

AID

A MULTI-STAKEHOLDER COLLECTIVE ACTION PROBLEM

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Outline

- Aid effectiveness in a nutshell
 - Paris and Busan
- Implications for donors
- The fundamental problems of aid
- Conclusion

Does aid work?

- The micro – macro paradox
- Aid has not spurred economic progress
 - But no counterfactual...
- Aid has not boosted democratization
 - The amplification effect
 - The concern of ‘propping up’ dictators

Aid works better when....

- Recipient has ownership
- And capacity
- “aid works better in sound policy environments”
 - Sound policy environments: rule of law, property rights, voice and accountability, control of corruption
- “aid works better when properly delivered”
 - Projects and transaction costs
 - Aid fragmentation
 - Aid unpredictability

- Goals of aid: PRSP, 1999 – MDGs, 2000
 - Poverty reduction
 - Improved service delivery
 - Post 2015 ? The SDGs

- Aid delivery:
 - The Rome Declaration, 2002
 - The Paris Declaration, 2005
 - Accra Agenda for Action, 2008
 - Busan Outcome Document, 2011

Paris Declaration, 2005

1. Ownership
 2. Alignment
 3. Harmonisation
 4. Managing for results
 5. Mutual accountability
- Gvt to gvt aid
 - NGOs not involved

- Monitoring of Paris Declaration:
 - 13 indicators to monitor commitments
 - Baseline
 - Targets
 - Monitoring & evaluation

Busan Outcome Document, 2011

- Global partnership for aid and development
 - Getting the BRICs on board
 - Reinforcing Paris Principles
 - New deal for fragile states
- NGOs involved

Post 2000 aid: IDEALLY ...

- Aid should be used as a lever for change
- Institution building: improving governance for poverty reduction & MDGs

- How to combine 'respect for ownership' with 'pushing for reform/institution building'?
 - Selectivity
 - Aid as a contract: Negotiated targets (PAF) & disbursement schemes – ex post resultsoriented conditionalities – harmonized policy dialogue

Implications for actors

- Government
- Civil society
- Donors

Specifically

- Recipient Government
 - Commitment to development & poverty reduction
 - ⇒ ownership
 - State capacity to formulate/plan/implement
 - ⇒ politics and institutions matter
 - Transparent use of resources
 - ⇒ accountability mechanisms
 - Bring in civil society

- Aid agencies
 - Partnership
 - ⇒ long-term commitment
 - ⇒ mutual accountability
 - ⇒ frank policy dialogue
 - ⇒ transparent conditions
 - Alignment
 - ⇒ avoid projects, use Budget Support
 - Harmonisation
 - Good donorship
 - ⇒ predictable aid
 - ⇒ good quality technical assistance

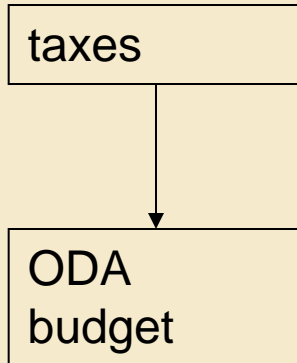
- Civil society
 - Broaden ownership
 - Bring pro-poor interests to the forefront:
 - Be close to the poor - Represent the poor
 - Formulate pro-poor contributions
 - At several stages of the policy cycle: formulation, implementation, M&E
 - Play a watchdog role
 - In reaching poverty reduction goals
 - In pushing government towards more transparency, effectiveness, ...
 - Move away from service delivery

BUT... the gap with reality...

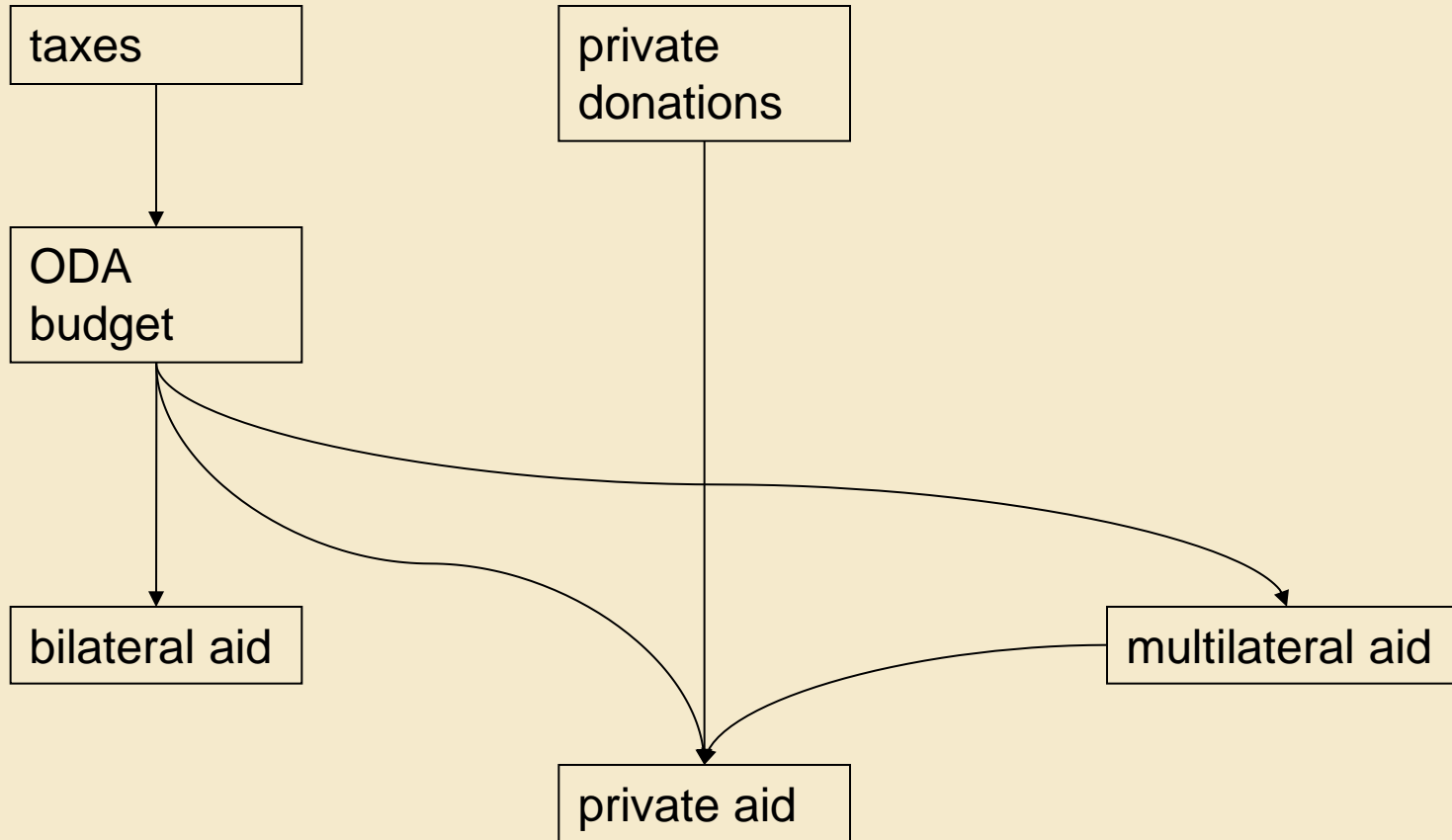
- Realizing the targets of the Paris Declaration has been problematic (1 out of 13 indicators realized)
- So what is the problem?

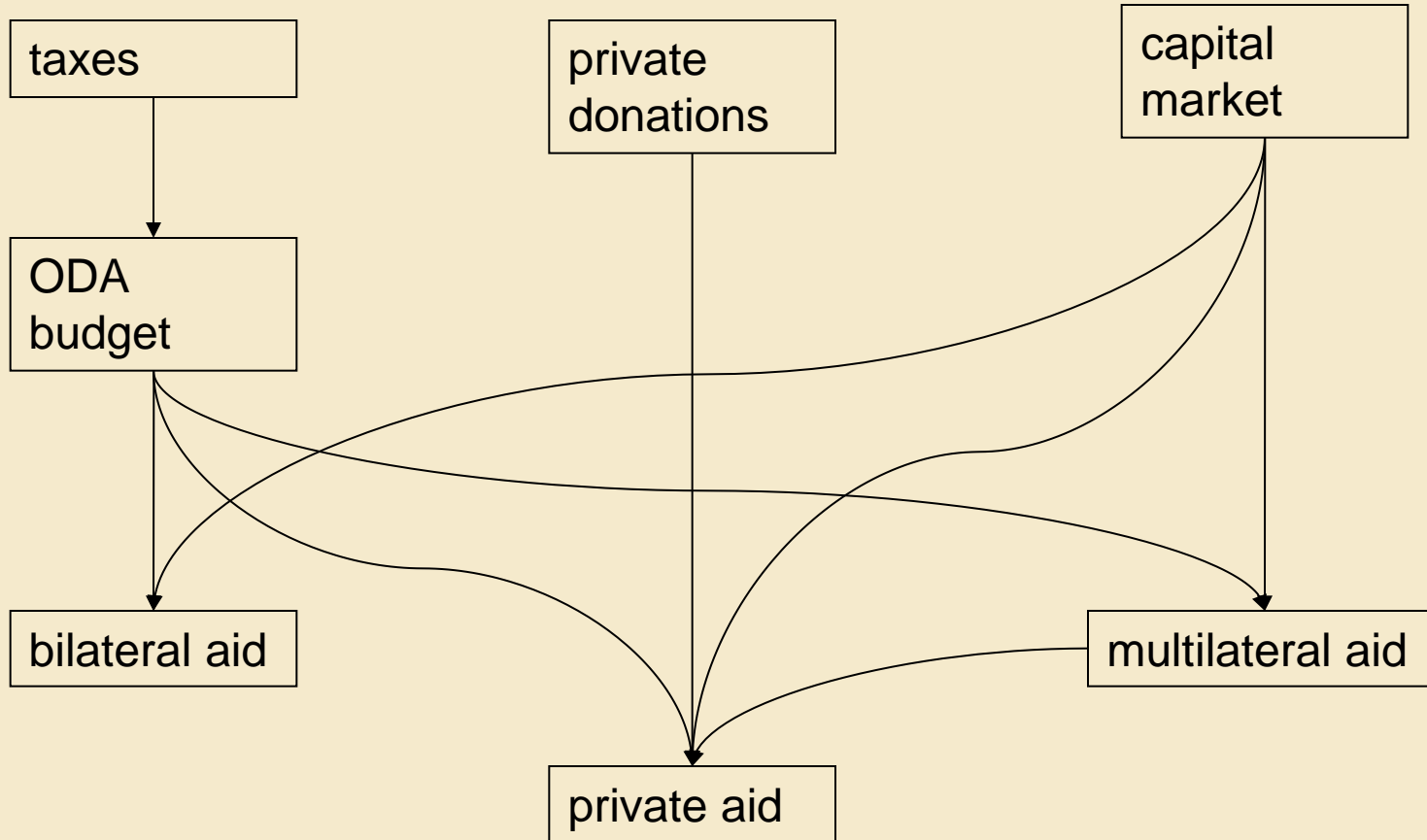
The fundamental problems of aid

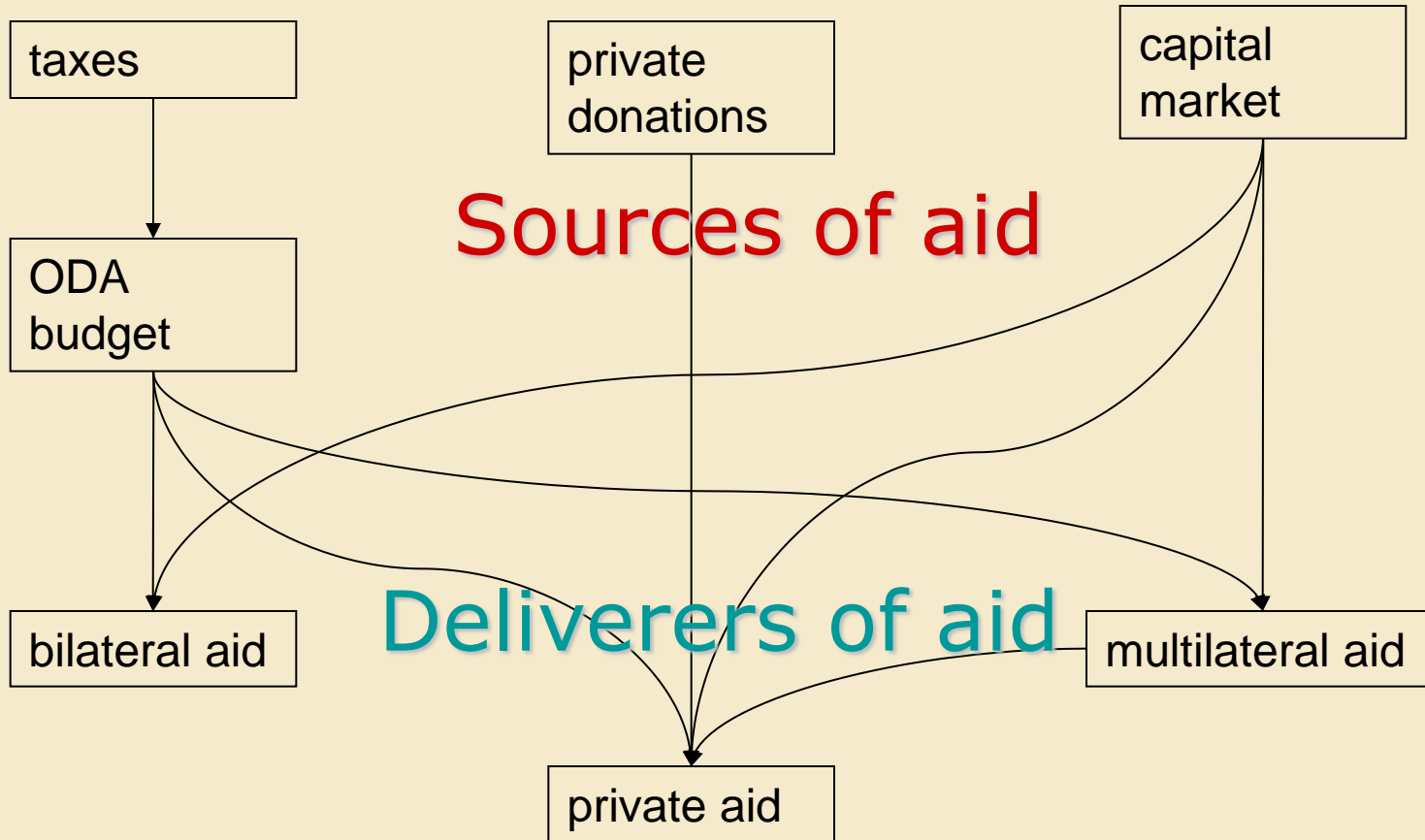
- Number of players
- Multiple objectives
- Conflicting objectives
- Long chain











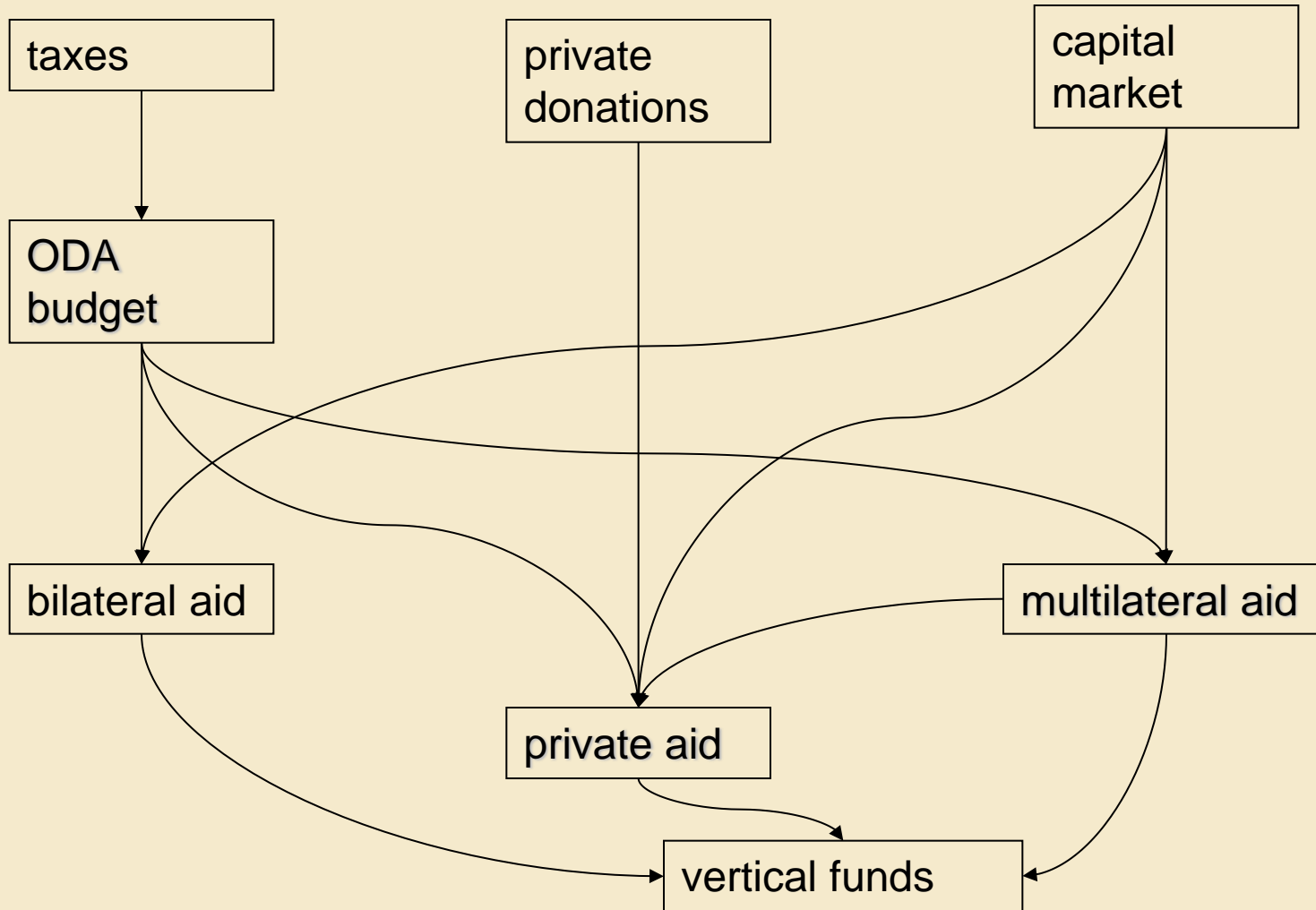
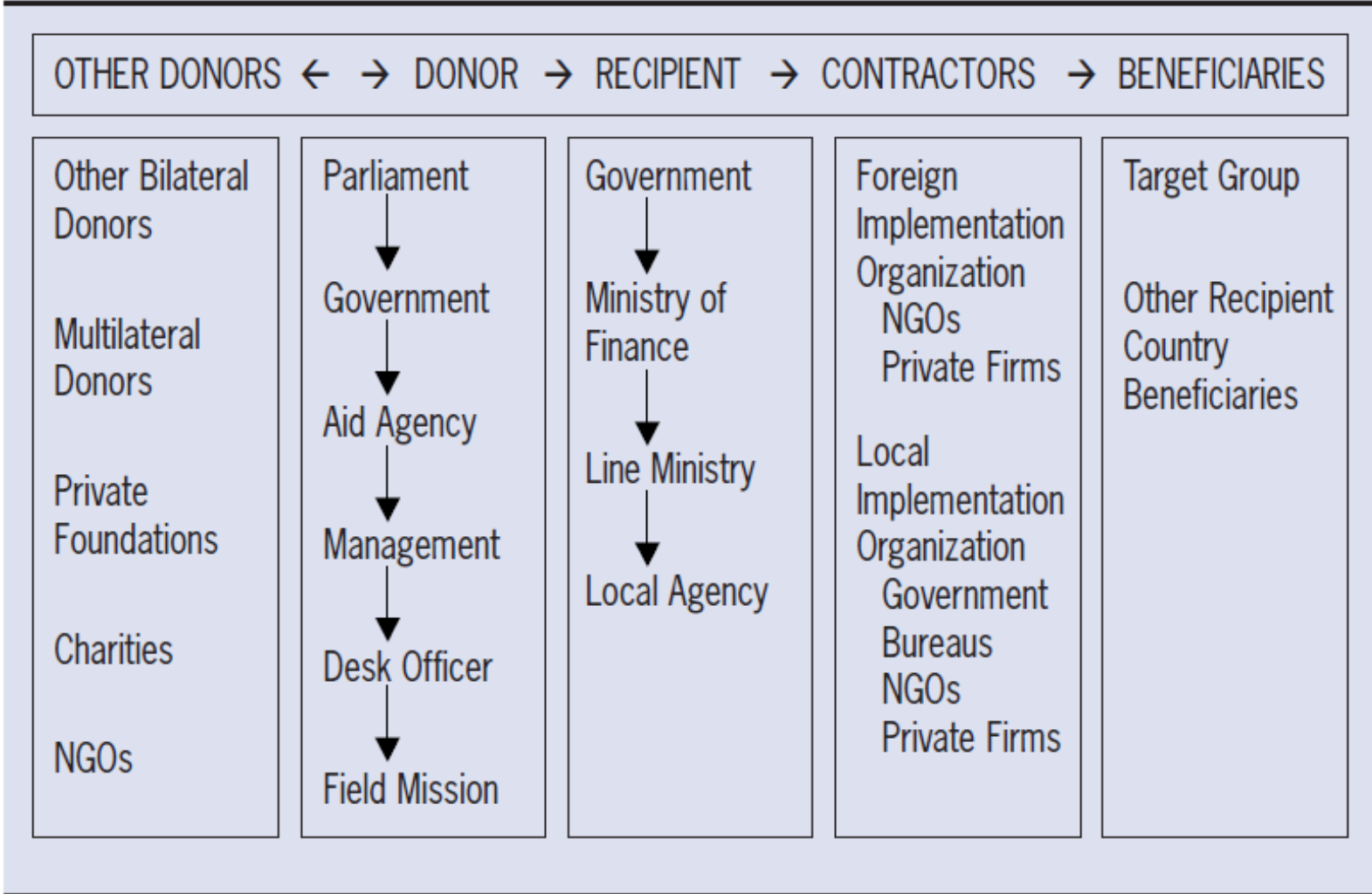


Figure 4.1: The Chain of Aid Delivery



Multiple and conflicting objectives

- Donor home-politics matter
 - Aid money is tax money + aid agencies are politically led
 - Special interests can influence aid expenditure (ex. Frogs in Tanzania)
 - Aid is sensitive to a range of (foreign affairs) interests (commercial, diplomatic, cultural, developmental...)
- ⇒ Unpredictable, ambitious, risk avoiding, short term reflexes
- ⇒ Ex: the killing of a gay activist in Uganda – electoral fraude in Ethiopia – Rwanda's involvement in DRC

- Multiple donors with conflicting objectives
 - China versus Denmark
 - The upsurge of private sector involvement in aid

- Recipient home politics matter
 - Corruption, human rights, exclusion poor
 - Development is political, a collective action problem
 - => Commitment to development or good governance is weak, fragmented, fluctuates...

- Development cooperation = principal-agent problem
 - Donor and recipient preferences may differ strongly and change in time

principal/agent	problem	solutions proposed
citizen/taxpayer	broken feedback loop warm glow	information, NGO and parlementary intermediation
government (N)	competing foreign policy objectives	policy coherence
administration/aid agency (N)	selfishness & arrogance	alignment & harmonisation,
government (S)	Samaritan 's dilemma non developmental regime	ex post conditionality selectivity
administration/agency (S)	capacity weakness	TA, know-how transfer
beneficiary	ignorance, local elite capture	smart delivery mechanisms

Conclusion

- The more aid fails, the more ambitious donors become
- Increasing numbers of aid players increases collective action problems
- Aid is captured by multiple interests and will most probably never be truly effective
- Nonetheless it remains an important tool for foreign affairs and is a sign of engagement



Thank you

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