Foreign Aid: International Donor Coordination of Development Assistance

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Summary

Many experts believe that improved coordination among donor governments and multilateral aid organizations could make global development assistance more efficient and effective. Proliferation of donors in recent decades, and fragmentation of aid among an increasing number of countries and projects, has increased calls for coordination. More than 45 countries and 21 multilateral organizations reported providing official development assistance (ODA) in 2010. An estimated 150 countries received this assistance in 2010, with the United States alone providing aid to 139 countries. Many developing countries host officials from dozens of bilateral and multilateral aid agencies each year. This diffuse aid structure, reformer advocates argue, leads to redundancy, policy incoherence, inefficient use of resources, and unnecessary administrative burdens on host countries.

While some observers argue that there are benefits to pluralism in foreign assistance, donors and recipients alike have expressed support for improved donor coordination and consolidation of aid activities. A series of high-level forums sponsored by the Organization for Economic Cooperation and Development (OECD) Working Party on Aid Effectiveness, between 2002 and 2011, established widely accepted goals for key aspects of coordination, or harmonization, as well as mechanisms for evaluating progress toward those goals. The United States has supported these donor coordination efforts, both in international forums and within the U.S. foreign assistance structure. Channeling aid through multilateral institutions, posting coordination officers to act as liaisons between U.S. and foreign development agencies, and increasing transparency about U.S. aid flows and objectives are part of this effort. Donor coordination provisions are incorporated into the founding legislation of relatively new U.S. aid entities, such as the Millennium Challenge Corporation (MCC) and the President’s Emergency Plan for AIDS Relief (PEPFAR). Furthermore, the 2010 Quadrennial Diplomacy and Development Review (QDDR) established donor coordination and reduced fragmentation as foreign aid priorities.

Despite the global attention paid to the issue of aid effectiveness, monitoring surveys indicate that limited progress has been made toward coordination goals by the United States or donors in general. Persistent obstacles to increased donor coordination remain. Division of labor problems, political concerns about direct budget support, lack of inter-agency coordination, and personnel disincentives all play a role. Perhaps most important, the goals of official donor coordination efforts are not always consistent with the diverse objectives of U.S. foreign assistance policy or those of other bilateral donors. Nevertheless, traditional donors renewed their commitments at the Busan High Level Forum in November 2011, while at the same time expanding the scope of coordination efforts to include emerging donors, such as China and Brazil, and civil society organizations. A new entity conceived at the Busan forum, the Global Partnership for Effective Development Cooperation, was established in 2012, with the support of the United States, to embody this new, broader framework for cooperation.

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Introduction

Development assistance, which comprises on average less than 1% of the annual federal budget of the United States, serves simultaneously as a component of national security strategy, a tool to promote U.S. commercial interests, and a global expression of American values. As with other aspects of foreign policy, U.S. development assistance programs and policies are implemented in a complex global environment. The United States is one of dozens of countries and multilateral financial institutions providing such aid, together with non-governmental organizations (NGOs) and foundations, and alongside private financial flows to developing countries from investors, international corporations, and diaspora communities. Donors and investors work in overlapping spheres in the developing world, each with their own practices and agenda. Improved coordination of these efforts, many experts argue, would result in greater efficiency and effectiveness in meeting global development objectives.

Donor coordination, sometimes called harmonization, is a major theme of international development cooperation agreements of the last decade, including the 2005 Paris Declaration on Aid Effectiveness, to which the United States and most other major donors have committed themselves. It is also a stated goal of U.S. foreign policy. The December 2010 Quadrennial Diplomacy and Development Review (QDDR) report includes specific strategies to improve coordination with other aid donors, public and private. Nevertheless, donors on average, and the United States in particular, have had limited success in meeting the coordination goals they established for themselves. Some experts have begun to question whether donor coordination is an achievable or even appropriate goal. Others assert that coordination of foreign aid is now more important than ever, as official donors face increasing budgetary pressures at home and the number and diversity of development actors increases. The 113th Congress will have the opportunity to address foreign aid funding and policy issues when considering annual State-Foreign Operations appropriations legislation, and perhaps foreign aid reauthorization or reform legislation. The benefits and drawbacks of greater U.S. coordination with the foreign aid efforts of other countries and institutions may be a consideration in that debate.

This report provides a summary of official development assistance (ODA), discusses coordination goals established by donors at international development policy forums, and provides an overview of U.S. policy and efforts to meet these goals. The report concludes by identifying key issues in donor coordination, including the growing role of non-traditional donors, such as China, in development cooperation.

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1 For an overview of U.S. foreign assistance programs, including historic funding levels, see CRS Report R40213, Foreign Aid: An Introduction to U.S. Programs and Policy, by Curt Tarnoff and Marian Leonardo Lawson.

2 Quadrennial Diplomacy and Development Review, Leading Through Civilian Power, p. 97, available at http://transition.usaid.gov/qddr/QDDR_FullReportHi.pdf. The QDDR is a broad assessment of U.S. diplomacy and development programs intended to identify how such programs could be more efficient and effective in meeting national security objectives, and to elevate civilian power in relation to military power in the U.S. foreign policy arena. The first QDDR was completed in 2010, and subsequent reviews are intended to occur every four years.
Humanitarian Assistance

The coordination mechanisms discussed in this report apply primarily to development assistance, which is intended to address development issues in a social and economic context, usually over a period of years. Humanitarian assistance, which includes emergency food, shelter and other goods and services to save lives and relieve suffering in instances of natural and man-made disasters, has its own distinct coordination mechanisms. The U.N. Office for the Coordination of Humanitarian Affairs (OCHA), established in 1998, is the primary global coordinator of humanitarian aid. OCHA’s mandate includes needs assessments, consolidated appeals to donors, and field coordination. Standby teams of emergency managers and a Central Emergency Response Fund allow OCHA to respond immediately to a crisis with existing resources and then coordinate donors to address ongoing needs. OCHA is funded primarily through voluntary contributions of U.N. member states, including the United States, which ranked third among donors in 2012 with a contribution of $28.4 million.3 Within the United States, USAID’s Office of U.S. Foreign Disaster Assistance (OFDA) is responsible for coordinating the U.S. response to crises brought on by natural disaster, while the State Department takes the lead in crises created by conflict. Both agencies work with OCHA to ensure that U.S. efforts are coordinated with those of other donors.

Overview of Official Development Assistance

Data on official development assistance (ODA) are gathered and reported annually by the Organization for Economic Cooperation and Development’s (OECD’s) Development Assistance Committee (DAC), currently the preeminent forum for foreign aid donor information sharing.4 In 2011, the most recent year for which complete data is available, the OECD reports that 45 countries and 22 multilateral organizations disbursed ODA, the most widely recognized category of foreign assistance. For a list of bilateral and multilateral ODA donors, as well as leading private sector aid donors, see the Appendix.

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4 The DAC database, from which the information below is gleaned, is available to the public at http://stats.oecd.org/qwids.
While the OECD DAC is the most comprehensive source of information on official development assistance, its data are incomplete. There are only 34 OECD member states. Annual reporting of ODA to the DAC has expanded in recent years to include many non-OECD countries, but the non-OECD reporting is voluntary and irregular. Furthermore, it does not include several increasingly important donors, such as Brazil, China, Russia, India, and South Africa. These nations have been invited to participate in the DAC reporting process but choose not to for political and technical reasons, as discussed in the “Nontraditional Donors” section of this report.

ODA data also exclude private aid resources, which are a rapidly growing, though inconsistent, portion of capital flows to developing countries in recent decades. While comprehensive data on private flows are elusive, private philanthropic donations from DAC countries to developing countries have been estimated at about $56 billion for 2010, and total private capital flows to developing countries that year, including remittances and private investment, are estimated at $329 billion. ODA is estimated to have accounted for less than 20% of total OECD economic engagement with developing countries in recent years, prompting many development experts to call for a development coordination strategy that extends beyond official aid to include trade, migration and foreign investment policies.

**Why Coordinate?**

The primary argument for better donor coordination is that aid effectiveness is becoming increasingly undermined by fragmentation. More donors are giving ODA than in decades past, and, until recently, many donors were spreading their assistance across a growing number of recipients. The United States, for example, provided ODA to 81 countries in 1990 and to 134 in 2011. Almost all the top recipients of ODA in 2011 hosted dozens of donors, both bilateral and multilateral. The United States and other donors in recent years have expressed the intent to concentrate their aid in fewer countries and sectors as a means of decreasing fragmentation and improving impact, but significant change is not yet reflected in the OECD data.

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6 Non-OECD countries reporting ODA in 2011 are Kuwait, Saudi Arabia, United Arab Emirates, Lithuania, Estonia, Latvia, Slovenia, Israel, Thailand, Taiwan, and Liechtenstein.


8 OECD.Stats.

Coordination advocates argue that the profusion of donor agencies in many developing countries causes problems for donors and recipients alike. They focus on the following types of problems, both observed and potential, which may undermine aid efficiency and effectiveness.

- **Duplication.** Donors often focus on the same needs in a country and may duplicate each others’ efforts in the absence of coordination. While it is difficult to find specific published examples of such duplication, it is easy to imagine that without coordination, a dozen donors may provide more than enough insecticide-treated bed nets or school supplies for a particular village, while a neighboring town has none. Similarly, a donor agency may invest significant time and resources into a geological survey for a road or water project, unaware that a similar survey was completed a month earlier by a different donor.

- **Cross-purposes.** The activities of various uncoordinated donors may actually conflict and undermine development objectives. It is not uncommon, for example, to hear that farmers, election officials, or health providers are receiving contradictory guidance from technical advisors provided by different donors. Uncoordinated activities may also result in donors competing for the same workers, materials, or other limited resources in a region, potentially making each project less cost-effective.

- **Loss of scale.** Experts argue that a donor trend toward supporting higher numbers of lower-value projects dilutes the impact of aid and threatens activities that have high fixed costs and are most efficient on a large scale, such as energy and infrastructure improvements.\(^\text{10}\) Without donor coordination, these projects may be passed by, as they are often not cost-effective at the scale that a single donor could support.

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\(^\text{10}\) In a January 2010 article “Crushed Aid: Why is Fragmentation a Problem for International Aid,” Emmanuel Frot and Javier Santiso assert that increasing fragmentation is partly the result of a general ODA shift away from agriculture, transportation, and energy sector projects, which often involve large capital investment, and toward more “social sector” aid (education, governance, family planning) that involve more small projects that can easily proliferate.
• **Administrative burden.** The presence of more donors does not necessarily mean significantly more assistance, but often does mean more administrative demands imposed by donors on recipient governments in order to meet their own accounting and oversight requirements. Botswana, for example, had 27 official donors in 2008, with the top five accounting for 97% of bilateral aid, but all 27 likely demanding regular reports with varying requirements. Vietnam reported hosting 782 separate donor missions (visits by donor officials) in 2007, each requiring the time and attention of recipient government officials. Donor coordination and collaboration, many believe, could significantly reduce the administrative burden on recipient governments.

• **Unclear leadership.** In many recipient countries, there is no longer a majority donor with implied authority to convene other donors. For example, while the United States is the largest donor globally, the U.S. bilateral contribution was less than 5% of total ODA in one-third of all countries receiving U.S. assistance in 2008, giving the U.S. missions in those countries little leverage to exercise leadership around coordination.

### Why Not Coordinate?

Not all foreign aid professionals are concerned about the growing number of donors in many developing countries. 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

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13 Former USAID Administrator Peter McPherson, speaking at an event held by the Center for American Progress Action Fund on March 18, 2010, suggested that the United States is “dominant” enough as a donor to be able to effectively convene other donors in only a few countries, such as Pakistan.
15 Ibid.
16 Frot and Santiso (see above) write that “it is peculiar that an abundance of suppliers is criticized in the ‘aid market’ when economics undermine the virtue of competition almost everywhere,” before noting evidence that “aid monopolies” do appear to be desirable and that the presence of multiple donors does not imply competition among them.
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 see
potential benefits of coordination, but 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.

International Framework for Donor Coordination

The first formal coordination of official development assistance dates to the establishment of the
OECD DAC in 1960, a forum created for the major bilateral aid donors, including the United
States, to discuss issues and develop guidance related to aid and development.17 With respect to
multilateral aid, the United Nations Development Program (UNDP) was established in 1965
through a merger of existing U.N. aid offices to avoid duplication of effort within the multilateral
U.N. development programs. For the most part, early coordination efforts involved tracking how
much aid was provided, and to which countries. Over the last decade, however, attention has
focused on coordinating the efforts of bilateral and multilateral aid donors for the purpose of
improving aid efficiency and effectiveness. The DAC created a Working Party on Aid
Effectiveness (WPAE), in 2003, to establish an international development cooperation
framework. Since its creation, the WPAE has sponsored four international high-level forums on
aid effectiveness, which established common goals, principles and commitments related to
development assistance. The United States has played a leading role in this process. Donor
coordination was a key issue at these gatherings and the products of these forums reflect broadly
accepted goals and best practices in donor coordination.

WPAE High Level Forums

Rome High Level Forum on Donor Harmonization

The OECD-sponsored High Level Forum on Harmonization (HLF), held in Rome in 2003,
focused on ways to accelerate progress on the United Nation’s Millennium Development Goals
(MDGs)18 by improving the management and overall efficiency of official aid. The result was a
Declaration on Harmonization that set out broad goals, such as ensuring that donor assistance is
aligned with host country priorities, expanding country-led efforts to streamline donor procedures
and practices, and implementing good practices, principles, and standards as the foundation of
coordination. While this forum inspired action by many donors toward better coordination,
including the United States, it did not establish formal goals or standards by which to evaluate
progress in this regard.

17 At the time it was created in 1960, the DAC was called the Development Assistance Group (DAG) and the OECD
was called the OEEC (Organization for European Economic Co-operation).
18 For more information on the MDGs, see CRS Report R41410, The Millennium Development Goals: The September
Paris Declaration on Aid Effectiveness

As a follow-up to the Rome forum, a HLF on Aid Effectiveness was held in Paris in 2005. The product of this meeting, the Paris Declaration on Aid Effectiveness, gave concrete structure to the global development agenda that was discussed in Rome. The Declaration also expanded on the Rome model by including recipient countries as equal partners with shared responsibilities. More than 100 countries and aid agencies, including the United States, endorsed the Declaration’s five partnership principles: country ownership, harmonization, alignment, results, and mutual accountability. The United States, through a multi-agency delegation led by then-USAID Administrator Andrew Natsios, was active in crafting the Declaration, and advocated for a results-oriented approach focused on mutual accountability.

Unlike the Rome Declaration, the Paris Declaration included specific goals and a strong monitoring component. Indicators of progress by which to evaluate aid effectiveness, and target results for 2010, were established for each principle. OECD’s WPAE, within which USAID represented the United States, established a Joint Venture on Monitoring the Paris Declaration tasked with periodic monitoring of donor and recipient country progress toward meeting indicator targets. The progress indicators relating to donor coordination—or harmonization, as it was referred to in the Declaration—were (1) the use of Common Arrangements or Procedures (the percentage of aid that flows to development programs managed by host governments and supported by multiple donors rather than to donor-managed projects), and (2) Shared Analysis (the percentage of field missions and country analytic works that are carried out by at least two donors working jointly, or one as the agent of another). Several other indicators, such as alignment with host country priorities, joint technical assistance, use of country financial and procurement systems, and avoiding parallel implementation structures, relate to donor coordination as well.

Accra Agenda for Action

A follow-up forum to the Paris HLF was held in Accra, Ghana, in September 2008. The forum examined the results of the 2006 and 2008 surveys on Paris Declaration implementation (reflecting data from 2005 and 2007, respectively) and produced the Accra Agenda for Action, which served as a progress report on the Paris Declaration. The data provided disappointed many attendees. While reaffirming the importance of aid effectiveness, some observers at Accra noted that the emphasis placed on the role of coordination between donors seemed to have diminished between the Paris and Accra forums, with a corresponding increase in emphasis on alignment with host country priorities.19

A notable feature of the Accra HLF was a parallel workshop for civil society. While non-governmental entities were not at the negotiating table, a reported 600 representatives from 325 development-related NGOs in 88 countries held independent sessions and workshops on aid effectiveness while participating in the official HLF roundtable discussions. The report from the parallel conference indicated that the participating organizations wanted to shape the debate on Paris Declaration implementation, but did not seek to be covered under the Declaration’s commitments. Some viewed the commitments as a threat to their autonomy, while others

expressed concern about being labeled as “donors” when they perceived their role to be much broader.  

**Busan Partnership for Effective Development Cooperation**

The final High Level Forum was held in Busan, Korea, in November 2011. The forum followed the third and final Paris Declaration monitoring survey, which indicated that neither the United States nor other donors on average came close to meeting the 2010 targets they had set for harmonization, or for many other aspects of aid effectiveness (Table 1). For example, average use of common arrangements and procedures increased from 43% to 48%, still well short of the 66% goal. Joint missions and joint analysis increased 2% and 3%, respectively, but remained far short of targets.

**Table 1. Paris Declaration Monitoring Survey Results, Harmonization Indicators**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2005</th>
<th>2007</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Arrangements or Procedures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Joint Mission</td>
<td>43%</td>
<td>47%</td>
<td>48%</td>
</tr>
<tr>
<td>(b) Joint Studies</td>
<td>27%</td>
<td>36%</td>
<td>18%</td>
</tr>
<tr>
<td>Shared Analysis</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Joint Mission</td>
<td>20%</td>
<td>24%</td>
<td>22%</td>
</tr>
<tr>
<td>(b) Joint Studies</td>
<td>28%</td>
<td>9%</td>
<td>6%</td>
</tr>
</tbody>
</table>


**Notes:** Data are based on surveys in which participation by countries endorsing the Paris Declaration was voluntary. While the number of participating countries has increased dramatically, from 32 in 2005 to 78 in 2010, for comparability, the numbers in the table reflect only data from the 32 original survey countries.

Rather than declare the unmet commitments untenable, participants at the Busan HLF produced an outcome document that reaffirmed the commitment of traditional donors who had signed the Paris Declaration and Accra Agenda to the unfinished work of those commitments. While the old goals and measures carried forward, the process and outcome of the Busan HLF marked a change in the role of various development stakeholders. Unlike the Accra HLF, where NGOs held parallel workshops, at Busan NGOs actually participated in the negotiations through a coalition representative. Furthermore, the outcome document incorporated emerging donors and non-governamental entities in a way that other HLFs had not, while making clear that the principles and commitments in the document are a voluntary reference, not an obligation for endorsing parties participating in South-South cooperation (this is further discussed in the “Conflicting Strategic Interests” section). To reinvigorate aid efforts in support of the MDGs, and ensure accountability among all development partners for the Busan commitments, the Busan outcome

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The Global Partnership for Effective Development Cooperation

The details of the Global Partnership for Effective Development Cooperation (Global Partnership), are still taking shape, but it appears to merge the parallel OECD and U.N. activities on development cooperation, replacing what many consider a heavy and bureaucratic global governance structure with what has been called a “global light” structure emphasizing country-level accountability. The DAC WPAE held its last meeting on 28-29 June, 2012 to set up the Global Partnership’s governance framework, including selection of co-chairs and steering committee members. The initial three co-chairs represent a traditional donor (the UK), a South-South donor (Indonesia), and a recipient country (Nigeria). The United States is represented on the steering committee by Mr. Donald Steinberg, Deputy Administrator at the U.S. Agency for International Development. The Partnership is expected to hold high-level meetings every 18-24 months to make decisions related to the realization of Busan commitments, while a Steering Committee will meet every 6-12 months to prepare for the high-level meetings. UNDP and the OECD each have a representative on the steering committee, and have agreed to work together to provide support for the administrative functioning of the Global Partnership.21

Implementing Donor Coordination

While the Paris Declaration and subsequent forum agreements focused on specific aid effectiveness goals and measures, they did not indicate how to translate the agreement into change at the country policy and implementation level. Various mechanisms have been established at the international level for enhanced coordination, creating a loose framework, while each donor also works within the framework of its own foreign assistance statutes and agencies to meet its international commitments. Some of these global and U.S.-specific coordination mechanisms are discussed below.

Global Mechanisms

Use of Multilateral Organizations

Multilateral aid organizations, such as the World Bank, regional development banks, and U.N. entities, were conceived, in part, to be coordinators of development assistance. By pooling resources provided by participating donor countries and distributing them in accordance with a joint decision-making process, multilateral development organizations have the potential to increase aid efficiency and maximize effectiveness.

Most donors have used multilateral aid mechanisms to supplement, rather than replace, bilateral aid. In 2011, multilateral ODA accounted for about 8.1% of total ODA disbursements reported to the OECD, about the same share it held in 2000. About 12.0% of U.S. disbursements were

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classified as multilateral, a significant increase from 8.4% in 2005, but far lower than the nearly 25% reported for many years prior to 2002, when bilateral U.S. ODA began to increased rapidly as a result of strategic assistance to partners in the fight against terrorism and new global health commitments. Channeling aid through multilateral entities, however, is unlikely to reduce fragmentation or improve coordination while multilateral organizations are proliferating in much the same way as bilateral donors. Twenty-two different multilateral institutions reported distributing ODA in 2011 (see the Appendix), compared with fourteen in 1990, and several have global mandates. The World Bank’s International Development Association (IDA), for example, was active in 71 countries in 1980, increasing to 75 in 2011. According to one OECD report, there were 35 countries in 2007 where between 9 and 12 multilateral agencies represented more than half the donors, but collectively accounted for less than 10% of total ODA to each country.

Joint Assistance Strategies

Following the Paris Declaration, host governments and donors in several countries came together to create joint assistance strategies (JAS) to better coordinate aid, primarily by attempting to establish a clear division of labor among donors. JAS have been established in an ad hoc manner, with great variations of scope and specificity from country to country. For example, the JAS Nigeria involves only World Bank and the British Department for International Development, while the JAS in Tanzania involves 45 donors and discusses not only the role of the Tanzanian government and donors, but of the media, private sector, and academic institutions as well.

A USAID document on aid effectiveness case studies mentions that USAID encourages participation in JAS, but U.S. aid officials in the field may find themselves in a position where they support the JAS concept but face obstacles to formal participation (as discussed in the “Division of Labor” section of this report). The USAID Cambodia Web page, for example, states in regard to the Cambodia JAS that “although USAID does not participate directly in this process, it intends to enhance donor coordination by using some of the preparatory work done by these organizations in the development of its own new country strategy.”

One review of JAS to date notes that limited progress has been made on implementing specific division of labor processes laid out in JAS due to the sensitivities of deciding which donors have a comparative advantage in certain sectors, and which should withdraw. While the process of developing each JAS is different, other common difficulties include maintaining involvement of donors whose pre-existing cooperative arrangements have been disrupted by division of labor.

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22 These figures include both discretionary grants and subscriptions (assessed dues). Data is from the OECD QWIDS database, accessed on December 12, 2012.
23 Data is from the QWIDS database, accessed on 2/11/13. Counts net recipients, not countries which made payments to IDA on prior loans in excess of possible receipts.
26 Joint Assistance Strategy for Tanzania, United Republic of Tanzania, November 2006, pp. 5-7.
decisions, garnering sufficient donor mission staff and other resources for what is often a two- to three-year process, and finding an acceptable balance between host government leadership and donors maintaining control over their own assistance policies and agenda.30 No new JAS agreements appear to have been established in the last few years, and it may be that this approach will fade away rather than proliferate.

**Sector-Wide Approaches (SWAps)**

In many countries, donors have joined together in support of sector-wide approaches (SWAps), which attempt to coordinate all donor activities in a given sector by channeling resources to support a single sector policy and spending program under the leadership of the host government. Often, but not always, SWAp funding is pooled and flows through the host government budget mechanisms. SWAps are intended to promote both donor coordination and host country ownership while allowing more conditionality than direct budget support (discussed further on below). USAID has participated in SWAps, primarily in the health sector.31 However, SWAps can be difficult or impossible in instances where donors have different views on the best approach to development. In the agriculture sector, for example, differences in U.S. and European donor agency views on agricultural producers (the Europeans generally favor support to smallholders while the U.S. supports large producers) can be an obstacle to effectively implementing a SWAp.32 Accountability concerns related to pooled funding, together with congressional directives and legislative restrictions on aid by sector, can also make U.S. agency participation in SWAps challenging. In some instances, donors work around these obstacles by participating in SWAps on a limited basis, consistent with their domestic policy requirements. In Nepal’s current health sector SWAp, for example, the Australian and British aid agencies, along with the GAVI alliance and the World Bank, pool their funds in a government-managed account, while USAID and several U.N. agencies participate as “non-pooling” partners.33 SWAps have become less common over the last decade as country-wide strategies have gained prominence, in part because many current development priorities, such as climate change and food security, cut across traditional aid sectors.

**Example: Sector Based Coordination—HIV/AIDS**

Many donor coordination mechanisms are sector or issue specific, and HIV/AIDS prevention and treatment is a particularly active field for donors. The United States contributes to two major coordinated efforts: the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria (Global Fund) and the U.N. Joint Program on AIDS (UNAIDS), which was established in 1996 to lead the global response to HIV/AIDS. These entities, together with most HIV/AIDS assistance donors, are working to improve coordination using a landmark “Three Ones” agreement adopted in April 2004 to unify donor support in each developing country around a single national HIV/AIDS framework, a single national coordinating authority, and a single national-level monitoring and evaluation system.

The Global Fund, active since 2002, uses contributions from both governments and private donors to support the

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health plans and priorities of poor nations with high disease burdens through grants to various implementing partners. In recent years, the Global Fund has developed a National Strategy Application process to support the Paris Declaration objectives of harmonization and alignment with host country priorities. This process allows a nationally approved HIV/AIDS plan, incorporating donor and host responsibilities, as the basis for a Global Fund grant application. In addition, PEPFAR and Global Fund are currently working to coordinate their Partnership Framework and National Strategy Application processes (respectively) in a few countries, such as Malawi, to further support harmonization.

UNAIDS also mobilizes public and private resources, focusing on providing leadership and technical assistance, tracking the epidemic, and monitoring program impacts. Technical assistance is provided using the expertise of partner organizations under the United Nations system umbrella and a defined division of labor. The World Health Organization, for example, is the lead agency for HIV surveillance, while the U.N. Educational, Scientific and Cultural Organization (UNESCO) is the lead for HIV/AIDS education programs targeting youth in schools, and the World Food Program (WFP) is the lead on nutrition support for HIV/AIDS strategies. To advance coordination, UNAIDS created a country harmonization and alignment tool (CHAT) in 2007 to map and assess the role of international partners in HIV/AIDS response at the country level, as well as identify global trends and gaps in the coordinated response to HIV/AIDS.

Data Sharing

“Transparency”, or public availability of detailed aid data, is an issue that was mentioned in the Paris Declaration, gained momentum at the Accra HLF, and became a pillar of the Busan commitments. Widespread data sharing, using common measures and standards, may even be seen by some participants as a pragmatic substitute for more formal donor coordination mechanisms. Global aid transparency, enabled by information technology, should allow donors to take the work of others into account when developing their assistance plans and allow recipients to both hold donors accountable and plan their own development programs with greater foresight.

While Internet-based sites have supported aid data sharing in certain countries for years, many aid experts believe that ad hoc information sharing mechanisms are insufficient. Responding to this concern, an International Aid Transparency Initiative (IATI) was launched at the Accra HLF in 2008, with the stated purpose of establishing a mechanism that allows all stakeholders and the general public access to consistent and comparable data on how much aid is being provided, what it is being spent on, and what it aims to achieve. Such information, supporters of the initiative argue, should lead to better decision making and accountability for aid effectiveness, while reducing corruption. Together with the OECD Working Party on Aid Effectiveness, IATI developed a framework for common aid data reporting standards in 2012, and aims to fully implement the standard by 2015, in keeping with Busan commitments. The Global Partnership structure that emerged from Busan is expected to provide a forum to monitor IATI progress and draw in more participants. As of December 2012, 15 bilateral donors, including the United States, had signed on to IATI, in addition to 18 multilateral and non-governmental donors.

35 Some examples of country-specific data sharing sites include Nicaragua’s Online Development Assistance Information System (ODANic) and Mozambique’s ODAMoz web-accessible database.
36 For more on IATI, see http://aidtransparency.net/.
37 For more on IATI implementation, see http://www.aidtransparency.net/wp-content/uploads/2012/12/Final-common-standard-for-aid-info.pdf.
38 See the IATI supporters list at http://www.aidtransparency.net/about/whos-involved.
U.S.-Specific Mechanisms for Donor Coordination

Within the bilateral U.S. aid structure, coordination with other official donors is managed primarily through U.S. Agency for International Development (USAID) guidance to field staff and designated coordination officers based in USAID’s Office of Donor Engagement. Some of these mechanisms, in addition to more ad-hoc approaches to coordination at the country level, pre-date the OECD high-level forums. Donor coordination has also been integrated through alternative aid delivery mechanisms, such as the Millennium Challenge Corporation (MCC), the President’s Emergency Plan for AIDS Relief (PEPFAR), and the Global Health Initiative.

USAID Guidance

USAID issued guidance to field missions on compliance with Paris Declaration commitments on donor coordination in March 2006. The guidance emphasized that the commitments made by the United States and other donors in Paris was to “look for ways to complement and mutually reinforce one another’s programs in support of partner plans,” and encouraged field staff to “join other donors in endorsing local agreements to the fullest extent possible.” USAID field missions were urged to work with other donors through common arrangements “to the extent practical and sensible.” In regards to more joint efforts, delegation of tasks, and sharing of information and analysis, the guidance seems to acknowledge the challenges facing U.S. field staff on these issues, noting that “[coordination] may be more important and easier for the 26 European Union donors to do than for us” because of the extensive U.S. presence and established aid infrastructure in so many recipient countries. A July 2012 update to USAID’s Automated Directives System (ADS), covering grants and contributions to bilateral donors, appears to reflect increasing acceptance of coordination efforts that involve joint funding. The directive is applicable “in instances where delegated cooperation constitutes a sound and sensible approach for bilateral development partners to program their assistance” and notes that “agency staff should consider delegated cooperation as a robust method of project implementation.”

USAID Coordination Officers

In an effort to enhance coordination with other donor countries and organizations, USAID has assigned Senior Development Counselors to positions focused on coordinating with key development agencies. Counselors are currently assigned to Beijing (to work with the Chinese agencies), Brussels (to work with the European Commission and other European Institutions), Geneva (to work with both the United Nations and the United Kingdom’s Department for International Development), Paris (to work with the OECD), and Rome (to work with multilateral 39 USAID manages the vast majority of the bilateral U.S. development assistance discussed in this report, with the exception of some global health and food aid programs. Other U.S. agencies with a significant foreign assistance role are primarily involved in security or military assistance, which is not part of ODA and generally not part of the donor coordination discussion.
41 Ibid., Question 17.
42 Ibid., Question 18. The 26 EU donors refers to the 25 member countries at that time plus the European Commission.
food security organizations). In addition, USAID missions in countries with large donor groups often formally designate a Donor Group Representative responsible for representing the mission at donor working group meetings. Among the responsibilities listed in a job description for such a position in Nepal is “familiarizing yourself with the Paris Declaration principles and being aware of USAID’s barriers (if any) to full implementation of the Paris Declaration in Nepal (such as OFAC, financial requirements, host country contracting requirements, indicators, pooled funding, etc.).” Similarly, a position of U.S. Coordinating Director for Development and Economic Affairs was created to oversee U.S. foreign assistance in Afghanistan, including coordination with other donors and the government of Afghanistan.

**Coordinators of Cross-Cutting Initiatives**

Several U.S. bilateral foreign assistance initiatives have been launched concurrent with the international focus on donor coordination and incorporate key principles of coordination into their basic structure. The Millennium Challenge Corporation (MCC), for example, was established as an independent aid agency in 2004 and is designed to provide assistance to developing countries whose governments meet specific performance criteria through five-year compacts. Created in the period between the Rome HLF and the Paris Declaration, the MCC model incorporates donor coordination considerations at many levels: the concept proposals submitted by candidate countries must discuss what other donors are doing and how their request complements other donor activities, and MCC meets with all other donors at the beginning of the compact development process.

As a result of these formal coordination requirements and MCC’s ability to commit relatively large sums of assistance over a five-year period, many MCC compacts are used to “scale-up” projects that may have been successfully developed or piloted on a small scale with support of another donor agency. In Honduras and Nicaragua, for example, MCC was able to support a road project designed by the Inter-American Development Bank, World Bank, and the Nordic Fund and facilitated project completion in five years rather than the projected 10 years. This type of cooperation has worked both ways. According to one MCC official, the government of New Zealand and AusAid (Australia’s aid agency) provided additional resources in support of an MCC transportation project that faced price overruns and depleted compact funds.

Similarly, the Office of the Global AIDS Coordinator (OGAC) was created in 2003 to manage the President’s Emergency Plan for AIDS Relief (PEPFAR), through legislation that lists coordination among donor governments as an essential part of the global strategy to combat HIV/AIDS and requires a report describing the mechanisms used to coordinate programs between the United States and foreign governments, among other things. The 2008 legislation

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44 Author’s correspondence with USAID, July 17, 2009.
45 Donor Group Representative Designation Letter, USAID/Nepal, provided by USAID. OFAC is the Treasury Department’s Office of Foreign Assets Control.
47 CRS interview with MCC official, September 24, 2009.
48 For more information on the current PEPFAR authorizing legislation, see CRS Report RL34569, *PEPFAR Reauthorization: Key Policy Debates and Changes to U.S. International HIV/AIDS, Tuberculosis, and Malaria Programs and Funding*, by Kellie Moss.
49 P.L. 108-25, Title I, Sect.101(a)(5); 22 USC 7611.
reauthorizing PEPFAR also included provisions authorizing the United States to work with host countries to establish Partnership Frameworks, or five-year strategic plans for collaboration among donors in regard to service delivery, policy reform, and financial commitments (similar to sector-specific Joint Assistance Strategies). The Obama Administration’s Global Health Initiative (GHI), which builds on PEPFAR, emphasizes the importance of donor coordination as well. The GHI implementation plan cites “leveraging efforts of multilateral partners and special global partnerships through joint assessments of national health programs and shared reviews of financing gaps” as key to strengthening developing health systems. Major multilateral partnerships in the global health sector are discussed further in the text box above.

The Obama Administration’s Climate Change and Food Security aid initiatives also incorporated donor coordination elements. The consultation document for the Global Hunger and Food Security Initiative lists both country-level and global-level coordination as a key principle and acknowledges the important coordinating role and comparative advantages of multilateral development banks and funds. USAID’s Global Climate Change strategy lists “partnering and coordinating with other donors” as a guiding principle, and establishes the position of U.S. Global Food Security Coordinator to oversee the whole-of-government strategy. USAID has its own coordinator for climate change programs. In both cases, coordination within and among U.S. agencies, rather than with other donors, appears to be the coordinator’s primary objective.

Coordination Challenges

The Paris Declaration monitoring surveys are imperfect, but the apparent lack of significant progress toward Paris Declaration harmonization goals is believed by many aid experts to reflect persistent obstacles to a more unified international approach to ODA. 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, particularly for the United States, are difficulties related to division of labor, concerns about direct budget support, personnel disincentives, lack of inter-agency coordination, and conflicting strategic interests.

Division of Labor

Some analysts advocate establishing a clear division of labor among donor countries to reduce the fragmentation of aid. The Paris Declaration discusses division of labor as a means of reducing the number of partners a host government must deal with and ensuring that donors are making the most effective use of their resources by considering comparative advantage. Comparative advantage may be based on geographical proximity, common cultural or linguistic ties, staff capacity, or sector-specific expertise.

In principle, division of labor can be implemented in a number of ways. Donors may choose to play a larger role in fewer countries, concentrate on fewer sectors within countries, or delegate implementation of their assistance to certain countries or sectors. In practice, evaluations have noted that negotiations over division of labor and delegated authority can be very contentious. Countries may be reluctant to discontinue a direct role in a certain country or sector where they have established relationships and aid infrastructure, may not accept the leadership of another donor, or may feel uneasy about the responsibilities and resources associated with being a lead donor. While the Accra Agenda for Action calls for aid recipients to take the lead in determining the role of various donors in their countries, recipients may be reluctant to identify which aid they find most effective for diplomatic reasons or fear that overall aid may be reduced. Donors also tend to all want to be involved in the regions and sectors in which short-term success seems most likely, and wary of turning their focus to “aid orphan” countries or sectors which are often avoided because the risk of poor outcomes is relatively high. Furthermore, some argue that division of labor is not necessary for coordination and could create donor monopolies, reducing competition among donors that could be expected to increase rather than decrease efficiency and effectiveness.

USAID has not issued guidelines on participation in division of labor negotiations, but U.S. aid implementers are limited in their ability to negotiate divisions of labor by provisions within annual appropriations bills or accompanying reports that specify how development assistance is to be used. The amount of bilateral assistance that is to be used for microenterprise, water and sanitation, food security, reproductive health, and programs directly assisting women, for example, are often directed by Congress, as is the allocation of aim among countries in many cases. These and many more congressional directives significantly limit the ability of aid officials in the field to negotiate divisions of labor, as they are required by Congress to fund certain types of activities in specific countries and sectors.

**Concerns About Direct Budget Support and Funding Pools**

Many development experts believe that the most effective means of harmonizing foreign assistance is not by coordinating among donors, but rather by channeling aid through recipient governments as direct budget support. Proponents of increasing direct budget support argue that

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**European Code of Conduct**

The European Union (EU) has tried to address division of labor among EU countries through a European Union Code of Conduct on Complementarity and Division of Labor adopted in May 2007. Among other things, the voluntary agreement urges EU members to only operate in three sectors and in a limited, but unspecified, number of priority countries. The objective is to ensure that there are no more than five active EU donors in a given sector, and that every sector has at least one.

The EU has proposed broader implementation of the code as part of the Paris Declaration harmonization effort, but has met resistance. Implementation has been challenging even within the EU. A 2009 monitoring report on division of labor found several obstacles to implementation of the Code, including reluctance by donors to limit their involvement in certain sectors, lack of clarity on the role of “lead” donor, limited capacity among donors to lead a sector, legal and administrative barriers, and inability to integrate non-EU donors, such as the United States, into their division of labor process.

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56 Monitoring Report: EU Fast Track Initiative on Division of Labour and Complementarity, a product of the EU Technical Seminar on Division of Labour and Complementarity, January 30, 2009.
providing aid directly to recipient country governments ensures that aid is used consistently with host country priorities, and, if done by all donors, would prevent the inefficiency of parallel donor activities as well as develop the financial management capacity, accountability, and public confidence of the host governments.

Opponents of direct budget support point to examples of such funds being misused by inept or corrupt recipient governments and argue that this mechanism for providing aid does not allow for adequate oversight by donors and their constituent taxpayers. Other critics contend that the role of NGOs that implement U.S. development assistance would diminish if budget support was used more often. Furthermore, some recipient governments have expressed concern that direct budget support makes donors more deeply involved in core government functions, compromising independence, or that donors pooling funds may act as a united front and create an imbalance of power.58

This is, perhaps, one of the most controversial aspects of the aid effectiveness debate, and is associated with the “use of common arrangements or procedures” harmonization indicator of the Paris Declaration. As an early evaluation of progress on the Paris Declaration goals noted, “although budget support is not specifically promoted in the Declaration, a clear majority of development partner evaluations report that a major preoccupation in political and public understanding of the Declaration, and in managing their programs, is whether and under what conditions such support is appropriate.”59 The United States has been notably reluctant to embrace budget support. The U.S. Action Plan on Harmonization (though it predates the Paris Declaration) states, in bold text, that “the call for harmonization is not a call for increasing reliance on budget support.”60

In 2010, donors reported giving an average of 2.7% of ODA in the form of general budget support, and the U.S. percentage is even lower.61 Most donors prefer project-based aid, in which they plan and implement specific projects, and maintain control of project finances and management outside the host country budget. Project-based aid gives donors more control over project planning and design decisions, allowing them to source supplies and implementing partners from their own country, more readily demonstrate the results of their specific investments, and more easily track funds. However, some aid officials have expressed concern that U.S. reluctance to use budget support as an aid modality makes it difficult to work with other donors, many of which provide assistance through budget support much more frequently, in SWAPs and other coordination mechanisms. Officials have also noted that in some countries, donors providing budget support assistance appear to be more influential in regard to host country policy-making than project-only donors, even when the value of the project aid is much higher than the budget support.

In recent years, USAID has sought to increase the use of host country systems while limiting the associated risks. The ongoing USAID Forward initiative aims to triple, to about 30%, the portion

61 U.S. data on general budget support was not available in the OECD DAC database for 2010, but for the years 2009, 2008 and 2007, the percentage of U.S. ODA provided as direct budget support was well under 2%. Source data is available at http://stats.oecd.org/Index.aspx?datasetcode=CRS1#.
of aid flows directed to host country entities rather than U.S. contractors. While this includes aid to local private sector and civil society implementers, aid channeled through host governments may increase as well. Moreover, the United States is using an approach in Afghanistan called “host-country contracting,” whereby funds are given directly to specific ministries that have been vetted and trained to responsibly administer the funds. However, these funds are then channeled to pre-designated NGOs for program implementation, a safeguard against corruption which some may argue undermines many potential benefits of direct budget support.

Agency and Personnel Incentives

Some observers assert that there are disincentives for donor coordination at every level of foreign assistance policy making and implementation. For example, donors may be reluctant to coordinate efforts for fear of diluting their influence or “brand” in a country or sector. Legislators may not want to give up control over the direction of assistance programs, which allows them to respond to their constituencies. Aid agencies may fear that increased collaboration will mean less independence and that more efficiency will mean downsizing. They may also be concerned about the difficulty in attributing outcomes to particular contributions, or find it harder to demonstrate the value of their contribution on a project in which they do not have full control. Moreover, several aid officials have suggested that aid workers are too busy to devote time and attention to coordination, a task that most are not evaluated on as part of their individual performance reviews.

These issues apply equally to bilateral and multilateral donors. As one World Bank report noted, “harmonization and alignment commitments ... represent a clear break from past patterns of compartmentalization, when the International Monetary Fund and World Bank, the regional development banks, bilateral agencies, and the UN group all worked largely on their own and emphasized the distinctiveness of their institutional identities.” Countries and agencies continue to give priority to maintaining their unique donor identity and long-established relationships. Recipient countries, too, have attachments to their long-standing relationships with donor countries. A report published by the Ministry of Foreign Affairs of Denmark notes that “government, ministries, sub-national authorities and NGOs have become familiar with and dependent on certain program and project arrangements with certain individual donors, and are reluctant to plunge into new arrangements that could detach them from traditional supporters.”

Host government officials have developed relationships with certain donors, and may not be eager to deal with a single donor-selected representative, or to cede their own authority to work directly with donors to a coordinating committee or agency. While there is no clear evidence of the impact of these incentives on coordination efforts, it is a recurring theme in discussions with aid experts.

Lack of Inter-agency Coordination

It has long been recognized by analysts and other aid professionals that lack of coordination between the two dozen or so U.S. departments and agencies involved in foreign assistance is an obstacle to coordination with other donors, in addition to a source of inefficiency and incoherency

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63 Synthesis report, p. 20.
within the U.S. aid structure. Other donors may not always know whom to approach when they want to coordinate with U.S. efforts. While USAID is well recognized as the voice of the United States at multilateral development meetings, leadership in-country can be less clear. One USAID official recounts an international donor coordination meeting in South Africa at which a South African minister had to introduce all of the representatives of U.S. agencies working in South Africa to each other, as each worked with the Minister individually and none had ever met.64

The 2010 QDDR, a broad assessment of U.S. diplomacy and development programs intended to identify how such programs could be more efficient and effective in meeting national security objectives, addressed many inter-agency coordination issues, at least between the State Department and USAID. One offshoot of QDDR coordination provisions is the use of Country Development Cooperation Strategies (CDCS). These documents summarize U.S. government policies and strategies for a country over a five year period, showing how each agency’s activities are synchronized. The CDCS for Guatemala, for examples, notes USAID coordination with the activities of eight other U.S. departments and agencies, as well as detailing the sector priorities of other top bilateral donors.65 CDCS documents also detail how U.S. efforts align with host country plans and priorities, reflecting the post-Busan emphasis on host governments taking responsibility for coordination. As of October 2012, CDCSs for 15 countries had been approved, and an additional 73 were scheduled for completion by October 2013.66

**Coordination Costs**

While it is anticipated that greater donor coordination may eventually lead to more efficient implementation and lower administrative costs associated with foreign assistance, many would argue that additional resources are generally needed to establish coordination mechanisms, sometimes for extended periods. Joint assistance strategies, for example, have typically taken two to three years to draft, using significant donor staff time to produce a product that, if successful, may reduce administrative burdens in the future. According to a Paris Declaration evaluation report, “a majority of donor evaluations state prominently that increased demands on time and staff resources, particularly in the field, are significant disincentives to further harmonization measures.”67

**Conflicting Strategic Interests**

The goal that drives most efforts to improve donor coordination—more efficient and effective development assistance—is only one of many U.S. foreign assistance objectives, some of which conflict with the donor coordination agenda.68 One such priority, support for U.S. commercial

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64 CRS conversation with USAID officials, July 17, 2009.
66 For a list of approved CDCSs and links to the documents, see http://www.usaid.gov/results-and-data/planning/country-strategies-cdcs.
68 The Foreign Assistance Act of 1961 (P.L. 87-195), which is the basis of most current foreign aid programs, states that it is “an act to promote the foreign policy, security, and general welfare of the United States by assisting peoples of the world in their efforts toward economic development and internal and external security.”
interests, manifests itself through “buy America” procurement regulations that have been an obstacle to full U.S. commitment to the Paris Declaration. Geo-political and security interests dominate U.S. aid policy in many countries as well. There are countries where the United States remains an active donor for reasons related more to strategic security advantages than to development outcomes. Strategic objectives make it difficult for U.S. officials, and those from many donor countries, to delegate their authority to other donors for fear of losing the access and influence that are often a perceived trade-off for aid. For example, if one objective of a USAID school reconstruction project in Afghanistan is to make the local population more accepting of the U.S. military presence in their community, delegating responsibility to another donor, even if that lead donor has a comparative advantage with respect to educational objectives, would result in failure to meet the U.S. strategic objective.

Some aid experts contend that donors cannot improve, or even measure, the effectiveness of aid given the multiple and sometimes conflicting effects that are desired. It is hard to measure success when objectives are not clearly stated. Many hope that recent foreign aid reform efforts in Congress and the Administration will lead to improved U.S. policy coherence and greater differentiation between the short- and long-term objectives associated with various foreign assistance accounts. Such clarity may facilitate coordination with other donors in instances where common goals can be identified, and lead to a more straightforward recognition of instances in which greater coordination among donors is simply not in the best interests of the United States.

Coordinating with Non-traditional Donors

Researchers have estimated that less than half of all aid that reaches developing countries is now subject to Paris Declaration commitments. Aid from private foundations and NGOs, as well as increasing aid from emerging donors who have not participated in the DAC reporting process, and do not necessarily ascribe to DAC goals on aid effectiveness and transparency, has changed the development landscape. In addition to the much-talked about “BRICS” economies of Brazil, Russia, India, China and South Africa, other non-OECD countries such as South Korea, Indonesia, Turkey and Venezuela have become notable aid donors, even as they remain aid recipients. The role of “South-South cooperation,” as aid from one developing country to another is often called, and “triangular cooperation” efforts, involving cooperation between both emerging and traditional donors, is seen as increasingly significant to effective coordination efforts.

As ODA becomes an increasingly smaller part of financial flows to developing countries, Paris Declaration indicators and the OECD DAC framework become less relevant. The shift at the Busan HLF away from the OECD DAC partnership structure to the Global Partnership is intended to address this issue by including a broader range of stakeholders. However, expanding

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69 P.L. 87-195, Sec. 604, requires that aid funds generally be used to procure goods in the United States or developing countries when possible.

70 The ongoing USAID Forward reform process may change this dynamic, as its procurement reform agenda aims to increase procurement from within developing countries.

71 For more on the challenges of evaluating aid effectiveness, see CRS Report R42827, Does Foreign Aid Work? Efforts to Evaluate U.S. Foreign Assistance, by Marian Leonardo Lawson.

the current donor coordination regime to include private actors and a broader range of donor states is challenging. This tension was at the heart of negotiations on the Busan outcome document. Many traditional donor countries felt that bringing emerging donors into the partnership was essential to the ongoing relevance of the aid effectiveness process. Others felt that the concessions necessary to attract a broader base of partners would result in watered down commitments that were meaningless.

The former view prevailed, and the Busan document established a two-tiered commitment in which developing country donors and non-governmental entities accept the provisions of the agreement as voluntary guidance, while traditional donors accept them as commitments. While many hope that this is a first step toward full integration of emerging donors with the established norms and best practices of DAC donors, many are skeptical.

Like traditional donors, developing country donors provide aid for a variety of reasons. Because these donors still face significant poverty at home, provide aid primarily to their neighbors, and place few or no conditions on the aid, South-South aid is often viewed as more political and commercial than development oriented. Emerging donors, like traditional donors before them, may use aid to establish themselves as regional leaders, or to boost their standing in international forums. Access to markets and natural resources are also frequently ascribed motives of South-South cooperation, particularly Chinese aid in Africa. As with traditional donors, these strategic goals may mean that improved efficiency of development assistance is insufficient incentive to overcome the political and technical obstacles to improved coordination. For many non-OECD donors, participation in the OECD DAC reporting process does not provide any particular advantage and may not be worth the associated responsibilities. For those who do see advantages to participating in the ODA reporting (perhaps they aspire to be OECD members and wish to demonstrate their support), there are technical and political obstacles. Reporting detailed and reliable aid data of the quality expected by the DAC requires resources that many smaller donors simply do not have. Donors ineligible for OECD membership because of political and economic requirements may not want to cooperate with an organization that denies them this status. Smaller donors may resist reporting ODA data for fear that their assistance will look insignificant compared to larger donors or to their official rhetoric. Others may be reluctant to reveal information about development partners or business models that can be gleaned from ODA data and may be politically or commercially sensitive. In addition, South-South donors do not generally place governance or human rights conditions on their aid, as DAC donors often do, demonstrating a sensitivity to the view that such conditions are inappropriate interference in the recipient country’s internal affairs. A fuller integration into the traditional coordination and effectiveness framework may come with pressure to change this approach.

Non-governmental donors, such as foundations and faith-based organizations, also face obstacles to full participation on coordination efforts. According to the OECD, development assistance grants from private voluntary organizations totaled $30.8 billion in 2010, with the bulk of those

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73 Commentators have suggested that India and Brazil have boosted their development assistance programs in part as a means of improving their chances of securing a seat on the U.N. Security Council.

74 Several emerging donors, including Turkey, Mexico and China, have sent representatives to the DAC for the purpose of learning how aid data is compiled and reported to DAC standards, but few believe that these donors will want or be able to comply with DAC reporting standards anytime soon.

75 Some experts believe that China has refrained from voluntarily reporting its aid to DAC as a means of pressuring the OECD to allow its membership.
flows ($22.8 billion) coming from U.S.-based organizations. The Bill and Melinda Gates Foundation alone provided nearly $2.0 billion in 2010 for global health and development programs. These entities share many of the OECD reporting concerns faced by emerging official donors. They may not have the resources to devote to DAC-quality data collection, and may feel they will not compare favorably to other reporting NGOs. Unlike official donors, they may also have concerns about the impact of such reporting on their fundraising efforts. Furthermore, as noted in the report on the civil society conference that ran parallel to the Accra HLF in 2008, many NGOs involved in international development see their role as much broader than that of official donors, and are wary of the potential negative connotations of the donor label.

### China’s Foreign Aid

While Chinese foreign aid is not new, it is estimated to have increased significantly in recent years and has garnered much international attention. China does not release annual information on the amount, recipients, or specific objectives of its aid, making comparisons to ODA problematic. Much Chinese aid is in the form of low-interest loans used to pay Chinese firms to build infrastructure projects in Africa, Asia and Latin America, often to enable exploitation of natural resources. Some development professionals applaud China’s aid effort for its commitment to equal partnership, mutual benefit, and “no strings attached” approach. Some developing countries, especially, may see this as preferable to the DAC donor model that many find cumbersome. Others, however, see China as a rogue actor in the donor community that is undermining longstanding OECD DAC-established development assistance norms. Among other things, Chinese aid has been accused of supporting corrupt and repressive governments, promoting unmanageable debt burdens, and undermining international pressure to make minority rights and environmental protection key considerations in development plans. As a result, the emergence of China and other non-traditional donors outside the DAC is often viewed as a threat to donor cooperation. Bringing China into the established donor community was a key objective of the Busan forum and of the creation of a Global Partnership outside the traditional OECD DAC umbrella. China did participate in Busan, and signed the outcome document, but it remains to be seen whether this inclusive approach will have any meaningful impact on harmonization efforts.

### Conclusion

While foreign aid donors for decades have coordinated their efforts by meeting regularly and sharing information on the aid they provide, under the umbrella of the OECD DAC, recent efforts to focus on aid quality rather than quantity, and to include a broader range of development actors in coordination efforts, have significantly changed the development cooperation landscape. Commitments made by the United States and other donors at a series of high-level global forums have not been met. While donors reaffirmed these commitments in Busan in 2011, a variety of challenges, from strategic foreign policy objectives to accountability concerns, make

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76 OECD (2012), Development aid: Grants by private voluntary agencies, Development: Key Tables from OECD, No. 3.
80 These are among the “Eight Principles for Economic Aid and Technical Assistance to Foreign Countries” declared by China in 1964. “No strings attached” may be limited to internal governance issues: China reportedly requires that most or all procurement for the projects it finances be done through approved Chinese firms, and China appears to provide aid only to governments that support China’s position on Taiwan and Tibet.
collaborative aid efforts difficult. The growing role of non-traditional donors, as well as private sector investments and philanthropic financial flows to developing countries, present additional coordination challenges, but may as well become opportunities for a new type of collaboration. Participants at the Busan HLF attempted to strengthen the aid effectiveness agenda by incorporating these non-traditional donors and establishing a new Global Partnership to include civil society organizations and emerging donors, though on a voluntary basis. As the Global Partnership settles in to the task of overseeing implementation of this bifurcated agreement, new insights may emerge as to the effectiveness of this broader scope of development cooperation. In the meantime, the United States may continue efforts to improve aid effectiveness and efficiency through maintaining strong relationships with bilateral donors that share U.S. interests and objectives in the developing world, building on the significant progress that has been made with respect to aid transparency, and considering how best to use multilateral development entities and partnerships to enhance the effectiveness of U.S. foreign assistance.
Appendix. ODA Bilateral Donors, 2011

Figure A-1. ODA Bilateral Donors, 2011
(in millions of U.S.$ disbursed)


Notes: Country totals include both bilateral aid and contributions to multilateral aid organizations. Though not a country, “EU Institutions” is listed as a bilateral donor by the OECD QWIDS database and so are included here for consistency with other OECD QWIDS data.
### Figure A-2. Multilateral ODA Donors, 2011

*in millions of U.S. $ disbursed*

<table>
<thead>
<tr>
<th>Organization</th>
<th>ODA Donations (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Int. Development Agency (World Bank)</td>
<td>6,995</td>
</tr>
<tr>
<td>Global Fund to Fight HIV, TB &amp; Malaria</td>
<td>2,612</td>
</tr>
<tr>
<td>African Development Fund</td>
<td>2,147</td>
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<tr>
<td>Int. Development Bank Spec. Fund</td>
<td>1,504</td>
</tr>
<tr>
<td>U.N. Children’s Fund</td>
<td>1,046</td>
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<tr>
<td>Asian Development Bank</td>
<td>863</td>
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<tr>
<td>Global Alliance for Vaccines and Immunizations</td>
<td>819</td>
</tr>
<tr>
<td>Int. Monetary Fund (Concessional Trust Funds)</td>
<td>772</td>
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<td>Global Environment Facility</td>
<td>734</td>
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<tr>
<td>U.N. Relief and Works Agency</td>
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<td>U.N. Development Program</td>
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<td>World Health Organization</td>
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<td>U.N. High Commissioner for Refugees</td>
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<td>Int. Fund for Agricultural Development</td>
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<td>World Food Program</td>
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<td>U.N. Population Fund</td>
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<td>U.N. Joint Program on HIV/AIDS</td>
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<td>African Development Bank</td>
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<td>Nordic Development Fund</td>
<td>52</td>
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<tr>
<td>Carribean Development Bank</td>
<td>39</td>
</tr>
<tr>
<td>U.N. Economic Commission for Europe</td>
<td>12</td>
</tr>
<tr>
<td>Montreal Protocol</td>
<td>8</td>
</tr>
</tbody>
</table>

**Source:** OECD Query Wizard for International Development Statistics (QWIDS), January 14, 2013.

**Notes:** These multilateral organizations are funded by bilateral donors, whose contributions are included under their bilateral ODA totals in **Figure A-1.**

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