

Aid effectiveness after Accra: How to reform the 'Paris agenda'

The need for an open and honest debate on aid effectiveness has never been more urgent. Will Accra prove to be the turning point?

Key points

- Political change in aid recipient countries is more important than anyone is admitting in the Paris Declaration debate
- Donor alignment efforts are compromised by a damaging mix of risk-avoidance and political correctness
- Both donors and country authorities should assume greater responsibility for their own incentive structures

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The Third High Level Forum, which convenes in Accra in September 2008, may contribute something new to current efforts to make aid more effective. And it may not. Either way, the debate on the implications of the 2005 Paris Declaration on Aid Effectiveness will continue. Questions will persist about the adequacy of the basic Paris formula: country ownership of development efforts + aid alignment + aid harmonisation + managing for results + mutual accountability.

The Paris Declaration is a consensus-oriented political document. But it is also, in important respects, evidence-based. It is the best summary we have on the lessons of a half-century of experience in trying to achieve good results and avoid doing harm with aid.

For that reason, it is important that the Paris/Accra process is treated as a learning opportunity in which documented lessons of experience play a part. As well as routine monitoring and evaluation, it needs research that looks in a rigorous way at specific issues and reports the results without fear or favour. This paper outlines the conclusions from one body of work designed to do this. It was undertaken during 2006 and 2007 by a consortium led by ODI and funded by the Advisory Board for Irish Aid (ABIA, 2008).

The findings from the ABIA study are relevant to three particular themes of the Paris Declaration: country ownership; aid alignment; and incentives for change. Cutting across these topics are



Policy is driven by the needs that politicians must satisfy.

some broader issues that Paris has helped bring to the fore but has not settled and has in some ways complicated. The paper presents evidence leading to the following conclusions:

- In key respects, the Paris/Accra agenda is not radical enough; but it is also conducive to exaggerated responses and undue 'political correctness'.
- Donors need to be persuaded to micro-manage less but engage more – with countries' policy debates and with the institutional factors underlying the deficit in country ownership.
- Both donors and country leaders should stop blaming the incentives, of political origin, that limit changes in their behaviour and start acting to transform them.

Ownership

The Paris Declaration identifies country ownership of development efforts as the central challenge in making aid more effective. It commits aid recipient countries to assuming ownership, by developing strategies to achieve development results and by taking the lead in deploying both domestic and external resources to support their implementation.

This is not an unreasonable ambition, but our research indicates that the formulation is inadequate. Change in political direction on the recipient side of the aid relationship is more fundamental, and far more intractable, than most participants in the Paris/Accra process are prepared to admit. In principle, ownership refers to the kind of political leadership, developmental vision and willingness to transform state structures that have been associated with successful development in the past, most recently in East and South-East Asia. The Paris Declaration reduces these needs to the setting up of a particular kind of technocratic planning apparatus, based on lengthy texts, monitoring matrices and statistical information systems.

Research on aid-dependent countries in Africa and elsewhere shows that policy is driven by the needs that politicians must satisfy within particular kinds of patronage-based political systems. Malawi and Uganda were the subjects of particular studies on these lines within the ABIA project, but the literature supports a fair measure of generalisation. While the policy logic that is generated by political systems of the kind political scientists call neo-patrimonial is not the same everywhere, it has a common core, which is, most of the time, profoundly anti-developmental.

What this evidence suggests is that strategy documents of the Poverty Reduction Strategy Paper type, even the better second-generation sort, are not effective drivers of policy. They may not be wholly window-dressing, but they are not what really counts. Not only that, but they are expensive to produce, hard to bring to fruition – including provision of effective links to government budget allocations and activities – and arguably a major distraction from more basic tasks in the building of effective states.

Country case-study research, including some sponsored by the World Bank – the principal advocate of the technocratic approach to ownership – shows that countries that have successfully linked their resource allocation and monitoring arrangements to strategic policy objectives have done so with much simpler instruments (World Bank, BMZ and GTZ, 2007). Commonly, these have involved directly political agreements at cabinet level, which cascade downwards to the technocracy.

In short, the findings of the ABIA research indicate that technocratic devices will not crack the problem of the non-developmental priorities of the politicians who lead poor countries. The only thing that will is a change in their incentive structures. To

the extent this is true, two further matters call for comment.

First, it is often argued that national strategies will be more politically owned within countries if greater efforts are made to engage parliaments and civil societies in their formulation and monitoring. This proposition – that ‘ownership’ needs to become ‘democratic ownership’ – sounds obvious and is very widely supported. However, it stems more from ideological faith than from evidence on actual development processes. The research on the subject suggests that parliaments and civil societies face incentives that are hardly less binding, and not always more conducive to progressive policy actions, than those motivating presidents and ministers.

Second, this reading of the ownership challenge may seem a counsel of despair, but it is not. Our research does suggest the need for a measure of grim realism about the politics of policy in aid-dependent countries. But this does not mean that there is nothing anyone can do. Nor does the insufficiency of the technocratic approach imply that there is nothing useful that donors can do.

Donors, particularly but not exclusively those providing direct budget support, are complicit in the prevailing political arrangements. A hands-off attitude is not, therefore, a morally coherent option. At the same time, there is plenty of evidence that donors can contribute positively to the conditions in which country policies are made and implemented. That said, much depends on the way they do it – which brings us to approaches to aid delivery and the proper meaning of ‘aid alignment’.

Alignment

The Paris commitments on aligning aid with country policies and systems sound simple. Our research suggests they are not. Case studies in Ghana, Mozambique, Tanzania and Uganda reveal that the actual practices of many donors – including those in the vanguard of support to the Paris principles – display an unfortunate mix of risk avoidance and ‘political correctness’ with significantly damaging effects.

Two particular examples from the ABIA research support the first part of this judgement. First, in service-delivery sectors in Mozambique, Tanzania and Uganda, a popular vehicle for ‘aligned’ donor support is a common-basket fund established in support of a sector strategy, for example for the water and sanitation sector. Common funds are usually presented as a useful transitional step towards the fully aligned aid modality of budget support. However, experience on the ground suggests that common funds do not work in a transitional way, but rather put up barriers to the future use of country systems. Setting up the harmonised procedures required for a common fund uses energies that might otherwise be devoted to strengthening mainstream country systems. Common funds are less a

building block than a road block on the way to fully aligned aid.

Rather than multiplying common funds, it would make sense to focus on the mainstream systems from the outset, by using some genuinely transitional form of budget support, of which there are several variants. Donors don't do this, as they are risk-averse. When challenged, they typically fall back on the dangers of 'putting all our eggs in one basket'. At present, the Paris agenda legitimises this behaviour by giving a seal of approval to any aid modality that permits a degree of harmonisation of procedures under some measure of country leadership. This needs to change.

Second, some donors that consider themselves advanced practitioners of aid alignment are engaging in conditionality practices within their budget support operations that are inconsistent with the spirit, if not the letter, of the Paris Declaration. In international development folklore, the International Monetary Fund (IMF) and the World Bank are the big bad wolves in the conditionality forest. However, our research in Ghana and Tanzania suggests that the Bank and the Fund have made important headway in reforming their approaches to conditionality, streamlining them and relying much less on traditional ex-ante disbursement conditions. In contrast, bilateral donors of budget support, including the European Commission, continue to require monitoring of agreements with elaborate matrices of policy actions and outcomes. In this context, they are still inclined to try to 'buy' reforms by attaching specific preconditions to disbursement, particularly by using performance-based 'variable tranches'.

In short, micro-management of country policies through conditionality is still the order of the day. This happens, again, because donors are averse to risk. Those taking decisions about budget support don't believe they can justify themselves to ministers without guarantees of some kind. They maintain that detailed monitoring frameworks and tough-sounding conditionalities provide guarantees, even though all experience and research (including in Ghana and Tanzania) indicates that they do not. Again, the text of the Paris Declaration does not help. It focuses on the extent to which conditionalities can be justified in terms of the country's own strategy and review processes – not usually a very constraining requirement, and not inconsistent with very hands-on donor practices.

In curious contrast, the Paris Declaration is commonly read by donors in general as conveying a strong message that they should back off from country policy processes and 'leave these to the country'. This brings us to the theme of political correctness as the enemy of sensible aid alignment practice. 'Back off' is certainly good advice as the flip-side of a misplaced control-orientation. But it is not in any more general sense what the vision of country-owned development requires of donors.

Just as donors cannot responsibly be uninterested

in improving country politics, they certainly should not be disengaged from within-country debates on the form and content of development policies. The case against policy conditionalities is not about the legitimacy of donor involvement in policy discussion. It is about the effectiveness of policy-based disbursement conditions in securing reforms that work. The style and calibre of the engagement matters a great deal, however.

Take civil service reform in Ghana – one of the issues covered by the conditionalities of the budget support group. This is absolutely a topic on which donors should be engaging, not only with government but with Ghanaian intellectuals, pressure groups and opinion leaders at large. But to do those things effectively involves unaccustomed awareness of local political context as well as operational consistency and agility – qualities that donor agencies do manage to acquire in some settings, but exceptionally rather than as a matter of course.

Unfortunately, the Paris Declaration does not help to encourage this sort of engagement. It tends to make donor staff more hesitant about taking up issues considered to be partner country matters. This is a barrier to frank discussion of a host of problems that need constructive attention. They include the aid modality and policy choices just discussed, but also a range of the other institutional issues that affect a country's ability to exercise 'country ownership'.

For example, the Paris Declaration calls for parallel project implementation units (PIUs) to be wound up, and sets specific targets for doing so. But it has also helped to create a climate in which major reasons for the widespread use of parallel PIUs (corruption, ineffectual mainstream systems and project perks) cannot be discussed. They are partner-country matters and it would be 'incorrect' for donors to get too deeply involved in them. Since there are also donor-related reasons for the popularity of such units (national flag-planting and illusions of control), this key topic is seldom subjected to the serious, action-oriented discussion it desperately needs.

The 'back off' messages conveyed by the Paris Declaration need to become more specific and more binding in the areas where they really apply. They should be matched by equally strong signals to donors to get more engaged: get better informed, be more tough-minded on the things that really matter and be prepared to learn and communicate. Such a posture with respect to policy processes would likely increase the chances of donors playing a part directly or indirectly in the changes in political direction required to usher in a country ownership worthy of the name.

Incentives

It follows from these arguments that incentives need far more attention on both sides of the aid relationship. Abandoning the quest for guarantees is hard for donors because they have strong incentives to

avoid risks (or at least give the appearance of doing so). Giving proper attention to institutional problems is difficult because disbursing larger and larger aid budgets is so much easier to sell politically. Within recipient countries, taking ownership of development efforts is unattractive for politicians, whether presidents or parliamentarians, because getting re-elected is a complicated business in which slicing up the national cake is usually more important than enlarging it. The division of labour in which donors do development and politicians do politics is not inconvenient from the point of view of those in power. That is only true in the short term perhaps, but the short term is what counts.

These things are not set in stone, however. If the international community were prepared to recognise the role of perverse incentives in the current aid set-up, there would be some hope of more collaborative and therefore more effective actions to take things forward. The country-level changes may appear intractable, but this is only because no one is devoting any brainpower to achieving the transition from political incentives that undermine development to political incentives that promote development. In this respect, a viable alternative to the so-called good-governance agenda is long overdue. This is a research gap being addressed by the ODI-led and DFID- and ABIA-funded Africa Power and Politics Programme (www.institutions-africa.org).

What it would take to get more conducive donor incentives should not be underestimated either, so long as bilateral agencies are politically led (and big bilaterals determine the policies of the big multilaterals). An intellectually attractive idea is to regard aid as in some ways equivalent to the operations

of a central bank, and argue for equivalent measures to insulate it from harmful political pressures. However, it is probably realistic to assume that politics will continue to drive aid. That being the case, development agencies and other participants in the public policy debate in the North should take far greater responsibility than they do now for shaping the factors that determine their own incentives. Rather than taking aid modalities as inevitably constrained by what the Minister can defend in parliament, they should be educating parliaments, the public and themselves on what it takes to turn aid into worthwhile development, so that in future it becomes politically as easy to do the right thing as to do the safe thing.

Implications for Accra

Many of the issues raised by our research are for attention in the medium and long term. They are unlikely to be picked up in Accra because they involve a sea-change in thinking. However, it would be a step in the right direction if a majority of delegates were to come to the view that:

- ownership is about political commitment, not the technical quality of planning systems;
- alignment is not single-stranded: donors need to be put under greater pressure to 'let go' but also to engage more, in more intelligent ways; and
- incentive change needs much more attention, on both sides of the aid relationship.

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References and useful resources

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- World Bank, BMZ and GTZ (2007) *Minding the Gaps: Integrating Poverty Reduction Strategies and Budgets for Domestic Accountability*. Washington, DC: World Bank.

Useful resources

- ODI's Politics and Governance programme:
http://www.odi.org.uk/PPPG/politics_and_governance
- Africa Power and Politics Programme:
www.institutions-africa.org

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