

**INTERNATIONAL DEVELOPMENT:
THE AID EFFECTIVENESS DEBATE**

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OVERVIEW

Aid effectiveness has become a central theme both in international debates on development assistance and in Canadian development policy. The aid effectiveness approach focuses on improving the quality and efficiency of foreign aid – how aid can best be designed, delivered, and managed to make effective contributions to the achievement of broad development goals, such as economic growth and poverty reduction. There has been an increasing focus in Canada and internationally on the need to reform international assistance to ensure effective and enduring results from aid spending, and to manage this assistance in genuine partnerships with developing countries.

All of these principles have assumed increasing prominence in Canadian development policy. In 2002, the Canadian International Development Agency (CIDA) released a statement on strengthening the effectiveness of its aid policies – *Canada Making a Difference in the World* – which included goals of greater focus in bilateral programming directed towards “enhanced partnership” countries and the needs identified by those recipient countries; more reliance on aid targeted to specific sectors; enhanced coherence with respect to the full range of Canadian policies affecting recipient countries; and more effective approaches to delivery.⁽¹⁾ In its 2007 Budget, the Government of Canada stated that “it is not enough to simply add new money; we need to make our existing aid resources work more effectively. ... Canadians want to know what our aid is intended to do, and want to see results.”⁽²⁾ The budget included a three-point plan to improve the effectiveness of Canada’s international assistance: strengthening the focus of bilateral aid by providing assistance in fewer countries; improving efficiency

(1) Canadian International Development Agency [CIDA], *Canada Making a Difference in the World: A Policy Statement on Strengthening Aid Effectiveness*, September 2002, <http://www.acdi-cida.gc.ca/CIDAWEB/acdicida.nsf/En/STE-32015515-SG4>.

(2) Department of Finance Canada, Chapter 6, “A Safer Canada: Building a Stronger Canada in a Modern World,” in *The Budget Plan 2007*, 19 March 2007, p. 262, <http://www.budget.gc.ca/2007/plan/bptoc-eng.html>.

through reduced administrative costs and increased deployments of Canadian staff in the field; and increasing accountability through independent evaluations of and more frequent reporting on Canadian aid programs.⁽³⁾ Some of these measures were elaborated on in government announcements in 2009, which included a new list of 20 countries of focus for bilateral assistance as well as three priority themes.⁽⁴⁾ There has also been an increasing emphasis on the principles of aid effectiveness internationally, reflecting agreement that the architecture of international development assistance has been flawed. This consensus led to the 2005 *Paris Declaration on Aid Effectiveness*, endorsed by Canada and more than 100 other donor and recipient governments.⁽⁵⁾ The declaration and the subsequent 2008 Accra Agenda for Action⁽⁶⁾ advance key reforms intended to improve the design, delivery, and management of aid. These principles – ownership, alignment, harmonization, results management, and accountability – will be discussed in the sections that follow.

BACKGROUND⁽⁷⁾

In 2008, official development assistance (ODA) transfers from member states of the OECD Development Assistance Committee to the developing world were approximately

(3) Ibid.

(4) In making one of these announcements, the Minister of International Cooperation confirmed that approximately 15% of CIDA staff would be reallocated from headquarters in Ottawa to field missions. CIDA, “A New Effective Approach to Canadian Aid: Speaking Notes for the Honourable Beverley J. Oda, Minister of International Cooperation, at the Munk Centre for International Studies,” Toronto, 20 May 2009, <http://www.acdi-cida.gc.ca/CIDAWEB/acdicida.nsf/En/NAT-5208469-GYW>.

(5) Organisation for Economic Co-operation and Development [OECD], *Paris Declaration on Aid Effectiveness: Ownership, Harmonisation, Alignment, Results and Mutual Accountability*, Paris, 2005, http://www.oecd.org/document/6/0,3343,en_2649_3236398_18638150_1_1_1_1,00.html.

(6) OECD, *Accra Agenda for Action*, Accra, Ghana, September 2008, http://www.oecd.org/document/6/0,3343,en_2649_3236398_18638150_1_1_1_1,00.html.

(7) The following is a selection of recently published sources that debate the efficacy of international development assistance: William Easterly, “The Utopian Nightmare,” *Foreign Policy*, September–October 2005, <http://www.nyu.edu/fas/institute/dri/Easterly/File/utopian%20nightmare%20FP.pdf>; United Nations Millennium Project, *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals*, 2005, <http://www.unmillenniumproject.org/reports/index.htm>; Paul Collier, “Assisting Africa to Achieve Decisive Change,” Centre for the Study of African Economies, Oxford University, revised November 2006, <http://users.ox.ac.uk/~econpco/research/pdfs/AssistingAfricatoAchieveDecisiveChange.pdf>; Steven Radelet, “A Primer on Foreign Aid,” Center for Global Development, Working Paper No. 92, July 2006, <http://www.cgdev.org/content/publications/detail/8846>; Stephen Brown and Bill Morton, “Reforming aid and development cooperation: Accra, Doha and beyond,” *Policy Note*, The North-South Institute, August 2008, http://www.nsi-ins.ca/english/pdf/DAW_policy.pdf.

US\$120 billion, “the highest dollar figure ever recorded.”⁽⁸⁾ In that same year, Canada allocated approximately US\$4.7 billion for ODA. Aid flows have increased in recent years as donors attempt to meet the funding pledges they have made at international development financing conferences and meetings of the Group of Eight (G8) industrialized nations. Most prominently, in 2000, member states of the United Nations (UN) adopted the *Millennium Declaration*, which included a commitment to eight Millennium Development Goals (MDGs).⁽⁹⁾ It was intended that the goals would be achieved by 2015.

In this context, and in response to criticisms and perceptions that aid has not always been efficiently allocated or achieved its intended results, there has also been increasing emphasis on the need to reform the architecture of international aid. Critics have cited instances of mismanagement and inconsistent progress towards international development goals despite years of foreign aid spending. They have also focused on the degree to which foreign aid has traditionally been donor-driven, and on the need for greater alignment of programs with the priorities and strategies of developing countries.

THE 2005 PARIS DECLARATION ON AID EFFECTIVENESS

Representatives of donor and recipient governments and heads of multilateral development institutions came together in 2005 to forge the *Paris Declaration on Aid Effectiveness* in an effort to address long-standing aid-related issues and to formally recognize principles of aid effectiveness, many of which had been the subject of policy discussions in the international community since the mid-1990s.

(8) OECD, “Development aid at its highest level ever in 2008,” 30 March 2009, http://www.oecd.org/document/35/0,3343,en_2649_34487_42458595_1_1_1_1,00.html. According to the OECD definition, official development assistance (ODA) includes grants or loans “which are: (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective; (c) at concessional financial terms [if a loan, having a Grant Element of at least 25 per cent]. In addition to financial flows, Technical Co-operation is included in aid. Grants, Loans and credits for military purposes are excluded”: OECD, Development Co-operation Directorate, “DAC’s Glossary,” http://www.oecd.org/glossary/0,3414,en_2649_33721_1965693_1_1_1_1,00.html#1965422.

(9) The Millennium Development Goals are these: by 2015, to halve extreme poverty and hunger; to achieve universal primary education; to promote gender equality and empower women; to reduce child mortality; to improve maternal health; to combat HIV/AIDS, malaria and other diseases; to ensure environmental sustainability; and to develop a global partnership for development. See United Nations, *End Poverty 2015: Millennium Development Goals*, <http://www.un.org/millenniumgoals/>.

The Paris Declaration is an agreement among governments and multilateral development institutions on the following principles of aid effectiveness:

- **Ownership.** Recipient countries should be the architects of their development processes, setting development priorities and coordinating development activities in their countries. Donors commit to supporting this ownership and helping to build recipient country capacity.
- **Alignment.** Donors need to align their aid spending and programs with recipient countries' systems and procedures (to the maximum extent possible). The intention is to build the capacity of recipient country systems. In turn, recipients should improve transparency and their systems of public management. Alignment has raised issues with respect to the advantages of increasing the use of program-based aid (discussed below).
- **Harmonization.** Donors need to coordinate their efforts. This includes using common arrangements and procedures for planning, funding, and reporting (where feasible). Donors also need to simplify procedures and reduce the number of duplicative missions and reviews.
- **Managing for Results.** Aid should be implemented in a way that focuses on results, results-oriented reporting, and performance assessments.
- **Mutual Accountability.** Donors and recipients need to enhance mutual accountability in the use of development resources. Recipients should strengthen the role and oversight of their parliaments; donors need to provide timely information to recipients on aid flows.⁽¹⁰⁾

Many of the international governmental efforts to improve aid effectiveness since 2005 have been centred on the Paris Declaration's indicators, which were intended to achieve the targeted results by 2010. The declaration's five principles are discussed in detail below.

POLICY COHERENCE FOR DEVELOPMENT

Discussions of aid effectiveness have often been anchored by the concept of policy coherence for development, the idea that the policies and initiatives from across a government's portfolio, not just its aid policies and spending, should take into consideration issues relevant to international development, in order to forge a coherent approach to this broad set of issues. Indeed, trade policies, technology transfers, foreign direct investment, and

(10) OECD, Paris Declaration (2005).

migration policies, among others, all have a significant, and in certain cases greater, impact on developing countries.⁽¹¹⁾ A focus solely on foreign aid can overlook the bigger picture of a state's involvement in the broader issues affecting countries in the developing world. For example, for a developing country, the gains associated with increased foreign investment or remittance flows can far outweigh those resulting from foreign aid. The OECD has argued, therefore, that policies across governments, not just those specifically labelled as “international development policies,” need to be “mutually supportive of the countries’ development goals.”⁽¹²⁾

One example of a best practice in this area exists in Sweden, which has adopted legislation to ensure greater coherence in its approach to international development. The Swedish government recognized that many development challenges are complex and relate to a host of other issues, and it declared that all policy areas “must find ways to strengthen Sweden’s contribution to [its overarching objective of] equitable and sustainable global development.”⁽¹³⁾ The areas of conflict management, trade and investment policy, migration policies, public health policies, and environmental policies would be among those implicated.⁽¹⁴⁾

NATIONAL OWNERSHIP OF THE DEVELOPMENT PROCESS⁽¹⁵⁾

Many developing countries have demanded a balancing of the power relationship between donors and recipients. The principle of national ownership – the first in the Paris Declaration – holds that international development assistance should facilitate, not determine, local development. It proposes that recipient countries should lead the development process and take responsibility for their national development, and that their governments must also ensure that their policies enjoy broad-based legitimacy by involving other societal actors in their development.

(11) OECD, “Policy Coherence for Development,” <http://www.oecd.org/development/policycoherence>.

(12) Ibid.

(13) Government Offices of Sweden, “Sweden’s policy for global development,” <http://www.sweden.gov.se/sb/d/3102/a/18434>.

(14) Government Offices of Sweden, *Shared Responsibility: Sweden’s Policy for Global Development*, Ministry of Foreign Affairs, Government Bill 2002/03:122, 15 May 2003, <http://www.sweden.gov.se/sb/d/574/a/24520>.

(15) For a general discussion of the concept of national ownership, see the following sources: “The Paris Declaration: Towards Enhanced Aid Effectiveness?” *Reality Check* [Reality Check], January 2007, http://www.realityofaid.org/downloads/RC_Jan07.zip; Sam Sharpe, Adrian Wood and Ellen Wratten, “U.K.: More Country Ownership,” *Finance and Development*, Vol. 42, No. 3, September 2005, <http://www.imf.org/external/pubs/ft/fandd/2005/09/sharpe.htm>.

Increased recipient country leadership is tied to relevance and sustainability. To be truly effective, aid should facilitate nationally established priorities and strategies and contribute to lasting change. If results are fleeting and largely dependent on international actors, rather than led by country systems, they are less likely to endure. In turn, the Paris Declaration promotes a commitment by developing countries to measures that will ensure that systems for managing aid are effective, accountable, and transparent.⁽¹⁶⁾

Even so, the concept of national ownership has been invoked in criticisms of the Paris Declaration, owing to the declaration's silence, for example, on the role in development of civil society organizations (CSOs) and its perceived emphasis on the role of governments. CSOs in Canada have argued that they and their counterparts, as "development actors in their own right," can strengthen democratic accountability, provide for the greater involvement of a range of societal actors in the development process, including poor and marginalized groups, place greater emphasis on local communities, and stimulate innovations in approaches to development.⁽¹⁷⁾ The Government of Canada has been very supportive of the need to recognize this role. Some observers have also criticized the Paris Declaration for what they argue is its narrow conception of national ownership in overlooking the perspectives, roles, and agendas of women in development. The Paris Declaration contains only one reference to gender equality.⁽¹⁸⁾

ALIGNMENT

Aligning international assistance with recipient country systems is intended to strengthen local capacity in service delivery, public financial management, procurement, and

(16) OECD, Paris Declaration (2005), paras. 19–28.

(17) For these arguments, see Reality Check (2007); also, Canadian Council for International Co-operation [CCIC], "The Paris Declaration on Aid Effectiveness: Donor Commitments and Civil Society Critiques," Backgrounder, May 2006, http://www.ccic.ca/e/docs/002_aid_2006-05_paris_declaration_backgrounder.pdf.

(18) For this argument see, for example, the Association for Women's Rights in Development (AWID) and Women in Development Europe Network (WIDE), "Making Women's Rights and Gender Equality a Priority in the Aid Effectiveness Agenda," *Aid Effectiveness and Women's Rights Series*, Primer No. 5, 2008, <http://www.awid.org/eng/content/download/23022/291103/file/Primer5.pdf>; and Association for Women's Rights in Development, "An Overview of the Paris Declaration on Aid Effectiveness and the New Aid Modalities," *Aid Effectiveness and Women's Rights Series*, Primer No. 1, <http://www.awid.org/eng/content/download/23018/291051/file/Primer1.pdf>.

evaluation.⁽¹⁹⁾ One of the main debates around alignment considers the advantages of program aid as opposed to project aid.

A. Project-based Aid

Project aid refers to traditional stand-alone projects, such as a school or an irrigation project. Projects target funds at a specific purpose, and they can be executed autonomously from other development initiatives. Accountabilities are tied specifically to projects, which are often highly controlled by donor agencies and experts. As a result, projects have been criticized for requiring less local ownership. When foreign experts leave or when funding ends, the impact of the project may not be sustained. Projects can also increase administrative costs and the reporting burden for recipient countries. Moreover, depending on the circumstances, limited donor collaboration on projects can lead to duplication and fragmentation – a patchwork approach to development.⁽²⁰⁾

Nevertheless, donors still use project-based aid, since it is relatively easy to monitor and evaluate, and can be targeted to alleviate a specific problem in a developing country (e.g., access to clean drinking water). It can provide positive results in countries with weak capacity and institutions, where program-based aid may be less suitable. Projects also offer visibility, which can be useful in promoting results in both the recipient country and back home. Therefore, while it is argued that an emphasis on project-based funding can sacrifice efficiency and overall aid effectiveness, it is accepted that it does offer greater donor control.⁽²¹⁾

B. Program-based Aid

Program-based aid is designed to be aligned more closely with recipient country strategies and systems. Programs can support a sector framework – referred to as a sector-wide approach – targeting such sectors as education or health care. Sectors can also be broken down from broad categories (e.g., health) into more specific ones (e.g., HIV/AIDS). This type of

(19) According to the Paris Declaration (para. 17), “Country systems and procedures typically include, but are not restricted to, national arrangements and procedures for public financial management, accounting, auditing, procurement, results frameworks and monitoring.”

(20) Réal Lavergne and Anneli Alba, “CIDA Primer on Program-Based Approaches,” Analysis and Research Division, Policy Branch, CIDA, 5 August 2003, pp. 2–3, <http://www.oecd.org/dataoecd/55/17/31448829.pdf>.

(21) Ibid.

funding can also be linked to particular policies (e.g., as expressed in a country's poverty reduction strategy paper) or to thematic programs that cut across sectors (e.g., gender equality).

A CIDA document describes the key principles of a program-based approach to development: leadership must come from the host country; there must be “a single program and budget framework”; donor efforts should be coordinated and procedures harmonized; and there should be “efforts to increase the use of local procedures over time with regard to program design and implementation, financial management, and monitoring and evaluation.”⁽²²⁾ This approach can also involve the coordination and funding of a series of projects under the program's umbrella. It is felt, therefore, that programs facilitate alignment with local systems, can strengthen local capacity and donor collaboration, and can lessen administrative burdens and transaction costs. Canada has increased its use of program aid in recent years from 5% in 2001–2002 to 24% in 2005–2006.⁽²³⁾

C. Direct Budget Support

Direct budget support is an emerging form of program aid. Financial aid is provided directly to the central treasury of the recipient country “to spend using its own financial management, procurement and accountability systems,” through either general budget support or earmarked funds for specific sector support.⁽²⁴⁾ Funding is more predictable and aligned with the budgetary cycle and needs of recipient countries. It also comes with fewer administrative and transaction costs. Budget support is, therefore, seen as increasing the efficiency of international assistance and the national ownership of the development process. Funds are often accompanied by accountability mechanisms, such as a memorandum of understanding, agreed procedures for monitoring performance, and programs to strengthen recipients' management of public funds.⁽²⁵⁾

(22) Ibid., p. 2.

(23) Organisation for Economic Co-operation and Development, Development Assistance Committee [OECD-DAC], *Canada: Development Assistance Committee (DAC) Peer Review*, 2007, p. 38, http://www.oecd.org/document/60/0,3343,en_33873108_33873277_39509628_1_1_1_1,00.html.

(24) United Kingdom, Department for International Development, *Poverty Reduction Budget Support, A DFID policy paper*, May 2004, p. 3, <http://www.dfid.gov.uk/pubs/files/prbspaper.pdf>.

(25) “General Budget Support: General Questions and Answers,” *The Joint Evaluation of General Budget Support 1994–2004: Thematic Briefing Papers*, Thematic Briefing Paper No. 6, March 2007, <http://www.oecd.org/dataoecd/13/55/38339341.pdf>.

The United Kingdom is a strong advocate of the provision of direct budget support, which represents an estimated 20% of the country's bilateral programming.⁽²⁶⁾

However, there are concerns about direct budget support. Donors have approached this method with caution, often employing budget support as a smaller proportion of their overall basket of project- and program-based aid. In particular, there are ongoing debates regarding public sector capacity – whether recipients have robust institutions and sufficient accountability mechanisms to manage this direct pool of funding. Critics highlight the potential for mismanagement of funds and point out that it is more difficult for donors to ensure the accountability of budget support, which becomes part of a recipient's central revenue stream, than a contained project. Some observers would also argue that budgetary support strengthens only the recipient's public sector, not the private sector and non-governmental actors.

D. Tied Aid

Tied aid is aid that must be used for the procurement of donor or specified-country goods, services, or technical expertise. Tied aid has been criticized for being inefficient and donor-driven.⁽²⁷⁾ While it can provide economic benefits to donors, tied aid increases procurement costs for developing countries, can decrease the timeliness of aid delivery, and is generally thought to minimize the net impact of aid. This is especially true in the case of food aid. In 2001, members of the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC), a body which includes Canada, agreed to a recommendation to untie members' bilateral ODA to least developed countries and highly indebted poor countries.⁽²⁸⁾ In 2004, Canada provided 43% of its bilateral assistance as tied aid, compared with the Netherlands, at 11%, and Norway and the United Kingdom, whose tied aid was "effectively at zero."⁽²⁹⁾ As of 2006, OECD-DAC members' average tied aid component was approximately 5.4% of bilateral assistance. Since 2005, however, Canada has made

(26) OECD-DAC, *United Kingdom (2006), DAC Peer Review: Main Findings and Recommendations*, 2006, http://www.oecd.org/document/43/0,3343,en_2649_34603_36881515_1_1_1_1,00.html.

(27) OECD, *Untying Aid to the Least Developed Countries*, Policy Brief, July 2001, <http://www.oecd.org/dataoecd/16/24/2002959.pdf>.

(28) OECD-DAC, "DAC Recommendation on Untying Official Development Assistance to the Least Developed Countries," as amended, 25 July 2008, DCD/DAC(2007)41/REV1 and DCD/DAC/M(2008)5, [http://webdomino1.oecd.org/horizontal/oecdacts.nsf/linkto/DCD-DAC\(2001\)12](http://webdomino1.oecd.org/horizontal/oecdacts.nsf/linkto/DCD-DAC(2001)12).

(29) Danielle Goldfarb and Stephen Tapp, "How Canada Can Improve Its Development Aid: Lessons from Other Aid Agencies," C.D. Howe Institute Commentary, No. 232, April 2006, pp. 18–19, http://www.cdhowe.org/pdf/commentary_232.pdf.

improvements in this area. In April 2008, the Canadian government announced that it would untie 100% of Canada's food aid,⁽³⁰⁾ and in September 2008, the government announced a plan to fully untie Canada's development assistance by 2012–2013.⁽³¹⁾

DONOR HARMONIZATION AND FOCUS

A. Donor Coordination

The need for greater harmonization among donors has received much attention in the aid effectiveness debate. The development literature is filled with examples of recipient countries that have been overwhelmed by the number of uncoordinated projects, programs, and missions established by multilateral and bilateral donors. As a result, the administrative burden on host countries has sometimes been very high.⁽³²⁾

Harmonization is intended to reduce duplication and transaction costs, particularly with respect to reporting requirements for recipient countries. It aims to coordinate development assistance by increasing the frequency of pooled funding and common arrangements. Efforts are targeted at simplifying donor procedures, harmonizing donor procedures (common arrangements), aligning donor procedures with partner systems (fewer donor-specific requirements), and sharing information between donors.⁽³³⁾

Some observers have argued that harmonization could be advanced by identifying a lead country to coordinate the efforts and contributions of other donors in specific sectors and regions. This idea has also been called “delegated cooperation” or “silent partnerships.” Another example of such pooled efforts would be donors' mutual recognition of procedures, particularly in reporting requirements. Approaches like these can overcome the desire of donors to have national control of project/program design and implementation. They can also lessen the tendency for action based on “herd instincts,” where many donors seek to intervene in “fashionable areas.”⁽³⁴⁾ Other observers, however, have expressed some skepticism over the

(30) CIDA, “Canada Boosts Aid in Response to the U.N. World Food Programme's Global Appeal,” News release, 30 April 2008, <http://www.acdi-cida.gc.ca/acdi-cida/acdi-cida.nsf/eng/NAT-430104936-KE3>.

(31) CIDA, “Canada Fully Unties its Development Aid,” News release, 5 September 2008, <http://www.acdi-cida.gc.ca/acdi-cida/ACDI-CIDA.nsf/eng/NAT-9583229-GQC>.

(32) OECD, *2008 Survey on Monitoring the Paris Declaration: Making Aid More Effective by 2010* (Full report), 2008, pp. 51–55, <http://www.oecd.org/dataoecd/58/41/41202121.pdf>. See also, Roger C. Riddell, *Does Foreign Aid Really Work?* Oxford University Press, Oxford, 2007, pp. 360–61.

(33) OECD, *Harmonising Donor Practices for Effective Aid Delivery*, DAC Guidelines and Reference Series, 2003, <http://www.oecd.org/dataoecd/0/48/20896122.pdf>.

(34) Riddell, *Does Foreign Aid Really Work?* (2007), pp. 188–89 and pp. 360–61.

likelihood that full donor harmonization will be realized in the near term. Stephen Brown and Bill Morton of the North-South Institute recently wrote that the Paris Declaration “overestimates donors’ ability to agree amongst themselves and their willingness to relinquish influence over policy directions and development models.”⁽³⁵⁾

The Paris Declaration calls for 40% of all donor missions to be conducted jointly by 2010. However, the OECD found recently that more than 14,000 donor missions were active in 55 countries: for example, Vietnam recorded a total of 752 donor missions, only 17% of which were coordinated, and Niger reported that only 15% of the donor missions in that country were coordinated. Canada reported that 15% of its missions were joint in 2007. Overall, the total number of coordinated donor missions increased slightly from 18% in 2005 to 20% in 2007.⁽³⁶⁾

B. Emerging Development Actors

The emergence of new donors brings certain challenges. For example, the expansion of the bilateral aid programs of a number of countries outside of the group of traditional donors, with China, Brazil, India, and Saudi Arabia leading the way,⁽³⁷⁾ highlights the challenges around greater donor coordination. Another emerging type of donor is global funds, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria, a prominent example. While funds such as these have had very positive results, galvanizing public attention and increasing funding to address specific problems, they can also trigger a disproportionate targeting of aid flows into certain sectors, and their relative autonomy from other country-level development priorities and strategies brings other challenges.⁽³⁸⁾ The third and perhaps most important new type of development actor is local and international non-governmental organizations (NGOs),

(35) Brown and Morton (2008), p. 5.

(36) OECD, 2008 Survey (2008), pp. 15 and 54; Appendix A, Table A.10a, p. 88; and Appendix C, Table C.6, p. 110.

(37) Ngaire Wood, “Whose Aid? Whose Influence? China, Emerging Donors and the Silent Revolution in Development Assistance,” *International Affairs*, Vol. 84, No. 6, November 2008, pp. 1205–1221. Member states of the OECD-Development Assistance Committee (OECD-DAC), however, still provide a considerable majority of the world’s bilateral development assistance. The OECD-DAC membership currently includes Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States, and the Commission of the European Communities.

(38) OECD, *Reaching Our Development Goals: Why Does Aid Effectiveness Matter?* 2008, p. 19, <http://www.oecd.org/dataoecd/43/31/40987004.pdf>.

whose numbers and range of activities have grown considerably. As of 2004, it was estimated that the total value of NGO “aid-funded activities” was approximately US\$24 billion.⁽³⁹⁾

C. Donor Fragmentation

Many donors have traditionally spread their bilateral assistance over a broad range of countries and sectors. Observers have argued that dispersal can increase both transaction costs and, typically, the proportion of an agency’s funding that must be devoted to administration. In some cases, a donor country’s bilateral aid will be only a very small proportion of a recipient country’s total aid. It has been argued that donor countries may be able to increase the impact of their assistance by focusing on countries with which they have long-standing relationships and where their sectoral expertise is a good match for the challenges facing the partner country.⁽⁴⁰⁾

Some countries have begun to reduce the fragmentation of their assistance. Norway has taken measures to increase the focus of its international assistance, identifying 7 main partner countries and 18 minor partner countries. By 2005, Denmark was devoting 77% of its bilateral geographic assistance to 15 countries. The country’s seven criteria for selecting program countries were established by the Foreign Affairs Committee of Parliament in 1989. It was intended that the list of program countries would be constantly revisited, as the report from the committee specified that if the criteria no longer applied to a partner country, “cooperation should normally be phased out.”⁽⁴¹⁾ Denmark has also developed a comprehensive policy on Africa, as it aims to allocate two thirds of its bilateral assistance to that continent, and it has developed long-term development cooperation with 10 countries in sub-Saharan Africa.⁽⁴²⁾

(39) For a more detailed discussion of this issue, see Riddell, *Does Foreign Aid Really Work?* (2007), pp. 259–310.

(40) William Easterly, “Are Aid Agencies Improving?” *Economic Policy*, October 2007, p. 640.

(41) Ministry of Foreign Affairs of Denmark (DANIDA), *DANIDA’s Annual Report 2005*, October 2006, pp. 124–25, <http://www.um.dk/en/menu/DevelopmentPolicy/DanishDevelopmentPolicy/AnnualReport/>. The criteria include the country’s stage of development and development needs; the relative presence of other bilateral and multilateral donors, “and the ability of the country to utilise the assistance and benefit from it”; the possibility that assistance will facilitate sustainable or long-term development; the possibility of cooperation towards gender equality; previous Danish experience in the country; and “if the above criteria are satisfactorily met, the possibility of promoting the participation of the Danish business sector.”

(42) Denmark, *Africa Strategy: Denmark in Africa – A Continent on Its Way*, August 2007, http://www.um.dk/NR/rdonlyres/BB0A199E-2627-4BF5-9F3E-E24EB9EB651E/0/Afrikastrategi_engelsk.pdf.

In recent years, Canada has been criticized for providing international assistance that is overly dispersed – attempting to do too much in too many countries – which, observers have charged, has limited the net impact of its disbursements. Therefore, many recommendations to improve Canada’s development policies have called for a focus both on a selective list of partner countries, and on fewer (key) sectors. A paper released in 2006 by the C.D. Howe Institute noted that Canada’s share of bilateral aid to its top 25 recipients did not exceed 10% of any recipient’s total bilateral assistance and that, overall, Canada gave some form of aid to 161 countries in the fiscal year 2003–2004.⁽⁴³⁾ Latterly, the government has recognized the need to address this issue. Beginning in 2002, CIDA announced an “enhanced partnership” program to focus new resources on a limited number of least-developed countries. The Martin government’s 2005 *International Policy Statement* further developed this approach by pledging to increase the percentage of all bilateral aid resources that would be allocated to 25 “development partner” countries.⁽⁴⁴⁾

The 2007 OECD-DAC peer review of Canada noted that bilateral allocations to Canada’s top 20 partners was 68% of CIDA’s bilateral geographic aid in 2005–2006, up from 60% in 1999–2000.⁽⁴⁵⁾ Moreover, in keeping with the government’s commitment in the 2007 Budget to strengthen the focus of Canadian aid, the Minister of International Cooperation announced in early 2009 that CIDA would be concentrating approximately 80% of bilateral assistance in 20 countries of focus.⁽⁴⁶⁾ However, despite repeated calls for improved focus in Canada’s international assistance, this announcement was greeted with some controversy. Some observers have criticized the inclusion of seven African countries, compared to CIDA’s previous list of 25 partner countries that included 14 countries from Africa. Others have argued that the list moves towards a greater alignment of development priorities with the government’s trade

(43) Goldfarb and Tapp (2006).

(44) CIDA, *Canada’s International Policy Statement (2005)*, <http://www.acdi-cida.gc.ca/ips>.

(45) OECD-DAC, *Canada: Peer Review* (2007), pp. 36–40.

(46) CIDA, “Canada Moves on Another Element of its Aid Effectiveness Agenda,” 23 February 2009, <http://www.acdi-cida.gc.ca/CIDAWEB/acdicida.nsf/En/NAT-223132931-PPH>. The countries of focus are Ethiopia, Ghana, Mali, Mozambique, Sudan, Senegal, Tanzania, West Bank and Gaza, Ukraine, Bolivia, Caribbean Regional Program, Colombia, Haiti, Honduras, Peru, Afghanistan, Bangladesh, Indonesia, Pakistan, and Vietnam.

priorities (considering the increased number of countries in the Americas) and with geopolitical concerns (e.g., Afghanistan, Pakistan, and Sudan).⁽⁴⁷⁾

In general, while there have been many voices arguing for donors to focus their bilateral assistance in fewer countries, there is little agreement on the criteria that should be adopted to select partner countries. Some observers feel that assistance should be targeted predominantly in the poorest or least developed countries. Others have argued that institutional factors, such as a country's political and economic governance records, should dictate whether that country receives ODA. The United States' Millennium Challenge Corporation, for example, uses this approach. A third method of selecting recipients would focus on countries that are regional economic motors and committed to policies favouring economic growth. Finally, the fourth perspective emphasizes a national interest-based approach to development assistance, where aid would be delivered strategically to countries in key regions of the world (from a geopolitical and economic perspective) or according to security interests and concerns about regional stability. In a May 2009 speech announcing new priority themes for Canada's international assistance, the Minister of International Cooperation stated that the 20 focus countries had been selected "based on their real needs, their capacity to benefit from aid, and their alignment with Canadian foreign policy priorities."⁽⁴⁸⁾

MANAGING FOR RESULTS – THE CHALLENGE OF MEASURING THE EFFECTIVENESS OF AID

Improving aid effectiveness requires the ability to measure the impact of existing programs. Ideally, these evaluations should inform the decisions of aid agencies so that projects can be adapted to the feedback and either tailored to needs, augmented, or reduced.

Measurement is, arguably, the most challenging aspect behind the principles of aid effectiveness. Results can be measured at three levels of analysis: "outputs," "outcomes," and "impacts."

(47) For example, see Lee Berthiaume, "CIDA Shift Married with Foreign Policy Priorities: Oda," *Embassy*, 25 March 2009, http://www.embassymag.ca/page/view/cida_shift-3-25-2009.

(48) CIDA, "A New Effective Approach to Canadian Aid" (20 May 2009). CIDA's three new priority themes are support for food security, sustainable economic growth, and children and youth.

- An output is a direct and quantifiable result from an input. For example, if a project was mandated to improve educational opportunities in a certain region, measurable outputs could include the number of schools built and teachers trained, or increases in attendance over previous years.
- Using this same example, an assessment of outcomes – the “results achieved beyond immediate project outputs” – could focus on whether overall literacy rates had increased in the region.
- At the highest level of analysis – impacts – the focus is on the contribution of the aid inputs to the achievement of broad and sustainable goals, such as poverty reduction and skills and educational development.⁽⁴⁹⁾

As we move along the spectrum of evaluation from outputs to broader impacts, the difficulty in accurately measuring results increases significantly.⁽⁵⁰⁾

Roger C. Riddell, who has analyzed the challenges of measuring the impact of aid, argues that citizens and parliamentarians in donor countries are increasingly concerned with aid’s contribution to aggregate development goals. They want to know how development assistance provided by each of their countries is contributing to the big picture of development. While it can be relatively easy to quantify numbers of vaccinations delivered and kilometres of road built, it is much more difficult to quantify capacity, institutional development, gender equality, or environmental sustainability – all areas which are increasingly the target of development assistance. As a Riddell report commissioned for the Advisory Board for Irish Aid puts it:

If aid is provided to build a new school, hospital or road, it is fairly easy to know if it has “worked,” and to judge whether the aid funds have been used cost-effectively. If aid has been provided to contribute to the permanent reduction in poverty – arguably the most fundamental MDG – and the aid which one donor provides has been mingled with the aid funds provided by other donors and with the financial resources made available by the recipient country, it is far more challenging to

(49) Denmark, Ministry of Foreign Affairs, *Assessing Multilateral Organisation Effectiveness*, DANIDA Evaluation Department, Evaluation Study 2008/3, March 2008, pp. 6–7, <http://www.um.dk/en/menu/DevelopmentPolicy/Evaluations/Publications/EvaluationStudies/2008-3+Multilateral+Effectiveness.htm>.

(50) For this section, see Roger C. Riddell et al., *Measuring Impact: The Global and Irish Aid Programme*, Final report, *Assessing and Measuring the Impact of Aid: Evidence, Challenges and Ways Forward*, Advisory Board for Irish Aid and Oxford Policy Management, February 2008, <http://www.opml.co.uk/document.rm?id=1140>.

try to trace the contribution and impact that the aid from one donor is having on the achievement of these broader development outcomes.⁽⁵¹⁾

Nevertheless, the ability of development agencies and recipient governments to strengthen the mechanisms for evaluating the impact of aid will be a critical factor informing the future direction of international development.

Riddell identifies three broad challenges to measuring aid impact: poor data quality, attribution problems, and counterfactuals. Regarding the quality of data, in developing countries it is often difficult to obtain baseline data that can be used to construct year-by-year measures of outputs and comparative analyses. Sometimes surveys and estimates of development indicators are simply not available. In some cases, data will exist for certain areas of a given sector but not for others, and for some years but not for others. The second problem of attributing changes in development indicators to the contributions of individual donors and individual programs arises because it is methodologically difficult to establish causal relationships. This is particularly true when examining broad development goals, where typically, a multitude of bilateral and multilateral donors and NGOs operate in a given country through an array of projects and programs, all of which may be under-coordinated and operating in the context of domestic and external variables, such as export unit prices, interest rates, trade regimes, legal systems, and the influence of local interest groups, among a host of other factors. Third, Riddell makes the point that while establishing a reliable counterfactual – what would have happened in a country or sector if no aid had been provided – would allow for comparative analysis, it can be very difficult to “locate a community without aid with which to compare with one receiving aid, identical in all respects except in relation to the presence or absence of aid.”⁽⁵²⁾

RECIPIENT AND DONOR ACCOUNTABILITY

The final principle of the Paris Declaration is mutual accountability. There has been a growing demand that bilateral aid agencies provide clear and detailed information on aid spending, priorities, and results. Consequently, for example, the United Kingdom enacted the *International Development (Reporting and Transparency) Act* in 2006, which requires the Secretary of State for International Development to report annually on total aid expenditure and

(51) Ibid., p. 2.

(52) Roger C. Riddell with Katarina Kotoglou and Deepayan Basu Ray, *Measuring Impact: The Global and Irish Aid Programme*, Phase 1, Synthesis Study, *Global Debate on Assessing and Measuring Aid Impact and the Challenges Facing Donors*, Advisory Board for Irish Aid and Oxford Policy Management, May 2007, p. 7, <http://www.opml.co.uk/document.rm?id=1167>.

on the breakdown of the aid provided. The statute requires an annual report to this effect to be laid before each House of Parliament. The reports must include progress in that year towards the ODA expenditure target of 0.7% of gross national income. They must also include data on bilateral and multilateral aid and ODA, debt relief, and export credits by region, country, and sector. Furthermore, the annual reports are to include observations regarding the UK's progress towards the MDGs and the effect of government projects and programs on sustainable development and the reduction of poverty in countries outside the UK.⁽⁵³⁾

In Canada, CIDA has been criticized by some observers for weaknesses in providing timely and transparent statistics. Detailed information on Canada's ODA disbursements is compiled in an annual *Statistical Report on International Assistance*. However, the report for fiscal year 2006–2007, the most recent year for which data is available, was only released in March 2009,⁽⁵⁴⁾ and the previous report, for fiscal year 2005–2006, had not been released until May 2008. Perhaps in an effort to address some of these perceived information gaps, in November 2008 CIDA released a new reporting series, *Development for Results 2007*, with a selection of examples, programming highlights, and stories to illustrate the agency's results for that year.⁽⁵⁵⁾

Following years of advocacy by Canadian NGOs, in particular the Canadian Council for International Co-operation, for a legislated mandate for Canadian ODA oriented towards poverty reduction,⁽⁵⁶⁾ the *Official Development Assistance Accountability Act* became law in 2008. The Act states that Canada may provide ODA only if a competent minister – the minister of International Cooperation, the minister of Finance, the minister of Foreign Affairs, or any other minister providing ODA – is of the opinion that it “(a) contributes to poverty reduction; (b) takes into account the perspectives of the poor; and (c) is consistent with international human rights standards.”⁽⁵⁷⁾ The Act addresses some of the reporting issues mentioned above, requiring

(53) United Kingdom, *International Development (Reporting and Transparency) Act 2006*, Chapter 31, 2006, http://www.opsi.gov.uk/Acts/acts2006/ukpga_20060031_en_1.

(54) CIDA, *Statistical Report on International Assistance – Fiscal Year 2006–2007*, March 2009, <http://www.acdi-cida.gc.ca/acdi-cida/acdi-cida.nsf/eng/JUD-4128122-G4W>. Previous editions of this report were referred to as the *Statistical Report on Official Development Assistance*.

(55) CIDA, *Canada's International Assistance at Work: Development for Results 2007, 2008*, [http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUIImages/Results/\\$file/Development%20for%20Results.pdf](http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUIImages/Results/$file/Development%20for%20Results.pdf).

(56) CCIC, “A Legislated Mandate for Foreign Aid,” Briefing Note, March 2006.

(57) *Official Development Assistance Accountability Act* (2008, c. 17), s. 4(1).

the minister responsible for CIDA to issue a statistical report on ODA disbursement within one year after the end of each fiscal year, and, in conjunction with the other competent ministers, to report on the total amount spent by the government on ODA in the previous fiscal year within six months after the end of each fiscal year.

The accountability of donor governments to recipient countries can be enhanced through predictable funding arrangements. It is difficult to plan effectively if funding is provided over short periods or if decisions related to funding are not aligned well with the decision-making and budgetary cycles of recipients. The UK has instituted longer-term funding arrangements with key partner countries, as the Department for International Development sets “rolling triennial budgets at the division and department levels and frequently enters into three-year arrangements with its partner countries.”⁽⁵⁸⁾ Denmark engages in five-year funding arrangements with key partner countries.⁽⁵⁹⁾

Accountability from the standpoint of recipient countries (towards their citizenry and donor governments) will ultimately depend on the strength of the institutions and the systems for public sector management and public finance in those countries. The Paris Declaration states that partner countries must commit to “strengthen as appropriate the parliamentary role in national development strategies and/or budgets,” and to provide participatory approaches to assessing development progress, involving a range of societal actors. The OECD’s *2008 Survey on Monitoring the Paris Declaration* found that only 48% of partner countries had accurately recorded aid in their national budgets, “thereby allowing scrutiny by parliaments.” The 2010 target is to have 85% of aid recorded in national budgets.⁽⁶⁰⁾

CONCLUSION: ACCRA 2008 AND BEYOND

In September 2008, representatives of governments, international organizations, and NGOs met in Accra, Ghana, at the Third High Level Forum on Aid Effectiveness, to assess the progress made since the 2005 Paris Declaration. The *Accra Agenda for Action* contains

(58) OECD-DAC, *United Kingdom* (2006).

(59) OECD-DAC, *Denmark: Development Assistance Committee (DAC) Peer Review*, 2007, p. 52, <http://www.oecd.org/dataoecd/46/35/39166375.pdf>.

(60) OECD, *2008 Survey*, p. 14.

measures intended to improve upon the original declaration and to accelerate progress. In the agenda, governments of developing countries pledged not only to “take stronger leadership of their own development policies,” but also to work more closely with parliaments, civil society, and local communities with respect to their national development strategies.⁽⁶¹⁾ Under the agenda, participants deepened their engagement with civil society organizations. Donors pledged to strengthen their efforts to align their programs with partner country systems and to improve donor harmonization. With respect to transparency, donor countries pledged to disclose timely information on their three-to-five-year expenditure plans. In turn, developing countries pledged to facilitate greater parliamentary oversight of revenues and to strengthen their public systems for accountability.

Overall, however, the agenda sends a clear message that more action is needed. It states, “Without further reform and faster action we will not meet our 2010 commitments and targets for improving the quality of aid.”⁽⁶²⁾ It is clear, then, that the debate around aid effectiveness is ongoing and that building international consensus to create more effective aid partnerships and to facilitate sustainable development remains a work in progress.

(61) OECD, *Accra Agenda* (2008).

(62) *Ibid.*