

# **Economic and Social Council**

## **Launching the Development Cooperation Forum**

**Geneva, 5 July 2007**

### **Background Note**

#### **High-Level Roundtable Discussion**

##### **Promoting greater coherence among development activities of different development partners: *the role of national aid coordination and management***

Recent years have seen international development cooperation making great strides in bettering the impact of the substantial resources devoted to achieving the internationally agreed development goals (IADGs). These efforts have resulted in an acknowledgement that a participatory and country-led development process is an essential prerequisite for effective development cooperation that meets the expectations of all stakeholders. It is also recognized that in order for development cooperation to have lasting and discernible impact, the coordination and management of development assistance at the country-level should be based on the principle of national ownership and leadership.

In addition to these tenets underlying effective development cooperation, the development partnership should be characterized by mutual accountability with both sides having to answer for the achievement of performance measures agreed to on equal terms. The proliferation of donors is one factor that may be challenging the efforts of holding development partners mutually accountable for the delivery and use of development assistance.

The fragmentation of the international aid system is widely recognized as one of the main challenges in further improving the effectiveness of development cooperation for the achievement of the IADGs. With bilateral aid accounting for roughly 70 per cent of development assistance and multilateral organizations for the remaining 30 per cent, the number of aid providers has soared with donors now present in unprecedented numbers in developing countries throughout the world. For example, the average number of donors per country nearly tripled over the last half century, rising from about 12 in the 1960s to 33 in the period 2001-2005. Similarly, partner countries with less than 10 donors have fallen precipitously from almost 40 per cent in the 1960s to less than 10 per cent in recent years.

The complexity of the international aid system is not without repercussions for the quality and impact of development assistance. Less than a virtuous circle, the increased number of development aid providers may have adverse effects on the delivery and use of development assistance. A plethora system, for instance, carries the risk of some donors becoming relatively minor contributors thereby weakening their sense of accountability for outcomes. Conversely, one approach to enhancing the delivery and use of development assistance – the emergence of new and more specialized donors – at the same time contributes to the increased number of donors.

The proliferation of donors would be less of an issue were aid to be delivered using local systems while at the same time being fully aligned with national development priorities. Yet, with aid flows not consistently aligned to country-led strategies and local systems sometimes being circumvented for ostensibly more effective and timely delivery, the challenges faced by partner countries multiplies with the number of donors present at the country level.

This proliferation of donors is exacerbated by the limited capacity of several countries in absorbing development assistance. Strained human resources, nascent institutional arrangements and precarious structural and economic environments are already performing a tremendous task in a number of developing countries. Thus increased resources will have to be matched by adequate capacities at the country level if scaled-up aid is not to fall short in delivering the expected returns with respect to improving the livelihoods of millions of people. These capacities include the ability of partner countries to effectively coordinate and manage aid flows, yet they also involve the 'auxiliary' capacities that are required to bring about, for instance, improved education and health; without facilities for training, teachers' education cannot be adequately provided, regardless of resources available.

However, only focusing on countries that are capable of effectively managing and coordinating aid may aggravate a tendency by donors to concentrate their support on good performers, while leaving countries with weak institutions and uncertain conditions under-funded. For example, there are signs that some donors are reducing the number of partner countries in order to focus on a select few. While this development is desirable from the viewpoint of harmonization, it comes at a cost since the countries most in need of development assistance are likely to be the losers in this scenario.

In outlining some of the challenges that the international community is facing in enabling national coordination and management of aid to cope with different development partners, it is important to note that the coordination and harmonization of donor practices and procedures is an important first step that brings promise of more effective development cooperation. Financial management, budgeting, reporting and procurement are some of the areas where harmonized processes are expected to lower the transaction costs of delivering aid. In addition, donors may increasingly complement one another by focusing on their comparative advantages in delivering development assistance.

### **Potential discussion questions**

1. How can partner countries ensure leadership and national ownership in the development partnership with donors? What are some of the obstacles to making national priorities the driver in the development partnership with donors?
2. What are the principal challenges for the United Nations in promoting an integrated approach at the country level?
3. How can partner countries ensure that development assistance is optimally disbursed at the country level? What are some of the constraints that partner countries are experiencing in building adequate capacities for the coordination and management of development assistance?
4. How can the effectiveness of global programmes be sustained while further promoting integration with national priorities and country-led strategies? What has been the impact of global programmes in terms of improving the predictability and stability of funding for development at the country level?