

SPA 2006 annual meeting Reflections from the fringe

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Presented at BTC lunch seminar
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Slides 5-7 and 9 have been borrowed from a ppt presentation by the SPA secretariat at the 2006 Annual Conference in Accra. I have used a separate template to highlight the difference.

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Some of the things that struck me as an observer

1. Acceptance of 'new aid paradigm' widening
2. Technocratic concerns expressed about the disruptive effects of political conditionality
3. Capacity building failure recognised but no convincing answers offered

1a. New aid paradigm has firmly taken root

- SPA = coalition of the willing
- Original 'converts' stay on course
 - World Bank, IMF
 - like-minded countries
- DAC 2005 Paris Declaration on H&A
 - mainstreaming the new approach
- New converts
 - France?
 - Japan?
 - Germany hesitates ?
 - no clear signal from US

1b. But more room for other modalities than just GBS

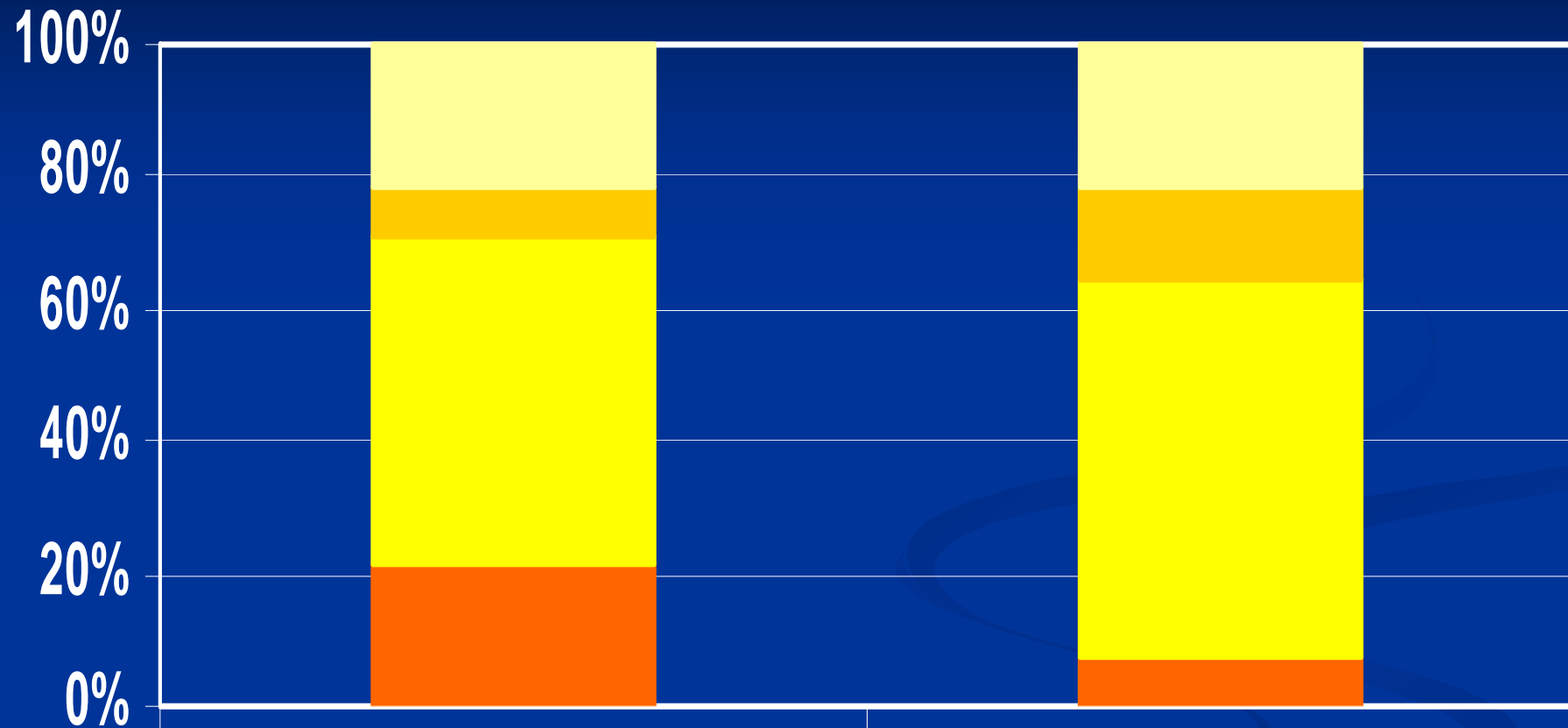
- Principle of a balanced use of a range of aid modalities and instruments - within the DAC H&A philosophy - seem to be gaining momentum
- Growing interest in SBS
 - EC, several bilateral donors
 - Preferably without financial earmarking
 - But reasons are not clear:
 - because GBS getting overcrowded ?
 - because of problem of political conditionality (infra)?
 - because of genuine bottlenecks at sector level ?
- Some support for sub-sector support expressed by participants

1c. The problem with APRs

- Annual Progress Report (APR)
 - process conditionality of the PRSP
 - three objectives
 - domestic policy learning
 - domestic accountability
 - donor accountability
 - failing on all three scores?

Do Governments use the APR?

Did the APR contribute to ...



changes in Gov't policy

changes in budget priorities

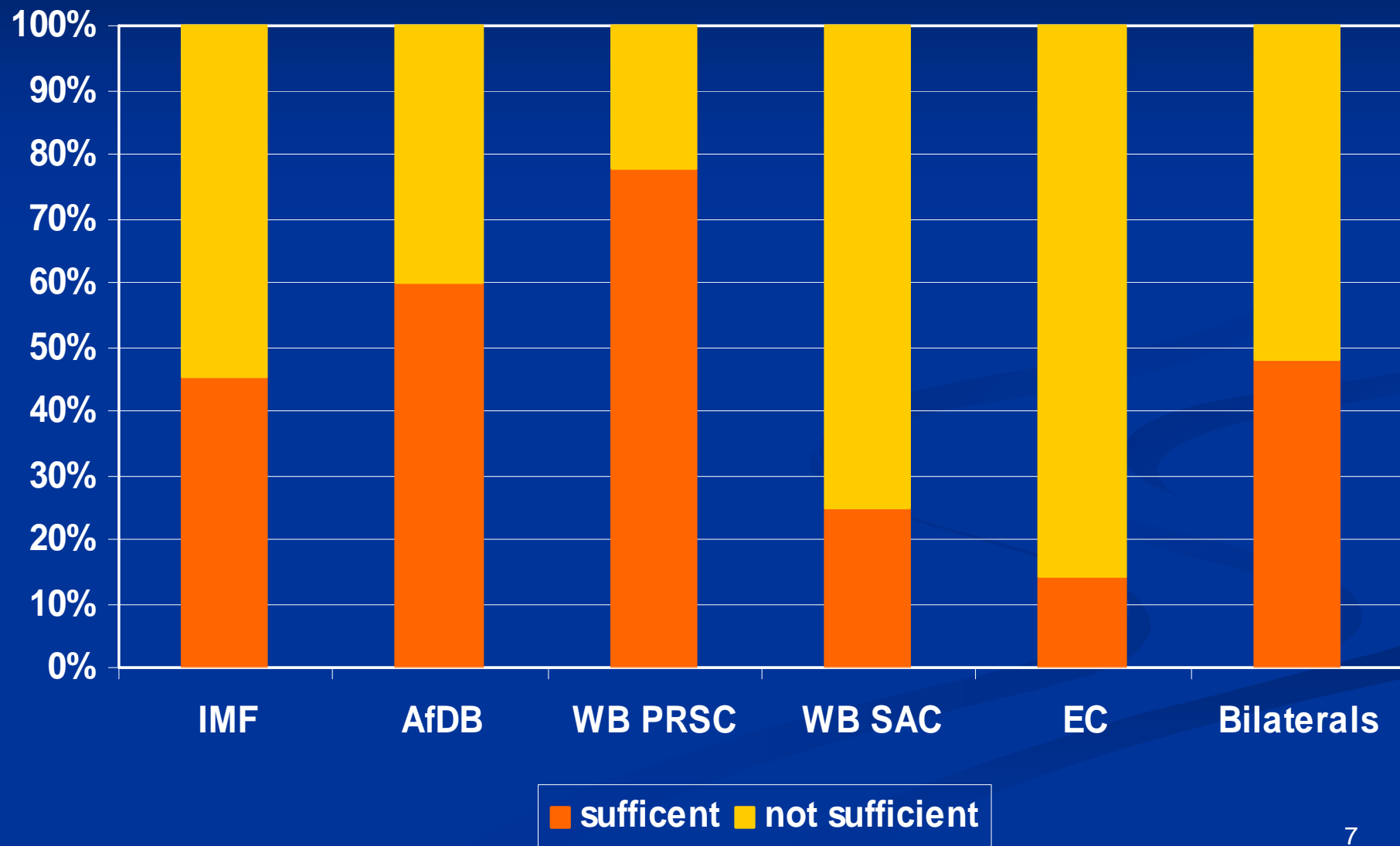
■ Significantly ■ Slightly ■ Not at all ■ Too early to say

APRs and Parliaments

- SPA surveys 2003-05 show
 - under 25% of APRs were “presented to parliament”
 - But other countries reported variety of other links between Parliaments and APR process eg. through discussions on budgets, sectors, or indicators
- WB/IMF 2005 PRS Review also reported upward trend in parliamentary involvement in PRS process, citing several African countries

Donor Use of APR

Was the APR sufficient for financing decisions?

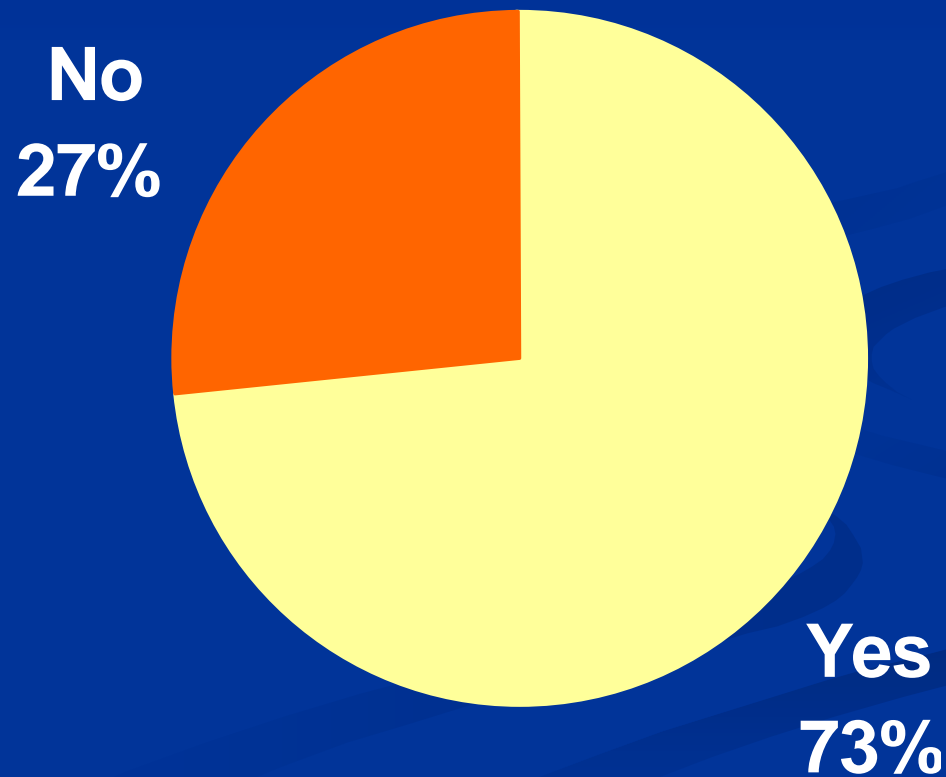


1d. PAFs as an alternative?

- Unified Performance Assessment Framework (PAF) becoming popular
 - as a tool of donor harmonisation
 - complementary to APR, or pushing it aside?
 - and if so, are we missing anything?

Use of PAFs

Do GBS donors use a single matrix for performance assessment and conditionality?



1e. Some of the controversies surrounding PAFs

- Size of the matrix
- Sector and macro issues intermingled
- Status of different conditions
 - lack of clarity about triggers and benchmarks
- Ownership versus accountability
 - are donors micro-managing policy reform?
 - not the place for political governance conditions?
 - WB cannot subscribe to explicit political conditions
 - technocrats on either side talking politics
 - political conditions better dealt with bilaterally?
- Differentiated donor response
 - compatible with PAF = yes
 - effective as an incentive?
 - are variable tranches over-engineered?

2a. The new paradigm is a leap in the dark

- New aid approach is not based on any scientific proof that new modalities and instruments work

but rather

- on fairly solid evidence that previous approaches do not work in weak political and institutional environments

2b. It's politics stupid

- Most of the low-income aid-dependent countries are not capable development states
- Politics looms large in any answer
- Crucial ingredients of new approach are
 - selectivity
 - appropriate conditionalities
- Conditionalities must be backed up by the threat of sanctions in order to be credible
- Donors are caught between
 - undermining their own preferred aid modality (BS)
 - moral hazard

2c. Narrowing down the question

- Perceived problem in Accra was that political conditionality coalesces around GBS
 - if aid is fungible there is no reason why this should be so
 - but fungibility does not sell well to parliament and public opinion in the west
 - so SBS to foil critics at home?
 - yet this solution weakens pressure on political governance

2d. Facing the facts of life

- Arguably the real problem is incompatibility of the twin objectives of
 - technocratic governance
 - political governance
- To which the answer is that there must be a match between number of objectives and policy instruments
 - designate certain modalities off target for political conditionality?
 - humanitarian aid
 - SBS to social sectors ?
 - apply smart sanctions and other donor pressure?
 - illustration to the contrary: presence of Meles (Ethiopia) at G-8 mid-2005

3. Capacity building failure

- The failure of public sector capacity building is readily recognised in SPA-speak
- ... but less how it undermines the new aid architecture
- The World Bank presented the results of a recent study on capacity building
 - “Capable states need engaged societies”
 - Merit of acknowledging the political nature of the problem
 - But it sounded more radical than it was
- This may well turn out to be a fundamental weakness of the new approach

Thank you !

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