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The Busan Summit: New Approaches to Aid Effectiveness?

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With the "Paris Declaration", the donor and partner countries in the year 2005 created a milestone in greater aid effectiveness. After the summit of 2008 in Accra, another high-ranking follow-up meeting will now take place from 29 November to 1 December 2011 in the South Korean city of Busan, at which new agreements for better aid effectiveness will be the issue. The German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) will discuss important topics of the conference in a four-part series including an evaluation of the conference's results.

Bonn, 4 October 2011. Not all international conferences succeed after their conclusion in achieving an impact with their results. For development policies, however, the "Paris Declaration" of the year 2005 is among the positive instances. It was and is a milestone in effectual aid effectiveness (EZ). The donors (in the meantime designated mostly as "development partners") and the recipients (partner governments) came to an agreement on efforts on both sides to increase the usefulness of aid. For the donors, the change of paradigms consisted for the most part of internationally agreed-on and verifiable aid effectiveness quality standards.

There is no question that the primary responsibility for policies to reduce poverty, promote growth, and provide support for sustained development processes lies with the partner countries themselves. Aid effectiveness can play a supportive role in this. To that extent, the importance of aid effectiveness should not be either over- or underestimated, above all for low-income countries which are heavily dependent on aid. The question whether donors in years past were in fact prepared to reform their aid effectiveness according to the agreed-on criteria is of central importance for the upcoming Busan Summit.

On the side of the donors, implementation of the Paris Declaration is still awaited in many areas. Donor organisations are ponderous and prefer those types of reform steps which are not really painful. This is the rather sobering conclusion to be drawn from the current evaluation regarding implementation of the targets agreed on in 2005 in the Paris Declaration. One example is the use of partner systems: instead of maintaining an apparatus for aid implementation in the partner country, the systems and structures of the partner side

should be used and thus strengthened much more in a long-term manner. On the part of the donors, there is often not all-too-great interest; progress in this area has therefore been halting since 2005. Even in countries which dispose of good capacities and a functional public finance management system (like Ruanda), the donors make only limited use of the national systems. The business policy interests of donor organisations are not intrinsically aimed at giving as much responsibility as possible to the partner countries in the implementation of aid.

What topics will now be taken up at the Busan Summit? To be found on the one hand is the strengthening and continuation of the agreements reached to date. This is desirable even in the face of political pressure to "invent something new" for every major event. On the other hand, there is a series of topics which have undergone further dynamic development since the Paris Declaration. "Aid architecture" has become more complex, and other international policy fields and actors have become (more) relevant for the developing countries. Various developments are responsible for this: although new public and private donors increasingly play an important role, often they are hardly plugged into international aid debates. In many countries (e.g. Indonesia, South Africa etc.), dependency on aid is (gratifyingly) dropping; here the question arises what relative importance aid should continue to have in future. After all: the multiplicity of approaches to aid continues to increase. The image prevalent in the public mind of the "clean drinking water project" has less and less to do with reality.

In the last 10 years, budgetary aid and basket funding have dominated the policy discussion about new aid effectiveness approaches. Among the international professionals, the development policy benefit of these instruments remains beyond doubt, at least for reform-oriented countries; nevertheless political scepticism is currently deep-seated in many donor countries. At the same time, an intense discussion has begun in recent years regarding result-based approaches.

What is new about result-based approaches? Wasn't aid oriented to results in the past?

All aid approaches of course aim to achieve "results". And directly in the Paris Declaration a chapter is devoted to "Result-Oriented Management". In addition, budgetary aid have significantly contributed to a greater orientation towards results. Nevertheless, the current discussion about result-based approaches differs from previous debates, since aid in actual practice is frequently oriented toward input and processes. Often the procedure is aligned, for example, toward providing investment means (e.g. for the construction of schools) or consultancy services (e.g. for the educational sector), with no way to precisely document the success of aid activities on the basis of verifiable "results". Although input and process indicators provide some information about how development-policy activities in a partner country are to be evaluated, the contents of this information are limited for two reasons: firstly, it is often unclear or unconfirmed that the actually intended results have been achieved. Were more students trained, for example, on the basis of increased expenditures for education and the consultancy services provided? What about the quality of those who graduate from school? Secondly, the question arises: What is the precise share of aid in the actual situation? If results have been achieved, do they stand in a causal relationship with the aid effectiveness project?

Result-based approaches start at this point and have the aim of identifying quantifiable and measurable results, i.e. results which can be immediately related to aid. A contract between the donor and the partner country stipulates that for every step in success a sum ("reward") will be

made available. To date, only limited practical experience with such approaches is available. In part, these represent a further development of performance-related budget support (like those which the European Union uses, for example), in part proposals are on the table for rewarding each individual success, measured for example by additional school graduates who reach a specific level of performance. As attractive as this approach appears on the one hand, its implementation in practice can be just as complicated on the other. The danger of misguided incentives is great because all efforts may be aimed at reaching a single major target.

The Busan Summit Conference will not deal en détail with the application of individual new aid approaches. On the other hand, at issue will be the continuation and adaptation of norms and standards for effective aid; their application is also important for result-based approaches. A great deal would be achieved if on the part of the donors the reasons would be critically discussed why the agreements of 2005 are being implemented so slowly.

The further "Current Columns" on the Busan Summit will appear as follows:

- 17 October 2011: New Actors? (China etc. and the "Paris World")
- 21 November 2011: New Partner Perspectives? (The Busan Summit as Seen by Africa)
- 5 December 2011: Evaluation of the Summit Results



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