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Doing Aid Better

A comment piece by Donald J. Johnston Secretary-General of the OECD, and Richard Manning Chair of the OECD Development Assistance Committee.

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Governments and global institutions from across the world are gathering in Paris to continue what is already an unprecedented year for aid work.

In 2005, poverty is the issue of the year.

World and particularly African poverty dominated the World Economic Forum in Davos in January; Britain will host the G8 summit in July where African poverty is likely to be the central focus along with climate change; and in September the United Nations Millennium Summit will assess our progress in reaching Millennium Development Goals set in 2000 to halve extreme poverty by 2015.

The recent report of a United Nations team led by Jeffery Sachs argues that donors need to double their aid effort by 2015 if we are to make a real difference to global poverty. Aid budgets have been rising in the last couple of years to \$70 billion in 2003, but governments will need to convince tax-payers and those critics of aid who judge us on past bad practice, that they are getting value for their aid pounds. Otherwise how can we expect people to support the sorts of increases that are being discussed?

Of course aid is only part of what's needed. Progress won't happen without poor countries' own efforts, not least to improve the way states function and to tackle corruption. And it also won't happen unless rich countries deliver the trade and other reforms that will give poor countries a chance to earn their own keep. But aid does matter and we have to get the best possible bang for our aid buck in terms of real improvements in poor people's lives.

Aid has been seen as a global 'hand-out', something 'we' do for 'them' with mixed success. Today we prefer to see it as a 'hand-up' that backs real efforts by poor countries to eradicate poverty.

Too often, foreign aid arrives in developing countries with good intentions, but not enough attention to what countries really want and too little coordination by donors. The result can be a raw deal for both the recipient of aid and taxpayers who fund it.

Today there are more than 60,000 aid projects underway in the developing world, often with different administrative procedures set up by the donors. 85% of these projects cost less than \$1 million. This places a heavy burden on poor countries that lack the administrative capacity to handle these demands, and does not help them build their own systems. So when the project ends, the results are often not sustained.

A conservative estimate for a typical African country is that this way of delivering aid translates into thousands of new reports and more than a thousand new annual missions to appraise, monitor and evaluate. Each mission asks to meet with key officials, and each will ask the government to comment on its reports.



Strong evidence suggests that these donor-driven approaches are one of the reasons development assistance has been under-performing.

The solution is not to reduce aid, but to link it better to local priorities, help countries build competent systems over time and harmonise and simplify the systems for aid delivery.

Some of this is happening. In 2003, a dozen donors came together with the Government of Bangladesh to underwrite a five-year programme of basic education, and agreed to put funds through a single channel, thus reducing costs dramatically. Last year 16 donor countries made a similar agreement with Mozambique to pool their aid and support the government's own poverty reduction goals.

The point of improving how aid is delivered is to get results – and particularly better lives for poor people. Clean water, education for every child, far fewer children dying unnecessarily. So we at the OECD are asking donors to manage the whole aid process so that it focuses more sharply on these results, rather than on inputs and processes.

The Paris forum is pulling together nearly sixty countries and fifty institutions. African countries will sit down with some of the richest countries on the globe. Together they are expected not only to discuss how to make aid work better, but also to agree ways to check that improvements are really taking place. Both rich and poor countries will be held accountable, and 'tested' again in a few years.

It is still technically feasible to halve extreme poverty by 2015. But the window of opportunity is rapidly narrowing.

2004 ended in a natural disaster which shocked the world. It showed that people everywhere respond to stark human needs when they see them. And it also showed yet again the need for aid to be delivered in a coordinated way. 2005 starts in Paris with the hope of a major step towards better aid delivery. This is how we give people confidence that aid delivers results, and that more aid is a sound investment in all our futures.

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