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**IMPLEMENTING THE DEVELOPMENT PARTNERSHIP STRATEGY - REVIEW  
OF PROGRESS: 1996-1999**

**(Report to Ministers by the Secretary-General)**

Declassified

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**IMPLEMENTING THE DEVELOPMENT PARTNERSHIP STRATEGY:  
REVIEW OF PROGRESS: 1996-1999**

**I. Summary conclusion**

1. Both the DAC High Level Meeting and the OECD Council at Ministerial level have requested a substantial review of progress made in implementing the development partnership strategy, three years after its adoption and endorsement. The present report brings together information available to the OECD Secretariat to respond to this request. Its sources of information are the peer reviews conducted in that period, activities undertaken within the DAC and in other multilateral organisations, as well as several reports by Members on activities they have undertaken in their own programmes.

2. In their May 1996 report on *Shaping the 21st Century: The Contribution of Development Co-operation*, DAC Ministers for Development Co-operation and Heads of Aid Agencies set forth the key elements of a people-centred sustainable development strategy. The strategy's framework for action included four principal elements:

- **A shared vision**, defined by measurable goals of economic well-being, social development and environmental sustainability.
- **A concept of effective partnership**, with basic changes to be given effect through compacts that allocate responsibility, reinforce local ownership, strengthen local capacities and foster participation and self-reliance.
- Emphasis on **qualitative foundations**, such as democratic accountability, the protection of human rights and the rule of law, as essential to the attainment of the more measurable goals.
- Need for **coherence** between aid policies and other policies which impact on developing countries.

3. It is the aim of the development partnership strategy to bring these elements together into a more effective system of international co-operation, with adequate resources, enhanced co-ordination, an expanded base for co-operation and improved monitoring, reporting and evaluation -- all integrated into an overall framework of coherent policies that are pro-development. Such an approach is felt to be crucial to the effectiveness and efficiency of development co-operation.

4. *Shaping the 21st Century* recognises that donors would need to change how they think and how they operate, in a more co-ordinated effort than they had known until then. Three years later, there is clearly a broadening international acceptance of partnership approaches. There is sufficient evidence that the development partnership strategy's principles and main directions have been explicitly endorsed by the donor community at large, including the multilateral donors. Some significant changes have been made, or are being tried, in the ways that a good number of donors operate. There is also a reasonably good joint evolution of some key tools, such as basic indicators of development progress, and approaches to promote poverty reduction.

5. Meanwhile, however, the goal of achieving genuine co-ordination at the system-wide level is still in the design phase. More generally, the available evidence suggests uneven and partial progress by donors in fully gearing their aid policies and systems to partnership principles and practices, and to practical steps to actually “get the flags down” and improve co-ordination, while still maintaining the necessary visibility of bilateral development co-operation.

## II. Report

### a) *Advance development goals and measure performance*

6. DAC Members have, either collectively or individually, undertaken initiatives to promote active engagement in the development partnership approach through dissemination and dialogue with developing countries, international organisations and non-official audiences<sup>1</sup>. A major event among these initiatives in the past year was the Second Tokyo International Conference on African Development, which was organised in October 1998 by Japan together with the UN and the Global Coalition for Africa (TICAD II). This conference brought together all major multilateral and bilateral donors and 61 African countries (some represented at the level of Head of State) to discuss and adopt a strategic action plan for poverty reduction and the integration of Africa into the world economy for the development of Africa towards the 21st century.

7. While the development goals, set forth in *Shaping the 21st Century*, had already been more or less reflected in the aid programmes of most DAC Members (reflecting as they do a representative selection of central goals broadly agreed upon through the major UN conferences), evidence from the peer reviews shows that their explicit selection has helped them to reinforce or reorient strategic policy objectives. This has in particular been the case with the goal of poverty reduction, which is now clearly cited as the overriding goal of most of the programmes reviewed. The reviews, however, confirm that defining and implementing this goal is far from being an easy task.

8. *Work in the DAC.* In order to contribute to the definition by Members of practical strategies for poverty reduction and to provide a platform for exchanging experiences, the DAC decided to establish an Informal Network on Poverty Reduction. The Network met in June 1998 for the first time. One of its first actions was to consider a scoping study of donor poverty reduction policies and practices, to provide the basis for the Network to target its work. The results of the scoping study were critically reviewed by DAC Members, and also by a special group drawn from partner countries. Priorities for the Network’s programme of work, emerging from the scoping study and the subsequent discussions, include efforts to highlight good practice in leading areas of poverty reduction; elaboration of a conceptual framework for poverty reduction; and defining and elaborating pro-poor growth strategies. In its work on poverty reduction, the DAC will continue to take special measures to fully integrate gender dimensions.

9. The subsidiary bodies of the DAC have been requested to test and orient their work programmes to provide maximum support for advancing the strategy’s goals. This has not only led to more focused programmes of work, but also to stronger linkages between work in various areas, e.g. between poverty, environment, gender and conflict-related issues.

10. *Indicators.* In collaboration with the World Bank and the UN, and in consultation with recipient countries, the DAC and its Members have put much effort into defining a core set of indicators to measure progress towards attaining the goals of the partnership strategy. After a wide measure of agreement was reached on a “core set” of indicators in February 1998, work focused on dissemination, filling out and refining the indicator set, and improving data coverage and comparability. The indicators are available on

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1. A list of key events of the past three years is attached at Annex 1.

the OECD/DAC Website; the World Bank included tables and analysis of the goals and indicators in the 1998 edition of *World Development Indicators*; the set has been presented to ECOSOC, the World Bank, EC country representatives, the SPA, and several bilateral agencies. In July 1998 ECOSOC mandated work to bring together the various international indicator initiatives related to follow-up to the UN conferences and summits of the 1990s. This has resulted in the working set of indicators being subsumed into the set of some 54 indicators to be used by the UN family in its Common Country Assessment – as part of the UN Development Assistance Framework. This will not only help UN programming but also advance the partnership and co-ordination aspects of the development partnership strategy.

11. Efforts continue to refine the indicator set and improve data coverage and comparability: the World Bank is improving its poverty estimates, as requested; additional indicators have been proposed including four environment indicators to complete coverage; work is moving ahead to arrive at suitable indicators for participatory development and good governance; and the DAC will facilitate an informal group of international experts which will start work in 1999 to improve the co-ordination and effectiveness of assistance to building long-term statistical capacity in partner countries. A review in February 2000 will refine the indicator set in the light of the above work and assess progress in the 1990s towards the goals in time to present the results to next year's HLM.

12. *Initial uses of indicators.* When the core set, together with some general indicators of development, were used to make an assessment of where developing countries stood on the development scale at the time the strategy was adopted, two major conclusions attracted attention. The first was that a number of developing countries that were already relatively close to achieving the agreed international goals, were still receiving a good deal of total ODA. The second striking fact was how many of the partner countries furthest away from the goals were either in conflict or in the process of recovering from recent conflict.

13. These conclusions have fed into discussions about the difficult challenges of reconciling “need” and “performance”. Some DAC Members appear to have drawn on such information when embarking on a re-orientation of their aid flows, with a tendency to focus more on poorer countries, at the same time with greater selectivity.

**b) *Strengthen partnerships and improve aid effectiveness***

14. Accounts from DAC Members<sup>2</sup> and multilateral agencies, as well as information emerging from DAC peer reviews and other sources, show that many agencies are taking a more explicit and systematic approach to co-operation arrangements and techniques based on ownership and participation by the authorities and civil societies of developing countries themselves. Encouragingly, these accounts also show that a wide range of developing countries in all regions have begun, to varying degrees, to exercise their own leadership in producing their strategies and in co-ordinating with their external partners<sup>3</sup>. The record of these individual cases, however, also underlines that much more needs to be done to support developing countries in the strengthening of their capacities to lead the co-ordination process and that external partners individually and collectively need to gear themselves better to support these changes.

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2. See Annex 2 for a Swedish report on the Nordic partnership in Tanzania and Annex 3 for an Austrian report on their partnership initiatives in Uganda.

3. Some examples of such strategies produced by partner country governments are Tanzania's Development Vision 2025, Ghana's Vision 2020, Egypt's Vision 2017 and Uganda's Poverty Eradication Action Plan. Typically, where governments have been able to produce such strategies, they also manage reasonably well to organise the co-ordination process (although there may be differences between various sectors).

15. The issue of strengthening ownership was the special focus of a Development Partners Forum, organised by the DAC in January 1998, back-to-back with the DAC Senior Level Meeting. Discussions there led to the formulation of a succinct eleven-point checklist (see Annex 4) of possible areas of action, recognising how difficult and complex it can be for donors to make the appropriate changes in their aid management practices. Some promising developments, though scarce and not equally involving all donors, can be recorded:

- ***Ending the proliferation of projects.*** Work within the Special Programme of Assistance to Sub-Saharan Africa (SPA) on sector-wide approaches (SWAP) has increased donor interest in these kinds of activities. The SWAP is a radical departure from other aid models, in which donors decided on their priorities and funded individual projects on that basis, with some co-ordination between donors and possibly the government of the partner country in some sectors. There have of course been successes with project-based approaches, but they have often led to donor-driven development efforts, with developing countries in the position of mere recipients of aid. Under SWAPs, the aim is to provide aid in accordance with the priorities of the partner country, with the desired effect of strengthening existing governmental and civil society structures rather than relying on parallel aid-built structures. At present SWAPs are being implemented in Bangladesh, Zambia, Ethiopia, Tanzania, Uganda (health, education), and in Mozambique (health, education, agriculture).

Not all donors are involved in implementing SWAPs. SWAPs require a significantly enhanced partner government involvement. However, in many cases the capacity to ensure they are able to carry out their role has not yet been built up, and some donors are thus reluctant to move away from their individual projects.<sup>4</sup> Others have difficulties with diluting the direct link between their funds and a concrete activity, which they feel is needed to maintain public support at home for development co-operation. How some donors have been able to cope with these issues is illustrated by the case of the Netherlands in Mali (Annex 5) and the case of Ireland in dealing with financial procedures for SWAPs (Annex 6). In addition, whereas donors may not wish to go so far as to put their funds into a common fund, there is a growing expectation that they should at least ensure that they do not finance activities that do not fit the strategic plan for that sector. An example of this meshing is in the health sector in Ghana, where a common health sector fund is supported by some donors alongside concrete activities identified by the health ministry for other donors to fund.

- ***Recipient partner-led co-ordination.*** On the premise that meaningful co-operation partnerships and donor co-ordination often require a direct and sustained dialogue with the authorities and others in partner countries, some Members have strengthened their presence in the field and/or have delegated more responsibilities to their field offices. Delegation, it seems, can be especially meaningful in stimulating and helping strengthen recipient partner-led co-ordination (see Annex 4 for an illustration). At the same time, experience shows that the overall benefits of delegation depend to some extent on reasonably similar approaches by most donors.

Organising Consultative Group Meetings in the capitals of the recipient countries concerned is being increasingly tested as a means to enhance recipient partner-led co-ordination and ownership. In line with its partnership approaches, the World Bank has been increasingly proposing holding CG meetings in the countries concerned. In the past few years such meetings have been held in Ethiopia, Vietnam, Haiti, Tanzania, Mozambique and Uganda. World Bank accounts on the experiences so far suggest that advantages of in-country CGs

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4. The DAC Informal Network on Institutional and Capacity Development is focusing its 3-5 May 1999 Ottawa session on the capacity development issues involved in SWAPs.

include: higher and broader participation by government officials; greater country ownership, especially if national stakeholders are actively involved in the preparatory work; involvement of the civil society and the private sector (the only practical way of involving them directly and substantively in the discussions); dissemination of information with greater transparency which enhances ownership and accountability for commitments. At the same time, however, there are some concerns about the logistical problems and possible additional costs, as well as about possibly lower donor representation.

- **Joint evaluations.** The DAC Working Party on Aid Evaluation, has focused on the scope for applying the principle that donors and their partners should evaluate development programmes jointly. Although it recognised that officials, professional organisations, beneficiaries or affected groups already participate to some extent in the evaluation process, there were major obstacles to broad implementation of the principle. These include partners' unwillingness, or lack of interest or capacity; time constraints and high costs; communication problems; increased complexity and delay; and, occasionally, political obstacles. The Working Party decided to undertake a project to extract and define good evaluation partnership practices, based on the experience of DAC Members and of recipient partners, which could be applied more generally in development co-operation.
- **External debt.** Many developing countries are still faced with a heavy debt burden, which forms a major obstacle to development. The HIPC Initiative launched a few years ago by the World Bank has been able to bring relief to a small number of countries, but, in spite of G7/8 calls, flexibility and speediness in its practical application remain to be strengthened. Recent initiatives are expected to come to fruition in the near future. It will be important for all concerned to monitor the longer-term developmental influence and results of these measures and of the resources invested in these ways. To relate more closely debt policies and development approaches is now a crucial endeavour.

16. *The DAC-initiated Review of the International Aid System in Mali*<sup>5</sup>. This effort, now driven by Malians themselves, has helped guide a far-reaching process of re-examination, which included many of the issues highlighted in the 11-point checklist. In principle, there is widespread support for experimenting with adjusting aid mechanisms and procedures so that the feasibility and benefits of change can be tested. Malian authorities recognised the need to take on the role of co-ordinator and promoter of development. They also acknowledged that conditions of employment in the civil service are not conducive to an effective public administration and that changes in incentives and practices would need to be made to improve the situation. Partnerships with civil society could also be made more effective. Donor participants, in turn, recognised that they have to devote more time and effort to interface with Malian institutions even if it were to mean a temporary drop in disbursements, and to further adapt aid procedures and practices to local institutional capacities.

17. To guide the implementation of the action programme that was jointly agreed for the reform of the aid system, institutional arrangements have been put in place at three levels: (1) a joint Malian-donor community decision-making commission comprised of six Malian ministers and all the donor heads of mission posted in Mali; (2) a joint Malian-donor community technical committee to prepare and monitor the implementation of the reform programme and decisions made by the joint commission; and (3) a secretariat to facilitate the overall process. In spite of these arrangements and of the momentum acquired during the review process itself, the Malian authorities and donor community have not yet begun implementing the action programme.

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5. See Annex 7.

18. Some conclusions can be drawn from the very slow start in the implementation phase. The first may be that -- despite mutual commitment to promote a reform of the way in which development co-operation takes place by promoting national co-ordination and management of aid with a view to improving its effectiveness -- it is difficult to change many decades of "bad habits" and "entrenched practices". In the Malian case, problems have arisen on both the Malian and donor sides as short-term interests in preserving the status quo seem to override the very compelling longer-term interests in favour of change. The second conclusion is that strong Malian leadership is a key ingredient, but one which appears to be difficult to sustain. Mali is faced with major political reforms (decentralisation, local elections) following a period of intense and difficult presidential and legislative elections. It is not yet clear whether the authorities can contend with the political and socio-economic decisions that need to be implemented.

19. Another important factor is the fear, on the part of the Malian authorities, that rationalisation of the aid system could lead to a decline in the volume of ODA. The institutional streamlining proposed by the reform of the aid system necessarily implies changes in the role of some key ministerial departments that have secured certain types of ODA resources (*i.e.* supplies, vehicles, equipment, topping-up of civil servant salaries) that they would not wish to lose. As for donors, resistance to change can be linked to the fear of losing national identity of aid flows or short-term gains for national suppliers of goods and services. The variable which clearly needs much greater weight in these calculations is what would be best for the intended beneficiary.

20. *Multilateral partnership and co-ordination efforts.* Over recent years, many of the multilateral agencies have been pursuing types of thinking and action consistent with DAC Members' approaches, to strengthen partnership practices with their programme countries and to improve co-ordination within the UN family. As far as the UN is concerned, this thinking has been laid down in a draft resolution as approved by the Second Committee on 1 December 1998, and put into action by the so-called United Nations Development Assistance Framework (UNDAF). After having been piloted in 18 countries, UNDAF, which was initially set up as a mechanism for co-ordinating among institutions of the UN family, will gradually be implemented in all countries over the next three years. Following the World Bank's broad proposals on partnership in 1998, an important recent development is the President's proposal to work toward a Comprehensive Development Framework. The Framework, which would emphasise social and structural concerns to balance the attention to macroeconomic concerns, is proposed to be implemented initially in some twelve developing countries following a partnership approach. Implementation will vary from country to country, depending on where a country lies on the spectrum of economic and social development, and depending on stakeholders involved. This initiative represents a possible turning-point in the approach the Bank has been following so far. It may also offer a needed catalyst toward practical implementation of the donors' common endeavour towards partnership.

21. The various partnership/co-ordination efforts initiated by multilateral agencies (WB, UN, IMF, EC, African Development Bank, WTO) were discussed in a first informal meeting of multilateral secretariats, organised by the DAC Secretariat in December 1998. The exchange built up on a matrix which has now charted all the many co-ordination/partnership pilot efforts underway. Participants showed a shared intention to make best use of the complementarity of and potential synergy between the various efforts. They also saw a role for the DAC and the Secretariat (without operational programmes) to convene representatives of the multilateral agencies concerned informally on a regular basis around the evolving agenda of partnership effectiveness in a selected number of countries, and thereby assure a two-way link with bilateral donors. The results of such discussions would be regularly reported to the DAC, offering the opportunity for the Committee to bring the various experiences together and discuss them in a broader perspective.

22. The peer review process will be used as a main instrument to survey DAC Members' efforts to implement the partnership approach. To that end, the field perspective of the peer reviews will be



strengthened and these topics will figure more prominently in the preparation and conduct of the full reviews.

**c) *Mobilise and monitor resources for development***

23. *Shaping the 21<sup>st</sup> Century* recognised clearly that “an effort to build stronger compacts with developing countries on a foundation of shrinking resources and declining commitment will lack credibility”. So far, the bare facts show that DAC Members as a group (and a number of large donors among them) have not been able to stem the decline in Official Development Assistance. Net ODA had been rising until 1992 when it reached a record amount of US \$ 60,850 million. Since then it has declined by one-fifth, to reach US \$ 48,324 in 1997. Even if we bear in mind that this fall in ODA is partly due to the fact that, since 1997, aid to Israel could no longer be counted as ODA, these figures -- together with the knowledge that many DAC Members have not kept pace in their aid spending when they have improved their overall economic and budget situations -- do indeed raise serious credibility questions.

24. The G7 countries have accounted for practically all of the real fall in ODA in recent years. Canada and Japan were the only two G7 countries to show increases in 1997 in the real level of their ODA, mostly due to their catching up on payments to multilateral agencies. So, while ODA from G7 countries fell by 29 per cent in real terms between 1992 and 1997, real ODA from countries outside this group was practically unchanged. Non-G7 countries now provide 28 per cent of DAC ODA, which is double their share in total DAC GNP. Four of these countries -- Denmark, the Netherlands, Norway and Sweden -- remain the only donors to exceed the UN target for ODA of 0.7 per cent of GNP. Aid from the smallest DAC Members -- Ireland, Luxembourg and more recently New Zealand - has been growing strongly, in pursuit of clear targets they have set. Of the remaining DAC Members, Belgium, Finland and Portugal and Sweden have cut aid significantly in the past five years, whereas Australia, Austria, Spain and Switzerland are little changed in real terms.

25. One hopeful sign of a possible turnaround of these trends, and the role played by G7 countries in this connection, was the commitment in May 1998 of the G8 Summit leaders in Birmingham “to a real and effective partnership ... to reach the internationally agreed goals for economic and social development” and to “mobilise resources for development ... in a spirit of burden-sharing”. Since then, one G7 Member country, the United Kingdom, has made a firm commitment to raise ODA by more than 25 per cent in real terms over the next three years. The Swedish authorities have also launched a multi-year programme of increases and the coalition agreement of the new German Government included a commitment to reverse the downward trend in German ODA and more steadfastly toward the UN’s target for donor efforts of 0.7 per cent of GNP. More recently, the United Kingdom has issued a call for donors to restore ODA to an amount of US \$ 60 billion by the year 2000.

26. *Shaping the 21<sup>st</sup> Century* clearly recognised that the vast majority of financial resources for development would always need to come from domestic resources in a healthy economy, with a vibrant private sector and with conditions to maintain and attract private investment. Besides, most developing countries increasingly see important roles for external private capital, especially in the form of Foreign Direct Investment (FDI). While total net private flows from OECD sources to the developing world fell sharply in 1997, to \$US 252 billion compared to \$US 283 billion in 1996, FDI continued its upward path in 1997 reaching a record \$US 108 billion, up \$US 44 from its 1996 level. However, FDI remains concentrated in a few economic sectors in a limited number of developing countries.

27. Analysis and discussion of this emerging picture and of the potential for various financial resources to work together to promote development, have been conducted within the DAC around what has been labelled as the “development finance agenda”. Those discussions focused on the roles ODA could and should play to leverage domestic public and private as well as foreign private resources. Seen from the perspective of the development finance agenda, an important role for development co-operation is to

support efforts of partner countries to strengthen the policy regimes, institutions and capacities needed to finance development goals. ODA provided for these purposes can be likened to “bridging finance”- assistance provided over a finite period within which partner countries build the policies and structures that produce greater financial autonomy. In this way, ODA to support resource mobilisation will also help create the conditions to allow exit from aid dependency over time.

28. Examples of how DAC donors are beginning to use this framework are the 1998 and 1999 DAC/World Bank Seminars on Meeting Infrastructure Needs into the 21st Century and on Financial Systems for Sustainable Resource Mobilisation in Less Advanced Developing Countries. The key findings of these seminars were:

- **Infrastructure.** Major sea changes are taking place in this area. These are: 1) a strong expansion of the role of the private sector; 2) decentralisation to sub-sovereign governments. These call for changing but still important roles for both governments and donors. For donors, this means a commitment to improved planning and co-ordination; involvement in capacity building at many levels; unbundling and targeting their support (particularly to the poverty dimension); recognising and meeting the requirements for private-sector participation; helping build local capital markets; and working effectively with governments at all levels.
- **Financial sector strengthening.** Sound financial systems, properly designed, maintained and supervised for effective and efficient mobilisation and allocation of both domestic and foreign financial resources for development, are crucial if the financial sector is not to become a critical bottleneck -- or source of vulnerability -- in the private-sector led development process. For bilateral donors, this implies:
  - Renewed recognition of the importance of programming in the financial sector at all levels (not only micro finance).
  - Attaching greater priority to domestic capital markets and instruments.
  - Capacity building at all levels (micro, meso, macro), through carefully targeted technical assistance and working on the regulatory framework.
  - Creating innovative financial instruments for the poor, and Small and Medium-Sized Enterprises (SMEs) which are sustainable; and finally to renewing in this sector their commitment to co-ordinated and coherent sectoral approaches led by the developing country and involving all partners.

**d) *Bring together policies affecting developing countries***

29. *Shaping the 21st Century* stressed that “We should aim for nothing less than to assure that the entire range of relevant industrialised country policies are consistent with and do not undermine development objectives”. The coherence issue has been addressed at various levels in the past three years. They have for example been increasingly reflected in peer reviews of individual Members’ development co-operation policies. They have also been reflected in Members’ joint work in the DAC, such as on conflict, peace and development co-operation, on good governance and on untying. At the level of the OECD as a whole, a programme on sustainable development has been started, and, more recently, following a request from the 1998 OECD Council at Ministerial level, a paper has been produced on the challenges of policy coherence in a global economy, focusing on trade and investment and development.

The results are scheduled for presentation to the 1999 Ministerial Council Meeting (and several major OECD Committees, including the DAC HLM). (See also paragraphs 41-43 below.)

- *Peer Reviews*

30. Within DAC peer reviews, policy coherence has become a more prominent theme over recent years, both on economic policy issues, and those relating to governance and conflict (see below). Coherence in trade-related areas has been a special issue in the most recent reviews of the development co-operation programmes of the United States, the European Commission and Japan. The issues examined so far clearly illustrate the need for adequate mechanisms both to proactively promote coherence, to try to prevent incoherence, and set up mechanisms to deal with it effectively in case it should arise. The 1999 OECD study (mentioned above) should indicate new avenues for this work.

- *Peace, conflict and development co-operation*

31. Recognising that a minimum base of human security is essential for development (as was later emphasised in the strategy) and responding to many new demands in their work, the DAC had decided by 1995 to launch a programme of work aimed at drawing out lessons from experiences and good practices in the linkages between conflict, peace and development co-operation. The aim was to find ways to improve the efficiency, effectiveness and coherence of Members' efforts in these areas and provide practical policy guidance to those called upon to design and implement programmes in these complex and often path-breaking areas. In the light of the confirmation that many among the group of countries furthest away from the partnership goals are either in conflict or emerging from recent conflict, this work proved to be very timely and useful.

32. A special DAC Task Force formulated guidelines in this area, which were endorsed by the DAC High Level Meeting in 1997. They provide guidance with regard to the formulation and co-ordination of initiatives by bilateral, multilateral and non-governmental actors in support of conflict prevention and in responses to conflict and complex emergencies. This includes, in particular, approaches to bridge relief and development efforts, and the formulation of strategic frameworks to ensure the coherence of donor initiatives in the area of conflict prevention and peace-building. The Task Force continues its work, with a number of important policy studies to complete, and the plan to test and improve the usefulness of the guidelines with partners and operational personnel. This work is linked to continuing, targeted follow-up to the path-breaking examination of military expenditures in developing countries, mandated by the OECD Ministerial Council in 1997.

- *Good governance*

33. The 1995 DAC *Development Partnerships* policy statement identified democratic accountability, the protection of human rights and the rule of law as among the key elements of integrated development strategies. Efforts to improve governance and to promote peace-building are among the most sensitive, complex and difficult areas of development. These efforts especially need to develop from strong domestic roots and sustained internal momentum in order to take hold. External partners' roles can be vital, but in the long run they are even more circumscribed than in other fields.

34. Following the formulation of guidelines for participatory development and good governance in 1993, the DAC started a pilot exercise in seven countries to contribute to promoting locally-owned dialogues in this field. Experiences with these pilots not only illustrated the complexity and sensitivity mentioned above, but also revealed the relatively limited capacity in most donor field offices to deal with

these complex areas. As a result of this constraint and the sometimes strained relationship between governments and civil societies on political questions, field offices have generally been uneasy about initiating or intensifying collective consultations. An exception to the rule seems to be the pilot in Bolivia, where almost all necessary ingredients for a successful outcome were present (see Annex 8). This work is now being followed up and refined approaches are being considered.

35. A previously taboo area that is making its way constructively into international and country-level dialogues is that of corruption. This has to a great extent been facilitated by increasing pressures to end corruption from within many developing countries themselves. A further breakthrough may have come from OECD Members' initiatives in recent years to strengthen their agreed curbs on corrupt practices in international business transactions, showing the appropriate recognition that their own authorities and corporate nationals share responsibility with those of other countries. DAC Members have contributed to these OECD-wide efforts by agreeing on anti-corruption proposals for their bilateral aid procurement, and increasingly integrating these questions into their normal dialogue and capacity-building assistance on good governance.

- *Untying*

36. The issue of aid untying has long been identified as a key test of donor countries' coherence and credibility of their policies towards developing countries. This form of protectionism still stands as an anomaly in the light of the wider liberalisation preached and practised by OECD Members. In the context of the partnership strategy, tying practices are now increasingly cited as incompatible with effective partnership and capacity-building strategies.

37. The fact that this issue has been on the agenda of the DAC and other development co-ordination forums for so long, testifies to the great difficulties in finding consensus solutions to dismantle Members' different procurement preferences and practices. At the same time, the action to be taken on the work mandated by last year's HLM on a Recommendation to untie aid to least-developed countries is awaited by the international community as a major practical test of strengthening ownership, aid quality and OECD countries' policy coherence, in line with the development partnership strategy.

- *Sustainable development*

38. The policy of integrating a sustainable development orientation into all work of the OECD is being implemented through a three-year programme that is addressing climate change, technology co-operation, indicators and framework conditions for environmental sustainability, including the implications for developing countries. This has created increased opportunities for collaboration with the OECD among a range of committees and directorates, and the long-standing emphasis in development co-operation work on sustainability in all its dimensions has provided some useful lessons for OECD Members' own concerns. In the development co-operation field, specifically, manifestations of this collaboration have so far included the active participation of the OECD Environment Directorate in the formulation of the working set of core indicators of development progress; and the DAC and Development Co-operation Directorate in the March 1998 OECD/IEA Forum on Climate Change.

39. Continuing OECD work on the implementation of international environmental conventions on climate change, desertification and biodiversity will provide additional opportunities for collaboration to further coherence between environment and development policies.

- *Trade and investment*

40. In the areas of trade and investment, the DAC is collaborating with the WTO and other multilateral organisations which are supporting an integrated initiative to increase the trade opportunities and capacities of the least-developed countries. An inventory of DAC Members' policies and programmes in the area of capacity development for trade and investment led to a useful review in 1997 and contributed with the WTO and other multilateral organisations involved to a DAC forum on trade capacity development in November 1998. The forum focused on improving co-ordination between bilateral and multilateral programmes of co-operation in partnership with least developed countries.

41. A promising, and challenging, development in bringing trade and investment policies together with development partnerships was set in motion by the explicit recognition in 1998 by the OECD Council at Ministerial level, stressing that the success of the development partnership strategy

“... will be based upon increased policy coherence, especially to help secure sustainable development, assemble the necessary financial resources and integrate successfully into the global economy. Ministers requested the Secretariat to submit a report to their meeting in 1999 on the links between trade, investment and development, and the role that the OECD might play in promoting greater policy coherence.”

42. DAC Members, at their 1999 High Level Meeting, will be asked to consider the draft report on these topics with a view to identifying their own specific priorities, in the OECD and in their capitals, in the follow-up that may be given to this work after its consideration by the 1999 Ministerial Council of the OECD.

### III. Key directions and questions for the future

43. The DAC's 1999-2000 Programme of Work provides the following **key directions** for the further implementation of the partnership strategy:

- *Advancing development goals and measuring performance*

- Work in the area of poverty reduction will focus on identifying and propagating (by end-2000) a first set of best practices and effective approaches, including the important gender dimension.
- The working set of indicators of development progress will be refined, in continued collaboration with UN, World Bank and partner country experts, in particular on environment and participatory development and good governance (by Spring 2000), and disaggregated by sex wherever possible. A review of the use of 1998 set of indicators will be carried out by Spring 2000.
- A five-year review of donor performance will be conducted in relation to the DAC's Policy Statement on Gender Equality, with a special focus on the important education goals in the strategy.
- The environmental aspects of the 21st Century Strategy's economic and social goals, and particularly poverty reduction, will be followed through.
- A compendium of experience on practical approaches to strengthening good governance will be produced.

- The DAC guidelines on conflict, peace and development co-operation will be supplemented, incorporating the findings of completed studies and feedback from the consultation and dissemination process.
- ***Strengthening partnerships and improving aid effectiveness***
  - Strengthening the partnership approach by providing information and the sharing of best practices making partnerships operational, possibly in a new handbook or updating of the existing DAC Guidelines, and designed for use at field level as well as in the policy work of agencies.
  - Monitor implementation of partnership principles through peer reviews with emphasis on the field perspective.
- ***Mobilising and monitoring resources for development***
  - An integrated approach to mobilising development finance will be developed, including trade and investment linkages.
  - Statistical collection and reporting will be increasingly tuned to permit new analyses linking resource allocations to development outcomes, starting in 2000.
- ***Bringing together policies affecting developing countries***
  - To be further fleshed out in light of OECD-wide study (see final question below).

44. Important **questions** for the future include:

- ***Strengthening partnerships and aid effectiveness***
  - In order to accelerate progress with improved partnership on the ground, do DAC Members now wish to consider endorsing some particular model/s for moving forward together to try out, refine and replicate good partnership systems? How should DAC Members relate to partnership improvement efforts by the UN and World Bank?
  - Assuming that DAC Members continue to adopt different approaches to the allocation of aid in relation to countries' policy performance, will this have a tendency to affect donor co-ordination and the coherence of messages to partners?
- ***Resources***
  - Are DAC Members now reaching the point where they could join a concerted stance to bring a turnaround in aid volume trends?
  - Do DAC Members see useful possibilities for joint action or experience-sharing in donor responses to the financial crisis and its lessons, and practical ways to make more impact in leveraging private flows with aid?
- ***Policy coherence***
  - Which of the policy areas identified in the draft report on "Trade and Investment and Development: The Challenges of Policy Coherence in a Global Economy" are the most

important and/or promising for action in capitals and orienting OECD countries' relations with developing countries?

**ANNEX 1: DEVELOPMENT PARTNERSHIP STRATEGY:  
DIALOGUE AND PROGRESS IN 1996-99**

**- KEY EVENTS -**

• **1996**

November: Workshop (back-to back with the DAC Senior Level Meeting) with multilaterals on shaping the global aid system.

December: First review of the DAC List, using new system for graduation from Part I to Part II of the List.

• **1997**

January: Seminar in Mexico with new and other non-DAC donors with emphasis on DAC policies and shared interests in effective partnerships.

March: Meeting on capacity development for trade, organised together with WTO, UNCTAD, and ITC.

May: Workshop on indicators as an aid to informed programming, organised together with the World Bank and the UN.

September: Dialogue between representatives from 10 developing countries, a number of DAC Member countries, and the World Bank on the main features of the strategy and the practical issues involved in its implementation, organised by the Netherlands and Japan.

December: Policy -oriented Forum with six partner case-studies on Key Elements of Poverty Reduction Strategies to advance the over-arching goal of the strategy, organised together with the OECD Development Centre.

During year: Launch pilots of in-country participatory development/good governance co-ordination in Benin, Bolivia, Burkina Faso, Costa Rica, Malawi, Mauritania and Uganda.

• **1998**

January: Forum of Development Partners (back-to-back with the DAC's annual Senior Level Meeting) focused on how, in practice, to strengthen local "ownership" and on how to confront problems caused by uncoordinated donor practices.

February: Second meeting on Agreed Indicators of Development Progress, organised with the World Bank and the UN.

March: Workshop on how to incorporate capacity development in aid agency programmes, organised together with the Netherlands.



May: Workshop on best practices for development co-operation and infrastructure finance, organised together with the World Bank.

International Workshop on Partnership for Participatory Development and Good Governance, hosted by the Malian Government and organised together with France, the United States, the United Kingdom and the Global Coalition for Africa.

July: Conference on Poverty Reduction Strategies, organised by the Japan and the Netherlands.

October: Second Tokyo International Conference on African Development (TICAD II), organised by Japan, the United Nations and the Global Coalition for Africa.

November: Workshop with multilateral organisations on good practices for trade capacity development and implementing integrated frameworks for the least developed countries.

Forum of Development Partners (back-to-back with the DAC's Senior Level Meeting) on procurement-capacity development and liberalisation of aid procedures.

Finalising the major pilot review of the Aid System ( in Mali) -- organised by the DAC in co-operation with the Malian authorities, the Club du Sahel and the multilateral and bilateral donors active in Mali.

December: Meeting of multilateral secretariats -- including the World Bank, the United Nations Development Group, the IMF, the EC, the African Development Bank and the International Trade Centre -- to discuss the various partnership/co-ordination pilots and initiatives in order to find complementarity and synergy.

• **1999**

March: Workshop on Financial Systems for Sustainable Resource Mobilisation in Less Advanced Developing Countries, organised with the World Bank.

May: Agreement on the work programme and outline for the guidelines on poverty reduction.

## ANNEX 2: NORDIC PARTNERSHIP WITH TANZANIA - REPORT BY SWEDEN

In September 1996, the governments of Tanzania, Sweden, Denmark, Finland and Norway concluded a partnership agreement, which is based on a political vision formulated by Tanzania. It includes commitments to democratisation, decentralisation, the fight against corruption and a sustainable economic policy. The new co-operation relations are based on the following:

- Tanzania will assume leadership and have sole ownership of the programmes with regard to planning, design, implementation and evaluation.
- Tanzania will have full responsibility for the programmes and resources.
- The parties will conduct an open dialogue on all aspects of the programme.
- All activities will be agreed on the basis of shared financing, the Tanzanian portion to increase over time.
- The Nordic parties undertake to go over to programme assistance as soon as Tanzanian policies are defined for various sectors.
- The intention is that the co-operation should lead to broader relations on long-term common interests.

The Nordic partnership was successfully followed up by a larger group of partners in January 1997. Below follows a list of some concrete recommendations to implement the new partnership between Tanzania and its development partners following the Nordic partnership agreement. Some informal progress report and the contribution that Sweden has made to aid the implementation follows each recommendation

- 1) *Information on planned and actual aid flows should be provided by the donors to Tanzania.*  
Within the Public Expenditure Review (PER) of 1997/98, an attempt was made to map the extent and nature of donor support to Tanzania. The exercise proved to be very difficult since different donors have different accounting systems. Efforts continue, however, in the PER for 1999. Sweden provides information to the Ministry of Finance in Tanzania on disbursements for all its programmes, both annual planning figures to be included in the governmental budget and the actual monthly disbursements.
- 2) *Integrate donor discussions on debt relief and development assistance; Tanzania should develop an integrated resource plan.*  
The establishment of the Multilateral Debt Relief Fund has brought together discussions on debt budget expenditures and aid. Tanzania has, however, not yet developed an integrated resource plan, but an updated debt management strategy has been worked out and will be tabled in parliament.

- 3) *Financial management and planning capacity should be built into the Treasury and the Planning Commission.*  
Several programmes are on-going to build capacity in the Treasury. One example is the Swedish support to the Accountant General's Department.
- 4) *Tanzania should take the lead in the preparation of future Policy Framework Papers and Public Expenditure Reviews.*  
Since 1997, Tanzania has clearly taken the lead in the preparation of both documents, and the PER has been adjusted to fit into Tanzania's own budget process.
- 5) *Tanzania's capacity to manage project resources should be enhanced and donors should transfer more of this responsibility to the government when its capacity has increased.*  
This is done on a continuous basis, at least by Sweden.
- 6) *The Civil Service Department will prepare a circular on management responsibilities and staffing arrangements for projects in order to minimise the existence of parallel arrangements; donors will finalise reports on project staff and "topping-up" procedures.*  
The donor report has been finalised. A draft Government Circular form from May 1998 has been sent to the donors. Discussions between the Civil Service Department and the donor community, through the local DAC group, are ongoing.
- 7) *Co-ordination meetings should be rationalised to ensure effectiveness and avoid duplication.*  
The Ministry of Finance has recently taken steps to have quarterly sector reviews in some selected sectors (e.g. health, education and roads), in order to have a more co-ordinated approach towards the donors and to achieve a more transparent discussion on government and donor spending in those sectors. In addition, the Embassy of Sweden has proposed that the Nordic countries should have annual consultations with Tanzania in order to save time on the part of high-level Tanzanian officials. This proposal was welcomed by the Ministry of Finance as well as by some of the Nordic countries.
- 8) *Donors should follow the Tanzanian Government's priorities for development projects and seek orderly exit from non-core activities.*  
According to Tanzania, the number of development projects has diminished from more than 1500 to approximately 600. There is no updated list available of which projects are included. However, the development budget for 1998/99 seems to be better organised than in previous years.
- 9) *One or two sub-sectors should be chosen to test aid co-ordination modalities and evaluated after two years.*  
No sectors have been formally chosen but new aid co-ordination modalities are worked out in the education and health sectors in the context of sector development programmes.
- 10) *A formal stock-taking of progress made should be undertaken at the next meeting of the Consultative Group.*  
This was done at the CG meeting in December. As had been suggested by Sweden, the meeting was held in Dar es Salaam and included meetings with civil society and the private sector.

In conclusion, progress has been made with regard to many of the recommendations, especially when looking at the macroeconomic area. However, much remains to be done when it comes to the speed of actual implementation at a more detailed level.

### **ANNEX 3: AUSTRIAN PARTNERSHIP WITH UGANDA - REPORT BY AUSTRIA**

Uganda, one of eight priority countries within the framework of Austrian development co-operation, has, over the past few years, received the largest share of Austrian bilateral aid. Given the scope of the Austrian programme in Uganda, the following comments are not based on single projects but on sector programmes Austria is involved with in Uganda.

There are four major sectors of Austrian development co-operation in Uganda:

- 1) Water and Sanitation
- 2) Private Sector Development
- 3) Good Governance and Human Rights
- 4) Education and Training

Besides regular contributions to the above sectors, Austria has also made considerable contributions to debt relief, namely to a Multilateral Debt Fund established in Uganda and to a Debt Buy-Back Programme of the Government of Uganda.

#### **1) Water and Sanitation**

Programmes in water and sanitation have, from the very beginning, been realised in close co-operation with Ugandan parastatals in charge of water and sanitation. This includes the planning as well as the implementation process. Austrian contributions to this sector, which represent the biggest share of aid to Uganda, are part of a larger programme under the World Bank to provide both urban and rural areas with safe water. The ongoing Austrian-funded programme of rural water and sanitation is implemented by a decentralised office of the Directorate of Water Development. This parastatal also implements programmes financed by other donors in other rural areas of Uganda and ensures that Ugandan counterpart funds are released on a regular and timely basis. Austria provides some technical support from time to time by way of experts from an Austrian university.

Whereas the Austrian contribution, like those of other bilateral donors in this programme, is a grant, some components are financed through loans secured by the Government of Uganda (GoU) from multilateral donors.

The strength of the programme lies in the fact that local communities benefiting from it have to provide labour and in-kind contributions during the implementation phase, as well as having to pay for the water they consume later. This participation in the process is a precondition for the village (or small town) to be selected under this scheme. Payments are used for the maintenance of the system.

#### **2) Private Sector Development**

As much as GoU recognises and supports private sector development as a vital element of economic growth, there is no concise government policy in place for this sector. Strategies are mainly

discussed by donors, using the Private Sector Sub Group under the Local Donor Group chaired by the World Bank as their forum. The secretariat of this sub-group is run by Austria.

Austria supports various projects in this sector, most of them in co-operation with other bi- and multilateral donors. A significant number of them, in particular some micro credit schemes, are addressed to rural people, whereas efforts to decentralise the services of Uganda Investment Authority by setting up regional offices outside Kampala have failed, as most (foreign) investments are still concentrated in the central region of Uganda.

With regard to micro credit schemes, Austria has financed an evaluation of the two major programmes run in rural areas, i.e. FINCA and PRIDE. Both schemes are jointly financed by a number of bilateral donors who are now sharing with Austria the findings of the above evaluation. These findings identified, amongst other things, the legal status of micro finance institutions as their weakest point, and the recommendations made in the evaluation report are vital for the financing of ongoing and future projects in this field.

Another co-ordination effort initiated and financed by Austria is in co-operation with the Bank of Uganda, which offers training courses for bank staff from various commercial banks in handling commercial micro credits.

### **3) Good Governance and Human Rights**

This sector, which has grown considerably both in budget allocations and in numbers of individual projects over the past few years, has also experienced some strong and efficient co-ordination efforts by donors and GoU alike. Projects financed by Austria include, amongst others, support to decentralisation (Kisoro District Development Programme), the printing of a monthly newsletter and brochures of the Uganda Human Rights commission in various vernaculars, support to parliamentary and local elections, or financing civil service reform.

For a number of activities in this sector, donors have developed co-ordination procedures which are either chaired by GoU (e.g. civil service reform), by an individual donor (e.g. Denmark for the Legal Sector Subgroup) or jointly by two donors (e.g. Decentralisation Subgroup by Ireland and Austria). Even where GoU is not chairing a group, constant efforts are underway to involve GoU as much as possible in these co-ordination efforts. UNDP has also played an important role by co-ordinating donor support to various elections since 1994.

Donor co-ordination during the time of the Austrian Presidency of the EU in 1998 also resulted in a common EU statement presented by Austria during the Consultative Group Meeting on Uganda in early December 1998 in Kampala. This statement, which concentrated on a number of pertinent issues including corruption, had been agreed to by all EU member states including the Commission, and only three member states had chosen to present an additional bilateral statement. This did not dilute the impact the common approach had.

Furthermore, the observations made and conclusions drawn in this paper are now being used by EU member states as a basis for bilateral consultations between them and the GoU.

#### **4) Education and Training**

Austria is not a major player in this sector: activities are concentrating on two postgraduate scholarship programmes, one offering studies in Austria and one providing scholarships for studies within Uganda. Besides that, some highly specialised postgraduate training programmes taking place in Austria are offered on an individual basis.

Austria has, however, provided a considerable amount of money (ATS 40 mio.) for a debt buy-back programme Uganda had agreed on with Tanzania. Under this programme, Uganda will provide the amount given by Austria in local currency to the "Poverty Action Fund", set up by GoU to attract contributions from donors mainly for health and education. This fund, which is modelled on a similar "Multilateral Debt Fund" set up jointly by GoU and donors in 1996, is chaired by GoU and handles, besides contributions from donors, a major share of the funds made available to Uganda in the wake of the HIPC Initiative in April last year. Austria's contribution for the debt buy-back will therefore be used to fund projects both in education and in health.

In conclusion it can be said that Uganda enjoys a high level of co-ordination efforts and partnership in development. Over the last three to four years, Uganda has step by step taken charge of more areas of co-ordination, and will certainly continue to do so. GoU has also embarked on a major programme of decentralisation, a process hampered though by lack of capacities at almost all levels involved. Efforts are also underway to adjust donor procedures to fit those of the host-country, in particular in the field of accounting. Programme and budget aid is on the increase, but again to some extent dependent on capacities available within the administration.

As of recent corruption, which has been rampant for a long time, has been highlighted both within and outside the country, and a number of ministers were censured by parliament and had to resign. Together with Uganda's heavy involvement in the war in DRC, this will definitely have some repercussions on future aid relations.

**ANNEX 4: STRENGTHENING PARTNERSHIPS FOR DEVELOPMENT:  
A WORKING CHECKLIST FROM THE SENIOR LEVEL MEETING OF  
THE DEVELOPMENT ASSISTANCE COMMITTEE,  
JANUARY 1998**

*As part of the continuing work of the OECD's Development Assistance Committee (DAC) aimed at effective implementation of the Development Partnerships Strategy, a Forum of Development Partners was convened in conjunction with the Committee's Senior Level Meeting in January 1998. The Forum presentations--focused on five partner countries, together with much other experience by DAC Members--led the Senior level participants to the following points as a working checklist to guide efforts toward improving partnerships, and simplifying and harmonising donor procedures.*

1. Donors should encourage recipient partners to formulate their own development strategies - setting out the local priorities, plans and instruments for implementing such strategies. This process should systematically involve civil society, as well as consultation with external partners. Where such locally-owned strategies are compatible with internationally agreed goals, donors should work to implement their aid programmes in a co-ordinated manner on the basis of such locally owned strategies and accept their discipline.
2. Donors should stimulate and help strengthen recipient partner-led co-ordination of development co-operation. The capacity for local co- ordination (which can and should also strengthen the international process) may be improved by donors' own delegation of decision-making authority from headquarters to field missions. At the international level, the possible advantages and disadvantages of organising Consultative Group (and Round Table) meetings in the capitals of the recipient partners concerned, should be further tested in practice.
3. Transparency of donor and recipient partner interests and mutual trust should be increased through continuous dialogue, both informal and through systematic work on themes and sectors through standing sub-groups, preferably led by the host government.
4. External partners should agree in principle to adjust more to local procedures, where necessary helping recipient countries to bring their procedures and management capacities up to international standards. There may be useful DAC roles in identifying best practices and helping organise pilot exercises to move toward the simplification and harmonisation of procedures.
5. Practices involving tied aid are prominently identified among procedures that can impair local ownership and capacity-building, with substantial economic and credibility costs. The proposal for a DAC Recommendation to start with untying aid to Least Developed Countries could be a step toward improved partnerships in this area, yielding additional tangible benefits for partners from competitive bidding and from local procurement.
6. Donors share the objective of ending the proliferation of projects and providing their aid increasingly in forms of programme and budget assistance to support the country's strategic priorities for development. To this end, they need to help strengthen partner countries' capacities to manage such aid,

and further test the various approaches and conditions under which they can pool their contributions in country funds for major sectors or key goals e.g., poverty eradication. The integration of aid spending into the overall budget context may require donors to manage their own significant inputs differently to help strengthen local revenue pools.

7. There is a widely felt need to support local capacity building by changing the existing modalities for providing technical co-operation, which often appears expensive and excessive, hampering true ownership and the use and development of local capacities.

8. The practices of joint monitoring and evaluation of development programmes by donor and recipient partners should be further developed and applied, with a view to learning together the lessons of achievements and failures.

9. Improving the coherence between external partners' development co-operation policies and their other policies (such as those affecting trade and investment) affecting recipient partners is clearly seen as increasingly important to help the developing countries concerned move toward reduced dependence on aid.

10. Innovative ways of financing should be constructed so as to have ODA play catalytic and leverage roles in generating and attracting other forms of domestic and foreign investment; the roles of grants, loans, forms of support for the local private sector, and "matching" contributions by beneficiaries merit further careful assessment and coherent policies.

11. External partners should continue to help lessen the debt burden of recipient partners; in this context, among others, the modality of various types of "debt swaps" should be considered.



## ANNEX 5: DUTCH EXPERIENCES WITH THE SECTORAL APPROACH IN MALI

The Dutch aid programme in Mali has changed considerably in the past years, and now looks totally different than some five years ago. The sectoral approach played an important role in the change process.

Dutch involvement in Mali started in 1974, during the draught period in the Sahel. At first, Dutch aid mainly consisted of food aid, but it did not take long before projects were started in the rural development and health sectors.

In 1994, the Ministry of Foreign Affairs's operations evaluation department, IOV, evaluated the 20 years of Dutch-Malian development co-operation. Although the programme was assessed as good, IOV found that there was a plethora of disconnected projects and recommended to promote a more sectoral approach and to set out a course for that. Though the IOV study triggered the changes in the Dutch aid programme, these could never have been so far-reaching without the enabling environment that had emerged through Mali's transition in 1991 to a democratic government with an energetic team of ministers.

The process to introduce a sectoral approach, which was initiated by the Dutch Embassy in Mali in the beginning of the nineties, was hard and slow, but constant. How it evolved is illustrated for the health sector.

In the beginning of the nineties, the newly elected democratic government of Mali decided to formulate a ten-year policy plan and a five-year investment plan for the health sector. A working group was established within the government and this working group consulted periodically with the donors. These consultations were, however, not structural and not very effective. At that time, the Netherlands had been involved for more than 15 years in three large projects, implemented in two different regions, which aimed to reorganise the primary health care systems. Mali's new policy was to particularly focus on self-financing and self-management of health care at the local level, promoting as it were a kind of decentralisation with a large content of literal ownership. The Dutch projects supported such a policy, had much experience in implementing it, and, on the basis of these experiences, were of the opinion that the long-term policy needed some amendments.

Dutch development co-operation, therefore, had two main reasons to have an interest in intensive consultations on the ten-year health policy plan: in the first place to enhance implementation of IOV's recommendation towards a sectoral approach, and, secondly, to make the government integrate the Dutch projects' experiences into the policy plan. So, the Netherlands took the initiative to synthesise beforehand a few important aspects with other donors. E.g., it was important to know whether everyone was ready to abandon his projects and to finance Malian policy directly. It appeared that this readiness existed in principle, but the nearer to the starting date of the policy plan, the less donors were prepared to give up their own flags. To some extent this was understandable, since the Malian administration was not yet ready to adequately manage these kind of constructions. The classical mistake had been made that the government and donors formulate a long-term policy plan, but wait to institutionally strengthen the administration on a large scale until the implementation of the plan starts, forcing donors to continue with their project approach. The solution that the Dutch choose in the health sector was to start from the bottom up. The three projects in two regions were the starting point from where the Dutch tried to integrate projects at the regional level into Malian policy:

- The first phase consisted of substituting Dutch by Malian project management.
- The second phase tried to focus technical assistance on strengthening administrative capacities and to transfer this technical assistance from the project to the regional level.
- The next step was to disconnect the financial component from the personnel support: as off 1 January 1999, cheques are no longer signed by project people but by the Malian regional health director and his colleague from the Treasury. The Dutch funds are still in a separate account, which is audited every year, but their spending is now being decided by Malians.

Some lessons from the experience in the health sector are:

- Projects are in fact the basis for having input in and influence on a sectoral plan.
- One should start with the sectoral approach wherever possible; in Mali, this was at the regional level.
- Even if the political conditions for a sectoral approach are fulfilled, there always seem to be institutional weaknesses on the side of the recipient government which should get serious attention beforehand.
- Dutch embassies can operate flexibly because of delegation of decision-making authority, but unless other donors delegate as well, the process will stagnate.

## **ANNEX 6: IRELAND - ONGOING WORK ON FINANCIAL PROCEDURES FOR SWAPS**

As part of Irish Aid's efforts to operationalise the partnership strategy, emphasis has been placed on Sector Wide Approaches (SWAPs). In order to ensure that SWAPs are successfully integrated into Irish Aid policy, it is necessary to have confidence in accountability of the procedures followed.

Few countries have yet made substantial progress in implementing sectoral programmes through a common management and accounting framework. Accordingly, a report on financial accountability of SWAPs was commissioned and discussed at an internal seminar on the issue in December 1998. This focused on the Irish Aid experience but also took into account developments elsewhere.

While the intention is to ensure that disbursement of funds complies with Irish government requirements, recipient countries stand to benefit significantly from a process of strengthening their ability to manage funds effectively. The report recommended that before involvement in SWAPs, a group led by the recipient country and including interested donors should assess and identify the accounting and audit capacity enhancements required in the recipient country and that these could then be financed by a pre-SWAPs basket fund.

As SWAPs are an evolving concept, Irish Aid must remain flexible to initiatives from others on this issue, while recognising that there are legal requirements involved which must be met. The report mentioned above has given Irish Aid guidelines and principles to inform discussions on this issue with other interested parties.

Two examples of Irish Aid work in this area:

- A systems accountant has been employed on the Tanzanian programme to deal with the financial aspects of involvement in sector aid. She will work closely with the Tanzanian government ministries and other donors and will have an input into the design of the monitoring/financial systems for the sectoral programmes which Irish Aid supports. Part of her job will be to assist partner ministries to ensure they have sufficient capacity to handle the financial aspects of these programmes.
- Irish Aid took part in February 1999 in a joint Government of Mozambique (GOM)/Donor Mission on common implementation issues for PROAGRI -- the agricultural SWAP -- with a particular focus on financial management. This mission recommended mechanisms for (a) channelling funds for PROAGRI while maintaining an audit trail, and (b) ways of reporting on revenues and expenditure compatible with both GOM and donor requirements. The document produced by the mission will be discussed at the March meeting on the PROAGRI programme in Dublin.

## **ANNEX 7: REVIEW OF THE INTERNATIONAL AID SYSTEM IN MALI**

The Malian government with support from the OECD/DAC led a review of the effectiveness of the international aid system in Mali which included the donor community, the Malian authorities and representatives of Malian civil society. The objective of the review was to examine the areas of good practice and dysfunction and how they impacted on aid effectiveness. The review process led to agreement on a number of reforms thought essential for improving aid effectiveness and promoting local ownership of the development co-operation process. The review noted that there were major opportunities for progress based on recent improvements in the political and socio-economic environment and that the level of effectiveness of programmes and projects evaluated was reasonably satisfactory, although the beneficiaries interviewed expressed concerns that they were generally absent from the process with the exception of the implementation phase.

Results seemed to be particularly disappointing in the areas of improving living conditions of the majority of the Malian population, the pace of human capital formation and poverty reduction, with some evidence that poverty was actually increasing. The general conclusion was that these difficulties were attributable in part to the lack of sufficient aid co-ordination and the lack of integration of aid management in national economic and institutional processes which undermined their longer-term sustainability and limited the impact of aid-financed activities.

Proposals for reform elaborated following the assessment phase are as follows:

- Facilitate an agreed vision among Malian and their development co-operation partners on the objectives and priorities for development.
- Reform the institutional structure responsible for co-ordination and managing aid.
- Progressively harmonise development co-operation procedures with a view to building an acceptable set of national aid procedures.
- Promote greater participation of the civil society at all levels of development co-operation including the design and implementation of development strategies and activities.
- Establish a national information system on development co-operation activities.
- Better integrate development co-operation activities into the national economy (through untying).

Despite the fact that there is a wide consensus around the above proposals the reform process itself is having trouble getting started given bureaucratic inertia and fear of such substantial reform. Sustained high-level political commitment in Mali and in donor aid agencies is clearly an essential ingredient for making significant progress in implementing the above reforms.

**ANNEX 8: SUMMARY OF FINAL REPORT BY GERMAN EMBASSY IN LA PAZ  
ON PD/GG PILOT EXERCISE IN BOLIVIA**

The co-ordination process on participatory development and good governance (pd/gg) launched in early 1997 on behalf of the DAC has come to be considered by most donors represented in Bolivia and by the Bolivian government, as an exemplary co-ordination mechanism that has become indispensable. Due to the dynamism that has emerged, the co-ordination process has transcended boundaries of its original remit and has moved beyond covering solely topics related to pd/gg. The Bolivian government has now shouldered the responsibility for the co-ordination process, which means that the process has become a “Bolivian project” in the sense of enhanced ownership of the partner government.

The co-ordination exercise and the dynamic process emerging from it have resulted in a considerable deepening of the policy dialogue with the Bolivian government and in improved co-ordination between donors. The following factors have contributed to the tangible success of the exercise:

- Fortunate timing. The exercise was launched just before the change of government in August 1997, so the new government and its Finance Ministry had the opportunity to build upon the co-ordination mechanism that had been created and use it as a channel to pursue its goals of enhanced donor co-ordination and of adapting donors’ activities to government objectives.
- Great interest on the part of various donor organisations: it was possible for the co-ordination exercise in Bolivia to build upon a relatively advanced level of donor co-ordination. There were several informal forums for co-ordination on sector policies that prepared the exercise.
- There had been remarkable reform progress in the past as well as a developed culture of debate and a consensus encompassing all of society on major development-related issues, all of which constituted a conducive setting for the desired policy dialogue on pd/gg. Moreover, Bolivia is one of the countries where even sensitive political issues may be addressed with remarkable frankness.
- The declared target of establishing links with existing co-ordination mechanisms, and especially with the preparation and follow-up work related to annual donor co-ordination meetings (Consultative Group meetings led by the World Bank) filled an existing gap, raised the interest of most donors and demonstrated the “value-added” of the co-ordination exercise.
- By providing an opportunity to adjust to a changing political framework and to discuss related issues with the Bolivian government, the co-ordination process has created a very dynamic forum, which is being drawn upon by all the parties involved. The flexibility of incorporating emerging problems into the policy dialogue as they arise has made it possible for the donor community to speak with one voice and to formulate joint positions.

The major weak points of the co-ordination process to date, when measured against the objectives set by the DAC, have been:

- Not all of the donors have actually integrated themselves in the co-ordination process
- The inclusion of civil society in the debate has not taken place to the extent expected

- It is not possible in all cases to live up to the growing expectations of the donor community with regard to the co-ordination process' ability to clarify urgent questions with the Bolivian government.
- The growing number of participants and of issues and tasks to be dealt with by the co-ordination process is threatening to exceed the capacities of all the parties involved.
- The local co-ordination process has thus far been a Bolivian experiment, and experience from other countries, especially from the other pd/gg pilot countries, has only been drawn upon to an insufficient degree.
- As regards the ambitious goal of the co-ordination exercise to achieve mutual adaptation, not least of donor activities and instruments, we are still far from finding a systematic solution, even though there have been some examples of success

On the whole, the co-ordination process can probably be described as a success. It has become irreversible and is considered by all parties involved, but particularly by the Bolivian government, as a mechanism that has become indispensable.