



Brussels, 7 April 2005

SUBJECT: CREATING A TEST VERSION OF DONORS' ASSISTANCE DATABASE FOR 2003 OF THE STABILITY PACT FOR SOUTH EASTERN EUROPE BENEFICIARY COUNTRIES ON LOCAL DEMOCRACY

Dear colleague,

The Open Society Institute Local Government / Public Service Reform Initiative (OSI-LGI), under the auspices and in close cooperation with the OECD / Development Assistance Co-operation (OECD/DAC) and the Stability Pact for South Eastern Europe (SP), has been working on **an initiative to map local government donor assistance to Stability Pact beneficiary countries, called the Donor Assistance Mapping Exercise (DAME)**.

Both OSI-LGI and SP were invited by the OECD/DAC to present the report on "Donors' Assistance Database for 2003 for the Stability Pact Beneficiary Countries on Local Democracy", during the Informal Meeting of the Working Party on Statistics, on the 9th of February 2005.

The initiative was born out of the realization that while donor assistance continues to flow to the recipient governments of South Eastern Europe, development policies of donor countries and organisations, in many cases, lack aid coordination and information exchange, which results in both overlappings and vacuums in covering geographic and sectoral areas. Providing a tool for infusing these essentially independent policies with the benefits of coordination would only make donors' efforts more effective. OSI/LGI, in cooperation with OECD/DAC and SP, started DAME on the basis of this consideration.

Therefore, we ask donors to support the idea both in terms of data provision through OECD/DAC, and possible allocation of funds for DAME.

In practical terms, at this stage, we ask you as a donor country or organisation to:

- a. *Indicate if an assistance or project should be classified as „local government specific” for DAME or not. This could be done during the normal data provision process for OECD DAC. In order for that classification to be uniform across donors, DAME offers a definition of „local government specific” assistance in a report entitled „Creating a Test Version of the Stability Pact Donors' Database for 2003” (see: http://lgi.osi.hu/documents.php?m_id=100)***
- b. *Fill out the long description field on the OECD reporting form every time when reporting about local government specific activities.***

Since the pilot phase of DAME started about a year ago we accomplished the following tasks:

- *We identified the OECD/DAC dataset as the best available data source for a DAME database.*
- *We developed methodology for creating DAME on this basis.*
- *We tested the methodology on data available in the OECD/DAC database on donor assistance for Stability Pact countries for 2003.*
- *We drew some conclusions on the characteristics of donor assistance.*
- *We developed recommendations for the improvement of the OECD/DAC dataset from the point of view of DAME.*

To demonstrate the use of DAME, OSI_LGI tested its methodology using 2003 OECD data. The attached report describes our method, gives examples of the kind of analysis DAME could be used for and enumerates limitations of the OECD database. **OSI-LGI make concrete recommendations for improvements which would enable it to set up and maintain DAME, not just as a test but as a permanent tool for donor coordination and assistance analysis.** The report also provides a working definition of what local government assistance is – an essential prerequisite for setting up the DAME database.

The following are the major findings of the study. Although the limitations of the data may have an influence on these findings OSI-LGI is confident that, already at this stage, **some interesting conclusions** could be drawn:

- a) The share of local government specific aid in terms of the total amount of donor assistance to Stability Pact countries is 10-15%.*
- b) The largest receivers of local governmental assistance in the region are Albania and Serbia and Montenegro with 31% and 22% of all local governmental assistance, respectively. Croatia, the Former Yugoslav Republic of Macedonia, Romania, and Moldova follow, all amounting to between 6 and 13% of all local governmental assistance.*
- c) 20 donor countries were active in funding local governmental assistance projects in the region (the European Commission, IFIs/entities, such as the International Bank for Reconstruction and Development, and the World Bank/International Development Association are counted as separate 'donor countries', too). There is a large concentration among donors: more than two thirds of assistance funds were provided by four major donors: Germany, Greece, the European Commission, and IDA.*
- d) More than one third of local government related assistance supported water supply and sanitation projects. One fifth of aid funds were spent on both education and government/civil society projects. The remaining one-fourth was spent on other fields such as health and population programs.*

Data currently provided by OECD DAC is the best source for creating the DAME database. At the same time OECD DAC data has its limitations. Most of these limitations can be addressed by simply implementing existing data provision standards. **The report makes detailed and concrete recommendations for the improvement of data.** These are the most important ones:

- a) To keep subjective judgement to the minimum about which project should be classified as local government projects. Specific donors should make that decision and indicate it when providing data for OECD DAC.*

- b) *In order for that classification to take place DAME needs to provide, and donors should adopt, a uniform definition of what constitutes local government specific assistance. DAME offers such a definition in the attached report focusing on institutional capacity and service provision of sub-national governments.*
- c) *Existing data provision requirements should be observed. Standards for the content of short and long description fields of the OECD reporting sheet should be introduced.*

OSI/LGI, in cooperation with OECD/DAC and SP, is committed to the creation of the DAME database. Nevertheless further action should only follow this commitment if donors actively support DAME both in practical and political terms.

Yours faithfully

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