of NATO (KFOR), DFID officials in Kosovo wasted no time in carving out a large portion of the work confronting donors. Unfortunately, they often failed to adequately consult and coordinate with key donors and other organizations. The consequences of this aggressive approach remain to be seen. DFID grants were given generally for a three-month duration, a policy that may have complicated the planning and funding horizons of other donors as well as the success of the overall assistance program for Kosovo.

In April 1999, the UK Secretary for Development convened a meeting of a group of development ministers known as the 'Quint Forum' (heads of donor aid agencies from the UK, US, France, Germany, and Italy). The focus was on refugee return, rehabilitation, etc, and attended by the USAID Administrator and senior staff. The rationale behind the Quint Forum was that their coordinated activities could respond faster to emergency and short-term needs than, for example, the EC, the World Bank, and some UN agencies.

In a strong show of support for international humanitarian efforts, OFDA promoted and relied on transparency, and ensured that donors' discussions included local actors in the development of strategy and policy.

### Division of Labor

The UN was clearly identified as the lead humanitarian agency which was coordinating humanitarian and refugee return activities, and liaising with donors, political and diplomatic actors and others on behalf of the overall effort. A core group of donors, including the IACU and UNHCR, met on a fairly regular basis to divide the province by region and by sector. The IACU also facilitated sectoral coordination meetings, usually led by the corresponding UN agencies or other international organizations (International

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<sup>1</sup> FOCUS- A consortium of Swiss, Austrian, Greek and Russian government aid entities formed in response to the humanitarian needs in Kosovo when the presence of Yugoslav ground forces and NATO attacks prohibited all other humanitarian organizations from operating on the ground.

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Committee of the Red Cross (ICRC) or the Organization for Security and Co-operation in Europe). The initial step was the preparation over the course of several weeks of a comprehensive matrix in which the names of ECHO, USG, UNHCR and other donors' implementing partners were inserted by mutual agreement by the heads of donors' Missions and UNHCR. The sectors were non-food distribution, health, water and sanitation, shelter, agriculture and de-mining.

At the first meeting, the participants agreed to hold meetings twice weekly to address roughly two sectors per meeting, each donor bringing its sectoral specialists. The outcome of this process was essentially a coordination mechanism that relied heavily on reliable NGOs who were each given responsibility for one of seven geographic areas of responsibility (AOR). These NGOs, in turn, had responsibility for ensuring that their own implementing partners within their respective AORs, performed as required.

One of the factors which greatly facilitated the donors' negotiation process, was the fungibility of NGOs. Many of the US and European-based NGOs in Kosovo were erstwhile grantees of both OFDA and ECHO in Macedonia and in Kosovo prior to the NATO intervention. ECHO set up a contract with several US and European NGOs to provide them with funds to implement a shelter repair program throughout Kosovo. ECHO even issued a press release in Brussels to this effect, citing the five US NGOs with which they had partnered.

Personalities also played an important role. There was no direct participation, much less leadership, by host country (province) actors. This contrasted sharply with leadership demonstrated by the governments of Albania and Macedonia. The United Nations Mission in Kosovo (UNMIK) had begun taking charge of the province and signaling to Belgrade that it held sovereignty in Kosovo. Nonetheless, the future success of UNMIK leadership and authority throughout the province was doubtful, as was the rapid transfer of certain responsibilities from UNHCR to UNMIK. UNMIK has been severely criticized for its poor performance (i.e. its lack of authority and effectiveness). Further, UNMIK may have proven to be more of an obstacle to the implementation of policy already developed at the working level with local participation. Part of the problem was that the UN decided to recognize the anachronistic legal framework of the former Yugoslav regime.

In addition to the NATO contingents, some of the major NGOs such as MSF and OXFAM could be viewed as donors to the extent that they were heavily funded through private sources and refused assistance from NATO donors on moral grounds (in the case of MSF). NATO forces, including the British, US, Italians, Germans, French, etc., were players in their own right, participating through the Civil-Military Information Center (CIMIC) interface with the humanitarian-civilian implementation community. They also became the *de facto* police force on which the humanitarian community relied for security and for a semblance of law and order at the community level. KFOR was the

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first on the scene and the first with a permanent presence in the municipalities. They participated in systematized information sharing, provided critical support and advice to donors and NGOs, and in some cases provided humanitarian assistance. Some of the donors who provide military forces for KFOR, give their troops specific mandates, and funding, to carry out specific humanitarian assistance operations (Germany, Canada, Netherlands).

The Canadian International Development Agency (CIDA) had requested USAID's logistical support in fielding their one-man team. OFDA's positive response to this request led to the arrival of the CIDA representative in Washington for Disaster Assistance Response Team (DART) training. However, as security-related issues further delayed the DART's entry into Kosovo, CIDA opted to withdraw its request in favor of sending its representative to Kosovo through UN channels.

To the extent possible, the UN defined the parameters of the humanitarian operation with successive iterations of planning documents issued as appeals, addenda thereto, donor alerts, and the UNHCR Return Plan issued on June 11, 1999. While many of the assumptions quickly proved to be inaccurate, the guidance served as a good basis for coordination and planning as donors and NGOs scrambled to assess needs, develop and coordinate strategy, and begin programming and implementation. From the outset, the IACU solicited input from NGOs and donors, and requested their support in the critical areas of assessments, communications (radio network) and maps, among other things. USAID played a vital role in all of these areas, by building capacity, providing radio/satellite communication resources and expertise; distributing accurate and updated maps; and working closely with the State Department and the UN to develop a Global Information System (GIS) for Kosovo.

UNHCR quickly assumed overarching humanitarian/security responsibility as UNMIK entered the stage as the interim provincial administration. Funding guidelines were issued to NGOs. The plan addressed emergency rehabilitation needs, stressed speed and flexibility, and accounted for potential US and other donor programming in the seven pre-established Areas of Responsibility (AORs).

### Common Framework

*Prima facie* evidence of a common framework is the standardized, multi-sectoral assessment form, which the UN-IACU developed with the input of donors and NGOs. The form was revised and re-revised until all players were willing to use it in the field with the aim of gathering all of the pertinent information, by village, to feed into the initial UN assessment report on Kosovo. Unfortunately, the consultation process required to finalize the form somewhat delayed the process of gathering data and delivering humanitarian assistance.

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Perhaps agreement among donors on objectives in a humanitarian response is more easily reached than in a development setting. There appeared to be little difference between UN, USAID, and ECHO objectives in Kosovo, but all had different approaches to achieving these objectives. They all agreed on the need for flexibility and speed. This seemed to translate into a relatively effective, if ad hoc, humanitarian assistance operation.

In Kosovo, the necessary elements of a common framework were present, and synergies were achieved (at least in several of the sectors). In the shelter sector, for example, relentless persuasion by the OFDA specialist succeeded in convincing other donors, including UNHCR, only after lengthy discussion, studies, and negotiation. Fortunately, this dialogue had begun months in advance of the return phase. Agreement could be developed in advance of the next opportunity to expedite the process.

### Harmonization

In their first donor coordination meeting (June 25), ECHO indicated its willingness to require its implementing partners to provide results indicators. The ECHO representatives explained that their contracts with the NGOs did not specify indicators. After some discussion, ECHO proposed that OFDA provide ECHO with its standard language, and this could be incorporated into ECHO grants/contracts.

### *Epilogue*

A more recent assessment conducted by USAID in April of 2002, investigated the status of rule of law activities of the various donor agencies working in Kosovo in order to formulate a more efficient process of donor coordination. This assessment disclosed a nearly universal concern with the role of UNMIK and the obstacle that it plays in the process of peacefully moving Kosovo towards rule of law, sound judicial administration and legal practices, and an independent judiciary. This is a worrisome revelation considering the importance the USG affords rule of law development in Kosovo and consequently USAID/Kosovo's focus on assisting UNMIK, Kosovar legal professionals and civil society in developing laws and policies that support an effective and impartial Kosovar justice system.

To change this dynamic, USAID, along with other key donors, must develop an aggressive and coordinated strategy to influence UNMIK in these areas as well as expand the involvement of Kosovars in the reform and planning of their future justice sector, concomitantly building human and institutional capacity. This latter effort must be done within a coordinated strategic USG, bilateral and multilateral donor framework and at senior and operational levels within these organizations.

### *Leadership Issues*

## **Annex IV: Special Situations – Post-Conflict**

Nearly all donors expressed grave concerns with UNMIK's lack of an exit strategy and commitment to Kosovar ownership of the justice sector. There was a clear ache for "policy advocacy" leadership on these issues. USAID is well positioned to rise to the challenge. An American is currently the head of UNMIK's Department of Justice and is open to USAID's proposal to place advisors in his policy office, which bears responsibilities for some of the issues highlighted above. Moreover, USAID is positioned as the most prominent and experienced donor in the rule of law sector in Kosovo. This is likely to change as donors, such as the World Bank and UNDP, shift away from emergency response to longer-term development activities and will likely take on the role of donor leader if a vacuum exists. According to one donor official interviewed, "donor coordination should be easier now because there are less actors and less money." USAID should take advantage of this opportunity.

However, USAID's role should be as temporary leader in this sector, with the medium-term objective being rotation to other lead donors. At this stage, what is most needed is a catalyst and USAID is well positioned to act. To do so in a sustainable way, USAID should develop a coordination strategy working closely with leading Kosovar legal and judicial professionals. This would allow USAID to not only shift responsibility in the medium term to another/other leading donors in the sector, but also to Kosovars who, according to some observers, are anxious but somewhat reticent at this stage to take up these issues directly. The proposal is for USAID to serve as the leading edge on these concerns, opening the door for a coalition of interested donors and Kosovars to follow suit.

### Information Exchange

Currently the DG Office ROL Advisor is exercising an impressive leadership role in coordinating the various donors and implementing actors to exchange information, with an eye towards division of labor in the future. To advance this agenda, a strong Secretariat needs to be established; information sharing must occur "upstream" in the program process; and, joint assessments should become practice. Two separate fora need to be created for this purpose. One should include only official bilateral and multilateral donors to allow for planning discussions that otherwise might give NGOs and contractors unfair advantage as well as stymie frank information sharing. The other should include non-official partners (e.g., implementing organizations, a representative sample of Kosovar beneficiaries) of all official donors.

### Division of Labor

While a division of labor is almost impossible without a common framework, such a division would ensure that a strategically planned package of activities is organized around a common strategy aimed at responding to reform needs. Although

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coordination is typically ad-hoc, which is entirely consistent with a post-conflict emergency environment, it is not an appropriate approach when donors move to the second phase of institution building. Importantly, division of labor is not simply a process of donors picking “areas of interest;” rather it requires a concern for complementary institutional investments, returns to scale, sustainability of efforts and coverage. In the extreme, the lesson is that poorly integrated, diverse donor efforts are actually less than the sum of their parts. USAID’s interest is several-fold, including achieving our strategic aims (see above), replicating where possible our successful approaches, and providing with other donors and Kosovars an enabling environment that makes USAID models sustainable.

### Common Framework

Currently, donors have different strategic (or better yet activity) frameworks for the rule of law in Kosovo (e.g., COE and OSCE train judges on human rights and strengthen local institutions; EAR does legal aid; The World Bank does commercial law, USAID does court administration). As a result, donor activities are not shaping the rule of law in a strategic direction. Nor are they responding to their expressed frustration with UNMIK leadership in this sector, concern over a lack of an exit strategy, and weak Kosovar involvement in building consensus on future justice system and institutional reforms. An OSCE Report describes the current situation well: “the process by which legislative, policy and procedural changes are made in the criminal justice system is not formalized or based on short and long-term planning. Initiatives for change are often pursued on one level, failing to address other necessary aspects so that changes and measures are successful, maximizing the use of limited resources.”<sup>2</sup>

It would take serious USG/USAID leadership to realize a common framework to move UNMIK to advance laws and policies that support an effective and impartial Kosovar justice system. The cost, however, of not taking up the leadership mantle is an absence of Kosovar consensus on the rules and institutions that govern Kosovo, thus creating a highly unpredictable post-UNMIK scenario. Although information sharing is an important and necessary first step, given the gravity and political nature of the concerns with UNMIK, a separate, more senior body of official bilateral and multilateral donors needs to be created to discuss strategic concerns related to moving UNMIK and Kosovars towards an effective and impartial Kosovar justice system. USAID/Kosovo’s strategy, tactics and outcomes mentioned above would guide the process through this multi-year effort. Currently, no such formal and official strategic coordination mechanism exists for information sharing, and consequently overall progress towards results suffers.

### Harmonization

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<sup>2</sup> OSCE Mission in Kosovo, “Strategy for Justice,” p. 1.

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Given that donors in Kosovo are currently at the information sharing stage, it is understandable that donors have yet to establish performance indicators, collect common data, and examine their strategic choices and resource levels against results. There is growing interest within the development community in sector-wide approaches tied to government, or in this case parallel UNMIK performance standards. Where the interest among donors in moving towards strategic planning/division of labor is positive, it is unclear whether donors in Kosovo have the interest, discipline and/or human and financial resources to “drill” their coordination efforts down to this level and sustain this approach over time.

## **Annex IV: Special Situations – Regional and Cross-Border Issues**

### **B. Regional and Cross-Border Issues**

#### **West Africa (1999)**

##### *Background*

The logic behind a new West Africa regional program (WARP), and a donor coordination strategy to support it, rests on two arguments. First, there are specific functions that are best tackled on a multi-country basis because of returns to scale or large externalities. Examples of this include agricultural research, information networks, and geographical interdependencies such as the Sahel or the river valleys. Second, there is a broader argument, that the small size of the economies of the countries of the region, combined with their multiple and overlapping interdependencies, argue for a broader economic integration. The objective of such a regional integration would be to integrate factor markets, to better plan economic infrastructure investments, and to find ways to respond to serious regional problems such as harmonization of commercial law, migration and conflict.

Because of the complexity of this agenda, donor “regional” programs vary greatly. The Europeans use the term “variable geometry” to describe the structure of donor coordination, which captures the ad hoc character of existing arrangements. No donor appears to have a clearly articulated strategy for regional integration or any supporting regional administrative structure outside of headquarters. The Europeans meet periodically within the context of the EC’s indicative program, which has a regional component, but as with all donors, the bulk of the resources are in country programs and regional programs are managed out of Brussels. The UNDP has annual meetings for West and Central Africa, but they are organizational, not programming meetings and program coordination takes place in New York. The World Bank has regional offices in Abidjan and administers regional programs, particularly in economic infrastructure and support for regional institutions, but there is currently no overall regional strategy and the bulk of analysis and coordination is done in Washington.

There are exceptions. First, European support for the Unión Económica y Monetaria de África Oeste (UEMOA) and its monetary and customs union is central to the EU’s long-term strategy. Second, there is broad donor support for an integrated approach to the problems of the Sahel, articulated in the Club du Sahel and the Comité Permanent Inter Etats de Lutte Contre la Sécheresse au Sahel (CILSS). Third, in specific sectors, regional cooperation is well established—most notably in the PHN [see acronym list] area where the regional offices of the specialized UN agencies provide a coordinating mechanism. However, none of these mechanisms constitute a comprehensive response to regional integration.

USAID staff frequently mentions the Economic Community Of West African States (ECOWAS) as a mechanism for coordination. For other donors, however, ECOWAS,

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while central to political and security objectives, is viewed as somewhat marginal to regional integration strategies. For the Europeans, ECOWAS is a strategic surrogate for Nigeria and their interest will depend on the extent to which ECOWAS does, in fact, become the bridge between UEMOA and Nigeria. Further, there is no donor consultative mechanism associated with ECOWAS.

### *Strategy*

The obstacles to a USAID donor coordination strategy for WARP, therefore, include the lack of any donor framework or strategy for the region, the lack of any region-wide forum or mechanism for a donor dialogue, and the lack of donor program headquarters within the region. The “variable geography” approach suggests that it may not be necessary to find a single donor coordination mechanism for consultations on regional integration writ large. It may be sufficient for the current planning period to focus coordination in sectors or sub-regions if a mechanism can be found to achieve a broad donor consensus on the parameters of a regional framework.

- Therefore, a high priority for the WARP is to find a mechanism for the donors to articulate a common regional strategy. There are two candidates for such a conceptual role. First, the World Bank might be able to undertake a broadly participatory approach to a strategy for the region. Second, some donors have suggested that the African Development Bank might be able to play such a role. Perhaps the two banks could jointly lead such an effort. Upon approval of the Strategy by the Governing Board, WARP staff, Africa Bureau, and PPC/DP should collaborate to explore and encourage such a framework exercise that would include ECOWAS, the two Banks and major donors.

In the absence of a region-wide donor coordination mechanism, the WARP will need to establish bilateral consultations with key donors. The top priority would be the European Commission, and the World Bank.

- The USAID/EC annual consultations are tentatively scheduled for March 2000 in Washington. Preliminary consultations by PPC have identified regional economic integration as a potential focus for the consultations. Africa Bureau and WARP may wish to suggest a side meeting on West Africa as part of that dialogue, with the intention of establishing a regular consultative mechanism as an outcome. PPC could facilitate that consultation in cooperation with WARP and AFR.
- PPC and Africa Bureau should approach the World Bank to suggest annual bilateral consultations, preferably in Abidjan.
- The WARP will, for the first time, bring together coherent management of the Agency’s regional activities in W. Africa. Currently, donor coordination is conducted in a fragmented fashion both at the sectoral and sub-regional level. It will be essential for the WARP to consolidate management of donor coordination

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activities and to establish clear linkages with related Africa Bureau and other USAID coordination efforts. Currently the communication gaps are significantly constraining.

For **SO 1**<sup>1</sup>, the proposed program with support for OHADA and UEMOA activities combined with USAID engagement in energy policy, private sector and civil society, and analytical work on trade, monetary, and fiscal policy provide USAID with standing at the donor coordination table. Improved integration between Nigeria and anglophone W. Africa with the francophone zone is the key to the strategy. The critical problem is that no regional donor coordination mechanisms have been formed around the key regional institutions. However, some initial steps can be taken.

- The bilateral consultations with the World Bank, suggested above, will be important for establishing a link between analysis and institution strengthening supported under WARP and World Bank support for policy reform at the individual country level. If USAID grant support to regional institutions (and perhaps key national institutions – e.g., in Nigeria) could be planned collaboratively with World Bank policy efforts, such linkages could be facilitated.
- D/G 8 in Brussels has a unit dedicated to regional integration (an outcome of the current negotiating strategy for the Post-Lome IV negotiations) that could provide a focus for collaborative analytical work.
- The Europeans perceive Nigeria as critical to further advances in fiscal and monetary integration. Donor coordination in this area should be undertaken in close cooperation, therefore, with USAID/Nigeria.
- During this planning period, USAID should work with the international banks and the EC to establish a donor group, probably associated with either ECOWAS or the African Development Bank, to provide a consultative mechanism for regional integration.

For **SO 2**<sup>2</sup>, existing donor coordination mechanisms appear to be adequate and center on the UN health organizations. The SO narrative in IR 2.4 identifies a number of activities. Two priority donor coordination objectives should be emphasized.

- The slow implementation of the World Bank's health programs has been identified as a significant constraint regionally. The proposed World Bank consultations should include a discussion of USAID/World Bank collaboration to help address this problem. PPC, Africa Bureau, and the USED's Office should collaborate on this issue and could suggest management changes to the Bank.

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<sup>1</sup> **SO 1** – Regional Integration in West Africa is enhanced through assistance to public and private sector institutions.

<sup>2</sup> **SO 2** – Increased sustainable use of selected reproductive health, STI/HIV/AIDS child survival and maternal health services and/or products in West Africa.

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- The lack of a common donor framework for building regional institutional arrangements at both the technical and civil society levels is a significant gap in donor coordination. Building a consensus on models of public-private partnerships and on a structure of technical support networks that is region wide could be an important contribution of the WARP SO2. This should be a priority donor coordination objective. This might be done through a coordination mechanism in the region (to be identified), in cooperation with the UN organizations in Geneva (with support from USAID/Geneva), or in collaboration with the World Bank.

For **SO 3**<sup>3</sup>, expansion of the mandate and capacity of the Club du Sahel and CILSS to deal with the natural resource, agricultural, and food security issues of the entire region is the key donor coordination objective. Although most donors are cautious about this expanded role, there is general agreement that these two institutions are key to effective coordination in the sector. In addition, two additional donor coordination objectives have high priority.

- The desertification and biodiversity conventions can provide a partial framework for harmonizing donor and host country approaches to natural resource management and a mechanism for dialogue on related issues.
- USAID should work with the EC to develop food security strategy and coordination mechanisms to provide an integrated approach to food security problems in the region. USAID/EU and AFR can facilitate this process in Brussels.

For the SPO on Conflict, there are several priority requirements.

- USAID and the EC have agreed to cooperate closely in Africa on conflict prevention. PPC, AFR and WARP need to collaborate to establish a joint program for W. Africa and a consultative mechanism with the EC.
- A group of donors have recently established a global Conflict Prevention and Resolution Network. PPC, AFR and WARP should develop a proposal to establish an Africa sub-group for that network that would include W. Africa.
- The French have indicated that they would like to cooperate with USAID in support for a series of upcoming elections in W. Africa. AA/AFR will discuss this proposal while in Paris for the Decentralization Workshop. AFR needs to follow up on this proposal in collaboration with WARP.
- USAID should work with other contributors to the conflict prevention mechanism (CPM) to inventory conflict prevention and mitigation activities in the region and establish a general donor consultative mechanism alongside the CPM.

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<sup>3</sup> **SO 3** – The development and implementation of policies which promote sustainable food security and environmental/natural resources, regional institutions, and private and non-profit organizations and associations in West Africa.

## **Annex IV: Special Situations – Regional and Cross-Border Issues**

### *Issues*

Donor coordination sections, in each SO narrative, outline donor coordination issues, opportunities, and strategic choices. The discussion below is designed to highlight issues that cut across the SOs and that frame broad strategic choices for the WARP.

*ECONOMIC INTEGRATION.* The weight of USAID's program in W. Africa rests in the Sahel Regional Program (SRP), the five (six including Nigeria) bilateral programs, and a significant regional presence in PHN. USAID has a strong commitment to the SRP, which has been a highly successful effort with effective donor coordination mechanisms. For the Europeans and the international banks, however, the axis of W. African integration is the Coastal states, especially Cote d'Ivoire, and Nigeria. The next significant step in donor coordination in the region will probably be the structure of the dialogue between Nigeria and the francophone zone and how the donors relate to that dialogue. The relationship between the emerging Nigerian program and the WARP appears to be critical to the regional strategy. For the Europeans, UEMOA is the key to an integration strategy. SO1 proposes to establish a seat for USAID at that table, but the WARP will still have to work with the major regional donors (EU, French, World Bank, and the African Development Bank) to create such a forum. USAID's relationships to the EC are critical on this issue. The Africa Bureau may wish to make regional economic integration in Africa a key issue for the FY2000 consultations between USAID and the EC – as follow-up to the post Lome IV negotiations.

*BUILDING PARTNERSHIPS.* Much of USAID's regional program focuses on policy analysis, information networking, and support for civil society advocacy. USAID's bilateral presence is limited. In health, energy, natural resources management, agriculture, conflict resolution, and economic policy, the impact of USAID's regional investments will depend on other donors, with larger resources and broader country coverage, to carry WARP's message and provide the leverage and resources to make USAID contributions operational. In both SO2 and 3, the World Bank will be a key partner from this perspective. In SO 1, the French and the EC will be key partners. In conflict prevention, the Canadians, the Germans and the EC can be critical partners. Other donors have urged USAID to consider the African Development Bank as a key regional actor in natural resource management and economic infrastructure. In sectors where regional-wide donor mechanisms are lacking, collaboration among a small group of key donors for whom USAID's program is complementary, may be an efficient strategy. An early activity of the WARP, once approved, should be to develop a roadmap of key multilateral and bilateral partnerships and to identify fora where dialogue can be effective.

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*NATURAL RESOURCES MANAGEMENT.* There is no obvious mechanism for integrating cooperation in food security, natural resource management, and agriculture within the W. African region. The Club du Sahel and the CILSS are institutions that have evolved to deal with these issues within the Sahel. ECOWAS has indicated that it wishes the CILSS to provide a broader analytical and technical role within the region. Current capacity will be a constraint on this broader role. It will clearly be easier for the Club, as a donor organization, to expand its scope, than the CILSS, which has a restrictive membership and is viewed by some as a “lobby” for the Sahel countries within the region. USAID is uniquely positioned to work with other donors to facilitate this transition and should make this a clear strategic objective.

*REGIONAL FRAMEWORK.* The lack of a common donor framework for regional integration may not be a fatal flaw. However, experience elsewhere suggests that such a framework can help to structure priorities, focus dialogue, and facilitate a division of labor. The World Bank is currently developing a new Africa-wide strategy. It seems likely that it will be necessary to specify that strategy to certain regions. This may provide an opportunity for key donors to work with the World Bank to turn this in-house exercise into a broader donor exercise. There appears to be some donor interest in such a development. Should a decision be made to pursue this suggestion, AID/W would probably have to take a lead with the World Bank.

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### **Caribbean Region (~1999)**

The dominant development issue for the Eastern Caribbean is how to induce structural changes in the island economies that will affect a shift from a dependence on protected banana exports to viable alternatives. This structural change is being driven externally by changes in the international trade regime caused by the WTO, the post-Lome IV negotiations, and the FTAA negotiations – all of which are substantially outside the control of the Organization of Eastern Caribbean States (OECS). It seems clear that if the Eastern Caribbean states are to sustain the substantial development progress that they have already made, they will have to globalize their economies rapidly.

Both the IDB and the World Bank have produced Caribbean regional analyses that address the needed structural changes within the Caribbean generally. This analysis has been further elaborated by the Commonwealth Secretariat's Conference on the Small States. The small size of the E. Caribbean economies is their defining structural characteristic. They are inherently subject to market failure associated with small markets, and, individually, they face limits on returns to scale and economic diversification. The consensus solution to these problems has three components: a) rapid integration into a broader Caribbean region, including internal integration of factor markets, a common external market, b) harmonization of legal and regulatory systems within the Caribbean region, and c) further liberalization of the region's economies. Regional integration will, in turn, permit more efficient provision of many public and business services and greatly facilitate the economic diversification process.

Although the states of the OECS are certainly not the world's poorest countries and economic performance has been quite good, the pressures to improve competitiveness will reduce wages, reduce public budgets for social services, and undermine efforts to increase local empowerment. The necessary speed of structural adjustment, their very small size, and their vulnerability to natural disasters, has raised concern among the donors about the OECS states' capacity to manage the transition. Some doubt that the countries will find the will to make the required structural changes or have the capacity to coordinate.

To the extent that sustainable development in the E. Caribbean depends on broader regional integration, their success is not entirely within their control. The diversity of country conditions within the Caribbean region complicates both the liberalization and integration process. The larger economies with a strong natural resource base (e.g., Jamaica and Trinidad) may find it easier to liberalize markets than the smaller ones. Some government and business leaders are ambivalent or even opposed to both further liberalization and integration, fearing the political and economic stresses of a rapid transition from a protected banana economy. This concern is further intensified by the lessons of the recent financial crisis, which many observers feel demonstrates the risks of rapid and uncontrolled globalization. Many feel that a successful trade strategy,

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retaining existing protection, could obviate the need for structural change. The European donors have recognized these fears and have a strong poverty focus in their programs.

Although there appears to be little disagreement with this broad analysis among donors, it is also the case that neither the World Bank nor the IDB have adopted the aggressive macro-policy leadership role in the Caribbean that they have elsewhere. The immediacy of the trade issues has captured the attention of donors and local leaders alike. In consequence, coordination among donors to operationalize this broad framework, sector by sector, is weak. However, the recently heightened concern for the E. Caribbean means that all donors are reassessing their programs and developing new strategies. Regional institutions that were comfortable at their current capacity level are now confronted with new challenges. The time is ripe for a USAID reentry into the region.

In this context, the success of a USAID economic growth strategy depends on three factors: the emerging global trade regime and the place of the Caribbean states in it, the pace and effectiveness of regional integration, and rapid structural change in the individual island economies. This, in turn, defines the policy tables at which USAID needs to participate to assure harmonization of donor programs that influence the broad institutional and policy framework within which USAID activities function. The capacity of regional institutions to play a coordinating role is limited. Organizations such as OECS and the Caribbean Community (CARICOM) have limited capacity to initiate or even represent their members. Neither do they have any direct implementing role. The Caribbean Development Bank (CDB) has focused on project implementation, where its performance is criticized, but has little strategic or policy coordination functions. The USAID strategy needs a strong institutional strategy and needs to engage other donors in this process.

*TRADE.* CARICOM and the new Regional Negotiating Mechanism coordinate regional participation in the trade negotiations. The key donors in this area are Canada, UK, and the EC. These negotiations are the driving force for policy and institutional change in the region, so it is very important that USAID/Kingston engage quickly with the ongoing consultation process in order to make the links to its export diversification strategy. EC/Barbados indicates that Phillip Lowe, Director General for DG8, intends to attend a key CARICOM meeting in July. This would be an excellent opportunity for USAID to initiate a dialogue. Perhaps a side meeting could be arranged among Canada, UK, EC, and USAID. USAID is already engaged through support to the CARICOM Trade Information Network.

*REGIONAL INTEGRATION.* Within the E. Caribbean, the focus for regional integration is fairly clear, with the OECS and the Eastern Caribbean Central Bank (ECCB) being the key institutions. However, the institutional focus for broader Caribbean integration is much more diverse with a wide variety of specialized regional organizations receiving donor support. The two obvious candidates, CARICOM and CDB, are not perceived to

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be playing a strong coordination role, in spite of considerable donor support. It is noteworthy that the OECS, CDB, and CARICOM do not have a clearly articulated regionalization strategy. Donor support for regional institutions seems to have been ad hoc to support specific project goals, rather than part of a coherent institutional strategy.

USAID needs to reestablish its previous relationship with the CDB, especially because all other major bilateral donors are members of the CDB board. Although the USAID strategy focuses on the E. Caribbean, the Mission needs to clarify its role in broader Caribbean integration, because this integration process will constrain the success of its strategy. It would also appear useful for USAID to work with the other donors to develop a framework for institutional strengthening in support of integration both in the E. Caribbean and more broadly throughout the Caribbean. Working with other donors to establish such a framework in each major sector within the USAID strategy would be a good first step.

*COUNTRY STRUCTURAL CHANGE.* USAID's strategy is regionally focused, whereas most other donor programs, bilateral and multilateral, are designed and implemented at the country level. Increased organization capacity at the regional level does not necessarily translate into increased presence or outreach at the country level. The consequence is that the relationship between broader regional efforts to harmonize institutional arrangement and to stimulate regional integration and donor support for structural reform at the country level is also weak.

It should be a high priority for USAID to link its programs at the regional level with other donors' country level interventions. In particular, USAID will have to find some means for a policy dialogue at the political level among country leaders. This is important because it is at the country level that the fears of globalization are most evident. The recent suggestion of the donor environmental group to meet with Environment Ministers under the auspices of the OECS is an interesting model.

### *USAID Strategy*

The framework for a Mission donor coordination strategy has four components: information exchange, commonly accepted frameworks for action, division of labor, and common performance indicators. Once the Mission has begun to establish consultation at each of these four levels, it can begin to address potential areas of complementarity and conflict, the lack of a common program vision, and a strategy for building regional institutions. The Mission's objective should be to assure that all four components are in place by the end of the planning period. The good news is that there are only a few significant donors: Canada, UK, EC, World Bank, IDB, and UNDP. The bad news is that in most sectors there is no common action framework and only weak or non-existent mechanisms for coordination and policy dialogue. This will require a major up-front

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effort by USAID to build a coordination process. However, such an effort will contribute directly to the USAID strategy of strengthening regional institutions.

The donor coordination strategy will be influenced by the fact that most major donors are located in Barbados and that they already consult regularly on the CDB Board. The dominance of the European Union, both in assistance levels and in the trade negotiations, is also important for the Mission donor strategy. The relative distance of the major IFIs from the E. Caribbean program seems to significantly weaken policy dialogue in the region. Finally, the linkages between the field offices of the UK, Canada, and EC and the critical trade negotiations is much stronger than that that of USAID/Kingston.

Among the sectors within USAID's strategy, the environment and disaster management components have currently the most advanced mechanisms for coordination. The environment sector has the beginnings of a common framework (SIDS/OPS), although it is more of a menu than a framework. The donors have recently established an informal coordination mechanism, and have initiated a process for effecting political dialogue with the OESC environment ministers. It is not clear, however, that the SIDS/OPS framework significantly guides or constrains donor efforts, establishes a division of labor, or establishes performance indicators. Neither is it clear that the OECS/NRMU can yet play the coordination role required.

There is also currently a well functioning coordination mechanism for disaster management and, although it has not so far focused on disaster mitigation, there is considerable interest in this new thrust of USAID's strategy.

The Administration of Justice (AOJ) component of the USAID strategy can plausibly be managed somewhat independently from these broader structural concerns. Nevertheless, the Mission needs to consider linkages to two broader processes. First, the Mission needs to consider how much justice system reform needs to be integrated with broader governance reform at the country level that will be an essential component of structural transition in these countries. Second, legal reforms are a key component of the broader system of regional integration and harmonization. In consequence, the Mission will have to address how its efforts fit into a broader regional institutional strategy and how regional and individual country reform efforts are integrated. There seem to be no institutional focus or existing coordination mechanisms for cooperation on governance reform within the region. Thus, there is no current framework to guide work in this sector. There is potential for a division of labor and common indicators of performance among USAID, Canada, and the EC but the coordination mechanism to establish it does not yet exist.

In the several sub-sectors of the economic growth SO (tourism microenterprise, export diversification, agricultural diversification, and telecommunications), with the

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exception of the broader trade negotiations, donor coordination mechanisms are very limited. In none of these sectors are there existing mechanisms for donor coordination or dialogue with the OECS states. There is no common action framework, no effective division of labor, and no common performance indicators. As USAID is just beginning to reenter this sector in the E. Caribbean, exchange of information is also limited. Thus, the same institutional weaknesses that constrain broader structural change in the region will also constrain the USAID strategy. First priority would be for the Mission to develop a strategy for responding to these gaps.

### *Issues*

- It is not really clear what level of donor (or country) consensus exists on the speed, structure, and mechanisms for further integration and harmonization in the region. Does USAID's strategy, to be sustainable, depend on supporting mechanisms for developing such a regional consensus?
- USAID needs to consider an appropriate level of effort, and of work with other donors, in support of broader Caribbean integration, as opposed to an exclusive focus on the E. Caribbean. In the long term, is an E. Caribbean strategy sustainable?
- USAID is proposing a regional strategy whereas most donors program projects at the country level, with limited support to regional institutions. Should USAID's strategy make an effort to link these donor efforts more effectively and to find ways to engage in policy dialogue at the country level?
- How does the Bureau propose to link the trade components now housed in AID/W with the economic growth SO in the regional strategy?
- The European donors' programs have a strong poverty focus, stressing the disruptions of the restructuring process. How well does this fit in with USAID's efforts?
- Is USAID convinced that policy coherence within the USG between the trade negotiations and the regional development strategy is adequate?

### **Actions**

- AID/W and USAID/Kingston need to take immediate action to assure linkages and communication between the trade negotiation process and the design of the USAID economic diversification strategy.
- In each major sector of the USAID strategy, the Mission needs to take steps to join or to form donor working groups.
- Mission needs to map in each sector donor program information, the existence of common action frameworks, the division of labor, and common indicators. Of critical importance is donor support for regional institutions.
- Consultation and a good working relationship with the EC is of critical importance.
- Reestablishing a dialogue with the CDB is also critical as it is the conduit of most IFI resources.

## **Annex V: USAID/Mozambique Case Study**

### **Annex V: USAID/Mozambique Case Study<sup>1</sup> (2002)**

The Mozambique assessment is provided in near entirety as an example of the depth and comprehensiveness that a full assessment entails. Unlike the earlier case studies, this assessment analyses donor coordination by the USAID/Mozambique's Strategic Objectives (SOs).

#### **Why a Donor Coordination Assessment?**

Currently, the international development community heavily favors Mozambique. Its high levels of poverty, combined with a relatively sound economic policy environment, suggest that Mozambique meets the conditions commonly thought to result in the effective use of development assistance (See World Bank 1998). Since the late 1980s, growth has been strong, averaging between 5% and 7% over the period 1987-1995 and accelerating further still through 2001. This is remarkable given the conflict situation that prevailed until 1992. Mozambique held multi-party elections in 1994 and has successfully avoided a relapse into conflict. In August 2001, the boards of the IMF and World Bank endorsed Mozambique's poverty reduction strategy (known as the PARPA), which triggered debt relief under the Enhanced HIPC Initiative. The PARPA was found to be a credible strategy on which the Fund and Bank could base future concessional assistance (IMF and IDA 2001) and has received good reviews from other sources as well (See Falck and Landfald 2001). Most, if not all, donors to Mozambique recognize the PARPA as a sound development strategy – even if it remains overly general to guide specific interventions.

The result of these perceived positive developments has been a flood of foreign assistance. In 1992, ODA to Mozambique actually eclipsed 100% of the country's GNP. It has since fallen quite substantially, reflecting a decreasing dependence on aid, but still hovered around 25% – \$876 million in net terms – in 2000. This figure, however, still somewhat masks the importance of foreign assistance; the Ministry of Planning and Finance (MPF) reported that aid makes up between 55% and 60% of the government budget. These figures, too, are somewhat misleading, as they only reflect assistance that is known to the Government (GRM). Much aid remains off budget; that is, it is unrecorded and unknown to GRM, and estimates are not even ventured.<sup>2</sup> With many donors active in Mozambique – at least 46 bilateral and multilateral agencies in 1999,

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<sup>1</sup> This assessment is based on interviews with USAID staff and representatives from other donors, GRM, and the private sector that took place over the period 19-30 August 2002. It is not, and was not intended to be, an exhaustive survey of stakeholders' opinions, but merely reflects a sample of views. A list of non-USAID interviewees is included at the end of this annex.

<sup>2</sup> Donors have simply been unable to provide the information MPF requests according to GRM's budget classification system. This raises the controversial question of who should bear the costs of reporting. Because most donors utilize standardized reporting systems across all countries to which they direct assistance, it is argued that they end up pushing reporting costs on to their recipients to ease their own reporting burdens (ECON 1998).

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plus an estimated 150 or more NGOs (Francisco 2002) – and significant assistance available, donor coordination is essential to ensure efficient resource use and reduce burdens placed on a government that lacks capacity to adequately manage diverse donor programs and reporting demands.

As a result of the large and vocal donor presence in Mozambique, achievement of USAID’s strategic objectives (SOs) is, for good or ill, greatly dependent upon the results of activities supported by other donors. Indeed, every proposed SO or special objective (SpO) in the Mission’s concept paper relies on at least one critical assumption that takes account of the expected contributions of other donors. It is therefore important to USAID that the activities supported by other donors which are seen as critical to the achievement of USAID’s SOs be consistent with USAID’s strategic approach and actually be implemented in a timely and effective manner. Donor coordination can be a useful way for USAID to leverage additional political support and resources from the donor community in furtherance of its SOs. Due to the multiplicity of donors active in Mozambique, opportunities for leveraging are widespread.

Actively seeking opportunities to leverage other donor resources in support of USAID’s SOs becomes less important as the size of the USAID program relative to total assistance to the country increases. If Millennium Challenge Account (MCA) funds become available to USAID/Mozambique, USAID would likely become the single most influential donor in Mozambique. Rather than locating opportunities to leverage other donors’ resources, USAID would find itself in a position of being courted by other donors in support of their priority programs. However, donor coordination to ensure the efficiency of resource use and minimize the burdens of aid on the Mozambican authorities would probably become even more important given the emphasis of the MCA on the effective delivery of assistance.

### **The Donor Coordination Landscape**

To avoid duplication of effort, donors historically concentrated their interventions geographically among Mozambique’s provinces. While this tendency has not entirely disappeared, donors have made efforts to coordinate their assistance more strategically around particular issues. If the effectiveness of coordination could be deduced by the number of formal coordination arrangements in existence, Mozambique would have to be considered one of the best coordinated countries in Africa. “There are numerous coordination mechanisms dealing with overall development policy, macroeconomic support, different sectors, and specific themes” (DAC 2001: 7). Unfortunately, as one interviewee suggested, a multiplicity of coordination mechanisms often means that their effectiveness is limited. Indeed, several donors expressed dissatisfaction with the current collection of coordination mechanisms. Whereas many countries suffer from an absence of coordination arrangements, the problem in Mozambique seems to be an excess of poorly linked coordination mechanisms. Ironically, well-intentioned efforts to coordinate

## Annex V: USAID/Mozambique Case Study

assistance have resulted in the need to coordinate the many coordination mechanisms.<sup>3</sup> This seems to be well recognized by the donor community in Mozambique, which probably would support a strong effort to rationalize the entire system. This section describes the various existing coordination fora.

### *Development Partners Group (DPG)*

The DPG is considered the highest-level donor coordination body in Mozambique that meets on a regular basis. It is jointly chaired by the UNDP and World Bank and meets once a month. The DPG is normally attended by Ambassadors and heads of agencies and remains exclusively a donor discussion group. It is not a decision-making forum, and no record of the meetings is kept. While the DPG is widely acknowledged as a useful forum for freely sharing policy positions, particularly on political matters, most donors recognize its limited effectiveness in coordinating assistance. This is, at least in part, due to the political stature of the attendees; Ambassadors rarely concern themselves with operational or technical issues.

The exception occurs when the DPG focuses its energies on the preparations for the annual Consultative Group (CG) meeting. For approximately two months in advance of the CG, the DPG seems to work diligently in planning the agenda, drafting position and discussion papers, and determining pledges. One suggestion to improve the effectiveness of the DPG, made by the EC, is to use the meetings to more carefully develop the CG agenda and follow-up on the meeting itself. In other words, focus the DPG entirely around the CG. The World Bank offered a similar suggestion for reforming the DPG: replicate the structure of the CG within the DPG – that is, include GRM in the meetings – to allow continuous attention by all sides on preparations for the CG and subsequent follow-up.

In theory, the DPG is supported by an array of sectoral or issue-specific working groups that involve operational staff from donor agencies. Each of these groups seems to operate according to its own rules. For example, the budget-working group meets on a quarterly basis with GRM. Other groups meet more regularly, with or without GRM. A common complaint about these groups is that none really reports to the DPG or contributes to its discussions. The more effective groups tend to be those whose members report back to the leadership within their individual agencies, but as groups they are not held accountable by the DPG.

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<sup>3</sup> There is not only a need to coordinate the coordination mechanisms, but also to coordinate studies of coordination in Mozambique. Within the past year, donors – most notably under the auspices of the DAC – have commissioned a number of studies on coordination arrangements and efforts. See Pavignani and Hauck (2001), DAC (2001), Francisco (2002), and Batley (2002). The field work done for this study was to be followed by a visit from an EC study team on 3-6 September 2002 whose aim was to document coordination among the development assistance programs of EU member countries in Mozambique.

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In all likelihood, the effectiveness of both the DPG and the technical working groups would be enhanced by a more direct link between them. DPG discussions could be better informed of technical matters, making meetings more operationally relevant, and technical groups, finding themselves more politically relevant, could be pushed to work harder to resolve difficult issues. How such a link might be established is unclear, though both DfID and Ireland were reported to be exploring different ideas. DfID suggested that one option could be the creation of mid-level coordination groups that would effectively cluster the technical groups around common themes, which would then report to the DPG. However, the problem in Mozambique remains one of managing the many coordination mechanisms, which should be kept in mind when considering the addition of more coordination groups. In fact, it may be preferable to enhance the effectiveness of the existing groups – and eliminate those whose potential effectiveness is limited – before proceeding with the addition of any more donor coordination arrangements.

### *Group of 10 (G10)*

The G10 appears to be one of the more influential donor coordination groups in Mozambique. It is made up of nine European countries plus the EC, all of which have agreed to provide GRM with general budget support according to an agreement signed by the donors and GRM in November 2000 (See Joint Donor Group 2000). The group holds weekly meetings of the agencies' economists, and the IMF and the World Bank maintain observer status. The agreement dictates that donor support will be predicated on a continuous dialogue with GRM, represented by MPF, on progress in poverty reduction, domestic resource mobilization, and public financial management and outlines a series of regular reporting and auditing requirements that must be fulfilled by GRM. The dialogue occurs over an annual Joint Donor Review meeting, quarterly meetings of the budget working group, and informal meetings, averaging perhaps twice per month, as warranted.

According to the IMF, approximately 40% of all assistance to Mozambique is provided by the G10 and its two permanent observers as budget support, giving the group substantial leverage in policy discussions with GRM. However, because GRM would be practically unable to function if the G10 withheld its disbursements, the threat to withhold is not entirely credible. The recent banking scandal posed the first real test for the G10, and, though accounts differ, disbursements do not seem to have been held up as a result.<sup>4</sup> However, the scandal has spurred the G10, encouraged by the IMF, to consider alternative conditions for the release of its assistance. In particular, the group is exploring the possibility of tying its assistance to governance-related conditionality. The EC, in fact, will begin experimenting with a two-tiered system for delivering its budget support. The first tier will be tied to standard macroeconomic conditions, namely the

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<sup>4</sup> For a different account, see Harvey (2002).

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Poverty Reduction and Growth Facility (PRGF), and will be similar to existing G10 operations. The second tier is thought to be more flexible and will be triggered by progress on social development and possibly governance indicators.

### *Sectoral and Thematic Working Groups*

A plethora of working groups exist whose concentrations range from relatively broad issues, such as public sector reform, to more narrow, sector-specific issues, such as roads. Many of these will be discussed further as they pertain to USAID/Mozambique's proposed SOs and SpOs. As one might expect, their effectiveness varies quite considerably. Due to limited information, two themes that will not be covered in great depth in this report are gender and disaster response. However, there exists a regular donor working group focused on the former, and coordination on the latter, while done on an as-needed basis, can be critical in a country that experiences periodic crises, as Mozambique has in the past few years.

The main objective of the gender-working group is to increase pressure on the donors to implement their own gender policies. In this regard, participants agree that there is scope for improvement. Only the Netherlands, which serves as the group's convening donor, has a full-time position dedicated to integrating gender issues into its programs. Gender issues tend to be only a small part of the portfolio of other donors' gender advisors, and therefore participation in the working group is often irregular. The group is also currently working to better "genderize" the PARPA. Unfortunately, it is not clear how effective the group's efforts have been since the ministry dedicated to promoting women's rights and issues is given little priority within GRM.

USAID noted its strong efforts at donor coordination in responding to the most recent disaster situations in Mozambique, particularly the floods of 2000 and the current food crisis in the region. The Mission was extremely active during the relief phase of the flood crisis and continues to support reconstruction programs. These efforts required significant Mission time in working with OFDA in Washington and the WFP.

### *Other Coordination Venues*

Some donor coordination forums are not open to USAID participation, though it may be important to be aware of their existence. For example, the heads of EU development cooperation agencies meet on a monthly basis. These meetings seem to be of mixed utility, with some donors finding them quite useful and others seeing them as simply an "obligation." Though membership does not overlap entirely, many of the EU countries also meet regularly as part of the "like-minded" group. In Mozambique, the "like-minded" group, generally distinguished for its preference for sector-wide approaches (SWAs) and the pooling of donor assistance, consists of the Nordic countries, Canada, DfID, Ireland, the Netherlands, and Switzerland. In addition, the

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various UN agencies meet regularly among themselves and coordinate their assistance programs under the country's UN Development Assistance Framework, which essentially serves as the UN country strategic plan.

### **An SO-by-SO Account of Coordination**

#### ***SO 1: Rural income growth accelerated***

##### *ProAgri*

Mozambique's agriculture sector program, ProAgri, seems to be the only fully functioning SWAp in Mozambique. ProAgri became functional in 1999, but its roots can be traced to 1995 when the Ministry of Agriculture and Rural Development (MADER) embarked on an ambitious effort to design an agricultural policy for Mozambique. Its achievements to date are recognized by many as impressive. ProAgri has served to rationalize the contributions of most donors to the agriculture sector through an agreed mechanism by which assistance is channeled through GRM's budget – earmarked for ProAgri – in support of common objectives. Most donor-supported activities within the agriculture sector are now known to MADER, which has enhanced the Ministry's ability to fulfill its planning function. The only significant donors that seem to operate outside of the ProAgri framework are the French and the AfDB, the latter of which does not maintain a representative in Mozambique. Until recently, however, the World Bank also had difficulties in participating in ProAgri according to the agreed memorandum of understanding. Perhaps ProAgri's greatest achievement to date is the fact that 60% of its resources will be allocated to the provincial level in the 2003 budget, suggesting that decentralization is becoming a reality.

ProAgri is in fact a true partnership between GRM and the donors. The coordination mechanism has evolved from an exclusive donor working group to a situation in which a MADER representative co-chairs weekly working group meetings with a donor representative, currently from USAID. In fact, USAID is given much of the credit for deepening the relationship between MADER and the donors. The next step in ProAgri's evolution would involve a complete transfer of leadership over the working group meetings to MADER. While a few donors believe such a transfer would be appropriate at this time, most are reluctant to do so, as is MADER. The donor co-chair is seen by many as a useful buffer between the donors and GRM.

Beyond the working level, the group meets on a biannual basis to jointly review and evaluate progress. Presently, the group is preparing for a joint evaluation of the first phase of ProAgri, which is coming to an end. MADER developed the terms of reference for the evaluation and solicited donor feedback. The same process is used for the annual audit of ProAgri. In addition, meetings are held with the Minister on an as-needed basis

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when important issues arise. These meetings were previously held on a monthly basis, but the maturity of the relationship between GRM and donors, as well as the effectiveness of the working group meetings, has made them less necessary.

By all accounts, ProAgri is a model SWAp whose lessons can greatly inform other efforts to develop sector programs in Mozambique. Nevertheless, certain challenges remain. A common criticism of ProAgri is that it has not yet resulted in the ultimate objectives of the program, namely increases in agricultural productivity. This is well recognized even by those most convinced of ProAgri's achievements. Results, of course, take time, and one of the lessons of ProAgri is that, in an environment in which capacity deficiencies are widespread, a great deal of time and energy must be devoted to procedural issues in order to properly develop the systems needed for a functioning sector program. It is encouraging, however, that resources are making their way to the field level, where the results will ultimately be realized. A general concern about SWAps is that they can have the adverse effect of reinforcing centralized management systems. In this case, decentralization is being driven by MADER, the central Ministry.

Part of the delay in achieving increases in agricultural productivity as a result of the reforms initiated through ProAgri is due to the fact that MPF staff, particularly at the provincial level, proved incapable of delivering funds to MADER offices at the field level. As per the agreed flow of funds mechanism, funds that are transferred from the center to the field must go via MPF, both at the central and provincial levels, before reaching MADER field offices. There exists no direct budget link between MADER at the center and its provincial offices. As a result, progress in ProAgri was delayed by budget management problems at MPF. ProAgri therefore supported some capacity development for provincial MPF staff. Though this delayed ProAgri implementation, the improved MPF capacity at the provincial level should allow other sectors contemplating similar reform programs to more quickly and effectively decentralize their operations.

Recently, some donors have begun contemplating removing the earmark from their assistance for ProAgri and providing it as general budget support. The trend for DfID and the Netherlands certainly appears to be in this direction. Currently, most donors, including DfID and the Netherlands, pool their support for ProAgri in a dedicated foreign exchange account. The EC and USAID are the exceptions, as both disburse their assistance for ProAgri directly into GRM's budget. The foreign exchange account presumably allows pooling donors to better attribute their contributions to the agriculture sector, but in reality it is impossible to identify precisely how funds are spent. The account is, however, useful insofar as it is a source of funds dedicated exclusively to ProAgri and can be used in the event that, for example, MPF is late in releasing the ProAgri budget. The prospect of some donors transferring their support to ProAgri into general budget support thus concerns several ProAgri donors and MADER itself due to

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doubts that the policy priority given to agriculture may not actually translate into budget priority and low confidence in MPF's ability to manage the budget.<sup>5</sup>

### *Beyond ProAgri*

One of the key reasons for the success of ProAgri seems to be that it is strictly concerned with the appropriate role of MADER in the agriculture sector. It is therefore not a SWAp per se because it is not sector-wide in scope. However, the main reason for its success also limits its effectiveness in dealing with issues that are part of SO 1 but which fall outside of the scope of ProAgri. For example, SO 1 contains a roads component, but roads and other infrastructure are the purview of another ministry, and coordination on roads activities is actually addressed in another working group of seemingly more limited effectiveness.<sup>6</sup> SO 1 also seeks to support rural financial services, a private sector activity for which the most appropriate focal points for coordination might be a particular business association and, from GRM, the Ministry of Industry and Commerce (MIC) or MPF, rather than MADER.

Such cases raise the question of whether the mandate of ProAgri should expand to include issues over which MADER has more limited influence even though they might affect the outcomes MADER is trying to achieve. There may be a precedent for expanding MADER's mandate in this way. An Inter-ministerial Land Commission was created originally under the auspices of the Prime Minister. Recently, with the Land Commission's mandate due to end, the Council of Ministers appointed the Minister of Agriculture as GRM's point person for land with a mandate to lead coordination with other GRM units and incorporate land activities within MADER's structure. Rural development, a multisectoral theme, is also considered the responsibility of MADER.

Certainly, as ProAgri matures, the group should be able to tackle more complex issues and perhaps expand the partnership to include private sector and non-governmental actors. In fact, the EC reported limited coordination with USAID on assistance for agricultural industry and commercial agriculture, as well as USAID-funded NGO

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<sup>5</sup> One interviewee noted that there are several reasons a shift toward general budget support may be problematic, in addition to the above: (1) donors should view themselves as providers of technical assistance and sources of sound advice – not just providers of finance; (2) donors may be in a better position to judge the appropriate contributions of individual countries to international public goods, such as agricultural research; and (3) more practically, Ministries of Finance tend to attract higher caliber individuals, so general budget support can have the effect of reinforcing the power of the most competent people rather than developing capacity where it is most needed.

<sup>6</sup> USAID staff expressed concern regarding the issue of road maintenance. In particular, MPF has apparently reallocated revenues generated by a fuel surcharge destined for road maintenance toward other priorities. A Road Fund dedicated to road maintenance was created to eliminate this problem, but it has not done so satisfactorily. Because assistance to the roads sector is dominated by the World Bank, and until recently the World Bank had no one in Mozambique dedicated to roads, coordinated donor efforts to resolve such matters have not occurred. [N.B. As a result of limited discussions with relevant World Bank staff, the success of the Road Fund in dedicating funds for road maintenance remains somewhat unclear.]

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activities, none of which is addressed currently in the ProAgri working group. However, it would also be useful for MADER to establish better communication with other sectoral ministries. One donor suggested that, generally, donors could play a positive role in Mozambique by encouraging GRM to talk to itself. The ProAgri donors seem particularly well placed to encourage MADER to engage with other ministries whose policies and activities have an impact on the agriculture sector. MIC, in particular, reported difficulties in engaging with MADER on issues of mutual interest.

### ***SO 2: Use of quality health services increased***

#### *GT-SWAp*

In the health sector, efforts are underway to establish a SWAp. Previously, the health sector was supported through a series of uncoordinated projects, a result that is in part attributable to the historical tendency for donors to focus their efforts on particular provinces. In 2000, donors and GRM agreed to a code of conduct that serves to guide donor interventions in the health sector. The GT-SWAp coordination group, which meets two times per month, was established following the signing of the code of conduct. The meetings are chaired by the Ministry of Health (MISAUD) and are open to all donors irrespective of whether they provide assistance to the health sector. The GT-SWAp officially reports to the Health Sector Coordination Committee (CCS), which, after meeting on a quarterly basis for some time, now meets only two times per year to discuss high-level issues. The CCS is presently awaiting the results of the first joint GRM-donor evaluation of the health sector. A common criticism of the existing coordination structure is that it does not involve NGOs despite the strong presence of NGOs in the health sector. It was noted by both MISAUD and several donors that the relationship between GRM and NGOs is improving – for example, MISAUD is attempting to develop a code of conduct with NGOs – but the legacy of GRM’s mistrust of NGOs remains evident.

The GT-SWAp is currently pre-occupied with the creation of a common fund for assistance in support of the overall health sector by January 2003. MISAUD is keenly interested in consolidating various pools in the health sector into a single fund and eliminating direct relationships between individual offices within MISAUD and the donors. In doing so, the expectation is that funds – both GRM’s and donors’ – would be allocated more rationally. MISAUD seems to be taking a sensible approach to consolidating the various pools: the more effective the pool, the less immediate is the need to bring it into the common fund. Accordingly, the pharmaceutical pool is likely to be the last one incorporated into the common fund. MISAUD understands that ultimately the common fund should be placed on-budget; that is the funds should be provided directly to MPF, which in turn would make them part of MISAUD’s budget. However, like MADER, MISAUD lacks confidence in the ability of MPF to manage the overall budget effectively. The experience of ProAgri, in which funds intended for the provinces

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were delayed due to capacity deficiencies in the MPF system, could be disastrous for the health sector, although, as noted earlier, some of these problems have been resolved due to capacity building efforts in support of ProAgri.

The consequence of the almost exclusive focus within the GT-SWAp on establishing a common fund is that meetings are used mainly to discuss financial matters. As USAID pointed out, however, one dollar from USAID is not necessarily equivalent to one dollar provided by, say, Belgium when it comes to funding activities. Unfortunately, very little of the meetings' discussions serve to coordinate activities. A fully functioning SWAp therefore still seems several years away. Unlike the case of ProAgri, discussions have not centered on the priority functions of MISAUD in the health sector, preventing concrete plans from emerging. MISAUD and the donors are probably both guilty of overemphasizing financial issues. MISAUD, of course, has a strong interest in learning about everything that is supported by donors in the health sector. For their part, donors – particularly those whose policies identify SWAps with direct support to GRM – have commissioned a number of studies on financial matters that often guide GT-SWAp discussions. The latest of these, funded by Switzerland, will explore possibilities for moving donor assistance to the health sector on-budget. According to some donors, the result is much talk and little action, or, in the words of one interviewee, “paralysis by analysis.”

### *USAID Leadership in the Health Sector*

The focus on financial issues has, however, highlighted the importance of some of USAID's contributions to the emerging sector program, particularly its systems capacity building efforts. Though criticized for not being sufficiently transparent regarding many of its activities in the past, USAID is recognized by donors and MISAUD for having dramatically improved its efforts to coordinate assistance to the health sector in the last six months to one year. Nevertheless, USAID leadership in the health sector is hampered by delays in following through on its commitments as a result of its own procurement problems and limited communication on project status. This was confirmed by MISAUD, which, as a result, tends to make similar requests of multiple donors with the expectation that some will not deliver. What thus appears to be a lack of communication within MISAUD is actually a risk diversification strategy, though it generally results in the same inefficiencies.

USAID's inability to provide program assistance in support of the health sector was thought to be another constraint on USAID's leadership. In fact, no donor that was interviewed expressed this view. Neither did MISAUD. The message from both donors and MISAUD was that budget support is not central to a SWAp. What is important is the joint planning that ensures all donor support, whether in the form of program or project aid, fits within an agreed sector framework. Nonetheless, USAID staff expressed an interest in using program assistance in the health sector if the current legal restrictions

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were to be lifted. However, according to one interviewee, there is currently too much money flowing to MISAUD as it is. Though the interviewee had always disagreed with USAID's reliance on NGOs, the general shift in assistance away from NGOs toward GRM directly, it was argued, threatens to overwhelm the capacity of MISAUD. It was suggested that a better use of funds might involve supporting reforms in systemic areas that ultimately affect the health sector rather than the health sector itself. Indeed, the CCS noted in its joint statement of 14-15 November 2001 that the absence of MPF and the Ministry of State Administration in GT-SWAp meetings had impeded progress on discussions of several key issues.

### ***SpO: Behavior changes enhance HIV/AIDS prevention and care***

#### *Lack of Coordination*

Of USAID's five proposed SOs and SpOs, the need for improved coordination is clearly most urgent in the case of the HIV/AIDS program. All donors that were interviewed recognized this. Donor coordination of the most basic sort, the sharing of information, does not occur in any formalized manner. Donors have very little knowledge of the activities others are supporting. Illustrative consequences of the problem include a scarcity of donor-supported activities in the center of the country, where HIV/AIDS prevalence is highest; conflicting approaches to civil society development, with DfID-supported MONASO beginning to feel threatened by USAID-supported FDC in its role as an umbrella organization for NGOs; and proposals by at least four donors – Ireland, UNDP, USAID (in its concept paper), and the World Bank – to conduct institutional assessments of the National AIDS Council (CNCS). At this time, CNCS, GRM's inter-ministerial commission created to lead the fight against AIDS, lacks the capacity to carry out one of the primary functions for which it was established: the coordination of GRM and donor-supported activities under a national HIV/AIDS strategy. A technical unit was supposed to have been created to support the policy work of CNCS and serve as a focal point for regular meetings of technical advisors from UN agencies, bilateral donors, and NGOs, but apparently this group has never met.

Before the creation of CNCS, UNAIDS played a convening role in bringing donors together for the purpose of sharing information. However, because it was envisioned that CNCS would assume this role, UNAIDS discontinued its effort so as not to duplicate the work of CNCS. Presently, the UN agencies that maintain HIV/AIDS activities meet at the head-of-agency and technical levels on a monthly basis. These meetings seem to be the only regularly scheduled venues for coordinating donor-supported HIV/AIDS programs. Though far from an ideal arrangement given the absence of so many important donors, the meetings have resulted in an agreed upon strategy that is intended to guide the HIV/AIDS interventions of the UN agencies over the period 2002-2006. However, even this group has experienced problems. UNDP is

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now moving forward with a substantial project whose fit within the agreed UN strategy is somewhat dubious, according to UNAIDS.

The opportunity presented by the Global Fund for HIV/AIDS, Malaria, and Tuberculosis mobilized the donor community in support of the preparation of Mozambique's proposal. The result was the creation of the Country Coordination Mechanism (CCM) for the Global Fund, which is essentially an enlarged version of GT-SWAp that meets on an as-needed basis. One interviewee felt USAID had been too frequently absent from the meetings, noting that when USAID participated, it brought strong ideas. However, because it is chaired by MISAUD, the CCM, too, is less than ideal for coordinating HIV/AIDS activities. It is criticized by some for its excessive "health orientation." While no one doubts the importance of a functioning health system to the fight against AIDS, the problem of HIV/AIDS is much broader than the health sector. Ideally, the CCM should be a mechanism for bringing together coordination bodies dedicated to each of the Global Fund's three main issues. According to UNAIDS, working groups on malaria and tuberculosis are running quite well, so all that is lacking is a functioning coordination body for HIV/AIDS activities.

### *The Role of CNCS*

Unfortunately, the structure of the CCM only reinforces the somewhat strained relationship that has existed between MISAUD and CNCS. MISAUD is seen by some as trying to expand its mandate to capitalize on the higher levels of foreign assistance that have become available to combat HIV/AIDS. The initial proposal to the Global Fund – since rejected – requested that funds for HIV/AIDS care and treatment activities be allocated to MISAUD and funds for prevention activities and activities designed to mitigate the social impact of the disease be allocated to CNCS. A five-year, \$50 million credit from the World Bank proposes a similar approach. Dividing funding in this way can only reduce the authority of CNCS as the national HIV/AIDS coordinating body.<sup>7</sup>

Nevertheless, until it can prove itself capable of managing funds correctly, it is questionable whether donors should channel assistance through CNCS. While several donors are providing institutional support to CNCS, Ireland is the only donor providing assistance – a very small amount – to a common fund managed by CNCS. It seems CNCS greatly underestimated the time it would take to set up the appropriate systems for managing funds. As a result, DfID hired KPMG to assist CNCS with budget management. Even so, the initial proposal to the Global Fund requested that the assistance destined for CNCS be placed in the common fund for civil society activities.

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<sup>7</sup> Although it is too early to say, the relationship between the Ministry of Education (MINED) and CNCS could suffer similar difficulties. MINED requested its own assistance as part of the initial proposal to the Global Fund and, according to USAID staff, is due to release an HIV/AIDS strategy for the education sector shortly. UNAIDS is skeptical of MINED's willingness to accept assistance from the Global Fund through CNCS rather than directly.

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The World Bank proposes to channel up to \$35 million of its credit through the common fund. According to UNAIDS, the move toward a common fund for CNCS is very much donor-driven due to the expressed interest of some donors in working through SWAp-like arrangements. The experience of Malawi in trying to establish an HIV/AIDS “Mini-SWAp” could therefore be instructive, particularly in illustrating some of the pit-falls resulting from a hasty donor effort to establish an effective coordination arrangement in the absence of strong government commitment and extremely limited capacity (Bellows and Dowswell 2002).

### *Future Issues for CNCS*

Given the difficulties in effectively coordinating GRM’s response to the challenge of HIV/AIDS, it is hard to imagine CNCS being able to coordinate the full range of actors – GRM ministries, donors, NGOs, and the private sector – in support of the national HIV/AIDS strategy in the near term. However, the common fund is in theory intended to finance activities of civil society organizations, and *Empresários Contra SIDA*, a private sector working group that is part of the CTA, has reportedly established a formal relationship with CNCS. *Empresários* is seen as one of the most active CTA working groups, holding meetings on almost a weekly basis. Having recently met with the World Bank, the group has an interest in better coordinating its efforts with those of other donors. According to UNAIDS, DfID is already supporting some 40 companies to develop HIV/AIDS care and treatment programs.

*Empresários* is strongly represented by companies in the transport industry and, as such, could prove to be an important link to cross-border efforts to fight HIV/AIDS. Even though most recognize that the problem of HIV/AIDS in Mozambique is partly a function of the prevalence of the epidemic in neighboring countries, the regional dimension of the problem is not being adequately addressed. The Southern African Development Community (SADC) is viewed as too weak to have much effect in this regard, though UNAIDS has recently placed an adviser in the SADC Secretariat. Donors, too, generally do not seem to have undertaken sufficient efforts to coordinate activities with those supported by their own agencies in other countries in the region. But the question remains whether this should be the responsibility of CNCS and its counterpart national AIDS commissions in the region or that of donors themselves.

### **Systemic Issues**

As the above discussion makes clear, there are several systemic issues that ultimately may have major implications for the achievement of USAID’s SOs and SpOs. The most important of these are likely public financial management; human capacity, particularly in the public sector; and general questions of governance, including corruption and decentralization. Because the effectiveness of coordination in each area is quite different, the importance of USAID engagement on these issues is quite different as

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well. General questions of governance are addressed above under the discussion of USAID's proposed governance SpO. This section addresses the coordination arrangements that exist in the areas of public financial management reform and human capacity development in the public sector.

### *Public Financial Management*

Both the experience of ProAgri and the concerns of MISAUD regarding MPF's capacity to translate policy priorities into budget priorities and manage the budget in an effective manner suggest that public financial management reform is crucial to achieving sector-specific objectives. The introduction of new financial management procedures by MPF actually caused problems for MADER, as it was attempting to reform its own financial management system under ProAgri. The same could occur with MISAUD, whose financial management reform effort is currently being supported by USAID. At this time, unfortunately, it appears that the "Government's payment system in Mozambique does not function" (Sjølander 2002: 2). The World Bank's (2001) recent "Public Expenditure Management Review" highlights many of the important shortcomings in Mozambique's budget system. According to several donors, MPF is currently committed to implementing a modern integrated financial management system, SISTAFE, by the time the 2004 elections are contested. The reform effort has already begun, with the creation of a unit within MPF to oversee the implementation of SISTAFE, but some suggest the timeline may be overly ambitious, possibly resulting in negative repercussions on the program. Sjølander (2002) more realistically predicts 2007 as the year for full implementation of SISTAFE, assuming commitment to the program continues. This leaves sector-specific financial reform efforts somewhat in a state of limbo.

The primary venue for coordination on issues concerning public financial management is the G10. While most donors acknowledge GRM's financial management problems, interviews with various G10 members suggested that the group overall is satisfied with the pace of progress to date (See also Joint Donor Group 2002). This progress, of course, is attributed to the strong influence the G10 has with GRM as a result of its assistance accounting for such a large share of the public budget. At the same time, the fact that GRM could collapse if disbursements by the G10 are withheld for any reason lessens the credibility of the group's threat to withhold in the face of insufficient progress on reforms. As noted by Harvey (2002), withholding budget support would work directly against two of the main objectives of the G10, namely macroeconomic stability and predictability of funds to GRM, both of which are necessary for the reform of the public financial management system.

Although G10 meetings are open to observers, regular USAID participation would likely entail a statement regarding the commitment of USAID to minimally explore the possibility of using general budget support. While several USAID staff have

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serious reservations about the future use of budget support, USAID already seems to have a strong case for becoming more involved in the G10, as noted above. But reaching a decision on becoming a full member of the G10 would require the carefully weighing of the advantages of gaining access to privileged information that affects a number of USAID's programs and the leveraging opportunities presented by the G10 in support of USAID SOs against some of the uncertainties about the financial management system and perhaps the pressure to disburse even in the face of delayed reform.<sup>8</sup>

Related to but somewhat broader than public financial management reform, the G10 is also becoming more interested – and therefore influential – on more general governance issues. As such, the current discussion of a two-tiered approach to providing budget support, particularly if a second tier becomes linked to broader governance indicators, could allow a way for USAID to get around some of the drawbacks of membership. In particular, if a two-tiered disbursement arrangement were devised, USAID could conceivably tie its assistance only to improvements in governance, leaving other donors to disburse against standard macroeconomic conditions.

A two-stage approach to disbursement – for example, donor funds tied to standard macroeconomic conditions released before assistance conditioned on governance-related reforms could be released – would ostensibly allow USAID to disburse against both standard macroeconomic reforms and governance indicators even if its assistance were only formally tied to governance reforms. Of course, USAID would have to be at the G10 table to influence discussion in these directions. Alternatively, USAID could work through the legal reform donor working group to influence the development of governance indicators that stand a good chance of being provided as input to the G10.

### *Human Capacity*

One of Mozambique's most serious constraints to development is its human resource base, which, according to the IMF, is low even by African standards. This was a theme echoed in most interviews, regardless of whether discussion centered on the roles of sectoral or central ministries, and is recognized in other studies as well (See, for example, Pavignani and Hauck 2001). And yet the trend among donors is toward providing more assistance as budget support, either to the general budget or through SWAps.<sup>9</sup> The theory underlying the provision of budget support is partly based on the

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<sup>8</sup> Harvey (2002: 23) makes the following observation: "At any one time, potential new entrants will see current problems as a barrier to entry, whereas existing members are more likely to be aware of past progress and therefore to be more tolerant of remaining problems."

<sup>9</sup> As Pavignani (2001: 2) notes, "*enormous expectations in the recipient public sector replaced previous distrust* in the prevalent aid discourse. Further, the emphasis on the side effects of the project approach led to downplaying the very reason for its introduction, i.e., the poor performance of recipient countries in absorbing aid (Penrose, 1997). As a result, long neglected and distrusted by donors, these 're-discovered' public sectors are expected to stand up to the challenge of managing incoming aid, at lower cost, in

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recognition that oftentimes there exists a great deal of local capacity that is just not being tapped. According to several interviewees, this is simply not the case in Mozambique. As one interviewee noted, there actually is an absolute human capacity constraint in Mozambique. To make matters worse, the few qualified staff working in the public sector tend to quickly find better opportunities, either in the private sector or with donor organizations. Those that stay frequently only do so if they can obtain consulting work as a supplement to their government positions. This means they are unable to fully focus on what should be their priority jobs.

GRM's ten-year public sector reform program is intended to address these sorts of human resources problems. USAID and FAO both noted that a successful reform will be particularly important to the continued progress of ProAgri, but clearly the program has important implications for each USAID SO and SpO. Unfortunately, confidence in GRM's strategy, particularly within USAID, seems quite low even though the program is receiving substantial support from DfID and the World Bank, as well as several other "like-minded" donors. According to some interviewees, GRM commitment to serious reform is absent. The director of the unit within the Ministry of State Administration that is overseeing the government-wide process (UTRESP) apparently does not have a strong background in public administration and is seen by some as lacking the necessary political clout to lead a successful reform effort.

Further, there remains confusion about what exactly public sector reform entails. For example, the director of UTRESP was given the job of developing a national anti-corruption strategy, though it is questionable whether legal reform should be considered part of the public sector reform program. In addition, many donors are skeptical that the program will address some key issues such as retrenchment, salary reform, and other basic personnel issues.<sup>10</sup> The IMF is disappointed that the program does not attempt to develop a more strategic role for the public sector, and SIDA noted that the effort to achieve a few "quick wins" has distracted attention from a more strategic reform agenda.

The working group on public sector reform is co-chaired by UTRESP and DfID. To date, it appears to have been of limited effectiveness, primarily due to the problems noted above. The working group also suffers from the limited connections it has to other governance-related coordination groups, as well as the DPG and G10. Nevertheless, some donors see progress. According to DfID, until it was asked by GRM to spearhead the coordination effort, there was virtually no coordination whatsoever. Now the key donors meet on a regular basis with GRM, and consideration is being given to the establishment of a donor code of conduct and a pool dedicated to supporting the public sector reform program. Of course, these developments do not necessarily mean the

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expanded volumes, and to greater effectiveness. The stakes of the development game have been dramatically raised" (author's italics).

<sup>10</sup> Two interviewees noted that the public sector in Mozambique is not overstaffed; if anything, it is understaffed. Rather, the basic problems are lack of capacity and an inappropriate mix of GRM staff.

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program itself is moving forward. In fact, some donors expressed the view that the program needs to advance more quickly. SIDA, on the other hand, expressed concern that moving forward too quickly could undermine the effort as a result of GRM undertaking too many reforms concurrently.<sup>11</sup> Given the uncertainty surrounding the program, USAID's current wait-and-see approach seems appropriate. Nevertheless, because the implications of the program loom large for USAID's SOs, it may be important to remain engaged in the public sector reform working group.

### Factors Working Against Coordination

#### *On the Donor Side*

While donor coordination is often recognized as necessary and sensible, it is rarely practiced in an effective manner. As Easterly (2002) notes, the lack of coordination and its ill effects have long been lamented within the international aid community, but efforts to reform have resulted in precious little change because the incentives to coordinate tend to be weak. Effective coordination is usually staff-time intensive. Progress is often slow and becomes slower as the number of donor agencies increases. For example, discussion of an education sector program in Mozambique, designed to coordinate the donors in support of GRM's education sector strategic plan, began in 1995 and only recently were negotiations completed on an agreement for the provision of assistance in support of the program between GRM and interested donors. Such protracted negotiations can often outlast donor representatives' time in the country, sometimes resulting in the reconsideration of issues that may have been agreed upon previously.

Donors also have very different degrees of decision-making authority vested in the field, which can have a substantial impact on the effectiveness of coordination.<sup>12</sup> In Mozambique, DfID, Ireland, the Netherlands, and USAID stand out as being the most decentralized among the bilateral donors.<sup>13</sup> The Nordics generally appear rather centralized, though the narrower reach and smaller size of their global development assistance programs tend to facilitate communication between headquarters and the field. SIDA's Mozambique program, however, is one of five decentralization "experiments" SIDA is undertaking. The embassy was given authority for decisions on activities up to

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<sup>11</sup> Pavignani and Hauck (2001: 9) describe Mozambique as currently being affected by a case of "reformitis."

<sup>12</sup> Though effective coordination could be more complicated, a more centralized approach has its own advantages. In particular, centralized donor agencies often find it easier to bring their experience in other countries to bear on local situations and may have a broader base by which to judge progress.

<sup>13</sup> Although its decentralized organizational structure was complemented by several donors, USAID was criticized by one interviewee for its staff's limited Portuguese skills, a problem that apparently extends to USAID-supported NGOs. In addition, it was noted that few USAID documents are available in Portuguese and those that are tend to be poorly translated, thus limiting USAID's ability to share information.

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\$5 million. By its own admission, the EC is very centralized – all tenders must be sent to Brussels for approval.

The World Bank, too, is quite centralized, though this can vary by sector. For example, the Bank has hired a consultant to support its roads project and now has a person dedicated to small and medium enterprise development in its field office. In addition, the Bank's Country Director for Mozambique was recently moved to the field, but most project team leaders are still based in Washington. Effective coordination with the more centralized donors may therefore require headquarter-to-headquarter dialogue.<sup>14</sup> As such, it is important to maintain strong contact with USAID headquarters, particularly AFR and PPC, which can use opportunities presented by international meetings, for example, to advocate on behalf of the Mission.

### *On the Recipient Side*

A government's capacity and willingness to lead donor coordination are also important determinants of the effectiveness of coordination efforts. Without a strong focal point to guide coordination, it is easy for donors to succumb to the tendency to pursue their own interests, some of which may not be consistent with the development objectives of the country. As is the case with donor turnover, high turnover within recipient governments, attributable to political transitions or better job opportunities in the private sector and with donor agencies, can have detrimental effects on coordination. According to SIDA, negotiations to establish the education sector program in Mozambique suffered a great loss when the Minister who had led the process on behalf of GRM was replaced.

Uganda provides an excellent example in which a proactive government has led the process of dialogue with its development partners. The Government of Uganda is developing a comprehensive framework for donor support, whose focus is the overall budget rather than individual projects and sectors and aims to streamline donor conditionality.

To assist in this process, the Government developed "partnership principles," which the donors subsequently endorsed.<sup>15</sup> The partnership principles outline a shared commitment to fund activities consistent with Uganda's poverty reduction strategy and clearly establish the responsibilities of Government on the one hand and of donors on the

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<sup>14</sup> Coordination with Portugal would appear to be hopeless. The Portuguese assistance program, while relatively large in volume (in gross terms, Portugal was the largest bilateral donor to Mozambique in 1999-2000), is dispersed among a number of ministries in Portugal and tends to be based on personal relationships. For example, Portugal's Ministry of Health maintains its own assistance program with MISAUD in Mozambique. The Portuguese development cooperation agency is considered generally irrelevant for this reason.

<sup>15</sup> The partnership principles can be found at <http://webnet1.oecd.org/pdf/M00022000/M00022943.pdf>.

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other. Under these principles, the Government of Uganda committed to a variety of actions pertaining to good governance, poverty reduction, and public sector reform.

Two specific examples of commitments include maintaining the level of Government funding and focus on poverty eradication and improved tax administration. The donors, in turn, agreed to harmonize their analytical work, disbursement rules, and indicators. These principles serve as a common guide for aid delivery, replacing distinct bilateral approaches in order to rationalize aid flows and reduce transaction costs and thus allowing greater concentration on the delivery of aid and less on its administration.<sup>16</sup>

On the other hand, it may be the case that a government finds it advantageous to actively discourage donor coordination. Indeed, the costs imposed on a government by a united donor front can be onerous. For example, it is reported that Mozambique's Minister of Planning and Finance is concerned about the possibility of increased bargaining power that might result from additional donors joining the G10 (Harvey 2002). Several interviewees noted that dispersed assistance arrangements could work to the advantage of individual GRM units.

Both MADER and MISAUD expressed concern about the trend toward more assistance being channeled through the general budget due to skepticism that MPF has the capacity to translate stated policy priorities into budget priorities. Easterly's (2002) proposed remedy for the coordination dilemma recognizes the value developing-country governments might see in subjecting aid agencies to policy competition. In other words, efforts to coordinate are not only doomed to fail; they may not even be desirable. Some former and current USAID/Mozambique managers share a similar view and suggest that USAID's relative independence gives it greater credibility with GRM, particularly with regard to issues surrounding the macroeconomic reform program.

### *Personalities*

Ultimately, the effectiveness of coordination depends to a large extent on the personalities of the individuals involved on both the donor and recipient sides. Much of the recent progress that has been achieved by ProAgri has been widely attributed to the collaborative personality and enthusiasm of the USAID representative in the working group. The USAID representative, however, is dedicated entirely to ProAgri, a luxury few other donor representatives that participate in the working group have. Other coordination groups in Mozambique have dissolved when changes in leadership were made. Even though the case for donor coordination may be strong, personalities could be the key determinant of the effectiveness of a particular coordination effort.

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<sup>16</sup> Two interviewees suggested that donors in Mozambique should consider a similar arrangement, particularly to govern the delivery of technical assistance.

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### **Main Conclusions**

#### *Development Partners Group (DPG)*

In Mozambique, the abundance of well-intentioned efforts to coordinate assistance seems to have resulted in the need to synchronize the many coordination mechanisms. This is widely recognized by the donor community, which appears to agree that the entire system should be rationalized, beginning with the DPG. The effectiveness of both the DPG and the technical working groups could be enhanced by a more direct link between them. If DPG discussions were better informed of technical matters, the meetings might become more operationally relevant. More established communication could also lead technical groups to become more politically relevant, thereby providing a strong incentive to tackle and resolve more difficult issues.

#### *Some SO-Specific Conclusions*

The ProAgri experience can greatly inform other efforts to develop functioning sector programs in Mozambique. The primary reason for ProAgri's success seems to be that it has focused on building the necessary capacity for MADER to carry out its agreed priority functions as a Ministry of Agriculture. At the same time, this more narrow approach no doubt limits its effectiveness in dealing with issues that are beyond the scope of – but have serious implications for – the sector program. As ProAgri matures, it should be able to tackle more complex issues and perhaps expand to include private sector and non-governmental actors.

The multidimensional nature and intensity of the HIV/AIDS pandemic makes strong coordination by all actors – GRM ministries, donors, NGOs, the private sector, and possibly even actors in neighboring countries – absolutely necessary. Unfortunately, GRM leadership has been weak. The donor community may therefore wish to consider taking steps to fill the void in the short-term while keeping in mind the key role CNCS was created to play in coordinating activities in support of the national HIV/AIDS strategy. Efforts to establish an HIV/AIDS “Mini-SWAp” in Malawi could provide useful insights to a similar effort in Mozambique.

#### *Systemic Issues*

There are several issues that would appear to have implications for all of USAID's SOs and SpOs, including public financial management, public sector reform, and legal reform. The Mission may therefore wish to consider participating in coordination groups dealing with such issues on a more systematic basis. Certainly, the G10 seems the most worthwhile given its access to privileged information and the influence it carries with GRM on budget issues. The group's effort to develop

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governance-related indicators that could be incorporated into the conditions under which budget support is provided might also be of interest to USAID. Due to its use of budget support as part of the private sector development program, as well as U.S. cancellation of Mozambican debt, USAID likely has a legitimate case for becoming a member of the G10. While some current members may expect a statement regarding the possibility of USAID's future use of general budget support, other members are simply interested in the expertise USAID might bring to the group's discussion, particularly with regard to private sector development and trade capacity building activities.

While public sector reform and legal reform are crucial issues in Mozambique, GRM's commitment to both seems somewhat questionable. Nevertheless, monitoring the activities of the coordination groups dealing with these issues could be worthwhile. In fact, the legal-reform working group seems poised to raise its profile. The Danish chair envisions the group serving as the technical unit in support of the Denmark-chaired G10 on governance-related indicators. This might be a different forum for USAID to leverage G10 budget support in support of its governance-related objectives.

### *Intangibles*

Several "intangibles," such as the decision-making structures of donor partners, political will, and individual personalities, will have an immeasurable impact on any coordination effort USAID undertakes. Even though the case for coordination might be strong, such intangibles could be the ultimate determinants of the effectiveness of coordination and therefore must be factored into any decision to spend valuable staff time on coordination.

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### **Non-USAID Interviewees for USAID Mozambique Case Study**

#### Donors

- Denmark: Anne Schouw, First Secretary  
Thomas Thomsen, Counsellor
- DfID: Nick Highton, Economic Advisor  
Caroline Rickatson, Senior Governance Advisor
- EC: Fabio Bargiacchi, Democratization and Good Governance Advisor  
Jenny Eklund, Development Adviser  
José Carlos Nunes, Counselor  
Jean Risopoulos, Food Security Officer
- FAO: Margarida David e Silva, Program Officer
- IMF: Arnim Schwidrovski, Resident Representative
- Ireland: Caroline Albers, HIV/AIDS Advisor  
Kevin Colgan, Development and Cooperation Attaché  
Douglas Hamilton, Health Advisor  
Miguel Junior, Project Officer
- Netherlands: Soila Hirvonen, Gender Advisor  
Celia Jordão, Program Officer  
Roland P.M. Martin, Secretary for Trade and Economics
- Norway: Lars Ekman, First Secretary
- Sweden: Magnus Lindell, Counsellor for Cooperation
- UNAIDS: Aida Girma, Country Program Advisor
- UNDP: Aeneas Chuma, Deputy Resident Representative  
Alejandro Mazarambroz, Program Officer

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World Bank: Dipac Jaiantilal, Senior Macroeconomist  
David Nielson, Senior Economist  
Subhash C. Seth, Operations Officer

### Government and Non-Government

Ministry of Agriculture and Rural Development:

Rogéria C. Muianga, Director of Administration and Finance  
Fernando Songane, ProAgri Coordinator

Ministry of Health:

Gertrude Machetine  
Frederico Rocuts

Ministry of Industry and Commerce:

Jorge Salvador, Senior Trade Advisor

Ministry of Planning and Finance:

Bruce Byiers, National Directorate of Planning and Budget  
Argentina Maússe, Director of International Cooperation

CTA: Sergio Chitara, Executive Director

Independent: Enrico Pavignani, Consultant