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The Cracks in the New Aid Paradigm

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**Comments on this Discussion Paper are invited.
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ABSTRACT

Over the last five years a new enthusiasm has emerged among donors. Aid volumes have gone up and new modalities and instruments are feverishly experimented with. A new aid paradigm seems to have emerged. Breaking with the bad habits of the past, donors are working on harmonisation, alignment, recipient ownership, new partnerships, all in the spirit of poverty reduction. In this paper it is argued that the new paradigm is a fact. But it is based on a consensus about new modalities and instruments, not about the way they must be used. There are glaring inconsistencies between the PRSP approach and the MDGs, two major components of the new aid agenda. Even more insidious, two schools seem to have emerged on how best to overcome institutional and political failures in aid-dependent low-income countries, two schools that advocate diametrically opposed uses of conditionality. It is argued that these inconsistencies, largely ignored as they are, threaten the success of the new approach.

RÉSUMÉ

Depuis cinq ans environ un nouvel enthousiasme a envahi les esprits des donateurs d'aide publique. Le volume de l'APD est en hausse et des modalités et instruments novatrices sont testés et appliqués de façon acharnée. Un nouveau paradigme semble s'être dessiné. Les donateurs, rompant avec les mauvaises habitudes du passé, investissent désormais dans l'harmonisation, l'alignement, le partenariat, et l'appropriation nationale, tout dans un esprit de réduction de la pauvreté. Dans ce papier il est postulé que le nouveau paradigme est un fait. Mais il est basé sur un consensus sur les modalités et instruments, et non pas sur la manière dont ils doivent être appliqués. En fait des tensions majeures existent entre l'approche DSRP et celle des OMD, deux piliers de la nouvelle approche. Ce qui est particulièrement grave est que deux écoles de pensée existent sur la façon de surmonter les failles institutionnelles et politiques dans les pays à faible revenu, se traduisant dans un usage de la conditionnalité tout à fait opposé. Nous avançons la thèse que ces incohérences, qui sont largement ignorées, risquent de mettre en péril le succès de la nouvelle approche.

Key words: PRSP, MDGs, aid paradigm

1. INTRODUCTION

Poverty Reduction Strategies Papers (PRSP) were introduced at the turn of the century. Designed as a condition for HIPC-II debt relief, they reflected the principles of the Comprehensive Development Framework (CDF), such as country ownership, comprehensiveness, partnership, and results-orientation. The CDF was the brainchild of World Bank president Wolfensohn, but had been up to that time a set of lofty principles in search of a worthy application. The new approach was also influenced by a number of aid experts from within and outside the World Bank and bilateral donor organisations whose views had converged during conferences and meetings in the second half of the 1990s, among others of the Special Partnership with Africa (SPA). The new approach also took on board lessons from the aid effectiveness debate, of which the highly influential 'Assessing Aid' (World Bank 1998) was the flagship. The PRSP approach was officially adopted by the Bretton Woods institutions, and five years on is being applied in some 60 low-income countries. In a separate move the General Assembly of the UN adopted the Millennium Declaration in September 2000, translated one year later into the now famous Millennium Development Goals (MDGs). Very soon MDGs and PRSP were being blended. MDGs are presented as the universal goals and targets for poverty reduction, the PRSP approach as the way to make them happen at the individual country level. The Development Assistance Committee (DAC) of the OECD also contributed to the growing consensus, clarifying and operationalising the notions of ownership, harmonisation and alignment (DAC 2003, 2005). This flurry of innovation led to considerable changes in the aid industry. Donor agency staff is being retrained, procedures are being adapted, new internal manuals being issued, new aid modalities introduced. Laggards among donors are under pressure from the inside and from other donors. In short, a new aid agenda has emerged. It is also generally felt that the new agenda has supplanted two older aid agendas: the project approach, and structural adjustment policies. It is also the vehicle for a newly found aid optimism, reflected in the aid promises made by Western leaders at the International Conference on Financing Development in Monterrey in March 2002 and the significant increase in actual aid disbursements in recent years.

The above story of three successive aid paradigms is by no means the only way to relate the change in aid doctrines and practice in recent decades. Thorbecke (2000) for instance offers a neat, decade by decade picture, from the 1950s up to the 1990s, of the interactions between prevailing development policies and strategies, insights from science, new empirical data, general development objectives pursued, and the perceived role of aid. But that is not really the point. What matters is that the perception among aid donors has coalesced into something that may be aptly described by the foregoing. The expression 'aid paradigm' is often invoked. As used here it is to be understood as a coherent view, widely held among the donor

community³, on how aid should be delivered. It is based on a common set of insights in the major constraints on effective aid, and sets out the contours on how aid should be delivered to get results. It is admittedly coloured by passing fashions, and thus subject to some short-term changes in outward appearance, but underneath there is a solid core. An aid paradigm draws on the insights of applied social science research. About the latest aid paradigm in particular there is a feeling that it is more knowledge-based than its predecessors (Christiansen and Hovland 2003). The general mood is upbeat: aid didn't work in the past, but we know why and have found ways to do things better.

The reference to shifting aid paradigms prompts the question whether Kuhn's theory of scientific revolutions (Kuhn 1962) might shed some light on what is happening. Kuhn argued that science tends to move from one global 'model' of insight into a particular field of knowledge to another in a way that is not gradual but abrupt. One prevailing model is in a relatively short span of time replaced by a competing one that is in crucial ways incompatible with it. The search for a new paradigm is propelled by a feeling that the existing paradigm shows major flaws, in ways that mar our understanding of the particular field of knowledge, and that a major overhaul is overdue. It is initiated by a small group of leading scientists and initially resisted by the majority of specialists who conservatively stick to the prevailing model of thought, but eventually the new model takes hold and becomes the new standard. Applied to our topic, one could indeed argue that the PRSP-cum-MDGs constitute a new paradigm that has replaced the structural adjustment paradigm, which in turn replaced a previous project modality paradigm⁴. And indeed, Kuhn's perceptive analysis of both the psychology of scientists and the dynamics of change in the scientific community, seems to carry over well into the field of aid.

Quickly endorsed by important actors within the donor community, the new paradigm met with considerable enthusiasm from outsiders, such as international NGOs and the research community. Nevertheless, and inevitably, five years on, questions are being raised. Two major strands of criticism are emerging. There are some who question components of the new approach. These critics are not necessarily discrediting the paradigm, but they question some of its operational aspects. Killick (2004) for instance has questioned whether the new approach effectively reduces transaction costs for recipients. Other examples could be cited. A more sizeable number of critics are sympathetic to the paradigm itself, but fear that donors will not put it to work. Evaluations by both the World Bank (2004) and the IMF (2004) have raised serious concerns about the willingness of donors, including the BWI themselves, to subject themselves to the collective discipline of harmonisation and other aspects of the new aid agenda. And critics from the international NGOs and from the academic community have expressed serious misgivings, for instance about whether civil society will ever be al-

³ That recipient countries may not share the same view is somehow accepted as a fact of life. Ownership of aid discourses is very much a donor thing.

⁴ In terms of actors those two supplanted approaches coexisted rather than competed with each other, the project modality paradigm being applied by bilateral donors and UN development organisations, the structural adjustment paradigm by the International Financial Institutions, in the first place the World Bank and the IMF. Yet the sequential scheme is in a way more appropriate, at least from the point of view of the most influential and powerful actor of them all, the World Bank.

lowed the depth of participation that the PRSP architects envisaged (Stewart 2002, Whaites 2002). In this paper we take a third line of criticism. We actually question whether the paradigm is internally consistent. We start from the observation that there is a remarkable consensus on the new aid modalities and instruments, but argue that this is not based on a shared understanding on how they should be applied. Scratch below the surface, and the cracks appear. We identify two fault lines in the new approach. The first relates to the tensions between the PRSP approach and the MDGs, arguably the two most important components of the new aid agenda. Contrary to a widely held belief, we argue that they are mutually inconsistent in several respects. The second relates to what we consider to be two contrasting narratives, one harmonious, one dissonant, about the goals pursued by donors and recipient governments. According to the first view, donors and recipients pursue similar policy objectives, and mutual relations should be consensual and based on trust. According to the second, they have sometimes sharply different agendas and donors must be extremely vigilant in negotiating and supervising the implementation of aid contracts. We believe that these underemphasized, and as yet unresolved, inconsistencies in the aid paradigm considerably weaken the much heralded promise of increased aid effectiveness.

The paper is structured as follows. In section two we address what we see as a first major incompatibility between the PRSP approach and the MDGs, namely the ownership over the MDG goals and targets. In section three we focus on the problems of translating MDGs into policy priorities. In section four we go beyond the PRSP-MDG tension and explore the nature of the two contrasting narratives about donor-recipient agendas presented above and the consequence for governance-linked conditionalities. Section five concludes.

2. WHOSE PRIORITIES, DID YOU SAY?

Reference to the MDGs now routinely appears in donor documents about poverty reduction strategies, and the MDGs are often presented as the ultimate objectives that must guide actual decision making in the context of individual country poverty reduction strategies. Throughout there is the implicit suggestion that the two approaches are natural complements. PRSPs are simply the country translation of the MDGs. The donor insistence that recipients use the MDGs as the basis of their poverty strategies does in no way violate the ownership requirement of the PRSP, so the argument goes, as the Millennium Declaration was signed by political leaders from almost 200 countries, including all major aid recipient countries. We have problems with this line of argument. Leaders from aid recipient countries may have signed the Millennium Declaration, but they have shown considerably less enthusiasm, if not opposition, to the MDGs themselves.⁵ Before going into this, a preliminary issue has to be settled. Seven of the eight MDG goals address basic issues of development: poverty, primary education, gender inequality, child mortality, major diseases, and environmental sustainability. The eighth and last goal - 'develop a global partnership for development' - is of a different nature, and relates to the ways and means to achieve the seven first. Another difference is that the first seven goals are relevant for countries taken individually, and thus appropriate for national policy making, whereas the eighth goal in the first place requires action by the rich, developed countries, or by rich and poor countries jointly.⁶ The eighth goal is less relevant for what we are about to discuss, and we will therefore drop it from the rest of our analysis. Returning to our main argument, the seven first MDGs were prepared by a group of experts from the UN, World Bank and IMF, and OECD-DAC, for the UN secretariat and presented as a 'Roadmap Report' by the UN Secretary General, in September 2001 (UN 2001). Developing countries might have complained that the seven goals were donor-biased, but they have not done this, and for good reason. In fact, if anything, they are recipient-biased. The text of the Millennium Declaration is, as often, a compromise between the position of developed, transition and developing countries. The rich countries got references to human rights, democracy, or gender, the poor countries to self-determination, non-interference in the internal affairs, and more aid and trade access. The UN secretariat, in translating the Millennium Declaration into the MDGs, was careful not to include some of the more contentious goals, where it might be expected that either donors or recipient countries might have objected.⁷

The problem is much more with the further translation from goals to targets and to indicators. The seven MDG goals to which we restrict our analysis are translated in 11 targets and 31 indicators.⁸ All seven goals can be easily traced back to the original Millennium Declaration, and so can, quite literally, 9 of the 11 of the targets. Two 'new' targets, on gender and sustainable development have been added, apparently reflecting donor concerns, but

⁵ Developing countries diplomats for instance tend to oppose direct references to the MDGs in UN General Council and ECOSOC resolutions, suggesting that they be replaced by some general reference to the goals contained in the Millennium Declaration and other UN conferences.

⁶ It also appears to be something of a rest category into which a number of issues were dumped that do not necessarily hold together but had not found their place in the seven first goals. This is for instance the case for youth employment and slums.

⁷ From a donor perspective, the MDGs are arguably not ambitious enough. As one of the international experts involved in designing them acknowledged, they may be readily criticised for not explicitly covering human rights, reproductive health, jobs, inequality, good governance or the role of the private sector (Vandemoortele 2004:3). On the other hand, there is reference to the 0.7% target in the 8th MDG, which, given the opposition from the US, is a little bit more daring.

⁸ They are reproduced for the reader's ease in Appendix I. The final goal - 'Develop a Global Partnership for Development' - is translated in an additional 7 targets and 17 indicators, but not reproduced here.

they are only a little more specific than what is found in the Millennium Declaration.⁹ Developing countries might have wished to add some other goals, of course, closer to their own priorities, or broadened the targets for certain goals. As the World Health Organisation remarked: 'There is a risk, however, that the MDGs are seen by some developing countries as being of primary concern to donors; they may be perceived to be a new form of conditionality and too restrictive in their scope to cover the multifaceted nature of development' (WHO 2003:33). Some countries might have wished to include goals-targets-indicators pertaining to particular health hazards that are typical of their environment. The same goes for certain manifestations of poverty. But that is not where the real difficulty lies. In fact, donors could also complain that some of their pet topics have not been translated into goals, targets and indicators (see footnote 7). One such goal would have been that of improving governance, democracy another. Technically, it would have been possible to formulate them as goals, and to select related targets and indicators. But the chance that developing countries would have objected would have been very high. As indicated, the experts carefully avoided such contentious topics, sticking to a fairly limited interpretation of poverty, and developing countries do not seem to object to the seven goals that affect them directly.

⁹ Targets 4 and 9 in appendix I.

The big problem is not there. What makes the MDGs so forceful, is that for every target at least one indicator is added, and typically several, so that it is in principle possible to monitor progress towards the implementation of the targets. Measurability is indeed the major strong point of the MDGs. That is presumably what makes developing countries so nervous: progress towards the MDGs can be monitored and might be used as a selectivity criterion and as a conditionality in allocating aid. We are also opposed to this use of the MDGs, but for very different reasons. We do not oppose the idea of selectivity and conditionality, as will become clear later in the paper, on the contrary, we welcome it. Our major problem is that the MDGs are not country specific, and, related to this, that they are an affront to the principle of ownership.

How were the MDG targets set? They are based on trends, statistically estimated for the period of the beginning of the 1960s till and including the 1980s. These trends then were projected into the 1990s and beyond. The underlying idea was that the three earlier decades had witnessed significant progress in the underlying poverty targets, but that this trend had been interrupted or had at least slowed down during the 1990s. What was possible during previous decades should also be possible in the future, and therefore the projection of these trends, ignoring the disappointing record of the 1990s, until 2015 was the basis for setting the MDG targets. This reasoning has the advantage of its simplicity and is convincing enough. The big problem is that the trends were a weighted average of very diverging evolutions in on the one hand successful countries¹⁰ like China, Vietnam, Botswana, or Cuba, and on the other hand failures like Burma, Senegal, DR Congo, or Nicaragua.¹¹ If

¹⁰ If not necessarily during the whole period, then at least during considerable periods of time.

¹¹ With the important proviso that data for the latter countries are often lacking and thus that the average is probably biased upwards.

the concern is, as it was originally, to monitor the MDGs at a global level, then this is absolutely correct. It was however fairly quickly decided that the MDGs would have to be achieved at the individual country level, not just at the global level. From a policy perspective, this is a perfectly understandable, even laudable move. Projections suggest that the historical range of good and bad performances also stretches into the future. Thus some countries will easily meet most of the targets, whereas others undoubtedly will not under present policies and aid flows (UN 2005). Country-level application of the goals and targets, if successful, will thus lead to the global targets being overreached. Lagging countries will presumably just get there, but some others will do better than the goals, even without any extra effort on their part or that of the donors. Reaching the MDGs in every individual developing country is therefore the more ambitious, and the more noble interpretation of the MDGs, and challenges donors to provide more aid. What was apparently overlooked, is that this change of scope also undermined the methodological base of the original calculation. For countries with bright growth prospects, the MDGs, based on a global average, hardly constitute a challenge, for others they are on the contrary unreasonably tough. If you would estimate the historical trends in, say, the number of poor people (head count), or maternal mortality for countries like Niger or Senegal, it is highly unlikely that this would suggest that it is possible to reduce these indicators by half and three-quarters between 1990 and 2015. For that reason, the MDG targets are not only unrealistic for these countries, they are also unfair standards. The same is true for dozens of other countries.¹²

This links up with the other criticism, that the MDG approach is incompatible with national ownership of poverty reduction strategies. Under the PRSP, low-income countries were invited to design their own poverty reduction strategies. They were asked to carry out new surveys with particular attention to human welfare and poverty, and to organise participative poverty assessments in different parts of the country. Governments did oblige, with ample financial and technical support from donors, and this increased statistical information base and better insight into the nature of poverty that ensued are among the major accomplishments of the PRSP approach. The PRSP document itself should thus start out from a well-informed poverty diagnostic, and then build on this to devise a realistic but ambitious pro-poor strategy. Donors have been involved in the PRSP from the beginning, arguably too much so. Drafts of the PRSP, often written or directed by donor-sponsored experts, were usually made available to representatives of the donor community before Ministers of the government had a chance to look at them, let alone local civil society. And all governments understood the PRSP for what it really is: a donor conditionality, and therefore were eager to produce a document that would please Washington D.C. This is one of the reasons why donor evaluations now accept that ownership of the PRSP is problematic (IMF 2004, World Bank 2004a). But how much less ownership do countries have when donors start insisting that the goals and targets they pursue be

¹² The suggestion is not that in all cases the historical record of the country in question be used. In the case of countries with a history of failure behind them, it might be better to set the targets on the basis of the trend in comparable more successful countries in the same region.

taken from 'their' MDGs, which, soviet-style, have been decided for them by a group of experts in New York on the basis of worldwide averages.¹³ Consider the following table, reproduced from a World Bank study.

Table 1: Coverage of MDG Indicators in PRSPs

MDG category		Category average
poverty	Poverty Headcount	93%
	Poverty gap	22%
	Income Distribution	15%
	Child Malnutrition	67%
	malnutrition	22%
Education	Enrolment / Attendance	100%
	Progression / Completion	48%
	Literacy	59%
Gender	Education	70%
	Employment	30%
	Voices	7%
Health	Child Mortality	96%
	Immunization	74%
	Maternal health	100%
	HIV / AIDS; STDs	59%
	Other infectious diseases	48%
Environment	Energy / Electricity	37%
	Forests	0%
	Biological Diversity	7%
	Housing	15%
	Water	89%
	Sanitation	67%
	Atmosphere / Air quality	22%

source: World Bank (2004b:3)

The table is based on a desk study of 27 PRSPs that compared the PRSP indicators with those of the MDGs. A country is counted in the table if its PRSP contains at least one monitorable indicator from the MDG list for the corresponding goal or target. For instance, the 7% for 'gender-voices' means that only 2 out of the 27 countries have decided to monitor the proportion of seats held by women in national parliaments. As can be seen from the table, the PRSP indicators differ in considerable respects from those of the MDGs. This may be due to the fact that the countries concerned do not take the MDGs very seriously. But it may also reflect a legitimate desire to set priorities because of financial constraints, or to adapt indicators, because of the demands on feeble national Monitoring and Evaluation Systems. Many of the countries involved have for instance set up participatory poverty assessments to determine what are the major constraints facing the poor, and

¹³ To be fair to the experts who elaborated the MDG goals and indicators, it was not they but the politicians from donor countries who decided that they should be applied to every individual country.

these may be reflected in their PRSP indicators. Should donors insist that they add all the MDG indicators as well? We suggest that the PRSP should take priority. Donors have ample opportunities to enter into policy dialogue with the governments if there are glaring omissions. But they should leave the government in the driving seat, and let it come up with appropriate targets and indicators. Incidentally, what table 1 does not register is that many PRSP countries have identified additional, country-specific indicators in the realm of poverty, not included in the MDG list.

The MDGs are an inappropriate imposition by donors of uniform and reductionist standards of what poverty is and what targets should be set for its reduction. They are not really helpful for donors, for donors already exert considerable influence, through the national policy dialogue, over the PRSP processes. And they are potentially harmful for recipients, negating the local analysis of poverty, and setting targets that are arbitrary and have no historical basis. Recipients have the right to choose their own priorities in addressing poverty issues. For political or other reasons it may be difficult to address all dimensions of poverty with equal vigour at the same time. Setting priorities and sequencing are the natural part of policy making, and it should be done at the local level, not in New York. Donors are just not serious when they claim that the New Aid Agenda is based on the principle of national ownership, and on process. That MDGs are so pushed by donors has probably most to do with the fact that they are popular with their own NGOs, parliaments and constituencies. But they are inconsistent with the CDF principles underlying the PRSP. We should not ask whether national strategies copy the MDGs, but rather whether they are based on a good local diagnostic, whether they have been informed by the insights of the poor themselves and of civil society organisations that act on their behalf, and whether they form part of an ambitious yet realistic national strategy. Donors can use all the influence they have in these national processes. MDGs do not add anything useful.

3. THE NEAR IMPOSSIBILITY OF EVALUATING PRO-POOR POLICIES ON THEIR CONTRIBUTION TO THE MDGs

Donors insist that governments set national priorities based on the MDGs. By the same token they also insist that governments monitor and evaluate their policies to verify that they are effective in reaching the targets. This is completely in line with the new approach of results-based partnerships. Donors, under the New Aid Agenda, no longer insist on micro-managing their own projects using their own implementation agencies and procedures, but align themselves with recipient systems. Ideally this means that they allocate their aid resources through the national planning and budget implementation process. To guarantee that the money is well spent, they in return insist that the government sets up appropriate M&E systems and reports on the final impact. Although this approach is now the accepted wisdom, some experts have expressed doubts about its feasibility. White (2004) for instance has criticized what he considers an infatuation with fancy results-based approaches that do not work in practice. But that does not lead him to reject the approach as such, but rather to offer guidance about how it should be rendered more effective and realistic. Kusek et al. (2005) likewise indicate how difficult it is to construct results-based M&E systems for MDGs in the difficult institutional and human resource environment of low-income countries, but then offer their best possible advice in this uphill struggle. But the paper often reads like a council of despair.

To see what the problem is, it is necessary to disentangle monitoring from evaluation. Monitoring basically ascertains whether the MDGs are being achieved. That requires the collection and statistical handling of a lot of data and comparing them with the initial targets. Evaluating, in contrast, is about establishing whether certain policies or measures have contributed to achieving the MDGs. The issue here is one of causality, and the basic notion is attribution. That involves first the construction of a convincing theory of causality, and second its testing, with as a major methodological challenge that one has to compare the observable outcomes (based on monitoring) with what would have happened in the absence of the particular intervention one is evaluating. The problem is that this counterfactual cannot be normally observed, and therefore must be approximated using all kind of methodological tricks, from randomized experiments to multivariate statistical techniques. Monitoring outcomes is an essential ingredient in any evaluation exercise, but it can also stand on its own. For instance, as part of the effort to verify donor commitment, MDGs have to be monitored at a global level, but it is not quite sure that they also need to be evaluated. In a way, it does not matter so much how they were achieved, as long as they were achieved. If donors provided more development aid, or better access to their markets, or did some of the other things they promised during the Millennium madness, then the presumption must be that this has helped achieving the MDGs. What the exact contribution was of donor efforts, and

what has been the impact of, say, better national policies, or just good luck, for example a favourable international economic climate, does not matter all that much. We will all toast to the good outcome.

When we turn from the global to the national level, evaluation becomes crucial. Has the reform of the health sector achieved positive results? Are the government's policies to foster economic growth genuinely pro-poor? And if so, does this result mainly stem from overall economic growth (the good old trickle-down effect) or from focusing on areas where the poor live, or on facilitating their access to assets or other specifically pro-poor measures? How will proposed policies affect female-headed poor households? Such questions cannot only be raised *ex post*, they can and should also be asked *ex ante*, when preparing or appraising a PRSP. Will the proposed health reform have a positive outcome on child mortality? Will the proposed agricultural policies really help the poorest quintile of the farmers? What about the expected gender impact?

Such questions are at the core of policy making, and donors are quite right in insisting that governments strengthen their institutional capacity to appraise, monitor and evaluate public policies. This is part of the New Aid Agenda, and not disputed here. The crucial issue is how far one should go, that is, how sophisticated a national M&E system should become. For instance, we know something about which policies are likely to impede economic growth in the private sector, and which policies will boost it. But we cannot make such claims with full scientific precision. We can also meaningfully discuss certain components of a national agricultural strategy, based on agronomic and socio-economic data for the country, and on the basis of a kind of meta-analysis of results from many other parts of the world. Such a discussion can be infused by scientific research results, but the level of precision is sometimes approximate, the supporting data often incomplete, and there will be a considerable margin of uncertainty to it all. That is in fact one of the reasons why it is appropriate for donors to let governments set national priorities and choose their own strategies and impose process rather than policy conditionalities. In this way local, sometimes intuitive insights can be brought in, and room is created to allow for political sensitivities. We are pretty sure of what constitute wrong policies, but why policies work and whether they can be extrapolated from one country to another is surrounded with doubt. Successful development remains something of an enigma, and therefore donors should not prescribe in minute detail what the appropriate policies are. Another way of looking at the same reality is to admit that it is impossible to appraise with great precision what the outcomes of policies will be. *Ex post* evaluation can give better results, but even so the odds are against high levels of precision. To clarify this point, let us look at the advice given by some leading M&E specialists of the World Bank (Kusek et al. 2005). They offer an illustration of the manner in which M&E of the MDGs might be performed.

Table 2. A Logic Model for one MDG

Impact	<ul style="list-style-type: none"> • Reduce mortality rates for children under 5 years old
Outcome	<ul style="list-style-type: none"> • Improved use of ORT for managing childhood diarrhea
Intermediate outcomes	<ul style="list-style-type: none"> • Increased maternal knowledge of ORT services • Increased access to ORT services
Outputs	<ul style="list-style-type: none"> • 15 media campaigns completed • 100 professionals trained in ORT
Activities	<ul style="list-style-type: none"> • Launch media campaign to educate mothers • Train health professionals in ORT
Inputs	<ul style="list-style-type: none"> • Trainers • ORT supplies • Funds

Source: Kusek et al. (2005:10).

Table 2 contains two important pieces of information. The left column presents a logical chain of how a particular intervention – a campaign to convince mothers to administer Oral Rehydration Therapy (ORT) to children suffering from diarrhea – is related to one MDG. The right column suggests a set of indicators that might be used to monitor the six steps of the chain, from inputs to impact. The implicit suggestion to government is that during the planning process it performs an exercise akin to what is presented in table 2 for every important intervention. On the basis of information about such interventions elsewhere a logic model can be constructed and outcomes and impact tentatively predicted. During implementation the government should collect information on the relevant indicators to verify whether all the links in the chain are holding, and seek remedial action when required. During evaluation it should try to establish what the net impact on child mortality of the intervention has been and decide whether the intervention should be expanded in scope or geographical coverage. For donors, such an M&E exercise provides a guarantee that their aid money through the budget is spent in ways which contribute to the MDGs. The problem is that for a huge number of public interventions a neat logic model like in table 2 can just not be established. Try for instance to imagine what the effect on any of the MDGs would be of rural roads. We know that they are very important for development, and depending on the road, for the poor. But the logic chain is too long and diffuse (with ramifications towards several MDG targets) to evaluate it with any type of precision for individual interventions, either ex ante or ex post. Or try public sector reform, or a new investment code, or applied agricultural research. All are important, and it can be convincingly argued that if well executed they will directly or indirectly contribute to the MDGs. But if donors insist on governments establishing in a way which can be monitored and evaluated that these interventions contribute to the MDGs, they always lose out against projects of primary health or basic education, for the simple reason that there the causal chain is straightforward and fairly easy to moni-

tor and evaluate. The problem stems from the fact that the MDGs are very high up in the causality chain, combined with the fact that the feasibility to convincingly apply the approach of table 2 is very unequal across sectors and interventions, with the social projects winning hands down, and finally with the fact that developing countries have in general excessively weak M&E systems.¹⁴ This creates an inevitable bias towards social spending. It has been remarked that this is one of the biases in donors' pressure on governments (World Bank 2003). By the way, donor experts undergo the same pressure. Imagine that you are in charge of preparing a country strategy paper for a donor, and that parliamentarians and NGOs are breathing in your neck to make sure that you are well and truly applying the MDG policies enshrined in the donor's mission statement. Is it any surprise that such donor officials take the easy road and put disproportionate emphasis on the social sectors? In this way, the combination of donor management by results and their insistence on seeing the link of what they are funding to the MDGs will lead to ineffective priorities in aid allocation.

¹⁴ The World Bank's 2004 PRSP evaluation study includes the results of a survey among almost 800 stakeholders in 10 PRSP countries, which reveals that out of 39 questions the one on M&E received the most negative response (World Bank 2004a: 66, table D). In fact, to the question "An effective structure to monitor and evaluate results has been established", 41% of the correspondents answered with a 'Disagree' or 'Disagree completely', whereas a further 21% answered 'Don't know or unsure'.

4. TWO NARRATIVES ON DONOR-RECIPIENT RELATIONSHIPS

The New Aid Agenda is characterised by the new aid modalities and instruments it proposes. From this vantage point the contrast with the two preceding paradigms, traditional project aid and structural adjustment policies, is striking. The new paradigm is in a way the response to the failings – failings that are largely admitted in the donor community – of the two previous approaches. What is often overlooked in the presentation of the new paradigm is that there exist at least two distinct narratives of the failure of past aid. Both point towards the New Aid Agenda as the appropriate answer, but with very different instruction manuals for its use. The first narrative puts the emphasis on the necessity of dialogue, partnership, the pursuit of consensual solutions between donors and governments, and tends to mostly blame the donors for the failures of the past. Project aid has mainly failed because donors were unwilling to put governments in the driver seat. Donors preferred to micro-manage ‘their’ projects, from identification over implementation to evaluation, thus creating a parallel circuit to the public sector. With dozens of donors working alongside each other, with no or minimal consultation, each one with his own procedures and regulations, the result could only be chaos. Donors also recruited the best public employees to work in ‘their’ projects, offering them financial and other incentives that were way beyond anything the government was offering. They also insisted on contributions from the national budget to cover the recurrent costs of the projects, without tracing the implications on fiscal sustainability. And they imposed huge transaction costs on the public sector through their separate and detailed financial control mechanisms, reporting requirements, and the hundreds of missions they sent to the country. Especially in aid-dependent low-income countries project aid has not only bypassed the state, it has actually undermined it. The response, which is a major theme of the new approach, is for donors to simplify and mutually harmonize their procedures, and to transfer as much responsibility to the government as reasonably possible. Key words here are ‘harmonisation’ and ‘alignment’ (DAC 2003, 2005). Budget support, preferably general rather than sectoral, is now the preferred aid modality. It is the government that plans, prepares a budget, implements, and supervises development projects and programmes. Donors assist the government in reinforcing its institutional capacity and in better taking on its crucial role in the development process.

Structural adjustment policies likewise failed largely because of the donors. The Bretton Woods institutions in particular arrogantly imposed the same reforms everywhere, inspired by a simplistic orthodox macroeconomic view (‘the Washington consensus’), without taking into account the local economic, social and political context, and without seriously consulting with the authorities. By being too tough on recipients and withholding much needed resources to improve the working of the public sector, these recipients were caught in a poverty trap (Sachs et al. 2004). In the PRSP ap-

proach, by contrast, the government is in the driver seat and sets priorities. The key word here is national 'ownership'. The word 'conditionality' on the other hand is banned from the vocabulary of the well-meaning progressive donor, and replaced by references to 'partnership' and 'mutual responsibilities'. If the Policy Framework Papers had been written in the offices of the experts from the IMF and the World Bank in Washington D.C. and submitted to the government for signature, the PRSP is produced locally, under the full responsibility of the government, and only later submitted for approval to the executive boards of the IMF and the World Bank, and thus to the major bilateral donors who control the majority of the votes. The results to be achieved with aid moneys received from the donors, and the concomitant reforms are the basis of a contractual arrangement between donor and government. This is not to be construed as a set of unilateral conditions imposed by the donors, but the enumeration of the results and reforms the government itself has decided to enact and the donor is willing to finance, and that are locked in by the agreement with the donor. Finally, the obligatory participation of civil society is a crucial ingredient of the PRSP. Civil society, which for donors in the first place seems to consist of development NGOs, can help to better target the strategy on the poor, on whose behalf civil society actors are supposed to act. The vision of civil society here is non-conflictive and not overtly political.

The second narrative emphasises the conflict of interest between donors and beneficiaries and the necessity for the first to take a tough line. The weaknesses on the donor side during previous paradigms are acknowledged, but they are eclipsed by the lack of commitment to pro-development policies on the part of the recipient governments (van de Walle 2005). According to this narrative, the project approach of the donors was well-intended but myopic. Bypassing a weak central state in order to deliver public services and subsidies directly to the poor through projects and programmes that are designed, managed, and supervised by donors is bound to fail. Given the anti-development macroeconomic and sector policies, the systemic state incompetence and widespread corruption and graft, the positive effects that donor achieve at the local level are easily outdone at the macro-level, and are not sustainable. A key word in this respect is 'fungibility'. Recipient countries escape the good intentions of donors by reducing their own efforts in sectors supported by donors. The project modality, here understood as earmarking of donor funds at the micro-level, is largely illusory as a conditionality. The government has a different agenda from the donors, and happily lets the donors take care of crucial development activities, in this way freeing budgetary resources for the personal enrichment of the political elite, military spending, or prestigious projects dear to the president. The answer to this threat to aid effectiveness is for donors to realise that aid is fungible, and thus to abandon the project approach and turn their attention to the totality of public spending. They should use their aid as a leverage to improve the functioning

of the state. A part of their budget support may initially be wasted on non-development spending, but they can and should exert constant pressure on the government to gradually improve the quality of public finances. Yet donors also recognize that previous efforts to force changes at this macro-level, through structural adjustment spending, the other abandoned aid paradigm, has not worked. First of all, the political elites have passively but very effectively resisted reforms that went against their personal interests or those of their political clients. Badly managed and loss-making public enterprises, an underpaid, demoralised but plethoric public service, public spending biased in favour of the cities, administered prices for public utilities that favour the well-to-do, direct taxes that are left uncollected, hugely inefficient state monopolies in commercial buying and selling of agricultural inputs and outputs that exploit farmers, overvalued currencies, repressed financial markets, one can multiply the examples of policies that, in their mutually reinforcing ways, are disastrous for economic and social development but that are perfectly adapted to the needs of the neo-patrimonial political system. The IMF and the World Bank, all their might notwithstanding, have not been able to weed out such bad policies because they have been too lax in imposing their own conditions. In this analysis, multilateral as well as bilateral donors, far from being too tough, have been too soft and unprincipled. It may not be at first sight clear how the PRSP approach would be able to remedy this lack of resolve of the donors. On the contrary, non earmarked budget support associated with non credible conditions amounts to writing blank checks. In this narrative however, the main attention is on the government: the weakness of the public sector and the inadequacy of government policies are perceived to be the major constraint to development. The answer resides in a rethinking of conditions (Gunning 2005). The key words here are 'ex post conditionality' and 'selectivity'. Under ex post conditionality the government must first enact certain agreed reforms or perform certain actions, expressed in targets and measures that can be easily verified, before any aid money is released. To the extent that the contract is well drawn up, the interpretation of the conditions should be fairly mechanical and straightforward, and little room is left for the type of negotiations in which donors tend to act weakly because of their bureaucratic desire to spend their aid budget and the lack of toughness that is a cultural trait of their profession. Compared to ex ante conditionality where the donor provides funds against the promise of future action by the government, ex post conditionality is a more credible contract, and of course, tougher on the recipient. Selectivity is used to allocate money among beneficiary countries and to decide the modalities of delivery. Where ex post conditionality is a contract with an in-built incentive for the government to adhere to the donor's conditions, selectivity does not contain any immediate incentive and should suit the donor who does not believe that reforms can be 'bought' by donors. Both selectivity and ex post conditionality are part and parcel of the PRSP approach.

As in the first narrative, civil society participation is a key no-

tion here too, but with a different connotation. In the absence of a vibrant civil society and an open political opportunity structure, donors are the sole serious interlocutors of the government. In the face of rampant corruption, clientelism, the utter lack of concern for the long-term development of the country, donors are pushed into the uncomfortable role of major guardian of the development concerns. Their conditions are the only effective pressure on the government to behave in the general interest. Such upward accountability is politically precarious. The role of watchdog and countervailing power to the executive branch of government should be exercised by national civil society, by parliament, and through the ballot box. Upward accountability must be replaced by downward accountability, towards citizens. Imposing civil society participation is a covert political ploy that is intended to have long-term effects on power relations within the country.

These two narratives, the first 'harmonious', the second 'dissonant', are theoretical constructs and not always observable in their pure form. In fact most donors opportunistically mix them, taking one or the other extreme positions, or some place in the middle. The public discourse and official donor publications are sufficiently vague, on occasion contradictory, and expressed in the kind of woolly diplomatic language that allows politicians to get away with such confusions. It is nevertheless possible to classify many authors and institutional actors in one category or the other.

As should be clear from this brief presentation, the two narratives may lead to very different prescriptions. Both are fully consistent with the new Aid Agenda, but the result is that donors who sit on opposite sides of the fence end up doing contradictory things. That is more than a little problematic. One of the crucial points of the new approach is donors acting in a consistent fashion. The toughness of one donor is easily undermined by the largesse of another. Recipient governments are very good at spotting such contradictions and at exploiting them.

5. CONCLUDING REMARKS

The new aid paradigm hides several deep inconsistencies and contradictions. If not addressed, these will undermine the effectiveness of aid. They may also end up discouraging donors. In the good old days when projects ruled the waves, every donor could at least harbour the illusion of doing something good, in small but significant ways, and see the outcome of his own work. Under the new aid paradigm, the contribution of one provider of budget support is impossible to disentangle from the contributions of all the other donors. Aid is increasingly being perceived as a collective effort. But that carries of course also all the risks of collective action. If donors do not agree on the rules of the game, the result of their collective effort maybe less than the sum of the parts, and they will resent each other for this. On the other hand, recipients rightly resent the way all this donor talk about the MDGs as a worldwide compact actually takes away the national ownership that was promised to them. In addition donors' insistence on showing how their aid has contributed to the MDGs poses almost insurmountable obstacles for weak national M&E systems. The designers of the new aid architecture have some repair work to do.

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ANNEX 1: THE MDGs FOR RECIPIENT COUNTRIES (GOALS 1 TO 7)

Goal 1: Eradicate extreme poverty and hunger	
Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	1. Proportion of population below \$1 (PPP) per day 2. Poverty gap ratio [incidence x depth of poverty] 3. Share of poorest quintile in national consumption
Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger	4. Prevalence of underweight children under-five years of age 5. Proportion of population below minimum level of dietary energy consumption
Goal 2: Achieve universal primary education	
Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	6. Net enrolment ratio in primary education 7. Proportion of pupils starting grade 1 who reach grade 5 8. Literacy rate of 15-24 year-olds
Goal 3: Promote gender equality and empower women	
Target 4: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015	9. Ratios of girls to boys in primary, secondary and tertiary education 10. Ratio of literate females to males of 15-24 year-olds 11. Share of women in wage employment in the non-agricultural sector 12. Proportion of seats held by women in national parliament
Goal 4: Reduce child mortality	
Target 5: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	13. Under-five mortality rate 14. Infant mortality rate 15. Proportion of 1 year-old children immunised against measles
Goal 5: Improve maternal health	
Target 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio	16. Maternal mortality ratio 17. Proportion of births attended by skilled health personnel
Goal 6: Combat HIV/AIDS, malaria and other diseases	
Target 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS	18. HIV prevalence among 15-24 year old pregnant women 19. Condom use rate of the contraceptive prevalence rate 20. Number of children orphaned by HIV/AIDS
Target 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases	21. Prevalence and death rates associated with malaria 22. Proportion of population in malaria risk areas using effective malaria prevention and treatment measures 23. Prevalence and death rates associated with tuberculosis 24. Proportion of tuberculosis cases detected and cured under directly observed treatment short course (DOTS)
Goal 7: Ensure environmental sustainability	
Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources	25. Proportion of land area covered by forest 26. Ratio of area protected to maintain biological diversity to surface area 27. Energy use (kg oil equivalent) per \$1 GDP (PPP) 28. Carbon dioxide emissions (per capita) and consumption of ozone-depleting CFCs (ODP tons) 29. Proportion of population using solid fuels
Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water	30. Proportion of population with sustainable access to an improved water source, urban and rural
Target 11: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers	31. Proportion of urban population with access to improved sanitation 32. Proportion of households with access to secure tenure (owned or rented)

Source: World Bank (2004b).



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