



# Aid effectiveness

DFID Tanzania May 2009

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These slides are at  
[www.owen.org/musings](http://www.owen.org/musings)

# What's the plan?

- Is aid effective?
- Why Paris and Accra?
- Understanding effectiveness
- Gosplan and Google
- Controversial suggestions for DFID
- You tell me I'm talking rubbish

# Aid and growth

sub-Saharan Africa - 10 year moving averages 1972-2000

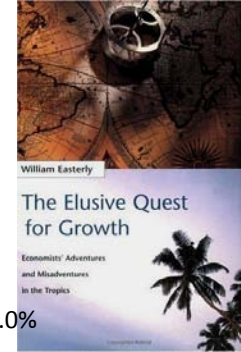
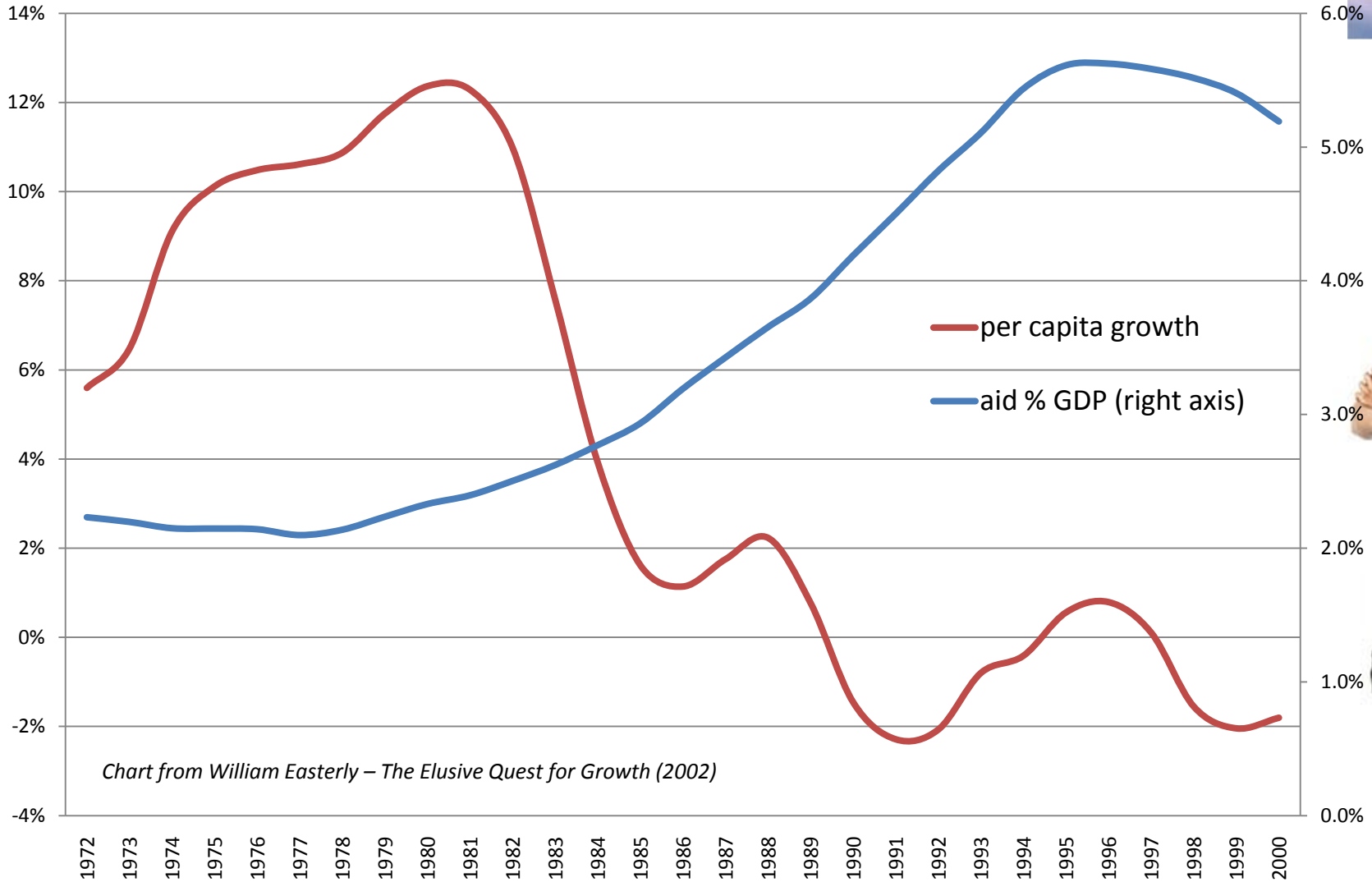
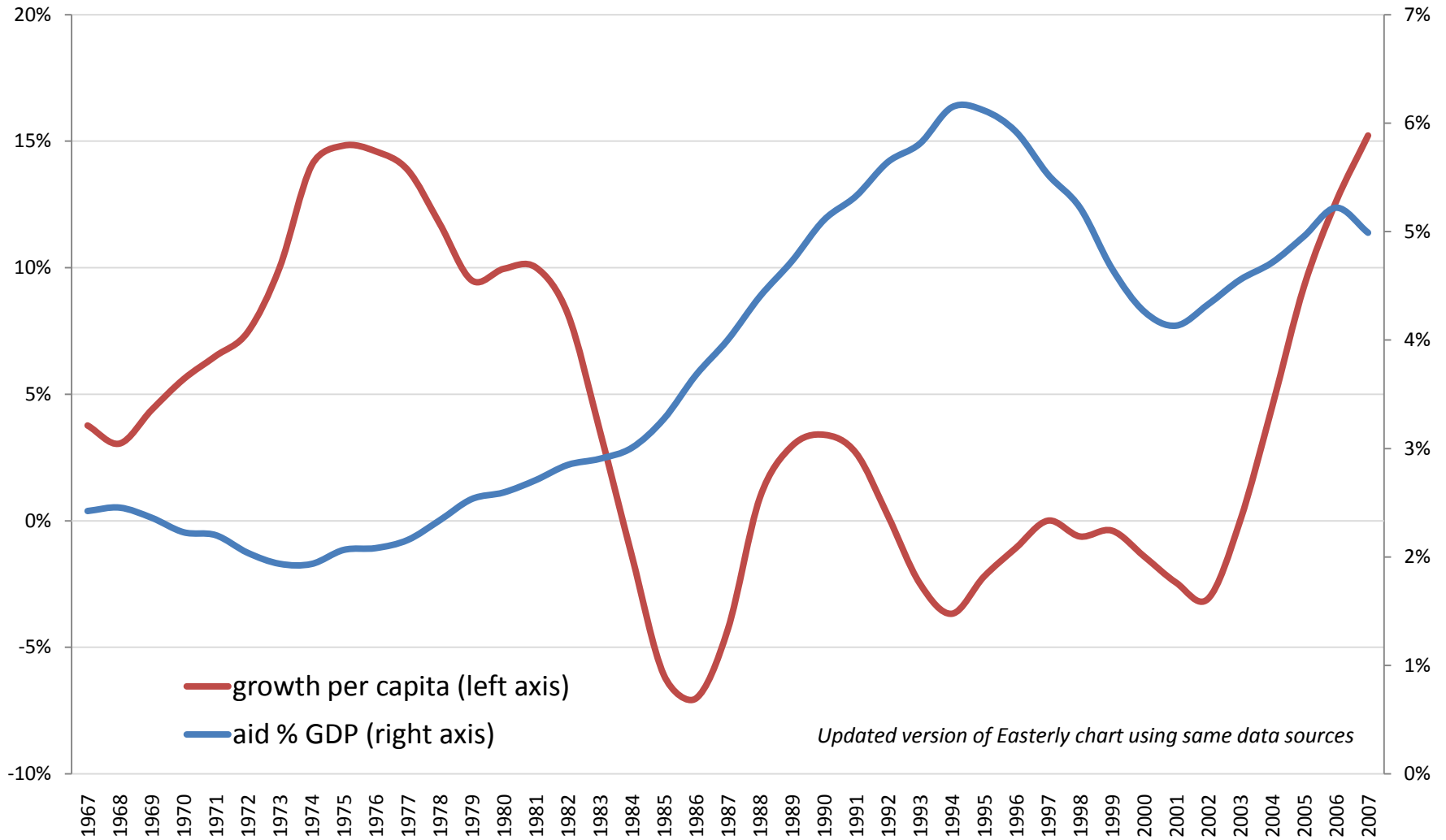


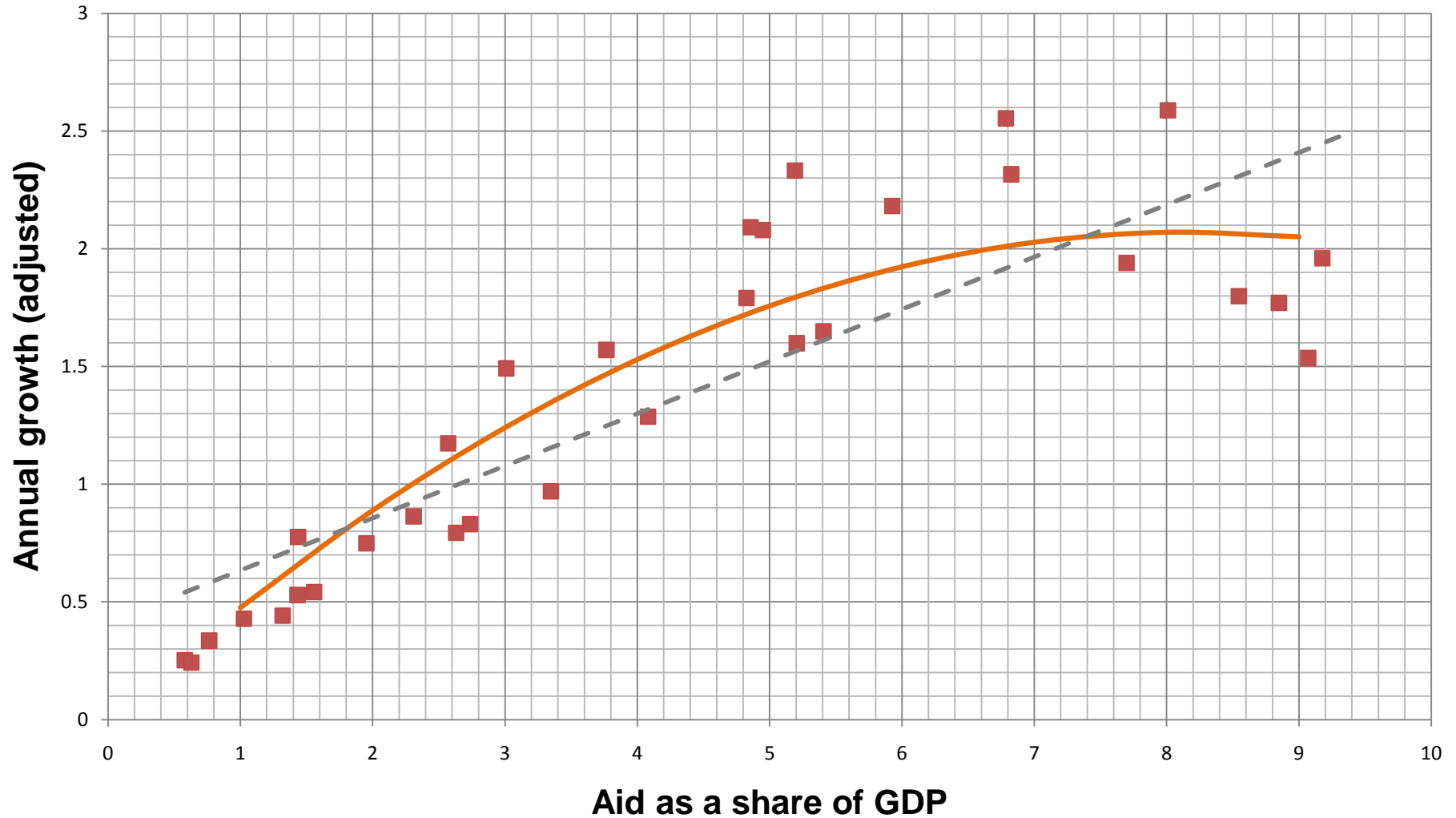
Chart from William Easterly – *The Elusive Quest for Growth* (2002)

# Aid and growth revisited

sub-Saharan Africa - 5 year moving averages 1967-2007



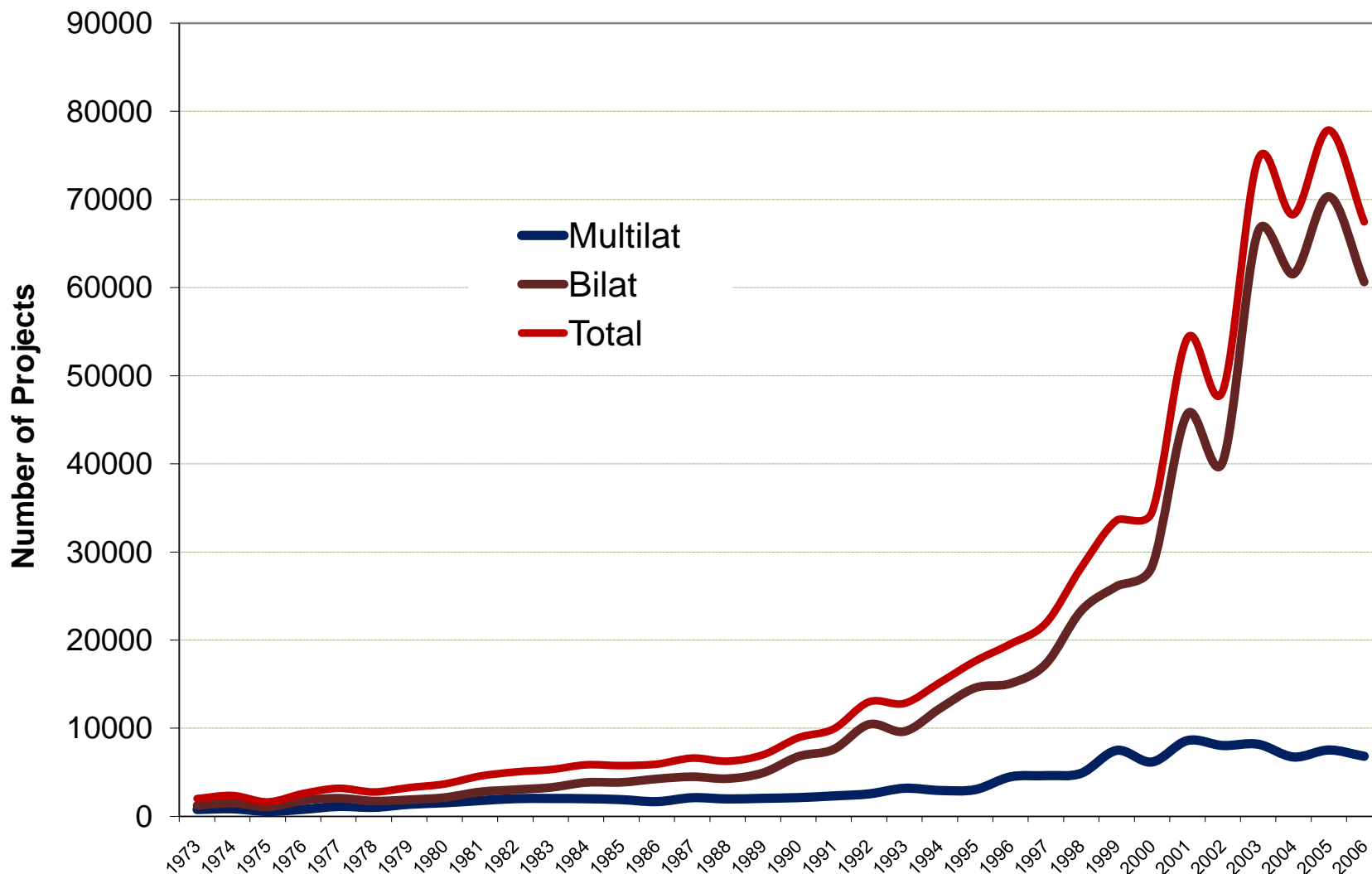
# Country plot of aid and growth



# How aid might start to do harm

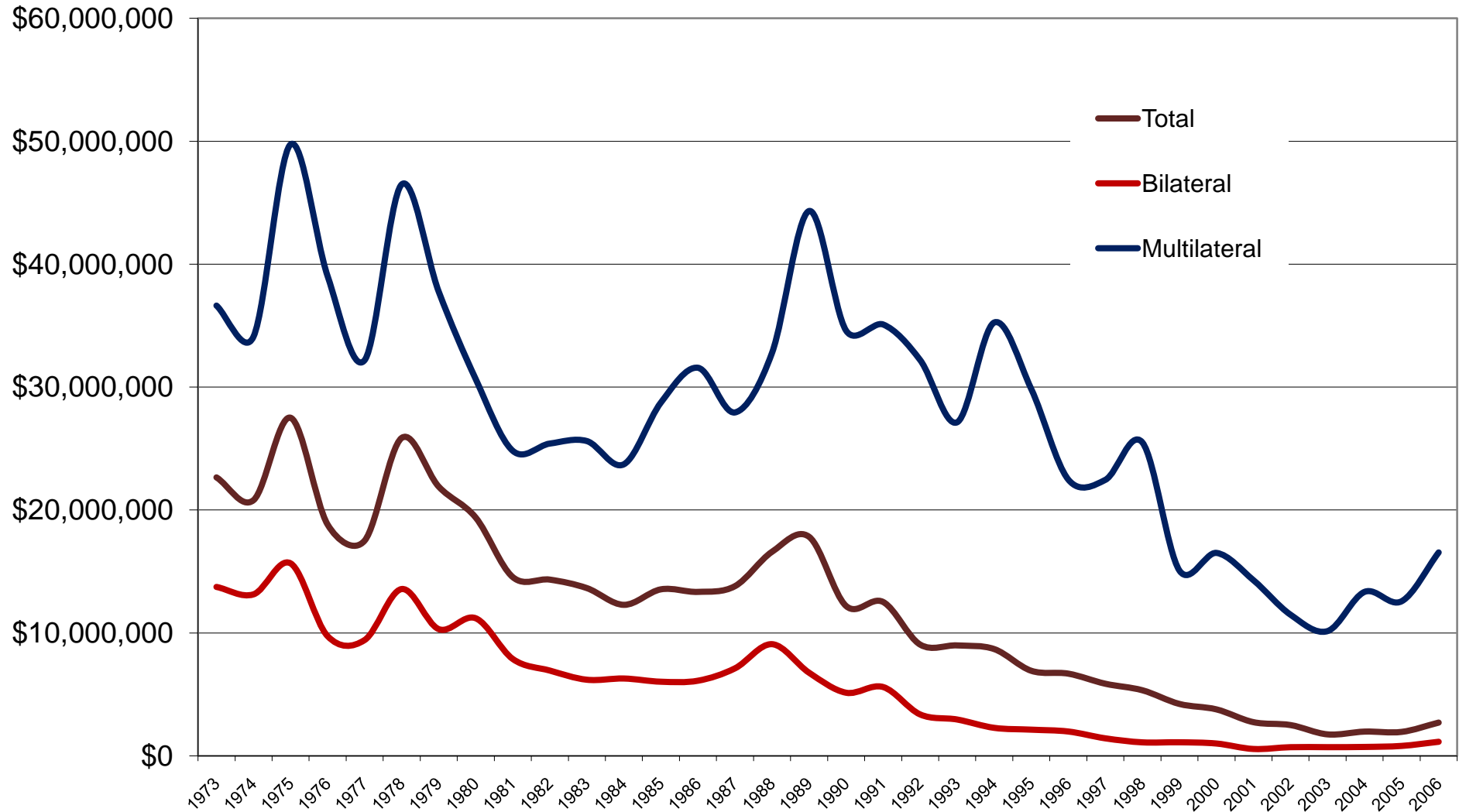
Potential problem	Examples
Administration costs	Missions, reports, accounts, targets, audits, reviews
Impact on institutions	Hiring skilled labour, driving up wages, divert attention from reform, undermines budget
Impact on accountability	Weakens social contract, blurs responsibilities, donors acting like opposition
Proliferation	Conflicting priorities of donors, adds to transactions costs
Wrong choice of activities	Pursuit of broader interests, ignorance of country, need to get money out the door, fetish of sustainability
Macroeconomic effects	Dutch disease, competitiveness, wages, lack of focus on wealth and job creation

# Number of aid projects 1973-2006



Source: PLAID project level aid database June 2008

# Average project amounts 1973-2006



Source: PLAID project level aid database June 2008



# “We will always have Paris”

St. Vincent – an island state with a population of 117,000 – was asked to monitor 191 indicators on HIV/AIDS, while Guyana was asked to report on 169 indicators

Ethiopia had 221 donor missions in 2007

80% of the 80,000 aid projects under way at any one time are for less than \$1m

There were 15,229 donor missions to 54 countries in 2007 - an average of 282 missions per country per year.

Senegal has 82 individual aid co-ordination forums

There were 22 medical NGOs working in the health sector in one part of the west coast of Aceh in December 2005 and more than 60 agencies claimed to be working in Aceh's education sector in December 2005.

Government of Mozambique has over 1000 bank accounts due to donor requirements

# Paris Principles

# Helps to solve

## **Ownership.**

Developing countries set their own strategies for development, improve their institutions and tackle corruption.

Impact on accountability  
Poor choice of activities

## **Alignment.**

Donor countries bring their support in line with these objectives and use local systems.

Impact on accountability  
Impact on institutions  
Administration costs

## **Harmonisation.**

Donor countries co-ordinate their action, simplify procedures and share information to avoid duplication.

Administration costs  
Proliferation

## **Managing for results.**

Developing countries and donors focus on producing—and measuring—results

Poor choice of activities  
Macroeconomic effects

## **Mutual accountability.**

Donor and developing country partners are accountable for development results.

Impact on accountability  
Poor choice of activities

# DFID as a whole

- **Targets met:**
  - Coordinated TA, PFM, procurement, untying, programme based aid, joint mission, analytical work
- **Target close to met:**
  - Reducing project implementation units
- **Not met – challenging**
  - Aid on budget
  - Predictability

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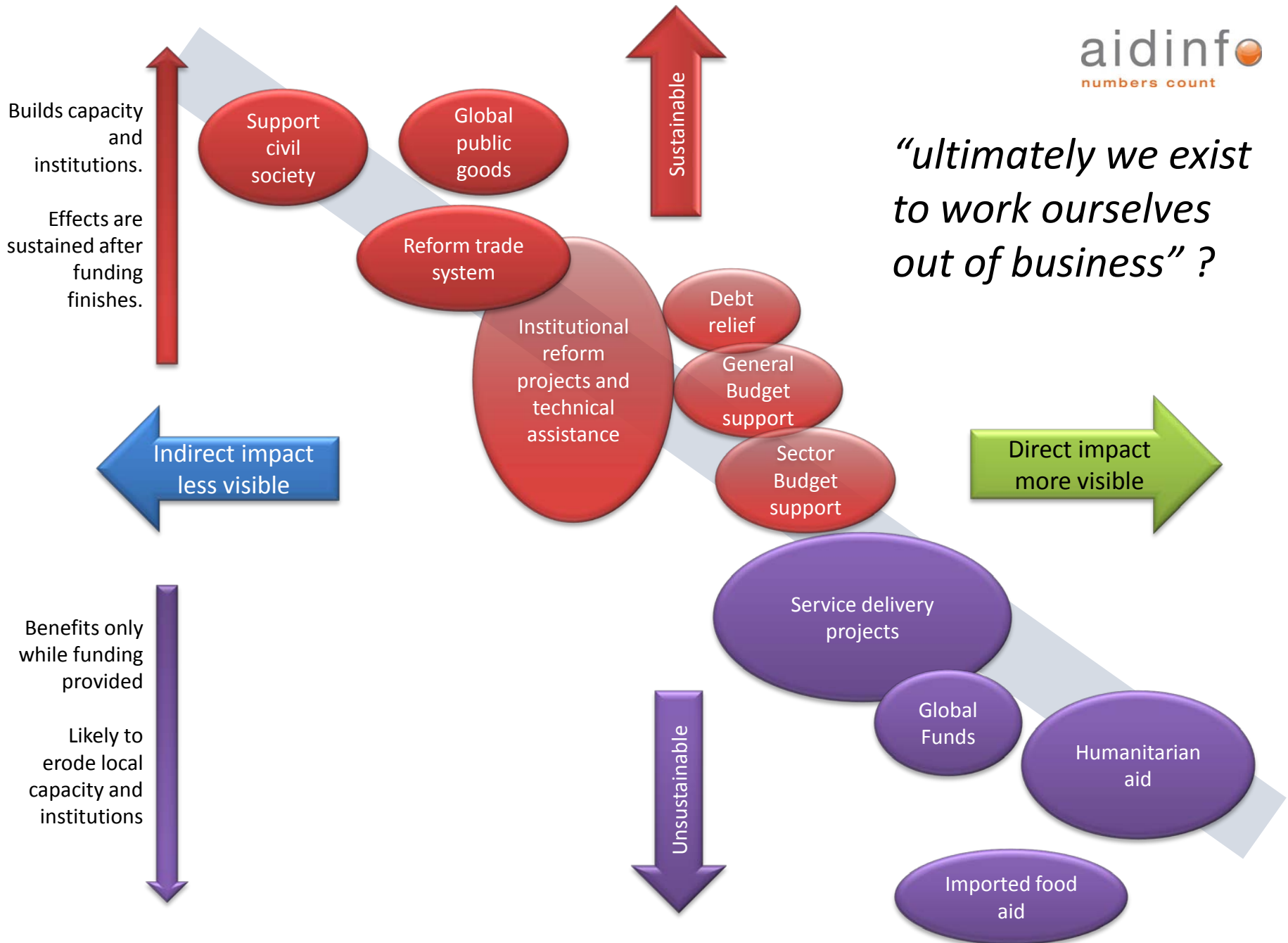


# A short history of the search for the cure to poverty

- 1940s and 1950s – aid as poverty relief
- 1960s and 1970s – investment and growth
- 1980s – structural adjustment
- 1990s – institutions and policies
- 2000s – conflict, accountability

*“we in the development community should not forget that ultimately we exist to work ourselves out of business – and the best way to do that will be to encourage growth and trade.”*

*Douglas Alexander 2007*



# Gosplan and Google

- Collective action solutions
  - Planning
  - Markets
  - Networks
- Combination of all three needed
  - Use *planning* about the system not the details
  - Use *markets* for delivery
  - Use *networks* to create feedback loop

# Pillars of a new architecture

Networks	Markets	Planning
Transparency of aid information	Unbundling funding from implementation	Information and knowledge sharing standards
Rigorous, comparable, independent evaluations	Competition in supply of development services	Agreements to sustain competition (eg untying)
Feedback from beneficiaries	Challenge funds to promote innovation	Taxation of negative externalities (missions, PIUs)
Social production & online communities	Cash on Delivery Aid (and other forms of output based aid)	Subsidy of public goods (research, civil society, knowledge sharing)
North South linkages	Evolution not intelligent design of institutions	Aid ombudsman



# Quiz

- What is total aid to Tanzania?
- What are total remittances to Tanzania?
- How many Tanzanian doctors live abroad?
- What should Tanzania argue for in Copenhagen?
- What are the main obstacles to selling organic produce in Europe?
- What are the most effective ways to improve learning outcomes in Tanzania?

# Ten ways to make aid better

1. Accept not all aid is sustainable & transformative.
2. Promote transparency and accountability to recipients
3. Do fewer evaluations, and do them right
4. Do less technical assistance, and do it right
5. Employ more local staff
6. Do financial transfers via multilaterals
7. Do more on the demand side of services
8. Do more about UK and OECD policies
9. Build global social protection
10. Link aid better to results e.g. Cash On Delivery

# Conclusions

- **Aid effectiveness means ...**  
tackling the symptoms and causes of poverty
- **Aid works, but ...**  
the benefits decrease as aid goes up
- **Paris Declaration**  
helps to reduce the harm aid can do
- **Three key DFID priorities**  
predictability, transparency, accountability
- **Work on DFID's comparative advantages**  
Less on transfers, more on rich country policy