

# Who should lead the aid effectiveness debate in the future?

## Speech at the first ODI Busan Debate<sup>1</sup> House of Commons, London, UK

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**Panellists**

- Brian Atwood, Chair of OECD Development Assistance Committee (DAC)
- His Excellency Ernest Rwamucyo, High Commissioner of Rwanda to the UK
- Jonathan Glennie, ODI Fellow

*Chaired by Daleep Mukarji OBE, Chair of the ODI Council and Board*

Let me start by saying that in my view the OECD-DAC deserves immense credit for the work it has led on aid effectiveness, of which Paris is the flagship. I have been critical of the Paris process in the past, because it doesn't get to the heart of what aid effectiveness is, and focuses too much on reducing costs, not improving impact. It has focused more, in my view, on efficiency than effectiveness.

Those criticisms remain, but I have come to recognise that it has played a limited but relevant part in increasing the potential for recipient countries to demand better behaviour from donors, Rwanda being a frequently cited example of this, and in some cases for the international community and national civil society to pressure for improved national systems of accounting, procurement etc.

So the OECD team responsible for this area of work, as I said in my online exchange with Brian prior to this debate<sup>2</sup>, should be proud of what it has achieved. Having said that, we should also recognise that the process has been limited, and that we can and should demand more as we prepare for the fourth High Level Forum in Busan. And that is what this debate is about.

Paris has lent power to recipient countries to demand better from donors, and to take more leadership in their development processes than previously. In Accra, the concept of

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<sup>1</sup> Part of the “*Busan and beyond: aid effectiveness in a new era*” debate series. Look on the ODI website for details: <http://www.odi.org.uk/events/details.asp?id=2714&title=busan-beyond-aid-effectiveness-in-new-era>

<sup>2</sup> See blog references in the bibliography

ownership was revised following criticism that the focus on government was too limited. Civil society rightly asserted its importance in the process of holding power (both external and domestic) to account for development interventions.

The meeting at Busan is an opportunity to continue this trend, and pass on the responsibility of managing this important process to a body that is more representative of the interests of poorer countries, which ultimately are the ones that matter.

Ownership is the central tenet of Paris, one that must be underscored at Busan. The irony is that recipient countries do not own the process that is meant to ensure their ownership. The situation has improved since 2005, when recipient country governments felt they were doing something for Paris based donors, rather than for themselves.

But the OECD is no longer the right place to host the aid effectiveness agenda. It has a vital role to play, of course, as both a club of rich countries, which will have a lot of sway with donor decision makers, and as a respected technical outfit that comes up with some of the most convincing numbers on aid available. But the central role it currently plays needs to evolve.

Paris, it turns out, did not inaugurate a new era of aid. In fact, and we didn't know this at the time, it signalled the closing of the previous era, in which the OECD led the debate. In the new era, recipient countries should lead the agenda and emerging donors should be fully engaged. Let's take each of those in turn.

## **1 Recipient countries should lead the aid debate**

There have been two major changes in the way we understand the global context since the Paris agenda was agreed in 2005. The first is the simple fact that many developing countries are experiencing the kind of economic growth that has eluded them for the past two to three decades. For these countries some kind of convergence is happening, and that changes the donor-recipient power relationship. Everything is relative, and relative to the 1980s and 1990s, the last decade was a fairly optimistic one for Africa, and not just for Africa, but for many countries in the South. There were 61 LICs in 2003. Today there are only 40. Between 1990 and 2008, south-south trade expanded 20 times over, but world trade just four times.<sup>3</sup> In 2005 this important trend, quite clear to us now, was not incorporated into the heart of development policy. It takes time for analysis to impact policy, as anyone working at ODI knows all too well.

It is clear from conversations with developing country officials, that their attitudes towards the aid relationship are different now to a few years ago. They demand more, and want to be in the driving seat. The improved economic situation is one of the reasons, along with stronger leadership, and again we frequently refer to Rwanda in this regard, that the new era of aid effectiveness will be ever more recipient-led. The second major trend of the last few years has contributed substantially to this shift.

## **2 Non-DAC members should be fully involved in the debate**

The first major trend is growth in the poorest countries. The second is the rise of the emerging powers. The importance of the rise of China and the BRICS and other powers is hard to exaggerate. It is changing the global power balance forever, and that has as much

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<sup>3</sup> OECD 2010

relevance in the field of aid and development as it does in almost every other field of endeavour.

It is worth reflecting that as recently as a four or five years ago there were papers coming out on the future of aid, what I call the “aidscape”, which didn’t really mention China. The truth is that there was very little discussion of the rising emerging powers in the context of aid at that time, in western policy circles. The odd person would write a paper, and we all knew it was important, but it was definitely not a high priority. The Paris Declaration emerged at a time when this massive change had not yet been fully integrated into aid policy and analysis.

That has all changed. The last couple of years have seen myriad analyses of the importance of the BRICS to the world economy, including to the poorest countries. The financial crisis has only enhanced that message. As the west struggles with recession and low growth, the BRICS continue in near double digit growth and the least developed countries have benefited hugely from a strong BRICS presence in the global economy.

African trade with non-DAC partners has risen from 23% in 2000 to 39% in 2009.<sup>4</sup> Globally, non-DAC aid is recorded at about \$11bn by the OECD, but some analyses suggest Chinese aid alone reached \$25bn in 2008.<sup>5</sup> China is the third largest food aid donor in the world, according to the World Food Programme.<sup>6</sup>

It is still small compared to DAC aid, which is about \$125bn. But it is growing fast. And crucially, non-DAC donors can be very important at individual country level. India in Bhutan and Nepal. Brazil and Venezuela in Bolivia and Nicaragua. China in Cambodia. In Sudan. And pretty much everywhere else. In 2009 China was the third largest donor to Malawi after the EU and the World Bank (see *Table 1*).

*Table 1: Aid to Malawi (2009/10)*<sup>7</sup>

	Aid (\$m)
European Union	155
World Bank	139
China	133
UK	108
US	99
Norway	57
Other	101
<b>TOTAL</b>	<b>792</b>

Let’s not get bogged down in the maths. The statistics are not in question. China, India, South Africa, Brazil and Venezuela, are increasing in importance every year as financial supporters of poorer or smaller countries. When we understand aid not as a separate realm to trade and other forms of investment, but as an integral part of the economic and political relationships forged between countries, it is obvious that as countries grow in power and prestige their aid programmes will grow too.

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<sup>4</sup> OECD 2010

<sup>5</sup> Prada et al 2010 and Congressional Research Service 2009

<sup>6</sup> [www.wfp.org/node/534](http://www.wfp.org/node/534)

<sup>7</sup> [http://www.nationmw.net/index.php?option=com\\_content&view=article&id=16496:eu-is-malawis-major-donor&catid=13:business-review&Itemid=14](http://www.nationmw.net/index.php?option=com_content&view=article&id=16496:eu-is-malawis-major-donor&catid=13:business-review&Itemid=14)

All countries with aid programmes are motivated by a different mix of ideology, self-interest and generosity. The emerging donors are no different. They should be fully involved in the debate. Otherwise their insights will not be learned, and their weaknesses will not be addressed.

And that brings us on to looking more closely at the role of the OECD.

### **The role of the OECD**

The OECD's instinct is to try to integrate these countries into the Paris process. But however welcoming the OECD tries to be, these new powers don't want to be part of an old world club – and they don't need to be. They will increasingly be setting their own rules. Moreover, the post-colonial client relationship which the OECD embodies, which led to the need for Paris to reassert ownership and sovereignty, is being broken apart not only by the large new donors, but by the proliferation of smaller-scale south-south co-operation that is demonstrating new ways for countries to support one another's development.

How has the OECD responded to these two trends? It has sought to engage with the BRICS. And it has overseen the growth of a broad-based working party on aid effectiveness that brings countries together in a more or less balanced way to discuss policy and process. The OECD-DAC Working Party on Aid Effectiveness is an increasingly inclusive body comprising bilateral and multilateral donors, emerging economies, aid-dependent countries and private sector and civil society representatives. It has emerged in recognition of the view that recipient countries should increasingly take the reins. The problem is that, as its name implies, its home and administrative support are provided by the OECD.

I have said that the OECD DAC does crucial work and deserves immense credit for leading the Paris process thus far. The DAC is full of people who have dedicated their careers to development, and Brian is one of them. But it is fundamentally a club of rich countries with all the instincts and interests of rich countries. The DAC as an institution primarily serves the interests of its members, and so it should. Insofar as it has expanded its horizons to cover the WP-EFF it has done so as a consequence of the need to maintain its legitimacy.

Colleagues and friends in the OECD tell me that the WP-EFF is independent of the DAC, which merely serves as a kind of non-political technical support, but it is not a convincing argument. The first draft of the Busan outcome document was written by the co-chairs of the Working Party assisted by a team of OECD staffers. The questionnaires to review progress are sent out by OECD staff to developing country officials, whose replies are then edited by the OECD into what it considers to be appropriate language. The overall report of progress is written by the OECD. Of course, stakeholders are invited to submit ideas and comments, and debates take place. But this is clearly not the balanced whole that reflects a genuinely recipient country led approach. Even language is the wrong way round. In OECD language there are donors and partner countries. But in reality it is the donors which are considered by developing countries as their partners in development. The developing countries are the protagonists.

### **The way forward**

I have argued that Busan should be seen as an opportunity to take the next step towards encouraging and enabling developing countries to exert ever more leadership over their development histories. But what would effective and inclusive global governance to support

national-level management of aid effectiveness look like? Actually, it is not that hard to imagine.

In his reply to my blog suggesting a shake-up of global governance of aid effectiveness, Brian quotes his colleague Jon Lomøy, director of the OECD's development co-operation directorate: "Hopefully in the future, there will be no more central cogs – rather, I see the OECD as part of very efficient machinery in which each of the pieces contributes to a truly balanced, equitable and prosperous whole."

That is a good starting point, and one that I expect most agree with. The question is what it means in practice, and how to get there from here.

A simple, two-stage process would move us in the right direction. First, the WP-EFF should formally delink itself from the OECD DAC. The DAC club of donors would have the same status as a corresponding recipient club (like the partner country contact group) and both would help manage and support the WP-EFF. The DAC would continue to play its vital role in monitoring data and indicators.

Second, the WP-EFF should eventually come under the auspices of the United Nations. The UN's Development Cooperation Forum (DCF) met in Mali in early May to talk about aid effectiveness in an entirely separate process to the OECD-led aid effectiveness talks which culminate in Busan in November this year.<sup>8</sup> It is plainly a waste of time and money to have two parallel processes claiming to oversee aid effectiveness, one based in the OECD, the other at the UN. It is also, as I have argued, ridiculous to spend millions on an aid-effectiveness process that does not involve China, Brazil or the Arab donors in any serious way.

The UN is the only body that can credibly bring all the different interests together under one roof, setting out rules of the game for the present era of development.

Some argue that the OECD brings the technical expertise, free from the political wranglings of the UN. But development is political. We need to have political debates, and we need to engage with new ideas from other parts of the globe. Aid is not just cash for projects; it is part of a broad relationship between countries. Most donors, including the US and Japan, for instance, have never made any bones about it being a key part of their foreign, economic and security policy. The UK, which is bound to spend all the money on poverty, has begun to use language like Aid Superpower, implying that it will maintain geopolitical importance through its aid programme.<sup>9</sup>

Nor is it the case, however frequently it is asserted, that the UN is ineffective while the OECD is effective. Of course it can be easily criticised – no global bureaucracy can escape rampant flaws. But possibly the most important globally agreed targets in history, the millennium development goals, have been handled inclusively and effectively by the UN.

And it is the MDGs that provide the model for this move of coordinating aid effectiveness from the OECD to the UN. Few remember that the origin of the MDGs is the 1996 OECD report *Shaping the 21st Century: the Contribution of Development Co-operation*. The report set out six goals, known as International Development Targets, and these eventually became

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<sup>8</sup> <http://www.un.org/en/ecosoc/newfunct/dcfmali.shtml>

<sup>9</sup> <http://www.telegraph.co.uk/news/politics/8560089/Britain-will-love-being-an-aid-superpower.html>

the MDGs adopted and managed by the UN at the turn of the millennium.<sup>10</sup> The same should happen with the aid effectiveness agenda – launched by the OECD but taken on by the UN as the appropriate body to manage a global agenda.

Korea, with its almost unique status as moving from LIC to HIC status in a generation, is the perfect place for this transition to be made.

### **Conclusion**

It is important to say that it is possible to exaggerate the importance of a change in global architecture. People on the ground, trying to make aid work on a day-to-day basis, will probably have more pressing concerns than the management of global bureaucracies that are at best only partially effective. On the one hand such changes are notoriously hard to achieve, let alone get right, and on the other hand even when changes are fairly positive, complex problems usually remain complex.

Most important of all is national-level management of aid, regardless of global goings-on. Nevertheless, as a government representative from Uganda said at a meeting I was at recently, "[Global aid governance] doesn't matter that much on the face of it, but when you look a bit deeper, it does. I feel freer in, say, Malawi to discuss aid effectiveness than I do in Paris. And I would give different answers on a questionnaire from the OECD than I would on a questionnaire from [a more inclusive global body]." So it is an issue worth discussing, although possibly not worth obsessing about.

In one sense it doesn't really matter what happens at Busan. China and India won't be corralled into doing anything in particular. And nor will the USA, nor France, Japan or the other big donors. Nor will the UK. Donor interests and incentives are hard to change, and that is one of the things Paris has taught us, and unintended but very useful lesson. The geopolitical and economic changes going on around us are far more important historically than whatever gets signed in Busan.

But Busan can help by lending more power to the hand of progressives in developing and developed countries, and those in between, by which I mean people concerned with poverty, inequality and human rights, so that the tool of foreign policy known as aid or development assistance is used as beneficially as possible. A good international agreement is a weapon to be used to shift the balance slightly in favour of justice and accountability. The norms it sets down can gradually infuse the future direction of policy and attitude.

The OECD needs to make a bold statement relinquishing overall co-ordination responsibilities of the aid effectiveness agenda and offering to play a different, although still significant, role in a new way of managing aid effectiveness at a global level. By acting against its instincts in this way, it would ironically secure its influence and vital contribution to the gradual evolution of the role of publicly sourced development finance.

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<sup>10</sup> OECD 1996

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