

The role of a small donor in sector support

Robrecht Renard

Universiteit Antwerpen

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INSTITUUT VOOR
ONTWIKKELINGSBELEID EN -BEHEER



Aid Paradigms

period	preferred aid instrument	major constraint addressed	small donors
1960-1980	projects	- physical capital - human capital	😊
1980-2000	structural adjustment support	- macroeconomic policies	😞
2000-	budget support	- ownership - governance	?

2005 Paris Declaration on Aid Effectiveness

12 progress indicators



9 related to donors

3 related to recipients

Nine donor-related progress indicators

3. Aid flows reported on budget
4. TA co-ordinated
- 5b. National systems used
6. Parallel PIUs avoided
7. Aid delivered on time
8. Aid untied
9. Programme-Based Approaches (PBAs) used
10. Donor missions and analytical work pooled
12. Mutual accountability assessments in place



Characteristics of PBAs

- Country leadership
- Single comprehensive programme and budget framework
- Formal donor co-ordination and harmonisation
- Efforts to use local planning, implementation, financial management, M&E



Composition of PBAs

(billion \$, 2004, 34 countries)

PBAs	Budget support	Sector support	Other PBAs	Total
Numerator (aid in form of PBAs)	\$3.36	\$3.94	\$0.13	\$7.44
Denominator (total aid)	\$17.43	\$17.43	\$17.43	\$17.43
Indicator	19%	23%	1%	43%
Target for 2010				66%

So far so good...

- Except that, in reality, the new donor discourse strongly favours budget support
- Establishing a pecking order where project aid is regarded as a temporary, second-best solution
- And that the management of budget support and especially the attendant policy dialogue and conditionalities become very unwieldy as the number of donors increases

The role of small donors (**orthodox** view)

- Become big by specializing in **where** they intervene
 - geographical concentration
- Become big by specializing in **what** they intervene in
 - sector concentration (education, ...)
 - thematic concentration (conflict resolution, ...)
- Or 'stay out of the kitchen', e.g.
 - fund multilaterally, or
 - participate mainly as silent partners

An additional active role of small donors is however fully justified

- Provided they specialize in the **low range** of the aid instruments :
 - sub-sectors
 - programmes
 - 'new-style' projects
- A big advantage of projects is that they allow for a large number of donors
- This position is **heterodox** in that it assumes that
 - different aid instruments, not just budget support, are useful in the new aid paradigm (no pecking order)
 - that 'new-style' projects are not an empty set

- Most of the arguments against traditional projects are valid
- yet the criticism against project aid as an aid modality is taken too far

1. Micro-level studies suggest that donor inputs in projects matter
2. Empirical evidence suggests that aid (mostly projects) does work even in difficult policy environments
3. Not all projects are fully fungible
 - macro fungibility
 - sector fungibility
 - project fungibility

4. In fact, projects allow to address genuine bottlenecks at sub-sector levels
5. Now that national policy and institutional issues are better addressed, projects should give much better results
6. Finally non-fully aligned projects may make sense in more countries than the new aid discourse suggests because countries do not satisfy the minimum requirements (**heterodox**)

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12 progress indicators



9 related to donors

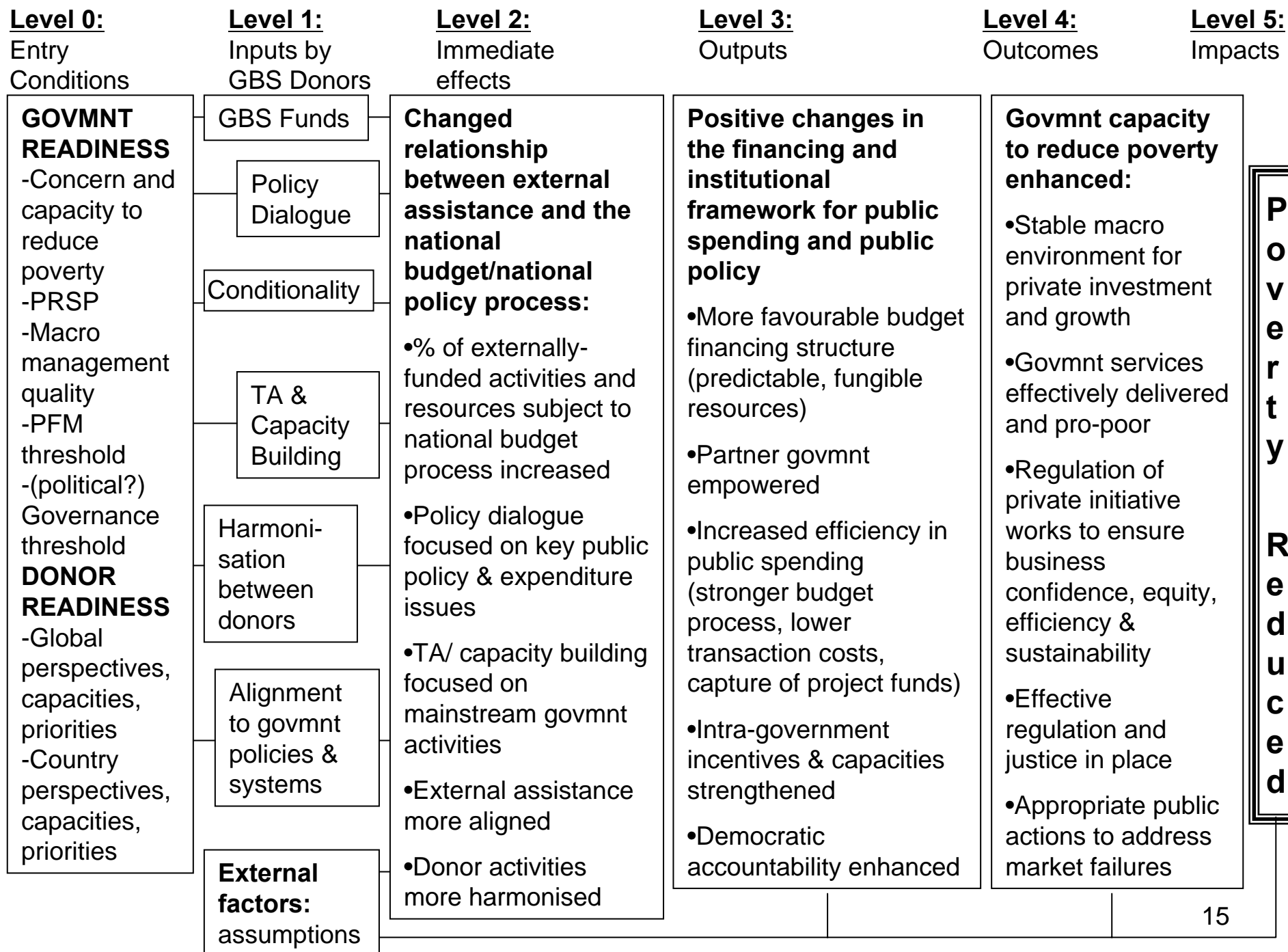
3 related to recipients

Three recipient-related progress indicators

1. Operational development strategies
2. Reliable PFM systems
2. Reliable procurement systems
11. Results-oriented frameworks

Three recipient-related progress indicators (with indicative base-line data for good scores)

1. Operational development strategies (9%)
2. Reliable PFM systems (33%)
2. Reliable procurement systems (36%)
11. Results-oriented frameworks (4%)



A summary of political assumptions behind GBS

- Government is genuinely committed to
 - pro-poor policy reform
 - sound public expenditure management
 - a strong and autonomous civil service
- Government therefore moves away from
 - using state resources for patronage and personal graft
 - condoning and actively practicing corruption
 - staying in power at all cost
- This is facilitated by
 - an increasing role of parliament
 - the existence of a vigorous civil society
 - a broad consensus on the political model and development strategies

JUST KIDDING ?

CONCLUSION

Under the New Aid Architecture

- A range of instruments should be deployed
 - general budget support
 - sector budget support
 - sub-sector programme aid
 - 'new-style' project aid
- Small donors can cover the whole range, but probably will find their niche in the lower end of the range

Thank you !

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