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Making aid work better for recipients

and improving national planning processes for sustainable development in the bargain

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"Aid relationships are, by nature, unequal. If developing countries are to lead their own development, they must have more authority to ensure that the international development system responds to their needs." (DFID 2006)

As DFID's new White Paper on poverty acknowledges, aid relationships are always about power, and despite the emphasis on country ownership in today's international aid system, the deck remains heavily stacked in favour of donors. For example, the Paris Declaration – the defining international statement on aid today – very much reflects prevailing Western ideas about governance, management effectiveness, and economic efficiency that may have little meaning or relevance in many developing country contexts.
Despite aid's donor bias, at least some recipient countries, such as Tanzania and Vietnam, have nonetheless successfully introduced structures and mechanisms to help them set their own directions with less donor interference. Through impressive processes of stakeholder consultation that reflect indigenous social, cultural and political contexts rather than homogenised international norms, these two countries have also recently produced national strategies that are well-grounded in the principles of sustainable development.
Such experiences offer a strong argument for a new approach to aid relationships, that gives recipients greater autonomy and flexibility and acknowledges the shortcomings in donor expertise and in homogenised approaches to aid.

Aid is one of the means nations have employed to achieve a vision of global prosperity: by supporting the development of weaker nations, it aims to increase security, well-being, and economic opportunity for all. Since aid emerged as an international institution following World War II, its role has steadily increased. In 2005, according to OECD and World Bank data, more than 128 billion US dollars were transferred from bilateral and multilateral donors to aid recipient countries. But aid has not always contributed to sustainable development or poverty reduction. The growth of aid has been accompanied by criticisms that the terms under which it is provided reinforce inequities between rich and poor nations and undermine the very development processes it claims to support.

The Paris Declaration represents a convergence of opinion (at least among the donor community) on how to make aid more effective at a time when ending global poverty has risen to the top of the international agenda. The declaration's emphasis on country ownership reflects wide agreement that sustainable development is rooted in national leadership and local action. Donors' often limited understanding of local contexts and environmental issues, short time frames in which to spend money, and need to respond to priorities and demands of constituencies back home are some the reasons why they need to take a 'back seat' in national and local change processes (Bass *et al*. 2005: 308).

The declaration's principles, although well-intentioned, need to be treated with care, as they can actually reinforce donor control over recipients' development agendas.

The harmonisation principle acknowledges the costs to recipients of maintaining separate relationships and administrative systems for multiple donors and projects. But harmonised processes of building a 'collective agenda' are inevitably skewed towards the perspectives of those with the greatest capacity and resources to participate in such processes, and these are rarely the recipient countries themselves.

The managing for results principle acknowledges criticism that aid is often driven by the political and economic considerations of donors rather than by recipient country development needs. But the rigidity of results-based instruments such as log frames, and the pressure from donors for recipients to replicate them in their own institutions, have been criticised for disempowering the beneficiaries of aid or engendering their covert resistance, while deepening the control exerted by donors.

The mutual accountability principle is aimed at ensuring that both donors and recipients are accountable for their commitments to one another, acknowledges that demands for transparency and accountability on the part of donors have not been matched by transparent and accountable behaviour on their own parts. However, since donors tend to control the modes and processes of evaluation, it is easy for them to meet the letter of mutual accountability while evading the spirit. And aid contracts themselves imply accountability from recipients to donors, and from donors – not back downwards to recipients – but upwards to their own taxpayers or boards of directors.

The ownership and partnership principles have been criticised for being mutually incompatible. While the concept of ownership aims at 'putting the recipient country in the driver's seat' (to quote a 1999 speech by former World Bank President James Wolfensohn), partnership implies a strong role for donors and other actors in the international development fraternity. Some observers (e.g., Maxwell 2003) nonetheless contend that the promise of partnership can be realized if instruments for mutual accountability and to incentivise 'good' behaviour by both donors and recipients can be put in place to address the inherent inequities.

When developing countries manage to steer their own development directions despite these constraints, the results can be impressive, as these brief examples from Tanzania and Vietnam illustrate.

Tanzania

In the years following independence, and particularly in the 1980s and early 1990s, Tanzania's relations with donors were characterised by both dependency and conflict, with donor agencies involved in virtually every aspect of policy and governance. The situation began to change following an independent review in 1995 of Tanzania's aid relations, which was scathing in its criticisms of donor interference in the country's affairs. The development of Tanzania's new National Strategy for Growth and Poverty Reduction (known as MKUKUTA for its Swahili acronym) is a good illustration of the evolution of that change, and its positive impact on the country's development direction. In 1997, the government prepared a national poverty reduction strategy that was eventually rejected by the World Bank and the IMF as insufficient for the country to qualify for debt relief under the Highly Indebted Poor Countries Initiative. This decision forced Tanzania to go through a new, and substantially donor-driven, poverty reduction strategy process in 2000. In subsequent years, the government began to put mechanisms in place to take stronger control of policy processes. These included the preparation of a detailed national framework for development assistance (the Joint Assistance Strategy for Tanzania) the establishment of a five-month annual 'quiet period' during which donor visits and meetings are discouraged in order to allow government space for budget preparation and parliamentary debate; and the creation of the Independent Monitoring Group, which periodically conducts reviews of relations between the government and its donors.

When Tanzania embarked on a new national development and poverty reduction strategy in 2005, it used these and other instruments to take firm control of the process from the start. It built local ownership through an extensive campaign of stakeholder participation that has been favourably contrasted to the processes of consultation in the earlier donor-driven process. The resulting strategy emphasises the link between environmental management, poverty reduction and economic growth and as such provides an impressive framework for the country's development.

Vietnam

Vietnam, as a Communist state formerly aligned to the Soviet Union, received little aid from Western countries or international agencies until the 1990s. Since then it has carefully cultivated donors while finding ways largely to exclude them from national policy and planning processes. Far less dependent on aid than Tanzania, the government of Vietnam has been able to say 'no' to donor demands and even turn away aid that has been unacceptably entangled in conditionalities. But its most effective mechanism for maintaining autonomy has been what some have called its 'two-track' system of planning, whereby donor-mandated processes, such as the development of a national poverty reduction strategy, have been carried out through internationally-accepted standards of donor-recipient collaboration and consultation. Meanwhile, the more nationally important five-year and ten-year planning processes have continued to follow complex multi-layered Confucian and Marxist influenced processes of consensus building that have largely befuddled and excluded donors. The new socio-economic plan for 2006-2010 reflects the quality of these processes: after a decade of rapid growth and poverty reduction fuelled by expansion of industrial and agricultural export markets, the new five year plan is focused on 'fast and sustainable development on three axes – economy, society and environment'. Although Vietnam's donors have been vocal on the subject of good environmental management, this far-sighted mainstreaming of environmental considerations is not found in the more donor-influenced parallel poverty reduction strategy.

Looking beyond the Paris Declaration

While the Paris Declaration is a commendable effort to put aid relationships on a more equal footing, the framework it sets out is far from perfect. Its principles can be interpreted and wielded in ways that maintain donors' grip on developing country agendas, and its implications about what constitutes 'effective' aid can backfire. Harmonisation does not always best serve either recipients or donors, and too much emphasis on results can lead to a lack of attention to long-term processes of change.

Making aid relationships work better for sustainable development would be helped if the stigma of being an aid recipient was removed from both rhetoric and contract, and replaced with an understanding that aid serves the interests of both donor and recipient, as well as larger international interests and priorities. Developing countries are likely to go on wanting aid for a long time to come, because it gives them resources for achieving their development objectives. This support is particularly important within the wider context of continued, and possibly increasing, developed country bias in international markets and institutions. But countries like Vietnam and Tanzania, which have taken or are taking ownership of their own development paths, will want aid that is process-oriented, context specific, and tailor-made for their purpose, and they will want international aid frameworks that give them better ability to access, use, and manage aid. Mechanisms such as Tanzania's 'quiet period' or Vietnam's complex, multi-dimensional consensus-building processes, while possibly not the sorts of 'power tools' that can be widely replicated in other places, illustrate the kinds of creative approaches that developing countries can take to gain the level of control in aid relationships needed to undertake effective and nationally-relevant planning processes with high levels of local stakeholder involvement and support.

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