

Effectiveness of Aid Coordination Initiatives; An Aid Operators' Perspective

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Abstract: The debate on aid effectiveness has evolved into the core of multilateral and bilateral assistance. Proliferations of donors and aid fragmentation have caused tangible difficulties on achieving aid effectiveness. Though ample of global and country level aid coordination initiatives targeting aid effectiveness are getting momentum, aid operators seem to be not scientifically convinced to commit to the aid harmonization and alignment. This research sought to study the effectiveness of aid coordination on effective and efficient implementation aid programmes by the aid operators. Twenty one randomly selected organizations were studied and it has been found that an aid operating organization will achieve higher degree of aid effectiveness if it implements the aid with higher degree of harmonization and alignment.

Keywords: Aid, Development Assistance, Aid Effectiveness, Coordination

Introduction

Foreign aid is a topic that has attracted much attention in academic and policy circles for more than half a century. (George Mavrotas and Espen Villanger, 2006).

In 2011, the most recent year for which complete data is available, the Organization for Economic Co-Operation and Development (OECD) reports that 45 Countries and 22 multilateral organizations disbursed Official Development Assistance (ODA), the most widely recognized category of foreign assistance. More donors are giving ODA than in decades past, and, until recently, many donors were spreading their assistance across a growing number of recipients. (Leonardo

Lawson,M, 2013). Almost all developing countries receiving ODA have consequently hosted large number of, both bilateral and multilateral donors and aid operators. Number of ODA projects has been steadily increasing regardless of occasional decline in ODA (Kihara, T. 2012). The rate of increase has been accelerating since 1994, and reached 96,000 projects in 2007 (Leonardo Lawson,M, 2013). However, since 1991 the average amount of aid per project has declined sharply, to \$1.77 million in 2007 which indicates that many projects with relatively small average amounts of ODA have been operating in many developing countries including Sri Lanka, which indicates that the number of countries and sectors a donor assists have been “proliferating” and amounts have become “fragmented.” (Kihara, T. 2012).

To meet the effectiveness challenges of this widespread aid architecture, the OECD-DAC initially set new priorities for foreign aid, it promoted the increasingly broader adoption of the International Development Targets which later laid the foundations for the creation of the Millennium Development Goals (MDGs).

From the First High Level forum organized by United Nations in Mexico in 2002 to the Fourth High Level Forum on Aid Effectiveness which concluded with Busan Partnership for Effective Development Co-operation in 2011 in Busan of Korea, multilateral and bilateral donors and aid recipient countries of globe have committed to various initiatives to rationalize the aid environment (Karel Verbeke and Evert Waeterloos, 2010) and coordinate donor actions with the objective of improving effectiveness of aid.

Regardless of whether any such aid effectiveness initiatives actually yield, most of them are laid down at the strategic level rather than being focused at the bottom-level of aid implementation. This scenario is observed to result in a gap between the macro level observance of aid effectiveness standards and beneficiary level impacts on development. This situation is also sometime referred to as Micro-macro paradox. Parameters of aid coordination initiatives therefore need to be tested with respect to their ability to support to the aid operators (which here refer to the non governmental agencies whether national or foreign agencies who implement the donor assistance to the end beneficiaries) who bring the aid down to level of beneficiaries. This research therefore primarily targets to investigate the effectiveness of aid coordination initiatives especially in the contexts of aid operators

Review of Literature

Aid effectiveness has become a central notion in the lexicon of the aid industry.(Daniel Kaufmann, 2009) and it also now evolved into a vital account of public management and good governance especially in the contexts of developing countries. Though many global and country level initiatives are in motion to achieve aid effectiveness agenda, it is extremely difficult to establish scientifically whether development aid actually works. Yet, it is commonly assumed that aid has often yielded positive results, a large number of aid effectiveness studies of recent years concludes that foreign aid results in no effect on growth or any other indicators of poverty, (Boone 1996; Svensson 1999, 2000; Knack 2001; Brumm 2003; Ovaska 2003; Easterly et al. 2004; Djankov et al. 2006a; Easterly 2006a; Powell and Ryan 2006; Williamson 2008). This result has caused frustration in the aid community. (Karel Verbeke and Evert Waeterloos, 2010).

However, Svensson (1999), Collier and Dollar (2002), and Burnside and Dollar (2000, 2004) do find a positive effect of aid on growth when combined with the good policy and institutional environments. Leeson (2008) explains that aid ineffectiveness in most of the developing countries is because of the weak institutions and bad policies, contributing to why they

are poor. Although the recipient countries were initially pointed for such failure of foreign aid, the donor community has over the past decades increasingly acknowledged its own role in rendering aid ineffective. (Karel Verbeke and Evert Waeterloos, 2010).

One of the major challenges in recent aid trends is the “proliferation” of aid provided and the “fragmentation” of aid receipts. It is believed that these prevent aid from achieving its attempted development impacts. (Kihara,T, 2012). The OECD (2009) indicated that “aid that comes in too small slices from too many donors, creating unnecessary and wasteful administrative costs and making it difficult to target funds where they are needed most”.¹¹ OECD (2009). p. 2 Acharya et al. (2006) argues that aid often underperforms when it is channelled through too many institutional channels. Aid proliferation (an increase in the number of donors to a specific recipient country) and aid fragmentation (an increase in the number of projects and a decline in the amount per project) results in huge transaction costs and for both recipients and donors. Kihara (2009) also confirmed the negative effects of aid proliferation and fragmentation on government effectiveness (bureaucratic quality), and its negative impacts on GDP per capita growth .

Easterly (2006) points out that in a situation where there are many donors involved, it is hard to decide who is accountable. This can weaken incentives of donor organizations. It is hard to allocate responsibility, which means that it is harder to introduce corrective action.

The official donor aid community therefore subsequently has become committed to improve aid effectiveness through better coordination mechanisms (Daniel Kaufmann, 2009) which evolved through such various international cornerstone initiatives. These include Monterrey Consensus on Financing for Development organized by the UN in Mexico in 2002 and the High Level Forum on Aid Effectiveness in Rome, which is also known as Rome Declaration on Aid Harmonization, organized by DAC in 2003 where donors declared and endorsed three principles of the ownership, harmonization and alignment. Most

importantly, the second High Level Forum on Aid Effectiveness in 2005 resolved in the Paris Declaration on Aid Effectiveness ratified by more than 40 donors and 60 recipients. Paris Declaration on Aid Effectiveness introduced two new principles of “results-based management” and “mutual accountability” which complemented the three principles of the Rome Declaration. The adherence of donors and recipient countries to the consented aid effectiveness principles were monitored with indicators with specific targets by 2010. Consequently, in September 2008, Ghana’s capital Accra hosted the third High Level Forum on Aid Effectiveness. The main objective of the forum was to review progress on the implementation of Paris Declaration and to draw lessons for further actions. The final document, the Accra Agenda for Action, therefore is considered as a supplement to the Paris declaration with concrete indications and directions to attain the objectives thereof.

However, the “Accra Agenda for Action” resolved in the third High Level Forum in Accra in September 2008, was commented to be much more inclusive than the previous ones, significantly broadening Civil Society Organizations’ participation and giving them voice. (Daniel Kaufmann,2009). This resolution fostered not only the donor aid transparency but also civil society engagements in aid governance.

Recently, from 29 November to 1 December 2011, over 3000 delegates convened in the Fourth High Level Forum on Aid Effectiveness to review progress on implementing the principles of the Paris Declaration. The forum emended up with the “Busan Partnership for Effective Development Co-operation”. This declaration is said to have, for the first time, established an agreed framework for development co-operation that embraces traditional donors, South-South co-operators, the BRICS nations, civil society organisations and private funders.

Based on 50 years of field experience and research, the five principles that were agreed at these fora encourage local ownership, alignment of development programmes around a country’s development strategy, harmonisation of practices to

reduce transaction costs, avoidance of fragmented efforts and the creation of results frameworks.

The stated purpose of foreign aid, as envisioned by all such global initiatives, is to promote economic and human development (Claudia R. Williamson,2009). An aid is said to be effective if it positively impacts on improving the standards of life and or contribute to eradicate human sufferings. The concept of aid effectiveness can however take many different meanings. From a donor perspective, effective aid could mean the aid that helps the donor achieve its own goals, which do not necessarily have to be altruistic. (Arne Bigsten and Sven Tengstam, March 2012). An achievement of the goals of the donors and aid operators with respect to a given assistance, if they are not altruistic, can be an another side of the coin of aid effectiveness. This implies that aid effectiveness can also be targeted by actual outcome based implementation of aid programmes.

Nevertheless, donors’ proliferations, fragmentation of aid among an increasing number of recipients and conflicting rationales of assistance have caused tangible difficulties in achieving the objectives of many aid programmes in the globe. If the donors and aid operators can sincerely commit to the aid coordination initiatives as promoted in the aid effectiveness agendas, many of such difficulties can be expected to be remedied. But in contrast, regardless of the aid coordination initiatives taking momentum at global and country level, aid operators that implement the aid to the end-beneficiaries are yet to be scientifically convinced to commit to the aid coordination mechanisms. There still prevail reservations among aid professionals whether aid coordination matters on aid effectiveness.

There are numerous arguments for the reasons why the donors/aid organizations are not coordinating. Andreas Fuchs et al, 2013 argues that competition for export markets and political support prevents donor countries from closer coordination of aid activities.

Not all foreign aid professionals or aid operating organizations are bothered about the growing number of donors in many developing countries or the

importance of coordinated aid. Some contend that the wide variety of independent donors is valuable in demonstrating pluralism in action and reflecting the decentralization of authority that many development plans promote. Others argue that having a range of active donors leads to more ideas, competition, and innovation, as well as a more consistent flow of funding. Some development professionals believe donor coordination is the responsibility of recipient governments, not donors, and that while it may be frustrating to donors when host government officials do not act in concert, failure to coordinate often reflects political and policy differences that must be worked out by the host officials through internal political processes. Others question whether they warrant the time consuming task of donor coordination, particularly in countries for which aid is not a major component of the national budget. In the context of recent international development forums, however, donor and recipient countries alike have expressed widespread agreement on the desirability in principle of greater donor coordination and consolidation of foreign assistance activities to address fragmentation concerns (Marian Leonardo Lawson, 2013)

Yet, almost half of donors surveyed for the Paris Declaration implementation evaluation in 2008 reported facing significant domestic political and institutional obstacles to establishing coordinated aid arrangements. Among the recurring obstacles are difficulties related to division of labor, concerns about direct budget support, personnel disincentives, lack of interagency coordination, and conflicting strategic interests. (Marian Leonardo Lawson, 2013)

Both donors and aid recipients are spending considerable resources on aid coordination activities. The trend seems to be towards an increase in these levels, yet relatively little is known about the outcomes and impact of these efforts. In particular, there does not seem to be much of a strategy in place for how to improve the effectiveness of the aid coordination resources themselves. (Arne Disch, 2013)

Arne Bigsten and Sven Tengstam (2012) points out it is not clear that there is in aggregate a trend towards increasing harmonization but the need for

coordination is strongest when resources are transferred through the recipient government's apparatus

On the other hand, the primary argument of coordination proponents is that aid effectiveness is becoming increasingly undermined by duplication of efforts, imbalanced aid distribution, omissions, donor competition, cross- purposes, loss of scale, administrative burden, unclear leadership etc. These defects can be addressed if an effective coordination is in force. Many experts also believe that improved coordination among donor governments and multilateral aid organizations could make global development assistance more efficient and effective. (Marian Leonardo Lawson, 2013). Gaspart and Platteau (2011) argues that a reduction in donor competition which leads to aid inefficiency can be achieved through enhanced coordination

Aid coordination is a major idea of international development cooperation agreements of the last decade. Aid effectiveness agenda hence promotes a coordinated approach on the allocation and implementation of development assistance. Such initiatives resolve the aid to be *inter alia* "aligned" and "harmonized" respectively with recipient's development strategies and the donors in similar actions.

The Paris Declaration had for first time represented a broader consensus among the international community about how to make aid more effective by their commitment to the following five key principles.

- Ownership: developing countries must lead their own development policies and strategies and manage their own development work on the ground
- Alignment: Donor countries align behind the development strategies of the recipient country and use local systems.
- Harmonization: Donor countries coordinate, simplify procedures, and share information to avoid duplication.

- Results: Developing countries and donors shift focus to development results and results get measured.
- Mutual accountability: Donors and partners are accountable for development results, both to each other and to their constituencies.

Out of the above principles of Paris Declaration, Aid harmonization and Aid Alignment do however require donor driven actions than it is driven by aid recipients. Aid alignment makes an aid coordinated with recipient's system while the aid harmonization gets the donors coordinated within them.

Research problem

The donors or their agents, aid operators and the recipient government should trade off in the aid coordination to make the aid effective in terms of its real development outcome. For example the aid harmonization and alignment may be advocated for an aid effectiveness mission in a given recipient country. At the same time, due to poor coordination and aid governance structure in that country, aid coordination may not be optimal for the aid operating agency (e.g I/NGO) for delivering the aid timely, efficiently and in a pragmatic and programtic manner which might be crucial for the success of the aid. Thus, aid effectiveness can not only be evaluated by the direct impact on human development, but also can be targeted by the effective and efficient accomplishment of the aids programmed with such human development goals. This is an aid operators' perspective of aid effectiveness.

This paper takes this aid operators' perspective and investigates the effectiveness of the aid coordination to achieve the targeted aid outcome of the aid operators. It is assumed here that aid operators and or the donors are not altruistic and are objectively committing to the development needs of the aid recipient. This angle of the aid effectiveness investigation to my knowledge is novel and significant in revisiting the grass root- functionality of aid effectiveness initiatives.

The above arguments arises a hypothetical question whether the aid effectiveness/coordination initiatives are important to aid operators to effectively deliver the aid. This paper is developed primarily to address this research question.

Research Objective

The primary objective of this paper is to investigate the effectiveness of aid coordination from the perspective of an aid operator. That is to say, to investigate the relationship between degree of aid coordination of aid operators and the ability of the coordination to assist the aid operators to effectively and efficiently implement the aid programmes.

This paper also aims to address the problem in relation to the famous aid effectiveness/coordination initiatives of aid harmonization and alignment which are the two important donor driven efforts constituted by Paris Declaration.

Design and Methodology

The dependent variable of this research is effectiveness of aid coordination (ACe).The Effectiveness of aid coordination in this research means the extent to which the aid harmonization and alignment were leading to aid effectiveness. Aid effectiveness here implies the degree to which aid operators were enabled by aid coordination (harmonization and alignment) to successfully meet aid programme parameters (APP) of targeted time, budget, measureable output and intended aid outcomes.

$$(AHe, AAe) \rightarrow ACe$$

Degree of Aid Coordination (AC_d) is here defined as the extent to which the aids are both aligned with the national systems and harmonized with the other aid organizations. Thus, the AC_d carries again two elements of Degree of Aid Harmonization (AH_d) and the Degree of Aid Alignment (AA_d).

$$(AHd, AAd) \rightarrow ACd$$

Degree of aid alignment (AA_d) and the Degree of aid harmonization (AA_h) were measured by the attitudes of the aid operators to be aligned respectively with the government institutions and other aid operation in action, with respect to beneficiary approval, consultations and advices, technical assistance, sharing information and procurement of goods and services.

Data was collected through structured questionnaire which employed likert scale questions. Each construct's reliability was tested with Cronbach's Alpha values which are summarized as below.

Reliability Statistics

Constructs	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No of Items
AA _e	.741	.750	4
AH _e	.863	.866	4
AA _d	.729	.744	5
AH _d	.774	.761	5

Data reduction technique was employed with principle component and factor analysis. The following table summarizes number of factors extracted with respect to each construct to explain more than 70% of the cumulative variance which is enough to explain the respective variables.

Total Variance Explained

Constructs	Number of variables extracted	Cumulative variance explained
AA _e	2	79.224
AH _e	1	71.609
AA _d	2	75.253
AH _d	2	80.318

Reduced scales were correlated using person product moment correlation. This research was conducted in the Ampara district which experienced relatively large presence and interventions of aid agencies. 57 national and international organizations that were active in aid operation in the research district 28 organizations (nearly 50% of the population) were randomly selected out of which 21 organizations replied. Replied organizations constitutes to 75% of the population.

Research Findings

Effectiveness of aid alignment has significant positive relationship with degree of alignment ($r = 0.615, p = 0.003 < \alpha = 0.05$). This indicates that when aid operators coordinates and align their aid programme with national systems, priorities and institutions, they have been enabled to implement the aid programme successfully to meet its parameters.

Effectiveness of aid harmonization has also recorded a significant positive relationship with degree of harmonization ($r = 0.625, p = 0.002 < \alpha = 0.05$). This indicates that when aid operators coordinate and harmonize their aid programme with other relevant aid operators (may be working in same sector for the same beneficiaries), they have been enabled to implement the aid programme successfully to meet its parameters.

Correlations

	(AA _e)	(AH _e)	(AA _d)	(AH _d)
AA _e				
r	1	-.186	.615**	-.108
P-Value		.421	.003	.641
AH _e				
r		1	.198	.625**
P-Value			.389	.002
AA _d				
r			1	.261
P-Value				.254

** Correlation is significant at the 0.01 level (2-tailed).

At the same time, no statistically significant relationship is found between the degree of Aid Harmonization and the degree of aid alignment. This finding implies that the degree of aid harmonization is independent from that of alignment. Thus, the organizations that are highly harmonized with other aid counterparts are not always likely to be an organization highly aligned with the national systems and *vice versa*. The degree of alignment therefore can not be substituted to degree of harmonization and the harmonization will not guarantee the benefits of alignment *vice versa*.

Conclusions

An aid operating organization that is not altruistic on the aid outcome will achieve higher degree of aid effectiveness if it implements the aid with higher degree of harmonization and alignment.

Higher degree of harmonization and alignment enable aid operators to implement the aid programmes with meeting of critical success factors like time, cost, intended output and outcome which are crucial for the real effectiveness of development assistance. It derives another view that even if the aid harmonized at the global level and aligned at the country level may fail if the aid operators do not adequately harmonized and aligned at implementation level. This might be reasons for macro-micro paradox to prevail.

It is also important that aid operators cannot offset the aid harmonization to its alignment as both are independent and significantly related to aid effectiveness.

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