The Problem

Current debates about official development assistance (ODA) focus on three aspects of the relationship between aid instruments, donor practices and recipient government behaviour. The debate on instruments is around the pros and cons of moving away from projects to providing assistance through sector wide approaches and general budget support. The second focus is on the ownership and commitment of recipient governments and the relationship between these governments and their citizens. The Poverty Reduction Strategy Paper (PRSP) has been the primary tool for taking forward this second agenda. The third, emerging strand of debate focuses on the effects of current donor behaviour on government practices. There are two aspects to this. Firstly, **donor behaviour cuts across the aid instruments debate**: there are behaviours and practices of donors that transcend the specifics of how resources are provided.

The close relationship between aid modalities and donor practices is now being questioned. For example, research shows that general budget support does not guarantee improved predictability. Equally, there is no inherent reason why the delivery of aid in the form of a project cannot be designed in a way that supports and strengthens government systems and capacity.

On this basis, a series of concerns have been identified as central to defining ‘good donorship’:

1. **Country leadership and ownership**
   This is the overriding and ultimate goal. It requires the subordination of donor processes, procedures and eventually objectives to those of the recipient country;

2. **Capacity building for the long-term**
   Donors need to work in a way that builds the capacity of government sustainably, neither simply filling short-term gaps nor over-using limited existing capacity;

3. **Harmonization and simplification**
   This involves reducing the transactions costs facing government by limiting duplications and contradictions, and coordinating and simplifying the demands made by donors;

4. **Transparency and information sharing**
   This implies the full disclosure by donors of their resource flows and practices, in formats accessible and compatible with government cycles and systems;

5. **Predictability of resources and conditionality**
   Without predictability of resources and the simplification of conditions, implementing policies and delivering services becomes extremely difficult;

6. **Subsidiarity**
   Decisions within and between donor organisations need to be delegated to the level that is best for aligning aid with country systems.

The second aspect concerns **the extent to which current donor behaviour is a cause of failure in recipient governments**. The issue is to what extent the cumulative effects of all the different donors’ activities in a country are an obstacle to governments responding to the PRSP agenda. There is a possibility that in some situations the total impact of donor practice is undermining the prospects for enhanced domestic accountability, coherent results-oriented policy making, and effective and efficient implementation of plans. If this is the case, then perversely donors could be undermining their own stated aims of achieving the MDGs and hampering the success of the global poverty reduction agenda.
Research Objectives

The objectives of the research are to investigate to what extent, and under what conditions, donor behaviour is reducing aid effectiveness. More specifically, the research will address the following sets of issues:

- **The impact of current donor practice**
  What incentive frameworks are created for governments by the cumulative effects of current donor practices?

- **‘Good donorship’ principles**
  Are the areas of concern identified above capturing all or the most important facets of donor behaviour? Which are most significant and in what circumstances?

- **Operationalising the principles**
  What are the internal incentives working for and against improved donor practices? How can the obstacles and challenges to implementing these principles be overcome?

Research Methodology

The research will carry out a detailed and critical review of two sets of literature. The first area to be covered is on aid effectiveness, aid instruments and modalities, and donor practices. The second literature is the relevant theory on incentives and behaviour. From this a framework on the role and impact of donors on recipient governments will be developed. This will include more detailed hypotheses on the determinants of donor practices and behaviour in different circumstances.

This framework will then be developed into a methodology for assessing the impact of donor behaviour at a country level. This tool will be tested using detailed case studies of country experiences and of specific donor agencies. The case studies at country level will focus on the cumulative effect of current donor practices, allowing a rigorous evaluation on impacts of different aid related behaviours. The case study countries will be selected to ensure that the range of aid-dependent developing countries and donor experiences is covered. The two sets of case studies will intersect, so that the synthesis will provide substantive insights on how donors can respond to the challenges presented at a country level.

CAPE staff will coordinate the research programme. The primary research will be carried out by a combination of political scientists and economists from within and outside ODI. Syntheses will be written by CAPE staff, and preliminary research findings will be discussed via the CAPE network of practitioners.

Outputs

- Multidisciplinary literature reviews of aid and donor practice, and determinants of incentives and behaviour;
- An assessment tool for assessing the role and impact of donor behaviour on recipient governments, drawing on the theoretical framework;
- Case studies testing that tool at a country level and with particular donors;
- A synthesis report, bringing together the case studies and drawing out lessons for donors and recipient governments;
- A ‘Rough Guide to Donors’ for developing country governments with assessment tools and information on more successful donor alignment mechanisms and enhancing the effectiveness of aid;
- Policy briefs providing short, accessible, user-friendly information for recipient governments and donors on how to address different aspects of good donorship.

The research outputs will be disseminated to donor, government, and other practitioners through CAPE networks, and be available online via the website. Seminars and conferences will also be arranged to bring together practitioners to discuss the findings of the research and policy implications.

Relevant current research

ODI and OPM work on the evaluation of general budget support.

IDD, Birmingham University, work for DAC on donor practices.

PRSP Monitoring & Synthesis Project, ODI, work for DFID on PRS financing and alignment of non-budget support instruments.

SPA General Budget Support Working Group monitoring of PRS alignment.

Ostrom’s work on incentives within Sida.