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Towards more effective Aid:

Assessing reform constraints in the North

An independent assessment by the Southern Aid Effectiveness Commission
Facilitated by Eurodad and the Reality of Aid

The Reality of Aid

An Independent Review of Poverty Reduction and Development Assistance



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Introduction

Governments all over the world have endorsed international agreements for making development assistance a more effective tool in fighting poverty. An impressive number of 133 governments in the North and South and 28 international organisations adhere to the Paris Declaration on Aid Effectiveness and Accra Agenda for Action. These central aid effectiveness agreements outline a vast set of reforms, clustered around the key principles of developing and strengthening country ownership, alignment of donors with country systems, harmonization, coordination and division of labour, mutual accountability and managing for results. Progress in implementation, however, is meagre, and this progress, as demonstrated in official reports, all too often covers donors' creative reporting, effectively hiding the absence of real change on the ground. The international community must urgently step up efforts to avoid a major failure at the Fourth High-Level Forum on Aid Effectiveness in December 2011. We must recognise that the targets highlighted above have not been met. If governments are serious about improving the value of aid for delivering poverty eradication, urgent action to adopt and implement the reforms must be taken now.

Implementing the aid effectiveness commitments poses a substantial challenge for decision-makers, as well as for aid agencies and practitioners. Implementation requires change in all countries, donors and recipients alike. It implies a legal, political, institutional, and behavioural change by all stakeholders in the development process. Reformers in headquarters as well as at country-level are often over-burdened by the multi-faceted challenges, and they lack feedback from affected groups on the ground.

The technical aspects of the aid effectiveness agenda and their political implications are not well understood beyond a narrow circle of experts mainly gathered in the OECD-hosted Working Party on Aid Effectiveness (WP-EFF), let alone by the general public in the North and South. Indeed, in some Southern countries, local communities perceive aid to be 'gifts' from the North. These kinds of perceptions are also reinforced by elements of political patronage that do not explain the nature of aid

and the implications of aid on communities in aid recipient countries.

Indeed, the current aid effectiveness agenda is difficult to communicate and disseminate. Messages to donors such as doubling aid to halve poverty are easier to convey, but it is more difficult to communicate, for instance, why it is necessary for donors to use country public financial management and procurement systems, or let aid be fully owned by those countries and people that are supposed to be its beneficiaries. Official development cooperation is not an isolated activity of governments. It operates within and is influenced by existing and much wider legal frameworks, political systems and interest constellations of participating countries. Thus, the understanding and support of wider audiences are crucial for the successful implementation of the reforms needed to realise aid effectiveness commitments.

Most research on the constraints and progress of aid effectiveness implementation has been carried out in developing countries, mainly commissioned by the OECD's Development Assistance Committee (DAC) and the WPEFF, primarily by consultants from the North. Less frequently have independent researchers from the South looked into the constraints of aid effectiveness implementation in the North, in donor countries themselves. Moreover, official OECD research is often constrained by narrow mandates determined by agreements made in intergovernmental negotiations, which are often lowest common denominator decisions of the signatory parties. These mandates are not targeted well enough to address delicate constraints which need to be addressed for making aid a more effective instrument to improve the livelihoods of the poor. There remains a gap in independent research carried out by researchers from countries in which aid interventions ultimately take place.

To fill this gap, a Southern Aid Effectiveness Commission of senior researchers from Africa, Asia and Latin America embarked on a research trip to five donor country capitals in November/December 2009. In Washington DC, Berlin, The Hague, Brussels and Paris the Commission staff interviewed and debated with politicians, officers and practitioners,

all of them stakeholders of the current aid effectiveness reform processes.

The project was intended to assess the constraints of aid effectiveness in the North and to examine solutions to overcome them. During their visits to Northern capitals, the Southern researchers interviewed policy-makers and experts in donor countries. The Northern policy-makers were as interested in receiving feedback and inspiration from the Southern Aid Effectiveness Commission as they were in sharing their knowledge and experiences. What emerged were egalitarian dialogues between experts with very diverse backgrounds, rather than a series of one-sided interviews. This report summarizes these dialogues.

The project was facilitated by the European Network on Debt and Development (Eurodad) and the global Civil Society Organization (CSO) network Reality of Aid.

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This mission highlighted the various ways in which aid and development are viewed by different actors in Northern donor countries. It would be misleading to think that there is a homogenous aid effectiveness discourse in donor countries. Perspectives on aid in the North vary greatly, ranging from the strong security discourse infused in USAid effectiveness debates to the discourse in some European



At the OECD-hosted Working Party on Aid Effectiveness

countries focusing mostly on the poverty eradication and sometimes on economic justice and global solidarity angles.

A major similarity appears to be the manner in which different countries choose to disburse their aid to recipient countries. All countries visited by the Commission have in place huge aid delivery infrastructure that could be described as an aid industry. Allocation of aid is not always made on the basis of needs or rights of recipients. Instead it is often motivated by many non-aid related interests of donors, such as employment opportunities in the industry,

political and commercial interests, security concerns as well as historical links that go back to colonial days.

Several actors indicated that there were many policy reforms taking place internationally, both in the EU and US as well as on country level but it is clear that all actors are 'learning as they go' in this aid effectiveness reform process. This report is therefore a contribution to this process of discovery and learning as development actors strive to find the best possible policy mix that will deliver development effective aid that will truly eradicate poverty.

1. United States of America

United States (US) foreign aid is characterised by special features, which distinguishes it from how Official Development Assistance (ODA) is governed and implemented in most other donor countries. The logic that informs the aid delivery mechanisms of the US is unique. The US openly claims to use all tools of American power – military, diplomacy and development aid - to offer global leadership and promote American values worldwide. Clearly this perspective differs from many other countries where development assistance is seen to be a policy in its own right. Notions of development and poverty eradication do not enjoy equal prominence with national security and diplomacy in US foreign policy discourse, much less the current discussions around the Paris Declaration or Accra Agenda for Action.


The US has scaled up its ODA in recent years and is expected to provide US\$ 24bn in 2010. While the US is the world's largest donor in absolute terms, it is also the least generous of all DAC donors in relative terms, with an ODA/Gross National Income (GNI) quota of a mere 0.20% in 2008. Since the terrorist attacks of September 11, 2001, an increasing part of aid expenditure is being delivered by the US Military in places like Afghanistan, creating parallel structures for the implementation of aid projects. The Department of Defence has assumed roles in humanitarian and development assistance for which it is neither well placed nor equipped, performing roles that should instead be performed by USAID or other specialized aid agencies. There seems to be an increasing subordination of USAID to the State Department. Diplomacy, development and defence go hand in hand since the 2005 national security strategy ("3D-Strategy").

The legal framework of US development cooperation, the 1961 Foreign Assistance Act, is outdated and the institutional landscape is fragmented. The geopolitical context of the act was the Cold War, and the resulting competition of the superpowers for influence over allies in the "Third World". Over the past 5 decades, the US aid architecture has become increasingly fragmented. New institutions have been set up, and consequently the responsibilities for aid policy-making and aid delivery are now highly fragmented and spread over 27 different

institutions, without adequate interagency coordination and harmonization among them.

There is currently a strong impetus for overdue reforms of the aid system in the US, enabled by pressure from the Congress. Moreover, the goodwill that the relatively new administration enjoys throughout the world has created a new atmosphere conducive to dialogue between and among the US and other countries. There is also a new emphasis on the importance of multilateralism on the part of the US. These factors have invigorated reformers in and outside of the US government, and especially of civil society, as they recognise that now is the political moment to push for reforms.

There is currently a robust debate within the "aid community", in particular by Washington DC- based official aid agencies and NGOs, on the content and direction of the reforms, and on how they will be operationalised. Reformers are trying to elevate the role of development cooperation in foreign policy, in order for it to enjoy at least equal status to that of defence and



“The problem is less the fragmentation of agencies and more to do with objectives and policies.”

**Franck Wiebe,
Millennium
Challenge
Corporation**



The Southern Aid Effectiveness Commission meets the Modernizing Foreign Assistance Network, Washington DC

diplomacy. They also advocate for developing a national development strategy to strengthen the role of development which includes the need for new legislation, enhancing institutional and human capacities, and strengthening USAID so that it plays a more decisive role in determining the direction of foreign assistance. This implies that development policy should not fall under the rubric of the State Department, which can overwhelm this policy with other considerations.

The current administration embarked on a comprehensive assessment of US foreign assistance and development tools in 2009. The Department of State is currently undertaking the inaugural Quadrennial Diplomacy and Development Review (QDDR) which will be the blueprint for diplomacy and development efforts over the next 10 years. At the same time, the President authorized a government-wide review of US foreign assistance policy, the Presidential Study Directive on Global Development Policy, which is intended to reach across government agencies to identify gaps, linkages, overlap and duplication in the official development assistance delivery of the US. The House Foreign Affairs committee is

undertaking the re-writing of the almost 50 year old Foreign Assistance Act. In July 2009, members of the Senate Foreign Relations committee introduced the Foreign Assistance Revitalization and Accountability Act of 2009 which, aims to rebuild policy and strategic planning at USAID, strengthen USAID's human resources, increase accountability and transparency in U.S. foreign assistance, and also increase of the amount of U.S. foreign assistance.

Although these initiatives are viewed as important and useful, many stakeholders in the US wonder how the different reform processes and recommendations will ultimately come together. Besides, one should not forget that there are persistent negative perceptions of development assistance prevailing in US society. Discontent arises from the overestimation of the amount of development assistance that is actually provided by the US government to foreign countries. There is a danger that critique of development assistance may increase in a time of economic crisis.

A very specific feature of US foreign assistance is the prominent role of the Congress which

decides on the annual budget, and sets very specific conditions on how it should be used. The Congressional Appropriations Committees' earmarking practices are often perceived to be a straightjacket for recipient countries and US aid practitioners alike. US aid priorities and budgets are determined in Washington DC, and often micromanaged by the Congress. This naturally stands in conflict with the central aid effectiveness principles of recipient country ownership and the commitment to alignment with developing countries own national development strategies and country systems. Aid predictability is also structurally constrained by the US system. Providing aid to multi-year programs requires a long-term commitment which is difficult as long as the Congress wants a high degree of control over assessment and planning of aid priorities on an annual basis.

Several respondents felt that some members of Congress have 'pet' sectors and 'darling' countries that they vie for. Single issue-based aid is dominant in US development cooperation, for example HIV/AIDS related activities are very prominent. This approach to funding interferes with the implementation of needs- or rights-based and results-focused aid. Interests

usually focus on countries and sectors which are favourites of the American public. US aid practitioners endowed with field experience noted that they often get funds earmarked for sectors and purposes which are not the neediest, therefore limiting effective use of scarce aid resources. Normally, the US has a fixed list of priorities it will fund, determined in Washington, which is then presented to recipient countries. Developing countries will consequently have to adjust and see how their own national development priorities match those of US aid. This practice runs contrary to the principles of country ownership, and does not sufficiently pay attention to the complexity and comprehensiveness of development effectiveness.

Visibility and flag-flying, whereby donors insist for aid interventions to be attributable to the source of funding, is certainly not unique to US aid. But in the US it is more pronounced than in many other DAC donor countries, attributable to the notion in the US that aid has to be spent in the national interest. Among other reasons, this also limits US aid's ability to engage in budget support, sector-wide approaches and joint assistance strategies, which under the



Briefing at the German Marshall Fund of the United States

Paris and Accra frameworks have become good practices to improve coordination and harmonisation of donors.

The Congress is also very sensitive to threats of corruption. It shows a very limited readiness for risk-taking and for transferring control and decision-making power over aid allocations to decision-makers in recipient country government agencies and parliaments. While this sensitivity may be grounded in the obligation to be accountable to taxpayers for the spending of development assistance, this reluctance indicates a lack of trust vis-à-vis recipients. A striking aspect of this policy, however, is that while the US has in the past refused to give budget support to countries identified as having urgent poverty eradication needs, this modality has nevertheless been available for countries like Pakistan, Egypt or Jordan where the US has important security or geopolitical interests.

It is officially reported that 63% of US aid is untied. However, this figure does not include food aid. There are still legal impediments to fully untying ODA. The Foreign Assistance Act of 1961 favours US-based firms in its procurement provisions, and the Food for Peace Act states that US food aid has to be US-sourced and transported on US ships. There are many vested interests which have a stake in maintaining the status quo, including those existing within the aid community itself who benefit from the present structures. Food aid is especially distorted due to powerful US lobby groups in the areas of corn, wheat, cotton and rice. Thus, there is a striking incoherence between the US government's rhetoric of promoting a liberal economic model and free trade in the international arena, and the fact that US aid is in reality often channelled in a protectionist way to US contractors.

Under the Bush administration, a number of new institutions or vertical funds were set up, such as the Millennium Challenge Corporation (MCC) and the President's Emergency Plan for AIDS Relief (PEPFAR). The MCC in particular is interesting from an aid effectiveness perspective. It was created in 2004 as an independent US aid agency, striving for quicker and simpler procedures for aid

delivery. The MCC is able to circumvent most of the bureaucratic and political red tape that is holding older institutions like USAID back, and has incorporated many principles of the aid effectiveness agenda which were already internationally debated at the time of its founding, though under its own narrow terms.

MCC assistance is relatively predictable due to the provision of large-scale five year grants. All MCC assistance is formally untied, and tender documents as well as other aid-related information are published on the MCC's website. Thus, it adheres to relatively high standards of transparency. It has a strong focus on results, uses rigorous assessment criteria for development projects, and eligibility for funding is based on performance standards that are made clear to all parties involved. It is free from congressional earmarks and admits a certain level of recipient country ownership by working with the country in question to define what development issues the country would like to prioritise and address, as long as these priorities fit under the MCC's pre-designed framework.

The MCC mandate, however, is narrow, building on a one-dimensional perspective of eradicating poverty through economic growth, based on the assumption that growth automatically leads to poverty eradication. It provides little space for ODA to address the structural inequalities which might impede progress to development, such as unequal access to income, assets and opportunities. It also does not examine ways of pushing alternative paths to poverty reduction and development, such as through the promotion of human development or redistribution. Only countries that have a good track record of good governance and are committed to liberal economic policies are eligible for MCC grants. Thus, the MCC sets ex-ante conditions on its grants that require countries to follow a capitalist paradigm based on contested criteria set by the World Bank and the International Monetary Fund.

MCC senior staff seems to be very clear about the boundaries of their work and the fact that they are building on a clear albeit narrow mandate that grew out of the frustration of failing to reform other aid delivering institutions. It has a

competitive advantage compared to the other US aid agencies when it comes to showing results. The strict eligibility criteria ensure that it operates in a limited number of countries which are already good performers, and its operations are less distorted by the strong and numerous non-development interests of US foreign policy.

USAID on the other hand delivers aid to numerous countries, and is constrained by all the Congressional earmarks, Presidential directives and geo-political or commercial interests. It is therefore faced with challenges that leave it with little room to improve its effectiveness. It was gleaned from the interviews that the accelerated erosion of USAID's capacities happened during the 1990s when it came under attack from Congress. USAID has since faced a reduction of its workforce, on headquarter level as well as on country level, and has had to close several field offices.

This situation has not been used to move from an aid donor-led to a recipient-owned approach to development assistance, e.g. through disbursing more aid as budget support which potentially reduces the workload for aid agency staff. It has rather led to contracting out more and more activities to private US contractors which are expensive and a hindrance to local ownership and to the use of the national systems of recipient countries. Moreover, the Department of Defence and US military have emerged as major players in delivering aid. Due to the weak civilian capacity to provide development assistance it is now the military that has the resources and that leads the planning of aid in many areas. This US aid architecture, however, is consistent with a foreign policy that does not draw a clear line between development cooperation, defence, diplomacy, and commercial interests.

On a more positive note, apart from a number of women's-centered programs around health, education and employment, ODA support for reproductive rights is back after the ideologically restricted approach under the previous US administration.

The CSO scene in the US was also one that was marked with several variations. Private engagement for development and poverty

eradication is significant in the US. The national NGO platform, InterAction, reports that two thirds of their members' funds are raised through private donations. Some NGOs also benefit from the aid budgets, and are therefore faced with the challenge of competing for official funds which leads to a weaker ability to engage in collaborative work. This certainly is not a unique feature of NGOs in the US, but it is a strong impediment for US NGOs to perform their advocacy and watchdog roles with regard to promoting aid effectiveness reforms. There is room for improvement in the coordination and dialogue within the larger US community of NGOs, and CSOs could engage more outside and beyond the traditionally narrow circles of the aid community and approach other existing actors that also deal with issues of central importance for the South.

A unique feature of the US aid architecture is the strong influence and presence of private philanthropy. Foundations both older (like the Ford and Rockefeller) and newer (like the Bill and Melinda Gates Foundation) are bringing enormous sums of development funding onto the scene and are implementing many interesting initiatives around the world. They are largely free from the bureaucratic bottlenecks and political manoeuvrings which are distorting the operations of the official aid agencies. But they are also facing serious challenges with regard to harmonization with international official development institutions and activities, and contend with the problems of branding and visibility.

Having listened to several actors from different stakeholder groups of US development cooperation, it is clear that US policy-makers are faced with several challenges beyond the immediately obvious. The conception of aid in the US is, to a large extent, driven by national interests, and in particular by the interests of the corporate world and the military. As a result, when the US sits with other donors at the table to talk about aid and aid effectiveness, they are probably talking about different things.

However, the Commission was informed that principles such as the need to 'localise aid', 'build local ownership', 'empower local actors' and 'avoid parallel structures' are now seeping

into the language of current conversations in bodies looking at the reform processes. The extent and scope of current reforms remain to be seen.

Key recommendations:

- Development cooperation should be, at the very least, as high a priority as defence and diplomacy in the US foreign policy framework. This implies the creation of an adequate and up-to-date legal framework which assures the centrality of the principles of aid effectiveness, and an upgrading of development cooperation within the institutional setting of the US government.
- Combining development assistance with security and commercial interest makes US aid carry very high transaction costs, and makes it hard to align with internationally agreed-upon aid effectiveness principles. Development cooperation should be uplifted to a policy in its own right. Distortions by other policies need to be avoided.
- The US urgently needs to develop a national policy and action strategy, which outlines concrete goals for the implementation of international aid effectiveness commitments that the US has signed up to.
- The US should increase control and responsibility of aid to the country-level, to recipient countries' own institutions and to US aid agency country offices. This transfer of responsibility should include power over decision-making concerning aid allocation and procurement.
- The US should continue to fully untie its aid, including food aid and technical assistance, in order to improve cost-efficiency and development-effectiveness of aid.
- The US should address the proliferation of institutions that deliver aid through mergers of aid agencies, and/or improved inter-agency coordination. ODA should generally be administered and disbursed by specialised agencies, and endowed with specialised staff and adequate know-how. The US Department of Defence should not have a role in handling development assistance.

The US government should scale-up and actively support education on development cooperation in order to raise public awareness for reducing poverty and inequality in the world. This includes awareness raising on the role of effective aid in poverty eradication and better dissemination of aid effectiveness principles to policy and decision-makers in the US.

2. Germany

Similar to the USA, Germany has seen a change in government in late 2009, with implications for German development cooperation that remain to be seen. Former minister Heidemarie Wiczeorek-Zeul who shaped German development cooperation for eleven years stepped down after her party lost the elections. Under her term in office, Germany became an active participant in international aid effectiveness negotiations, and a key driver in the field of division of labour.

Germany is Europe's largest donor in absolute terms and expected to provide 0.40% of GDP in 2010. The new government officially adheres to the EU target of increasing ODA to 0.7% of GNI by 2015. However, it does not plan to deliver on the interim commitment to increase ODA to 0.56% of GNI by 2010. The Paris Declaration is explicitly mentioned in the new coalition agreement. In Berlin, the Commission met with the representatives of the German Ministry for Economic Cooperation and Development in charge of aid effectiveness, and with the German parliament's development committee.

Discussions with two senior aid officials indicated that they had a very good understanding of the critical issues related to the Paris Declaration and the Accra agenda. They mentioned that the two agreements are important instruments in redefining the relations between donor and recipient countries regards development cooperation. In 2005, Germany adopted an action plan for the implementation of the Paris Declaration and elaborated a new action plan in March 2009, taking into account the Accra Agenda for Action.


There are concerns regards the broadness of the aid effectiveness agenda, generating scepticism to what extent it can realistically be implemented in the foreseeable future. The ministry sees a need to focus on a few priority issues in the next 12-18 months in order to increase the chances of success at least in these select areas.

An important initiative that Germany is spearheading is the so-called "Division of Labour". Holding the European presidency in the first half of 2007, Germany pushed for the EU Code of Conduct on Complementarity and Division of Labour. This initiative was aimed

at reducing the number of EU member states operating in each recipient country as well as the number of sectors they are engaged in. They noted that the whole process of division of labour is crucial for the implementation of the principle of harmonization of the Paris Declaration.

Harmonization at home, or the lack of it rather, is a major constraint for aid effectiveness in Germany. Germany's aid delivery is in practice scattered over several aid agencies, of which the Technical Cooperation agency (GTZ) and the national development bank Kreditanstalt für Wiederaufbau (KfW) are just the largest and most prominent. These agencies have a large presence in recipient countries and an elaborate infrastructure for project management. They also created vast bureaucracies for German aid delivery.

Both the development ministry and the parliament in Germany acknowledge that this fragmentation of German aid is outdated, leads to serious coordination problems and ultimately reduces effectiveness. A merger of the aid



“The success of the Paris Declaration needs to be measured by whether it sustainably improves poor people’s lives.”

Jost Kadel, Ministry for Economic Cooperation and Development (BMZ)



Debating reform at the German Ministry of Economic Cooperation and Development

agencies has been foreseen for a long time. However, it is also acknowledged that this is not a simple process since the aid agencies' management (and staff) oppose a merger, and GTZ and KfW are probably more powerful than the development ministry or the parliament's development committee. They have their own lobby offices in Berlin and Bonn, and they send staff to the ministry. It was made clear to the Commission that no fundamental reform is envisaged. A 'small merger' of the technical cooperation agencies GTZ, Inwent and the German Development Service (DED) is now on the new coalition's agenda. Unfortunately, the political will needed to address a 'bigger merger' is not on the immediate horizon.

Practical experiences by the Commissioners show that Germany's progress in enhancing developing countries' ownership of aid is hindered by the tight oversight of aid programmes by GTZ in partner countries, and by KfW's supervision of the financial flows. Although the ministry emphasized in the debates that a growing share of technical assistance is subcontracted by GTZ, a large share remains de facto tied, is provided in-kind

(e.g., advisory services, capacity building, and direct implementation). This practice brings into question the cost-efficiency of German technical assistance and also the extent to which it is tailored to the recipient countries' needs. Recipient countries face difficulties to assess the real and opportunity costs of technical assistance. If recipient countries found technical assistance to be superfluous, they should send a strong signal of this to Germany, for example by rejecting offers of technical assistance. However, the persistence of supply-driven technical assistance in Germany seems to be rooted in the German Ministry for Economic Cooperation and Development's high regard of the GTZ's capacities. Slow bureaucratic procedures remain a general problem of German ODA, delaying the implementation of aid projects.

There seems to be no willingness to considerably increase budget support. The parliament, in particular the Budget Committee, is critical of budget support and insists that it is only used in cases where good governance can be assured. Each budget support programme needs to be approved by the parliament. Indeed, the

Ministry acknowledges that there is still much scope for improving the use of country systems (the current score of Germany in the survey on using country public financial management systems is 40% while the agreed goal for 2010 is 80%). They claim that lack of progress on this issue is due to the limited quality of country systems.

Like in the US, the parliament plays a critical role in determining the overall envelope for development cooperation (through the budget committee), and the allocation between multilateral and bilateral aid (development cooperation committee). The German parliament, however, does not earmark funds. It does however set a regulation on the share of multilateral aid from German ODA that should not exceed one third. The parliamentarians interviewed (representing the Green Party, the Liberals and the Left Party) were well aware of key aid issues and saw aid as an important part of the process of promoting global human rights concerns and global solidarity with the poor. They expressed concern about the fact that they do not play a very significant role in

monitoring the outcomes of aid delivery to the countries that German supports. In most instances they have to rely on the reports of technical experts who are in charge of aid delivery at country level.

They underscored the need for parliamentarians to have a better understanding of country level experiences since such experiences are instrumental to inform their debates and decisions of development aid allocation to the relevant ministries and agencies. The parliamentarians noted that better collaborative programmes between MPs in the north and MPs in the south could help to ensure that discussions of parliamentarians around ODA are based on real life experiences and not interpretations by technical officers of the German institutions.

The parliamentarians stressed that the German public continues to show solidarity with developing countries through supporting the provision of ODA, although this may change as a consequence of the recession. As such, there is a need to strengthen public awareness



The Southern Aid Effectiveness Commission expert hearing in the German Parliament

and education on development cooperation. Nonetheless, the German politicians and policy makers interviewed viewed ODA support as part of an international obligation to ensure that poorer parts of the world share the benefits of global development. As opposed to the US, Germany sees development more through a needs and rights lens rather than as a security issue.

Key recommendations:

- Germany needs to clarify how the EU agreed targets to improve the quality of aid will be met.
 - Following the best practice of the Netherlands and Belgium, Germany should consider safeguarding aid increases and aid levels through legislation.
 - To promote recipient country ownership and alignment to recipient countries' development strategies and country systems, Germany needs to substantially scale-up the share of ODA disbursed as budget support and through program-based approaches.
 - Germany should address the internal fragmentation and proliferation of aid agencies and the obsolete institutional distinction between technical and financial assistance which often does not reflect the reality of aid interventions on the ground. Internal harmonization is no less important than harmonization and meaningful division of labour among and with other donors.
- German technical assistance should be untied and better tailored to recipient countries' needs. German technical assistance is seen as costly, in particular with regard to overhead costs. To address this problem, a reform of the current institutional framework of German Technical Cooperation is needed.
 - The BMZ needs to improve its transparency towards local and external stakeholders and development actors. Information exchange between the parliament and the ministry on development policies and results should be improved.
 - Public awareness and education on development cooperation should be further strengthened, especially in light of maintaining public support for effective ODA in times of crisis and growing budget constraints.

3. Netherlands

The Netherlands is among the largest donors in the world. Public awareness on the current aid effectiveness agenda is high. In general, politicians and parliamentarians take commitments made at international conferences very seriously, including the Millennium Development Goals and the United Nations 0.7% agreements. The Netherlands are bound through a government agreement to give 0.8% of their GNI in ODA, 0.1% above the UN target. But it is unclear if this target will be maintained by the next government, which will be elected in June 2010. In the past decade, subsequent governments have upheld this commitment, helping to ensure that Dutch ODA is relatively predictable.

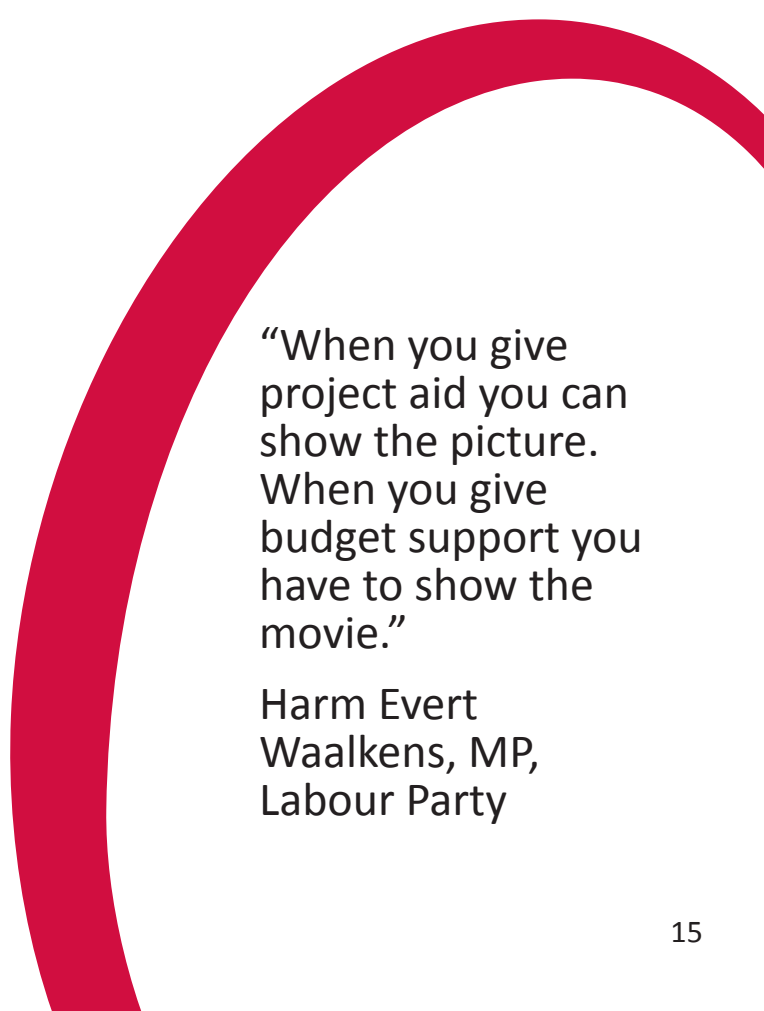
Parliamentarians interviewed explained that one of the bottlenecks for making aid more effective is the 'flag-planting mentality' of many donors, a pattern which Dutch aid does not follow. Economic justice is seen as a sufficient motivation to give aid in the Netherlands; and the direct promotion of national interest or visibility are less relevant for the Dutch public.

Parliamentarians were generally open for budget support. However, because of concerns related to accountability, the parliament is reluctant to give budget support to regimes that are regarded to be corrupt. They are also very well aware that it is crucial for aid to achieve results, and for these results to be communicated properly to the Dutch public. Perceptions of ineffectiveness and cases of corruption might worsen the political climate and public support for ODA in one of the world's most generous donor countries.

The Netherlands use several channels for delivering ODA, ranging from embassies, NGOs, multilateral agencies, projects and private firms. Unlike countries such as Germany that have public implementing agencies, the Dutch Government has largely privatised the delivery of aid. Only 20 to 25 % is under direct control of the Ministry, interaction takes place over subsidy schemes for other organizations, and about 22% of the budget is for NGOs. From the perspective of the Ministry, the power to control and give guidance to NGOs on how to implement commitments the Dutch government has made, including those of the

Paris Declaration and the Accra Agenda for Action, is limited. Communication between the ministry and the large number of development actors which are operating with Dutch ODA is seen as a challenge. Ministry staff perceives that it does not have a very good grip on the implementation process and that it has limited control over field level processes.

The Dutch government is pushing for alignment of non-state actors' aid activities in sectoral priorities agreed in intergovernmental negotiations in order to reduce fragmentation of aid interventions financed through Dutch ODA. Dutch NGOs are increasingly encouraged to align their developmental priorities to that of the government, a process which potentially undermines their independence and autonomy. The decentralized approach to aid delivery has many advantages as the modalities allow for a diversity of approaches and enjoy broad public support. In addition, it opens up greater possibilities for the use of country systems and for improving country ownership.



“When you give project aid you can show the picture. When you give budget support you have to show the movie.”

Harm Evert
Waalkens, MP,
Labour Party

The officials exhibited a good grasp of the key concerns related to aid effectiveness. The Accra Agenda for Action helped to redefine some of the assumptions they held on aid effectiveness. They reported that over the years they assumed that the Dutch Government was doing very well when it came to aid issues. However, over time they realised that they did not have a systematic approach to aid effectiveness.

Crucial to ensuring the implementation of aid effectiveness commitments has been the action plan drafted by the Dutch Government. Video conferences were held with embassy staff in different countries to discuss and disseminate the plan at country level. The discussions revealed that most of the programmes that were being implemented at country level were aligned to the Paris Declaration's principles; however there was no conscious effort to bring them together under the Paris framework. The Ministry of Foreign Affairs is also thoroughly assessing the results of Dutch aid – using a framework based on the Millennium Development Goals.

Ongoing processes of country- and sector concentration within the division of labour

process are causing a downscaling of support for middle income countries, based on the notion that these countries have relatively more resources to tackle poverty reduction. Several middle-income countries, however, have serious pockets of poverty and inequality in income and asset structures.

Adequate measures to address questions of 'growth with equity' remain important and relevant in development cooperation. Aid for middle-income countries could promote reforms to create more equitable societies for example by improving the capacity of governments to implement progressive taxation. On the other hand, there must be a clear will on the part of recipient governments to undertake these reforms, and civil society and other stakeholders must play a role in promoting these reforms.

The ministry officials expressed their frustration concerning the lack of progress on division of labour in development cooperation, in particular with regards to the lack of progress in implementing the EU Code of Conduct and the cancellation of the International Conference on Division of Labour agreed on in the Accra



Assessing implementation at the Dutch Ministry of Foreign Affairs

Agenda for Action. Consequently, they are increasingly moving towards a unilateral approach of reducing the sectors and countries of where Dutch aid is directed.

Gender concerns are mainstreamed in bilateral programs and Dutch embassies have dedicated staff for gender issues. The Commission was informed that gender equality concerns have been moved to the section of the development cooperation framework and programs that operate under the rubric of human rights and humanitarian concerns. Furthermore, funding for gender programs have increased from €30 million to €80 million because of a plethora of good proposals around this theme. How all these are actually implemented remains to be seen. There is also a need to see how country-owned gender strategies, including those from civil society in the recipient countries, are supported through Dutch development cooperation. But budget allocations indicate that gender equality is taken into account and addressed with targeted interventions in Dutch aid.

Key recommendations:

- The Ministry of Foreign Affairs and other Dutch development actors need to find a joint and coherent approach

for implementing aid effectiveness commitments - without constraining the freedom of Dutch NGOs to choose their own priorities.

- The ministry should consider the unique role played by civil society and how its independent functioning can be maintained within the current efforts to achieve greater alignment and aid effectiveness.
- Funding for middle-income countries with high levels of inequality should continue, in cases where there is a willingness of the country to promote a 'growth with equity' strategy and address persisting pockets of poverty.

The Netherlands should seek to increase support through country fiduciary systems in line with the Accra agenda for Action, and set aside a proportion of this support to fund accountability work in country by the parliament and by civil society organisations.

4. Belgium

Belgium has considerably scaled-up its aid volumes towards 2010 and has committed to reach the 0.7% target in 2010, five years ahead of the deadline agreed by the European Union. The increase was agreed in the Budget Act of 2002 and is thus safeguarded by legislation. The parliament, which votes the budget, strongly supports the nation's development cooperation efforts. Without this support, the ministry officials highlighted, there had been little chance to increase ODA by 70% over the past three years as has actually happened.


The Ministry of Foreign Affairs confirmed that the target of 0.7% will be met, even though the financial crisis has posed new challenges and budget constraints. Belgian NGOs, however, while acknowledging that the government is making a laudable effort, criticised that Belgian ODA is significantly inflated. Debt relief for DR Congo in particular is a significant share of total ODA reported to the OECD DAC. Thus not all Belgian aid is "fresh money" and country-programmable, and Belgium's real efforts might be overrated.

Belgian aid is guided by a law, the International Cooperation Act, which was passed in 1999. In 2007, the Ministry developed the "Plan of Harmonisation & Alignment" which translates some of the commitments of the Paris Declaration into country level actions. In May 2009, the Belgian government and Belgian NGOs reached an agreement mainly focusing on aid effectiveness which intends to improve the positive impact and results of Belgian development actors.

Belgian officials from the ministry as well as from the bilateral Belgian Development Agency (BTC) are well informed about the international aid effectiveness agreements and the commitments derived from them. Regarding practical implementation, however, the Belgian government strictly prioritises harmonization and division of labour. There is a significant trend to concentrate its assistance in fewer countries and in fewer sectors. In 2003 the decision was made to reduce the number of partner countries from 25 to 18. A large share of Belgian aid is directed to the former Belgian colonies in Central Africa and the Great Lakes Region. This might be justified

by the competitive advantage of working with former colonies, but it is unclear whether there are other reasons guiding these aid allocations it is grounded by other reasons. Concerning sector concentration, the Ministry intends to reduce the number of sectors to two per partner country, focusing on one each from the productive and from the social sectors. Belgium also tries to reduce the number of multilateral organisations it works with or supports with Belgian ODA from the current 45 to 20. Contributions to international organisations shall in future only be delivered as core funding.

The Belgian Development Agency (BTC) was created 12 years ago. Its creation, intended to solve some problems of aid mismanagement, followed the example of Germany's GTZ. BTC operates through management contracts, which give BTC the flexibility needed on the ground. Its strong position in the Belgian aid architecture, however, may hinder local ownership and implementation of foreign aid through the national systems. A wider use of budget support is constrained by, among others,



"Lack of development results can be much more hazardous than financial risks."

Mario Goethals,
Belgian
Development
Agency

lack of support from the Ministry of Budget and the Auditor-General who are sensitive to the fiduciary risks of this aid modality. Despite these concerns, elaborating how to increase the share of budget support, including in fragile states, is a priority for the Belgian government.

BTC is under pressure from the government as well as from the public to show results. It acknowledges that staff endowed with new and different skills are needed to deliver aid under the Paris and Accra aid effectiveness frameworks. The move from project aid to programme-based approaches and budget support requires that staff is trained in policy dialogue and risk management. The fight against corruption and improved public administration are more important under these new frameworks and modalities than technical expertise. The BTC organised workshops in recipient countries to assess strength and weaknesses of its own staff. BTC also has gender experts in-house, but it still lacks a coherent gender strategy. Roughly 25 % of BTC staff are from developing countries. Thus, to a limited extent it uses Southern capacities and

draws on local expertise. BTC has always used partner country procurement systems, and its aid is fully untied, at least in the sense that all BTC tenders are open for international bidders and applicants

Key recommendations:

- Belgium should achieve the ODA/GNI ratio of 0.7% in 2010, and retain this ratio beyond 2010, when major debt cancellation packages will have been exhausted. In order to maintain the 0.7% aid levels a new and large increase in the budget of the department of development cooperation will be needed.
- The dialogue between non state actors and the government has intensified in recent years. It is of utmost importance that this involvement aims at enhancing open dialogue rather than attempting to force NGOs to adapt government policies.
- Belgium should prioritize the development of a comprehensive gender strategy, in



The Belgian Ministry of Foreign Affairs

consultation with Southern partners from governments and civil society including women's organizations. Gender initiatives need to be provided with adequate funding.

- While Belgian efforts to promote division of labour and concentration are laudable

and should be continued, more progress in other aid effectiveness areas is needed. Aid effectiveness reforms should be taken forward in a coherent and balanced approach.

Conclusion

This mission brought out the many variations in the ways aid and development are viewed by different actors in countries of the North. The impression that there would be a homogenous aid effectiveness discourse in donor countries is not correct. As one can deduce from this paper, the perspectives on aid in the North vary greatly. The US infuses its aid effectiveness debate with a very strong security discourse. On the other hand, the discourse in Europe is mainly focused on ODA from a poverty eradication angle, and at times including from the angles of economic justice and global solidarity between rich and poorer nations. Analysing to what extent this discourse corresponds with the reality of European aid implementation in the field was not the main object of this inquiry.

What appears to be a major similarity between Northern donors is the means of disbursement of aid to recipient countries. All countries visited by the Commission have set up huge aid delivery infrastructures comparable to industries. In the US, Germany and the Netherlands we see a fragmentation of institutions delivering aid. While this fragmentation is seen as a major constraint for aid efficiency and effectiveness, attempts to cut down on the institutions that deliver aid have so far failed due to the many interests involved. Disbursing aid in form of budget support, channelling it through the recipient country's own systems and enabling more direct participation of Southern actors, firms and enterprises still encounter numerous barriers.

From a donor perspective, vested interests that play a part in the delivery of aid range from employment in aid agencies, political and commercial interests of the donor countries and also security concerns and historical links that often go back as far as the colonial days. As one respondent at the Working Party on Aid Effectiveness put it; 'sometimes donor land is like Disneyland', with many interests and many adventures distorting the effectiveness of ODA as the main instrument for promoting just development and fighting poverty.

With new policies in the US and EU and country specific policy reform picking up, it is clear that all actors are 'learning on the job' in this aid effectiveness reform process. This report is

therefore a contribution to this process of discovery and learning as development actors strive to find the best possible policy mix that will deliver development effective aid that will truly eradicate poverty.

Recommendations:

- Development cooperation is a policy in its own right. Distortions by other policies need to be avoided. Mixing development cooperation with other policies, or even subordinating it, makes ODA hard to align with internationally agreed aid effectiveness principles. Although this practice is more profound in the USA than in the European countries visited by this Commission, the importance of delinking development cooperation from commercial, security or geopolitical interests cannot be overemphasised.
- Donors should enact and implement binding measures such as national legislation to ensure that international commitments on aid volumes and aid effectiveness are met. They should include interim targets and deadlines which clearly state when donors intend to meet the agreed-upon commitments. Unexpected events such as the financial crises which have led to aid cuts in some countries have proven how fragile progress in providing more and better aid can be when it is not promoted and safeguarded by appropriate measures.
- All donors should fully untie aid, including food aid and technical assistance, in order to improve its cost-efficiency and development-effectiveness. The extent of formal aid tying varies from donor to donor, but informal practices which de facto tie development aid are still common to all of them. The practice of aid tying reduces positive developmental impacts since it excludes economic actors from recipient countries and impedes capacity building and private sector development. Rather than tying their aid, donors should strive for local procurement in developing countries.
- Donors should address the internal

fragmentation and proliferation of aid institutions through mergers of aid agencies, and/or improved inter-agency coordination. Different donor countries also need to make more progress in harmonization and division of labour among them. Fragmentation and proliferation became a major driver for the increase in transaction costs and administrative burdens of contemporary aid on both sides, donors and recipients alike.

- Donors should increase their staff capacities for gender issues, and work on the development of a comprehensive gender strategy, building on consultations with Southern partners both from governments

and civil society women's organizations. Women and Gender programs need to be provided with adequate funding.

- Donors need to fulfil their commitments to promote recipient country ownership and alignment to their national strategies and country systems. Scaling-up the share of ODA disbursed as budget support; channelling aid through program-based approaches; and increasing the use of recipient country systems are clear ways in which donors could contribute to strengthening developing countries' ownership of aid and to build national institutional capacities.

List of institutions and persons met

USA:

- German Marshall Fund of the US; Jonathan White and Katrin Kuhlman
- Hewlett Foundation; Susan Sechler and Larry Novels
- InterAction and member organizations
- Modernizing Foreign Assistance Network
- The (German Marshall Fund's) Transatlantic Task Force on Development
- US Agency for International Development (USAID)
- Millennium Challenge Corporation (MCC)
- US Department for Health and Human Services
- Council of Foreign Relations

Germany:

- German Parliament; Committee for Economic Cooperation and Development
- Ministry of Economic cooperation and Development (BMZ); Ingrid Hoven and Jost Kadel

Netherlands:

- Harm Evert Waalkens, MP, Labour Party
- Ewout Irrgang, MP, Socialist Party
- Ministry of Foreign Affairs; Maarten Brouwer and Sonia van Nispen
- OxfamNovib; Esmé Berkhout

Belgium:

- Belgian Development Agency; Mario Goethals and Anne Flahaut
- Cabinet of the Minister of Development Co-operation; Johan Debar and Erwin de Wandel
- 11.11.11 – Coalition of the Flemish North-South Movement, Ineke Adriaens

Additional:

- Koos Richelle; Co-Chair of the Working Party on Aid Effectiveness, Director-General of EuropeAid
- Brenda Killen; OECD, Head of Aid Effectiveness Division
- Jackie Peace, UK Department for International Development, Team Leader Aid Effectiveness

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Atila Roque comes from Brazil where he has worked in the NGO sector for more than 20 years. Most recently, he was the Executive Director of ActionAid International USA (2003-2006) and he is presently a Co-Director of Inesc (Institute of Economic and Social Studies), one of Brazil's best known research and advocacy organizations. Other positions he has held include Director for the Brazilian Association of NGOs, Member of the International Coordination Committee of Social Watch, and Coordinator for the program on Public Policies and Globalization at IBASE (Brazilian Institute of Economic and Social Analyses). He is a founder and former organizer of the World Social Forum, and serves as trustee for numerous non-governmental organizations, including the Bank Information Center (USA), Just Associates (USA), the Center for Studies on Public Security and Citizenship (Brazil) and the Brazil Human Rights Fund (Brazil). He has a Bachelor's Degree in History and a Master's Degree in Political Science.

Marivic Raquiza

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Marivic Raquiza is currently Co-Convenor of Social Watch Philippines, a member of the Social Watch International Coordinating Committee and a Board Member of Justice Associates (JASS), an international feminist organisation and the Philippine-based La Liga Policy Institute. She was the National Coordinator for the Global Call to Action against Poverty (GCAP) in the Philippines from 2005 to 2007 and a member of GCAP's International Facilitation Team. She worked as Southeast Asian Coordinator for the Asian South Pacific Bureau of Adult Education (ASPBAE). She was also the assistant Vice-President of the Philippine Rural Reconstruction Movement, for which she led and managed an integrated rural development program for a number of years in one of the poorest Philippine islands. Ms.

Raquiza holds a MA in Development Studies from the Institute of Social Studies (ISS) in The Hague and is Assistant Professor in the University of the Philippines (UP) where she teaches courses on poverty, social development and social change.

Richard Ssewakiryanga

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Richard Ssewakiryanga has been the Executive Director of the Uganda NGO Forum since September 2008. He has over 10 years experience in policy, research, planning and management. Among other experiences, he has worked as a Team Leader for Participatory Poverty Assessments and contributed to key government of Uganda planning and poverty monitoring processes. He was the Ugandan contact person for the Accra High Level Forum on Aid Effectiveness in 2008, and a Co-Chair of the Evaluation of the Paris Declaration in Uganda. He holds an MA in Gender and Women's Studies from Makerere University, is a holder of numerous other academic certificates and is enrolled on a PhD programme at Breyer State University. His dissertation is entitled: "Knowledge, Power and the Making of Poverty Policies" A Critical Analysis of Poverty Eradication Policy Processes in Uganda.

Mariano Valderrama

Mariano Valderrama has been the Executive Secretary of the Peruvian International Cooperation and the head of the Commission of the Peruvian Chancellery which created the Peruvian Agency for International Cooperation. He was also a Director of the Reality of Aid Network, the President of the Latin American Association of Development Organizations (ALOP) and served as a consultant for different international development agencies. He has been a professor of social sciences at the Catholic University in Lima, Peru for more than ten years and has published several books and articles on Foreign Aid and Development. He holds a Ph. D. from the University of Heidelberg.



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