

Project Briefing

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What does an effective multilateral donor look like?

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Key points

- Recipients of aid say that donor effectiveness requires deep commitment, responsiveness, and support for recipient government policy
- Recipients and donors agree, in general, on what makes aid effective – though some differences remain
- Recipients have their own views on who are the most effective multilateral donors

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While emerging research identifies ways in which donors can improve aid effectiveness, there has been little analysis of what aid effectiveness means to recipient stakeholders – including governments, civil society and businesses in the developing world. Net development assistance from the OECD Development Assistance Committee (DAC) donors totalled \$121 billion in 2008, representing a large share of government resources in many recipient countries. Nearly one third of this aid was channelled through multilateral agencies – a share that some bilateral donors are likely to increase in future years. While this may help rationalise the aid system and reduce transaction costs, maximising the impact of this aid requires greater effort to understand and improve aid effectiveness.

This Project Briefing aims to increase that understanding by summarising findings from ODI research on recipient stakeholder perceptions of multilateral donor effectiveness. It draws on evidence from three separate studies:

- 1 Workshops in Bangladesh, Cameroon and the UK attended by representatives of finance ministries and civil society groups from 27 countries (Burall et al., 2006);
- 2 Questionnaires completed by representatives from government, civil society, parliament and business in Bangladesh, Ghana, India, South Africa, Tanzania and Zambia (Burall et al., 2007); and
- 3 Personal interviews with senior government officials in Ethiopia, Sierra Leone and Zambia (Wathne et al., 2009).

The briefing also draws on work with the Commonwealth Secretariat in preparation for the Third High Level Forum in Accra, research for the Multilateral Organisations Performance Assessment Network (MOPAN) and findings from Debt Relief International's (DRI) Heavily Indebted

Poor Countries Capacity Building Programme (HIPC CBP) (Burrall and Pallen, 2009).

What makes for an effective donor?

Asked to select the behaviours most important for an effective donor from six broad partnership behaviours, recipient government representatives interviewed by Wathne et al. (2009) repeatedly cited:

- depth of commitment to development
- responsiveness to country circumstances, and
- support for recipient-driven policy

These behaviours have also been cited in other stakeholder perception studies.

The table overleaf presents, from the perspective of aid recipients, the detailed donor characteristics that define and underpin these three partnership behaviours. While other donor characteristics such as incentives, transparency and harmonisation were also seen as important, this briefing focuses on the characteristics defining the three key behaviours selected.

Depth of commitment to development

Recipient stakeholders believe that donors truly committed to development distinguish themselves by providing long-term, predictable aid and by requiring counterpart funding only to a level that is realistic for recipient governments.

The ODI studies suggest that donors should do more to turn their funding pledges into actual commitments and to disburse funds on time and to the agreed level. A predictable flow of aid is particularly important when donors provide assistance to highly aid dependent countries, to sectors with seasonal spending

Table 1: Aid recipient definitions of effective donor behaviour

Study	What is identified	Key partnership behaviours	Key characteristics defining depth of commitment, responsiveness and supporting recipient-driven policy
Wathne et al (2009)	Responses given most frequently to an open-ended question on donor effectiveness	Depth	Predictability
		Responsiveness	Timeliness and flexibility
		Recipient-driven	Alignment with government priorities Degree of involvement
Burall et al (2007)	Pre-identified criteria rated as 'highly important' by more than 70% of respondents	Depth	Cost effectiveness
		Responsiveness	Quick disbursement of funds Flexibility in type of funding provided
		Recipient-driven	Alignment with government priorities Engaging in constructive policy dialogue Facilitating stakeholder participation
	Responses given most frequently to an open-ended question on what about multilateral aid should change	Depth	More predictable
		Responsiveness	Reduce the number/complexity of procedures
		Recipient-driven	More aligned Less conditionality More participation by stakeholders
Burall et al (2006)	'Best practice' behaviours identified most frequently	Depth	Predictability Volume of financing High concessionality
		Responsiveness	Flexibility Speed of disbursement
		Recipient-driven	Alignment Participatory approach
Debt Relief International HIPC CBP	Criteria identified to assess the quality and performance of donor assistance for regular reporting purposes	Depth	Predictability Concessionality
		Responsiveness	Flexibility
		Recipient-driven	Sectors and projects Conditionality Policy dialogue
Pre-Accra consultations	Key issues identified for the 4th High Level Forum on Aid Effectiveness at Accra	Depth	Predictability Aid untying
		Responsiveness	Not covered
		Recipient-driven	Conditionality

patterns or in the form of direct budget support. According to recipients, donor agencies are generally less effective if they withhold their aid when a government fails to meet fully a minor performance condition or for reasons that are not specified clearly in advance.

Most interviewees who mentioned counterpart funding considered a 'matching' component to be important for project ownership and sustainability. But they made it clear that counterpart funding requirements need to be flexible. Donors should

treat all forms of government and community inputs as contributions of counterpart resources, including stafftime and building materials for example. Donors should also recognise that a matching requirement is not always feasible for a developing country government. According to some government officials, a hard line on counterpart funding may skew donor aid towards smaller, less sustainable projects and to better off communities where matching funds can be mobilised more readily.

To demonstrate the depth of their commitment, donors should plan and allocate their funding for a period consistent with the recipient government's (multi-year) planning and budgeting cycle. Their committed support should last for the time expected for the target project or programme to achieve its immediate objectives. In addition, donors should provide a level of funds adequate to permit the successful delivery of an entire project, rather than spreading limited funds across multiple partial initiatives. A greater proportion of the financial aid could be directed to implementation and delivery. According to several respondents, too much funding goes to management costs and feasibility studies. Frustrations were also expressed over the persistence of tied aid.

Responsiveness to country circumstances

Recipient stakeholders stress the importance of donors delegating authority to their country offices and being flexible in response to changing circumstances and to the capacity of recipients.

ODI research suggests that donor flexibility is particularly important for aid effectiveness. According to recipients, donors should respond more promptly to changing circumstances such as increases in the cost of materials, and should adjust their assistance programmes according to new information such as mid-term evaluation findings. Donors should take greater account of the capacity constraints in recipient countries, which may require them to simplify and minimise procedures; to agree to flexible and more realistic disbursement conditions; and to permit some carry-over of funds between fiscal years and between projects when there are genuine absorption challenges.

The officials interviewed stated clearly that, to be effective, donors should delegate proper authority to their country offices and locally-based staff. Decentralisation can shorten the time period for project approvals and funding tranche disbursements, for example. It may also empower donor staff whose country location gives them a better understanding of local circumstances. More local discretion can promote the design of more effective projects, increased alignment with government priorities and stronger recipient-donor relations.

According to recipient stakeholders, donors should adapt their performance expectations and

disbursement requirements to fit better with each country's capacity. While it is desirable for developing country governments to 'prove' they have used disbursed aid funds in full as a trigger to receive later tranches, this may be unrealistic in practice. Public financial management and procurement systems are improving across most countries, but require further strengthening to meet 'international' standards. Government offices often lack the human and physical resources needed to properly account for funds – particularly at the district level. This makes it important to keep procedures simple, build up the accounting capacity of governments and so on. Donors should also pay greater attention to the time interval between planned tranches of project aid. If the interval is too short, any delay in the receipt of funds will result in insufficient time for project or programme implementation. Even if the funds are received on schedule, not all outputs can be produced in short time frames. Faced with this challenge, recipient governments may choose to pursue less ambitious objectives and to deliver less complex outputs – a decision that may reduce the eventual impact of the project or initiative.

Recipient-driven policy

An effective donor agency was characterised by interviewees as one that aligns its support with the priorities identified by recipient governments and that provides policy advice without insisting upon excessive influence. Where performance conditions are necessary, they should be appropriate to the policy context, flexible to evolving circumstances, achievable with reasonable government effort and specified explicitly to avoid later contention.

Recipient stakeholders stress the importance of domestically-led development strategies and reform programmes. While donors may provide valuable advice, the direction and content of strategy should be determined by the government and influenced principally by other domestic actors. A number of respondents to the latest ODI study noted that, while many national and sector strategies appear to be domestically 'owned', governments recognise that the policies they adopt must address donor expectations to some degree. Where government strategies exist or are emerging, donors should work instead to align their assistance with government strategies, not vice versa. By extension, donors should use truly consultative approaches when identifying and designing projects as a means to promote recipient leadership of the project and a shared commitment to its success.

According to recipients, donors need to recognise the limits of government capacity and prerogative when setting performance conditions for disbursement of their aid. These conditions should not attempt to distort the government's agenda unreasonably. Nor should they be unrelated to the purpose of the project being funded, or become a

cause of implementation bottlenecks, or be a device for donor micro-management. Conditions should be explicit, harmonised with other donors and kept to a feasible minimum. When deciding whether to withhold aid in response to a breach of agreed conditions, circumstantial factors and recipient effort should be taken into account by donors.

Recipient judgements on effective multilaterals

Identifying the key behaviours of an effective donor is the first step towards increasing donor effectiveness. However, the impact on development depends upon donors adjusting their policies and procedures to incorporate these behaviours. To monitor such progress, a number of assessments have been developed and piloted. Given the significant, and possibly increasing, role of multilateral aid agencies, it is important to consider recipient stakeholder assessments of these donors.

Recipient stakeholders participating in the ODI-facilitated Commonwealth and Francophonie Workshops in 2005 and 2006 scored donor agencies against a set of 'best practice' performance characteristics (Burall et al., 2006). Although the aim was not to assess the overall effectiveness of each donor, summing the scores for multilateral donors against each characteristic allows us to infer the donors that are considered the highest performers by those groups of workshop participants.

Based on that scoring, and limiting the analysis to multilateral donors scored by three or more groups, the agencies considered most effective are the African Development Bank (AfDB) and the World Bank, followed by the United Nations Development Programme (UNDP) and the Asian Development Bank (AsDB). With the exception of the AfDB, these findings are broadly consistent with stakeholder perceptions revealed in a subsequent six-country ODI study (Burall et al., 2007).

Taken together, these studies suggest that some multilaterals are more effective than others – or are perceived to be so by recipients. But there are caveats. First, perceptions of effectiveness vary by stakeholder type and country. Second, different donors are valued by recipients for different reasons. For example, the Global Fund fared poorly overall in Burall et al. (2007), but was rated high by stakeholders in this study for the effectiveness of its health sector activities. Third, two unexpected findings emerged from Burall et al. (2007): a) while respondents identified differences in donors' effectiveness against specific criteria, there was little perceived difference in donors' overall effectiveness; b) a high percentage of respondents in African countries indicated their preference for additional aid from the AfDB, despite its relatively low rating against most of the aid effectiveness criteria proposed. This suggests that stakeholder views on the 'multilateral donor of choice' are distinct from their ratings of how

effective those donors are, and/or that stakeholders consider additional aid effectiveness criteria that are not commonly identified or reported against.

Measures of multilateral performance

Comparing the performance of each donor against standard aid effectiveness criteria may be a reliable, albeit partial, indication of overall effectiveness from the perspective of aid recipients. There is specific evidence on three of the characteristics which featured strongly in the Wathne et al. (2009) study: predictability, flexibility, and alignment with national priorities.

From the ODI stakeholder consultations (Burall et al., 2006 and 2007), the World Bank and the AsDB ranked as relatively predictable. These perceptions are partly consistent with the 2008 Paris Declaration Monitoring Survey, which – based on its definition of in-year predictability – reports that on aggregate the AsDB and the World Bank are the two multilaterals with the highest proportion of scheduled aid reported as disbursed in the government accounts (79% and 65% respectively).

UNDP received the highest overall score for flexibility from participants canvassed for Burall et al. (2007), followed by the AsDB. This rating is partly consistent with findings from Burall et al. (2006). Although workshop participants in this earlier study rarely gave donors a top score for flexibility, and although the scores given were not always consistent across groups, UNDP and AsDB received a relatively high score from two out of three participant groups in the workshops.

On alignment with national priorities, participants in the Burall et al. (2006) study awarded multilaterals top scores more frequently. In fact, UNDP, AsDB and AfDB received medium or high scores from all the groups that assessed them. In Burall et al. (2007), the top three were UNDP, AsDB and the European Commission.

Conclusion

Consultations with recipient stakeholders suggest that, although a range of donor behaviours are needed to maximise the impact of aid on development, it is depth of commitment, responsiveness to country circumstances and support for recipient-driven policy that are critical. Many of these behaviours' underlying characteristics, for example predictability, are already recognised by the international community through the Paris Declaration on Aid Effectiveness and assessments such as the MOPAN Common Approach. However, the relative importance given to each characteristic, as well as the way in which those characteristics are defined, can differ.

Given the impact of donor behaviour on aid effectiveness and development more broadly, there is a clear need to monitor donor performance. Assessments of multilateral aid agencies by recipient governments should also inform bilateral donor decisions on their allocations to the multilateral system. Among the multilaterals covered by ODI studies, AsDB, UNDP and World Bank are perceived by recipient stakeholders to be the most effective. However, this general pattern masks considerable variation in the perceptions of effectiveness. For example, a multilateral donor ranked highly by some stakeholders was often considered less effective by others interviewed. And a donor ranked highly against one characteristic of aid effectiveness sometimes ranked relatively poorly against other characteristics. Further research is needed to establish more robustly which donors are judged effective by recipient stakeholders, and whether perceptions of effectiveness have altered as multilateral donors have sought to improve their policies and procedures.

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Useful resources:

Gross DAC official development assistance, 2007-2008: <http://bit.ly/DACODA>
HIPC Guide to Donors: <http://bit.ly/HIPCdonorguide>

Project information:

This briefing summarises research on recipient stakeholder perceptions of donor effectiveness carried out by ODI between 2005 and 2009 through a series of projects funded by the Commonwealth Secretariat and the UK Department for International Development. For further information on the latest study see: <http://bit.ly/stakeholderviews>

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