

# **Improving Aid Effectiveness to Promote Development**

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The logo of the Asian Development Bank (ADB), consisting of the letters "ADB" in a white, serif font, centered within a dark blue square.

ADB

# Sources of Official Development Assistance

- ❖ **Official development assistance** (ODA) is defined as government aid (made up of grants or concessional loans) to developing countries designed to promote the economic development and welfare of recipient countries.
- ❖ Sources of ODA:
  - OECD-DAC Development Assistance
  - Non-DAC or Non-traditional Development Assistance

# OECD-DAC

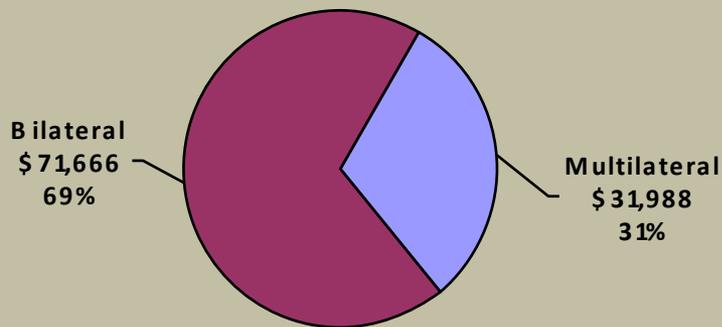
- ❖ The DAC, set up in 1960, is the Development Assistance Committee of the OECD. It is a key forum of major bilateral donors working together to increase the effectiveness of their common efforts to support sustainable development. The DAC concentrates on two key areas:
  - how international development co-operation contributes to the capacity of developing countries to participate in the global economy, and
  - the capacity of people to overcome poverty and participate fully in their societies.
- ❖ Its members are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the UK, the US and the European Commission.

# OECD-DAC Development Assistance

- ❖ **Multilateral ODA** comprises the contributions made to multilateral organizations that are completely unearmarked and can be used anywhere.
- ❖ **Bilateral ODA** includes all other activities that are eligible to be counted as ODA, including earmarked funding which is given to a multilateral organization.
- ❖ Total 2007 ODA from DAC members: \$103.7 billion (US\$32.0 multilateral and US\$71.7 bilateral)

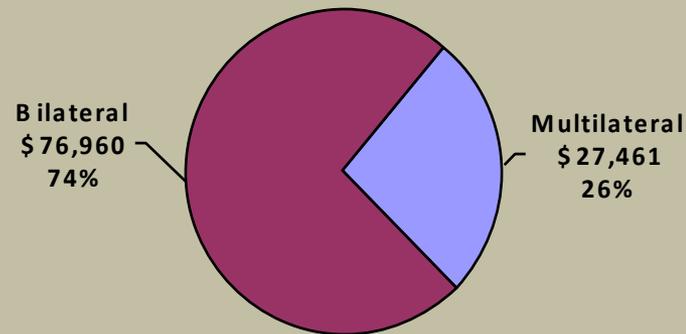
# OECD-DAC Development Assistance

2007 ODA  
(in \$ millions)  
(Provisional)



■ Multilateral ■ Bilateral

2006 ODA  
(in \$ millions)



■ Multilateral ■ Bilateral

# OECD-DAC Development Assistance

## ❖ Role of Multilateral Assistance

- Overarching aim is poverty reduction and achievement of the MDGs. Issues such as health, gender equality, climate change, and support for fragile states are stressed as multilateral priorities.
- Effectiveness and efficiency are emphasized in engagement with multilaterals and reform is a priority.
- The common reasons for, and advantages of, engagement with multilateral institutions are economies of scale, know-how, political neutrality, providers of public goods, and a lower burden placed on donors and partner countries.

## ❖ Principal Categories of Multilateral Assistance

- Multilateral development banks (MDBs), including the World Bank Group and its International Development Association (IDA), and the regional development banks and their soft loan windows
- Agencies, funds and commissions of the United Nations (UN)
- European Commission – EC (covering European Union Member States)

# Non-DAC or Non-Traditional Development Assistance

- ❖ Non-DAC/Non-traditional Donors
  - Saudi Arabia, Iran, South Korea, India and China, new EU members – close to 40 non-DAC donors
- ❖ Objectives of Non-traditional Assistance
  - Emerging donor development assistance programs emphasize partnership and south-south cooperation, and emerging donors seem reluctant to be seen as reproducing traditional donor-recipient hierarchies.
  - Their programs emphasize mutual benefits, which contrasts with the traditional donor debate over recipient need versus donor interests.
  - Emerging donors tend to stress local stability and strategic interests.

# Non-DAC or Non-Traditional Development Assistance

- ❖ For nontraditional donors, there is an absence of comprehensive and coherent data on development assistance; data are unreliable or not publicly available.
  - China's level of assistance - If loans are included the number reaches as high as US\$10 billion. Main areas of support are research for development and training to enhance research capacity.
  - India's level of assistance – Reports suggest that current aid levels are roughly US\$1 billion. Main areas of support are training and education.
- ❖ Future role of non-DAC and nontraditional donors
  - Stronger engagement and additional availability of financing for development to help towards achievement of the MDGs
  - Strengthened support for ODA via partnerships internationally (partnership agreements with countries) and domestically (through NGOs, private sector)
  - More active representation in international agencies and participation in a structured and sustained dialogue among donors to influence global development agenda

# Rationale of Aid

## The Millennium Development Goals (MDGs)

- ❖ The MDGs are the world's time-bound and quantified targets for addressing extreme poverty in its many dimensions—income poverty, hunger, disease, lack of adequate shelter, and exclusion—while promoting gender equality, education, and environmental sustainability. They are also basic human rights—the rights of each person on the planet to health, education, shelter, and security as pledged in the Universal Declaration of Human Rights and the UN Millennium Declaration.
  - Goal 1. Eradicate Extreme Poverty and Hunger
  - Goal 2. Achieve Universal Primary Education
  - Goal 3. Promote Gender Equality and Empower Women
  - Goal 4. Reduce Child Mortality
  - Goal 5. Improve Maternal Health
  - Goal 6. Combat HIV/AIDS, Malaria and other diseases
  - Goal 7. Ensure Environmental Sustainability
  - Goal 8. Develop a Global Partnership for Development
- ❖ Each of the goals has a set of targets and indicators for monitoring progress. In total, there are 21 targets and 60 indicators.

# MDGs: Where are we in the Asia and Pacific Region?

- ❖ **Goal 1:** Most of ADB's DMCs are on track to achieve this goal. However, about 1.9 billion people still live on less than \$2 a day, and over 620 million survive on less than even \$1 a day (from 947.5 million in 1990).
- ❖ **Goal 2:** Globally, the total number of children of primary school age who were out of school fell from 103 million in 1999 to 75 million in 2006, despite an overall increase in the number of children in this age group. In Southern Asia, the enrolment ratio has climbed to 90 per cent, yet more than 18 million children of primary school age are not enrolled.
- ❖ **Goal 3:** Most of the Asia and Pacific economies have already achieved the target for gender equality in primary school enrollment, a slightly lower number have done so in secondary school enrollment, while fewer have done so in tertiary education enrollment.

# MDGs: Where are we in the Asia and Pacific Region?

- ❖ **Goal 4:** Ten Asia and Pacific economies are expected to achieve the target for child mortality by 2015 but 15, including two of the most populous, are unlikely to do so.
- ❖ **Goal 5:** In the Asia and Pacific region, maternal mortality can range from as low as 1 in Hong Kong, China to as high as 1,800 in Afghanistan per 100,000 live births; in many other economies, less than 150 women die in childbirth.
- ❖ **Goal 6:** In most Asia and Pacific economies for which data are available, less than 1% of the population is reported as suffering from HIV. Malaria is highly prevalent in a few Pacific economies. Most economies have been successful in reducing the spread of tuberculosis but infection rates are rising in seven Central and West Asian economies.

# MDGs: Where are we in the Asia and Pacific Region?

- ❖ **Goal 7:** Asia and the Pacific accounts for 75 per cent of the world's rural population and 63 percent of the urban population who do not have access to safe sanitation – 1.9 billion in total.
- ❖ **Goal 8:** The debt problems of developing countries need to be addressed through global partnerships, and debt should be made sustainable in the long term. ODA continued to drop from an all-time high of \$107.1 billion in 2005 to \$103.7 billion in 2007. The relative weight of debt service has been falling since 1990 in most Asia-Pacific economies for which data are available.

# Has Aid Been Effective in Reducing Poverty?

## ❖ Opposing arguments

- Pro-aid
- Anti-aid

## ❖ Weaknesses of Aid

- overall poverty can't be ended by a comprehensive package of "things" like malaria medicines and clean water
- planners at the top don't have enough feedback from the poor, incentives for implementation, or accountability for results to make the plans work
- weak link between spending and results, such as the 30 percent to 70 percent of government-provided medicines that disappeared before reaching patients in surveys of low-income aid recipients
- nobody being held accountable for failures

# Global Efforts to Make Aid Effective

## ❖ Problems and Challenges

- Amounts, number of donors, lack of harmonization, different donor requirements, need to reduce transaction costs, need to ensure country ownership and demonstrate results

## ❖ The Response

- Bilateral donors, the MDBs →→ OECD-DAC and MDB Technical Working Groups and Roundtable
- Harmonizing practices, procedures and policies
- Aligning with country development agendas
- Improving donor coordination
- Managing for development results

# Rome High Level Forum on Harmonization

## Rome, Italy – 24-25 February 2003

- ❖ Main purpose – to improve the management and effectiveness of aid and to take stock of concrete progress, and thereby contribute to meeting the MDGs
- ❖ Main outcome – **The Rome Declaration on Harmonization**
  - adapting to the country context and alignment with countries' priorities
  - streamlining donor procedures and practices
  - adapting institutions' and countries' policies, procedures, and practices to facilitate harmonization
  - implementing good practices principles and standards as the foundation for harmonization

# From Rome to Paris

- ❖ Setting up of Working Party on Aid Effectiveness and Donor Practices (WP-EFF) and its Joint Ventures
  - to facilitate, support, and monitor progress on harmonization and alignment, establish priorities, and carry out cross-cutting work
- ❖ Role and outputs of the MDB Technical Working Groups and Roundtable
  - MDB Technical Working Groups – to advance technical work on specific and well-focused work programs such as financial management, procurement, environment assessments, and analytic work, and to focus on implementation
  - MDB Roundtable – to discuss and coordinate harmonization efforts

# Second High Level Forum on Aid Effectiveness (HLF-2)

Paris, France – 28 February-2 March 2005

- ❖ Main purpose – part of the global effort to move toward achieving the MDGs by using aid resources more effectively to promote sustainable broad-based growth and poverty reduction. The Forum reviewed progress in harmonization, alignment, and managing for results and charted a course for the coming years.
- ❖ Attendance – over 100 ministers of developed and developing countries, heads of multilateral and bilateral development institutions, and other senior officials
- ❖ Main outcome – **The Paris Declaration on Aid Effectiveness**
  - ownership
  - alignment
  - harmonization
  - managing for results
  - mutual accountability

# Second High Level Forum on Aid Effectiveness (HLF-2)

Paris, France – 28 February-2 March 2005

- ❖ Why was Paris different and significant?
  - The Paris Declaration goes beyond previous agreements.
  - Twelve indicators to monitor progress in achieving results.
  - The Paris Declaration creates stronger mechanisms for accountability.

# From Paris to Accra

- ❖ OECD Surveys on Monitoring the Paris Declaration
  - First round of monitoring (2006) – 34 countries
  - Second round of monitoring (2008) – 54 countries
- ❖ OECD-DAC Evaluation Network
  - two-phase independent evaluation of the implementation of the Paris Declaration commitments
  - overall purpose: to assess the relevance and effectiveness of the Paris Declaration and its contribution to aid effectiveness and ultimately to development effectiveness
- ❖ Localization of the Paris Declaration
  - Viet Nam - Hanoi Core Statement (HCS)
  - Cambodia - Cambodia Declaration on Enhancing Aid Effectiveness
  - Lao PDR - Vientiane Declaration on Aid Effectiveness
  - Pacific Island Countries - Pacific Principles on Aid Effectiveness
  - Philippines - implementation of the Paris Declaration through a Technical Assistance Project
  - Kyrgyz Republic - Joint Country Support Strategy (JCSS)

# Third High Level Forum on Aid Effectiveness (HLF-3)

## Accra, Ghana – 2-4 September 2008

- ❖ Main purpose – to take stock of progress in implementing the Paris Declaration and plan continued and intensified efforts
- ❖ Attendance – ministers and parliamentarians from 130 partner and donor countries, 40 international bilateral and multilateral development organizations, representatives from over 80 civil society organizations, and over 100 representatives from the private sector, think tanks, research institutes and foundations (26 partner countries from the Asia and Pacific region were represented)
- ❖ Main outcome – **The Accra Agenda for Action**
  - three major challenges to accelerating progress on aid effectiveness: (i) enhanced country ownership, (ii) building more effective and inclusive partnerships, and (iii) achieving development results and being accountable for them
  - impact of the changing aid architecture on the aid effectiveness agenda
  - actions going forward

# ADB's Efforts in Enhancing Aid Effectiveness

- ❖ action plan on harmonization, alignment and ownership
- ❖ managing for development results (MfDR) action plan
- ❖ cosponsoring Rome, Paris and Accra high-level forums
- ❖ assisting partner countries in localizing the Paris Declaration
- ❖ incorporating the Paris Declaration principles within both its operations and its strategic planning
- ❖ conducting own monitoring surveys on implementation of the Paris Declaration
- ❖ volunteering in the OECD-DAC-led independent evaluation of the implementation of the Paris Declaration.
- ❖ Development Effectiveness Review

# Conclusions

- ❖ The quality of aid is as important as its volume, and aid effectiveness is central to the development agenda.
- ❖ We may criticize where aid has failed, but we also need to build on rather than just dismiss where it has succeeded, and where new initiatives show promise.
- ❖ We need to allocate more aid to countries that are implementing sensible development strategies and are seriously committed to development. Aid agencies need to move away from one-size-fits-all approaches, and work differently across countries.
- ❖ Aid agencies need to set clear goals for their projects and programs, announce these publicly, and be evaluated independently on their progress.
- ❖ Only then will we create the right incentives for success, and learn better what works, what doesn't work, and why.