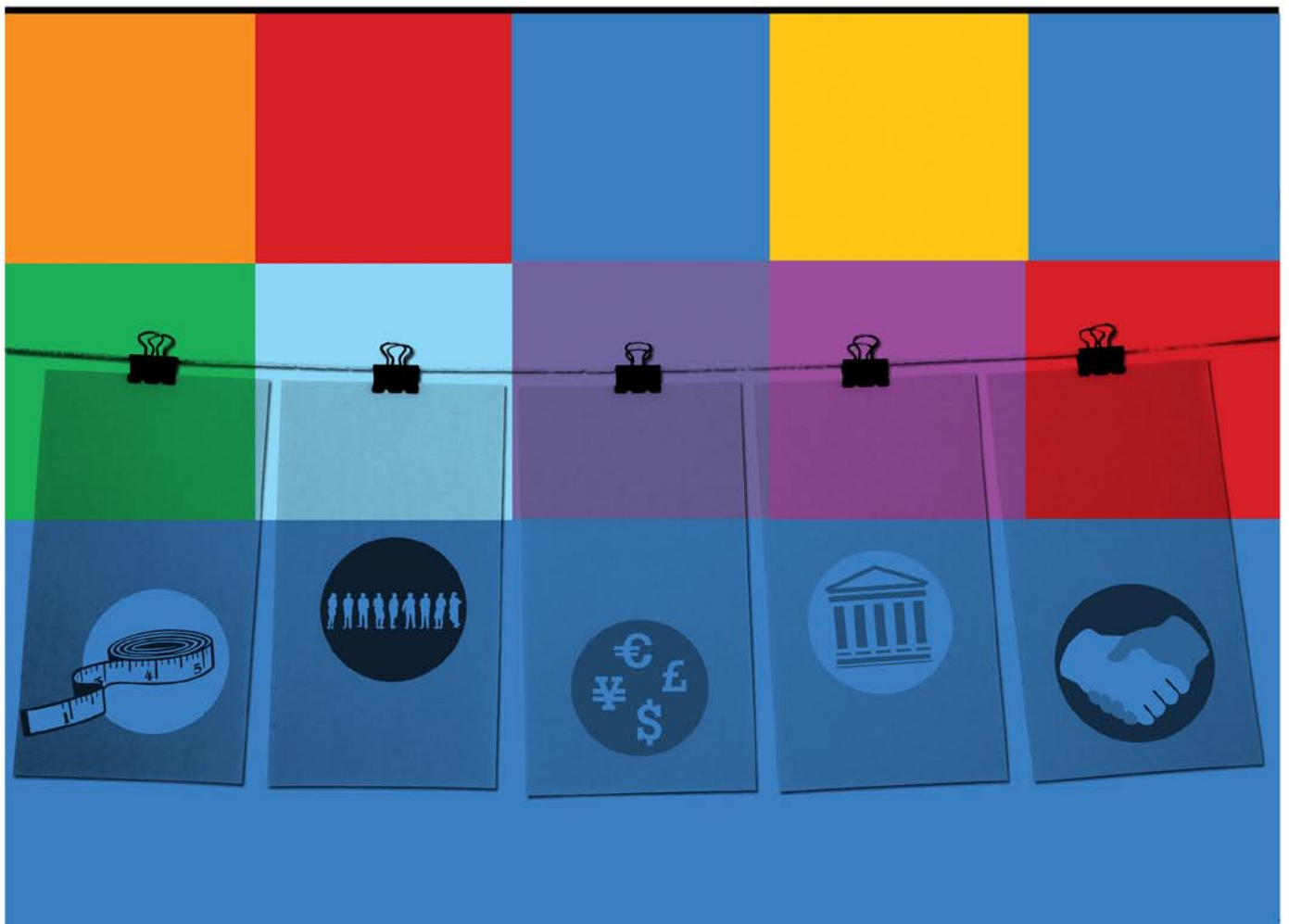


DAC SEMINAR:

MANAGING AID – TAKING A LOOK AT DONOR PRACTICES

REPORT OF THE SEMINAR

Paris, May 2009



INTRODUCTION

1. This report is a summary of the discussion that took place during the seminar on Managing Aid organised by the OECD on 27 May 2009 in Paris. The seminar participants included high level officials responsible for the implementation of development cooperation programmes and members and observers of the Development Assistance Committee. It was chaired by Mr. Anders Nordstrom, Director-General of the Swedish International Development Agency (SIDA).

2. The seminar provided an opportunity to discuss donor practices in managing aid, sharing experiences and identifying common challenges affecting development cooperation programmes and their implementation. The agenda was organised around these three topics:

- how ministries and agencies design their organisations to reflect their key objectives and political priorities;
- what works well to shore up public backing for development co-operation - the best guarantee of political and legislative support for national development assistance programmes and for reforming these programmes;
- the practices and the challenges for achieving efficient aid allocation from an aid management perspective.

For each session, a short introduction was delivered by a representative of one DAC member based on the experience of that country. Some key questions were provided as a basis for the discussion.

SESSION ONE: AGENCY REFORM PROCESSES IN LIGHT OF THE PARIS DECLARATION

3. The session was introduced by Mr. Anders Nordstrom, Director General of the Swedish International Development Agency (SIDA). Sweden served as a case study for the session on agency reform. The discussion focused on the following questions:

- *What organisational structure and technical skills best support planning and implementing programmes? Does the clustering of programme countries have a bearing on expertise, learning, and the application of the aid effectiveness principles?*
- *What expertise is needed to implement programmes in line with the aid effectiveness principles and how to build, manage and retain relevant staff?*

4. When governments sign up to commitments to change the way they work - such as to make aid more effective under the Paris Declaration - ministries and implementing agencies have to respond in practical terms. Many DAC members are trying to reform the way they organise and manage their development co-operation systems in order to increase organisational, aid and development effectiveness. Since so many members face similar challenges, there is significant scope to learn from each other's experiences. Sida, Sweden's main implementing agency, has recently started a major process of reform specifically designed to help it deliver on government commitments to aid effectiveness, results orientation and increased involvement in fragile states.

5. Sida's most visible reform has been an organisational restructuring of the entire agency. The idea is to create more integrated country teams and an agency that is orientated to support implementation at country level. Country teams are now grouped by the type of challenge faced in the partner country and the modalities that Sweden is likely to use, rather than by geographical location. This means that countries from different continents will be in the same departments – for example the department covering conflict

affected countries. In the case of the department working in conflict affected countries there will also be an increased emphasis on working with other parts of the Swedish government in order to improve Sweden's whole of government approach in fragile states. The success of the new structure will rest on development of new staff "networks" that cut across all departmental boundaries

6. A second major change underway is to ensure Sida manages by results. Sida has introduced a results based management system, which is intended to ensure individual projects and programmes country teams' whole portfolios and Sida's other work is designed and managed by and for results. To embed results based management Sida knows it must invest in a significant level of training. It is also emphasising to staff that results based management should not be seen as an administrative burden imposed from above, but rather as a tool to help them monitor and manage. Sida has also established a clear link between individual performance and corporate objectives

7. Other reforms are also ongoing and in all there are a number of change processes taking place simultaneously. Sida's experience showed that good analysis of what reforms are needed and are feasible at the outset is essential. A strong direction and buy-in from all senior management are also essential to ensure wider staff support for changes. Communicating the rationale and shape of reforms to both internal and external stakeholders is also crucial.

8. Given many members are facing similar challenges in reforming how they work, the session raised a number of agency management issues for which there was a strong appetite amongst participants for further more detailed discussion and sharing of experience. In particular, participants identified the following major challenges that all are grappling with and where sharing experiences could help:

- **Managing change:** Reforms should be planned and implemented to ensure buy-in and that all stakeholders understand the likely impacts. How can this best be done?
- **Organisational structure:** The organisational structure can have an impact on how agencies can deliver on their commitments to aid effectiveness. What sort of structures work best?
- **Results based management:** Donors should move from a 'policy' to a 'culture' of results based management. How can this shift be supported?
- **Human resourcing:** Agencies face similar challenges in managing human resources in such a way as to support more effective ways of working. What balance of skills and experiences are needed? How can competencies best be increased – e.g. through training or recruitment?

SESSION TWO: DEFENDING AID TO THE PUBLIC

9. The Netherlands' experience in communicating aid served as a case study for this session. The session was introduced by Mr. Maarten Brouwer, Dutch Ambassador for Development Co-operation. The discussion focused on the following key questions:

- *How do we gather and document results that will help us demonstrate that aid matters?*
- *How do we get better at taking collective responsibility and credit for results rather than focusing on individual visibility?*
- *How do we best engage with parliamentarians, politicians and the public to make a convincing case?*

10. In the experience of the Netherlands, collecting and documenting results has become central to the strategy for public engagement. To collect results that will be credible to the public, the Netherlands will use more impact evaluations, attach results chains to the outcome and impact objectives of activities in the field, and present a bi-annual report on results to parliament, demonstrating the Dutch *contribution* to results. This results report strives to report on the total Dutch effort and thereby incorporates contributions from NGOs. The Netherlands has learnt that it needs to respond to criticisms of development co-operation which it does by also recognising when things do not work and by putting partnerships with a broad range of players – beyond the traditional NGOs – at the centre of its approach. The new communication policy has led to a refocusing of the funding for public awareness raising efforts. Funds will only be used to support activities that may contribute to behavioural change and will emphasise engagement of the public rather than one-way communication. The Netherlands intends to examine the results of its public awareness and development education spending through measuring behavioural change.

11. The participants identified the following lessons and challenges on defending aid to the public:

- **Focus on engagement:** Aid managers need to focus on public engagement rather than a one-way flow of information. Which are the best ways to get public engagement?
- **Shared attribution:** The collective results and the goals of development co-operation should permeate public engagement. Many aid managers feel that citizens and politicians demand attribution while others find that they easily understand that results cannot be achieved by one donor. How can donors best communicate collective results?
- **Partnerships:** Building partnerships and reaching out to broader constituencies which have an interest in development co-operation is important for unlocking a more extensive support base.
- **Language:** Aid managers and practitioners need to stop using jargon and speak in plain, simple terms. Development communication networks can help them do this. Donors should also learn from each other on how to demystify the aid business for the public.
- **Internal organisation:** Aid managers need to consider where communication best fits into their organisation. Is the communication unit a silo or does it cut across all areas of work? How can management, policy and operations staff best make the connections between their work and communication?

SESSION THREE: IMPROVING AID ALLOCATION PRACTICES

12. In the session on improving aid allocation practices, introduced by the Executive Director of the New Zealand Agency for International Development (NZAID), Dr. Peter Adams, New Zealand served as a case study. The session focused on three questions:

- *Given the different channels of aid, what can bilateral and multilateral donors do in order to rationalise cross-country level allocations?*
- *How can donors amend their policies and practices to provide partner countries with regular and timely information on their annual disbursement and their rolling three – to five – year forward expenditures?*
- *How can donors address needs in the context of current crisis, at the same time maintaining good practices, especially on predictability?*

13. This session highlighted examples and challenges in applying good practices and principles in efficient aid allocations. The model applied by New Zealand, of 3 years forward allocations, improves the

predictability and transparency of its aid allocations. This approach allows investment in partner countries' medium term expenditure plans, for example, through sector support and other programmatic interventions. At the same time, predictable aid allocation practices allow for flexibility in aid management since significant re-allocations are possible. In the New Zealand legislature has sanctioned annual budgets on the understanding that an over-spend of up to 10% and an under-spend of up to 20% are possible, assuming figures will be balanced out in the next financial year. This level of flexibility is much higher than most other donors and has proved a very useful management tool for NZAID.

14. During the discussion, participants identified the following key issues:

- **Making the shift to predictability in aid volumes:** In the case where donors' aid levels are appropriated annually and determined by their GNI levels, varying levels impact on aid volumes and therefore reduce predictability. From an aid agency's perspective, it is challenging to manage and it can also distort incentives and reduce efficiency in their allocations. For example, donors will make use of the multilateral system to balance end of year aid volume targets. These practices also reduce the predictability of bilateral allocations to multilateral agencies. Linking aid volume targets to specific figures rather than the GNI ratio can help avoid this problem.
- **Fragmented aid architecture:** The complex and fragmented nature of the current aid architecture in terms of actors and instruments can reduce transparency in allocation and predictability of aid at country level. Bilateral aid agencies' allocations to the multilateral system are often based on an assessment of values, scope of intervention and efficiency, but many bilaterals are making their own separate assessments.
- **Efficient cross country allocation:** Achieving efficiency in country allocations is a challenge for donors since decisions often do not take into account information on others actors activities (i.e. who is doing what and in which country). The DAC Secretariat will continue its work on providing an evidence base for enriching the discussions on cross country allocations.

CONCLUSIONS

15. The discussion identified common lessons and challenges that donors are presently facing. The change in the way aid is delivered, that has followed the Paris Declaration, implies the need to adjust the way donors are working. Adapting organisational structures, finding ways to communicate results to the public and adopting good practices to achieve efficient aid allocation are central to realising this change. Donors are at different stages of a transition process and they are using different approaches to deal with it. However, many questions on how in practice agencies can adjust are still unanswered. There was an appetite for further discussion on all three topics and on how to improve aid management more generally and a strong interest in sharing experiences and lessons between donors.