



**CREATING A TEST VERSION OF DONORS'
ASSISTANCE DATABASE FOR 2003
FOR THE STABILITY PACT
BENEFICIARY COUNTRIES
ON LOCAL DEMOCRACY**

This report is part of the Donor Assistance Mapping Exercise project on Local Democracy (DAME), undertaken by Open Society Institute – Local Government and 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)

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1 Background and methodology

1.1 Scope, goal, and methodology of the report

The aims of the present task are as follows:

- (1) Downloading primary data from the OECD database describing assistance projects for Stability Pact countries run in year 2003.
- (2) Providing a definition of what a “local governance specific” activity is.
- (3) Screening all aid activities and classifying them into one of the following categories: “local government specific”, “not local government specific”, and “undecided”.
- (4) Conducting basic analysis of the data focusing on results, which can be used when making aid allocation decisions. Questions to be answered may include:
 - (a) Who are the most active donors overall and by country?
 - (b) Which types of activities receive most aid?
 - (c) What are the differences between countries in terms of assistance received?
 - (d) What is the sum of local governance related donor support for the whole Stability Pact area and in each country?

The analyzed data set does not make it possible to unambiguously separate development activities having an impact *specifically* in the local government area from those, which do not. Therefore, the task of classifying aid into three mutually exclusive and jointly exhaustive sets could be performed only based on probabilistic expert judgements.

Specifically, aid activities were categorized into three classes. These activity classes were named Class A, B, and C. Projects belonging to Class A, B, and C have a zero, a moderate, or a high chance to encompass a ‘significant local governmental component’ (SLGC), respectively.

The terms used in the above definition are used in the following sense:

- An SLGC is defined as an activity, or a set of activities, which together (i) amount to at least 50% of resources and (ii) benefits the local governmental sector.
- Assistance to the local governmental sector is defined as those activities, which either strengthen the institutional capacity of local democratic governance, or promote the provision of local public services (i.e. those being provided by local governments).
- The term ‘local government’ refers to both settlement level (municipality) and regional/county level local governments.
- ‘Zero chance’ of having and SLGC in an aid activity (Class A activities) is defined as having a subjective probability of less than 5%. ‘Moderate chance’ of having an SLGC in an aid activity is defined as having a subjective probability of 5 to 50% (Class B activities). ‘High chance’ of having an SLGC in an aid activity is defined as having a subjective probability of more than 50% (Class C activities). Class C activities are treated as ‘local government specific’ ones and analyzed further in detail.

It is important to emphasize that this method introduces certain biases into the analysis. Firstly, it is likely to over-estimate the number of local government specific activities since it is probable that some of the Class C activities are in fact, despite their appearance, not local government specific. Secondly, the method is likely over-estimate the amount of

funds spent on local government specific purposes. This is so because many activities contain a number of elements, some of which are local government specific, but some of which are not. For example, an activity might combine pilot organizational development in specific local governments with policy level technical assistance to improve the system inter-governmental fiscal relations. However, the whole budget will be counted as local government specific.

These two effects are likely to introduce an upward bias into estimations of the weight of local governmental assistance.

1.2 Preliminary notes on data

In general, it has to be noted that the ‘purpose code’ classification system used in this paper is less than ideal for performing detailed analyses. In order to develop a more precise method of classification for mapping local government related donor activity some re-coding of data would be necessary. We will make concrete suggestions for this re-coding in part 3 of this paper. As we worked within the limitation of the data the present analyses has mostly an illustrational – as opposed to investigative – purpose.

The data set used as a basis of this paper contained information on 3425 aid activities. From the point of view of our donor assistance mapping exercise it had a few limitations:

- (a) About 150 records (4%) contained data in a language other than English. Most of these records were in French, describing French and Belgian as well as a few Swiss projects (all French and Belgian projects were in French). Most Dutch aid activities were also entered in the database in Dutch language.
- (b) 3 percent of activities are insignificantly small, having a budget of less than two thousand USD.
- (c) Many activities had a ‘short description’ and/or ‘project title’ with minimal information content. For example, the ‘short description’ field repeats only the information already contained in the ‘purpose name’ field in 719 (21%) data records. Moreover, a number of existing short descriptions provide only standard – i.e. non-specific – account of the activity.
- (d) 1836 records (54%) of data records do not have a ‘long description’. An additional 850 records (25%) have a ‘long description’ of less than 100 characters. Moreover, even those having a ‘long description’ are often described in very general terms.

2 Results

2.1 Local governmental assistance in perspective

Understandably, foreign aid activities vary strongly in terms of their size: the smallest one has a budget of USD 20 (twenty) while the largest one USD 200 million. The mean project size is USD 988 thousand while the median USD 89 thousand.

Local governmental assistance – understood as Class C activities having a fairly high chance to involve a significant local governmental component – amount to a little more than one tenth of all assistance provided for the region, both in terms of budget resources and in terms of number of activities. In 2003, 415 such activities were run in the region consuming a total budget of almost USD 359 million.

Table 1: Basic features of assistance in the Stability Pact countries (2003)

	No. of projects	% of all projects	Average budget, \$000	Total budget, \$000	Share in total aid expenditure
Class A	2519	73.5%	1,018	2,564,129	75.0%
Class B	491	14.3%	1,009	495,634	14.5%
Class C	415	12.1%	865	358,976	10.5%
Total	3425	100.0%	998	3,418,739	100.0%

The average budget size of activities is similar in the case of all three classes of activities. An average local governmental activity amounted to USD 865 thousand.

2.2 Recipients of local government related assistance

Broken down by recipient country 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. The remaining four geographical units (countries) together have a share of about one eighth (Figure 1.).

Figure 1: Recipients of local governmental assistance (in budgetary terms, 2003)

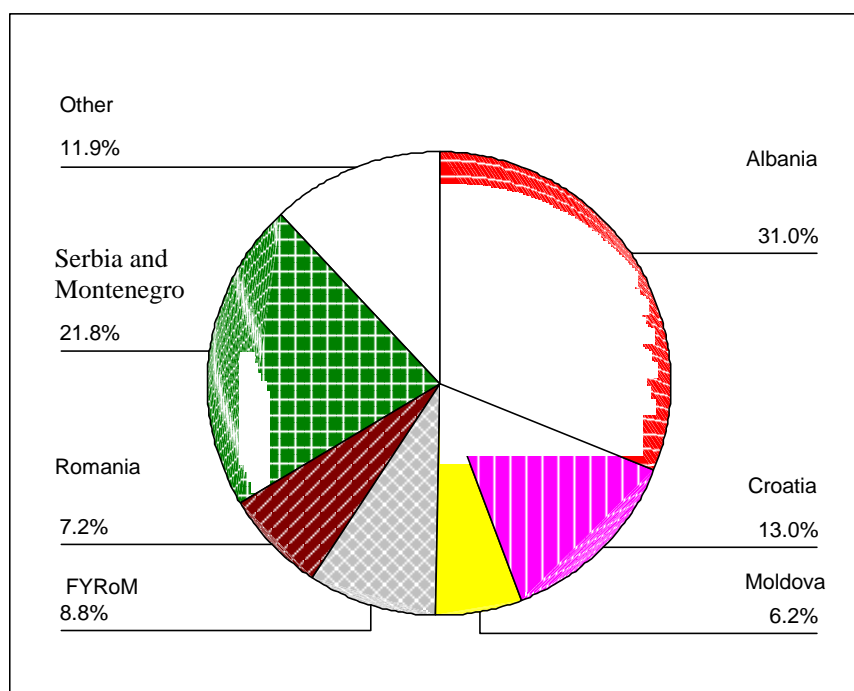


Table 2 shows that the average aid activity budget in Croatia is more than three times larger as the average budget for all countries. On the other hand, Bulgaria and Bosnia and Herzegovina stand out with their small mean project budget. Considering that Croatia is one of the smallest while Bulgaria is one of the largest countries among the recipients explaining this difference may lead to useful insights into aid allocation.

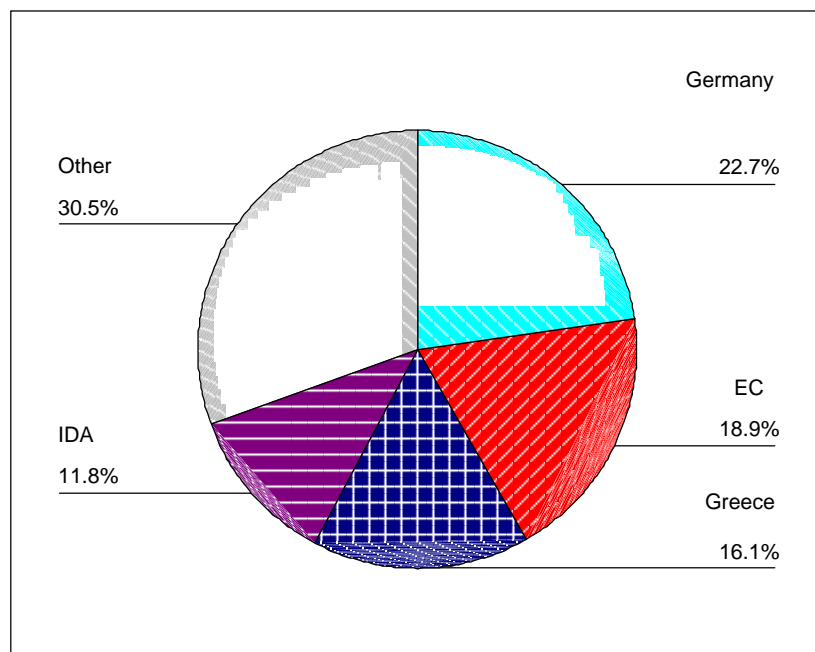
Table 2: Basic features of local governmental assistance activities – broken down by recipient countries and regions (2003)

	Number of Projects	% of All Projects	Average budget, \$000	Total budget, \$000	Share in total aid expenditure
Albania	99	23.9%	1,126	111,452	31.0%
Bulgaria	34	8.2%	302	10,257	2.9%
Bosnia and Herzegovina	51	12.3%	319	16,246	4.5%
Croatia	17	4.1%	2,745	46,666	13.0%
Kosovo	8	1.9%	1,254	10,029	2.8%
Moldova	22	5.3%	1,017	22,376	6.2%
FYR Macedonia	33	8.0%	954	31,482	8.8%
Countries of the former Yugoslavia	10	2.4%	617	6,175	1.7%
Romania	65	15.7%	398	25,871	7.2%
Serbia and Montenegro	76	18.3%	1,032	78,423	21.8%
TOTAL	415	100.0%	865	358,976	100.0%

2.3 Donors

According to the data set 20 donor countries were active in funding local governmental assistance activities in the region in 2003. Sources such as the budget of the European Commission (EC) and the International Development Association (IDA) are counted as separate ‘countries’, too. However, there is a large concentration among donors: more than two thirds of assistance funds were provided by four major donors: Germany, EC, Greece, and IDA (Figure 2).

Figure 2: Major donors in the field of local governmental assistance (2003)



Looking at other details of data some additional differences in donors' aid policies can be detected. Beside the volume of aid activities, there are big differences concerning average project size, amounting to a 1:400 proportion between the smallest and the largest figure. In other words, average project size for the EC is four hundred times larger than that of Belgium, which is at the other end of the spectrum. Another significant feature of the data is the minimal presence of some large countries traditionally playing a significant role in international assistance. The weighty role played by Greece in local governmental assistance is also notable.

Table 3: Major features of local governmental assistance by donors (2003)

	Number of Projects	% of all Projects	Average Budget, \$000	Total Budget, \$000	Share in Total aid expenditure
Austria	31	7.5 %	145	4,481	1.2%
Belgium	24	5.8%	17	407	.1%
Canada	4	1.0%	150	598	.2%
Switzerland	16	3.9%	522	8,346	2.3%
Germany	31	7.5%	2,625	81,381	22.7%
Denmark	2	.5%	2,278	4,556	1.3%
European Commission	10	2.4%	6,789	67,891	18.9%

Spain	26	6.3%	391	10,174	2.8%
Finland	6	1.4%	156	937	.3%
France	10	2.4%	211	2,105	.6%
United Kingdom	6	1.4%	164	985	.3%
Greece	84	20.2%	687	57,683	16.1%
International Development Association	5	1.2%	8,500	42,500	11.8%
Ireland	17	4.1%	40	681	.2%
Italy	43	10.4%	467	20,067	5.6%
Japan	17	4.1%	205	3,483	1.0%
The Netherlands	16	3.9%	491	7,853	2.2%
Norway	35	8.4%	349	12,212	3.4%
Sweden	7	1.7%	360	2,519	.7%
USA	25	6.0%	1,205	30,117	8.4%
Total	415	100.0%	865	358,976	100.0%

2.4 Local governmental assistance policies: major fields of emphasis

Naturally, local governmental activities might cover a wide variety of policy fields, ranging from public utilities (physical infrastructure) to various public services (schooling, basic social and health services etc.) and to the development of local decision-making and implementation capacities (institutions of democratic interest formation/articulation and the corresponding administrative structures).

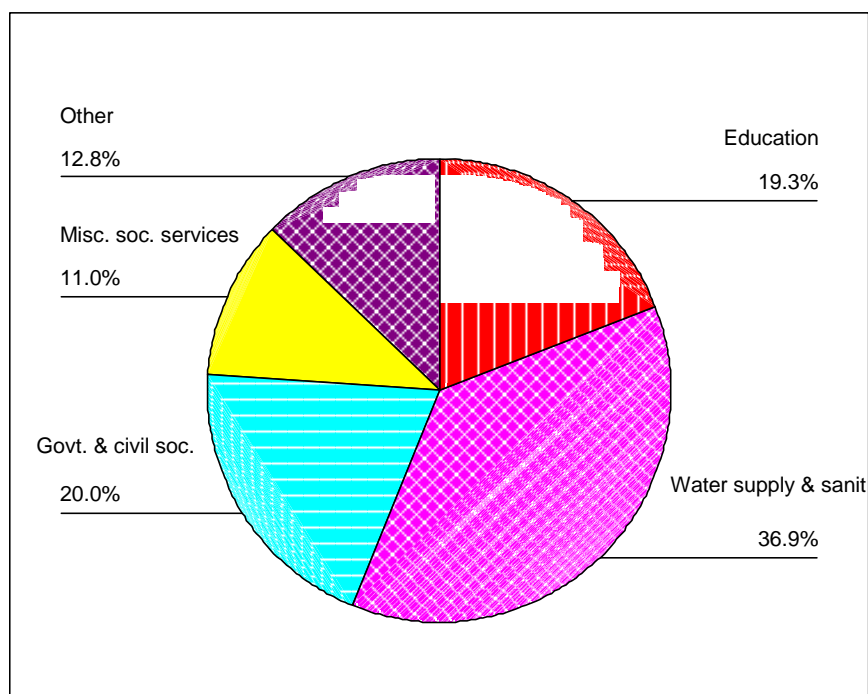
Figure 3 below categorizes activities according to the broad policy field assistance activities aim at. The notion of 'broad policy field' is operationalized as the first two digits of the activity's 'purpose code'¹ in the OECD data set.

More than one third (36.9%) of local government related assistance went into water supply and sanitation projects. One fifth of aid funds were spent on both education (19.3%) and government/civil society projects (20.0%). It is noted in parentheses that a vast majority of funds spent on the latter category – government administration and civil society projects ('purpose code' 15) – were in fact spent on local governmental administration – as opposed to civil society or financial management.

The remaining one-fourth (12.8% Other and 11.0% Misc. Social Services) was spent on other fields such as health and population programs.

¹ The 'sector code' was not used for this purpose since in a large number of cases it does not match the information contained in the 'purpose code' field.

Figure 3: The most emphatic fields of local governmental assistance in Stability Pact beneficiary countries (2003)



Naturally, it can be expected that emphatic fields of local governmental assistance vary from country to country. It is impractical to analyze such differences for all policy fields and countries since this would require a cross-tabulation amounting to huge number of table cells. However, it is possible to give an insight into the cross-country patterns for a few key countries and fields of local governmental assistance. This is shown in Table 4 below. (Note that in the below analysis, unlike the one presented in the above figure, the detailed ‘purpose’ classification system is used.)

Table 4: Focal fields of local governmental assistance in the five major receivers of assistance

Recipient	Largest field	Second largest field
(1) Albania	Secondary education	Primary education
(2) Serbia and Montenegro	Government administration	Waste management/disposal
(3) Croatia	Water supply & sanitation - large systems	Rural development
(4) FYR Macedonia	Social/welfare services	Urban development and management
(5) Romania	Government administration	Basic health care

The next table looks at data from the opposite direction by listing the first and second largest receivers of assistance in the most important fields of assistance.

Table 5: Largest receivers of local governmental assistance in the five major fields supported

Field of assistance	Largest receiver	Second largest receiver
(1) Water supply & sanit. - large syst.	Croatia	Albania
(2) Government administration	Serbia and Montenegro	Romania
(3) Social/welfare services	Serbia and Montenegro	FYR Macedonia
(4) Secondary education	Albania	Bulgaria
(5) Primary education	Albania	Kosovo

It is worth to mention that largest receiver of the most emphatic field of assistance (see the upper-left data cell) stands out to an extraordinarily high extent: more than 12 % of all local governmental assistance for all 10 countries was spent on Croatian water supply and sanitation (large systems) projects, amounting to 93% of all assistance to Croatia. Moreover, this outstandingly high proportion can be attributed to a single activity supported by Germany: the improvement of water supply and waste water system of the coastal region of Croatia.

3 Summary and recommendations for data base development

The above section gave an insight into what kind of analyses would become possible, provided that the data base contained information on whether the given activity is “local government specific” or not. This final section formulates recommendations with regards to (i) how the local government specific nature of an aid activity could be operationalized, and (ii) how the available data could be improved in the future for the purposes of the donor support mapping exercise.

3.1 A recommendation for formulating an ‘SLGC descriptor’ for the CRS data base

Assistance activities for local governments can include one or both of two major fields of local governance.

- (a) Firstly, assistance might aim at improving the institutional qualities of local government. This might happen via training local politicians or administrators, improvement of the technical or management features of local governmental offices/organisations, or promoting local democratic accountability, participation,

transparency, and communication, to mention but a few possibilities. These functions can be referred to as institutional capacity.

- (b) Secondly, aid activities can target one or more fields of local governments' broad policy portfolio, such as public utilities (water, sanitation, waste collection and disposal etc.) and other public services (e.g. schooling, basic health and social services). These two sets of functions will be referred to as 'local public services'.

We believe that both types of assistance should be included in the definition of 'local governmental activities'.

The former set of assistance activities are relatively easy to identify since the definition for local government institutions is more or less straightforward and universally applicable for example as described in the European Charter of Local Government.

However, the latter set of activities is different since the scope of local governmental competence in providing public services varies strongly both in time and across countries. Therefore, it is not possible to give a universal and permanent definition of what 'local public services' are. However, it is possible to state with a relative accuracy whether any particular public service or institution belongs, in a specific time and a specific recipient country, under local governmental competence.

Considering the above the recommended definition of and 'SLGC descriptor information' is as follows:

"An aid activity is defined to be local government specific – that is, to have a significant local governmental component – if more than 50% of its budget is spent on one or both the following fields:

Field (1): Improving the institutional capacity of local (including representative territorial) government. The term 'institutional capacity' refers to such key capacities of local governments as their apparatus, the quality of democratic interest articulation and policy formation, and the conditions for civic participation and for communication between the local government and the citizenry.

Field (2): Improving local governmental capacity to provide local public services. The term 'local public services' refer to any good or service the production/provision of which is the responsibility of local government at the time of the assistance activity, that is, physical infrastructure/public utilities as well as social services such as schooling, health, or welfare services.

If none of these two conditions is met then the activity does not have a significant local governmental component."

3.2 Recommendations for modifying the data set

The analyzed data set has proven, in its present form, capable of serving as a basis of analyzing local government related assistance activities in the Stability Pact countries. However there are certain limitations. In order to enhance the usefulness of the database for this specific purpose we suggest various improvements with regards to the information content of the data set:

General Recommendation (1): When entering new projects in the data base, donors should indicate if an activity is "local government specific" checking information about the project against a uniform definition.

Specific Recommendation (1.1): A common definition of what constitutes a "local government project" should be developed and adopted by donors. (We suggested one such definition in section 3.1. of this paper.)

Specific Recommendation (1.2): A “flag” should be added to the existing donor questionnaire, which can be used to mark “local government” projects.

General Recommendation (2): When entering new data records into the data base, existing requirements and guidelines specifying substantive as well as formal requirements against information submitted should be checked and implemented more rigorously.

Specific Recommendation (2.1): Information submitted should be checked for missing/incomplete data, such as short descriptions and long descriptions.

Specific Recommendation (2.2): It would make working with the data set easier if all information in it were in English.

General Recommendation (3): The substantive consistency of information should be cross-checked.

Specific Recommendation (3.1): Likewise, the correctness of ‘purpose’ and ‘sector’ information should be cross-checked – as far as possible – on the basis of information contained by the ‘short descriptions’ and/or ‘long descriptions’.

General Recommendation (4): In the future, more descriptive and specific ‘short descriptions’ and ‘long descriptions’ should be required in order to provide more accurate information, to enable the cross-checking of information for possible inconsistencies, and to enable one, as much as possible, to assign individual activities in the data base to specific activities encountered ‘in the field’.

Specific Recommendation (4.1): A formal requirement should be specified and implemented, which defines what information the ‘short description’ field is expected to contain. For example, it would be useful to provide information on the actual recipient of the assistance, including the name of institutions(s) and their geographical locality (city/region etc.).

Specific Recommendation (4.2): Similarly, a prescriptive statement about the ideal information content of ‘long descriptions’ should be elaborated. In addition to the information content of ‘short descriptions’ this could extend to the actual activities performed and the major outputs/outcomes achieved.

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