

# The Reality of Aid

An Independent Review of Poverty Reduction and Development Assistance

## The Reality of Aid 2014 Report Theme Statement: Partnerships and the Post-MDGs

### I. Background – New sources of financing to achieve the MDGs

1. Official Development Assistance (ODA) has played a crucial role in efforts related to the achievement of the Millennium Development Goals (MDGs). Clearly several of the MDG target indicators have been achieved outside of the framework of development cooperation. Nevertheless ODA has been a critical resource for many partner countries, in particular Low Income Countries and countries where government revenue was augmented with budget support in education and health.
2. The Organization for Economic Cooperation and Development (OECD) estimates that the value of ODA (in 2011 dollars) dramatically increased from \$73.1 billion in the mid-1990s to \$118 billion in 2012. However, in 2011 and 2012 there has been a decline in the quantity of aid as the impact of the financial crisis has had political repercussion in donor countries concerning development cooperation and fulfilling aid commitments. Aid declined by 2% in real terms in 2011, and again by 4% in 2012.<sup>1</sup> In this context, other sources of development finance are necessary to ensure that all countries are able to achieve both the MDGs and the post-2015 sustainable development goals. But despite the increase in remittances, foreign direct investment and loans relative to ODA, aid remains an essential backstop for many countries and the most suited to interventions that directly target people living in poverty or otherwise marginalized, in particular where governments cannot provide a minimum of basic services to their citizens.
3. But even if donors were to meet their ODA commitments in the years leading up to 2015, it is essential that ODA be targeted on poverty reduction and reflect agreed reforms, not just increased quantity. Attention to aid quantity is undeniably important to achieving the MDGs. However, there has been little sustained work in implementing commitments made on aid quality at the country level. The official evaluation of the Paris Declaration on Aid Effectiveness, conducted for the Fourth High Level Forum on

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<sup>1</sup> OECD, "Aid to poor countries slips further as governments tighten budgets", April 3, 2013, on-line <http://www.oecd.org/newsroom/aidtopoorcountriesslipsfurtherasgovernmentstightenbudgets.htm>

Aid Effectiveness (HLF4) in Busan, South Korea, in 2011, concluded that only one of the 13 Paris 2005 targets (coordinated technical cooperation) was met and little or no progress has been made in the areas of aid predictability, transparency and enhancing mutual accountability.

4. Furthermore, looking ahead to the First Ministerial of the Global Partnership for Effective Development Cooperation in Mexico in April 2014, the full implementation of the Busan principles from HLF4 (democratic country ownership, focus on results, inclusive development partnerships, and mutual accountability and transparency) are essential to ensuring the critical improvements in aid and development effectiveness that are necessary to achieve any goals determined for the post-2015 period.
5. The Global Partnership for Effective Development Co-operation (GPEDC), launched in 2012, also acknowledged the important role of other development actors, including South-South Cooperation (SSC) between emerging and developing economies, international organizations, CSOs and other non-state actors, including the private sector.
6. Concessional finance through South-South Cooperation assistance providers currently stands at around \$17 billion, according to recent estimates, 2 on top of growing trade and investment opportunities between developing economies. Beyond finance, SSC includes growing opportunities for knowledge sharing and peer learning.
7. Private flows for development and humanitarian assistance to developing countries by Civil Society Organizations was also noted in Busan. Estimates of these figures range from between \$51 billion and \$76 billion.<sup>3</sup>
8. Finally, the private sector, and other private financial flows, is a growing source of financing for development, although not necessarily with clear and positive development impacts for recipient countries.

## **II. New partnerships for development – new partners, emerging principles**

9. MDG 8, “Developing a Global Partnership for Development,” has been considered as the means for achieving the first seven MDGs. The concept of “global partnership” is not explicitly defined in this Goal nor is it defined in the Millennium Declaration.

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<sup>2</sup> UNDP China, “Working with Civil Society in Foreign Aid”, September 30, 2013, page 23, on-line: [http://www.undp.org/content/undp/en/home/librarypage/civil\\_society/2013\\_undp-ch-working-with-civil-society-in-foreign-aiden/](http://www.undp.org/content/undp/en/home/librarypage/civil_society/2013_undp-ch-working-with-civil-society-in-foreign-aiden/)

<sup>3</sup> Op.cit. 31

However, the terminology that is used for the MDG target reveals an implied understanding of what such a partnership might entail. It references establishing a non-discriminatory trade and financial system, addressing the needs of the least developed and landlocked countries as well as small island developing countries, addressing debt relief and sustainability, and providing bilateral and multilateral aid. The private sector is expected to help in the provision of accessible low-cost pharmaceuticals to developing countries and the transfer of Information and Communications Technology (ICT). This suggests that “global partnerships” include trade and finance relations between countries, donor and partner-country relations, and public-private partnerships (in the case of essential drugs and ICT).

10. While the Millennium Declaration identified human rights and equality among the fundamental values that must be upheld within and among nations, these aspirations did not substantially translate into the realization of the MDGs. In its implementation, the MDG framework failed to take into account power inequalities, including those inherent in a relationship between donors and recipients. The burden to achieve the MDGs rightly lies with the government of each developing country. Yet this framework fails to take account of the social, political and economic context of each country, the principle in international relations of Common but Differentiated Responsibilities (CBDR), and the impact of international financial and trade architecture on the capacity of developing countries to meet their development obligations.
11. With respect to MDG Goal 8, the targets are vague, with no clear lines of accountability for donors to make effective use of their ODA, as well as trade and investment resources to fully realize sustainable development outcomes. The allocation of development resources continues to be shaped by the use of donor conditionality, donor-driven development initiatives, the reliance on market and private sector-led development, and the increased use of loan finance by several donors. These policies belie true development partnerships and undermine democratic country ownership and the potential for self-determination of development plans, as well as the establishment of strong and effective country-led institutions.
12. The United Nations Development Cooperation Forum (DCF) has a similarly broad view of “*global partnerships*”. At the June 2013 DCF meeting in Addis Ababa, Ethiopia, discussions alluded to a range of development actors: donors and recipients from the global North and the global South, the private sector, and CSOs. In that Forum, it was acknowledged that the world is starting to move away from the North-South dichotomy that had previously underscored the nature of global partnerships.

The DCF also affirmed some important norms to guide renewed global partnerships. It indicated that these should be, “*based on the principles of solidarity, equality, national ownership and self-determination, mutual respect and global responsibility.*”<sup>4</sup> These principles resonate with those governing both South-South Cooperation and the common principles set out in the Busan Partnership for Effective Development Cooperation, the outcome of HLF4.

### **III. Reality of Aid 2014 Report Theme**

#### **The theme of the 2014 Report is Partnerships and the Post-MDGs**

13. As preparations are being made for the transition from the MDGs to a post-2015 sustainable development framework, donors, SSC assistance providers, partner country governments, as well as non-state actors, must take stock of their partnerships, in their many varied forms. What have we learned from previous partnerships? In what ways can diverse partnerships with a broader array of development actors contribute to achieving the post-2015 goals? How do we ensure that these partnerships are consistent with human rights standards and the goals of eradicating poverty, inequality and social injustice? What are the preconditions of this and the principles to ensure that future partnerships are equitable?
14. “Partnership” has become a buzzword in the global arena. The word itself denotes an interaction between two or more co-equal participants. It also assumes that any such partnerships will equitably share benefits to all parties. But particularly in the context of development cooperation, motivations may vary quite significantly between different development actors in terms of the varying emphasis they place on business and development priorities.<sup>5</sup> More often than not, the reality of global aid and finance architectures is that the wealthy and powerful dictate the development agenda, its norms, targets and implementation, whether through bilateral or multilateral relations or institutions.
15. As the UNDP 2013 Human Development Report documents, Brazil, India, China, South Africa, Turkey, and a number of Arab countries are playing an increasingly important role in the provision of financial and technical support as SSC assistance providers. These actors are challenging traditional donor-recipient aid structures and are providing alternative sources of development finance for a number of developing

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<sup>4</sup> Development Cooperation Forum, “Official Summary Report, Ethiopia High-Level Symposium”, June 2013 [[http://www.un.org/en/ecosoc/newfunct/pdf13/DCF\\_ethiopia\\_summary.pdf](http://www.un.org/en/ecosoc/newfunct/pdf13/DCF_ethiopia_summary.pdf)]

<sup>5</sup> See for example, The North-South Institute, “Mapping Private Sector Engagements in Development Cooperation”, September 2013, on-line: <http://www.nsi-ins.ca/wp-content/uploads/2013/09/Mapping-PS-Engagement-in-Development-Cooperation-Final.pdf>

countries. While SSC aid providers have a distinct rationale and a unique development experience in defining the forms that SSC may take, Reality of Aid's 2010 Report on South-South Cooperation raised a number of shortcomings and proposals to strengthen SSC development effectiveness.<sup>6</sup> Expectations are high that good practices in South-South cooperation will contribute towards a new aid architecture that promotes effective development cooperation. But it is also important to hold SSC aid providers accountable: have they met the expectations they set for themselves?

16. SSC aid-providers have already assumed an increasing role in formulating the post-2015 development agenda, as well as in financing this agenda, alongside traditional DAC donors. A critical issue for all donors, including SSC aid providers, will be a politics of inclusion. What principles and in what ways will the 2015 agenda be shaped through an ongoing multi-stakeholder dialogue with CSOs and other development actors? How will the principles of development effectiveness guide new partnerships either with traditional donors or actors in SSC?
17. What will be the roles of the private sector in the post-2015 agenda? Since the 1980s, the private sector has long been challenged, and often discredited, as a genuine contributor to development due to its intrinsic interest to maximize profits. With the decline of aid quantity since 2011, more attention has been paid to leveraging private sector resources for development. And increasingly the private sector is being called upon to partner with donors and civil society on global development challenges. The 2012 Reality of Aid Report drew attention to a number of concerns in terms of how the private sector is realizing these expectations. For instance, the Report recommended that aid must be about strengthening the economic rights for people living in poverty rather than focusing on “value for money,” or “leveraging” private finance, or “private sector development.” The Report also highlights that the focus of donors and southern aid providers has been mainly on large-scale investments and ignores the needs of the informal economy where millions of people and their families live in poverty.<sup>7</sup> Two years on, how has private sector partnerships for development changed? What are the principles and preconditions to ensure that such partnerships contribute to full and equitable development for all, in particular the most marginalized? And beyond evaluating the outcomes of these collaborations, how are the partnerships themselves being valued?

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<sup>6</sup>Reality of Aid, “South-South Cooperation: A Challenge to the Aid System?” A Special Report on South-South Cooperation, 2010. [http://www.realityofaid.org/roa\\_report/south-south-development-cooperation-a-challenge-to-the-aid-system/](http://www.realityofaid.org/roa_report/south-south-development-cooperation-a-challenge-to-the-aid-system/)

<sup>7</sup> See the 2012 Global Reality of Aid Report, “Aid and the Private Sector: Catalyzing Poverty Reduction and Development?”, accessible at [http://www.realityofaid.org/roa\\_report/aid-and-the-private-sector-catalyzing-poverty-reduction-and-development/](http://www.realityofaid.org/roa_report/aid-and-the-private-sector-catalyzing-poverty-reduction-and-development/)

18. Development cooperation has traditionally been the remit of bilateral donors in the North and developing countries in the South. In this changing context, how are the relationships between traditional donors (both bilateral donors and civil society organizations) being redefined, in particular as the line between donor and recipient is becoming less obvious? Is inclusive democratic ownership taking root, as the 2011 Reality of Aid Report advocated it should, and the Busan Partnership signaled it would?<sup>8</sup>
19. And with the recognition of the Istanbul Principles for CSO Development Effectiveness in Busan, are CSOs North and South, moving towards more equitable partnerships in their collaborations?

### **Contributing to the 2014 Report**

20. For more than 20 years, the global Reality of Aid network has focused on the contributions of development finance, and in particular aid, to sustainable development. With less than two years before the MDGs expire, we must start thinking about how development cooperation should adapt to the new post-2015 environment, and in particular the partnerships that underscore such cooperation. The 2014 Report will examine current proposals for the post-2015 agenda, and for the financing of this agenda, in particular with respect to the issue of global, regional and national partnerships, and partnerships that engage a range of different development actors. Through this examination, we will contribute a global civil society perspective on these questions. The key messages will be framed by the network's focus on maximizing contributions to poverty eradication, within a framework that is defined by human rights standards.
21. For the 2014 Report, contributors should explore some of the following themes:
  - (a) Principles and practice for inclusive partnership at the global and national level** - CSOs acknowledge the historical power inequalities between partner and developed countries, and between different development actors, and the historical lack of inclusion of all development actors in defining and implementing the MDGs and national development plans. Given this context, what principles should guide all governments, CSOs, and the private sector to ensure an inclusive global partnership for the post-2015 agenda? How can the UN process for developing these new goals be

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<sup>8</sup> Reality of Aid, "Democratic Ownership and Development Effectiveness: Civil Society Perspectives on Progress since Paris", Reality of Aid 2011 Report, 2011, accessible at [http://www.realityofaid.org/roa\\_report/democratic-ownership-and-development-effectiveness-civil-society-perspectives-on-progress-since-paris/](http://www.realityofaid.org/roa_report/democratic-ownership-and-development-effectiveness-civil-society-perspectives-on-progress-since-paris/)

strengthened so that, looking forward, it is fully inclusive of all development actors? How do SSC aid providers change the development landscape in terms of the principles for a global partnership? What lessons can be drawn from the Busan process and the GPEDC? What other models exist that could inspire such an inclusive and equitable partnership?

Development policies are effective mainly at the national and local levels. How can global principles of, and a model for, inclusive partnership be replicated at the national level (or be translated up to the global level)? What precedence exists for doing this? In the context of a commitment to “democratic ownership” at HLF4, what is the current country experience and what lessons can be applied for the post-2015 context?

How can these principles and practice be extended to all forms of development cooperation and among all development actors?

**(b) New (and existing) models of partnering for positive development outcomes for the poor** - How are donor recipient relations evolving to reflect the focus on inclusive partnership? How do SSC aid providers change the development landscape in your country in terms of more equitable and inclusive principles of partnership? Given the changing context for northern CSOs, how are they redefining their relationships with southern CSOs and vice versa? What sort of partnerships are donors engaging in with the private sector? And with the private sector and civil society? What existing or new partnership mechanisms demonstrate best/worst practice at the global and national level? Are there examples that include diverse actors and participation in realizing development outcomes, which might offer lessons for the post-2015 goals at the country-level?

**(c) Preconditions for equitable partnerships that contribute to sustainable development outcomes for the poor** - How are different forms of partnerships concretely contributing to positive development impacts? What have been the preconditions of success? What hasn't worked and why? How can we ensure financial and development additionality in these partnerships? What measures and indicators do we need to develop at the global and national level to ensure the success of such partnerships? How can we be more intentional in terms of evaluating the success (or failures) of these partnerships themselves? Where are there still gaps?

### **III. Conclusion**

22. A new fully inclusive global partnership for the post-2015 sustainable development goals, and equitable partnerships among all development stakeholders, can begin to address the fulfillment of these goals at both the global and country level. Partnerships among actors can take many forms, and will no doubt be an essential ingredient in realizing the post-2015 agenda. The key messages of the 2014 Reality of Aid Report, will be informed by CSOs' country-level analysis of the implementation of MDGs and aid reform with respect to partnership. The Report will make a timely contribution to the UN "end-game" in determining goals, with a synthesis of CSO proposals needed to realize these goals, the outcome of which will structure global and country development strategies and shape development cooperation for the forthcoming decades.