



Conference note 2

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# Where next for development effectiveness?

## Situating the debate in the country perspective

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## 1. Introduction

The landscape of development finance has gone through rapid, sweeping changes over the past decade. Developing country governments not only have a larger set of financing options to choose from to support their national development, they also show greater assertiveness in their selection decisions. Some governments have declared long-term objectives of ending dependency on external aid, but it remains a short-term priority for them to secure more development assistance in order to meet their development challenges (Prizzon et al., 2016; Davis and Pickering, 2015).

This note is part of a series of papers to inform debate in the run-up to the Second High-level Meeting of the Global Partnership for Effective Development Co-operation (GPEDC) in November. It draws on ODI research to set out developing country governments' perspectives on development effectiveness through interviews with over 150 senior officials from 13 countries<sup>1</sup> (Prizzon et al., 2016; Schmaljohann and Prizzon, 2015), as well as separate surveys of ministries of finance or planning in 40 developing countries (Davis and Pickering, 2015). While not representative of, or generalisable to, all developing countries, there are several findings that are consistent across the countries investigated.

Before exploring some of the developments that demand a fresh look at the principles in the Busan Partnership Agreement, it is important to consider first what developing countries have said that they want from development effectiveness.<sup>2</sup> The time is ripe for the international community to take stock, and assess whether the current set of principles is still fit for purpose and reflects the perspectives of developing country governments.

## 2. What developing countries want from development effectiveness

Here, we consider the evidence and provide recommendations for the GPEDC across three main areas:

1. Which existing principles or commitments on development effectiveness do developing country governments still value highly, and therefore should be kept on the agenda?
2. Which additional principles or commitments should be included to reflect developing countries' priorities, and how should they be measured?
3. Which principles or commitments have fallen off the radars of developing country governments, and what might ministers do about them?

### Existing development effectiveness principles that remain a priority for developing country governments and should be kept on the agenda: ownership and alignment

Ownership was expressed as a priority by most countries, with reduced conditionality considered an important way to achieve this according to Prizzon et al. (2016). When more financing options are available, direct donor conditionality is less likely to be effective, and donors should find different approaches for dialogue on policy and governance issues. Indeed, developing countries that have issued sovereign bonds on the international financial markets have done so because of the value placed on being able to access and use funds without having to comply with policy conditionality, as well as to increase the volume of funds available. The commitments 'where recipient countries should be able to determine the conditions attached to the way aid funds are spent' and 'donors and developing countries should work from a small set of mutually agreed conditions, and make all these conditions public', as stated in the Accra Agenda for Action (AAA) (OECD, 2008), are still valid.

In Davis and Pickering's (2015) survey, the priorities that respondents ranked highest were for countries to seek to ensure that development finance is provided to both the sectors and the priorities articulated in the national strategy (policy alignment) and to use government systems to the maximum extent possible, for example through budget support (systems alignment). Of all survey respondents, 83% considered alignment to be an important quality of development in five to ten years, with 58% ranking it as the highest priority. Policy alignment can be a loose concept, however, with national strategies so broad that often every sector is a priority.

### Recommendations

Ownership of development programmes and alignment to national priorities are highly valued by developing country governments, and should remain as primary objectives of the development effectiveness agenda.

## Priorities to be included in the development effectiveness agenda and how to measure them: speed of delivery and capacity-building

Currently, there are several priorities that government officials value highly but are not captured in the principles of development effectiveness.

Speed of contract negotiations and project implementation – speed of delivery – was expressed as a key priority in several countries reviewed in Prizzon et al. (2016). Government officials pointed out that concessional and non-concessional loans often have similar total costs. If the impacts of delays experienced on some projects funded by concessional loans (i.e. greater administrative and opportunity costs of projects not yet in place or fully operational) are taken into account, such loans can lose their appeal. In some cases, speed was considered of such high priority that interviewees gave examples of concessional loans being rejected in favour of less-concessional financing (e.g. from China) because of the lengthy process and burdensome policy conditionality. The international community is already responding: several multilateral development banks have recently reviewed their safeguards and procurement policies to shorten their project cycles, while at the same time ensuring environmental sustainability and transparent and competitive bidding.

Finally, government officials – especially those in the Pacific countries reviewed (see Schmaljohann and Prizzon, 2015) – highly valued capacity-building embedded within projects, and often used this as a criterion for selecting a new project. Moreover, in a review of case studies investigating drivers of development progress (Rabinowitz and Prizzon, 2015), in nearly all the countries analysed technical assistance and policy advice were found to be critical in improving the effectiveness of government spending, either alone or combined with financial resources. In middle-income countries, whose share of external assistance was small or non-existent compared with the size of their economy, technical assistance was strategic and targeted in areas not covered by the government or where the government did not have the capacity to do so.

### Recommendations

Commit to reducing the length of project cycles by identifying areas where processes can be streamlined, while ensuring environmental and social safeguards are in place. This could be assessed by the average time to first disbursement, with a target to reduce this indicator over time.

Aligned and coordinated technical assistance was among the indicators of the Paris Declaration on Aid Effectiveness. We recommend including this indicator once again, and expanding it to include demand-driven and cost-effective technical assistance/capacity-building. This could be measured by the share of projects that have a technical assistance/capacity-building component, with the long-term target being 100%.

## Principles of development effectiveness that have fallen off the radars of developing country governments: harmonisation, results, transparency and untied aid

Several principles of the development effectiveness agenda seem to have fallen off the radars of developing country governments (although not necessarily of civil society's or other stakeholders'). There may be several reasons for this, including lack of priority or simply being too difficult to achieve.

Most surprising within this category is the principle of harmonisation, which was rarely mentioned in interviews with government officials (Prizzon et al., 2016), except in a couple of countries, and was ranked as important by only 17% of Davis and Pickering's (2015) respondents. Harmonisation was also barely referred to in the Busan Outcome Document (and the related indicators) (OECD, 2011), despite it being among the key principles in the Paris Declaration (OECD, 2005).

Certainly, several government officials encouraged the pooling of funds, or joint programming in the case of EU members (Davis and Pickering, 2015), because administration costs are rising due to the large number of providers on the ground. All in all, however, governments would welcome a broader set of financing choices, and do not seem to be overwhelmed by (or struggle to cope with) greater pressure on their management systems (Prizzon et al., 2016).

In most countries, governments did not express strong interest in leading the country coordination mechanisms, with a general fatigue perceived around them, even in countries that were particularly active in the Paris/Accra/Busan agendas. Government–donor meetings were mainly considered as high-profile diplomatic events (or a 'box-ticking' exercise), rather than as fora for policy dialogue and coordination, and development partners already coordinate between themselves either formally or informally. Furthermore, non-DAC donors do not actively participate in these arenas, and philanthropic organisations are largely absent at the country level, often having informal engagement only (philanthropic finance may be subsumed into flows from non-governmental

organisations and global funds, positively reducing fragmentation). Governments appeared more comfortable dealing bilaterally with different providers, perhaps to increase their negotiating power, and, in some cases (e.g. some Pacific islands), focused their attention on the larger development partners (by volume) only.

The results agenda did not feature in developing country priorities either – it was rarely mentioned by government officials, and not at all in some cases. In this age of choice, donors are likely to have less direct influence over governments, and it may be more difficult to identify clearly and attribute results. This principle might have been overlooked partly because it is implicit, i.e. the ultimate goal of development assistance is to deliver results.

Finally, the principles of transparency and untied aid did not feature prominently (or at all) in the interviews with senior government officials (Prizzon et al., 2016) or in Davis and Pickering's (2015) survey. Only 9% and 7% of survey respondents identified transparency and untied aid respectively among the top-three qualities of development assistance (and no respondent ranked these highest). Government officials are keen to access timely and reliable information on development assistance from both sovereign and private sources, but making this information public was not necessarily a priority. Transparency of development cooperation programmes did not emerge as a criterion to inform choices between projects, or as a consideration in starting new programmes/projects. Views on untied aid were rarely given by interviewees unless prompted (Prizzon et al., 2016), and in these cases were mixed. In some countries, especially in the Pacific Islands, one of the main concerns about tied aid and turnkey projects was the lack of knowledge-sharing and capacity-building. In other countries, some government officials were willing to accept these terms in order to reduce administrative costs and have projects delivered faster.

## Recommendations

There is clear scope for developing country governments to review the effectiveness of country coordination mechanisms. This would mean either reforming them at the country level or eliminating them, perhaps instead focusing on selected technical groups or high-level dialogue only. If developing country governments agree that coordination helps their programmes to be more effective, development partners should commit to supporting national development effectiveness secretariats, either financially or by providing technical assistance in low-income and lower-middle-income countries.

## 3. Conclusion

More than ten years since the Paris Declaration and five years since the Busan High-Level Forum, the evidence strongly suggests that two existing development effectiveness principles are still much in demand from developing country governments: ownership and alignment. Harmonisation, results, transparency and untied aid are instead falling off their radars. Developing country governments are also demanding effective action from their partners in new areas: speed of delivery and capacity-building. These do not currently feature among the principles of development effectiveness.

Above all, a development effectiveness agenda for the SDG era must be grounded in the experiences and objectives of those seeking to develop. Therefore, we will be looking to ministers gathering in Nairobi for the Second High-Level Meeting of the GPEDC to respond to developing countries' needs and priorities.

## Notes

- 1 Cambodia, Ethiopia, Fiji, Ghana, Kenya, Lao PDR, Papua New Guinea, Senegal, Timor-Leste, Uganda, Vanuatu, Viet Nam and Zambia.
- 2 This note does not provide evidence on the effectiveness of finance, or the wider views of civil society, citizens or parliamentarians in developing countries.

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