

## **BEYOND AID DEPENDENCE**

### **Session on Aid Effectiveness**

UN Development Cooperation Forum, New York, 30 June – 1 July, 2008  
Remarks by Ramesh Singh, Chief Executive ActionAid International

Chairperson, Excellencies, Delegates and Colleagues

I am delighted to share some thoughts and recommendations or asks concerning aid and development cooperation.

My brief presentation here is informed not only by ActionAid's own experience and research but also by the debates, discussions and research of various partner national and international civil society organisations we work with.

At the outset, before I talk about aid effectiveness and respond to the questions presented by the moderator, I would like to emphasise the need to position aid and aid effectiveness in the broader challenge confronting donors and developing countries today to find a way in which aid itself can contribute to the end of aid. In other words, we must go beyond the rhetoric around 'country ownership' to find forms of international cooperation that support developing countries to achieve more self-sufficient financing of their own growth strategies, their own natural resources and their own public policies.

We need to talk about aid justice as well as aid effectiveness. And, when we talk about aid justice, we must also talk about gender justice, trade justice, tax justice, and climate justice.

#### **Aid Effectiveness, the Paris Declaration, OECD and DCF**

The Paris Declaration represents a useful, even though limited, attempt to deal with persistent problems of aid quality. However, the targets do not go far enough and key political issues such as coherence, conditionality policies, gender equity and untying of aid are left out altogether.

The Paris Declaration is a step in the right direction but is insufficient in getting real political change as it only touches some issues but does not address the inherent power imbalances in development cooperation.

The aid effectiveness agenda needs to become a political issue, not only dealt with at technical level - a change in thinking from a donor-beneficiary perspective to an equal partnership where southern governments lead on their own development efforts and within a broader perspective that takes into account the inter-linkages of aid with trade, finance, investment and debt.

I often hear 'aid bureaucrats' wanting not to make the aid effectiveness debate anything political. This is totally unrealistic. There are power and power relationships in play. Many of us in civil society organisations believe that it is far more useful to accept the power you have and use it well and positively than to pretend that you do not have power because that will necessarily lead to misuse. Aid effectiveness and development cooperation need a good balance of technical and political redress.

Coming back to the Paris Declaration process - ActionAid has long called for the aid reform process to be moved to a more representative institution in which both donors and southern countries have an equal stake and one that provides oversight and also complements the processes housed in OECD which is effectively the organisations of donors. In order for any discussions to be inclusive and representative, a strong role for civil society, local governments, parliamentarians and other stakeholders must be ensured. The formation and the inauguration of the Development Cooperation Forum provides space for donors both DAC and non-DAC, southern governments, CSO representatives and other stakeholders to discuss, monitor and review the current aid architecture and processes.

The UN DCF can have a leading role in these discussions around development effectiveness.

The aid effectiveness agenda needs to be closely linked with the broader FFD agenda to be discussed in Doha this year. It needs to take up a relevant role in overseeing the independent monitoring of progress as an international mutual accountability forum.

The UN Secretary General's report presented yesterday also provides a very useful set of recommendations about the role of the DCF related to independent analysis, opportunity for exchange of experiences and strengthening the voice of programme countries and other stakeholders through an inclusive global dialogue. The DCF should concentrate on national development strategies, aid policies and allocation practises, aid by non-DAC sources (e.g. South-South and triangular development cooperation), progress in aid quality, lessons learned etc. Countries should demonstrate their commitment to this multi-stakeholder process for improving aid architecture by sending ministry-level officials as representatives to the DCF.

In this connection, I would also like to present the emerging recommendation from civil society that it would make sense for the UN, rather than the OECD, to host the next High Level Forum on Aid Effectiveness in 2011.

### **Adaptation Architecture**

While I am on the subject of location, I would also like to mention our point about the Adaptation Architecture - The UNFCCC estimates the costs to developing countries of coping with climate change, overwhelmingly caused by CO<sub>2</sub> emissions in rich countries, at US \$67bn per year. It is obvious that these costs, which would eat up more than half of current ODA, must be met through new and additional funding by rich countries. ActionAid believes that climate adaptation funds must be housed within the UN, not the World Bank. They must be democratically governed with strong participation by civil society groups from affected countries, particularly women's organisations. They must offer sustainable and compensatory funding, without economic policy conditionality, and must be designed to facilitate access to financing for the most vulnerable. Clean technology transfer is just as important as money, especially to enable developing countries to obtain renewable energy that is both affordable and abundant to continue to support their development.

### **Mutual Accountability**

Improving the accountability of aid is fundamental to improving its effectiveness. As we have argued in our *Real Aid* reports, the deep-seated problems in the aid system stem from an imbalance of accountability with 'upwards' accountability to donors prioritised over 'downwards' accountability to the poor countries and people aid is supposed to help.

Accountability is ultimately about power relations: it describes efforts to restrain those with power and hold them to account for their actions. Rectifying this imbalance and making donors and the aid system more accountable to the people aid is supposed to help is critical for improving the effectiveness of aid. It will help ensure that aid priorities are truly owned by recipient countries and not imposed by donors. Improving the accountability of donors offers one of the surest routes to tackling persistent aid problems such as aid volatility and unpredictability, as well as ending damaging practices such as economic policy conditionalities and the tying of aid to donor goods and services.

One key step the DCF should promote - and which Accra could agree as a key indicator of accountability - is the development of country-level, open and transparent multi-stakeholder mechanisms to be developed which allow citizens groups - with special attention to women, people living with disability, HIV and indigenous people and their organisations - to hold their governments and donors to account for the use of aid.

### **More Transparency**

The need for far greater transparency in aid processes has been one of the main priorities of international civil society and recipient countries for the Accra process. Transparency is seen as a prerequisite for democratic ownership and real participation and accountability in aid processes. Access to information has been very limited as documents are often buried in donor websites, available in only one language and the information is not proactively disseminated. In addition, key information on the conditions attached to aid, on aid allocation, disbursement tables and on decision making processes are not made public, undermining the predictability and monitoring of aid flows. At Accra, donors should commit to signing up to a charter setting out high standards of openness and transparency which they will adhere to.

### **Women's Rights**

In Accra, governments need to reaffirm that equality between men and women is a central end as well as a powerful means of development. They must recognize that financing for development cannot be neutral in terms of gender. At the same time gender equality and other social commitments must not be used as conditionalities.

Donors as well as host governments through the policy and practice of mutual obligation and responsibility must monitor and comply with the commitments made through UN processes and human rights conventions, including those specifically addressing women's rights (such as the Beijing Platform for Action and the Convention on the Elimination of all forms of Discrimination Against Women-CEDAW, among others). These must be seen as governments' mutual obligations not aid conditionalities.

Indicators tracking gender inequality outcomes, as well as gender equity in budgeting, have been agreed on at multilateral levels and implemented by governments and thus should be a key part of mutual accountability and transparency within donor recipient countries and between donors and host governments.

### **Key Improvements to the Delivery of Aid**

Some key areas for improvement of donor practises are highlighted by the Paris Declaration, particularly the continuing scandal of ineffective technical assistance and the unpredictability of aid that seriously undermines southern countries' efforts to plan their development. According to the OECD, 25% of aid is provided as 'Technical Assistance' and this rises to 50% if you include that which is embedded in other projects. Technical assistance perpetuates the donor monopoly on the technical knowledge needed to develop and often results in programming that follows donors' commercial and political interests instead of national priorities. The Paris Indicator on Technical Assistance should be strengthened and must ensure that it is truly demand-driven and country-led. Southern countries have raised the reform of Technical Assistance as a key concern to be discussed at Accra.

In other vitally important areas such as conditionality, tied aid and aid allocation, further reform needs to be agreed at Accra. The space allowed to governments to determine their own national growth paths has been denied by the use of economic policy conditions including targets for liberalisation and privatisation as well as macroeconomic 'discipline'. However, there are still no international agreements on this pressing issue and it has been left out of the Paris Declaration. Therefore, the Accra Agenda for Action should include a commitment to end all donor-imposed policy conditions and the use of aid to support foreign and economic policy priorities and interests.

A strong agreement is also needed to end the scandal of tied aid. The 'tying' of aid to the procurement of donor goods and services inflates costs, slows down delivery and reduces the flexibility of southern countries to direct aid where it is most needed. The primary beneficiaries of this practice are firms and consultants in donor countries. Whilst donors have made some efforts to reform, they have excluded key areas such as food aid and technical assistance from their agreements. The current global food crisis makes reform of food aid an overwhelming moral imperative. By purchasing food in local or regional markets rather than buying it from their own countries' farmers and shipping it overseas, donors could afford to provide 30-50% more food since locally procured food aid is 30-50% cheaper. At Accra, donors should commit to expanding the agreement on untying aid to all countries and all modalities including Technical Assistance and food aid, and set up independently monitored targets for translating this commitment into practice.

## **Aid Coherence**

If, by effective aid we mean aid that makes an impact and reduces poverty, then the lack of coherence between development policies and other rich country economic policies affecting the South – I suppose we might call them *anti-development* policies - is perhaps the biggest single threat to aid effectiveness. As I said at the start of my presentation, in the longer term, southern countries need to be able to raise their own resources for development without relying on donor money – getting away from aid dependency. It is not only about the effectiveness of aid but also about the broader picture of development, particularly when looking at the current unjust trade system or capital flight out of developing countries, mostly through tax avoidance and evasion. To illustrate this consider just a few statistics:

- OECD aid to poor farmers in developing countries in 2006 amounted to only US \$3.9bn, while subsidies to rich commercial farmers in the OECD in the same year amounted to US \$349bn. Economic Partnership Agreements (EPAs) being pushed by the EU would cost the African, Caribbean and Pacific countries US \$9bn in tariff losses annually.

- Inflows to developing countries in the form of aid reached US \$119bn in 2006, but outflows in the form of illicit capital flight, mostly tax avoidance and evasion by multinational companies facilitated by offshore tax havens and banking secrecy, have been estimated at US \$500-800bn a year.

In conclusion, governments participating in the Accra and Doha processes must agree a step change in efforts to improve aid quantity and quality. They must move further and faster to bring development policies into alignment with the needs and aspirations of developing countries. Equally, they must also agree fundamental changes to “anti-development” policies, such as those on trade, climate change, and tax evasion and avoidance.

We are already receiving disappointing news:

First, the 27<sup>th</sup> June second draft of the Accra Agenda for Action seems even vaguer and weaker than the first draft of 12<sup>th</sup> June. Expectations are high that the Accra Agenda for Action will recognise the need to improve and go beyond the Paris Declaration. The preparatory process has been problematic but there have been discussions among southern governments, donor governments, civil society and other stakeholders. We must ensure that key messages from all these groups are reflected in the Accra Agenda for Action.

Second piece of bad news: the draft communiqué of the G8 obtained by the Financial Times, due to be issued at the Group’s July summit in Hokkaido, Japan, shows leaders will commit to fulfilling “our commitments on (development aid) made at Gleneagles” but fails to cite the target of \$25bn annually by 2010. This is totally unjustifiable and unacceptable.

Not so long ago, nearly 50 million people mobilised North and South to “Make Poverty History” under the larger coalition of Global Call to Action Against Poverty (GCAP) yet it seems the international community has not yet mustered the political will or the courage to stop poverty. Accra and Doha provide us with another chance. If we waste it, citizens and civil society across the world will become increasingly disillusioned with the fight against poverty. We all have a shared interest in making sure that this does not happen.

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