Political Overview: Towards Development Effectiveness

The Reality of Aid Management Committee

1. Introduction

Aid effectiveness was high on the political agenda when the last Reality of Aid report was launched in August 2008. In early September 2008 the Accra High Level Forum resulted in significant extra commitments by both donor and aid recipient governments. But then, less than two weeks after the end of this conference, the investment bank Lehman Brothers collapsed and plunged the entire international financial system into an unprecedented panic.

Governments focused their attention on trying to stabilise the system – shoring up their finances and then plugging the holes that the crisis exposed in the financial architecture. Aid effectiveness was deprioritised, with few governments producing substantial Accra implementation plans and even fewer throwing serious political weight to put them into practice.

The financial crisis response shows how countries can work together and support each other in times of difficulty. Rich country governments managed to find astonishing sums of money to spend on bank bailouts and fiscal stimulus to rescue their own economies. Yet the long-term effort to resolve the poverty and environmental crises in Southern countries also requires political attention. Millions of people worldwide have insufficient food to eat, are vulnerable to disease and disaster, and receive minimal income. Rich countries have already made a series of pledges on poverty reduction and environmental protection. These must not be abandoned now following the financial meltdown that rich countries caused by their own lax policies and regulation.

Until the Lehman Brothers collapse, the last decade had been encouraging. There was renewed political commitment to international poverty eradication, significant increases in aid levels and some major reforms in aid delivery. Partly because of civil society pressure, governments adopted a series of aid effectiveness agreements, notably the Paris Declaration of 2005 and the Accra Agenda for Action of 2008. These contain many useful principles and commitments. But they are being implemented in a way that is too technical and instrumental to transform how aid is governed and how it relates to poorer people. The 2008 Reality of Aid report summarised: "The [Paris] Declaration has not fundamentally changed the reality of aid relationships. The principles are in practice limited to technical issues of aid management rather than to successful development policy-making."[1]

Yet several governments are showing signs of neglecting even these limited commitments. This is partly due to the general tightening of public spending as governments try to reduce their yawning budget deficits. There is also political pressure to support struggling home country exporters and to use aid as a foreign policy tool, for example by countries which have deployed troops abroad.

Facing such pressures, aid advocates need to be clearer than ever about what aid should aim to achieve and how it should operate. Development cooperation will be best placed to resist budget cuts if it is clear that it will be well-spent and achieve its objectives of poverty reduction, and if there is transparent reporting on its results.

This report – with 36 contributions from Reality of Aid members in 30 countries – sets out a civil society view of current and future aid and development relationships. It provides insights from aid-recipient and aid-providing countries that reveal the problems and potentials of aid and aid effectiveness approaches. The official steps towards aid effectiveness are assessed and the limitations of the steps being taken are pointed out.

Back in 2005, decision-makers chose 2010 as the deadline year for several aid-related official targets including doubling aid to Africa and a series of aid effectiveness reforms. While there has been some significant progress in the last five years, governments and international institutions have still clearly fallen far short of the goals they set for themselves.

Now, looking ahead to the 2011 High Level Forum on aid effectiveness in South Korea, the Reality of Aid network is putting forward a new and more comprehensive vision with a new set of goals and new practices. This report fleshes out Reality of Aid's vision of development effectiveness. It emphasises that development cooperation should be judged on the basis of outcomes on the ground. These outcomes are not just in the delivery of goods or services, or higher income, but in terms of social and economic justice, and the increased capacity of poor and marginalised populations to shape policy and practice.

The Reality of Aid network calls for a bolder, broader approach that will lead to genuine development effectiveness – an approach that is based on protecting and fulfilling the rights of impoverished and marginalised people and on empowering them to claim their rights on an on-going basis. A thoroughgoing transformation of aid thinking and of the aid architecture is needed to achieve this. This transformation will have to be accompanied by a series of reforms beyond aid encompassing trade, investment, migration, debt, taxation, intellectual property, climate change and security.

Development effectiveness is centred on shifting power and enabling rights. Rather than aid being provided as a charitable contribution to the well-being of others, it should be a formal commitment to empower poor and vulnerable communities to claim their rights. Rather than depend on voluntary principles, Reality of Aid calls for an affirmative action approach where stronger parties commit to provide support to weaker ones. Only when development cooperation is recast as a relationship of committed solidarity in the fight against inequality can it lead to social and environmental justice. Aid relations should be based on independence and autonomy following national sovereignty and democratic governance principles, and responding to priorities set through local democratic participatory processes and institutions. Transparency and responsive reporting are also required to ensure that aid providers and recipients are accountable and responsible to their citizens.

2. Aid spending – another victim of the crisis?

Development is about much more than money, and development cooperation is about much more than aid budgets. However money is certainly required. The governments of rich countries and their citizens have a moral and political obligation to help less wealthy countries meet their human rights obligations to their citizens. This obligation is enshrined in the International Covenant on Economic, Social and Cultural Rights adopted by the United Nations (UN) over forty years ago and has been reaffirmed at many subsequent summits, including UN and G20 meetings held in 2009 and 2010.

Aid levels have increased in recent years. However Official Development Assistance (ODA) remains below half the UN target of 0.7% of gross national income (GNI). (See ROA article in Chapter 4) Only five donor countries have reached this target and very few others – including Belgium, the United Kingdom (UK) and perhaps Spain – are currently on course to join them. ODA levels declined between 2008 and 2009 and several governments have reduced aid spending or pushed back their timetabled aid increases. The financial crisis should not be an excuse for such measures but the US government for instance has already postponed its pledge to double aid by 2012. The example of Japan is also worrying. Since Japan's 1990s financial crisis the government has slashed the aid budget for 11 years in a row and this is now down to just around half of its 1997 peak. This pattern need not repeat itself, however, if politicians and civil society groups mobilise to protect development spending.

The reality is that rich countries were already off-target on aid levels even long before the financial crisis. While donor country GNI per capita grew by more than 200% between 1961 and 2008, aid per capita increased by just 66% over the same period. At 1.8% of government revenue in 2007, the level of aid is even lower than the 2% level in the 1980s and early 1990s.

Most bilateral donors provide mainly grants. After the crisis, however, loan finance for developing countries increased faster than grant finance with a 20% increase in ODA loans in 2009 from the previous year. France, Germany and Japan were among the governments which increased their ODA lending dramatically; the World Bank (WB), regional development banks and the European Commission (EC) also provided extra loans. This means that many recipient countries are accepting more expensive finance than before, indebting future governments who will be using citizens' taxes to repay foreign creditors instead of investing these in self-reliant development.

Official figures are misleading. Governments are allowed to report debt cancellation, spending in their countries on refugees and students from developing countries, and spending on technical assistance by their own service providers as aid. Reality of Aid calculates that less than half (45%) of bilateral aid in 2008 was actually available to developing country partners to program according to their own priorities. Donor governments also count spending in support of their foreign policy objectives as aid, and are even maneuvering to use ODA to fulfill their international climate finance obligations despite a clear agreement that climate funding should be new and additional.

There is therefore still much for rich governments to do in terms of providing sufficient aid in line with their pledges.

3. Aid effectiveness – a balance sheet

Governments set several goals when they agreed to aid effectiveness reforms. These were to reduce transaction costs in the aid system, increase the predictability of financial transfers, increase accountability through developing country ownership of programs, and achieve greater results in reducing poverty. The official aid effectiveness agenda calls for rationalising the number and type of donor interventions, making these more predictable and transparent, allowing recipient governments to determine how to spend incoming aid, and improving accountability for results.

It is now five years after the Paris principles were adopted, and two years after they were affirmed and extended in the Accra Agenda for Action (AAA). Some processes are underway to improve spending efficiency but few fundamental relationships and ways of doing business have changed. By mid-2010, about half of donors introduced new or updated aid effectiveness implementation plans in line with the AAA. But many of these are incomplete and cherry-pick aspects of the Agenda while ignoring others. For example the UK's aid effectiveness plan uses "a minimalist implementation of the Paris Declaration" that ignores key AAA pledges on technical assistance and country systems. The Canadian government reworked the AAA and came up with its own seven goals for aid effectiveness while omitting some of those that governments had agreed upon in Accra.

Governments which have yet to produce aid effectiveness plans and update their procedures must do so. Governments which have produced plans must review them, in consultation with civil society, to ensure that they are comprehensive and thorough. Then these plans must be followed through with meaningful action. The rest of this section reviews what governments have done to implement their Paris and Accra aid effectiveness pledges.

Country allocation

Official aid effectiveness agreements correctly argue that one of the best ways to reduce transaction costs and increase efficiency is for donors to focus their funding on fewer countries and fewer sectors. Several countries – such as Italy, Spain, Sweden and Canada – are indeed now concentrating their aid in fewer countries. The governments of Italy and Sweden, for example, plan to halve the number of countries they support. However these governments are making their reductions on unclear grounds and with minimal civil society and recipient country consultation. In many cases these processes do not take account of the multiplicity of agencies at national and local levels that are involved in aid finance. In the USA, for example, aid reforms are limited to the United States Agency for International Development (USAID) and some State Department funding, leaving out foreign assistance managed by approximately 19 other US departments and agencies. Each of Spain's 17 Autonomous Regions plus many City Councils provide aid.

Development agency processes on country specialisation are only donor-driven tinkering at the margins of a larger problem, largely ignoring the interests especially of the poorest countries. Aid allocation still too frequently prioritises foreign policy objectives more than fighting poverty objectives. Iraq, Afghanistan and Pakistan appear in the top five of aid recipients for many donors, especially those countries with a military presence in that region. Some 17% of new aid programs since 2000 has been just for these three countries.

In contrast, countries in Latin America – a continent with few conflicts and few low-income countries – are being squeezed out (with the exception of Haiti). Impoverished Latin Americans in middle-income countries with high inequality are being overlooked. This redistribution is partly a result of pledges made at the 2005 G8 summit in Gleneagles where governments agreed to provide an additional US$25 billion a year to Africa by 2010 compared to 2004 levels.

Still, while donor governments have made some reallocation towards Africa they are less than halfway to meeting this pledge this year. Overall aid levels have simply not increased fast enough to allow the additional spending promised for Africa while maintaining the spending for people living in poverty in other regions.

Within Africa some countries are even in danger of becoming aid orphans as donors concentrate their funding in a few "donor darlings" such as Ethiopia, Ghana or Mozambique. In 2008, excluding debt cancellation, 58% of Development Assistance Committee (DAC) aid to Sub-Saharan Africa went to only 10 African countries, with the remaining 38 countries left to share 42% of aid.

A similar phenomenon is occurring in India. There is a concentration of aid projects in relatively developed areas with donors increasingly directing aid to the few Indian states that they consider to be 'reform-minded'. The poorest states with weak economic management are neglected. The South Asian Network for Social and Agricultural Development comments that this "amounts to punishing the poor for the failures of their rulers".

Another example of punishing the poor, and a worrying extension of the use of conditionality, is the allocation of aid to governments that agree to crack down on migration from their countries. France, Italy and Switzerland are among the governments now overtly allocating aid on this basis. In Italy the link between aid allocation and immigration control is outlined in a new law that was backed by the government. This law clearly conflicts with the main objectives of Italian development cooperation legislation and its international aid effectiveness commitments. Such conflicts illustrate the profound pressures that aid faces in many countries.

Sector allocation

The allocation of aid to sectors and end goals is not much better. Even though aid has increased, less than half of the new aid since 2000 has been spent on the Millennium Development Goals (MDGs). The health sector has gained the most and aid has clearly contributed to the impressive 28% reduction in the child mortality rate in developing countries between 1990 and 2008. Aid to education also doubled between 2000 and 2008, encouraging large increases in school enrolments although raising concerns about questionable quality and graduation rates. Aid to agriculture has been slowly increasing from all-time lows in the 1990s, especially since 2008 when food prices peaked. But such spending is still at the mercy of donors' whims: there is little predictability and recipient countries are vulnerable to sentiments and fads in donor administrations over which they have no control.

The Canadian government has announced that it will focus its aid programming in three thematic areas: food security; sustainable economic growth; and children and youth. The Canadian Council for International Cooperation (CCIC) points out that this donor pre-determination of focus areas ignores the AAA commitment to country ownership and restricts the choices of governments and civil society in recipient countries.

The donor division of labour process moreover appears to be diverting attention from important cross-cutting issues. Women in Development Europe comments that donor division of labour "can lead to the marginalisation of gender equality and women's empowerment because division of labour efforts are organised around sectors – such as agriculture, transport, or health – rather than around development policy goals". The European Union (EU) report on division of labour gives the impression that gender equality is not considered at all during negotiations among donors about sectoral aid allocation.

Conditionality vs. ownership

Sector allocations should be decided by recipient countries themselves through their own national political processes. This idea of ownership has been accepted in international agreements on aid effectiveness. However while some donor governments have taken steps to listen to and respect recipient country views, and to use country systems, too many retain old habits of making the key decisions. Also, too many donors insist on financing projects rather than sectors or the budget as a whole. This restricts recipients' choices and often distorts the overall quality of health and education systems, for instance, where projects are driven by donors' emphasis on quick and measurable results.

Conditionality, the antithesis of ownership, is still alive and well in 2010. Several international organisations such as the WB and International Monetary Fund (IMF) have reviewed their practices, and governments such as the UK and Norway have introduced policies that severely limit conditionality. Yet recipients still concede policy space to donors and pledge specific donor-determined reforms to receive funding. The WB and IMF remain the worst offenders, indeed becoming even more powerful since the financial crisis, but they are not alone.

Mauricio Gómez, former Vice Minister of External Cooperation in Nicaragua, complained that when he was in office, "Everyone wanted to enter with their conditions. The World Bank wanted its conditions, then others like the European Commission entered and wanted other things with their criteria." This shows that conditionality is a problem of both interference and incoherence among donors who are failing to harmonise their approaches or align behind country systems. This is despite a clear commitment at the Accra conference that donors should use country systems and approaches unless there is a clear reason why they should not do so.

Tied aid

Too much aid is still tied to the purchase of goods and services provided by rich countries despite several agreements prohibiting this practice which Australian campaigners have dubbed "boomerang aid". This happens both formally, as in the case of US food aid or much of its technical assistance, or informally by structuring contracts and tendering procedures in ways that favour home country suppliers.

The Danish Institute for International Studies recently analysed hundreds of aid contracts tendered by different donors and they found that over 60% went to companies from the donor country concerned. Another study of UK aid found that 88% went to UK companies despite the UK's formal policy of 100% untying of its aid. This needs to be tackled head-on by reorganising donor procurement and dramatically scaling back donor-imposed and -directed technical assistance.

Conclusion

The initial motivations for introducing aid effectiveness reforms were to "increase the impact aid has in reducing poverty and inequality, increasing growth, building capacity and accelerating achievement of the MDGs".[3] However these worthy intentions have been lost in the translation into technical donor task teams, comparative advantage analyses, country context analyses and monitoring surveys. In many cases these aid effectiveness processes have been added on top of existing processes, rather than substituting for or simplifying them. These exercises are mainly donor-controlled and are unable to capture the quality of relationships or decision-making.

Aid programming has been reconsidered from the top down rather than from the bottom up. This has led to confusion and contradiction – for example, the US government has committed to increase the use of country systems while retaining legislation that mandates tied aid in some sectors.

Accountability is still too often a matter of the power of the purse rather than of power to the people. Mutual accountability, another key tenet of aid effectiveness agreements, is still largely rhetorical at present and has yet to acquire a clear meaning or established practice. Few donor governments are prepared to bind themselves with specific commitments, for example to provide predictable amounts of aid according to a clear timetable. When mutual accountability is applied it is generally reserved for the relationship between a donor and a recipient government and does not extend to the people themselves who are left with few means of redress if something goes wrong with a development intervention.

4. Towards development effectiveness

A new approach to prioritising aid and measuring its impact is urgently needed. Reality of Aid proposes one: development effectiveness. This emphasises building and strengthening long-term processes for citizens to claim and act on their rights. Rather than just short-term results on the ground, development effectiveness is needed for the fight against poverty, social exclusion and inequality to be placed on a sustainable footing.

Development effectiveness is more than just about aid and about finance. A range of additional policy changes are required to allow developing country governments to develop more self-sufficient economic policies that can lift their people out of poverty and continue to do so on an on-going basis. These include policies on debt, trade, investments, tax, migration, governance, and security.

Reality of Aid's comprehensive development effectiveness approach will be the basis for advocacy in the period leading up to and beyond the South Korea High Level Forum on aid effectiveness in 2011. This approach comprises measures on:

- Human rights, social justice and empowerment;
- Reforming development partnerships based on solidarity, sovereignty and mutuality; and
- Transforming the aid architecture and ensuring policy coherence for development.

4a. Respecting human rights, empowering impoverished people, promoting gender equality and sustainability

Official aid effectiveness agreements state that aid must be managed to obtain clear results. The MDGs for example provide a useful set of benchmarks. Yet, too often, official development agencies still focus on macroeconomic indicators as much as on social and environmental ones. Aid frameworks are often too limited or imprecise in what they measure and in establishing links between financial inputs and outcomes on the ground. Instead, donor results for their development programs should be clearly and systematically assessed by their impact on broader concerns such as human rights, justice, gender equality and sustainability.

Human rights obligations

All governments – donor and recipient – are bound by human rights obligations. These have been set out in a series of UN summits and review meetings. Very often, however, implementation of these treaties and accountability to them has been slow and handled by officials different from those overseeing development cooperation, resulting in little connection between these agendas. We are a world away from the desirable situation where policy dialogue is based on shared obligations derived from international human rights law, obligations which are duly referenced in aid agreements that spell out what each party must do while respecting country ownership.

Donors must ensure that they promote a rights agenda when providing programmatic aid and when financing specific projects. This report puts forward several examples of where that is not happening. One is in the Philippines where the Japan Bank for International Cooperation (JBIC) funded a dam that displaced 2,500 families and ruined the livelihoods of thousands of gold panners. When JBIC approved the funding it had no social or environmental guidelines. The Philippine government's Office of the Presidential Assistant on Indigenous People's Affairs reported that the free and prior informed consent of the Ibaloi people was not obtained before constructing the dam. Studies also showed that the project contractor tried to minimise the compensation payments it had to make. Construction continued, however, as Filipino citizens had no power to halt it or to demand that their rights be respected.

Australian aid to Indonesia for the Kalimantan Forests and Climate Partnership is another case that reveals many of the tensions emerging with a new wave of climate funding.[4] The project will flood around 100,000 hectares of land yet project documents do not mention the rights of affected indigenous or forest-dependent communities living in the project area. The project is moreover misdirected and focuses on changing the subsistence practices of small-scale farmers rather than on the agricultural industries, such as palm oil plantations, that are the main causes of large scale deforestation in the region. A major international NGO with implementation responsibilities on this project says that the major challenge for the project was "to change the behaviour of the community". The article on climate aid to Indonesia points out that this amounts to "conservation colonialism" and argues that the major behaviour change needed is in fact to increase the sensitivity of outside organisations coming in to work on projects. (See Chapter 1)

Legal regimes governing aid and human rights as well as implementation practices are very varied. Many donors and international institutions have little or no specific policy on human rights and do little to examine how their project and policy interventions help or hinder the fulfilment of rights. Some others are making progress, at least on policy frameworks.

Many European donors have formally adopted a rights-based approach to aid. In Canada, parliament passed a law mandating aid ministers and officials to examine whether proposed aid interventions are "consistent with international human rights standards" as well as whether they "take into account the perspectives of the poor". This approach matches development effectiveness thinking and is completely in line with AAA which states that: "Gender equality, respect for human rights, and environmental sustainability are cornerstones for achieving enduring impact on the lives and potential of poor women, men and children. It is vital that all our policies address these issues in a more systematic and coherent way."[5]

However even though this rights approach is enshrined in Canadian domestic law, Canadian civil society is still highly critical of the Canadian government's failure to ensure systematic and coherent implementation of a human rights approach for its aid. Similarly, the Australian Council for International Development points out that it is still not clear "how the human rights framework is meaningfully applied to improve people's lives in the plethora of aid and development activities". Civil society groups are pushing for aid agencies to produce detailed policy guidelines on operationalising a rights-based approach.

Among the mechanisms that civil society and official donors have at their disposal are cutting some or all aid to governments that breach fundamental human rights norms. Examples of this that are explored in this report include the cutting of aid to Fiji after a coup there, and to Nicaragua after the new government oversaw fraudulent municipal elections and clamped down on national and international civil society groups. Donor moves to cut off aid are frequently seen as political gestures that infringe on sovereignty. However they are also efforts to fulfill donors' responsibility as rights duty bearers. In such situations it is important that donors do not entirely abandon the country but work to support and strengthen other aid delivery channels to ensure that poor and vulnerable people are not further disadvantaged.

The rights agenda also has implications for work on the ground by civil society groups. In Australia, among other countries, civil society groups are considering what a rights-based approach will mean for their own aid decisions and delivery. They correctly recognise that international NGOs are themselves power bearers who can influence how rights are exercised. Belgian NGOs have signed an agreement with the government where the NGOs made commitments on Paris Declaration implementation and the government made pledges on aid effectiveness and policy coherence for development.

A major international process of analysing civil society organization (CSO) effectiveness and practices has started – the global, CSO-led, Open Forum for CSO Development Effectiveness.[6] This is examining ways that international NGOs can introduce operational mechanisms to ensure accountability to their stakeholders, including local civil society groups on the ground. This is necessary, as the article from the Latin American Network on Debt, Development and Human Rights shows. (See Chapter 1) This article cautions that too many European NGOs now implement priorities set by official organisations. Several have thus lost the more principled solidarity connection with Latin American groups and have even entered into direct competition with these groups for funding.

Some donors and other aid actors have begun to think seriously about the rights agenda. But they all need to introduce clear and binding human rights protocols to guide their future work at both project and program levels.

Gender equality

The reason why all donors need detailed policy guidelines is clearly exposed in several articles, including those by the Forum of Women's NGOs of Kyrgyzstan and by Women in Development Europe. (See Chapter 1) The seven major donors to Kyrgyzstan, for example, produced a Joint

Country Support Strategy for 2007-2010 which mentioned women's rights and gender equality as areas of assistance and concern. However, they did not allocate a budget for gender needs and did not link this strategy to the country's National Action Plan on Gender Equality. Nor did women's NGOs contribute to its creation. This shows, at best, a lack of joined-up thinking, and, at worst, a cynical tokenism in the treatment of women's rights.

Donors themselves report very limited progress on gender issues. They indicate that gender equality is a "principal objective" for just 4% of official aid funding. The amount of donor finance available for family planning has declined per woman since the mid-1990s. (See ROA article in Chapter 4) Direct ODA support to organisations and institutions working on women's equality amounted to only US$411 million in 2008.

Both donor and recipient governments know that women comprise the majority of the world's poorer people and that economic downturns affect women disproportionately on top of existing care work and prejudices. They need to ensure that gender equality becomes a major objective of aid interventions and that data differentiated by gender is produced to enable effective monitoring. A major way forward will be empowering women to be fully involved in key decisions about aid and about national policies.

Conclusion

Many donor organisations have begun to consider how to integrate human rights language and concerns into their policies and funding decisions. However none fully pass the test of having a systematic and coherent way to address this, as demanded by the AAA. This is because human rights are in many cases an afterthought rather than a core concern. As with environmental protection, it is best to change the core process design rather than add "end-of-pipe" solutions. This will require a major rethink by many official bodies and a whole new way of prioritising and making decisions. Nothing less is required if we are to make a bold move towards development effectiveness.

4b. Reforming development partnerships based on solidarity, sovereignty and mutuality

Development has too often been seen as a process of using outside expertise and finance rather than of using the knowledge and resources that are present in developing country communities. Inappropriate ideas brought in from the outside have led to social tension, environmental problems, cost overruns and other difficulties. But above all they have trampled on the sovereignty and rights of the communities that development is supposed to support.

Donor governments and institutions have agreed to shift 'ownership' of development to recipients. This is a positive and long overdue step. But this is often practised in only a limited way involving just ministers and senior officials. There is much talk and writing, but little practice, of downward accountability, mutual accountability and ownership. Detailed evaluation reports and donor-government working groups will be meaningless for accountability and ownership if impoverished people are not at the front and centre of the development process. It is vital that ownership rests not just with governments but with the people.

An open government with channels for popular participation at all stages of policy and project initiation, delivery and monitoring is vital. Parliamentarians, as representatives of the people, must play a crucial role in cross-checking the actions of the executive in aid negotiations. But popular scrutiny and control must also go beyond parliaments and other state bodies to encompass citizens' own organisations.

In Sri Lanka for example, citizens groups have worked for many years to urge international development organisations to press for true community participation before project planning phases. They continue to ensure that international financial institutions (IFIs) and their contractors are "constantly aware of watchdog action and monitoring by CSOs and communities". This has led to successes such as water privatisation being prevented on 12 occasions and a proposed protected area management project being stopped. Learning from this experience, the WB included genuine engagement of CSOs in the formulation stages of a subsequent Forest Management Project.

The Green Movement of Sri Lanka forcefully argues that communities that take ownership of their own development futures can deliver far better results than externally planned and directed action. Direct people-to-people support can also substitute for the failings of participation in official assistance. Following the devastating tsunami in late 2004, the Kalametiya fishing community linked up with another fishing community in Maine, USA which undertook micro-scale fund-raising activities such as selling lemonade and toffee. The intervention at Kalametiya was recognised as one of the best post-tsunami rehabilitation projects in Sri Lanka.

What is needed for genuine people-led development is a change of mindset by officials. Rather than hire expensive consultants to conduct pro forma exercises, officials need to listen more to the people on the ground. This will require capacity and training for much increased cultural sensitivity and an awareness of the situation of poor and marginalised populations in national and sub-national politics.

Donor governments working in Nicaragua were so blinded by very limited and merely technical initiatives for improved aid effectiveness that they lost sight of the bigger picture. Hence they came to occupy a "virtual reality where everything felt fine despite the severe political crisis facing the country", according to KEPA. The aid effectiveness reforms promised by Nicaragua had shallow roots only in the executive branch of government and did not involve parliament and broader civil society. This made it easy for the new government which came into power in 2007 to distance itself from the reforms and move in a different direction.

In Colombia, as will be shown by the researcher Rosemary McGee, the government has used official aid effectiveness processes as a way to undermine and displace a tripartite government/donor/civil society forum. This forum had previously allowed civil society groups to influence national planning and discuss rights, conflict and governance issues. The aid effectiveness processes that replaced it were more managerial and enabled the government to exert control over civil society groups. The government succeeded in distracting attention from on-going human rights problems at home while obtaining international visibility and kudos for its efforts on aid effectiveness, positioning itself to receive extra funding at a time of an aid squeeze for middle-income countries. Citizens groups conclude that aid effectiveness concepts such as ownership are a blunt instrument that needs to be sharpened in practice if it is to help citizens on the ground.

Empowerment

People living in poverty must have the power to make choices and to take decisions on development programs. For development to be effective it must be set within an empowerment framework that is locally-initiated and founded on what the people decide. Former president of Ireland and UN High Commissioner for Human Rights Mary Robinson recommends moving beyond the Paris Declaration and the AAA to an era where "legal empowerment" is the catchphrase for the future of international cooperation.

The Development Effectiveness Primer produced by IBON International explains that "empowerment is a process of enabling people, in particular the least privileged, to: (a) have access and control over productive resources – land, technology, financial resources and knowledge – that enable them to meet their needs and develop their capabilities; and (b) participate and lead in the development process and the decisions that affect them".[7]

Aid should support redistributive policies and practices such as genuine agrarian reform, the expansion of social entitlements, and universal access to essential goods and services. To empower the poor, development strategies must promote the voice and participation of women, youth, minorities and other excluded groups in identifying needs and priorities, formulating policies, and designing, implementing and evaluating programs, including those part-financed by international agencies.

The poor and especially women and other marginalised sectors in society must be able to hold their governments and donors accountable through participatory governance mechanisms. Empowerment sounds attractive to most people but is often anathema to officials who mistrust the public's ability to understand issues or make decisions and who want to retain power for themselves. The article by SANSAD reviews the many layers of public institutions in India and points out: "While the multiple institutions and procedures of democracy are increasingly in place, the critical challenge is how to deepen their inclusiveness and substance. Monitoring and evaluation agencies fail to enforce the functioning of the system. CSOs' roles in these institutions are minimal, restricted to filing complaints and sending their comments or inputs." (See Chapter 2)

Changing their own practices and procedures so that officials can work genuinely with low-income marginalised communities will be a very difficult challenge for official aid agencies. But without this, development interventions will be unable to reach those who need them most and will only have short-term results at best.

Towards transparency

Civil Society for Poverty Reduction, a Zambian network, writes that "information is cardinal". In Zambia, there has been a lack of participation on aid issues. Donors have imposed conditionalities and created an atmosphere of mistrust of donor motivations. Now "this mistrust extends to the aid effectiveness agenda" as its implementation has in many cases also been negotiated behind closed doors.

Accountability and citizen participation require all development organisations and recipient governments to work within a culture of full transparency. This should cover decision-making and implementation of all aid transactions and development programs. Over 50 countries have already introduced national freedom of information legislation. Mechanisms to enhance implementation must be brought forward, including appeals procedures for citizens who feel their rights to information have been compromised.

At the minimum, international donors must sign up to and implement the principles and measures outlined in the International Aid Transparency Initiative. These include detailed technical standards and a code of conduct to ensure that donor documents and financial transaction data are made available rapidly and in a format that is comparable, freely accessible, and easy to understand.[8] Each donor ministry involved in aid decisions must sign up to a comprehensive national aid transparency plan drawn up in consultation with civil society groups and parliamentarians.

Recipient governments must also continue to become more transparent so that their citizens can see how aid and the national resources put up as counterparts are allocated. The Open Budget Index is a useful reference point for such budget transparency.

Untying aid and using public procurement

Transparency is necessary but not sufficient to rebalance who gains from contracts and who implements development projects. Transparency must be complemented by proactive efforts to include suppliers and implementing partners from developing countries. In many cases, developing country companies struggle with the technicalities of bidding requirements or with establishing sufficient track record to be a credible bidder. For development from below to become a reality, donors must yield power over jobs and responsibilities in the short-term as well as provide opportunities for companies and civil society organisations to expand and to build and maintain infrastructure and other forms of development programming over the long-term.

The European Network on Debt and Development suggests a series of measures to introduce development effective procurement. Donors should recognise that public procurement systems often take account of factors other than cost. Public procurement has been used as a policy tool for advancing social, ethical and human rights goals, for mitigating regional, social or ethnic disparities, and for promoting decent work. However some donor rules do not allow aid agencies to use recipient country systems unless they prioritise least-cost bids. For instance, the US Millennium Challenge Corporation cannot use the Namibian national procurement system because the Namibian Tender Board Act guarantees preferential treatment for local firms as well as firms owned by groups that were disadvantaged under the apartheid regime. This kind of restriction is another example of aid rules that restrict genuine national ownership.

Another telling example is in Uganda which has an advanced factory producing Anti-Retro Viral drugs – yet drugs for the huge donor-supported HIV/AIDS treatment programs in Uganda are still procured from foreign producers which are often based in donor countries. Deals like this mean that a large proportion of ODA is not an inflow to developing countries but a "roundflow" where funds flow from Northern budgets back to Northern firms. Even when local production capacities exist, they are often not used.

These examples show the problems related to procurement. Yet donor exercises such as WB Country Procurement Assessment Reports do not review these aspects but emphasise a narrow approach to cost effectiveness. Aid recipient countries are told they have to spend their public money without consideration of long-term environmental costs or the need to empower minority communities. This is a wasted opportunity and another example of double standards since many rich countries have introduced non-cost elements to their national procurement systems.

Conclusion

The aid regime must refocus on creating an enabling environment for all citizens, particularly the most marginalised, to enjoy their rights. This requires a change of culture and of practice. Transparency is a key enabling factor and the way that procurement and financial decisions are made will also have to be altered dramatically.

4c. Transforming the aid architecture and ensuring policy coherence for development

Before the financial crisis, private banks claimed that the financial architecture was solid and that self-regulation would ensure good behaviour. Both these arguments have been clearly exposed as false. Likewise, in international aid, the architecture is anything but robust and well-designed. In fact, the aid system is becoming more chaotic all the time with ever more funding mechanisms, reporting structures and approaches. More architects and more builders are crowding onto a limited construction site with little clear planning or health and safety rules.

The OECD DAC agrees that "the current architecture and institutional set-up of development institutions must be changed" and calls for "simplified organisational structures, instruments and procedures".[9] The aid architecture must be reviewed and rebuilt to promote development effectiveness. There should be a moratorium on creating new institutions or mechanisms for aid delivery while this is being done.

Too many donors

Many governments channel their aid through multiple bilateral agencies as well as multiple multilateral ones, including specialised vertical funds. They have pledged to reduce the number of agencies delivering assistance and to target their support in fewer countries and sectors. However implementation of this pledge is slow. As the Southern Aid Effectiveness Commission reported earlier this year, "attempts to cut down on the institutions that deliver aid have so far failed, due to the many interests involved".[10]

There are now at least 300 bilateral and multilateral agencies. These are fragmenting internally with ever more earmarked funds and special initiatives. New players are even entering the system leading to what some commentators term "anarchy".[11] These new entrants include private foundations, southern governments, vertical funds, NGOs and the military.

The array of organisations prepared to provide finance could be helpful if they each brought something distinctive and if they collaborated well. However this is not the case. Recipients spend too much time second-guessing donors' intentions, negotiating with them, and reporting to them. The Southern Aid Effectiveness Commission found that "fragmentation and proliferation became a major driver for the increase in transaction costs and administrative burdens of contemporary aid on both sides, donors and recipients alike".[12]

The increasing links between security strategy, military operations and aid receive special attention in several contributions to this report, with Reality of Aid members raising concerns that this is diverting funding from poverty reduction purposes.

Denmark, historically a leader on aid policies, is now using aid linked to military operations in Afghanistan which has become a top recipient of Danish aid. Moreover, the Danish Parliament has recently agreed to provide ODA funds for an initiative under Denmark's defence policy.

Astonishingly, military personnel delivered some 22% of US ODA in 2008, up from just 3.5% in 1998. Fortunately there are counterexamples. Spain's new Humanitarian Action Sectoral Strategy has reduced the amount of humanitarian funds allocated to the Defence Ministry. Leadership has passed to a Humanitarian Action Office in the heart of the Spanish Agency for International Development Cooperation.

Several articles of this report – including the ones on Fiji (See Chapter 1), India and Sri Lanka (See Chapter 2) – comment on the rise of non-Western donors such as China and Iran. These governments are increasing their development funding for a wide range of motives including humanitarian, developmental, commercial and strategic reasons. This phenomenon of South-South cooperation is not entirely new but is growing rapidly with increasing implications for official DAC donors and recipient countries alike. Estimates of South-South cooperation range from 10% to 15% of total world ODA.

Authors in this report argue that the non-interference approach espoused by China and other Southern donors might yield an increase in cooperation between equals rather than condescending donor-recipient relationships based on historical power games. Several of these Southern donors have shown that they are prepared to step in when other donors step back for governance or other reasons, as happened in Fiji recently.

However, most of the Southern donors lack social, environmental and transparency procedures which undercuts opportunities for citizen scrutiny and empowerment. They also tie their financial assistance to the provision of goods and services from their countries and provide very limited transparency on their operations. In its report on South-South cooperation published earlier this year, Reality of Aid concluded that "respect for national sovereignty should not mean ignoring gross human rights violations, environmental destruction, corruption and blatant abuse of power in partner countries".[13] This finding is reinforced by the Reality of Aid report at hand.

Weak monitoring systems

Relationships between donors and recipients are still driven by power games. Aid effectiveness monitoring systems such as the bi-annual Paris Monitoring Survey, based on self-reporting, have proved weak and prone to institutional capture by donors. The fact that official aid effectiveness processes originated in the OECD DAC, a rich-country club that excludes the vast majority of countries in the world, is a problem of donor-recipient power relations that has yet to be properly addressed. This is the case even though aid effectiveness discussions are held in the Working Party on Aid Effectiveness that, though still housed in the DAC, has a broader membership. Many developing countries have been invited to participate in selected OECD DAC processes and in conferences such as the Accra High Level Forum but they often feel that their standing and their capacity to get their voices heard are limited.

From policy incoherence to joined-up thinking

Aid is a vital part of creating a just and sustainable future for the world's citizens. But it is not the only measure that governments need to take. At the minimum these must also extend to trade, investment, migration, debt, taxation, climate change and security policies.

A clear example of policy incoherence is provided in the article on Swiss aid. (See Chapter 4) Switzerland has for years maintained an extensive aid program to promote peace and human rights in Colombia. During 2009 deliberations in parliament on the bilateral free trade agreement with the country, development NGOs and left-of-centre parties advocated linking the agreement to human rights concerns. Yet the parliamentary majority followed the arguments laid out by the Economics Minister who stated that the promotion of human rights was not a matter for trade policy but only for development co-operation. Similarly, Sweden has continued arms exports to Saudi Arabia and Pakistan despite serious human rights violations there.

As Latin American Network on Debt, Development and Human Rights (Latindadd) points out in its article, illicit capital outflows from developing countries total around ten times the amount they receive each year in aid. (See Chapter 1) Debt payments are another huge cost and will become more so now that the proportion of aid being provided as loans has increased.

Uganda Debt Network sets out the many problems with the trade policies frequently imposed on low-income countries as a condition for aid. It finds that "an outright liberalisation/ free-trade policy will continue to inflict heavy costs on African countries because they are still net exporters of raw and semi-processed materials". They also point out that donor countries are hypocritical in preaching liberalisation and free trade while they continue to subsidise their own agriculture sectors and promote other exports that they consider strategic.

This book does not have the space to analyse all of these policies in depth but it still seeks to situate aid in a broader policy framework. The principle of "policy coherence for development" is long established in several countries but has not been vigorously applied. This application may become even weaker in the period to come as the current crisis context may make countries which have not yet introduced such an approach reluctant to do so, and as some countries bring development matters more firmly under their foreign affairs or trade ministries. Yet some positive examples do exist, for example in New Zealand where the government has encouraged banks to make remittance transfers more flexible and cheaper.

Conclusion

The current aid architecture is not fit for the purpose of development effectiveness. It is an amalgamation of different institutions created at different times by different politicians. Very few organisations have been disbanded and, on the contrary, it is always a case of adding new ones. Even with the best will in the world, individual officials cannot build a sane and effective system from this melange of bodies with overlapping mandates and tools. A thoroughgoing review of current agencies and a halt to initiating new ones is required to start turning back the tide.

Development aid decisions are not taken in a vacuum either in richer countries or poorer ones. Many other policies influence poverty outcomes on the ground and prevent or enable communities and governments to implement sustained policies and programs. These must be tackled at the same time that aid is improved to achieve the maximum benefits for people in developing countries.

5. Conclusion and recommendations

Aid is not dead, as some commentators claim, but it is certainly in a poor state of health. Limited technical reforms agreed at a high level between donors and recipient officials and ministers will not be sufficient to change the nature of the aid relationship and lead to real effectiveness. The poverty, climate and financial crises will not be solved without a thorough change in mindset and of rules. This applies to all governments, international institutions and other organisations involved in channelling finance, including many civil society organisations.

The aid effectiveness approach that was agreed in 2005 at the Paris conference was a useful recognition that all is not well in aid delivery. Official aid effectiveness reforms have delivered some benefits at the margins and limited the difficulties that might otherwise have resulted from programming increased aid. However they have not made a decisive difference in how aid is perceived or in who takes key decisions.

Solutions are not just a question of more efficient application of current orthodoxies. Reality of Aid members will continue to work tirelessly to challenge problematic donor interventions and call for a transformation of the aid agenda so that it empowers those who most need help to take action to help themselves.

The Paris Declaration set out a series of targets to be met by 2010. These were extended slightly at the Accra High Level Forum in 2008. The next High Level Forum will take place in Busan, South Korea in 2011.

This book outlines a new development effectiveness approach which must become the organising principle for international cooperation on the road to the Busan conference, throughout the rest of this decade, and beyond. The Busan meeting will take place in the context of a harsh global economic climate and difficult decisions for governments worldwide. As CONCERN points out in the article on Ireland's aid, aid effectiveness used to be about doing more with more but is in many cases now about doing more with less. (See Chapter 4) Either way, aid needs to become far more efficient and effective.

The climate crisis beginning to bite in many regions of the world only makes this more urgent. There is as yet no global deal on climate change and this will need to be negotiated over the next few months and years. A financial transfer mechanism for richer countries to compensate poorer ones will be a vital part of this deal. The design and governance of climate funding must draw on the lessons of official aid to date – ensuring that key decisions are in the peoples' hands, that transactions costs are minimised, and that rights are respected.

Reality of Aid recommends that all governments, by the 2011 High Level Forum in Busan, commit to:

- Provide, as grants, sufficient volumes of aid in line with international agreements;
- Be transparent in aid decision-making and with their aid data;
- Ensure democratic ownership by the poor and not just by recipient governments;
- Introduce binding measures to ensure that aid respects human rights agreements and empowers poor and vulnerable communities to claim their rights;
- Measure impacts on social inclusion and social justice;
- Untie aid and ensure that public procurement takes account of public policy goals such as combating inequality and environmental damage;
- Halt the proliferation of aid agencies;
- Ensure that division of labour processes do not squeeze out important goals such as gender equality or environmental protection; and
- Introduce strong policy coherence for development measures.

Reality of Aid is joining with other members of the BetterAid Platform to promote an international process, coming out of this High Level Forum, to develop a binding UN Convention on Development Effectiveness. CSOs, along with allies among governments, will explore the implications of a more binding framework that holds governments accountable for the commitments they make in various international meetings. A UN Convention of Development Effectiveness could strengthen the coherence between these commitments and accountability to international human rights law which, as this report argues, is the basis and standard for measuring development effectiveness.

Endnotes

1 The Reality of Aid 2008, Aid Effectiveness, Democratic Ownership and Human Rights, Reality of Aid, 2008, p. 11. At: www.realityofaid.org/roareports/index/secid/365/part/1.

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3 Paris Declaration on Aid Effectiveness, (2005) p. 1.

4 See also Financing climate change mitigation, adaptation and sustainable development, Reality Check, 2009. At: www.realityofaid.org/publications/index/content/Reality%20Check/view/category/pubsecid/9.

5 Accra Agenda for Action (2008), para

6 See http://www.cso-effectiveness.org/.

7 Ibon International (2009), Primer on ODA and Development Effectiveness.

8 See: www.aidwww.aidtransparency.net/resources.

9 OECD DAC (2010), International Cooperation Report 2010, page 30.

10 Southern Aid Effectiveness Commission (2010). Towards more effective Aid Assessing reform constraints in the North Report of the Southern Aid Effectiveness Commission, p. 24. Available at: www.eurodad.org/uploadedFiles/Whats_New/Reports/Towards_More_Effective_Aid.pdf?n=133.

11 See David Fidler (2007), “Architecture amidst Anarchy: Global Health’s Quest for Governance”, Global Health Governance, Volume 1, No 1. See also EURODAD (2008), “Global Vertical Programs, A Tale of too many funds”, Reality Check, accessed at http://realityofaid.org/downloads/realitycheck_jul2008.pdf.

12 Southern Aid Effectiveness Commission (2010). Towards more effective Aid Assessing reform constraints in the North Report of the Southern Aid Effectiveness Commission, p. 25.

13 Reality of Aid (2010) South South Development Cooperation: a Challenge to the Aid System? p.17. At: www.realityofaid.org/roareports/index/secid/373/part/3.