



Shaping policy for development

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Localising aid Headline messages

Jonathan Glennie, Alastair McKechnie,
Gideon Rabinowitz, Ahmed Ali, Fiona Davies

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Aims and methodology



Aims of the LA research programme

1. To analyse how valuable LA can be for strengthening systems and organisations in recipient countries.
2. To give preliminary guidance to donors on how most effectively to localise their aid.
3. To assess any supply-side blockages to LA, particularly perceptions of risk.



- Preliminary literature review to hone research scope and hypotheses
- Much broader analysis of key literature on chosen focus areas
- Three country visits (Guatemala, Liberia, Uganda); interviews with experts and practitioners



Four research papers

- **LA1: Can using local actors strengthen them**
Scoping paper
 - **LA2: Sustaining change in the public, private and civil society sectors**
Main report
 - **LA3: Is it worth the risk?**
 - **LA4: A whole-of-society approach**
Further analysis of key themes
-

10 headline messages



1/ LA to the state can work in ALL country contexts

Localising aid to national governments can:

- a) incentivise increased oversight and engagement
- b) buy donors “a seat at the table”.

These reasons for localising aid hold **in ALL country contexts**, including fragile situations and middle income, low aid, countries. Concerns about corruption and waste, while valid, are insufficient reasons to defer localising aid.

INew!!



2/ There is mixed evidence on the overall importance of LA

There is **insufficient** evidence

Three problems with a generalisation from this evidence:

1. Causality i.e. can we show attribution to a high standard of proof
2. Complementarity of other funding modalities i.e. they also promote strengthening
3. Country context – countries which rely less on aid will respond less to the incentives provided by aid localisation

INew!



3/ Most donors should localise more aid

We can't say that LA will generally be a better modality than non-localised aid – there is mixed evidence (see message #2). But in many situations LA **will be the appropriate modality.**

Current very low proportions of LA in most donor portfolios are unlikely to be optimal. This means that most donors should be seeking to increase these proportions.

Challenging!



4/ More aid should be localised to the private sector

The reports suggest reasons why localising aid can strengthen the local private sector.

It offers a range of **specific recommendations** for how to do it successfully (e.g. changes to procurement policies, preferences for certain firms, industrial policies) and measure progress.

INew!!



Policy implications

1. Make local private sector development an explicit objective for all aid that flows indirectly to it.
2. Favour local firms (otherwise the shift of contracts to them will take place very slowly).
3. Distinguish between growth enhancing economic rents and growth inhibiting corruption & rent extraction.
4. Promote competition and access to market for public goods & services, complemented by TA & training to local firms.
5. Inform policies with data collected from a) modifying existing firm surveys and b) adopting new project evaluation approaches.



5/ International CSOs still have an important role to play

Policy recommendations. Donors should...

1. ...invest more time in understanding the civil society sector as a whole.
 2. ...prioritise core funding where possible.
 3. ...do more to operate in a way that is complementary with state-led programmes.
- How over
 - Whether organis
 - matrix

Surpi



6/ Paris is not the only route to aid effectiveness

The Paris Declaration implies that the route to more effective aid is unidirectional, with a list of targets for all donors to meet in all circumstances.

But we say that there are likely to be **trade-offs**, particularly between short- and long-term change objectives. Donors and partners should build strategies reflecting this reality.

!New!



7/ LA is no more risky than NLA

LA is no more risky than NLA, in fact **it may be less risky**.

While fiduciary risk may increase slightly with LA, when the range of risks is assessed (e.g. the risk of failing to achieve programme objectives) LA may be the better option.

"Wasting money is as bad as losing it."

Challenging!



8/ Donor information is still very poorly shared

Unacceptable amounts of aid are **still unknown** to recipient country governments.

“We don’t know when, where, what donors are doing with other sector actors. How can we plan?”

Reinforcing!



9/ The complexity of systemic change should be internalised by donor agencies

Strengthening country systems (state, private sector and civil society) is a key objective of donors and of moves to localise more aid. But this is a **highly complex** area, requiring considerable political knowledge and experience.

The complexity of systemic objectives should be radically internalised in aid programming. Political analysis should be given equal weight as technical analysis.

Obvious!!!



10/ Focus more on investing in human capital than developing rulebooks

The focus on trade-offs between long- and short-term objectives, and the inherent complexity of working with systems implied by localising aid, mean donors should place less emphasis on rules and more on wise interpretation of principles.

In most cases, this will mean more investment in the donor agency's **human capital**, a core but under-recognised aspect of aid effectiveness

!New!!!



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