



# The New Aid Approach versus Projects and Technical Assistance?

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# Outline

- I. Rationale of the NAA
- II. Where do we stand and why?
- III. Into the future
- IV. Discussion

# I. Rationale NAA

# Evolutie van hulp-paradigma's: principes

	Projecten	SAP	PRSP, 1999, Parijs 2005, Accra 2008
<b>KENMERKEN</b>			
<b>Periode</b>	1960-1980	1980-2000	2000-
<b>Rem op ontwikkeling (perceptie donor)</b>	Kapitaal	Macro economisch beleid	Goed bestuur
<b>Hulpmodaliteit</b>	TA & donor gestuurde projecten	Structural adjustment loans	Budgetsteun
<b>Attitude tegenover overheid</b>	Omzeilen	Bedreigen	Overtuigen
<b>Hervormers</b>	Extern	Extern	Intern
<b>BELEIDSDIALOOG</b>			
<b>Betreffende</b>	Micro hervormingen	Macro-economische hervormingen	Institutionele macro hervormingen
<b>Oplossingen volgens de donoren</b>	Technische oplossingen	Washington consensus	Geen standaard recepten
<b>Conditionaliteiten</b>	Ex ante: inputs	Ex ante opgelegd: inputs, beleid	Ex post consensueel: output, outcome, proces
<b>Onderhandelingsstijl</b>	Monoloog	Monoloog	Dialog
<b>Betrokken actoren aan de kant van de donoren</b>	Multi- en bilateraal, NGOs	IMF, WB Vooral staff hoofdkwartieren	Multi- and bilateralen Grotere rol veldkwartieren en input middenveld

## Traditional problems TA ~ Projects

- Supply driven
  - Donor agencies preferences
- Fragmented – lacking strategy
  - Too much stand alone initiatives
  - TA for what?
  - No harmonization - Lacking joint analysis
- Not embedded in local context
  - Weak link with wider (political) dynamics
  - Weak institutional underpinning
- TA = expensive
- Low effectiveness – sustainability

(based on draft SUMMARY MESSAGES FOR BUSAN ON TECHNICAL CO-OPERATION, Cairo Workshop Roundtable #5)

## Principles of good donorship

### Paris Declaration

- Respect ownership
- Align
- Harmonize
- Resultsorientedness
- Mutual accountability

### Holistic vision

- Long term engagement
- Support (institutional) reforms

## Implications for modalities

- Budget Support satisfies most of principles
- Project support (PIUs) undermine principles
- With regards to TA:
  - Avoid PIU's
  - Harmonize & align TC (TA, Training, Educational grants)
- OECD/DAC monitors the Paris Declaration

## OECD/DAC Monitoring the Paris Declaration

Nr.	Indicator	Target (2010)
3.	Aid flows are aligned on national priorities	Halve the gap – halve the proportion of aid flows to gvt. not reported on budget (with at least 85% reported on budget)
4.	Strengthen capacity by coordinating support	50% of technical cooperation flows are implemented through coordinated programmes consistent with national development strategies
5a.	Use country PFM systems	55%
5b.	Use country procurement system	NT
6.	Strengthen capacity by avoiding PIUs	611



## Measurement TC & PIUs

- Coordinated TC =
  - Authorities communicated clear CD objectives as part of a broader NDS
  - TA is aligned with country CD objectives
  - Authorities have control over TC, or, coordination mechanisms are in place (involving authorities) for TC provided by different donors
- Parallel PIU =
  - Financially accountable to donor
  - TOR externally appointed staff determined by donor
  - Most of professional staff appointed by donor
  - Salary structure of national staff is higher than civil service personnel

(3 out of 4 charact. apply)

## II. Where do we stand? And why?

## Progress implementation Paris Declaration

- Progress is not satisfactory
  - Data with regards to aid volumes and modalities is not very reliable
  - Apparently only 1/5 of aid is BS
  - Most aid still through projects

	Indicator	2005 baseline	2010 score	2010 target
3	Aid flows recorded in budget	42%	41%	85%
4	TA aligned and coordinated	48%	57%	50%
5a	Donors use country PFM systems	40%	48%	55%
5b	Donors use country procurement systems	39%	44%	NT
6	Donors avoid parallel PIUs	1817	1158	611

## Why is progress so slow?

1. Incentive structures lead to suboptimal behaviour
2. Uncertainties linked to BS

# 1. Incentive structures

- Recipient side: Neo-patrimonialism
- Donor side:
  - Aid agencies are politically led
  - Samaritan's dilemma – spending pressure
  - Broken feedback loop

	Project	BS
Direct benefits & costs	<ul style="list-style-type: none"> <li>+Rate of return</li> <li>+Visibility</li> <li>+Easy to measure</li> <li>+Attribution</li> <li>+Low risk</li> </ul>	<ul style="list-style-type: none"> <li>+Access to policy dialogue</li> <li>-Average rate of return on public sector spending</li> <li>-Low visibility</li> <li>-Difficult to measure</li> <li>-Contribution</li> <li>-High risk</li> </ul>
Indirect benefits & costs	<ul style="list-style-type: none"> <li>+ Know-how transfer</li> <li>+ Policy experiments</li> <li>- Weakened national priority setting and political ownership</li> <li>- Claim on future recurrent budgets</li> <li>- Public sector brain drain</li> <li>- Excessive transaction costs for public sector</li> </ul>	<ul style="list-style-type: none"> <li>+ Strengthening of public sector functioning through TA, policy dialogue, conditions</li> <li>- Negative spillovers through enhanced Dutch disease effects</li> </ul>

Source: adapted from Renard & Molenaers (2011)

# Diverging preferences

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What Ministers of Development cooperation **like** and **dislike**:

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What Ministers of Development cooperation are **less concerned** about:

# Diverging preferences

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What field staff in aid agencies like/are ok with and dislike:

## 2. Uncertainties linked to BS

- How much ownership is there really?
  - Donorship to compensate
- How much governance imperfections are acceptable? How much patience should one display? How to get to « Denmark »?
  - Institutional monocropping
  - Pressure for results
  - Democratic governance versus technocratic governance
- How to engage other actors? How many other actors?
  - Parliament
  - Political parties
  - Civil society
- How to deal with « new kids on the block »?
  - BRICs

### III. Into the future

- Full move into BS/PD is utopian, especially for bilateral donors.
- The challenge: integrating strong points of projects and BS – avoiding the negative externalities.
  - Portfolio-approach
    - GBS – SBS
    - SWAPs
    - Baskets/pooled funding
    - New style projects: aligned, harmonized
  - The results approach
    - Cash on Delivery
    - Value for Money

# Tensions now and tomorrow

Table 1: Strategies for dealing with governance: summary

	<i>New aid approach</i>		<i>Old aid approach</i>
	<i>Results-oriented selectivity-approach</i>	<i>Reformer-led process-approach</i>	
Interference level with governance	<ul style="list-style-type: none"> <li>● Hands-off</li> <li>● Pulling results</li> </ul>	<ul style="list-style-type: none"> <li>● Hands-on</li> <li>● Engaging in institution building and reforms</li> </ul>	<ul style="list-style-type: none"> <li>● Hands-on</li> <li>● Pushing reform</li> </ul>
Funding based on and tied to	<ul style="list-style-type: none"> <li>● Measurable outputs, outcomes</li> </ul>	<ul style="list-style-type: none"> <li>● Some degree of donor trust in government commitment</li> <li>● Verifiable actions on input side</li> <li>● Measurable outputs, outcomes</li> </ul>	<ul style="list-style-type: none"> <li>● Intentions/promises</li> </ul>
Disbursement	<ul style="list-style-type: none"> <li>● <i>Ex post</i></li> </ul>	<ul style="list-style-type: none"> <li>● <i>Ex post</i></li> </ul>	<ul style="list-style-type: none"> <li>● <i>Ex ante</i></li> </ul>
Conditionalities	<ul style="list-style-type: none"> <li>● None</li> </ul>	<ul style="list-style-type: none"> <li>● Consensual</li> </ul>	<ul style="list-style-type: none"> <li>● Adversarial</li> </ul>
Recent examples	<ul style="list-style-type: none"> <li>● Cash on Delivery</li> </ul>	<ul style="list-style-type: none"> <li>● Drivers of Change</li> </ul>	<ul style="list-style-type: none"> <li>● Structural Adjustment Programmes</li> </ul>

Source: Molenaers & Nijs 2011

## **IV. Discussion: implications for VVOB**

- What is the link between TC and projects within VVOB?
- To what extent are weak points of projects and TC applicable to VVOB?
- How has VVOB dealt with these weaknesses?
- Has this influenced performance?

# Thank you

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