



Briefing Paper

Aid Coordination

1. Coordination and the Common Aid Effort

At the very least, aid coordination must be seen as a concerted attempt among the aid-givers to eliminate anomalies. Conflicts of interest, differences of administrative procedure, contradictory prescriptions for the recipient's economic progress, or duplication of effort; such anomalies are to be found in the programmes of bilateral aid-givers and international agencies.

More ambitiously, aid coordination may be seen as an attempt to turn the notion of a 'common aid effort' into operational reality, in which the resources of the aid-givers are in some sense combined for the achievement of agreed objectives.

Lately, the trend among the big donors has been one of increasing preoccupation with their own problems. In these circumstances, while the need to eliminate waste has made it relatively easy to maintain progress in the elimination of anomalies, there has been little sign of continuing progress towards an effective combining of efforts.

2. Levels of coordination

The mechanisms that exist for aid coordination are of four main types, corresponding to four different levels of operation.

a) Projects

In the execution of projects which are financed from more than one source, the donors, or in some cases the recipients, have a range of mechanisms for ensuring coherence. Of these, the most important are 'project syndicates'. These are usually set up for large multi-national infrastructure projects, in which the contractors either cannot raise the necessary credit themselves or can only do so on terms which would impose an excessive debt burden. The aid provided by the bilateral donors in these financial syndicates is usually intended to finance their own share in the contract.

b) Countries

Three main types of mechanism exist for coordinating aid from several sources to a single recipient country. There are the consortia for India and Pakistan, run by the World Bank, and for Greece and Turkey, run by the OECD, in which the members periodically 'pledge' overall amounts of aid. There are consultative groups for nine countries, mostly run by the World Bank, which are intended to serve the same purpose as consortia, but without the pledging. And there are ad hoc groups, set up to meet an immediate crisis in the recipient's economy, of which the most active are those for Ceylon, Ghana, and Indonesia.

c) Regions

Regional mechanisms evolve in different forms, according to the circumstances of the region in question. They are usually dominated by the recipients within the region. Although in the long run they probably have a higher potential for effective coordination than any other framework, they are still at a rudimentary stage of development.

d) Global policy

The main forum in which the aid-givers seek to harmonise their policies is the Development Assistance Committee (DAC) of the OECD, which has secured concurrence in principle, but not binding agreements, on several important issues.

3. Current difficulties

Coordination gathers momentum when participants are agreed on the objectives. In the present climate for aid, agreement on objectives is elusive.

The clearest illustration of this is the DAC. Its secretariat has recently been much more forceful in its attempts to promote a rationalisation of aid, attempts which show up, for instance, vast improvements in its statistics. Yet agreement on major issues in the DAC has become harder to achieve. Indeed, it is probably the negative attitude of some of the members that has forced the secretariat to become so outspoken in its criticisms.

Project syndicates, having relatively short-term objectives requiring only limited commitments, continue to function without much difficulty, though there will be problems here, too, if the international agencies which sponsor them remain so short of funds as they are at present.

The evolution of regional mechanisms, which is seen by most aid-givers as a crucial development, has been halted, perhaps stunted, by shortage of funds.

But the level of coordination at which the effect of the present climate for aid is most marked is that of the single-country mechanisms. Since these mechanisms represent the farthest advance yet made towards the realisation of a common aid effort, and since they tend by their nature to be set up for countries which occupy a special position in the developing world, a setback in their evolution now could have a far more serious effect on the basic structure and practice of aid than any temporary decline in the volume.

4. Consortia, Consultative Groups, and other mechanisms

Countries for which coordinating mechanisms exist are, as one would expect, the countries which attract the interest of several aid-givers. When money is short, these are the first countries to be sacrificed, since donors are reluctant to cut aid to a country with which they have a special relationship and for which they acknowledge special responsibility. So India and Pakistan (600m people) are bound to come off worse than Botswana, Upper Volta, and Nicaragua (7m people).

About two-thirds of the aid from Western and multilateral sources to the thirteen countries for which consortia and consultative groups exist come from the USA, and these countries have been the most striking casualties of the current hardening of American attitudes to aid.

The consortia for India and Pakistan, which provide larger amounts than any of the other single-country mechanisms, have also been weakened by delays in the replenishment of the resources of the International Development Association, of which 70% has in the past gone to these two countries.

The consultative groups are vulnerable because they have no mechanism for fixing the volume of aid. The move away from pledging, for which there were sound reasons, was based on the assumption that there would be other pressures for an increase in aid. In the absence of such pressures, the consultative groups are in danger of degenerating into what the representative of one developing country has described as 'annual seminars' on the recipients' problems.

The ad hoc groups have performed very unevenly, because of a failure to get over the first hurdle of providing enough aid, on the right terms, to resolve the immediate crisis.

Apart from the USA and the World Bank, the principal supporters of consortia and consultative groups are Canada, Germany, Japan, and Britain. The tendency in these countries is to wait for a lead from the USA or the World Bank. With American leadership in abeyance, and the World Bank crippled by IDA's lack of resources, any initiative to reverse the present trend would have to come from one or more of these other four countries.