

# The future of aid

**I**t is common these days to talk of the 'shifting landscape' of aid. Official development assistance has more than quadrupled in the past 25 years, and the numbers of both aid actors and aid channels have soared. The number of official donors has increased, including, most recently China, India and Brazil. The size of China's aid programme is anyone's guess at the moment, but recent estimates put it somewhere between \$1.5 billion and \$2 billion annually. The size of India's aid programme is equally hard to determine, but figures suggest that it stands at around \$150 million to \$200 million per year.

The World Bank's concessional lending arm, the International Development Association (IDA), was replenished to the tune of \$41.6 billion in the IDA 15 funding round of 2007, an increase of \$9.5 billion over the 2005 round. The latest round was significant, not only for increased funding, but also for the number of countries making pledges – 45 in all, including China, Cyprus, Egypt, Latvia and Lithuania.

Then there are the spiralling numbers of non-official providers, including private and corporate

foundations and social responsibility programmes. One of the most dynamic elements of the aid architecture in recent years has been the surge in private philanthropic funds that, in the USA alone, donated an estimated \$7.3 billion in aid in 2005. Uncertainties remain about the size of the sector globally.

Global vertical programmes are another element, pouring funds into specific areas, such as the control of malaria or measles. Created to bring visibility and focus to specific global priorities, they are viewed as symbols of the international community's commitment to the MDGs. Most have emerged since 2000 and, according to the World Bank, they have mobilised about \$33 billion between them to date. While most focus on health, HIV and AIDS and education, more recent programmes include the Enhanced Integrated Framework for Trade and the Clean Technology Fund. In the past 18 months alone, 14 new global financing initiatives have been launched to address global environmental challenges.

What this all adds up to is a huge and complex array of actors and sources of aid finance; from IDA and India on the one hand, to Gates and Google on the other. It's no wonder that some observers now talk about an aid 'non-system'. Not only is the system chaotic, it is also under delivering. Without dramatic increases in the next few years, many G8 members will fail to meet their Gleneagles commitments to scale up aid. The simplest estimates indicate that aid volumes will have to increase by 100% between 2007 and 2010 for the G8 to hit its target. But in addition to the scale of funding, what else should donor nations focus on in the coming years?

There are two key issues on the table.

The first and perhaps most obvious worry is the lack of coherence in the system. The current consensus on aid effectiveness, encapsulated by the Paris Declaration, incorporates the traditional multilateral and bilateral donors. But what about the non-OECD Development Assistance Committee donors, the emerging donors and the new private actors? Whose rules are they playing by? Is there scope for





an even broader international consensus on aid effectiveness that goes above and beyond Paris? How can we bring together calls for greater aid transparency, increased alignment with national development goals and increased predictability in an international code of conduct for all aid actors?

The second concern is how to ensure that the aid system can deliver effectively in response to global risks and challenges, while remaining committed to the country-led approach to development. Responses to global challenges to date have tended to involve the creation of new vertical funds and new donor-driven initiatives. Work by ODI and others suggests that verticalisation and fragmentation of international development aid in recent years has threatened the national ownership of policy choices stressed in the Paris Declaration. More recent work points to the importance of synergy between responding to global public goods challenges on the one hand, and sector and country-wide policies on the other.

Some actors talk of raising funds vertically but spending horizontally. Initiatives such as the International Health Partnership, which aims to improve the way international agencies, donors and poor countries work together on health plans, go some of the way. But in the end, effective engagement on global issues requires the strong engagement of recipient countries. As the World Bank reports, 'not all countries may feel equipped to take on this challenge and should demand and receive special support' to make it happen.

Yet the context in which recipient countries are being expected to assert their leadership over the aid agenda is also problematic. Domestic political incentives play a big part. As ODI has shown over the years, externally driven technocratic solutions, however well meaning, rarely work as a basis for building country ownership of the aid agenda. Adverse global economic trends also play a role as national governments turn their attention to short-term crisis management rather than longer-term institutional change and development.

The architecture of the international

## As the number of aid actors and channels soars, there is increasing talk of the aid 'non-system'

system also has a lot to answer for – in particular the lack of developing-country voice and representation in the powerhouses of the international aid system – the international financial institutions. Reforms are planned and there is change afoot – the International Monetary Fund has changed its voting rules and other elements of the international system are being overhauled. But with so many new players on board, reform is more urgent than ever.



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