



Does Aid Work? Can it work better? Crucial questions on the road to Accra and Doha

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Report prepared by Clyde Sanger

Introduction

The North-South Institute¹ in Ottawa brought together, for two days of lively panel sessions and debates, international speakers and Canadian participants to discuss development cooperation and financing issues in the lead up to two important events occurring later in 2008. These events are expected to have a major impact on aid and development finance policy, and on the long-term prospects of developing countries.

The two events are the Accra High Level Forum from September 2 to 4, which will review the Paris Declaration on Aid Effectiveness of March 2005 with its commitments in the five areas of Ownership, Alignment, Harmonization, Managing for Results and Mutual Accountability; and the Review Conference in Doha, Qatar, November 29 to December 2 to follow up on the International Conference on Financing for Development, held in Monterrey, Mexico, in 2002.

The pattern of the eight panel sessions took the following shape. The first panel brought out the prime importance of hearing the views of Southern speakers, with keynote speakers representing the Group of 24 and perspectives from the Caribbean and Africa. Panel 2, on assessing the impact of aid, tackled the difficulties of accurate assessment; Panel 3 touched on the impact of aid in fragile states, specifically Haiti and Afghanistan. Then the conference turned to the two main documents under review: Panels 4 and 5 studied what progress had been made and what pitfalls encountered, on the journey from the Paris Declaration to the Accra High Level Forum. On the conference's second day, Panel 6 took a sharp look at the aid relationship between donors and their partners and how the latter could assert their priorities. Panel 7 usefully showed how the components of development financing had altered proportions, and aid had become a relatively much smaller part, compared with remittances, export revenue, investment and private funding. Finally, in Panel 8 three speakers enlarged on the implications for the aid relationship of the arrival of new donors: India, China and Brazil.

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Summary of main themes

A number of key themes emerged from the conference presentations and discussion. These were summarized by Roy Culpeper, President, The North-South Institute, during his closing remarks for the conference.

1. A commonly recurring theme was the point that, although enhancing aid effectiveness is important in its own right, a much more important objective is *development effectiveness*. Aid could be highly effective in certain contexts – schools built, universal public education achieved – but development could be failing. Illiteracy rates could still be high, and better education may not translate into higher employment or incomes. Aid is but one factor, often not very significant, contributing to development effectiveness. The more pertinent questions are “How is development working and how can it work better?” Of course, these questions are not unproblematic: there are the immediate issues of how to measure development effectiveness, and different indicators may go in opposite directions. Several allusions were made to growth rates improving recently while poverty rates and human development indicators deteriorated.
2. A focus on aid effectiveness also has negative repercussions in *losing sight of essential long-term development objectives*. Specifically, a significant and growing part of the “aid” enterprise is humanitarian or emergency assistance, which may be distinguished from “development” assistance in that it deals with short-term crises rather than long-term goals of economic and social development. Indeed, official development cooperation, as practiced by the DAC donors, has largely abandoned investment in the productive sectors, particularly agriculture, with the deleterious consequences we see in skyrocketing food prices today.
3. Another shortcoming of the current approach to aid effectiveness is the *neglect of politics*. The issues of enhancing aid effectiveness, and more so development effectiveness, are not merely technical issues in which there are clear-cut policy choices and priorities. Particularly in open, democratic societies there can and should be debates and disagreements about development strategies and options for pursuing them. If donors support democratization, they should expect and encourage a diversity of policy approaches, which may shift over time with changing political coalitions.
4. The *Paris Declaration*, the focus of the September meeting in Accra, provides a framework for what could turn out to be a useful and productive discussion on how to enhance aid effectiveness. However, it was found to be weak on a couple of key issue areas – ownership and mutual accountability – and not radical or ambitious enough to foster real change. Gender equality is conspicuous by its absence in the Paris Declaration.
5. *Aid is for most countries a relatively small portion of overall resource flows* from domestic and external sources. Development effectiveness needs to be set against the mobilization and utilization of overall resource flows. A holistic approach is required since there are tradeoffs between mobilizing resources from different channels. Is exchanging dependence on aid for dependence on other external resources necessarily a good thing? Little was said during our discussions on mobilizing domestic resources, which may offer greater policy space and ownership than mobilizing resources from external channels.
6. *The Developing world has changed profoundly*. The rise of China, India and Brazil is having a substantial impact on international development cooperation generally and South-South cooperation in particular. The conference did not touch on other new players such as Russia, Venezuela and Malaysia, countries that are also playing a growing role in the developing world. The advent of the new players was welcomed in that it provides competition for the old Development Assistance Committee (DAC) donors, and also urgently needed investment for infrastructure and the productive sectors. However, in some ways the new players were seen as being no different than the established donors, with practices such as tying procurement and

labour services, and lack of transparency. Such practices by the new players should be subject to the same criticism and open to reform as in the case of the established donors.

Setting the Scene: Southern Perspectives on Aid and Development Finance

Speakers: **Amar Bhattacharya** *Director, Group of 24*
Jocelyn Dow *Co-founder, Red Thread*
Hon. Moses Asaga *Member of Parliament, Ghana*

Amar Bhattacharya provided an overview presentation. Calling his talk *The Role of Aid in a Changing World*, Mr. Bhattacharya focused on the last decade. He showed how the number of donor activities had tripled, while the average size had shrunk by a third. (This could reflect a move from large infrastructure to social projects.) This proliferation of activities had come about partly through the emergence of new players: donor countries outside of the 24 DAC members and including some from the South, and private foundations having a growing role. He gave two examples: the Bill and Melinda Gates Foundation is providing more aid than Ireland, while World Vision is delivering more than Australia, Belgium and Switzerland combined. In total, private giving is now matching the amount that governments commit.

Mr. Bhattacharya went on to illustrate how the world was changing. Some 4.1 billion of the 5.2 billion people in developing countries live in what are now middle-income societies with emerging markets. The comparative record of domestic savings in those countries surpasses that in industrialized countries – a subject flagged for the Doha agenda. Remittances from those who had emigrated or were working outside their native countries had tripled in eight years to an estimated US\$240 billion, while the flow of direct capital investment had expanded to \$184 billion in 2007. All this added to the conclusion of how small a part of total flows ODA (at \$107 billion in 2005) now was.

But there was still the “bottom billion”, mostly in sub-Saharan Africa. In 2005 dollars, ODA development (or program) aid had not increased to that region in 10 years. Technical cooperation had shrunk, while debt relief and emergency aid had greatly increased. To meet the 2010 ODA target the DAC set for Africa would require “exceptional effort” – and in effect, that will not happen. Only five DAC members (Sweden, Norway, Luxemburg, Netherlands and Denmark) have exceeded the 0.7 target set in 1969. One plus: in targeting the poor countries, 14 DAC countries led by Ireland and the United Kingdom and including Canada have committed more than 60 percent of their ODA to those countries.

So to the question: Does Aid Work? Mr. Bhattacharya refers to it as “The Continuing Debate”. And he elaborated on the question with three others. Does it create a basis for sustainable growth? Does it meet humanitarian needs? Does it augment human welfare?

He touched on proposals for novel ways of financing development: a pilot fund for immunization, an initiative to recover assets stolen by deposed dictators. Modest progress in these areas, he thought, but there had been no agreement on taxing financial transactions.

As for measuring aid effectiveness, he was cautious: there has been limited progress at best. Conditionality had been somewhat reduced, and there was greater alignment between donor and partner on the latter’s priorities. But the Poverty Reduction Strategy Papers (PRSPs) were donor-driven; there was “huge volatility” in aid flows (he gave examples from Madagascar to Uganda) and a consequent lack of predictability in country programs; and, mainly because of the proliferation of donor activity (trebling in a decade), there was fragmentation of aid flows.

Yet he suggested a further fragmentation, to help deal with the effects of climate change, which will hit the poorest peoples and regions hardest. Should not donors divide requirements for aid in climate change from development aid?

Mr. Bhattacharya ended with four broad implications for the Accra meeting. The aid system needs to adapt the Paris Declaration to the new aid realities; clarify the required financing of aid; establish clear benchmarks for the delivery of aid that was committed; and incorporate the “new players” (a term referring to China, India, Malaysia, Brazil and others) in the general framework.

A very different, and very passionate, paper was presented by **Jocelyn Dow**. Her departure point was the work of the revolutionary scholar Walter Rodney, *How Europe Underdeveloped Africa*. She applied his treatise to the Caribbean, which had suffered for 500 years from “a system that had every characteristic of globalization”: outsourced production by cheap labour, monoculture agriculture, a minimum of local investment and huge outflow of profits – and then a sudden abandonment to new centres of production (or colonies) as market trends changed. Today, there was unforced migration to the north from the Caribbean, a “hemorrhage of our youth and our skills, lured by the new ‘trade beads’ – well-paid jobs, social security and greater personal safety which they cannot find at home”. Thereby, the children of these emigrants can get “a good education and learn to be good transnational citizens in the much touted global village.”

She offered some statistics to illustrate the irony of out-migration of skilled workers from the Caribbean. Jamaica (population 2.5 million) “earned” US\$2.5 billion in remittances in 2007, and Guyana (pop. 750,000) received \$587 million. Remittances, in effect, produced \$1 billion more than tourism did for Jamaica and twice Guyana’s earnings from sugar exports. “Clearly, the secret of financial success is for us to export our people after we pay to train them.” If the receiving countries paid for these skills, then the Caribbean could have good schools and hospitals and lift its people out of this enduring poverty, one of the outcomes proclaimed in the Millennium Development Goals and the Paris Declaration. This is, she admitted, an old bone of contention; but how can it redound to the mutual benefit of both sides of the migration pattern?

Yet the fundamentals from the old poverty, she said, have not changed. Europe and North America now come to the Caribbean with mining technology, oil rigs and chainsaws instead of slave ships, and her people sell their birthright – minerals, forests, beach-front properties – for poor returns in “some self-destructive notion of development.” Increasingly, the new powers of the 21st century – resource-greedy Malaysian, Chinese, Korean investors – come with their technology and their own workers but none of their conservation practices. “Like the old colonizers, they are as happy to exploit your weaknesses, forgetting that we are supposed to be developing partners in the international discourse.”

There was need, Ms. Dow added, for a new system of international accounts, an improved formulation of balance of payments. “So long as there is no system of national accounts for standing forests – the badly needed carbon sinks, the clean water and the other global goods that we [poorer countries] provide - then all the aid in the world will not transform our economies and enable the eradication of poverty.” Aid, one might argue, is buttressing these inequities under the guise of private sector development, the lowering of trade barriers and market readiness. “Until our countries democratize decision-making and include the poor in decisions that determine their lives, then aid will only be permitted at best to tinker with the edges of inclusion and participatory decision making.”

The bitter irony in Guyanese politics is that free and fair elections held since 1992, as well as neo-liberal economic policies, have entrenched the race divide. Meanwhile, although per capita it is one of the world’s highest aid recipients, with a net inflow of \$600 million (aid and remittances, less outflow of payments), its outflow of skilled persons is unparalleled – 89 percent of all graduates leave Guyana. Why? The reason she gave is a governance crisis and the virtual breakdown of key institutions, highlighted by the rampaging of armed gangs earlier this year. Constitutional reforms agreed in 1999 need to be completed; but the entire governmental system needs overhaul in order to address the ethnic tension in the country’s body politic since the nationalist movement split in the 1950s.

The third speaker on this panel, **Moses Asaga**, offered “A Parliamentarian’s Perspective” on aid and development. He gave a detailed account of the steep decline in Ghana’s economy from soon after independence in 1957 to the early 1980s, and then its stabilization and rise after two phases of the Structural Adjustment Program that were introduced in 1982 and renewed until 1992. The results then

seen “showed that aid had worked”, he said, and relationships with donors had broadened to include the Kuwait Fund and the Arab Bank for Africa Development. Ghana still remained largely dependent on Paris Club pledges under the Washington Consensus until 2001, when donors pooled resources for poverty reduction credit facilities on a three-year program schedule. The HIPC initiative has, he said, allowed Ghana to plough \$5 billion of debt relief back into poverty reduction programs over a 20-year period. It has also benefited from a US Millennium Challenge Account program worth \$540 million for public reform programs.

All this progress has led officials to plan for the end of being an aid recipient and to move to the level “where Ghana can be classified as a nascent emerging economy”. Yet its performance on the UNDP Human Development Index, its pro-poor economic policies and the outcomes in agriculture, food security and industry, have provided poor results. Infant and maternal mortality rates have actually increased since the mid-1990s, and unemployment has risen. “Records show that increased aid and debt relief has not had any significant impact on the well being of poor people.”

Trade liberalization over two decades, ending subsidies on fertilizers and farm equipment and lowering tariffs on imported cereals had led to massive rice imports from the United States and Asia and killed the local rice industry. From being a net exporter in the 1970s, Ghana’s total import bill for rice soared to \$450 million in 2007 and the World Bank had rejected the government’s attempt to impose tariffs and protect domestic production. Similarly, under competition from cheap textiles from China the country’s emerging textile industry had collapsed. Meanwhile, OECD countries and western manufacturers had frustrated Ghana’s efforts to process cocoa beans into chocolates for international markets, after production had climbed impressively. US and European subsidies for cotton growers were also posing a challenge in West African countries. He looked to the implementation of Doha Round action on eliminating such subsidies.

As a parliamentarian Mr. Asaga thought that MPs should attend as observers the Consultative Group meetings with donors and take part in the design of budget financing. If the oversight responsibility of Parliament were strengthened, it could play a proper role in monitoring the disbursement of aid funds and save leakage of donor money occurring through corrupt practices in government. One promising move came when Ghana’s Public Accounts Committee sat in public to study the auditor-general’s report. In a similar way, the UNDP should engage parliaments in its pro-poor policies, so that MPs can monitor programs and use the Human Development Index results to confront donors and recipient governments.

In the question period, speakers underlined the contrast of economic progress and human distress. *Nipa Banerjee* encapsulated a major conference theme in the question: can you have sustainable development without human welfare?

Does Aid Work? Assessing Impact

Speakers:	Roger Riddell	<i>Board Member, Oxford Policy Management; Principal, The Policy Practice</i>
	Moses Kiggundu	<i>Carleton University</i>
Discussant:	Stephen Brown	<i>University of Ottawa</i>

This central issue in the debate on aid effectiveness was the topic dissected expertly by **Roger Riddell**. In an historical overview, he noted that only from the late 1970s had there been much active concern about assessing the impact of aid as a mechanism for helping promote development, and for another 20 years donors were almost exclusively interested in the impact their *own* aid had made. Not until 1999 did the OECD/DAC convene a meeting to discuss the assessment of aid at the (multi-donor) country level, and even then skepticism delayed any action. The refocusing of aid on poverty, however, shifted donors

to study *aggregate outcomes* rather than the simpler inputs and outputs; and a further change was to include humanitarian aid and aid channeled to NGOs and private sector organizations (foundations and individuals) alongside ODA. Today, a conservative estimate is that nearly 30 percent of all aid is for humanitarian purposes or used for development by NGOs and civil society.

This means assessing impact, always problematic, becomes really tricky. Mr. Riddell listed the challenges: (1) problems of compiling data from poor countries' bare statistics, often without good baseline data; (2) aid is just one of many factors affecting poor people, and therefore it is hard to attribute weight to its impact; (3) counterfactually, what would have happened without aid? He added some less obvious problems: (4) donors not committing enough resources to assessment; (5) aid agencies publicizing only the good results; (6) the public wanting to know about "aggregate outcomes" – i.e., did a new school result in better quality education?

Looking at the micro-level and the impact of discrete aid projects, Mr. Riddell concludes that a clear majority - for some agencies as high as 85 per cent - achieve their *immediate objectives*; but sustaining the results lowers the score. Recently, there have been more rigorous, in-depth assessment of such projects, but these are costly and time-intensive. Donor assessment of aid at the macro-level suffers more from lack of robust data, although sectoral studies are the most reliable. Factors affecting growth and poverty reduction such as "the weather, the price of oil and what happens next door" are beyond the policy-makers' control in poor countries. As well, inadequate data about trends in monitoring the Millennium Development Goals caused the Asian Development Bank in 2007 to raise its estimate of those living in extreme poverty in India and China from 500 million to 1.1 billion.

Yet there are solid assessments in studies of sectoral aid especially in social services – health, education, water and sanitation – although measuring the quantitative outputs is easier than the quality of services. Recently there have been moves to measure the *ex-ante* aspects (conditions existing before decisions are made) as central to its eventual impact. Mr. Riddell's formula: for aid to have its expected impact on poverty, it should be provided in sufficient amounts and in a predictable way, committed over a five-year time-frame, and provided in forms appropriate to country-led development strategies. Alignment (donor-partner) and harmonization (donor-donor) – two principles of the Paris Declaration – are important. One reason: at least 30 recipient governments have to deal with more than 40 donors. The importance of predictability? Aid to Uganda has fluctuated by an average 15 percent a year over the past six years.

Should donor governments worry so much about showing their citizens what difference their own aid dollars are making? No, he suggests. What is really important is the overall impact of all financial and technical resources to a poor country, not just the aid funds, which are usually a minor part. Donors should use more aid funds to increase the capacity of recipients to assess for themselves the overall impact and identify constraints.

Moses Kiggundu spoke about whether "aid has helped or hindered globalization", which he coupled with development. His main answer: when aid does not have an impact, it does nothing for development or globalization.

He spoke of two models of aid. One was the humanitarian approach, with a focus on poverty, and he linked it to Dr Lotta Hitschmanova, the founder of a Canadian NGO whose early work was with war orphans and earthquake victims. The other was the Marshall Plan model, focusing on socio-economic reconstruction, wealth creation, innovation and development. Aid to Africa, he said, was predominantly humanitarian, which might be needed but was insufficient in an era of globalization. It was insufficient because (1) it relied on public servants or NGOs to administer it, and was biased against business and the private sector; (2) it was too focused on national governments and did not make use of local authorities and city officials as agents of globalization; (3) it avoided direct investment in productive industries and it served protectionist interests through adherence to tied aid projects; and (4) it supported short-term projects rather than long-term initiatives.

There were aspects of globalization that should be important to Africa, he said. Africa needed to increase exports and become part of the global supply chain. It needed modern technology with all the attributes of

research and development, cost innovation and urbanization. It needed to acquire a global mindset, which would attract migration and a brain *gain*. And he added: “If aid does not serve the above, it does not serve African development and globalization.”

He set out ways that aid could help Africa’s globalization. It could help Africa overcome the disadvantages of being a “late comer”. It could offer support to indigenous businesses, and help manage risks. It could enhance the governance and competitiveness of African businesses, and help bring about regional integration. And it could help balance individual needs and rights with the needs of society for stability and long-term development. In doing so it could use both the Hirschman and Marshall Plan approaches.

He listed ways that aid could help access to global finance: defraying the transaction costs of remittances, helping guarantee lines of credit, offering direct incentives to local businesses, and encouraging domestic savings. There were also areas of unintended consequences – environmental and economic – where aid could alleviate problems.

He called China “the elephant in the room” as the new player and investor, bringing opportunities and challenges. “Aid to Africa may never be the same!”, he said. Whatever happens, globalization was here to stay, Africa as a latecomer needed to catch up fast, and “business as usual just won’t cut it!”

Stephen Brown, acting as discussant cited the February 2007 Senate report *Overcoming 40 years of failure: A new road map for Sub-Saharan Africa* as questioning CIDA’s viability due to a lack of proved outcomes. Canada’s policy shift to the Americas was a blow to predictability, while Canada’s many years of aid to good governance in Kenya had not prevented the post-election violence last December. It may be too soon to see results from aid to Afghanistan, but he wondered if the Manley Report’s recommendation of “signature projects” was in line with current aid theories. Donors, he knew, wanted “a quick bang for their buck”, but governments should pay less attention to evaluation of their own projects, and educate their public not to demand immediate results. In general terms, the fetishism about results encouraged a focus on less needy countries.

Aid impact in Fragile States

Speakers:	Philippe Rouzier Mahmoud Saikal	<i>Directeur, Observatoire National sur la Pauvreté, Port au Prince</i> <i>Senior Advisor to the Afghanistan National Development Strategy</i>
Discussant:	Nipa Banerjee	<i>University of Ottawa</i>

In describing the case of Haiti, **Philippe Rouzier** made frequent use of the word “disorder”, particularly in speaking of the country’s administration. The worst disorder was in the conception, follow-up and articulation of economic administration, and the government carried on its business without a plan, a strategy or a vision. Haiti was a vulnerable state at all levels of society, because the security system was feeble and the state provided little or no social services. What energies there were tended to collapse under the weight of inefficiency, and for lack of utility.

Aid projects had not led to economic growth, due to a lack of administrative support, while the flow of aid was unpredictable, fragmented and uncoordinated. He added that there was nothing at fault with the cooperation of individual donors with Haitian officials – there had been generous amounts of aid committed. The failure was in the manner of cooperation. Disorder spoilt efforts at efficiency and made cooperation useless. For example, there had been no means to absorb the funds committed, say, to the health services. Following the principles of the Paris Declaration, he added, ran the danger of increasing the disorder, as it left to the recipient country the task of defining the poverty strategy.

Turning to details of the three-year (2008-10) funds in the poverty reduction budget, US\$2.1 billion was targeted to economic growth projects, but only 28 per cent was covered by donor commitments; the \$677 million committed to human development was well funded, while of the \$285 million to be put to improving the justice and security systems, only one-third had been received. The government had to tackle such areas as the impreciseness concerning property rights, if foreign investment was to be encouraged.

Dr Rouzier spoke also of the need to build communication links inside government. At present the “mandarins around the president” make the decisions without input from the relevant departments. To show the effectiveness of aid, some 35 indicators were set down, including the expansion of the police services and the establishing of credible and accessible justice. But Haiti lacked and urgently needed well organized statistics, which would by themselves become a basis for addressing disorder.

After this melancholy litany, he ended on a note of hope in saying that the situation was quite unlike that of 1980, a time of deepest disorder. Farmers were managing to produce crops for local markets, there was a trend towards decentralizing governance, and “hordes” of Haitians who have studied abroad and were well trained were eager to return to work for a Haiti yet unborn.

Mahmoud Saikal was forthright in his criticism of donors and the types of aid offered. It had always been thus, he suggested. Aid to Afghanistan had historically been “largely dictated by political motives rather than humanitarian. Crafting obedient leaders has been more of a priority than building institutions. Institutions have not only remained weak but have been twisted to suit the agendas of personalities and leaders who received primary attention of the international community.”

Since 9/11 the reconstruction and development of Afghanistan had been identified as a prerequisite to success of the “War on Terror”, and 85 percent of Afghans have had access to a basic package of health services. He listed 6 million children enrolled in schools, 13,000 km of roads improved or newly built, 140,000 soldiers and policemen trained, an increase in GDP per capita of 70 percent in five years – and more than 4.5 million Afghans now have access to mobile phones. The biggest achievement had been the formulation of the National Development Strategy.

Despite all this, he added, Afghans believe they may easily lose these gains because of an upsurge in insecurity, shortage of energy, increases in food prices and government corruption. Channeling of aid through the Afghan Government had increased to more than 30 percent of the total development budget. But its spending capacity and corruption were key obstacles to the effectiveness of aid, as was polarization and ethnicity in the Afghan bureaucracy.

Coordination of aid among donors was poor and suited their political and strategic interests rather than meeting the national priorities of Afghanistan. There was less investment in building institutions than in building leaders and personalities.

Several key benchmarks of the Afghanistan Compact had not been reached, a blatant one being the failure to set up a transparent mechanism for national appointments, conceived as a main driver for rooting out corruption and nepotism by vetting key posts. The international community had shown no interest in pressing for this mechanism, which could help build a basis for better governance by reform-minded leaders. Donors should invest more in state institutions, and the Special Representative of the UN Secretary General should be empowered to play an effective role in coordinating international aid.

More important than increasing volumes of aid, said **Nipa Banerjee**, was the state’s capacity to spend it effectively to address the objectives that it, not the donors, had identified. Thus, giving ownership and leadership of development programs to the state was “one of the best tools for capacity building. The states would learn by doing”. This included everything from planning and design right through to evaluation and accounting. She castigated donors for creating parallel mechanisms of aid delivery (direct aid to NGOs and civil society) because it undermined the state’s authority and control over the development program. (Dr Saikal had shown alarm that aid channeled through the Afghan government had increased, because of corruption and lack of spending capacity.) Finally, an over-dependence on aid

made states accountable to donors and not their own citizens – a damaging aspect of aid in fragile states, where the factor of legitimacy of the state apparatus is critical.

Aid effectiveness: Canadian perspectives

Speaker: **Robert Greenhill** *President, Canadian International Development Agency*

Robert Greenhill started by repeating the question, “Does Aid Work?” and answering resoundingly, “Yes, it works. Aid is the starter motor that helps the bottom billion and creates the base for their self-development.” And he ended on the same note: he had been surprised, coming from the outside, how much aid works – but people are painfully aware of how much more there is to do.

He suggested three criteria: (1) results, as seen for instance in CIDA’s joint assistance program in rural Tanzanian schools; (2) areas where field experts from the North were making themselves redundant; (3) former recipient countries that were becoming donors. He cited countries in Eastern Europe, as well as Argentina and Brazil now working in Haiti.

He spoke about the Paris Declaration and harmonization, and wondered whether there could be interoperability in audits as well as mutual accountability. He gave some details about CIDA’s largest aid commitment – to Afghanistan, where he was cheered with successes in establishing micro-financing schemes and Afghan-led education.

In question period, *Stephen Brown* suggested “an inner contradiction” in the Paris Declaration: if the donors spoke with one voice, their power could overwhelm local control. *Greenhill*: The first principle of Paris was local ownership; 14 donors combined in the Tanzanian school program but it was locally led. “There is no contradiction.” *Another questioner*: How to square the “Paris hands-off” for donors and local ownership with accountability at home? *Greenhill*: Empowerment is not abandonment. Tanzania does an annual review of performance, and the audit is both top-down and bottom-up. What is difficult is to communicate the mechanics of partnership and the facts of progress to Canadians.

Improving Effectiveness: The Paris Declaration and the Accra process

Speakers: **Bernard Wood** *Bernard Wood and Associates*
 Brian Tomlinson *Canadian Council for International Cooperation*

Discussant: **Sulley Gariba** *Institute for Policy Alternatives, Accra*

At this stage the conference moved into study and debate of the Paris Declaration on Aid Effectiveness, which ministers of developed and developing countries met and signed in March 2005. This High-Level Forum on Aid Effectiveness had followed a similar forum on Harmonization (Rome, February 2003) and a Roundtable on Managing for Development Results (Marrakech, February 2004). The sub-title of the Paris Declaration set out its five pillars: *Ownership, Alignment, Harmonization, Managing for Results, and Mutual Accountability*.

Bernard Wood recently led a synthesis team to test the Paris Declaration by elaborating a first phase evaluation of how the Declaration may be implemented. His team laid primary stress on partner countries and donors jointly developing a framework for evaluation and forming a reference group for overall management, while partner countries (sometimes called “recipients”) led and managed country-level

evaluations in-country. Ownership he called “the key entry-point for the change in partner behaviour”, though immediate success was elusive – it was more a process. A change of donors’ behaviour would be seen in how they aligned their systems and procedures to fit their partners’ strategies, and an important change was to delegate authority to field level and in-country staff. It was unproductive to generalize with one-size-fits-all efforts at implementation, as though the Declaration was “a set of non-negotiable decrees”. It was more than “a statement of intent” and the guidance it gave should be adaptable. The context of a country was key – obviously each country was affected by political changes and pressures; as well, private aid and non-aid resource flows (not covered in the Paris Declaration) would influence the particular country’s context. So an early evaluation was a sensible move.

He emphasized that Paris Declaration implementation was not just a technical operation carried out by narrow circles of specialists. It was a political agenda, and success was likelier in countries where a wide range of people – an informed public beyond politicians and bureaucrats – understood and felt involved (a further stage of ownership). Donors had to accept (and manage) the risks involved in relying on the systems of other donors and of the country itself, play down the “Maple Leaf” label and reduce tied aid, and at the same time assure more predictable aid flows. Trust in country systems was a crucial issue. His team had found a key factor for success was the role of “champions” in partner countries who would build up capacity and lead the alignment of aid with the budgetary and accounting systems.

Mr. Wood admitted that, since donors and partner countries come to the Paris Declaration from different directions, there are tensions and even political disputes. Some donors, he said, emphasize managing for results, aspects of mutual accountability and harmonization (among donors); partner countries favoured strengthening alignment and ownership. He himself leaned to the latter, suggesting that, where possible, “harmonization should follow alignment and ownership”.

He ended with a few recommendations. Partner country authorities should put in place a transparent mechanism (ideally through the legislature) for political monitoring and public participation around aid management. They should also aim to establish, within two years, “good enough” systems of managing for results for their own planning and accountability needs. By the same deadline of 2010 donor authorities should improve their projections for aid flows, including multi-year projections.

A balancing presentation was offered by **Brian Tomlinson**, who recently represented the Canadian Council for International Cooperation (CCIC) on an advisory group on Civil Society and Aid Effectiveness. His talk looked ahead to the Accra High-Level Forum, stressing the importance of the Accra meeting for civil society organizations (CSOs) and elaborating four areas where they hoped for significant progress.

He said the advisory group process had made hundreds of CSOs, particularly southern groups, become fully aware of the Paris Declaration – its political agenda and its omissions - and realize the opportunity that Accra provided to push critical issues for aid reform. But he added that the first draft of the Accra Agenda for Action had greatly disappointed civil society, as well as some governments.

Using polite language, he said the Paris Declaration vision required “a deepening and enriching” of commitments for aid reform. It did not contain a single indicator measuring its impact on sustainable human development, nor address the centrality of women’s rights in poverty reduction. It further ignored the role and contributions of civil society as development actors in their own right. At Accra dialogues should establish not only the legitimacy of civil society, but “the centrality of democratic ownership for achieving the commitments” made at Paris. The key question for civil society, he added, was not ‘Does Aid Work?’ but rather “the ways in which aid facilitates or undermines civic action for goals that are inherent in the rights of citizens wherever they live”.

Looking beyond Accra, Mr. Tomlinson threw a challenge to donor agencies – he named CIDA – to focus on poverty and inequality, pointing out that DAC donors had recently (2000-6) made overwhelming use – more than 90 per cent of \$103 billion - of new aid resources to buttress foreign policy interests: 64 per cent to non-aid items and 28 per cent in aid disbursements for Iraq, Afghanistan and Pakistan. As a final shot, he said “imposed conditionality undermines ownership” and asked what CIDA’s view was on conditionality. We had a long way to go, he concluded.

The discussant, **Sulley Gariba** altered the title question to “Who does aid work for?” and whose assessment was crucial? He echoed Tomlinson’s views in saying that the Paris Declaration was “government talking to government” and that the debate was moving beyond aid effectiveness to development effectiveness.

Aid Modalities and Governance: where the Paris agenda goes wrong

Speakers:	David Booth Molly Kane Kristinn Helgason	<i>Overseas Development Institute, UK</i> <i>Executive Director, Inter Pares</i> <i>UN Department of Economic and Social Affairs</i>
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The next session continued the critique of the Paris Declaration. **David Booth** led the debate vigorously. He asked “four simple questions” which he at once firmly answered. (1) Are the commitments that donors made in the Paris Declaration (and are endorsing at Accra) too radical, or not radical enough? Answer: both, but in different sectors. (2) Do those commitments mean that donors should “back off” from involvement in country processes – or “get more engaged”? Answer: again both, in different respects. (3) Whose business is the deficit in “country ownership of development efforts”? Answer: everyone’s, including donors. (4) Is there evidence to help us answer these questions? Answer: yes, including the research done in seven countries and published by The Advisory Board for Irish Aid (April 2008).

David Booth was the principal writer of this 71-page report, *Good governance, aid modalities and poverty reduction: From better theory to better practice*. He summarized its key findings on aid delivery and ownership. On aid delivery, the current approaches to alignment display, he said, an unfortunate mix of risk avoidance and political correctness. There was lack of intellectual engagement (meaning thorough and frank talk) about the processes of working out country policies, and donors resorted to imposing old-fashioned conditionality and micro-managing its budget support. Linked to that, the donors were unwilling to be tough-minded on when and why it might be necessary to have parallel Project Management Units. Donors were combining to use “common basket funds” instead of budget support in service-delivery sectors; this was an unwarranted form of harmonization and undermined country systems.

About ownership, the authors of the seven-country study argued that Paris and Accra were underestimating the fundamental political change that the recipient countries will need to make in the aid relationship. The problem will come with the presidents and parliaments of those countries over political incentives – using aid for their own ends and also preferring to deal with a single donor than a harmonized coalition. It would not help to prepare refined strategy documents or monitoring systems. Both sides need to pay more attention to these negative incentives and relationships, and less to the issue of aid volumes. Donors, being risk-averse, find it hard to “back off” when restraint is needed for aid effectiveness. What donors need to acquire is local knowledge and a capacity for learning intelligently about the issues in different countries. Without that, the transfer of ownership is irresponsible. And they need to take, together with NGOs, more responsibility for educating their parliaments and publics about these issues.

So his final words: the Paris/Accra agenda was “not half radical enough”. Both sides should not take the incentive structures of aid (including corruption, and using aid primarily for political ends) as an unfortunate given, but should act to change them. To this end donors should engage more (and micro-manage less) with policy agendas and the various processes that underpin political change. Ultimately, they have to realize that aid is “not a money business but a relationships business – it’s institutions that matter!”

His panel companion, **Molly Kane** summarized commentary on the Paris Declaration from CSOs concerned with women's rights, and highlighted some principles to frame discussion on aid and inequality.

She noted there was only one reference to gender equality in the Paris Declaration and only two mentions in the draft of the Accra Agenda for Action. It is a first principle of women's rights networks, she said, that gender equality and human rights are central development goals and not a parallel debate. On the five principles of the Paris Declaration, the networks observed that

1. democratic *ownership* of national development programs should involve citizens, including women's organizations, in the formulation of policies and delivery of programs. People as beneficiaries of aid should have the final say in strategies, not the IFIs;
2. as more funding is "aligned", the key question is *alignment* with what, and to whose benefit? As was said in the Beijing Platform for Action, men and women must participate fully and equally in social policies and poverty strategies;
3. likewise with *harmonization*, which often means making the powerful more so;
4. in *managing for results*, any improvement could only happen if sex-disaggregated data were integrated into monitoring and evaluation processes;
5. women's organizations often find difficulty in securing *accountability* from their governments. She recommended specific ways of inclusion to correct these biases.

Does aid work? Ms. Kane voiced several concerns. Since nothing in the Paris Declaration fundamentally addresses the gendered nature of poverty, one has to ask: what possible confidence can one have in the Paris Declaration's underlying assumptions about poverty itself? Secondly, she challenged the use of women as an instrument for the "greater good" of poverty reduction, and cited a recent CIDA document and commented: "Women's centrality in development should not be because women are better caregivers and therefore able to contribute to maintaining what is still a dysfunctional system, but because women have inherent rights."

Finally, won't women's exclusion from political space and their systemic misrepresentation affect their participation in country ownership, a central pillar in the aid effectiveness discourse? Women perform two-thirds of the world's work, yet receive less than 10 per cent of the world's income and own less than 1 per cent of the world's property (CCIC figures). "That reality of ownership translates into disadvantageous relations of power in social negotiations to change the status quo." And her penultimate word: "So the question 'Does aid work?' can be reformulated in this way: Under what conditions does aid support people who have been disenfranchised, expropriated and discriminated against, to realize the full dimensions of justice?" For she added: "We are still talking about women's emancipation, a struggle for justice that includes and requires the political dimension of representation. In many ways this is the easiest part to change."

Kristinn Helgason ended the session with a brief description of the new Development Cooperation Forum, which had just held an inaugural meeting in Spain under UN auspices. He said the forum, with universal state membership and open to parliamentarians and local governments, had a broad mandate to focus on experiences and opinions, and no negotiating outcome. The hope was to build links between northern donors and southern contributors – South-South cooperation accounting for \$13 billion of aid – and aid allocation had been a main issue.

Aid Dependence, ownership and the aid relationship

Speakers:	Alastair Fraser	<i>Global Economic Governance Program, Oxford University</i>
	Gervase Maipose	<i>University of Botswana</i>
Discussant:	Nachilala Nkombo	<i>MS Zambia</i>

The conference's second day started off with a lively talk by **Alastair Fraser** on "Negotiating Aid: African Strategies for Dealing with Donors", a research program of the Global Economic Governance Programme of Oxford University. In 2005-7 the Programme carried out research on the factors accounting for the bargaining power in aid negotiations of governments in eight African countries: Ghana, Mali, Mozambique, Rwanda, Tanzania, Zambia, Ethiopia and Botswana. The research is to be published in December 2008 as *The Politics of Aid: African Strategies for Dealing with Donors* ed. Lindsay Whitfield (Oxford University Press). Mr. Fraser spoke mainly to the Zambia case study, which he researched.

The origin of the project, he said, was to see if any of these countries had succeeded in achieving "reverse conditionality". The view had been that they had been passively accepting conditions tied to aid, and they seem to have shown little negotiating strength between 1980 and 2003. There were two faces of ownership: either simply taking responsibility for the policies that the World Bank or other donors would like a country to adopt and having the country defend the negotiated policies; or else controlling the agenda by setting out the country's priorities. Aid talks had historically been economic discussions, laced with some political and ideological spicing. The case study findings put the politics as the strongest element.

Can the partner countries lever change on the principle of mutual accountability set down in the Paris Declaration? He cited the report on Tanzania prepared by Professor Gerald Helleiner, and said that, if a country had no internal political conflict, then it could give up the aim of being in charge of negotiations and could accept the terms of Paris Club donors. He suggested the Paris Declaration was weak on the issue of ownership: it virtually said to the partner countries, "Stop worrying about your powerlessness", while the donor countries could feel better in evading issues of representation, accountability and sovereignty. The new aid relationships were therapeutic interventions, making both sides feel good. There were assumptions of no conflict arising in aid talks and thereafter; it would be the end of history. However, said Mr. Fraser: "Surprise! It's not the end of history."

So to the case of Zambia, which he titled "Back to the Future?" The country had been a "disciplined democracy" from 1991. In 2005 the government formulated the Fifth National Development Plan, negotiating with civil society but not involving the donors. It resembled a second phase of the Poverty Reduction Strategy Paper, and was "all very Paris". But it signified no real change. However, in the 2006 elections a populist uprising prompted the Zambian government to deliver urban jobs and housing, negotiate a new deal in mining and become more assertive after debt relief measures had released the grip on state initiatives. At the same time, Chinese aid and investment began to offer alternative finance, and Chile's interest in the mining sector added a choice of ideologies. Zambia in effect gained bargaining power.

Of the eight African countries studied, he said, only Ethiopia and Botswana had presented their own policies and priorities in aid negotiations. But global conditions are changing fast, as the Zambian case illustrated. Nevertheless, he added "Don't worry about the Paris Declaration disappearing!"

He was appropriately followed by **Gervase Maipose**. To the question "How did Botswana use aid so effectively?" his primary answer was: Leadership in democratic politics and in development planning. The government was always open to foreign investment, and planning for it began before independence in 1966. Donors understood the process, which began with grassroots planning and popular participation in

their own future. Africanization was a gentle process, British officials working with Botswana planners in offering projects for funding. The management of aid, he added, has been very centralized, and integrated within one ministry and approaches to donors were made separately. No question of a Paris Club-style round table of donors. Because Botswana has a reputation for low levels of corruption, the demands of accountability have been relaxed. The major negative has been the devastation caused by AIDS.

Nachilala Nkombo picked up on the Zambia case study but also touched upon strategies used by African countries with a stronger grasp of policy making. She asked whose ownership of aid policies were donors discussing – those of a political élite who might reverse policies at whim, bureaucrats, the populace or a combination? Ownership was a complex, dynamic matter for negotiation, with historical and cultural factors differing among countries.

In Zambia aid covered 77% of the national budget in 1992. Debt service was reduced sharply after 2003, but debt relief was an incentive to acquiesce in conditionality. What she called “donor ventriloquism” was perfected – “the donors made the music” and collusion among donors produced frequent cut-offs of aid when conditionalities were resisted. Recently the government had taken partial ownership with a fertilizer support program for farmers and funding rural water supply originally supported by Irish Aid. The bureaucrats’ attitude to ownership is to ask for budget support and avoid long-term strategic thinking.

Botswana benefited, she said, by using advisers independent of the IFIs, and, to quote Joseph Stiglitz, would not have fared so well if the original contract with the Anglo-American diamond cartel had been maintained. The alliance with foreign capital meant aid was targeted to economic infrastructure, while Botswana’s domestic funding confronted the AIDS crisis. Ethiopia has stronger governmental institutions than Zambia, and an assertive political agenda; but it also has strategic importance to a superpower (US military aid in 1978 was \$282m). In Uganda the parliament has played a stronger role, and it is also a relevant factor in US foreign policy calculations.

In the discussion period *Chris Brown* underlined the importance of Botswana’s strength in planning and its electorally democratic structure. It has never been a laissez-faire government, but is interventionist and produces a real plan – if a project is not in the plan (now on its 9th national plan), it won’t be in the budget. And it adheres to the old-fashioned argument that a relatively democratic process produces accountability. *David Booth* commented that the Paris Declaration was important to relate to, even if critically. Power in negotiations is more complicated than had been said. Countries can do the opposite from what they said (in accepting a Structural Adjustment Program, for example). More important was the matter of a country taking real responsibility for a policy. This led *Alistair Fraser* to recall the tactics of the British Labour government in negotiating with the IMF in 1978, using delays and press leaks, and demanding more senior IMF negotiators. Other countries used particular politics: Rwanda citing the genocide, Ethiopia parading its pride of ancient sovereignty.

Challenges and Emerging Issues

Speakers:	<i>Benu Schneider</i> <i>Deshal de Mel</i> <i>Sunday Khan</i>	<i>UN Department of Economic and Social Affairs</i> <i>Institute of Policy Studies, Colombo</i> <i>University of Yaoundé II</i>
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With Panel 7, debate switched from the Paris Declaration to the Monterrey Consensus that emerged from the International Conference on Financing for Development (ICFFD) in 2002 and to the follow-up ICFFD planned for Doha, Qatar, in November 2008. **Benu Schneider** gave a positive review of the politics behind the Monterey Consensus before showing in statistics the backsliding in official resource transfers and fingering the issues that should emerge at Doha.

The 2002 Monterey meeting was unique as the first high-level event to be open to all development partners including civil society and the private sector on an equal footing. More than 50 heads of government and 200 finance and trade ministers attended. Member states listed six crucial elements that influenced countries' ability to finance their development needs: mobilizing domestic resources, mobilizing international resources, using international trade as an engine for development; increasing technical cooperation – and addressing issues such as coherence and consistency in the monetary and trading systems. Six review sessions were held matching these areas early in 2008, while 12 networks have helped NGOs to continue their participation.

So far so good, in political preparation. But her statistics showed several negatives. The net transfers of financial resources to developing countries have been negative since 1997, to sub-Saharan Africa since 2005, and to the least developed countries since 2006. The volume of ODA fell in 2006 and 2007; official aid is concentrated in a few selected countries and a surge of funds to a small-sized economy may cause problems, including 'Dutch disease'. Uganda, for example, received substantial aid in budgetary support for social expenditure, which it could not absorb, in part because conditionality prevented its use to build up trade or productive industries.

She suggested several ways to resolve the dilemmas facing partner countries: flexibility to allow the use of funds for overall development expenditure; longer time-frames for building institutions; creating a Knowledge Bank of experiences in the South's development; donor funding for diversification of exports. Other, broader dilemmas were harder to resolve: the mind-boggling number of donor missions, the fragmented, complex aid system with no central direction, the patchiness of governance among UN agencies, the EU program and the industrial countries' dominance at the World Bank. Recipients still have very little power in influencing the guidelines of development cooperation.

Some of these dilemmas were illustrated in a case study of Sri Lanka by **Deshal de Mel**. Sri Lanka had less access now to concessionary funding since donors like Britain and Germany were concerned about the civil war and the stalled peace talks, and the World Bank worried about delays in tax reforms. Japan and the Asian Development Bank were the main donors, and Sri Lanka had looked further afield. China was now providing 15% of international resources but stipulates the contractors, while India also ties its aid in a line of credit; both India and China have negotiated to reserve blocks of territory for oil exploration. Commercial borrowing at 8.5% interest was expensive for the government, which as well was offering 14% interest on government Treasury Bonds. So it was urgent for Sri Lanka to shift from its dependency on foreign finance for development.

In five of the CEMAC countries (Cameroon, Central Africa Republic, Chad, Congo Republic and Gabon) volatility of resource flows posed a big dilemma, according to **Sunday Khan**. Official flows have increased with debt relief, while export revenue – mainly of oil, which all but the Central Africa Republic produce - presently provides six times the flow of official aid. Private flows and trade are volatile for external reasons. There was, for example, harmful volatility in the 1970s when the coffee agreement broke down. He hoped donors would stabilize aid flows to countries that were heavily dependent on volatile exports, and aid could act as insurance against external shocks. He also hoped for a more holistic approach to development financing, and that the Doha review conference would deal with aspects of trade such as the agricultural subsidies and access to markets of developed countries.

New Actors, New Implications

Speakers:	Rajiv Kumar Li Anshan Sarah-Lea John de Sousa	<i>ICRIER, New Delhi</i> <i>Peking University, Beijing</i> <i>FRIDE, Madrid</i>
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In the conference's final session, Panel 8, three speakers described the attitudes and activities in development cooperation of India, China and Brazil. **Dr Rajiv Kumar** said India had a long history of engagement as a donor in the region – and globally, in the Non-Aligned Movement in the 1960s. It was also an aid recipient: in 1991 its reserves had fallen to the level of two weeks' imports. Reserves have grown greatly since then, and India needed to contribute, to be a pole in the global arena and serve the national interest in such basic issues as food and water security. In February 2003 it began a new development initiative, writing off \$30 million of loans to Pacific countries. It broke political ranks with other donors over the Myanmar cyclone, offering separate emergency aid.

Dr Kumar explained that the aid operations of six or seven Indian government ministries are integrated under Foreign Affairs, which works closely with the private sector. This year India expects to deliver \$1 billion of aid. It had made a multi-year commitment of \$5 billion to Africa, and the grants and loans to Africa were "largely untied". Sometimes the government wants to impose conditions, in order to sell a plan or program to the political parties. He had heard criticism: *Why was India punching above its weight? Did it want a UN Security Council seat? What of the domestic needs? Aid was not part of a thought-out strategy, but a reaction to Chinese initiatives.* Dr Kumar left these criticisms hanging in the air, while suggesting that aid in an era of globalization could be an instrument for inclusion.

Li Anshan answered very positively the question on the conference agenda: "Is China redefining the development cooperation landscape?" China's view of Africa was that it could claim great achievements and had a "promising, not hopeless" future. China's attitude to Africa was of partners who appreciate each other, and was not condescending. Its aid was based on eight principles: it demanded no conditions or privileges, but was based on mutual help. Low interest rates allowed for extension of projects, but they aimed for quick results with the best equipment available. There were no privileges for Chinese experts working in Africa, including 40 medical teams. And, he added, they aimed to promote self-reliance and had fostered the independence of Sudan's oil industry.

Brazil's policies and aspirations in development cooperation were set out by **Sarah-Lea John de Sousa**. She said Brazil had domestic experience in combating poverty, was focusing its cooperation efforts in Latin America (Paraguay and the Andean region) and Africa (Mozambique), and in South-South cooperation (India, Brazil and South Africa joining in UNDP projects in Haiti and Guinea Bissau). It was working for regional integration, aiding Mercosur in efforts to overcome asymmetry, and for multilateralism on a worldwide level where it saw its role as a voice of the developing world in global debates. Cooperation with Canada was most evident in Haiti's immunization program, while Viva Rio, a Brazilian NGO, was working to reduce youth violence in Haiti's shantytowns.

Comments in the question period mainly related to Chinese aid. *Mahmoud Saikal* said that, while the Chinese initiative was "good news for a multi-polar world", he was puzzled why China focused on Africa and did not aid the 14 developing countries in its own region. Afghanistan had embarked on "one village, one product" programs with aid from Japan. And *Sunday Khan* differed firmly with Dr Li in observing that in Cameroon the Chinese aid was "tied 100 per cent" and they did not integrate with local people, but built their own quarters and brought their own truck drivers. There was also a lack of transparency in the relationship.