

Challenges of effective aid delivery

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Emerging Powers and their Development Aid Policies
KAS and SIDA, 29 October 2007

History - Phases of aid

- 50s – We can engineer poverty away, heavily influenced by central planning/Great Society/New Deal
- 60s – Big projects, state-led development, big failures
- 70s-80s – State bankruptcy, political failure tied to failure of basic fiscal & mgmt controls, structural adjustment & project aid
- 90s – Falling aid levels, withdrawal from infrastructure, agriculture, poverty emphasis

History - Has aid worked?

- Instinctively feel valuable but few sustained results
- Africa poorer per capita today than at independence
- Cold War and conflicts: cost Africa more than aid delivered; takes far longer to rebuild social compact than to tear it.
- Sachs – we never crossed threshold
- Econometric evidence – neutral results

Two questions for aid

What's wrong?

- Poverty
- Conflict
- Lack of trade
- Lack of production

- Corruption
- Unstable politics
- Weak democracy

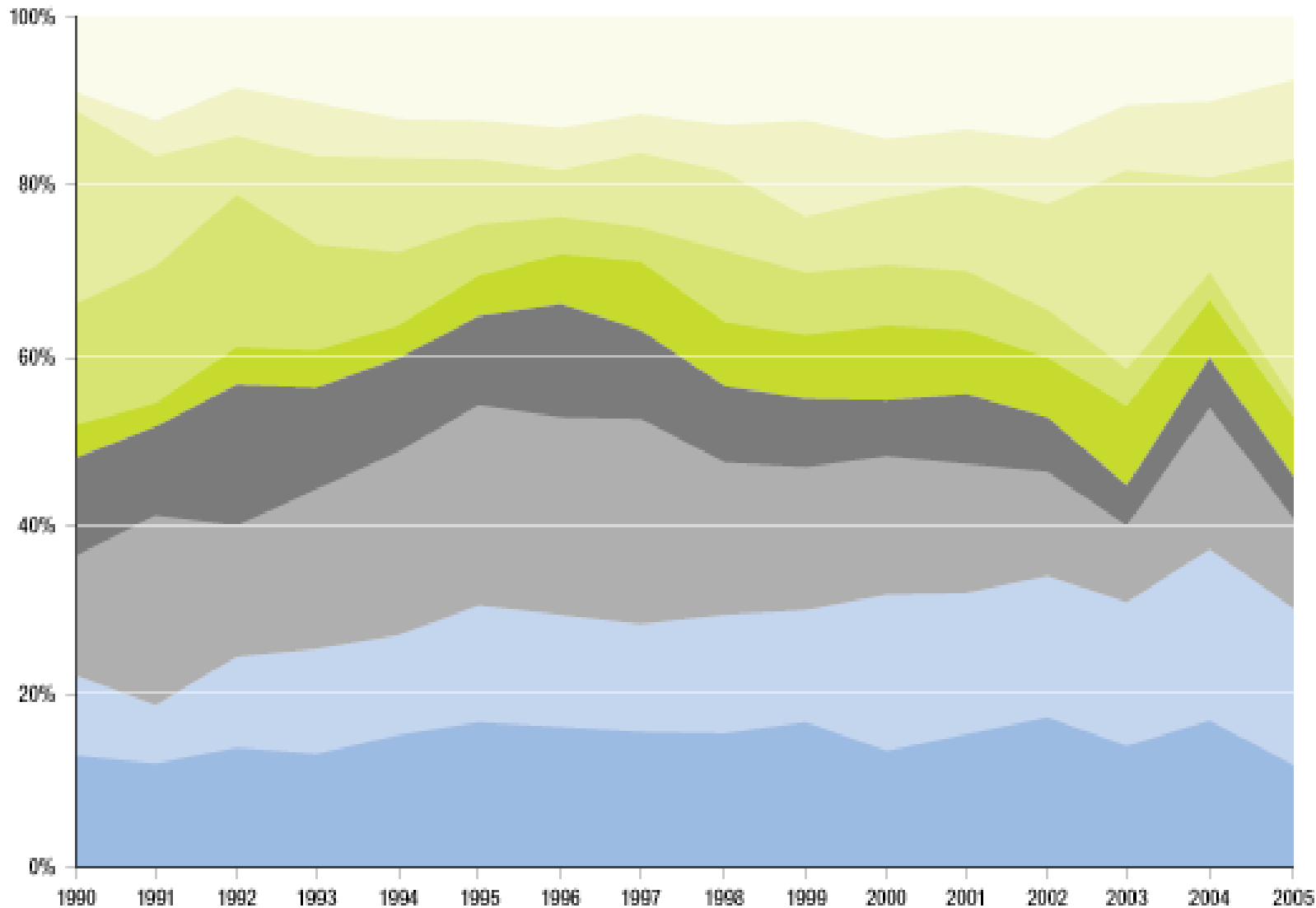
How do we fix it?

- Self-help

- Outside aid
- Outside loans
- Outside technical advice

Why are we poor?

- Our products and services insufficiently valuable – we need to add more value
- Aid addresses the lacks – health care, education, food, water – but does nothing about underlying poverty



Unspecified

Emergency Aid

Debt Relief

Programme Assistance

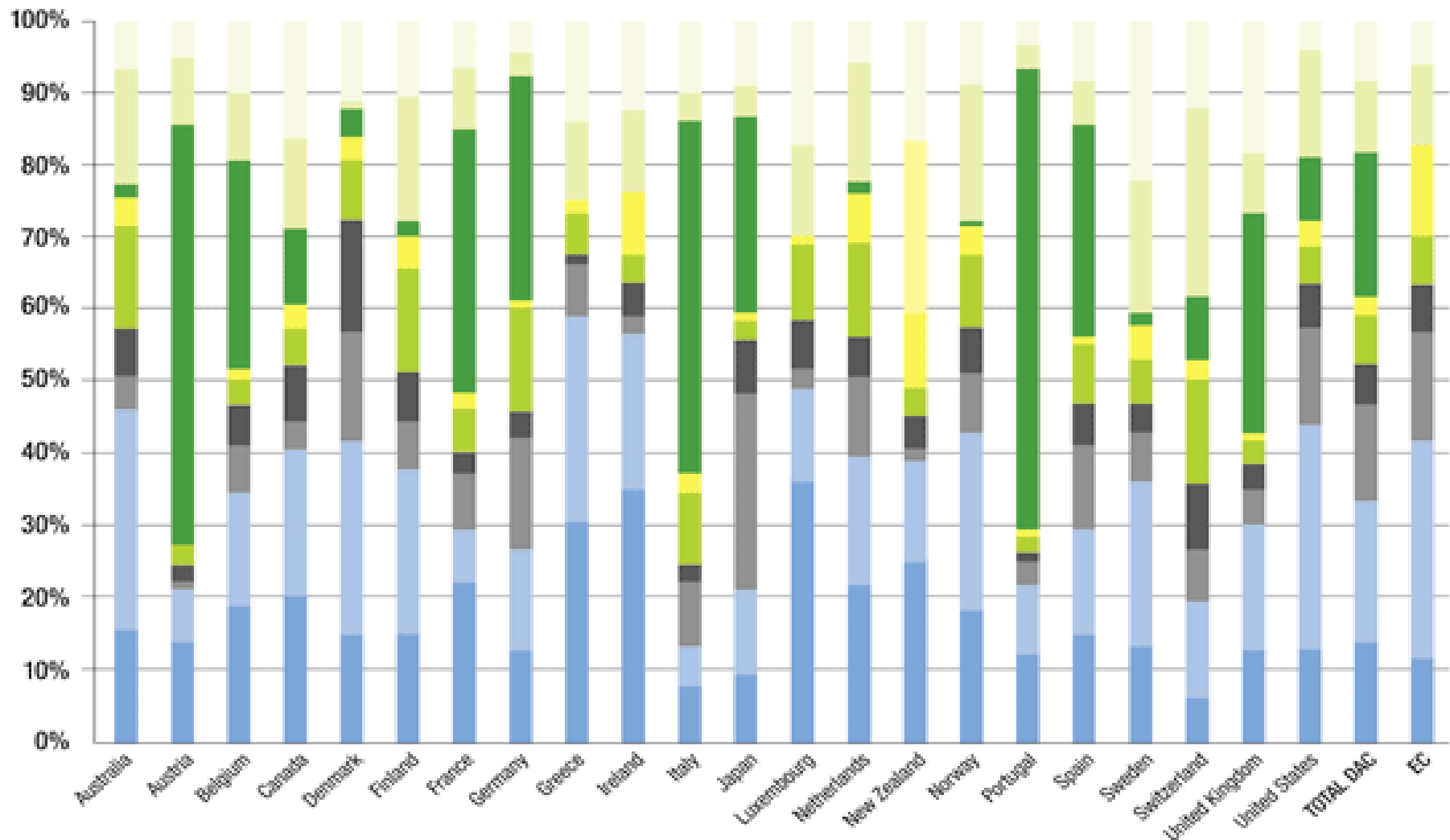
Multisector

Production

Economic Infrastructure

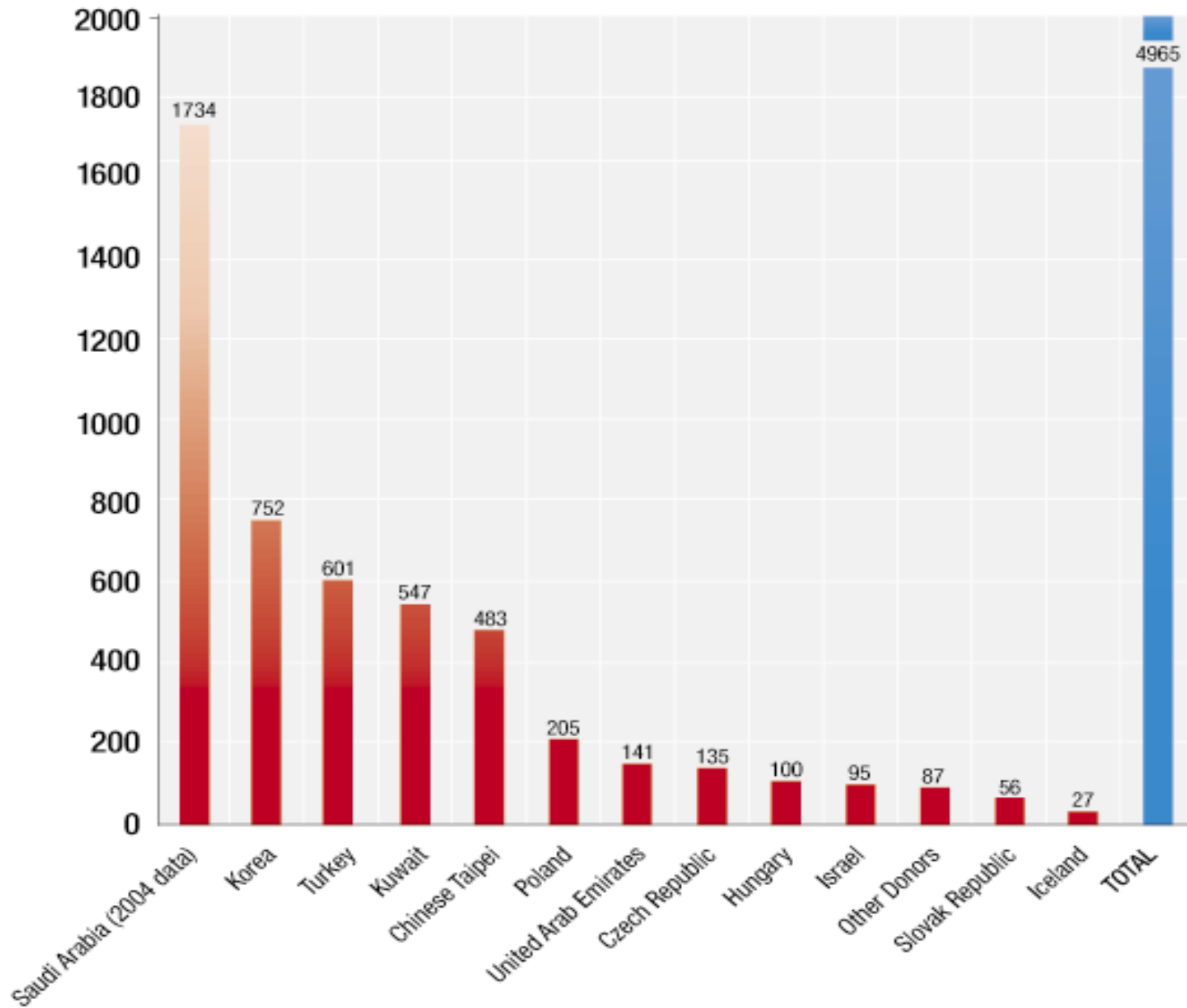
Other Social Infrastructures

Education, Health and Population



USD million

2005 Aid from Non-Traditional Donors



Donor weaknesses

- Short-term assignments
- Lack of transparency, incentives to silence
- Ineffective planning & project selection
- Wrong measures of success -- by output, measurable activities
- Incentives to move the money
- Effectiveness limited by decisions at top
- Project, sectoral, tech support & budget support

Paris Declaration

Ownership

2. Recipient has strategy

Alignment

5. Reliable Co Systems
6. Aid aligned to Co priorities
7. Strengthen capacity thru coord support
8. Use Co public finance & procurement systems
9. Strengthen capacity by avoid parallel admin
10. More predictable
11. Aid is untied

Harmonisation

2. Use of common procedures
3. Use shared analysis/visits

Manage for results

6. Results oriented frameworks

Mutual accountability

9. Undertake mutual assessments

Recipient weaknesses

- Moral hazard, aid as paradigm
- Aid undermines democratic compact
- Lessons from APRM, PRSP plans
 - Too many items, no prioritisation within or across sectors
 - Plans as marketing documents
 - Lack of linkage between plans & budgets
 - Needed – national Palm Pilot

Developmental state theory

- Drive to develop tied to strength of social compact and who included
 - Limited focus of Brazilian state through 90s vs S. Korea
 - Business embraced as ally not enemy
- Importance of key sectors
 - Regularised processes for business regulations
 - Trade support
 - Agricultural market linkages
 - Technology/educational acquisition
 - Stable money, cheap credit
 - Ports, transport, power, telecoms
- Meta signals
 - Budget deficit as failure to restrain political demands
 - Faster growth where land title rights given to peasantry
 - No limits to the political makes politics an industry

The MDG Agenda

1. Eradicate extreme poverty
2. Ensure universal primary education
3. Promote gender equality
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV, malaria, other diseases
7. Ensure environmental sustainability
8. Develop a global partnership

A Growth Agenda

1. Strengthen basic services & infrastructure: power, transport, customs
2. Invest in rural economies
3. Invest in skills and research
4. Increase lending and savings
5. Raise domestic revenue
6. Promote justice & rule of law
7. Remove bureaucratic obstacles
8. Level the commercial playing field -- corruption

Final thoughts

- Diplomatic imperatives undermine effectiveness
- Aid can win greater friendship but also greater animosity
- Can emphasise strength of giver and anxieties about hegemony
- Start small, stay narrowly focused
- Promote growth