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With few incentives for donors to do better, can the Busan outcome document be salvaged?

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'Donors' underlying incentives are pushing against the Paris principles rather than for them'

Evidence from the OECD 2011 survey on the implementation of the Paris Declaration[1] and from Woods et al. (2011)[2] shows that while some progress has been made by aid recipient countries, donors have made very little progress towards their agreed targets. The Fourth High Level Forum in Busan,[3] Korea, is an opportunity to rectify this.

Among others, Owen Barder[4] writes that donors only change their behaviour when the incentives that define their current equilibrium change. Achieving the Paris Declaration targets required more than a statement of intent. It needed a change in donor incentives. To avoid a repeat in Busan, donors and recipients alike must be more aware of different donors' incentives and the constraints they imply, and work with(in) them to design a compatible and yet aspirational goal.

Two frameworks

As a way forward, I draw on two frameworks to understand the underlying problem in terms of i) the factors that need to be in place for significant changes in policy to happen and be maintained, and ii) the features of successful international agreements.

Four factors for change

Drawing parallels between the development of the post-war consensus and the challenge of climate change, Michael Jacobs argues that radical change of the economic system requires four factors[5] to overcome resistance to incurring the costs of changing equilibrium:

1. a major crisis
2. a significant section of business that see their interests aligned with the change
3. a moral shift
4. the intellectual case to be made for a different system.

For DAC[6] donors the impact of the global financial crisis, the changing nature of global challenges and the emergence of middle-income countries (MICs) as donors in their own right represents a crisis for traditional models of aid delivery. This presents an opportunity for change, but it is not the kind of crisis for which the Paris Declaration was designed. The new incentives that are being generated may, therefore, suggest a direction of travel that is incompatible with the Paris principles. Can these incentives be reconciled and marshalled down a Paris path? The remaining three factors might suggest options.

Under business interests, Jacobs stresses the importance of a majority of interests being aligned with any change. At the donor level there are a core group of DAC donors committed to the Paris process but, as more donors become involved, they are no longer a majority. Interpreted more narrowly, many of the gold standard Paris Declaration modalities are viewed negatively by donor businesses, especially in a context of increasing competition from emerging powers. The lack of business interest in (and therefore support for) the Paris Declaration means donors struggle to assemble a majority of domestic interests. There is, however, more business interest in forms of aid outside the Paris Declaration, such as climate finance and blended finance, so adjusting the Paris principles to cover these could be a basis for positive business engagement.

On the moral shift, public support for and understanding of the Paris principles is low (much lower, for example, than for humanitarian aid). The Paris Declaration's focus on alignment with recipient country strategies and systems may be viewed negatively by donor publics worried about aid misuse and corruption. If there is a moral shift at all at the moment, it may run counter to the Paris principles unless progress can be made on education around their benefits.

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Finally, is the intellectual case in place for a different system? Only partially. While there is some consensus around the need to promote national ownership, the links between the Paris Declaration and development impact are indirect, making it hard to build a convincing evidence base. Different donors have very different views on what the evidence of the last five years tells us. While some donors understand the benefits of following the Paris principles, they have identified even greater risks from the practices linked to these principles, such as releasing funds through country systems.

What works in international agreements

This brief analysis of Jacobs's four factors does not bode well for the Paris Declaration. If the context does not change, the Paris Declaration must accommodate it. In either case, those aiming for concrete outcomes should bear in mind a second framework: Nicholas Stern's analysis of a number of key features of successful international agreements[7] (adapted from Stern, 2006).

Stern emphasises the importance of multilateral monitoring mechanisms, finding that 'transparency and comparability of national action is key'. While this is addressed by the OECD's central monitoring, the lack of business and public support for the Paris Declaration would worry Stern, for whom the linked need to 'ensure public accountability' is a key feature of successful accords. The non-alignment of the domestic constituencies of the DAC donors with the Paris principles allows donor governments to reduce their efforts without significant backlash.

For Stern, 'the credibility of the regime will be damaged if rules are seen to be flouted, and this will quickly lead to a loss of support from other participants'. This links to his observation that, 'Governments tend to look to the actions of other countries to benchmark the level of effort they are willing to make'.

While all DAC donors are signed up formally to the Paris Declaration, the lack of real sanctions and their mixed beliefs on the intellectual case and strategic benefits means that shared notions of responsible behaviour are scarce. The fact that the alternative narratives (reflecting their incentives) followed by many donors are incompatible with the technocratic targets is damaging the credibility of the regime and causing a loss of support. As more donors join, these collective action problems are likely to increase.

Finally, and crucially, successful international agreements represent the aims and intents of the international community but are rarely about specific policies, as it is generally too difficult to get the 'how' part right. While the Paris Declaration has been criticised for being overly bureaucratic, others have defended its monitoring mechanism as the only way of effecting change. Unfortunately, the use of specific technocratic indicators has reduced donors' flexibility to tailor their support for the Paris principles in a way that fits with particular domestic business, moral and intellectual constraints. Low flexibility also excludes aid delivery practices that were not covered originally, such as blending and private finance.

Conclusion

Some progress has been made on the Paris Declaration targets where the incentives of a core group of donors who designed the agreement were well aligned. Increasingly, donors' underlying incentives are now pushing against those Paris principles rather than for them. This is not surprising, given that the Paris Declaration drew on learning from Poverty Reduction Strategy Papers and responded to a different era of development. Looking forward, a drive to extend Paris to non-DAC donors and beyond official development assistance seems likely to tear the current agreement even further apart.

In this scenario, the Paris Declaration needs to be adjusted: to appeal to the wider group of participants; with a stronger focus on the moral case; and with an intellectual underpinning that reflects the heterogeneity of donor experience. Without this, the core Paris principles are in danger of being lost before they have had a chance to prove their worth.

Busan is an opportunity to construct an outcome document that is compatible with the new global context for aid and, therefore, one that can make a difference.

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Hyperlinks

1. www.oecd.org/document/1/0,3746,en_2649_3236398_48725569_1_1_1_1,00.html
2. http://pd-website.inforce.dk/content/pdf/PD-EN-web.pdf
3. www.aideffectiveness.org/busanhlf4/
4. www.owen.org/blog/4921
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