Aid effectiveness
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Aid effectiveness is the effectiveness of development aid in achieving economic or human development (or development targets). Aid agencies are always looking for new ways to improve aid effectiveness, including conditionality, capacity building and support for improved governance.[1]

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Historical background

The international aid system was born out of the ruins of the Second World War, when the United States used their aid funds to help rebuild Europe. The system came of age during the Cold War era from the 1960s to the 1980s. During this time, foreign aid was often used to support client states in the developing world. Even though funds were generally better used in countries that were well governed, they were instead directed toward allies.

After the end of the Cold War, the declared focus of official aid began to move further towards the alleviation of poverty and the promotion of development. The countries that were in the most need and poverty became more of a priority. Once the Cold War ended, Western donors were able to enforce aid conditionality better because they no longer had geopolitical interests in recipient countries. This allowed donors to condition aid on the basis that recipient governments make economic changes as well as democratic changes.[2] It is against this background that the international aid effectiveness movement began taking shape in the late 1990s. Donor governments and aid agencies began to realize that their many
different approaches and requirements were imposing huge costs on developing countries and making aid less effective. They began working with each other, and with developing countries, to harmonize their work to improve its effect.

The aid effectiveness movement picked up steam in 2002 at the International Conference on Financing for Development[3] in Monterrey, Mexico, which established the Monterrey Consensus. There, the international community agreed to increase its funding for development—but acknowledged that more money alone was not enough. Donors and developing countries alike wanted to know that aid would be used as effectively as possible. They wanted it to play its optimum role in helping poor countries achieve the Millennium Development Goals,[4] the set of targets agreed by 192 countries in 2000 which aimed to halve world poverty by 2015. A new paradigm of aid as a partnership, rather than a one-way relationship between donor and recipient, was evolving.

In 2003, aid officials and representatives of donor and recipient countries gathered in Rome for the High Level Forum on Harmonization.[5] At this meeting, convened by the Organization for Economic Co-operation and Development[6] (OECD), donor agencies committed to work with developing countries to better coordinate and streamline their activities at the country level. They agreed to take stock of concrete progress before meeting again in Paris in early 2005.

In Paris, countries from around the world endorsed the Paris Declaration on Aid Effectiveness, a more comprehensive attempt to change the way donor and developing countries do business together, based on principles of partnership. Three years on, in 2008, the Third High Level Forum[7] in Accra, Ghana took stock of progress and built on the Paris Declaration to accelerate the pace of change. The principles agreed upon in the declarations are, however, not always practiced by donors and multilateral bodies. In the case of Cambodia, two experts have assessed donor misbehaviour.[8]

Efforts to improve aid effectiveness have gained significant momentum in the health sector, due in large part to the work of the International Health Partnership (IHP+). Created in 2007, IHP+[9] is a group of partners committed to improving the health of citizens in developing countries. These partners work together to put international principles for aid effectiveness and development cooperation into practice. IHP+ mobilizes national governments, development agencies, civil society and others to support a single, country-led national strategy in a well-coordinated way.

Critiques of the effect of aid have become more vociferous as the global campaigns to increase aid have gained momentum, particularly since 2000. There are those who argue that aid is never effective. Most aid practitioners agree that aid has not always worked to its maximum potential but that it has achieved significant effect when it has been properly directed and managed, particularly in areas such as health and basic education. There is broad agreement that aid is only one factor in the complex process needed for poor countries to develop and that economic growth and good governance are prerequisites.

For aid to be maximized efficiently and most optimally, donations need to be directed to areas such as local industries, franchises, or profit centers in third world countries. By doing so, these actions can sustain health related spending and result in growth in the long run.[10]
The OECD has explored—through peer reviews and other work by the Development Assistance Committee (DAC)—the reasons why aid has and has not worked. This has resulted in a body of best practices and principles that can be applied globally to make aid work better. The ultimate aim of aid effectiveness efforts today is to help developing countries build well-functioning local structures and systems so that they are able to manage their own development and reduce their dependency on aid.

Why effectiveness matters

As recognized by the OECD's Working Party on Aid Effectiveness, at the beginning of the 21st century it became apparent that promoting widespread and sustainable development was not only about amounts of aid given, but also about how aid was given.[11]

Aid flows have significantly increased over the last decade, but at the same time aid has become increasingly fragmented. There has been an explosion in the number of donors, and while the number of projects has multiplied, their average size has dropped. Small projects being often limited in size, scope and duration, they result in little lasting benefit beyond the immediate effect.[12] With more players, aid has become less predictable, less transparent and more volatile.[13]

Information, at the donors' as well as at the recipients' level, is often poor, incomplete and difficult to compare with other data, and beneficiaries' feedback and formal project evaluations are rare. Aid is predictable when partner countries can be confident about the amount and the timing of aid disbursement. Not being predictable has a cost: The deadweight loss associated with volatility has ranged on average from 10% to 20% of a developing country's programmable aid from the European Union in recent years.[14]

In the past decade, the aid environment has dramatically changed. Emerging economies (China, India, Saudi Arabia, Korea, Turkey, Brazil, Venezuela, etc.), which are still receiving aid from Western countries, have become donors themselves. Multinational corporations, philanthropists, international NGOs and civil society have matured into major players as well. Even though the rise of new development partners had the positive effect of bringing an increased variety of financing, know-how and skills to the development community, at the same time it has shaken up the existing aid system. This is particularly true in the case of emerging economies, as they do not feel compelled to conform to traditional donors' norms.[15] Generally demanding conditionality in return for assistance, which means tying aid to the procurement of goods and services, they are challenging traditional development aid standards.[16]

The governance of aid presents itself as complex, bureaucratized and fragmented, with evident diseconomies of numbers and coordination, which have meant an increase in transaction costs. This is true for recipient countries, forced to neglect their domestic obligations to cope with requests and meetings with donors[17] (given the lack of capacity at the country level and the precedence given to responding to donor demands) but also for donors and, ultimately, for beneficiaries. In fact, each project has fixed costs of design, negotiation and implementation, which reduce dollars available for final beneficiaries.

Despite the fact that the international community addressed the effectiveness issue through the Paris Declaration and the subsequent Accra Agenda for Action, the implementation of this agenda has been difficult. Governments and aid agencies have made commitments at the leadership level, but for the moment have done little more than pursuing top-down, aggregate targets. Decades of development have shown that if
countries are to become less dependent on aid, they must follow a bottom-up approach, where they
determine their own priorities and rely on their own systems to deliver that aid.[18] There is broad consensus
that aid could be managed more effectively,[19] answering a call for program quality and accountability.[20]

With more than $2.3 trillion spent in foreign aid over the last half-century and no equivalent effect in
reducing poverty and conflict,[21] and new crisis such as the recent famine in the horn of Africa,[22] this call
becomes particularly desperate. The publication on September 21, 2011 of the OECD-Development
Assistance Committee's “Aid Effectiveness 2005-2010: Progress in Implementing the Paris Declaration”
report, clearly demonstrates that only one out of the 13 targets established for 2010 was met.

The 4th High Level Forum (HLF) on Aid Effectiveness held in Busan, Korea, from November 29 to
December 1, 2011, arrived at a crossroads in the context of international development cooperation.[23] HLF-
4 was expected to make recommendations on a future aid quality framework, at least for the period up to the
MDG date of 2015.[19]

### Findings and critiques on aid effectiveness

#### Micro-Macro Paradox

The major findings by Paul Mosley and others conclude that it is impossible to establish any significant
correlation between aid and growth rate of GNP in developing countries. One reason for this is the
fungibility and the leakage of the aid into unproductive expenditure in the public sector.[24]

However, at a micro level, all donor agencies regularly report the success of most of their projects and
programs. This contrast is known as the micro-macro paradox.

Mosley’s result was further confirmed by Peter Boone who argued that aid is ineffective because it tends to
finance consumption rather than investments. Boone also affirmed the micro-macro paradox.

One challenge for assessing the effectiveness of aid is that not all aid is intended to generate economic
growth. Some aid is intended for humanitarian purposes; some may simply improve the standard of living of
people in developing countries.[25]

The micro-macro paradox has also been attributed to inadequate assessment practices. For example,
conventional assessment techniques often over-emphasize inputs and outputs without taking sufficient
account of societal impacts. The shortcomings of prevalent assessment practices have led to a gradual
international trend towards more rigorous methods of impact assessment.[26]

#### Dead Aid

Noted Zambian economist Dambisa Moyo has been a fierce opponent to development aid, and calls it “the
single worst decision of modern developmental politics”. Her book, Dead Aid describes how aid has
encouraged kleptocracies, corruption, aid-dependency and a series of detrimental economic effects and
vicious downward spirals of development in Africa. She argues that foreign aid provides a windfall to
governments which can encourage extreme forms of rent-seeking and through providing a positive shock of
revenue, lead to Dutch Disease. Furthermore, this easy money offers governments an exit from the contract
between them and their electorate: the contract that states that they must provide public goods in exchange for taxes. In short, it "allows the state to abdicate its responsibilities toward its people".[27] It is important to note that Moyo alludes specifically to government bilateral and multilateral aid and not small-holder charity, humanitarian or emergency aid. Her prescriptions call for increased trade and foreign direct investment, emphasizing China’s burgeoning role in Africa.[28] Moyo also makes a case for micro-financing schemes, as popularized by the widespread success of Grameen Bank, to spark entrepreneurship within the continent on the ground level, thus building from the bottom-up as opposed to the top-down approach aid takes.


Burnside and Dollar provide empirical evidence that the effect of aid on GDP growth is positive and significant in developing countries with "sound" institutions and economic policies (i.e. open trade, fiscal and monetary discipline); but aid has less or no significant effect in countries with "poor" institutions and policies. As economists at the World Bank, Burnside and Dollar advocated selectivity in aid allocation. They argue that aid should be systematically allocated to countries conditional on "good" policy.[29]

Burnside and Dollar’s findings have been placed under heavy scrutiny since their publication. Easterly and others re-estimated the Burnside and Dollar estimate with an updated and extended dataset, but could not find any significant aid-policy interaction term. New evidence seems to suggest that Burnside and Dollar’s results are not statistically robust.[30]

**Aid in the Absence of Accountable Governance**

Revenue generation is one of the essential pillars for developing state capacity. Effective taxation methods allow a state to provide public goods and services, from ensuring justice to providing education.[31] Taxation simultaneously serves as a government accountability mechanism, building state-citizen relationships, as citizens can now expect such service provisions upon their consent to taxation. For developing and fragile states that lack such revenue capabilities, while aid can be a seemingly necessary alternative, it has the potential to undermine institutional development. States that rely on higher percentages of aid for government revenue are less accountable to their citizens by avoiding the state-citizen relationships that taxation builds and face fewer incentives to develop public institutions.[32] The limited government capacity resulting from subpar institutional presence and effectiveness leads to: “ubiquitous corruption of state officials, large gaps between the law and actual practice in business regulation, workers who do not even show up, doctors that do not doctor, teachers who do not teach.”[33]

In the absence of healthy institutions or accountable governance, Nathan Nunn and Nancy Qian establish a positive, causal link between U.S. food aid to African countries and the incidence of civil war.[34] Their hypothesis reasons that food aid is fungible and a positive shock to government revenues, increasing the returns to the controlling government and therefore the potential for civil war as food can be easily monetized and used to fund conflict. The authors measured incidences of insurgency and conflict in East and Central Africa and their correlation with food aid, showing a positive and statistically significant relationship between the two.

**Studies and Literature on Aid Effectiveness**

One problem of the studies on aid is that there is a lack of differentiation between the different types of aid. Some type of aids such as short-term aid do not affect economic growth while other aids used for
infrastructure and investments will result in a positive economic growth.

The emerging stories from aid-growth literature are that aid is effective under a wide variety of circumstances and that nonlinearities in the effect of aid reduce the significance of the aid-growth relationship. However, returns to aid show diminishing returns possibly because of absorption capacity and other constraints. Also, geographically-challenged countries would display lower effectiveness with respect to aid and that should be taken into account in allocation.

Therefore, the challenge to aid allocation is to identify and eliminate the overriding institutional and policy constraints that will reduce the effect of aid on growth. The real challenge is thus to develop a framework of ‘growth and development’ diagnostics to help identify the constraints. Stefan Schmitz believes that reporting duties, results-orientated action and ongoing performance assessments are essential for the sake of aid effectiveness, but political will must be already there for this to happen.[35]

Many scholars have debated whether foreign aid can result in regime change, either democratizing autocracies or turning democratic states into autocracies. Some of these scholars argue that when western donors condition aid so that recipient countries have to make democratic changes that these changes then lead to economic growth. Jakob Svensson found instead that governmental foreign aid can only be an effective source of economic growth in recipient countries who are already democratic.[36]

Aid has quadrupled in the last 25 years, with the majority of aid still coming from official donors, and emerging giants such as China and India. In addition, money is being spent in different ways, for example on global programmes to combat specific issues, such as the control of malaria or measles. Overseas Development Institute work argues for a redress of the way in which aid is provided through:

- Redesigning aid architecture and improving aid effectiveness
- Reforming public finance management
- Strengthening resource allocation and use at sector and local levels
- Improving national policy and planning processes[37]

Research on the Accra Agenda for Action and Paris Declaration

Research by the Overseas Development Institute based on in-person interviews with senior politicians and government officials in Ethiopia, Sierra Leone and Zambia suggests that the Accra Agenda for Action (AAA) and Paris Declaration on Aid Effectiveness's indicators are too narrowly defined and lack depth.[38]

The principles of "predictability" and "transparency" are highlighted as lacking depth and important sub-dimensions not given enough emphasis, for instance on adaptation to local contexts. The interviews revealed recipient governments felt "predictability" meant donors should provide funding within the quarters scheduled, the Paris Declaration work on an annual basis and makes no distinction between the first and fourth quarter. Also mentioned, were the differences between pledges and actual commitments, the need to speed up the approval process and the need to make explicit and achievable conditions on the aid, to prevent withholding of funds when minor conditions are not fully achieved. Transparency in the reasons for donors' decisions was also seen as very important, the need to be 'frank' about why less funding was disbursed than committed, why feedback from the recipient government was not taken on board, and why a given percentage of funds was earmarked for certain activities such as technical assistance (TA). The resulting conclusion from these interviews and other studies is that repeatedly, the three most important issues for donor recipients are:[39]
- depth of commitment to development
- responsiveness to country circumstances, and
- support for recipient-driven policy

Those donor agencies highlighted by aid recipients as particularly attentive to these issues are the African Development Bank (AfDB) and the World Bank, followed by the United Nations Development Programme (UNDP) and the Asian Development Bank (AsDB).

Beyond aid

There are an increasing number of studies and literature that argue aid alone is not enough to lift developing countries out of poverty. Whether or not aid actually significantly affects growth, it does not operate in a vacuum. An increasing number of donor country policies can either complement or hinder development, such as trade, investment, or migration. The Commitment to Development Index published annually by the Center for Global Development is one such attempt to look at donor country policies toward the developing world and move beyond simple comparisons of aid given. It accounts for not only the quantity but the quality of aid, penalizing nations that given large amounts of tied aid.

Rethinking the development aid model

With the rampant criticisms to aid, come a whole host of prescriptions for alternatives. Offered up, are numerous ways in which countries can move forward without aid or with drastically rethought ways of processing it. In African economist, James Shikwati’s words, the “African problem is best solved by the African people”. “If aid was stopped, the political elites would be the first casualties” [40] as their well of easy cash would dry up. The need for a solution to Africa’s problems would sharply rise and the benefits of entrepreneurship and trade would come into focus. The need to build healthy institutions comes into play as well.

Noted Peruvian economist, Hernando De Soto, in his book, The Mystery of Capital also firmly asserts that Africa already has the resource wealth it needs to pull itself out of poverty, it just lacks the institutions that allow for the creation of wealth from these riches.[41] Poor documentation of assets and the lack of property rights means that people cannot collateralize their assets, for example, if a farmer inhabits a tract of land that has been in his family for generations, in his view, for all intents and purposes, he owns the land. However he does not possess a title deed to the land that clearly demarcates the borders of his ownership, this means that he cannot put up this land as collateral to secure a loan. This simplistic example can help to explain why investment (and therefore growth) is inhibited, the spirit of entrepreneurship may be present, the tools to engage in it, however, are not. The answer therefore seems simple: create such institutions that provide transparent documentation of assets and allows them to be converted to liquidity with ease. In practice, however this may not be so simple and would involve major overhauls in the bureaucratic fabric of a state. How aid can help to foster better institutions then, becomes the main question.

Paul Collier, in The Bottom Billion, suggests a model he calls “Independent Service Authorities”. These are organizations, independent from the government, that co-opt civil society to manage aid and public money and incorporate the scrutiny of public opinion and NGOs to determine how to maximize output from the expenditure of this money.[42]
William Easterly tells a story in *The White Man’s Burden*, where he says that helping the approximate three million people infected with Malaria each year may not be as simple as sending nets over to Africa. A lot of the time, these nets are diverted to the black market and used for more entrepreneurial pursuits, for example, making fishing nets out of them. Easterly does go on to report however that when schemes are introduced where mosquito nets are available on the market for an affordable price, the usage of them increases drastically.[43] He advocates the use of localized, tailored schemes like this to help the world’s poor and discounts ambitious overarching schemes that claim to be a complete panacea for poverty.

Dambisa Moyo devotes a whole section of her book, *Dead Aid* to rethinking the aid dependency model. She cautions that although “weaning governments off aid won’t be easy”,[44] it is necessary. Primary among her prescriptions is a “capital solution” where African countries must enter the bond market to raise their capital for development, the interconnectedness that globalization has provided, will turn other “pools of money toward African markets in form of mutual funds, hedge funds, pension schemes” etc.[45]

Although a bleak picture is painted of aid, with it comes room for new solutions and new ways of thinking about development.

**Tied aid**

Tied aid is defined as project aid contracted by source to private firms in the donor country. It refers to aid tied to goods and services supplied exclusively by donor country businesses or agencies. Tied aid increases the cost of assistance and has the tendency of making donors to focus more on the commercial advancement of their countries than what developing countries need. There are many ways aid can be designed to pursue the commercial objectives of donors. One of such pervasive means is by insisting on donor country products.

Others have argued that tying aid to donor-country products is common sense; it is a strategic use of aid to promote donor country’s business or exports. It is further argued that tied aid - if well designed and effectively managed - would not necessarily compromise the quality as well as the effectiveness of aid.[46] However, this argument would hold particularly for programme aid, where aid is tied to a specific projects or policies and where there is little or no commercial interest. It must be emphasized, however, that commercial interest and aid effectiveness are two different things, and it would be difficult to pursue commercial interest without compromising aid effectiveness. Thus, the idea of maximizing development should be separated from the notion of pursuing commercial interest. Tied aid improves donors export performance, creates business for local companies and jobs. It also helps to expose firms, which have not had any international experience on the global market to do so.[47]

**Ways to improve aid effectiveness**

The Paris Declaration embodied a new, broad consensus on what needs to be done to produce better development results.[48] Its principles lay open the possible ways to undertake, which can be interpreted also as the major objectives of good aid: fostering recipient countries' ownership of development policies and strategies, maximizing donors' coordination and harmonization, improving aid transparency and mutual accountability of donors and recipients, just to name a few.[49]
Improving aid transparency and mutual accountability of donors and recipients

The Accra Agenda for Action states that transparency and accountability are essential elements for development results, as well as drivers of progress.[50] Mutual accountability and transparency is one of the five partnership commitments of the Paris Declaration.[51] Through 'transparency', donors and recipients can be held accountable for what they spend and aid can be made more effective by knowing the three Ws of transparency:

- Who gives money to which recipient?
- What project is being funded and for what purpose? and
- Where?[52]

Transparency offers a valuable answer to insecurity, making aid "predictable" and "reliable". Transparency has been shown to improve service delivery and to reduce opportunities for diversion and therefore corruption.[53]

Transparency can be defined as a basic expression of mutual accountability.[54] Mutual accountability can only work if there is a global culture of transparency that demands provision of information through a set of rules and behavioral norms, which are difficult to enforce in the case of official development cooperation. In particular for emerging economy donors and private development assistance, these norms are only at a nascent stage. Kharas[55] suggest to adopt the "regulation through information" approach,[56] which as been developed and has proven its effectiveness in the case of the European integration. In fact, at the international level, when the enforcement of mandatory rules is difficult, the solution could be to provide and make available transparent, relevant, accurate and reliable information, which can be used to reward or sanction individual aid agencies according to their performances. This means establishing a strong culture of accountability within aid, which rewards aid successes but penalizes failures.

To achieve this, literature on the topic[57] suggest that donors should agree on adopting a standardized format for providing information on volume, allocation and results, such as the International Aid Transparency Initiative (IATI), or other similar standards, and commit to improve recipient countries' databases with technical, financial and informational support. The format should be easily downloadable and with sufficient disaggregation to enable comparison with other data. Making aid data public and comparable among donors, would be likely to encourage a process of positive emulation towards a better usage of public funds. After all, official development assistance (ODA) is a voluntary transfer that depends on the support of donor country taxpayers. Donors should therefore consider improving the transparency and traceability of aid funds also as a way of increasing engagement and support toward aid inside their own country. Moreover, a generalized adoption of IATI would ensure the publication of aid information in a timely way, the compatibility with developing countries' budgets and the reliability of future projections, which would have a strong and positive effect on the predictability of aid.[58]

Finally, to improve accountability while building evaluation capabilities in aid recipient countries and systematically collecting beneficiaries' feedback, different mechanisms to evaluate and monitor transparency should be considered, such as independent third-party reviews, peer reviews or mutual reviews.[59]

Paris Declaration on Aid Effectiveness, February 2005
In February 2005, the international community came together at the Paris High Level Forum on Aid Effectiveness, hosted by the French government and organised by the OECD. The role of aid in promoting development was attracting increasing public scrutiny in the run-up to the G8 Summit[60] in Gleneagles, Scotland, and the global campaigns such as Make Poverty History.[61]

While some progress had been made in harmonising the work of international aid donors in developing countries, it was acknowledged that much more needed to be done. The aid process was still too strongly led by donor priorities and administered through donor channels, making it hard for developing countries to take the lead. Aid was still too uncoordinated, unpredictable and un-transparent. Deeper reform was felt to be essential if aid was to demonstrate its true potential in the effort to overcome poverty.

At the Paris meeting, more than 100 signatories—from donor and developing-country governments, multilateral donor agencies, regional development banks and international agencies—endorsed the Paris Declaration on Aid Effectiveness.[62] The Paris Declaration went much further than previous agreements; it represented a broader consensus among the international community about how to make aid more effective. At its heart was the commitment to help developing-country governments formulate and implement their own national development plans, according to their own national priorities, using, wherever possible, their own planning and implementation systems.

The Paris Declaration contains 56 partnership commitments aimed at improving the effectiveness of aid. It lays out 12 indicators to provide a measurable and evidence-based way to track progress, and sets targets for 11 of the indicators to be met by 2010. Some country-level aid information management systems, such as the Development Assistance Database, are tracking indicators based on the principles of the Paris Declaration for tracking aid effectiveness and measuring donor performance.[63]

The Declaration is focused on five mutually reinforcing principles:

1. **Ownership**: Developing countries must lead their own development policies and strategies, and manage their own development work on the ground. This is essential if aid is to contribute to truly sustainable development. Donors must support developing countries in building up their capacity to exercise this kind of leadership by strengthening local expertise, institutions and management systems. The target set by the Paris Declaration is for three-quarters of developing countries to have their own national development strategies by 2010.

2. **Alignment**: Donors must line up their aid firmly behind the priorities outlined in developing countries’ national development strategies. Wherever possible, they must use local institutions and procedures for managing aid in order to build sustainable structures. In Paris, donors committed to make more use of developing countries’ procedures for public financial management, accounting, auditing, procurement and monitoring. Where these systems are not strong enough to manage aid effectively, donors promised to help strengthen them. They also promised to improve the predictability of aid, to halve the amount of aid that is not disbursed in the year for which it is scheduled, and to continue to “untie” their aid from any obligation that it be spent on donor-country goods and services.

3. **Harmonisation**: Donors must coordinate their development work better amongst themselves to avoid duplication and high transaction costs for poor countries. In the Paris Declaration, they committed to coordinate better at the country level to ease the strain on recipient governments, for example by reducing the large numbers of duplicate field missions. They agreed on a target of providing two-thirds of all their aid via so-called “programme-based approaches” by 2010. This means aid is pooled in support of a particular strategy led by a recipient country—a national health plan for example—rather than fragmented into multiple individual projects.
4. **Managing for results**: All parties in the aid relationship must place more focus on the result of aid, the tangible difference it makes in poor people’s lives. They must develop better tools and systems to measure this impact. The target set by the Paris Declaration is for a one-third reduction by 2010 in the proportion of developing countries without solid performance assessment frameworks to measure the impact of aid.

5. **Mutual accountability**: Donors and developing countries must account more transparently to each other for their use of aid funds, and to their citizens and parliaments for the impact of their aid. The Paris Declaration says all countries must have procedures in place by 2010 to report back openly on their development results.

A first round of monitoring of the 12 Paris Declaration indicators was conducted in 2006 based on activities undertaken in 2005 in 34 countries. A second survey was organised in early 2008 in which 54 developing countries examined progress against the targets at country level. This 2008 Survey covers more than half all the official development assistance delivered in 2007—nearly USD$45 billion. The evidence so far suggests that progress has been made.

For example, more than one third of developing countries surveyed had improved their systems for managing public funds; almost 90% of donor countries had untied their aid; and technical cooperation is more in line with developing countries’ own development programmes. Despite these improvements, however, the results of the Survey show that the pace of progress remains too slow to reach the targets set in 2010. In particular, although many countries have made significant efforts to strengthen their national systems (for instance by improving how they manage their public funds), in many cases donors are still reluctant to use them.

The predictability of aid flows also remains low (with just over a third of aid disbursed on schedule), thereby making it hard—or impossible—for governments to plan ahead. In summary, whilst some progress has been made there are still many areas where the pace of change must be accelerated if the targets set for 2010 are to be reached. In addition to the data from the monitoring survey a useful way of understanding donor and recipient country performance is to examine donor and recipient country self-assessments, donor evaluations and Development Assistance Committee Peer Reviews.

In some quarters, the Paris Declaration is almost synonymous with aid effectiveness; it is expected that aid will be effective and achieve development outcomes when the principles are observed for government sector aid. However, there continue to be criticisms and alternative views, particularly from non-government aid organisations. Implementation of the Paris Declaration still needs to be significantly stepped up, according to the results of the 2008 Monitoring Survey. Concrete targets set for 2010 (such as an increased proportion of aid to be untied; establishment of "mutual accountability" mechanisms in aid recipient countries; and for two-thirds of aid to be delivered in the context of so-called programme approaches rather than projects) may be difficult to meet. Independent NGOs, such as Eurodad, also release their own evaluations, showing that the Declaration is not being implemented as planned. The Overseas Development Institute has specified that better monitoring of the relationship between the Paris Principles and development results at sector level is necessary.[64]

**Third High Level Forum on Aid Effectiveness, Accra, September 2008**
The Third High Level Forum on Aid Effectiveness (HLF-3) was held in Accra, Ghana from September 2–4, 2008. Its aim was to build on the work of the two previous meetings, in Rome and Paris, to take stock of progress so far, and to accelerate the momentum of change. The Forum was attended by senior ministers from more than 100 countries, as well as representatives of multilateral aid institutions such as the European Commission (EuropeAid), the World Bank, the United Nations (UN), private foundations and civil society organisations. It was the first of three major international aid conferences in 2008, all aimed at speeding up progress toward the Millennium Development Goals. It was followed by the United Nations High Level Event[^65] on the MDGs in New York on 25 September and the Follow-up International Conference on Financing for Development[^66] in Doha, Qatar, 29 November-2 December.

The Accra Forum took place against a rapidly changing international aid landscape. Donor countries such as China and India are becoming increasingly important and there are more global programmes and funds that channel aid to tackle specific problems, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria.[^67] Private funding sources such as the Bill and Melinda Gates Foundation[^68] are becoming major players, and civil society groups are increasingly active. The new players bring substantial new resources and expertise to the aid process, but increase the complexity developing countries face in managing aid. The HLF-3 aims to encourage the formation of broad aid partnerships, based on the principles of the Paris Declaration, that will encompass all players.

The Accra meeting was different from its predecessors in that developing countries played a more active role in the preparations and the agenda. Some 80 developing countries took part in the regional preparatory events. Fifty-four developing countries participated in the OECD’s 2008 Survey of progress against the Paris Declaration targets. Civil society is increasingly involved in discussions of aid effectiveness; globally, more than 300 civil society groups, including grass roots groups, were involved in consultations in the lead-up to the Accra meeting.

There is broad acknowledgement that new global challenges, such as rising food and fuel prices and climate change, bring added urgency to efforts to make aid as effective as possible. On the first two days of the HLF-3, there was a series of nine Roundtables covering the key issues in aid effectiveness, from country ownership to managing aid in situations of conflict and fragility. On the third day of the Forum, ministers endorsed the Accra Agenda for Action (AAA).[^69] This ministerial statement has been developed with support from a multi-national consensus group working under the auspices of the OECD’s Working Party on Aid Effectiveness.[^70]

Attention is being focused on stepping up progress toward the commitments outlined in the Paris Declaration by committing signatories to accelerating the pace of change by focusing on key areas that should enable them to meet the 2010 targets agreed in Paris. Drawing on evidence from the latest evaluations, the 2006 and 2008 Surveys on Monitoring the Paris Declaration and on in-depth contributions from developing countries, the AAA identifies three main areas where progress toward reform is still too slow.

1. **Country ownership.** The Accra Agenda for Action says developing-country governments still need to take stronger leadership of their own development policies and engage further with their parliaments and citizens in shaping them. Donors must commit to supporting them by respecting countries’ priorities, investing in their human resources and institutions, making greater use of their systems to deliver aid, and further increasing the predictability of aid flows.

2. **Building more effective and inclusive partnerships.** The Accra Agenda for Action aims to incorporate
the contributions of all development players—middle-income countries, global funds, the private sector, civil society organisations—into more inclusive partnerships. The aim is for all the providers of aid to use the same principles and procedures, so that all their efforts are coherent and have greater impact on reducing poverty.

3. Achieving development results—and openly accounting for them. The Accra Agenda for Action says the demonstration of impact must be placed more squarely at the heart of efforts to make aid more effective. There is a strong focus on helping developing countries to produce stronger national statistical and information systems to help them better monitor and evaluate impact. More than ever, citizens and taxpayers of all countries expect to see the tangible results of development efforts. In the AAA, developing countries commit to making their revenues, expenditures, budgets, procurements and audits public. Donors commit to disclosing regular and timely information on their aid flows.

The Accra Agenda for Action sets out a list of commitments for its signatories, building on those already agreed in the Paris Declaration. It asks the OECD’s Working Party on Aid Effectiveness to continue monitoring progress on implementing the Paris Declaration and the Accra Agenda for Action and to report back to the Fourth High Level Forum on Aid Effectiveness in December 2011. Many donor and recipient governments will have to make serious changes if the AAA’s aims are to be fulfilled. The fact that ministers have signed up to these changes in Accra makes the AAA a political document—rather than a technocratic prescription—to move from business as usual to a new way of working together.

Fourth High Level Forum on Aid Effectiveness, Busan, South Korea, November 2011

The Fourth High Level Forum on Aid Effectiveness was held in Busan, South Korea from 29 November 2011 to 1 December 2011. The forum brought together political leaders, government representatives, parliamentarians, civil society organisations and private sector representatives from both developing and donor countries.

The forum sought to assess progress in improving the quality of aid against the agreed commitments and share global experiences in delivering the best results; and agreed upon a document to further the effectiveness of aid and development efforts and pursuit of the Millennium Development Goals (MDGs).

South Korea held a large stake in the forum. It is one of few countries that has transformed from a net aid recipient to a net aid donor. The holding of the forum in Busan allowed South Korea to share its own development experience, which has attracted a considerable amount of research in the country since 2008.[71] Since Busan, a number of independent commentators such as the European Centre for Development Policy Management have noted that much needs to be done to translate commitments into action.[72]

At the forum in Busan the decision was made to have the Global Partnership for Effective Development (http://effectivecooperation.org) take over at the end of June 2012. Talaat Abdel-Malek, who formerly chaired the OECD/DAC Working Party on Aid Effectiveness, explains the structure of the new GP in the magazine Development and Cooperation.[73]

The OECD's work on aid effectiveness (2003 to present)
The Organisation for Economic Co-operation and Development is the main coordinating body for the international community’s efforts to make aid more effective. The OECD’s work on aid effectiveness is undertaken by its Development Assistance Committee, known as the DAC. Hosted by the DAC, the Working Party on Aid Effectiveness\[70\] (WP-EFF) is the major international forum where developing countries join with multilateral and bilateral donors to work on improving the effectiveness of aid. It was set up in May 2003 to promote the global partnership for development agreed at the 2002 Financing for Development Conference in Monterrey and to accelerate progress toward the Millennium Development Goals. It is the body responsible for organising the Third High-Level Forum on Aid Effectiveness in Accra in September 2008.

The Working Party on Aid Effectiveness’ primary function is to measure and encourage progress in implementing the commitments of the 2005 Paris Declaration and provide guidance on policy and good practice. The Working Party comprises senior policy advisers from the 23 DAC members, 23 developing countries and 11 multilateral organisations. It has a unique “tripartite” chairing arrangement, including representatives of a bilateral donor organisation, a multilateral organization and a developing-country partner. This reflects the partnership commitments embodied in the Paris Declaration. The WP-EFF also engages actively with civil society organisations. In order to effectively cover its broad mandate, it has established a number of Joint Ventures to examine particular areas of interest, including monitoring the Paris Declaration, public financial management, procurement, and managing for development results.

In addition to the work of the WP-EFF, the DAC tackles aid effectiveness issues through its other working parties and regular activities.

The DAC maintains and makes available unique and definitive statistics on the global aid effort. Its Working Party on Statistics\[74\] tracks official development assistance over time, providing a firm basis for analytical work on aid trends and for assessments of aid effectiveness. Beyond the traditional OECD aid donors, its data collection also includes other official and private flows to developing countries.

One of the DAC’s important tasks is to conduct regular peer reviews of its members’ development policies, strategies and activities. Each year, the DAC conducts regular peer reviews of four or five of its members. These reviews look at how members are putting into practice the policy work carried out by the DAC, and how they are responding to international commitments and to their own national goals. These reviews are designed to encourage positive change, support mutual learning and raise the overall effectiveness of aid throughout the donor community.

**Development Assistance Committee's networks**

Other aid effectiveness work is carried out by the DAC’s networks—global foray that bring together experts.

The Network on Development Evaluation\[75\] supports robust, informed and independent evaluation of aid activities. This Network promotes joint reviews of the effectiveness of aid, such as the Evaluation of the Implementation of the Paris Declaration. It also works to improve the standards and norms used in evaluations. The 30 Evaluation Network members include heads of evaluation from all DAC member countries and from the African Development Bank (AfDB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD) and the World Bank.
Aid effectiveness - Wikipedia

The DAC’s Network on Gender Equality, GENDERNET, produces practical tools to help integrate gender equality and women’s empowerment into all aspects of development co-operation. It is currently focusing on the implementation of the Paris Declaration, designing a set of guiding principles to show how women’s empowerment can be clearly integrated into aid effectiveness efforts to increase their impact.

The Network on Environment and Development Co-operation, ENVIRONET, promotes and facilitates the integration of environment and climate change into all aspects of development co-operation, as called for by the Paris Declaration and the Accra Agenda for Action. Building on lessons learned and best practices, the Network works towards enhancing policy co-ordination and coherence to achieve more rapid progress towards the Millennium Development Goals and creating a successful shift towards “green growth”.

The DAC’s Network on Poverty Reduction, POVNET, promotes economic growth for poverty reduction, stressing the importance of both the rate and the pattern of growth, and works to ensure that growth is broad-based and inclusive. Subjects of workshops held by this network have included applying Paris Declaration principles in agriculture and infrastructure.

The Network on Governance and Capacity Development, GOVNET, helps donors to be more effective in supporting democratic governance. It offers a forum to exchange experiences and lessons, identify and disseminate good practice, and develop policy and analytical tools. It has produced important publications on themes such as fighting corruption, building institutions and ensuring human rights are placed at the centre of aid effectiveness efforts.

The Network on Situations of Conflict and Fragility brings together experts on governance and conflict prevention from bilateral and multilateral development co-operation agencies, including the EC, the UN system, the IMF, the World Bank and regional banks. It helps to improve development co-operation and coherent international action in situations where the Millennium Development Goals are undermined by threats of violent conflict, human insecurity, fragility, weak governance and instability.

The DAC also works on emerging issues in aid effectiveness. In 2008, it published the first in a new series of yearly surveys to tackle two major information gaps that hinder increased aid effectiveness: future spending intentions of donors, and the proliferation of aid donors. The results of these surveys will help donors make more informed decisions about where they should focus their aid, and to improve aid predictability at the country level. New analyses of historical information are also showing where there is donor fragmentation within a country, prompting donors to seek a better division of labour amongst themselves.

The DAC is working to build recognition among the development community that trade is an important tool for development. Its aim is to increase support for “aid for trade” activities—aid that helps build poor countries’ capacity to trade successfully. Experts from the DAC and the OECD Trade Committee are disseminating evidence of trade’s impact on development and creating an analytical toolbox for improving the design and implementation of aid-for-trade programmes. This includes strengthening the application of the Paris Declaration principles to trade-related aid activities.

The Global Partnership for Effective Development Cooperation (2011 to present)

https://en.wikipedia.org/wiki/Aid_effectiveness
The Global Partnership for Effective Development Cooperation (GPEDC) was created at the Fourth High-Level Forum on Aid Effectiveness in Busan in 2011. This platform brought together governments, bilateral and multilateral organisations, civil society and representatives from parliaments and the private sector, committed to strengthening the effectiveness of development co-operation to produce maximum impact for development. 161 countries and 56 organisations endorsed the creation of the Global Partnership in the 2011 Busan Partnership agreement.

Through its multi-stakeholder platform, the Global Partnership provides support, guidance and shares knowledge to boost development impact with a strong country focus, and to ensure a degree of coherence and collaboration among all development stakeholders on co-operation flows and policies. It offers a global mechanism to ensure co-operation is based on Busan principles of ownership, results, inclusiveness; and transparency and accountability to deliver tangible results on the post-2015 agenda. As a voluntary and multi-stakeholder forum, the Global Partnership plays a role in supporting implementation of the Sustainable Development Goals. As noted in the UN Secretary General’s Synthesis report in 2015, the Global Partnership can “help review and strengthen the global partnership for sustainable development”.

The Global Partnership also tracks progress in the implementation of Busan commitments for more effective development co-operation, through its monitoring framework (http://effectivecooperation.org/about/global-monitoring-framework) consisting of a set of 10 indicators, with most targets set for 2015. These indicators focus on strengthening developing country institutions, increasing transparency and predictability of development co-operation, enhancing gender equality, as well as supporting greater involvement of civil society, parliaments and private sector in development efforts.

Results from the Global Partnership's 2016 monitoring round reveal important progress towards achieving the development effectiveness goals agreed in Busan in 2011 at the Fourth High Level Forum on Aid Effectiveness, especially in adopting a decisive focus on results for more impact at the country level, in setting good foundations for more effective partnerships amongst governments, civil society organisation and the private sector; in improving transparency by making more publicly available information on development co-operation available than ever before, and in enhancing national budgetary systems to better capture development co-operation flows and allocations for gender equality.\[^{81}\] In contrast, monitoring also reveal an overall need to adapt to a dynamic and evolving development landscape, as well as specific areas where concerted effort is required to enhance development partnerships and unlock existing bottlenecks, including: increasing the use of countries’ own systems to deliver, manage, and track the impact of development programmes; and making countries’ efforts to strengthen domestic institutions more effective. Engagement and accountability structures at country level around development co-operation also need to become more inclusive and transparent, in order to facilitate meaningful dialogue and joint action.\[^{81}\]

**The International Health Partnership's work on aid effectiveness (2007 to present)**

The International Health Partnership (IHP+) is a group of national governments, development partners, civil society and others committed to improving the health of citizens in developing countries. The initiative was launched in September 2007, bringing together 26 signatories to sign a Global Compact\[^{82}\] for achieving the health Millennium Development Goals. As of May 2012, 56 signatories have signed the Global Compact. The partnership is jointly administered by the World Health Organization and the World Bank.
Improving health and health services is a complex task in any country. It involves coordination between governments, health workers, civil society, parliamentarians and other stakeholders. In developing countries, money for health comes from both domestic and external resources. This means governments must work with a range of international development partners. These are increasing in number, use different funding streams and have diverse bureaucratic demands. As a result, efforts can become fragmented and resources can be wasted.

IHP+ puts international principles for aid effectiveness and development cooperation set forth in the Paris Declaration on Aid Effectiveness, Accra Agenda for Action and Busan Partnership for Effective Development Co-operation into practice in the health sector by encouraging wide support for a single national health strategy or plan, a single monitoring and evaluation framework, and a strong emphasis on mutual partner accountability. The Partnership aims to build confidence between all in-country stakeholders whose activities affect health.

See also
- Development Assistance Committee
- Development Assistance Database
- Eurodad
- G8+5
- Humanitarian Response Index
- International Aid Transparency Initiative
- International Health Partnership
- Monterrey Consensus

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External links

- Eurodad: The European Network on Debt and Development (http://www.eurodad.org)
- Special Report on Aid Harmonization (http://topics.developmentgateway.org/special/aidharmonization)
- "Addicted to Aid"-documentary by Sorious Samura (http://www.insightnewstv.com/addictedtoaid/)
- Center for Global Development: Aid Effectiveness (http://www.cgdev.org/section/topics/aid_effectiveness)
- The International Health Partnership (IHP+) (http://www.internationalhealthpartnership.net/en/) A group of partners committed to putting international principles for effective aid and development cooperation into practice in the health sector
- Millions Saved (http://www.cgdev.org/Publications/MillionsSaved/) A compilation of case studies of effective foreign assistance by the Center for Global Development (http://www.cgdev.org).
- Aidharmonisation.org (http://www.aidharmonisation.org/)
Aid effectiveness - Wikipedia

Aideffectiveness.org (http://www.aideffectiveness.org/)
PubHealth.org - Ugandan effort to develop tools for harmonization (http://pubhealth.org/)
Reading list on the future of development assistance (http://rru.worldbank.org/PapersLinks/DevelopmentAssistance/)
Boston Review Forum: Making Aid Work (http://bostonreview.net/ndf.html/#Aid) Initial article arguing for funding of projects confirmed as effective in randomized trials, followed by replies.
European Network on Debt and Development (http://www.eurodad.org/aid/?id=124) reports, news and links on aid effectiveness
Euforic (http://www.euforic.org/detail_page.phtml?page=resource_briefing_evaluation) pages on aid evaluation and effectiveness
FRIDE (http://www.fride.org/publication/480/building-global-governance-of-aid) From Paris to Accra: building the global governance of aid
Zunia Aid Effectiveness Page (http://aideffectiveness.zunia.org/) - articles, reports, blogs, and jobs related to aid effectiveness
Three-Cs.net (http://www.three-cs.net) Six joint-evaluations to explore and assess the role played by the Maastricht Treaty precepts of coordination, complementarity and coherence (3Cs) in the EU's development co-operation policies and operations
The OECD DAC's site on the Paris Declaration on Aid Effectiveness (http://www.oecd.org/document/18/0,3343,en_2649_3236398_35401554_1_1_1_1,00.html)
EADI Online Dossier on Aid Effectiveness (http://www.eadi.org/index.php?id=1203:)
Open Forum for CSO Development Effectiveness (http://www.cso-effectiveness.org:)
Aid for Trade in Asia and the Pacific: 12 Things to Know (http://www.adb.org/features/aid-trade-asia-and-pacific-12-things-know/) Asian Development Bank


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