Ground rules for effective aid

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Scrutiny, complementarity and mutual accountability – combined with rigorous measurement – are as important as increased aid volumes if poor countries are to meet the Millennium Development Goals.
their own priorities and systems, is delivering on both these measures.

An action plan takes shape
I am pleased that there is now a strong consensus that we have to improve and indeed deliver better synergy and complementarity. All the main multilateral and bilateral donors came together with about 50 developing countries in Paris earlier this year in a High Level Forum on Aid Effectiveness, hosted by the French government, and agreed on 2 March to a landmark Declaration on Aid Effectiveness. This put together a challenging but feasible agenda around five key themes.

The first, already alluded to above, is that of real ownership by poor countries of their development strategies. Much experience shows that conditions imposed by donors on unwilling recipients seldom work. Instead, donors should provide stronger backing for sound policies and priorities set by the developing countries themselves – and look for alternative approaches where states are unable or unwilling to tackle their own problems effectively.

The second theme, building on the first, is that of real ownership by poor countries of their development strategies. Much experience shows that conditions imposed by donors on unwilling recipients seldom work. Instead, donors should provide stronger backing for sound policies and priorities set by the developing countries themselves – and look for alternative approaches where states are unable or unwilling to tackle their own problems effectively.

The independent Monitoring Group, which scrutinises both government and donors in Tanzania, is an excellent example.

For each of these five dimensions of aid effectiveness, one or more indicators has been agreed (12 in all) to enable progress to be tracked. Preliminary targets for five of these were also agreed in Paris, and participants also decided that these would be further assessed and targets set for almost all the other indicators by September. This will enable all to see whether progress in more effective aid delivery is in fact happening.

Obstacles to be overcome
None of this agenda is rocket science, and every element of it is already being put into effect somewhere. But, at present, good practice is far from being general practice. In too many cases, the process remains too donor-led, too fragmented and too little designed to help build the sustainable...
Donors should do much more to harmonise the ways that they plan and deliver aid

institutions which all successful countries need.

On the donor side, two issues have proved particularly contentious. First, how to integrate into a country-led approach single-purpose funds, such as the Global Fund for AIDS, TB and Malaria? Such funds can help to provide a real focus on priority issues, but difficulties have arisen in relating their activities to local priority-setting mechanisms such as Poverty Reduction Strategies and Medium-Term Expenditure Frameworks, which are themselves fundamental in building sectoral capacity. There is no substitute for open dialogue at national level on priorities, which takes account of the potential contribution of such funds within the needs of the recipient country, if full synergy and complementarity among donors is to be achieved.

Secondly, the issue of budget support has provoked much debate. In many poor countries, there is a need for the transfer of current resources (eg to pay salaries and consumables) for years to come, if these countries are to deliver basic services to their people. Direct support for the budget is an obvious way of meeting this need, and has grown in the past few years, as other vehicles for recurrent transfers such as food aid and balance of payments support have declined. Budget support forces a high degree of harmonisation and alignment, but it also carries risks to both sides that need to be squarely addressed. On the side of the donor, there is clearly a risk that any sub-optimal spending decision or any example of malpractice on the part of the recipient government will provoke public concern. Donors vary in their willingness to accept such risks.

On the side of the recipient, there can be equal concerns about the risk that the donors will fail to deliver, or will seek to impose unreasonable conditions – risks that become all the greater if donors finance a significant fraction of the budget. Further dialogue is needed to find the best ways of handling such risks over the medium term, including systems which enable donors to react to serious problems without simply cutting off support in an all-or-nothing manner. The balance of different types of aid such as general budget support, sectoral support in its various forms, and stand-alone projects is clearly one important element.

Capacity building for the hardest cases

Finally, it is worth looking at the particular problems of the more fragile states, where institutions are particularly weak, and where it may be difficult for donors to ‘buy in’ to local programmes or systems. Perhaps a third of the world’s poorest people live in such states, which cannot be ignored. Donors are currently testing some simple principles for operating in such countries. These principles stress the importance of engagement and of co-ordinated and harmonised approaches, which help build capacity. They also emphasise the need to help build the core functions of the state, notably law and order, balanced by making full use of the scope for delivering services through non-state actors. Much of the agenda set out in the Paris Declaration is also relevant to the needs of these countries.

We should see over the next decade the most concentrated effort yet to help move poor countries to rapid and sustainable progress towards the Millennium Development Goals. Greater synergies between the increasing number of bilateral and multilateral donors – including emerging donors – will be necessary if we are to see the most effective results from this effort. The Gleneagles summit participants could do worse than put some top-level political weight behind this endeavour.

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