From the Washington Consensus to a new paradigm of effective aid?

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Outline

• Where did the “new aid agenda” come from? Aid trends 1960s-1990
• What is the new aid agenda?
• Efforts to ‘scale up’ aid
• How is the new aid agenda intended to be achieved?
• Some challenges and tensions embedded in the new agenda – and implications for small donors...
Aid Trends

1960s:

• Great enthusiasm about the emergence of newly independent states.

• Import Substitution Industrialisation (ISI) model of growth is embraced.

• ISI model is based on the state as the leading engine in promoting development.
Aid Trends

1970s:

- Many states in the developing world have become bloated and are deemed highly inefficient and corrupt.
- State intervention has been largely unsuccessful, showing the limitations of ISI.
- The only clear exception to this are the so-called ‘East Asian tigers’, but lessons drawn from their experience and the role the state played in it are not analysed/absorbed until later.
- Donors become disillusioned with this model and seek to displace governments.
Aid Trends

1980s:

• ‘Washington Consensus’ and Structural Adjustment Programmes (SAPs).

• At its most rigid, the Washington Consensus is characterised by a strong anti-state bias.

• The goal is to shrink the state and get it out of the economy to avoid ‘state capture’ by interest groups and corruption.
1990s:

- There is a growing recognition among donors that SAPs failed to produce intended developmental outcomes.
- A serious unintended consequences of donor practices in the 1980s/early 1990s is that state avoidance leads to the undermining of institutions and governance in the long term.
- This further undermines the ability of recipient countries to make and implement ‘sound policy’.
Aid Trends

1990s:

• This realisation leads donors to reconsider the nature of their engagement with poor countries.

• There is awareness that the state cannot be marginalised in efforts to promote development.

• Donors thus begin to emphasise returning ownership to government.

• This leads to an increased focus on the importance of institutions and “good governance” to promote development.
What is the new aid agenda?

• As a result of this thinking and lessons learned, the ‘Washington Consensus’ slowly became replaced by a new paradigm of effective aid.

• This new paradigm is founded on three key principles:
  ○ *country ownership* (e.g. PRSPs)
  ○ *partnership* (e.g. MDGs)
  ○ *mutual accountability* between donors and recipient governments rather than simply one way around (e.g. Monterrey Consensus and shared responsibility for achieving the MDGs)
Efforts to “scale up” aid

- 2005 was a landmark year for this “new” aid paradigm, especially in terms of efforts to “scale up” aid.

- The emphasis on “scaling up” development efforts has focused on both the *quantity* and *quality* of aid.

- The perceived need to scale up aid is based on the realisation that the MDGs will not be achieved otherwise.

- The focus for us here is on issues of quality rather than quantity.
Aid quality: problems

Consistent problems in the way aid works have included:

• Donor-driven priorities and systems
• Uncoordinated donor practices
• Difficulties in complying with donor procedures (especially procurement and TA) and frequent changes to donor policies, systems and staff
• Proliferation of aid organisations/institutions making up the international aid system → “too many cooks in the kitchen”, with dozens of donors (and often more) involved in a single country.
How is the new aid agenda to be achieved?

• In March 2005, a new international consensus on “aid effectiveness” emerged under the leadership of the OECD Development Assistance Commission (OECD DAC).

• The Paris Declaration on Aid Effectiveness was signed at Paris High Level Forum on Aid Effectiveness by:
  o 61 bilateral and multilateral donors
  o 56 aid-recipient countries
  o [14 civil society organisations acting as observers]
How is the new aid agenda to be achieved?

- The PD represents an unprecedented effort to rein in the fragmentation of aid, and
- to make the aid system better at supporting country-led development.
- It is built on a platform of ownership, harmonisation, alignment, and mutual accountability (as well as managing for results) as the recipe to make aid more effective.
- The concept of ownership has become more broadly understood since Paris (HLF in Accra).
How is the new aid agenda to be achieved?

1. **Ownership**  
   (Partner countries)

2. **Alignment**  
   (Donor-Partner)

3. **Harmonisation**  
   (Donor-Donor)
How is the new agenda to be achieved?

• What’s new about the Paris declaration?

  o Number and level of participants
  o Detailed set of 56 specific commitments
  o 12 agreed measurable indicators which can be monitored through different targets. 91 recipient countries participated in the Monitoring Survey in 2011
  o Potential impact on behaviour and practice at country level
Challenges and tensions in the Paris agenda

- So is Paris the answer?
- Paris does constitute some progress, but multiple challenges remain ahead.
- This is perhaps most pronounced around the issue of country ownership: it is the pinnacle of the Paris pyramid but is absent or highly problematic in many places, most prominently in fragile states but also across the developing world.
- Institution- and state-building pose challenges that the Paris Declaration cannot sufficiently address:
Challenges and tensions in the Paris agenda

• The expectation is that national development strategies will provide a policy framework that donors can support.

• What the Declaration does not address, however, is how greater ownership of a development agenda is to be achieved.

• This challenge in many ways surpasses the Paris framework, and cannot be addressed without recognising the inherently political nature of the concept of ownership.
Challenges and tensions in the Paris agenda

- Genuine ‘country ownership’ involves having national development strategies that incorporate the views and needs of relevant national stakeholders beyond governments, including civil society.

- The quality of government institutions and the capacity of the state are key to the attainability of this vision.

- The promotion of genuine country ownership (understood in its broader, more inclusive sense), has remained one of the hardest development challenges to crack.

- Weak state capacity also makes alignment difficult.
Challenges and tensions in the Paris agenda

Other challenges include:

- Lack of coherence of donor policies
- Harmonisation vs. alignment → ‘ganging up’ and undue rigidity?
- The OECD DAC remains an exclusive club of wealthy and mostly Northern/Western donors, but what about emerging donors?
Challenges and tensions in the Paris agenda

For small donors like the Commonwealth, the Paris agenda has important implications:

- Think more critically about the concept of ownership, as the “request-based” principle may not be sufficient to give it real meaning.

- Identify value added and areas of comparative advantage – but without relinquishing the imperative to coordinate with other (larger) donors.

- Develop a more programmatic and less project-based approach to development interventions to make their assistance more strategic and effective.