THE DEVELOPMENT ASSISTANCE COMMITTEE:
ENABLING EFFECTIVE DEVELOPMENT

Making Development Co-operation Fit for the Future: A Survey of Partner Countries

Robin Davies and Jonathan Pickering

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Robin Davies and Jonathan Pickering[1]

Abstract

This paper provides insights into what partner country governments anticipate will be their main development challenges within five to ten years, and into how they expect their relationships with DAC development assistance providers to evolve in order to meet these challenges. Based on results from an OECD-commissioned survey of 40 developing country governments, it finds that demand for development co-operation will remain strong given the economic and environmental challenges that lie ahead. However, the countries surveyed expect DAC providers to shift to a more enabling role in the coming years: providing vital finance, but in support of government-led sector programmes; delivering more and better technical and policy support; and leveraging more private finance. This paper will inform the OECD Development Co-operation Directorate's 'Agency of the Future' project, which seeks to identify how DAC members' development administrations will need to adapt in order to be fit for purpose in a rapidly changing world.

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[1] The partner country survey was conducted at the request of the OECD Development Co-operation Directorate by the Development Policy Centre, Crawford School of Public Policy, Australian National University. The researchers were Mr Robin Davies, an Honorary Professorial Fellow at the Crawford School and the Associate Director of the Development Policy Centre, and Dr Jonathan Pickering, a Visiting Fellow at the Centre. They can be contacted at robin.davies@anu.edu.au and jonathan.pickering@anu.edu.au, respectively. Jonathan Pryke and Dinuk Jayasuriya provided valuable comments on the draft survey questionnaire, Marjorie Yerushalmi provided interpretation services for interviews with francophone respondents and Annalisa Prizzon provided helpful input during a visit to Canberra. Australia's Department of Foreign Affairs and Trade assisted in identifying potential respondents in several Asia-Pacific countries and Titis Arum helped to arrange interviews with Jakarta-based respondents during the pilot phase of the survey process.

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Executive Summary

Developing countries' external assistance needs and options are being transformed as a result of rapid economic, social and environmental change. All development assistance providers, in different ways and to varying degrees, will need to adapt their strategic objectives, delivery mechanisms and organisational arrangements to remain, or become, fit for purpose in the future.

In order to determine what policy and management changes should be accorded highest priority by development assistance providers, it is essential to take into account the perspectives of partner countries themselves. The OECD Development Co-operation Directorate (DCD) commissioned a survey of 40 partner country governments in 2014 with the aim of gaining a better understanding of their changing needs and expectations of providers. The countries surveyed were drawn from all developing regions, and included low- and middle-income countries, fragile and non-fragile states and countries with high, medium and low levels of reliance on external assistance.

This report presents and analyses the findings of the partner country survey. It provides an insight into what a sizeable and diverse set of partner country governments anticipate will be their key development challenges over the next five to ten years — and into how they want their relationships with development co-operation providers to evolve in order to meet those challenges most effectively.

The six key findings of this report may be summarised as follows.

1. **Partner countries anticipate significant shifts in their development challenges**. Partner country government respondents were generally optimistic that their countries would experience substantial improvements in state capacity, political and social stability and domestic resource mobilization over the next five to ten years. This optimism was particularly marked in middle-income countries and countries with medium to low levels of dependency on Official Development Assistance (ODA). Governments in these countries were confident that they would be able to assume greater responsibility for meeting the basic needs of their citizens in the future, adopting a more complete front-line service delivery role.

   Despite this optimism, partner governments saw formidable challenges ahead. Respondents nominated the achievement of sustainable economic growth as the dominant development challenge now and in the future, with a focus on generating employment opportunities, particularly for growing and increasingly urban youth cohorts. Other challenges expected to grow in importance in the coming years were dealing with climate change, ensuring equitable growth that meets the needs of the poorest, increasing agricultural productivity, managing revenues from resource extraction, and attracting private finance, particularly for investment in public-private partnerships.

2. **The demand for ODA from Development Assistance Committee (DAC) members will remain strong, but partners want DAC members to play a more enabling role in the future.** Respondents saw an ongoing, important role for DAC development assistance in meeting emerging challenges. However, in the enlarged provider marketplace of the future, partners want DAC providers to shift to a more enabling role: still providing vital finance, but in support of government-led sector investment programmes; providing more and better technical and policy advisory support; and doing more to leverage private flows. This shift is most marked in middle-income countries and in countries with medium to low levels of ODA dependency, who see the provision of public policy support as the top purpose for DAC assistance in the future, even ahead of filling domestic financing gaps.

These findings illustrate that the intensity of development assistance relationships will not necessarily reduce as partners' economies grow and they move down the ODA dependency scale. Intensity might in fact increase for a period in cases where partner country governments see a reinvigorated role for targeted, policy-oriented grant assistance from DAC sources in the future. This is particularly the case in connection with the growing number of medium-dependency countries, for whom development assistance is an important but not dominant element of national income.

3. **Partner countries want development assistance, in no matter what form, to contribute materially to the achievement of national priorities**. Respondents placed very high value on alignment with government policy priorities, predictability and responsiveness as qualities of their countries' development assistance providers in five to ten years' time. Accordingly, they expected general and sector budget support to be the most important modalities for future assistance, though project-based assistance retained significant support on the proviso that it should be demand-driven and high-impact.

   Some partner countries are considering or putting in place disincentives to development assistance fragmentation, including size thresholds for projects and formal divisions of labour among provider countries. While grant ODA is preferred, all else being equal, there is also a sense that loan-financed programmes are less likely to be supply-driven and less prone to aggravate fragmentation.

4. **Partner countries are actively diversifying their providers**. While DAC countries will in general continue to be the most important bilateral providers, they are perceived as somewhat unpredictable at present, liable to reduce ODA budgets or end relationships, sometimes abruptly. Multilateral organisations, while perceived as very important, high-quality providers, cannot entirely meet partner countries' needs in terms of volume, expertise and flexibility. Many partner countries are therefore increasingly engaging their diplomatic resources to diversify bilateral sources of assistance, with a view to spreading risk. They show little appetite for thinning the ranks of their development assistance providers and are quite tolerant, even encouraging, of competition among providers.

5. **Each major category of development assistance provider is valued for specific strengths and expected to remedy specific weaknesses**. DAC providers are valued for the magnitude of their financial assistance, public policy experience, transparency, in-country presence, and solid track record of co-operation. However, respondents expect them to improve funding predictability, provide more sector budget support, reduce programme fragmentation and earmarking, delegate authority to the field and do more to use and build local capacity.

   Non-DAC bilateral providers are valued for the additional resources they bring, the important role they play in providing high-priority economic infrastructure in a responsive and timely manner, and for their reliability in delivering against agreed objectives. Respondents tend to measure these providers' effectiveness by reference to standards specific to project-oriented development assistance, and for the most part do not expect from them budget support or the use of country systems. Nevertheless, respondents would like to see changes in the way their non-DAC bilateral providers operate over the next five to ten years, particularly in relation to transparency, value for money, country presence and engagement in development dialogue.

   Multilateral providers are valued for their ability to support large-scale, long-term and complex government programmes, and are seen by partners as a critical, if not dominant, source of financing in the future. They are praised for their high level of alignment, limited

conditionality, predictability, strategic focus and the depth and relevance of their pools of expertise, both locally-based and international. Respondents see little room for improvement but they do point to policy and procedural rigidities as irritants. They also want multilaterals to do more to build local capacity.

6. **Partner countries want to transition away from development assistance in a measured way, avoiding shocks and maintaining relationships**. Many respondents were critical of the way in which some DAC development assistance providers managed their development assistance 'exits' at both the country and sector level. They pointed to abrupt exits arising from their achievement of middle-income status, or in other cases their fear that external financing will diminish should they lose Least Developed Country (LDC) status, without regard to the role that development assistance currently plays in their economies. Where not simply fatalistic about such developments, they see them as arbitrary, often leading to the defunding of particularly effective programmes or the creation of 'orphan' sectors.

   Partner governments often have their own ambitions to reduce reliance on ODA, but their criteria for graduation relate to internal measures of state capacity rather than per-capita income thresholds or other international benchmarks. They want their bilateral relationships with development assistance provider countries not to diminish but to evolve, so that assistance continues in some forms while bilateral relationships diversify. They see considerable scope to improve the internal coherence of their partners' policies affecting developing countries, particularly with respect to trade and investment, climate change and domestic agricultural support — but they attach at least as much importance to improving coherence between providers' headquarters and their country offices, even where both the former and the latter already integrate foreign policy, development, trade and other functions.

Overall, the findings of the survey suggest that partner countries, including middle-income countries, see a substantial ongoing role for development assistance from DAC member countries well into the next decade — though they want DAC development assistance to play a more enabling role than at present. They are, in most cases, counting on ongoing access to multilateral sources for large-scale financing. They are carving a niche for, and reaching out to, non-DAC bilateral donors, both in recognition of their comparative advantage in economic infrastructure and in order to hedge the risk of ODA volume cuts and abrupt exits on the part of DAC development assistance providers.

DAC development assistance agencies will have to get used to working in crowded spaces under a stronger spotlight, and will need to take their commitments to alignment with national development strategies and priorities more seriously, including by vesting greater decision-making authority in country offices. Partner countries, particularly the growing number of countries in the medium ODA-dependency category, are likely to give increasing voice to their desire for DAC assistance to be provided in the form of sector budget support and responsive and high-quality technical assistance for public policy development, with less emphasis on flagship service, front-line delivery projects.

While much other recent research has emphasised changes on the supply side of development assistance, exploring the proliferation of sources of finance, delivery agents and instruments, and some research has looked at how specific partner countries are responding to this, the present survey tends to highlight an important general shift on the demand side. That is, on average, partner countries are becoming increasingly discerning, selective and strategic in their use of development assistance. At least in part, this reflects the fact that there are now more countries than at any time in the past for whom development assistance, both generally and from DAC sources, is an important source of financing for development without being the dominant one. These countries not only have more choice but also stronger capacities and incentives to exercise it. As a result, the future of development assistance agencies is increasingly where it was putatively placed a long time ago: in the hands of partner governments. Nevertheless, it is those agencies' own policy and management choices that will ultimately determine whether they are fit for purpose.

1. INTRODUCTION

The context for development assistance is undergoing a transformation more rapid and far-reaching than at any time since the establishment of the Development Assistance Group, the forerunner of the Development Assistance Committee (DAC), in 1960. There is now a widespread awareness of changing wealth distribution patterns, the rising importance of non-DAC and private sources of development financing and the implications of global climate change for developing countries. To date, however, there has been little attention to the impact of these trends on partner governments' own perceptions of what their future development challenges might be. Nor has there been much consideration of partner governments' views on how their relationships with DAC development assistance providers should evolve over the medium term in light of these trends and changing perceptions of need.

As a first step toward filling the gaps just indicated, the OECD Development Co-operation Directorate (DCD) commissioned the Australian National University's Development Policy Centre to undertake a survey of partner country governments, which forms a key element of the DCD's Agency of the Future project. The latter project aims to gain a clearer view of the development assistance policy and management changes that the twenty-nine member governments of its Development Assistance Committee (DAC) will need to consider over the coming five to ten years if their development assistance is to be fit for purpose in a rapidly changing world.

The partner country survey was carried out in 40 countries drawn from all developing regions. The survey sample included low- and middle-income countries, fragile and non-fragile states and countries with high, medium and low levels of reliance on Official Development Assistance (ODA).

With a time horizon set somewhere between five and ten years from now — that is, out to approximately 2020-25 — the survey explored the medium-term development challenges that partner countries expect to face and, against that background, looked at how they want their relationships with DAC development assistance providers to evolve in order to meet their challenges. Specifically, it sought to gather concrete perspectives from partner countries in the following six topic areas:

1. Current and future development challenges
2. Role and significance of development assistance
3. Nature and quality of development assistance flows
4. Partnership management and provider harmonisation
5. Policy coherence for development
6. Transitioning away from development assistance

The approach taken in conducting the survey was both forward-looking and comparative. Respondents were asked to differentiate between present and future challenges and needs and also, while the principal focus of the survey was on DAC providers, to differentiate their responses where appropriate with respect to the three main categories of ODA provider, namely DAC member countries, non-DAC bilateral providers and multilateral development organisations.

The survey's findings in some cases reinforce, and in other cases complement or nuance, the conclusions of related research exercises involving the OECD — most notably the 46-country survey undertaken for the first monitoring report of the Global Partnership for Effective Development Co-operation (OECD/UNDP, 2014), and the OECD-DCD's parallel 2014 project on the 'new development finance landscape' as viewed from the perspective of developing countries (OECD, 2014a).

1.1. Survey methodology

1.1.1. Approach

The survey was conducted by means of an online questionnaire for all respondents (in English and French) and follow-up interviews for a subset of respondents. 61 respondents from 40 countries completed the online survey questionnaire and 28 of the respondents participated in a follow-up telephone interview.

For quantitative questions, each response for a given country was weighted in inverse proportion to the number of respondents from that country so as to avoid biases resulting from varying numbers of responses per country.[1] Respondents were asked to indicate whether their responses to qualitative questions could be quoted and, if so, whether with attribution by country. Most surveys were completed, and interviews conducted, in May and June 2014.

1.1.2. Participating Countries

Countries were selected on the basis of three criteria. Priority was accorded to countries which (i) receive reasonably significant levels of ODA (more than USD 300 million in 2011) and/or (ii) have a significant level of dependence on ODA, defined as more than three per cent of Gross National Income (GNI). Income was then taken into account, and countries were also assessed for their importance as future hosts to large numbers of absolute poor; as contributors, with external assistance, to the provision of important global public goods such as climate change mitigation (as in the case of Indonesia); or as persistently and structurally fragile states.

Four country categories are used for the purposes of analysis. Quantitative results are disaggregated at various points throughout this report according to the following partner-country categories:[2]

i. geographical area: sub-Saharan Africa, South Asia, East Asia and the Pacific, and Other (comprising the Middle East and North Africa, Europe and Central Asia, and Latin America and the Caribbean);[3]

ii. national income level: low-income and middle-income;[4]

iii. ODA dependency: ODA/GNI less than three per cent ('low dependency'); between three and nine per cent ('medium dependency'); and greater than or equal to ten per cent ('high dependency'); and

iv. fragility: fragile and non-fragile, based on the OECD's current, unofficial list of 51 fragile states (OECD 2014b, Table 1).

Table 1. Respondent countries by ODA dependency and national income

	ODA/GNI ratio		
	10% or more	3-9%	Less than 3%
Low Income	Congo, Dem. Rep.* Burundi* Malawi** Niger** Liberia* Mozambique Tanzania Rwanda Sierra Leone** Burkina Faso* Afghanistan*	Madagascar** Ethiopia* Togo** Guinea-Bissau* Nepal** Benin Kenya* Cambodia	Bangladesh**
Middle Income	Côte d'Ivoire* Solomon Islands* Kiribati* Vanuatu Samoa Cabo Verde	Senegal Zambia Vietnam Papua New Guinea Honduras Moldova	Cameroon* Pakistan* Yemen* Morocco Guatemala Indonesia Armenia Dominican Republic

Note: Within each cell, countries are listed in ascending order of Gross National Income (GNI) per capita. Countries marked with a single asterisk are on the OECD's list of fragile states; those with two asterisks are both fragile states and considered 'under-aided' (Ericsson and Steensen, 2014).

The three ODA-dependency groupings have been carefully defined in order to add depth to the analysis. The practice of differentiating countries according to their level of ODA dependency has some history in official reporting and research, although most literature has tended to focus on high- or low-dependency groups, variously defined, rather than any medium-dependency group. The present study defines 'medium-dependency' in the same way as an earlier OECD report which defined as 'moderately' ODA-dependent a band of countries whose ODA receipts represented between three and nine per cent of their GNI (OECD, 2003: 111).[5] It should be noted that here, as in related research, the term 'dependency' is used in a purely mathematical sense to refer to the ratio of ODA receipts to GNI for the relevant country or group of countries, and does not imply an unhealthy degree of reliance on external assistance.

The countries in the medium-dependency cohort behave distinctively in their responses to a number of the questions posed in the partner country survey. This category within the 40 countries surveyed comprises 14 countries (35 per cent of the total) as shown in Table 1. There were 21 individual survey responses from this group, constituting 34 per cent of all responses. Based on World Bank data, there were 38 medium-dependency countries in the world in 2012. Of the 14 in the respondent group, eight are low-income countries and six are lower-middle-income countries. Six are fragile states and three — Madagascar, Togo and Nepal — are 'aid orphans' (Ericsson and Steensen 2014).

The survey sample gives strong representation to countries with large poor populations, fragile states and 'under-aided' countries. Of the ten countries judged likely to contain the majority of the world's poor in 2030 (Sumner, 2012: 23), seven are represented in the respondent group: Bangladesh, the Democratic Republic of the Congo, Kenya, Madagascar, Malawi, Pakistan and Tanzania.[6] Almost half (21) of the 51 countries currently classified as fragile by the OECD are represented in the respondent group, and almost half (11) of the 23 countries which might be termed 'core fragile' — that is, fragile from all obvious perspectives — are represented.[7] Of the 11 countries identified as 'aid orphans' on the basis of established normative benchmarks for apportioning ODA across countries (Ericsson and Steensen, 2014), seven are represented.[8]

In order to convey a general sense of the characteristics of the country groupings used in the disaggregation of survey results, some key development indicators for each country category are provided in Table 2.

Profile of respondents*:* Invitations were sent to senior officials, generally to the most senior in the first instance (department, ministry or agency heads or their deputies), mainly in ministries of planning, finance and foreign affairs. Most respondents were from ministries of finance (43 per cent) and planning (39 per cent); the rest were from presidents' and prime ministers' offices, foreign ministries and line ministries. Just over one-quarter (26 per cent) were women. A solid majority (59 per cent) had more than five years' experience in dealing with external assistance, and more than half of this group had more than a decade's experience.

Table 2. Selected characteristics of respondent country categories

		Number of countries	Population (millions)	Net ODA 2012 (USD millions)	Share of global USD 1.25-per-day poverty	ODA/per capita 2012 USD	ODA as % of external flows 2012	ODA as % of tax revenue 2012 based on those countries that had tax data
All respondent countries		40	1311	48,062	32%	37	37%	17%
Income category	**Low income**	20	622	31,019	22%	50	70%	79%
	Middle income	20	689	17,043	10%	25	20%	7%
ODA/GNI ratio	**10% or more**	17	271	23639	11%	82	77%	106%
	3-9%	14	353	16566	9%	59	37%	25%
	Less than 3%	9	687	7857	12%	11	14%	3%
Fragility	**Fragile**	21	758	30,223	22%	46	62%	46%
	Non-fragile	19	553	17,839	10%	32	22%	8%

Note: Figures for each category relate to sampled countries in that category, not all countries in that category.

Sources: Population and ODA data from OECD statistics accessed August 2014; tax data from IMF 2014; poverty estimates from the World Development Indicators database accessed September 2014 (these are based on the number of poor in each country in the latest year for which data are available, expressed as a percentage of the world's poor in 2010 i.e. 1.215 billion). 'External flows' includes – Official Development Assistance (ODA), Other Official Flows (OOF), Private Market Flows (Foreign Direct Investment and Bonds and Securities), and Private Grants and Remittances. Data on external flows were drawn from an updated database developed by Ericsson, Steensen and Tortora (OECD, 2013) with sources as follows: data on ODA, OOF and Private Market Flows (deflated) were taken from the OECD DAC and OECD Directorate for Financial and Enterprise Affairs (DAF) WGIIS databases; data on Private Grants (deflated) were taken from the OECD DAC database but complemented with data from the Hudson Institute's Center for Global Prosperity; and data on Remittances (deflated) were taken from the World Bank's Migration and Remittances database.

Notes

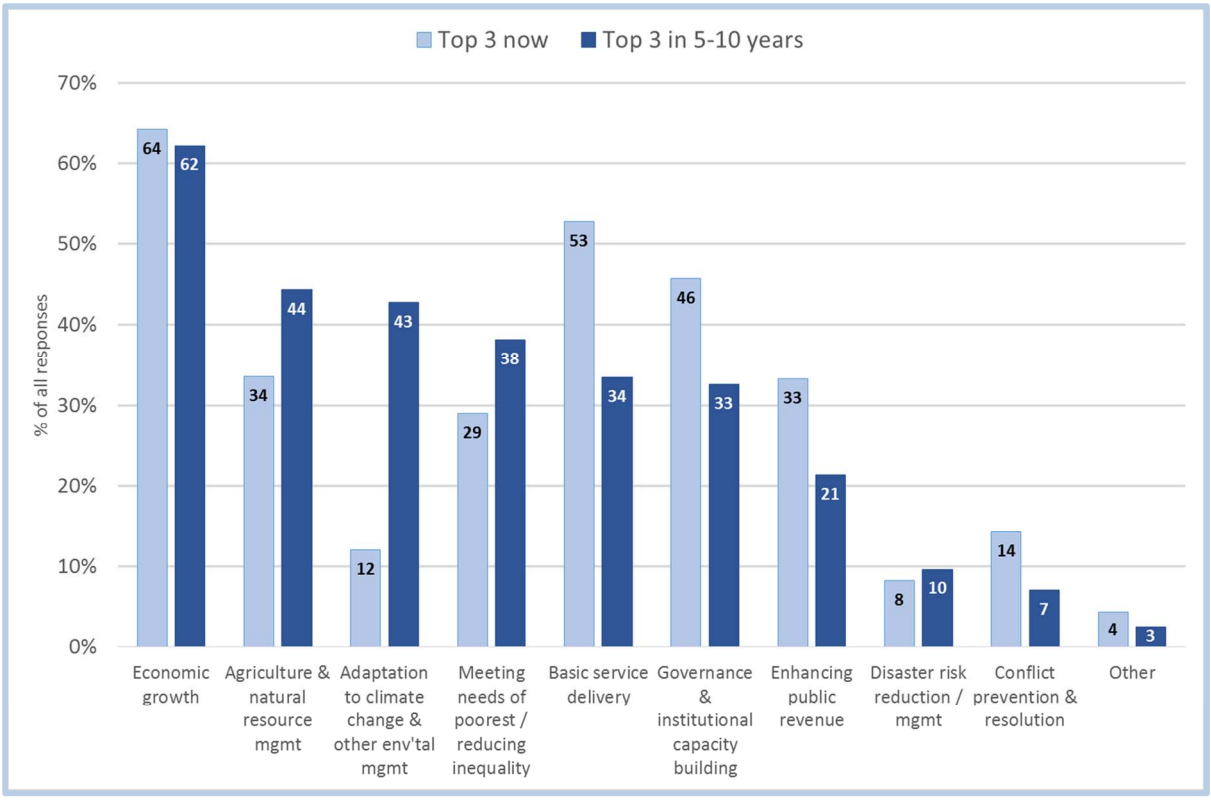
1. Weightings were applied question by question to account for variations in the number of respondents from each country who responded to each question.
2. In the summary of the survey's results in subsequent sections, where some property or view is attributed to multiple country categories (e.g. to 'low-income and fragile countries'), the attribution is intended to apply to each of the categories mentioned, not to the countries in their intersection.
3. Seven countries from the respondent group fell into the 'Other' category: Armenia, Dominican Republic, Guatemala, Honduras, Moldova, Morocco and Yemen. Given the heterogeneity and smallness of this group of countries, results relating to it should be treated with extreme caution. Note also that the South Asia region, while somewhat less heterogeneous than the 'Other' category, comprised only four respondent countries (Afghanistan, Bangladesh, Nepal and Pakistan).
4. The sample contained only one upper-middle-income country, the Dominican Republic, which in 2013 was ranked 81st in the world in GNI-per-capita terms (Atlas method). The next highest-ranked country in the sample group was Armenia, in 99th place.
5. In fact the intent of the 2003 OECD report was only to compare countries above and below this band with respect to their views on the impact of sub-standard ODA management practices. More recently, ODI researchers have proposed a classification of countries by ODA receipts according to which 'middle aid' countries are those whose receipts represent between two and ten per cent of their GNI (Glennie and Prizzon, 2012: 3). Again, the researchers were mainly interested in the countries above and below this band.
6. The three 'top-ten' countries not included in the respondent group are India, Nigeria and Uganda.
7. There are multiple and quite different lists of fragile and conflict-affected states. We define a country as 'core fragile' if it appears on all three of the following lists: the UN-maintained list of Least Developed Countries, the World Bank's list of fragile situations and the OECD's list of fragile states. This approach yields a conservative list on which there are 23 countries: Afghanistan, Angola, Burundi, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Eritrea, Guinea, Guinea-Bissau, Haiti, Kiribati, Liberia, Myanmar, Nepal, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sudan, Timor-Leste, Togo and Yemen.
8. Madagascar, Nepal, Togo, Niger, Malawi, Bangladesh and Sierra Leone. The four 'aid orphans' not represented in the respondent group are Guinea, Gambia, Lesotho and Chad.

2. SUMMARY OF RESULTS

2.1. Current and future development challenges

Respondents were asked to identify (without ranking) the three most important economic, social and environmental challenges their countries are facing now, and the three most important such challenges they expected their countries to be facing in five to ten years' time (survey question 7). The aggregated responses are shown below, in Figure 1.

Figure 1. Development challenges now and in 5-10 years



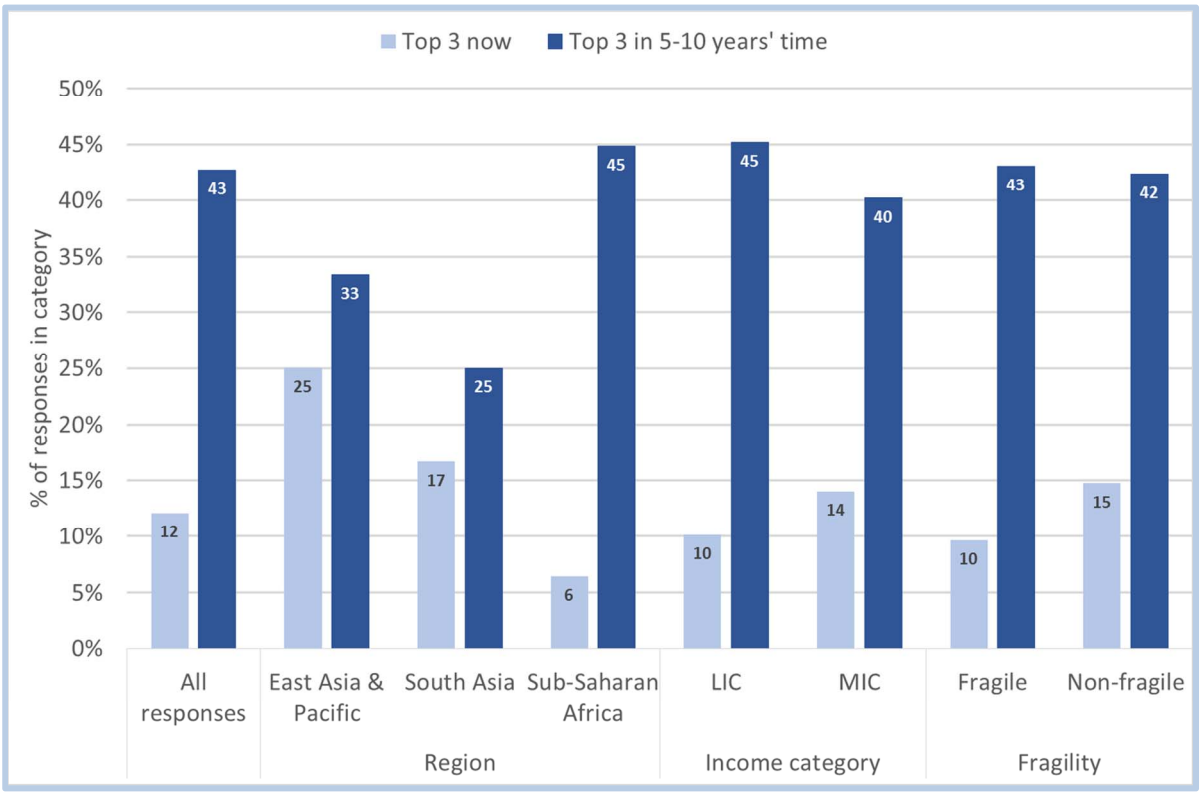
Note: Respondents were asked to select three challenges. Percentages in the graph add up to slightly less than 300% for each timeframe as a small number of respondents chose fewer than three.

While economic growth is the dominant development challenge both now and in future, other current challenges make way for new ones. The three areas of greatest current concern were economic growth, basic service delivery and governance. Economic growth continued to dominate over the longer term, but governance and basic services were overtaken by three other future challenges: (i) agriculture and natural resource management, (ii) climate change adaptation and environmental management, and (iii) meeting the needs of the poorest and reducing inequality.

Some countries indicated that their priorities would shift in the directions indicated above in response to the combined impacts of several factors over which governments could exercise little or no control: demographic change (e.g. growing numbers of youths and overall population growth), urbanisation and climate change — which together would pose increasing food, energy and social security challenges (e.g. in Burkina Faso and Côte d'Ivoire).

Climate change adaptation and natural resource management is expected to grow in importance more than any other challenge. By far the most striking shift in priorities related to climate change adaptation and environmental management. Figure 2 below shows responses in relation to this area disaggregated by regional, income and vulnerability categories.

Figure 2. Adaptation to climate change and other environmental management – current versus future importance



Climate change adaptation was most likely to be considered a future challenge in sub-Saharan Africa, despite this region registering the lowest level of current concern. Sub-Saharan Africa decisively overtook the two regions with the highest levels of current concern, East Asia and the Pacific and South Asia — though the latter regions' levels of concern did both grow by around seven percentage points. This shift might be taken to indicate that, relative to sub-Saharan Africa, Asia-Pacific countries generally have more policy and fiscal space to deal with climate change, or else in some cases (e.g. the small island states of the Pacific) are already experiencing more immediate impacts from it.

The management of extractive industries is regarded as an increasingly pressing challenge. Where countries selected agriculture and natural resource management as growing priorities, interviews suggested a roughly equal degree of emphasis on agriculture and extractive industries. Some saw agriculture and rural development as a longer-term, 'back-burner' priority owing to the difficulty of effecting structural change (e.g. land reform and boosting agricultural productivity (Mozambique)). By contrast, others saw the management of resource extraction as a rising challenge owing to well-founded expectations that new oil, gas and mining investments will come on stream (e.g. Madagascar).

Both low- and middle-income countries see meeting the needs of the poorest and addressing inequality as a growing challenge. This finding is unsurprising given that the majority of the world's absolute poor are now located in middle-income countries. The fact that middle-income countries see addressing inequality as a growing priority suggests a recognition that the benefits of rapid growth will not necessarily reach the poorest. It might also indicate a more optimistic perspective: that, having reduced widespread poverty, countries will be able to focus their efforts on the poorest and most vulnerable.

> *"(Country name withheld by request) is registering fast and sustainable economic growth over the last decade. By allocating 70 per cent of its national budget for pro-poor growth, the country has made remarkable progress in addressing challenges in the area of basic service delivery. Moving forward the country aims to achieve middle-income status in 2023, therefore in the future equitable distribution of income and addressing inequalities will be critical."*

Countries are optimistic about improvements in governance, basic service delivery and domestic resource mobilisation. Most partner countries expect to see improvements in state capacity and domestic resource mobilisation over time, leading to enhanced performance in service delivery. The degree of optimism varies, though, across countries. Non-fragile and medium- to low-dependency countries are particularly confident that the foundations for development will be more firmly in place in the medium term, freeing up their governments to focus on a wider range of development concerns.

The decreased importance accorded to enhancing public revenue over time is interesting when considered together with the importance accorded to domestic resource mobilisation in other responses (see 2.2.1 and 2.2.3). It would appear respondents generally had quite high expectations of medium-term success in public revenue enhancement. Tax revenues for developing countries in general have been growing strongly since 2000 (IMF, 2014), and all the surveyed countries for which tax data exists, have registered significant increases in revenues over this period. Mozambique and Sierra Leone, for example, have more than quadrupled their tax revenues since 2000, while Rwanda and Liberia have more than tripled theirs (IMF, 2014).

> *"Funding of the country development strategy for the period 2010-2015 is currently covered for more than 60 per cent by internal resources, 34 per cent by the Technical and Financial Partners and the rest by public borrowing and public-private partnerships. This shows that the trend is to rely more and more on these own resources." (Burkina Faso)*

Many fragile states are confident about their prospects for political and social stability. Countries in post-conflict situations (e.g. the Democratic Republic of the Congo) or those recovering from political crises (e.g. Côte d'Ivoire) mostly indicated confidence that priorities would shift as political and social stability was progressively achieved over the next five to ten years.

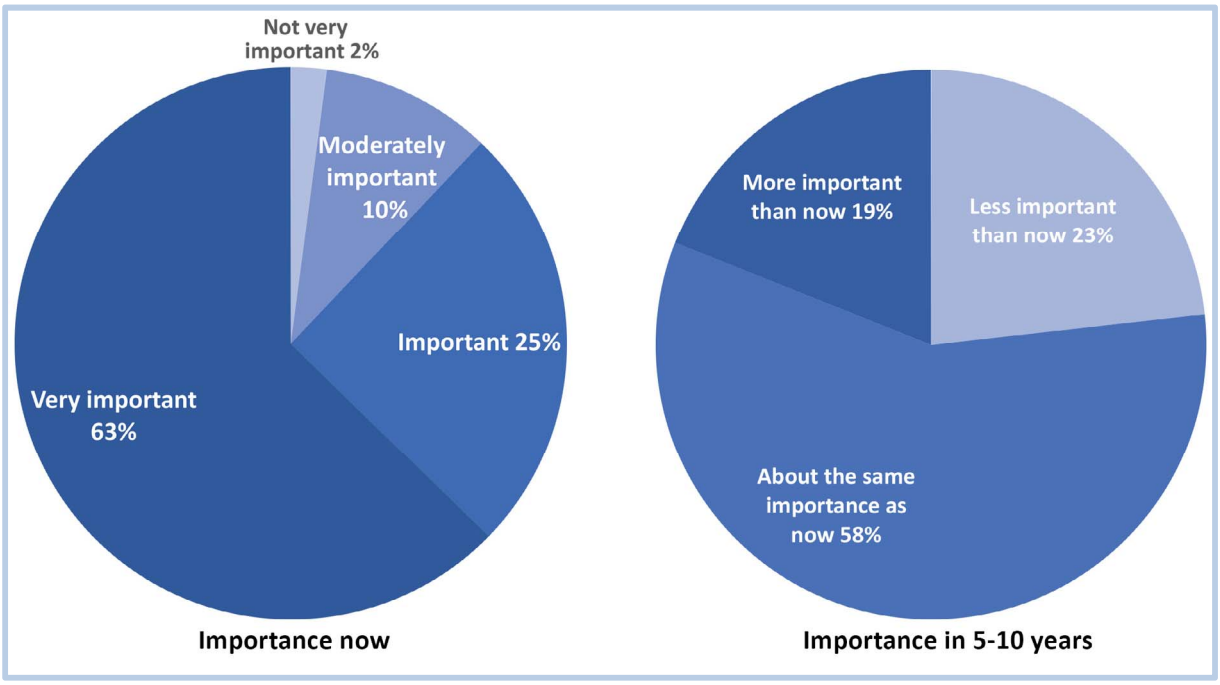
Overall the shift in priorities reflected in Figure 1 suggests that partner governments see themselves strengthening state capacity and assuming increasing responsibility for service delivery and for conflict prevention and management. However, the fact that partner countries assigned reduced importance to certain current challenges (e.g. basic service delivery) does not necessarily mean that there will be less need for external assistance in these areas in the future. It could mean simply that such areas are expected to be relatively less problematic for partner governments to manage, while still requiring significant injections of external financing.

2.2. Role and significance of development assistance

2.2.1. Current and future importance of development assistance

Respondents were asked to rate the current importance of international development assistance in helping their countries meet their most pressing development challenges (survey question 9). The respondents were also asked about the expected importance of development assistance in meeting their countries challenges in five to ten years' time (survey question 10). A breakdown of the responses is shown in Figure 3 below.

Figure 3. Importance of development assistance now and in 5-10 years



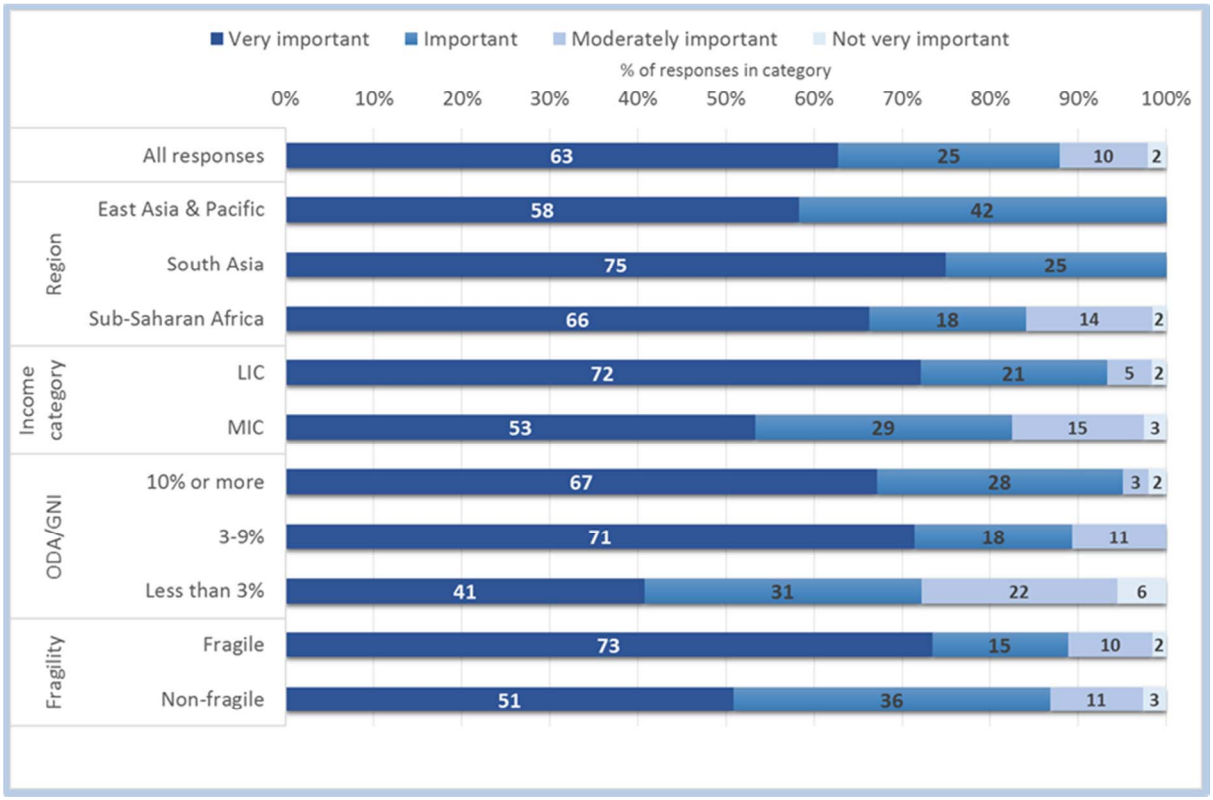
Note: The results on the left-hand side are for all responses. The results on the right-hand side, for 5-10 years hence, relate only to the 88 per cent of respondents who considered assistance to be important or very important now.

For most partner countries development assistance is an important source of finance today and will continue to be important in the future. Eighty-eight per cent of partner country respondents felt that development assistance is important or very important today in helping them meet their development challenges. A disaggregation of responses by country categories (shown in Figure 4) shows that the large majority of respondents across all categories considered assistance to be important or very important, including middle-income countries and those with a low level of ODA dependency — despite the fact that these countries have growing domestic resources and increasing access to other sources of external finance (see Table 2).

As for the future, more than three-quarters of the respondents who considered development assistance important or very important now considered that it would be of similar or greater importance in five to ten years' time. Moreover, of the respondents who considered development assistance only moderately important now, 73 per cent said it would be more important in the future.

> *Until the economic base of the country is broadened to be self-reliant, our dependence on international development assistance will be much higher than it is now, considering population growth and needs across all levels of living standard. Currently, the economic base is not broadening to provide a sustainable income for the country. (Solomon Islands)*

Figure 4. Importance of development assistance now (disaggregated by country category)



Low-income, fragile and highly ODA-dependent countries see assistance as most important now. As would be expected, low-income countries, fragile and highly ODA-dependent countries considered development assistance to be more important than middle-income, non-fragile and medium- to low-dependency countries.

More surprisingly, however, the South Asia and East Asia and the Pacific regions considered development assistance to be more important than Sub-Saharan Africa today, if the 'important' and 'very important' responses are taken together. It is difficult to be sure about the reason for this. It might be that, in some cases, importance was assessed relative to the scale of the development challenges faced. Development assistance might be considered important relative to certain, circumscribed challenges, but less important when measured against larger challenges.

Also of interest is the fact that assistance now was rated as very important by a slightly higher proportion of medium-dependency countries (71 per cent) than of high-dependency countries (67 per cent). Since one might expect this rating to fall as ODA dependency decreases (as it does in the low-dependency category, with only 41 per cent rating assistance as very important now), the high value that medium-dependency countries attach to assistance is notable, particularly in light of other findings in the report regarding the views of this cohort (see section 3.4).

Countries in the middle-income, non-fragile and low-dependency groupings view development assistance as less important in the future. Disaggregated results (not displayed here) show, unsurprisingly, that it is typically the middle-income countries and the non-fragile countries that are

more likely to see development assistance as declining in importance. ODA dependency cohorts also conform to a more predictable pattern with respect to the future importance of assistance, with 37 per cent of low-dependency countries expecting assistance to be less important than now, as compared with 32 per cent of medium-dependency countries and 19 per cent of high-dependency countries.

Development expectations and supply-side considerations are driving changed perceptions of the importance of development assistance. Where assessments of the current and future importance of development assistance differed substantially, respondents were invited to explain why. The reasons cited for increased importance include ongoing political instability (e.g. Yemen) and ambitious economic development plans requiring substantial external support, often in the context of post-conflict rebuilding efforts (e.g. Nepal, Burundi and the Democratic Republic of the Congo).

Reasons cited for decreased importance included anticipated advances in domestic resource mobilisation, courtesy in some cases of revenues from natural resource extraction (e.g. Madagascar, Mozambique and Papua New Guinea), as well as the broadening of tax bases and the more efficient and effective use of existing resources (e.g. through improved management practices or reductions in corruption).

> *We have around 30% of the budget still funded by aid. But it is likely that by 2025, things will be rather different ... We have a very strong increase in domestic revenues. And it is likely that this trend will continue. And we have all the reasons to believe that in the medium term, we are going to have a different aid landscape. (Mozambique)*

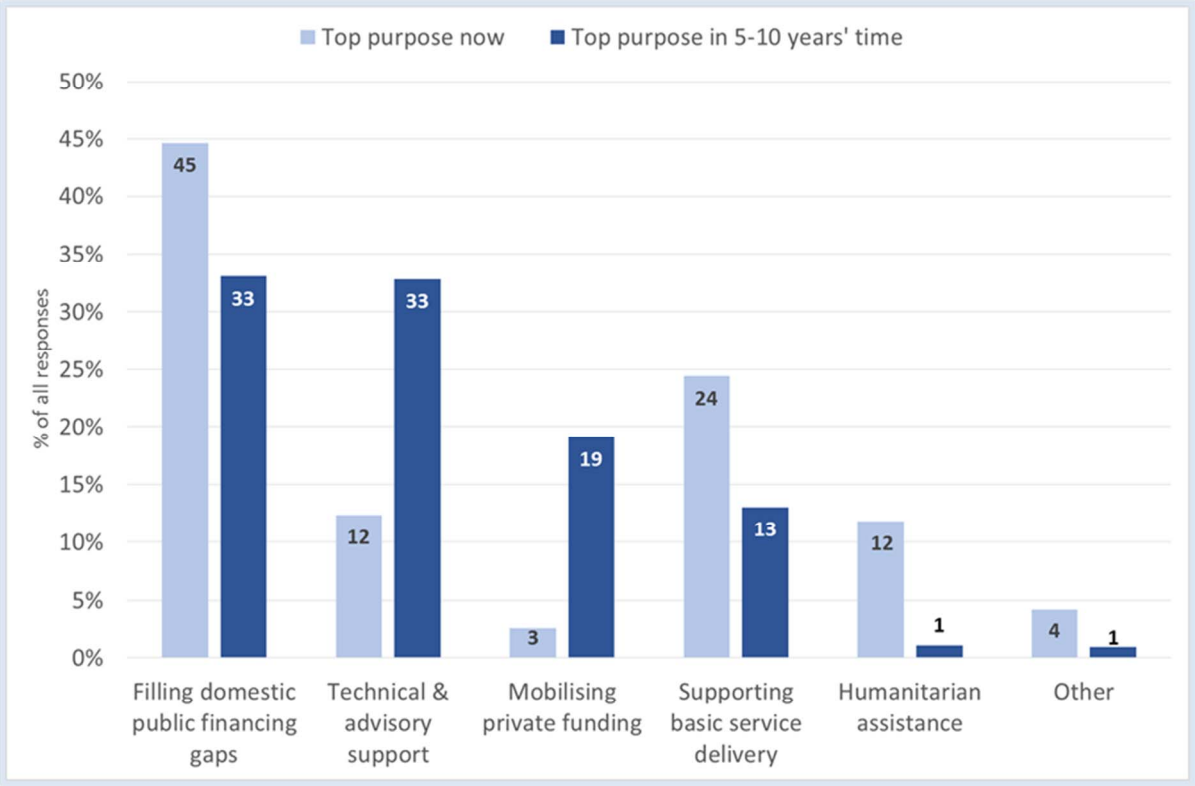
> *Madagascar will adopt a strategy of mobilising domestic resources in order to face its development challenges. Moreover, the country will enter a phase of exploitation and commercialisation of its mining and petroleum resources. (Madagascar)*

In addition, some countries are planning on the basis that fewer development assistance resources will be available to them as they transition to higher-income status (e.g. Cambodia) or as their traditional bilateral ODA providers reduce development assistance budgets to deal with domestic fiscal imperatives, or both. Of these countries, some are looking to replace bilateral development assistance from traditional sources with bilateral assistance from new sources; some are looking to non-bilateral and/or non-official sources, including 'innovative' sources (e.g. global mechanisms funded by taxes on international public 'bads'), remittances, foundations and impact investors; and some simply expect that they will have to seek more external finance at market or near-market terms.

2.2.2. *Major purposes of development assistance*

Respondents were asked to identify, from a list of possibilities, the single most important purpose for which international development assistance is currently used in their countries, and the single most important purpose for which they expected it would be used in five to ten years' time (survey question 12). A breakdown of the responses is shown below, in Figure 5.

Figure 5. Top purpose of assistance now and in 5-10 years



Partner countries envisage development assistance providers moving to a more enabling role in the future. General public expenditure financing remained among the highest priorities for respondents in the future, but declined in importance by 12 percentage points relative to the present. Respondents collectively[1] foresaw a marked shift among the leading purposes of assistance toward providing technical and advisory support to build government capacity and toward mobilising funding from private sources. Correspondingly, respondents expected less ODA to be allocated to basic service delivery and humanitarian assistance.

> *Sometimes we have the funding capacity; however we need aid in terms of expertise. (Morocco)*

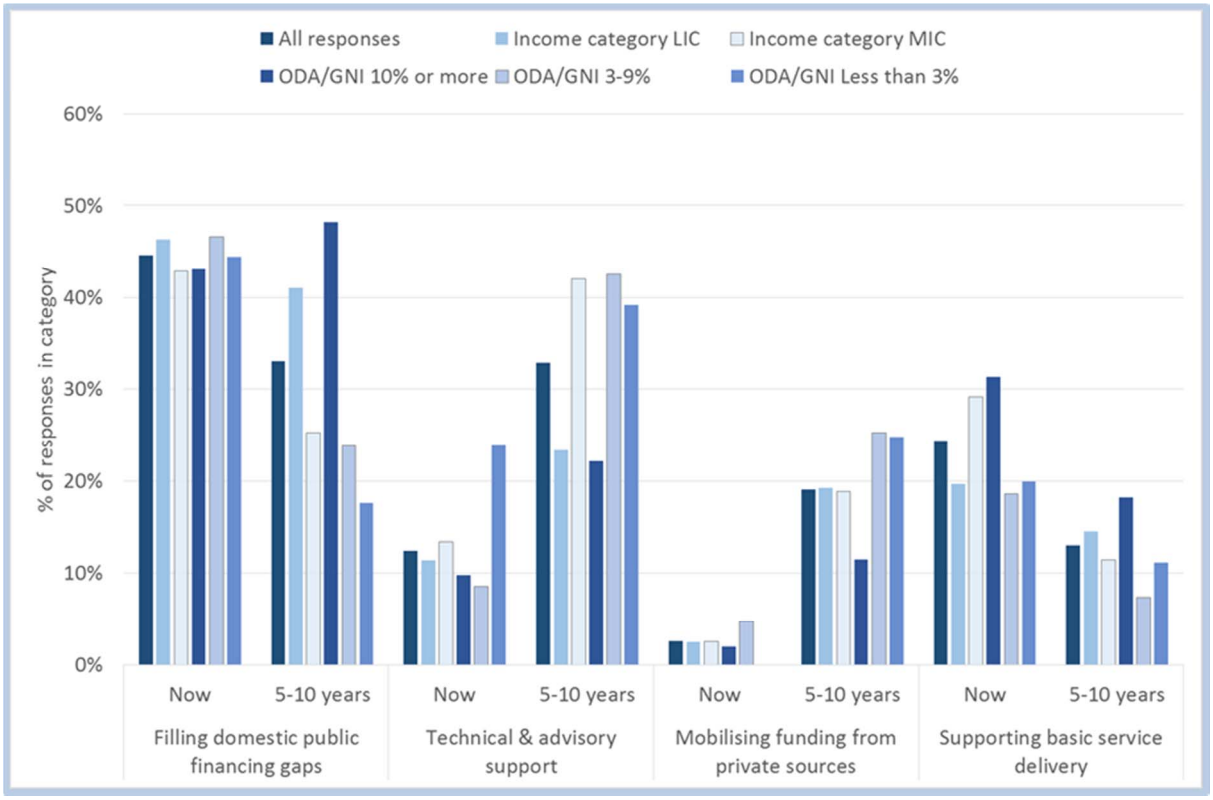
The declining importance attributed to humanitarian assistance is consistent with the optimism expressed by many partner countries that conflict prevention and resolution will be a less important development challenge in the future. However, it sits less well with current trends, which see an increasing number of people affected by humanitarian crises around the world. It also appears counter to the view among many countries that adaptation to climate change will be a growing future challenge. It is possible that countries view support for adaptation less in terms of humanitarian responses to climate change-induced disasters than in terms of longer-term assistance for climate-resilient development.

These results are consistent with the responses earlier discussed in section 2.1, and suggest that respondents want development assistance providers to be working further away from the front line, with governments assuming greater responsibility for meeting the needs of their citizens. This is particularly relevant for DAC providers, and indeed probably relates mainly to their assistance, since they provide the bulk of global ODA and operate across all development sectors. DAC providers' role in the future, if the above interpretation is correct, might be characterised as a more enabling one, drawing on the technical and policy capacity of their domestic administrations for public policy support, reinforcing the legitimacy of partner governments, and strengthening their hand in dealing with international private investors.

> *It is very likely that the aid issue will not focus on financial resources but rather on quality dialogue in terms of how can we improve policies. This is very much about quality advice, in terms of exchange of experiences. Norway is a country that already had these natural resources, for example. When it comes to Norway, not just to Norway but to all the partners, it is likely that the (relationship) will tend to deal with policy dialogue issues rather than financial impact. (Mozambique)*

As noted in section 2.3.1, to perform such an enabling role, DAC providers will need to ensure that their technical and policy advisory support is high-quality and tailored to the priorities of partner countries. In many cases, this is likely to entail providing assistance directly from the provider's own public sector, at senior levels, rather than relying on consultants. Respondents gave few details about how they expected providers to assist in mobilising private finance, but some expressed a specific interest in support for the establishment of public-private partnerships for infrastructure.

Figure 6. Top purpose of assistance now and in 5-10 years (disaggregated by country category)



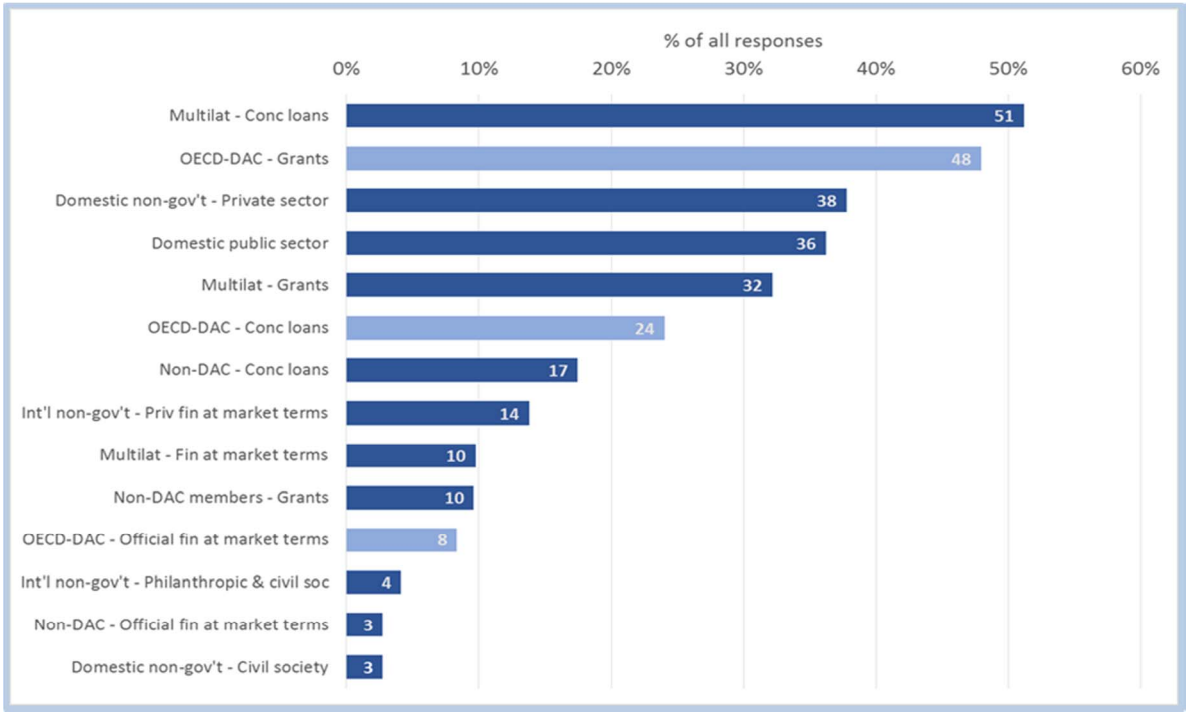
Middle-income, low- to medium-dependency and non-fragile countries are the main drivers of the expected shift in ODA priorities. A disaggregation of responses by country category for selected top ODA purposes, showing the most notable divergences between present and future importance, is given in Figure 6. This shows that the middle-income and low- to medium-dependency countries are the primary source of the declining importance attached to filling domestic public financing gaps, and of the increasing importance attached to technical and policy advisory support. In fact, these countries expect technical and policy advisory support to become the dominant purpose for development assistance in the future. By contrast, high-dependency countries expect more of their assistance in the future to be directed toward filling public financing gaps: 48 per cent nominated gap-filling as the top purpose in future, as compared with 43 per cent now. Fragile countries (a category whose membership substantially overlaps with that of the high-dependency grouping) also said this purpose would be of increased importance, and low-income countries said it would be of somewhat decreased but still high importance.

Technical and advisory support rose in importance across all country categories, as did mobilising private resources, but the extent of the increase was most notable among middle-income, medium-dependency and non-fragile countries. All country categories expect less ODA to be directed toward supporting basic service delivery in the future. However, low-income countries and fragile states expect a proportionally much smaller decline than middle-income countries and non-fragile states.

2.2.3. Sources of development assistance

Respondents were asked to select up to three sources of funding that they expected would be most important for meeting their development challenges in five to ten years' time (survey question 13). The responses are shown below, in Figure 7, with OECD-DAC sources highlighted (lighter shade).

Figure 7. Most important sources of funding in 5-10 years



Note: This chart shows the percentage of respondents who chose each source as one of their top three. The percentages shown add to slightly less than 300 per cent because some respondents chose fewer than three sources.

Multilateral concessional loans are seen as the dominant financing source in five to ten years' time. Overall, multilateral concessional loans were the most commonly mentioned individual source, followed closely by grants from DAC members and, at a slight distance, domestic private and public investment and grants from multilateral organisations. It might be that multilateral development finance institutions are viewed as a more constant presence and source of assistance in the medium-term by comparison with bilateral development providers. This would be understandable given that multilateral institutions tend to be less subject to the vagaries of bilateral ODA budgeting, either because their concessional financing arms are usually relatively protected from cuts, or because they generate substantial amounts of funding from internal sources. In addition, while grant terms are of course preferred to loan terms, all else being equal, there was also a sense that loan-financed programmes are less likely to be supply-driven and less likely to contribute to development assistance fragmentation.

Grants from DAC members run a close second to multilateral concessional loans, and are seen as substantially more important than other sources. It is notable that, among bilateral sources, DAC sources are seen as more important for the future than non-DAC sources. This is despite perceptions that non-DAC bilateral financing will continue to increase in proportion to DAC financing, not least because DAC sources will likely be resource-constrained for some years to come.

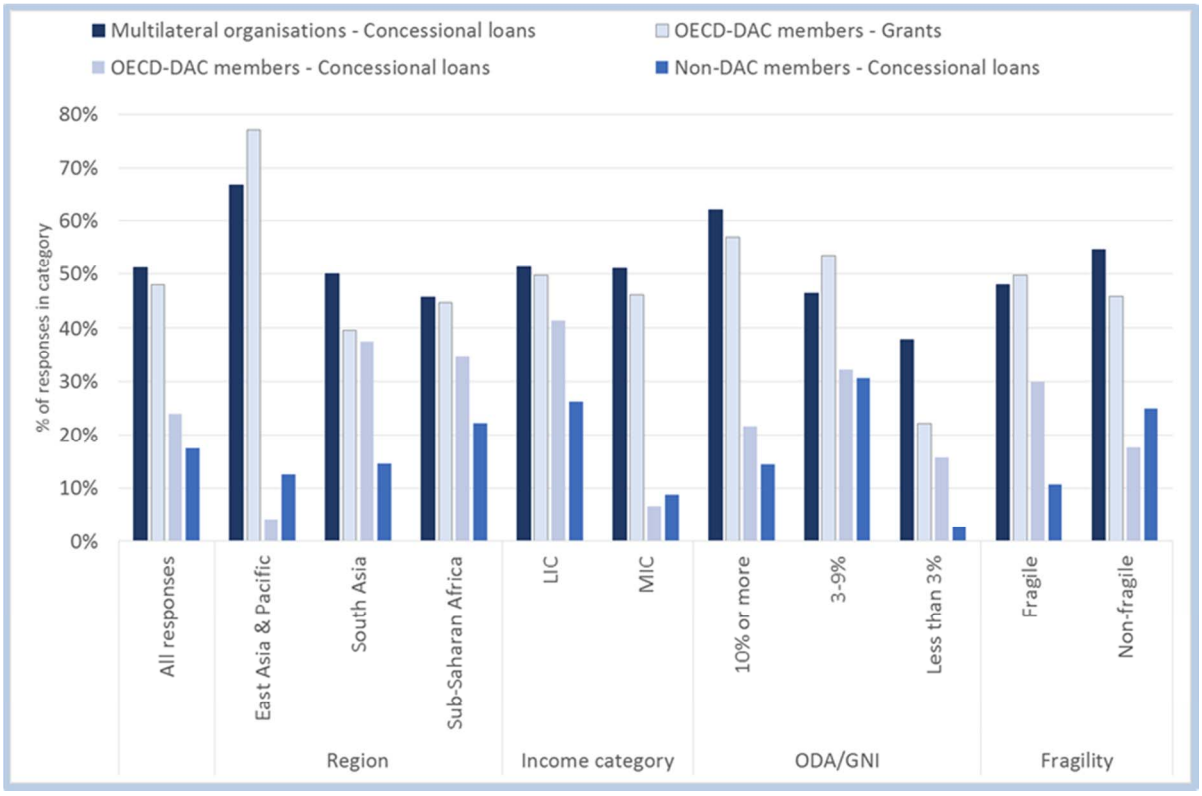
> *We are trying to have some domestic resources but we are also going to gain more from loans from multilaterals or to increase also our development assistance from emerging countries like China. But this does not mean that we are going to stop with OECD DAC grants. (Rwanda)*

The DAC/non-DAC contrast is not so great in the case of bilateral concessional loans, however. DAC concessional loans come in ahead of non-DAC concessional loans but not by a large margin.

> *When we have lot of programmes to finance then we would need funding. And we can rely on […] classic partners for good governance, technical assistance. But also sometimes we would need […] some pure financing like the Arab funds for instance. And those kinds of funds are really welcome. (Morocco)*

Also of note is that whereas grants from DAC members are rated as considerably more important than loans, the reverse is true for loans from non-DAC countries, which are rated as considerably more important than non-DAC grants. This presumably reflects the relative scarcity of the latter.

Figure 8. Most important sources of funding in 5-10 years – selected sources disaggregated by country category



Some country categories rate the importance of DAC grants higher than that of all other sources. Figure 8 shows, for a selection of the sources identified above[2], how each country category responded with respect to those sources. As it illustrates, while most country categories expect multilateral concessional loans to be a more important source of finance than bilateral grants from DAC members in the future, there are some exceptions. DAC-sourced grants are more commonly considered a top source of future funding than multilateral concessional loans in East Asia and the Pacific, in the medium-dependency countries and in fragile states.

This finding presumably reflects the fact that many countries in East Asia and the Pacific have graduated from eligibility for concessional finance from the International Development Association and the Asian Development Fund, and the fact that fragile states are less keen on borrowing even at highly concessional rates. The high importance accorded to grants by medium-dependency countries is harder to explain, but may reflect a view that relationships with DAC providers are more equal and easier to shape than those with multilateral organisations. It is noteworthy, though, that this group of countries is the most open to drawing on funding from all four of the sources shown, even though grants supply the central funding pillar.

A further observation may be made about the above chart: graduating borrowers do not necessarily look exclusively to less-concessional sources of public and private financing to meet shortfalls; their interest in grant ODA might in some cases be rekindled also. Nothing, however, can be inferred about the scale of that interest from the chart above; it could well be relatively small.

Expectations of bilateral lending from non-DAC countries are highest in the low-income and medium-dependency countries. Future bilateral concessional lending from non-DAC countries was ranked as more important by low-income countries than by middle-income countries, and as considerably more important by countries in sub-Saharan Africa than those in East Asia and

the Pacific. It was ranked as less important by fragile states than by non-fragile states, presumably reflecting, again, fragile states' relative reluctance to borrow.

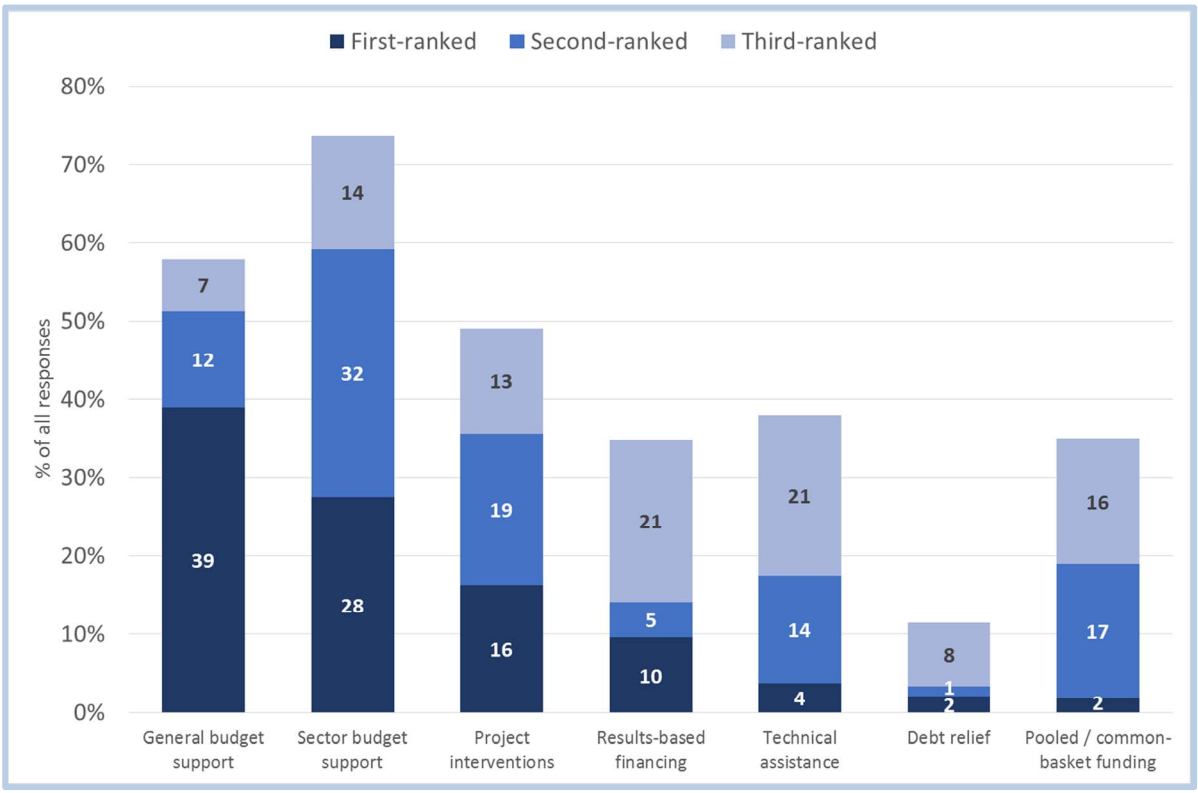
Interestingly, bilateral concessional lending from non-DAC countries was ranked much higher by countries in the medium-dependency category than by those in both the low- and high-dependency categories. This suggests that there is not a linear relationship between expectations of such financing and ODA dependency. It could be that medium-dependency countries, on the whole, feel better able to demonstrate a need for, allocate and effectively use additional development assistance from non-DAC sources. However, as noted above, this group still expects grants from DAC members to predominate, whereas the low- and high-dependency groups expect multilateral concessional loans to predominate.

2.3. Nature and quality of development assistance flows

2.3.1. Development assistance modalities

Respondents were asked to place in rank order the three modalities of development assistance that they expected would be most important for their countries in addressing their development challenges in five to ten years' time (survey question 14). The responses are shown below, in Figure 9.

Figure 9. Top 3 modalities in 5-10 years (ordered by top-ranked modality)



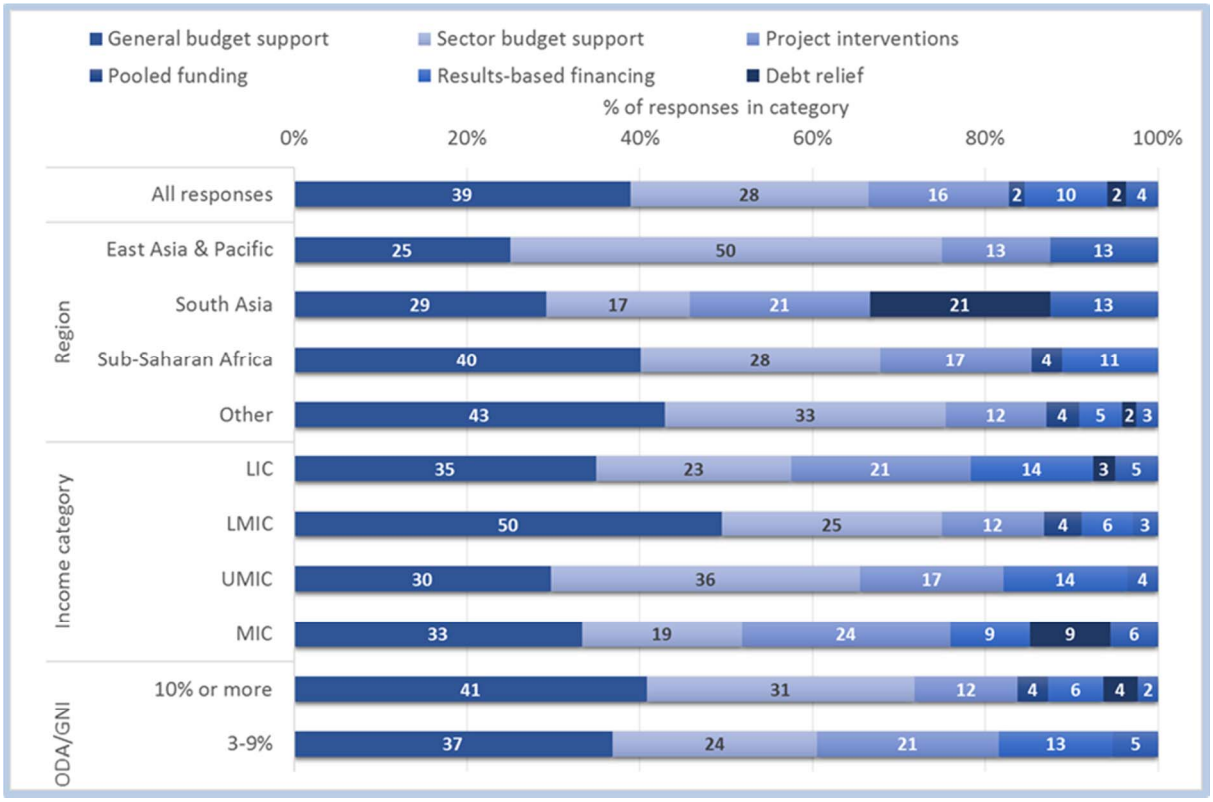
Budget support tops the list of expected future modalities. General budget support was the most common first choice and sector budget support the most common top-three choice. Project development assistance, however, was still a top-three choice for about half of the respondent countries. From the interviews, it would appear the high ranking of project interventions is not in general a statement of preference but rather reflects an expectation that development assistance providers, not least the non-DAC bilateral providers, will continue to favour this modality.

One respondent, for example, indicated that although the national government held a preference for general budget support, this was a 'pipe dream' given the limited willingness of provider countries to deliver this kind of support.

Debt relief was generally seen as a low priority (Pakistan was a notable exception). The remaining modalities indicated above were all roughly on a par with each other. Technical assistance[3] attracted some negative comments in interviews. While seen as valuable in principle, it was viewed as currently too expensive and supply-driven, poorly-suited to partner country circumstances and priorities. While rated highly as a top future 'purpose' of development assistance (see Figure 6 and related discussion), it seems in the present context to be conceived more as a particular style of assistance — standalone, in-kind assistance of a generally short-term and costly type — and therefore marked down. Presumably it would be rated more highly as a modality if typically provided differently. Even then, it might be valued without being seen as particularly important in terms of ODA volume, since it consumes — or generally should consume — relatively small amounts of ODA.

Pooled funding arrangements attracted little comment but were viewed quite favourably, if less so than sector budget support. 'Results-based financing' was interpreted broadly, in the context of governments' various results-based budgeting and public sector management initiatives, so the fact that this modality was in the top three for around one-third of respondents cannot be taken as a strong signal of interest in 'payment for performance' programmes.[4]

Figure 10. Most important modality in 5-10 years (disaggregated by country category)



Countries favour modalities that provide alignment and flexibility. Respondents were invited, in relation to the modality of assistance that they ranked highest in their response to the previous question, to explain why that modality would be the most important in five to ten years' time.

Typical reasons for preferring general budget support were that it strengthened alignment, country ownership and country systems (qualities also valued highly in responses to survey question 16 — see section 2.3.2.) as well as reducing fiscal and balance-of-payments deficits.

> *General budget support and pooled funding provide the opportunity to allocate resources for national priority areas [and] reduce the cost of transactions and the fragmentation of interventions. As our economy grows the country's need for bigger projects will increase, which will need harmonized support. (Country name withheld by request)*

Flexibility was the most commonly cited reason for nominating general budget support. However, a number of respondents observed that perceptions of fiduciary risk had become a serious, indeed excessive, barrier to the use of this modality on a larger scale.

> *General budget support has its own shortcomings. Of course in terms of fiduciary risk, that would be there, and also sometimes our systems may not be up to the standard required. But we still think that the development partners, instead of avoiding risk, can help us manage the risk. (Malawi)*

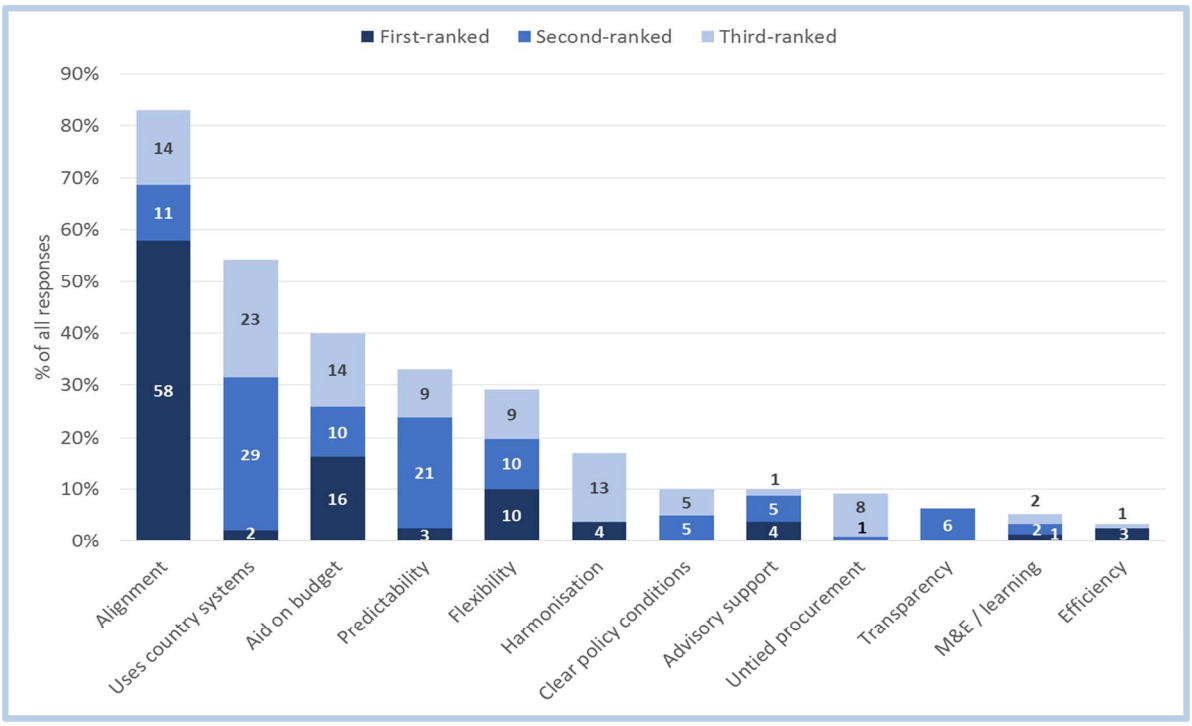
Sector budget support was often supported for the same reasons as were cited above in relation to general budget support. However, in some cases it was ranked above the latter owing to (i) partner countries' existing experience with this modality; (ii) its complementarity with sector-based national planning processes; and (iii) a recognition that development partners were more willing to provide sector budget support.

It appears that for many countries, sector budget support strikes a good balance between flexibility and availability. There was interest from several respondents in seeing it extended beyond the health and education sectors in which it is currently most often used.

2.3.2. Development assistance provider qualities

Respondents were asked to place in rank order the three qualities of a development assistance provider that they expected would be most important for their countries in five to ten years' time (survey question 16). Overall results are shown in Figure 11 below.

Figure 11. Most important qualities of a development assistance provider in 5-10 years



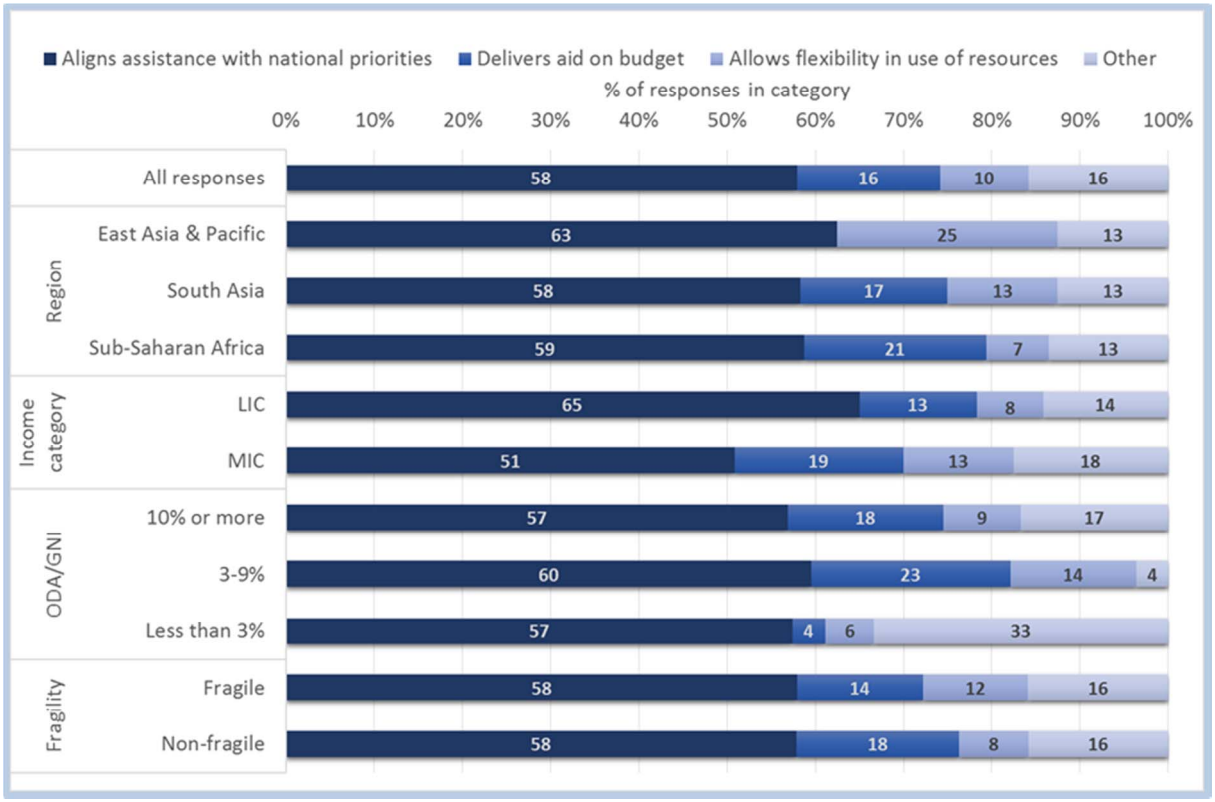
Most respondents placed highest value on alignment and related qualities, especially use of country systems. The top-rated qualities, in order, were alignment, the use of country systems, the delivery of development assistance on budget[5] and funding predictability. A majority of respondents included the first two attributes among their most important qualities. While it must be emphasised that these are relative rankings, the lowest-ranked items were efficiency, learning, transparency and ODA untying — all rather high priorities for advocates of ODA effectiveness.[6] Interview responses did in fact lay more stress on efficiency, untying and transparency, so it is reasonable to conclude that these qualities are perceived, not as unimportant, but as less relevant in a future scenario in which development assistance is provided predominantly through government systems.

Funding predictability was quite heavily stressed as a fundamental issue in interviews and identified elsewhere in the survey as the biggest risk to the quality of future assistance (see section 2.4.4). The concern was not so much with adherence to disbursement schedules as with broader predictability of budget allocations from year to year.[7]

> *Predictability of support remains a challenge. And this is for all the development partners. The issue is also one of information: forward-looking information for say the next three years. This is what we think remains a challenge despite all the development partners that are here having signed up to the International Aid Transparency Initiative. … Our financial year starts in July. And now we are in June. We're even struggling to get information in terms of how much support we are receiving for the next financial year. (Malawi)*

The findings above are fairly similar across all country categories. However, the disaggregation shown in Figure 12 does reveal two notable variations. First, East Asia and the Pacific is relatively unconcerned about whether development assistance is on budget, but quite concerned about flexibility. Second, the medium-dependency cohort assigns a higher total value than both the low- and high-dependency cohorts to the two, linked qualities of having ODA well aligned with national priorities and delivered on budget.

Figure 12. Most important qualities of a development assistance provider in 5-10 years (disaggregated by country category)

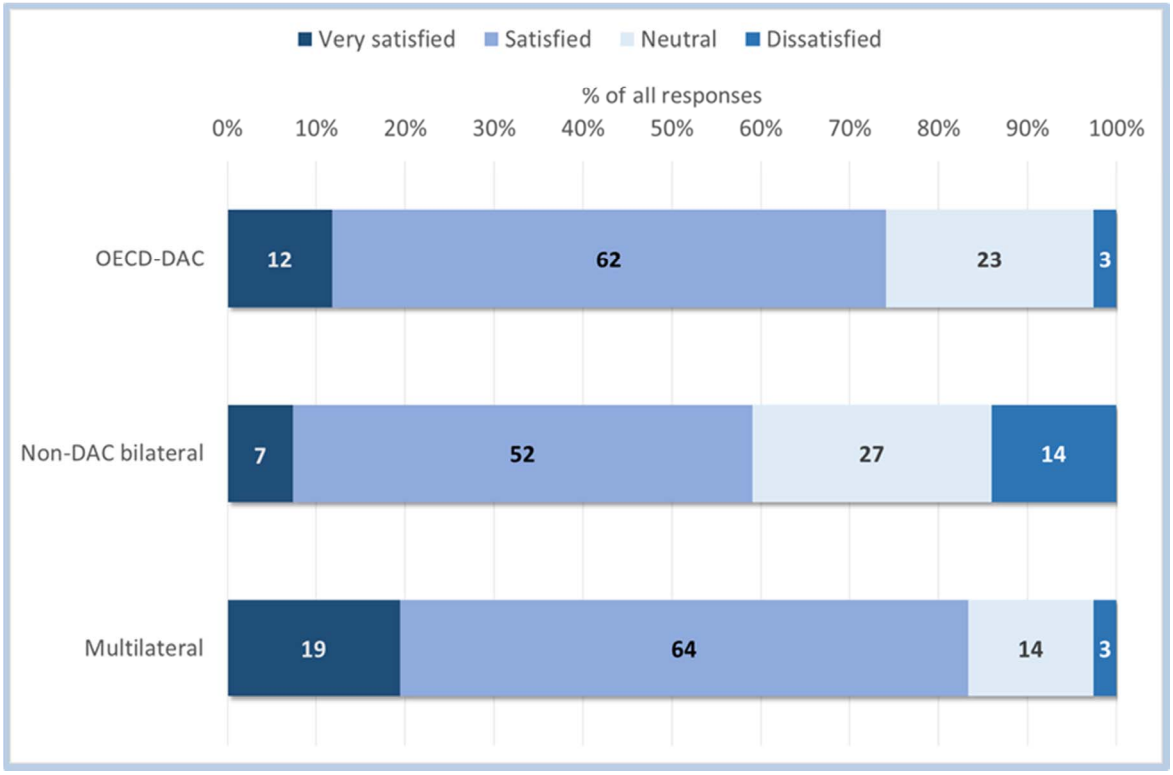


2.4. Partnership management and provider harmonisation

2.4.1. Overall relationships

Respondents were asked to rate their level of current satisfaction with their country's overall relationship with each of three broad categories of development assistance provider: DAC development assistance providers, non-DAC bilateral providers and multilateral development organisations (survey question 17). The aggregated results are shown in Figure 13 below.

Figure 13. Partner country satisfaction with major categories of provider

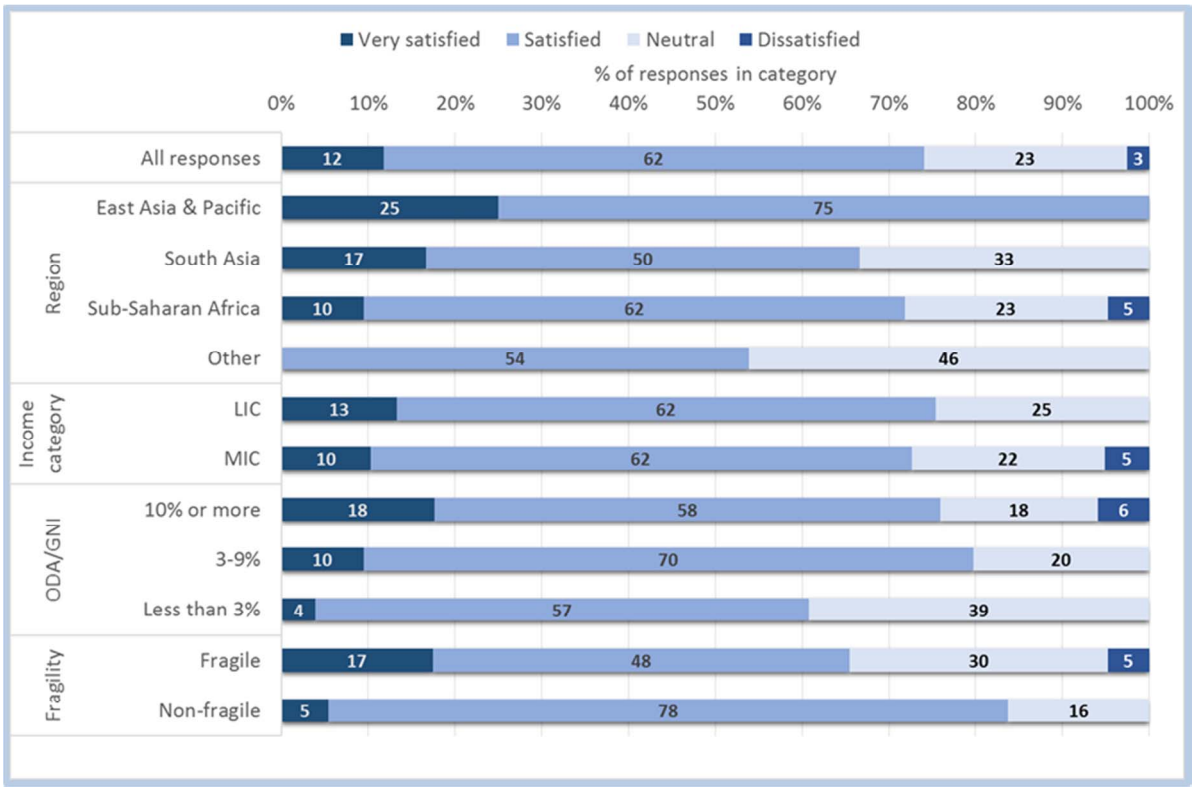


Respondents are most satisfied with multilaterals. The responses clearly indicate a substantially higher level of satisfaction with multilateral development organisations than with bilateral organisations, and a somewhat higher level of satisfaction with DAC development assistance providers than with non-DAC bilateral providers. The latter group has the largest share of respondents in the 'neutral' and 'dissatisfied' categories, at 41 per cent. However, some respondents noted in interviews that the broadness of the above provider groupings created difficulties for them, as there was considerable variation in levels of satisfaction with the providers in each grouping. For example, some DAC providers were considered particularly flexible and responsive while others were seen as suffering from quite a high a degree of procedural and policy rigidity.

> *Some bilaterals they are very rigid. They have very strict policies. They have very strict rules and procedures. (Bangladesh)*

Satisfaction with DAC providers is highest in East Asia and the Pacific. The results relating specifically to DAC development assistance providers, disaggregated by country category, are shown in Figure 14.

Figure 14. Satisfaction with OECD-DAC providers (disaggregated by country category)



The level of satisfaction with DAC providers is highest in East Asia and the Pacific, the region which earlier indicated that DAC grants would likely be the most important source of development assistance in the medium term. In fact all respondent countries from this region were at least satisfied with their relationships with DAC development assistance providers. The level of satisfaction was lowest in the Other category (comprising eight countries from Latin America and the Caribbean, Europe and Central Asia, and the Middle East and North Africa), which is unsurprising given the relatively low profile of most DAC providers in the component regions. This may also account for why respondents in the low-dependency category have the second-lowest satisfaction level.

2.4.2. Country offices

Respondents were asked to assess the current performance of the in-country offices of the three broad categories of development assistance provider in specified dimensions (survey question 22). The results for each provider category are shown in Figure 15.

Figure 15. Performance of providers' country offices

Note: The survey question concerning capacity to influence other parts of government was not applicable in the multilateral category.

The results shown above are largely consistent with those presented earlier on overall levels of satisfaction with each development assistance provider category. Multilateral organisations come out best, followed by DAC providers and then non-DAC providers, if judged by the highest number of respondents that identified a provider's performance to be strong in the areas assessed.

2.4.3. Explaining varying levels of satisfaction with provider groups

This section aims to cast more light upon the varying levels of satisfaction reported with respect to each major provider group. It draws on findings from the two preceding subsections — relating to satisfaction with providers overall (survey question 17) and the performance of country offices (survey question 22) — as well as information from interviews.

(a) Multilateral development organisations

Multilaterals are particularly valued for their expertise and the imposition of fewer conditionalities. In their qualitative responses to survey questions, and in interviews, respondents indicated that their satisfaction with multilaterals was related to those organisations' greater depth of policy and technical expertise, their programme management skills, their tendency on the whole to impose fewer conditionalities, and their commitment to the use of country systems.

Multilaterals could do better on capacity building and decision-making. Over 50 per cent of respondents felt that multilateral institutions could do more to ensure their country offices did not deplete local capacity. Over 40 per cent felt that they could augment the decision-making authority of country offices.

(b) DAC providers

DAC providers are valued for their transparency, in-country presence and solid track record. Interviews indicated that higher levels of satisfaction with DAC members' bilateral development assistance compared to non-DAC members' bilateral assistance were related to DAC members' greater transparency, their in-country presence, and their typically longer traditions of co-operation. In their evaluation of country office performance, the quality of DAC members' offices that respondents most frequently rated highly was alignment of programmes with national priorities (36 per cent of respondents), while the qualities most frequently considered to be adequate or strong were programme management skills (81 per cent of respondents) and depth of policy and technical expertise (75 per cent).

> *Effectiveness — DAC members can relate to that a little bit more. They're more used to alignment and harmonization, a little bit more than non-DAC members. (Honduras)*

DAC providers' decision-making processes are a particular source of concern. Interviews indicated that DAC development assistance providers were seen as more likely to have fragmented programmes containing elements of earmarking by region or sector. In addition, respondents considered that country offices should be given greater decision-making authority; make greater efforts to avoid depleting local government capacity; be more responsive to requests for assistance, information or approval; exert more influence over other parts of their governments on policy coherence issues; and give effect to international commitments on development effectiveness. Each of these points is addressed in turn.

(i) Decentralisation of decision-making authority. A recurring theme in interviews was the lack of country-based decision-making authority among DAC providers, though this was a concern to varying degrees for all categories of provider. Indeed, when asked about priorities for change in the role of their major development assistance providers' in-country offices, respondents focused overwhelmingly on this point.

> *Everything has to be referred to the headquarters. So […] what are country offices for? Are they post offices or are they something else? (Malawi)*

Areas for greater decentralisation include no-objection procedures, financial approvals and the signing of agreements.

(ii) Commitment to avoid depleting local capacity. Again, this was a concern for all categories of provider.

> *The DAC offices tend to recruit or at least attract the officials that we have in our country. [...] They go behind and recruit official staff. (Burkina Faso)*

Some respondents related this concern to the co-opting of local officials for project-implementation purposes by providers offering high salaries and allowances. Respondents wanted not only less of this, but also greater investment in building local capacity, including the capacity to track and manage development assistance resources effectively.

(iii) Speed of response to requests for assistance, information or approval. The slowness of no-objection procedures, which govern the disbursement of loan and grant funds, drew particular comment from some respondents. Speed and decentralisation were seen as closely linked.

(iv) Ability of DAC providers to influence other parts of government on policy coherence issues. Partner country officials saw this as an area for improvement, but noted that even providers with integrated country presences (bringing together foreign, development and trade responsibilities) were not necessarily stronger on policy coherence. Their main preoccupation was with the centralisation of decision-making authority in capitals, and the disconnect between capitals and country offices, rather than any disconnect between development agencies and other government departments.

(v) Fulfilling international commitments on development effectiveness. A theme in some respondents' interview remarks was the perceived sizeable gap between what DAC members say in the context of international discussions on development assistance and development effectiveness, and what they actually do in the context of their bilateral development assistance relationships. There was considerable scepticism that some commitments, for example in relation to ODA untying, reducing transaction burdens and transparency, were really being implemented as stated, and also a sense that providers' country offices were not really fully aware of, or motivated to implement, the commitments made by their governments in international forums. The close engagement of headquarters in programmatic decision-making, discussed above, was not seen to be paying dividends in terms of adherence to development effectiveness commitments.

(c) Non-DAC providers

Non-DAC providers are valued for timely assistance and limited conditionality*.* Many respondents were at pains to stress that non-DAC members' bilateral assistance plays an important role in providing important economic infrastructure in a responsive fashion. Some respondents pointed out that non-DAC bilateral providers, especially China, exhibited a high degree of reliability, delivering projects on time and on budget. In addition, their assistance came with few or no conditionalities, which was one factor in its timeliness.

> *They use the turnkey modality. It's a little bit expensive. But it's more performing. And more results oriented. So they get the development results and hand over to the recipient country. So I personally like that modality, though it does not use the country system. (Nepal)*

In their evaluation of non-DAC members' country offices, the quality that respondents most commonly ranked as strong was alignment of programmes with national priorities (28 per cent of respondents), and the quality most commonly ranked as adequate or strong was programme management skills (62 per cent of respondents).

Non-DAC providers are seen as weaker on transparency, poor on their procurement practices and lack a strong country presence. The most common concerns raised about non-DAC members' bilateral assistance related to transparency and accountability, and the tying of procurement to their own suppliers.

> *When it comes to the non-DAC members we have a very severe lack of information. (Mozambique)*

> *Each [provider] offers a unique thing. But it also comes with its own challenges. With aid from China, everything has to come from China, which is not the case with the other countries. (Malawi)*

The most commonly mentioned concern about non-DAC members' country offices was lack of decision-making authority (75 per cent). In interviews some respondents related this concern to the observation that some non-DAC members only had an intermittent presence through periodic visits, with no permanently staffed country office.

Countries measure DAC and non-DAC providers against different standards. The fact that some respondents raised concerns mainly about the transparency and procurement practices of non-DAC providers suggests that their assessment of provider qualities, discussed earlier, is somewhat bifocal.[8] In the case of DAC providers, they would like to see movement toward greater alignment, predictability and use of country systems; in the case of non-DAC bilateral providers, they do not expect this but would like to see movement toward at least some elements of the Paris/Accra-era ODA-effectiveness agenda, with more dialogue, information exchange, transparency, co-ordination and local, if not international, procurement.

> *Some non-DAC bilateral [providers] do not participate in the formal national dialogue forums but instead want to privately engage with government without engaging in public debates/discussions with government and other development partners. (Kenya)*

It must be borne in mind, however, that these are the views of what are essentially central agencies. They might not be shared by all the line ministries — for example, in the areas of agriculture, transport, energy and communications — with whom non-DAC bilateral providers will often be dealing.

2.4.4. Priorities for improvement

Respondents were invited, in the context of their responses to the previous questions, and looking five to ten years ahead, to indicate what steps, if any, development assistance providers could take to improve their performance (survey question 18).

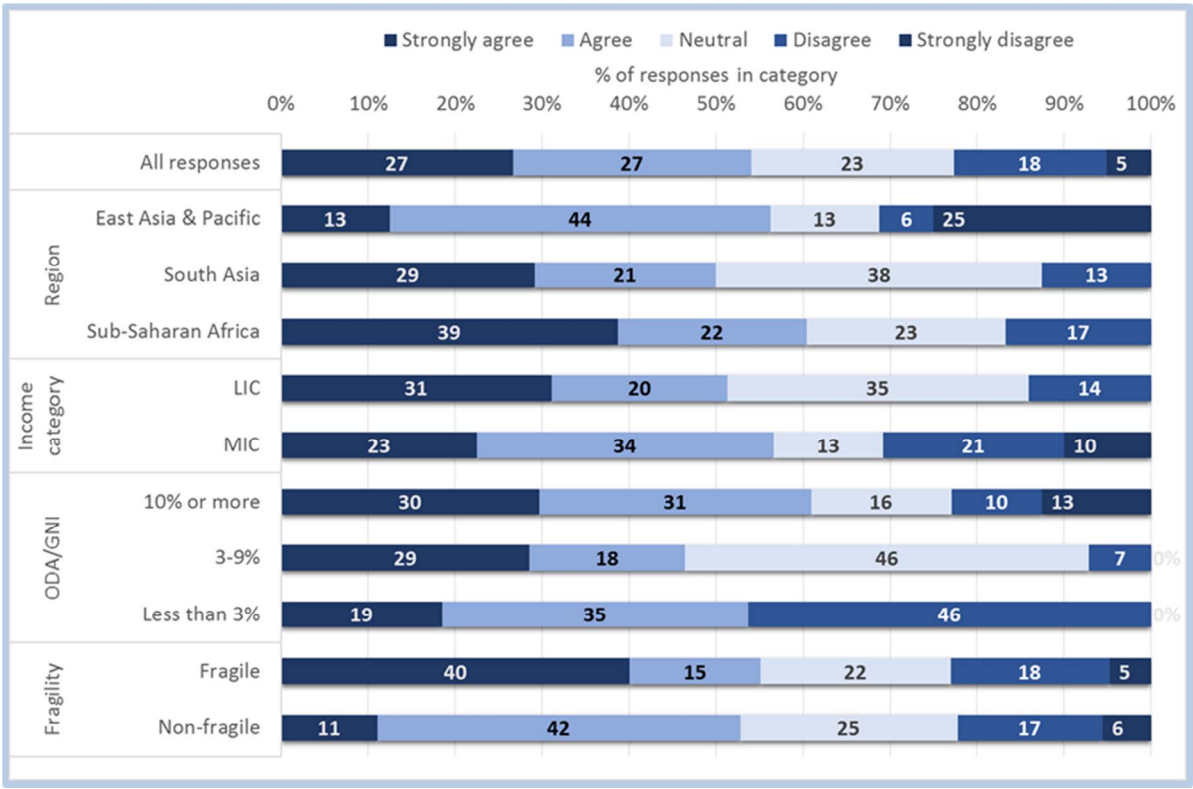
Strengthening alignment and increasing the use of country systems are the highest priorities for improvement across all provider groups. The most commonly mentioned areas for improvement (mentioned twice as much as lower-ranked areas) were alignment, the use of country systems, predictability, and transparency and accountability. These choices reflect the qualities of a development assistance provider that respondents valued most (see section 2.3.2 above). Some respondents indicated that an effective strategy for delivering at least some of these things would be for providers and their partners to establish development partnership agreements or co-operation frameworks that included at least indicative three-to-five year funding envelopes. Other frequently mentioned strategies were: improved policy dialogue, harmonisation and programme de-fragmentation.

Unpredictability is viewed as the biggest risk to the quality of assistance in the future. When asked to say what they thought constituted the biggest risk to the quality of the assistance provided by their development partners over the next five to ten years, and why (survey question 19), respondents particularly emphasised unpredictability. There was some concern that funding from major development partners might cease, possibly in an abrupt fashion, and a more general concern that uncertainty about the funding capacity and intentions of DAC bilateral providers would impede national development planning. Other risks identified included failures of alignment with national priorities, overly restrictive conditionalities, and implementation constraints.

2.4.5. Competition and rationalisation

Respondents were asked whether they agreed or disagreed with the proposition that there could be benefits for their countries if there were a higher level of competition among development assistance providers within the next five to ten years (survey question 20). Their responses, disaggregated by country category, are shown below, in Figure 16.

Figure 16. Benefits of greater competition among providers (disaggregated by country category)



Support for more competition is highest among those with the greatest need for assistance. There was considerable variation in responses across country categories but in most categories 50 per cent of countries or more agreed with the proposition that greater competition could bring benefits. The highest levels of disagreement with this proposition were encountered in low-dependency countries and middle-income countries and in East Asia and the Pacific. These are presumably the countries that feel they are already well in control of their development assistance providers, and therefore see more risks than benefits in competition among them. Many of these countries, but also some countries in other categories, prefer co-ordination over competition, provided the co-ordination is government-led.

> *Multiplicity of donors does not necessarily lead to competition as long as donors operate more or less in a co-ordinated and harmonized way, which fortunately has been the case in Mozambique. (Mozambique)*

Overall, it is reasonable to conclude that views are divided on this point, but that the countries whose need for development assistance is greater are the more likely to want or tolerate provider competition, and the more willing to bear the associated transaction costs in order to maximise diversity and choice, and spread funding risk.

When asked to give their reasons for supporting greater competition, respondents cited two. First, competition could help deliver greater partner government control over development assistance relationships, where such control had not already been established. Second, competition could improve ODA effectiveness — this because it helps partner countries to distinguish the most effective providers, but also because development partners could conceivably improve their collective performance as a result of competition in dimensions such as infrastructure quality, funding predictability and transparency. Reasons for not favouring greater competition included higher transaction costs, fragmentation of effort and the potential for distortions in the global or regional allocation of resources (e.g. the under-aiding of certain countries).

Partners are actively diversifying their sources of assistance. Respondents were also asked whether they thought there would be any value in reducing the number of development assistance providers in their countries within the next five to ten years (survey question 21). Consistent with the discussion above on provider competition, there was a strong reluctance to contemplate any reduction in the number of development assistance providers in most cases (with 68 per cent of respondents answering no to this question).

> *The Directorate-General for Co-operation used to be in the Ministry of Planning. And now we moved to the Ministry of Foreign Affairs. This change has helped us make a strategy to raise funds. To go and knock on some doors of possible new development partners. Right now we are talking to Turkey. We're talking to Russia. Also the Arab countries. (Honduras)*

Some countries would in fact like to increase the number of providers they have, as they currently consider themselves to be under-aided and well able to make effective use of development assistance from new sources (e.g. Togo and Malawi).

However, it is difficult to interpret these results as evidence of a lack of interest in reducing fragmentation or focusing on relationships of real significance, because partner countries are often concerned that reducing the number of providers would diminish the overall amount of resources available or at least expose them to the risk of such diminution. It is possible that countries would wish to trim provider numbers if that could be done with little impact on aggregate ODA receipts.[9]

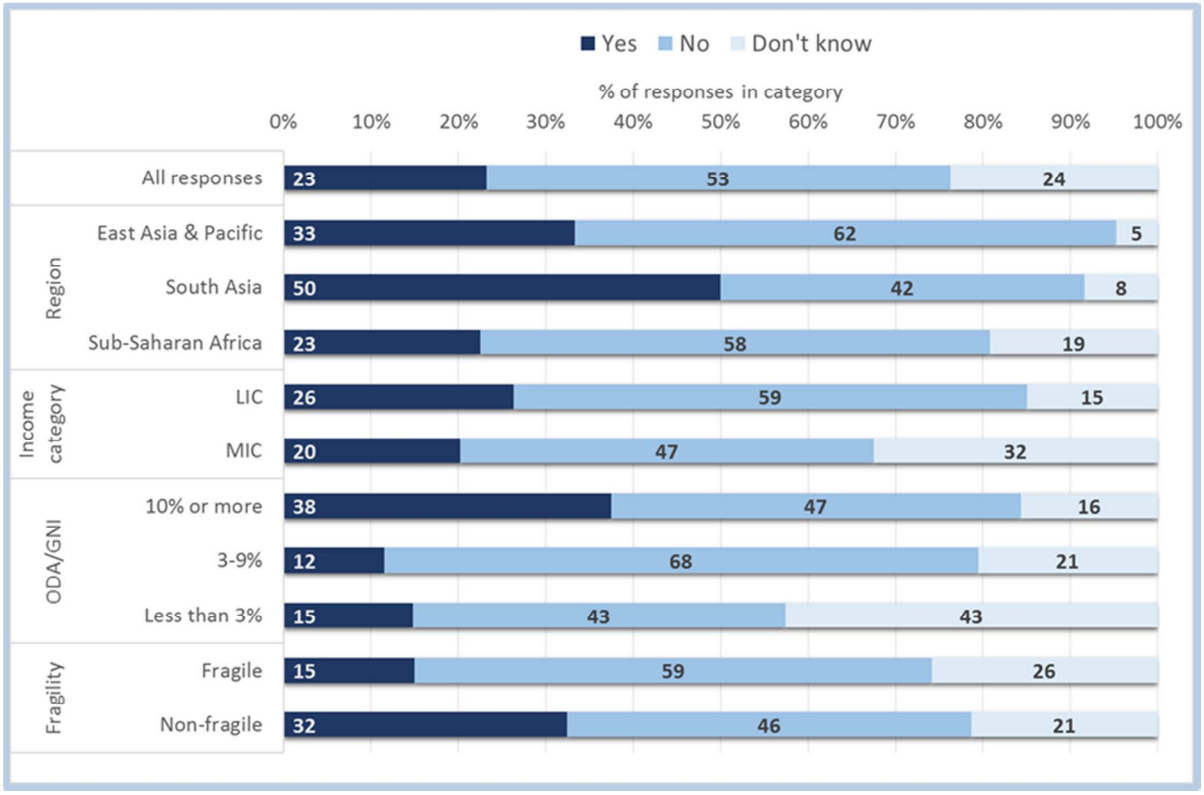
Respondents who did in fact see value in having fewer providers said they needed to be able to focus better on relationships with their large providers (e.g. Burkina Faso, Zambia), or wanted to encourage consolidation on the part of their EU providers in order to reduce fragmentation and transaction costs (Moldova), or recognised that higher-income status would inevitably lead to a reduction in provider numbers (e.g. Samoa).

2.5. Policy Coherence for Development

2.5.1. Overall satisfaction

A majority of respondents are looking for greater policy coherence. Respondents were asked whether they thought their bilateral development partners were doing enough to ensure that their development assistance policies were coherent with policies in other areas, including economic, trade, foreign, migration, defence and environmental policies, and were not hindering development (survey question 28). Just over one-half (53 per cent) said 'no', just under one-quarter (23 per cent) said 'yes' and the rest were uncertain. A disaggregation of the results by country category is shown in Figure 17 below.

Figure 17. Are partners doing enough on policy coherence? (disaggregated by country category)

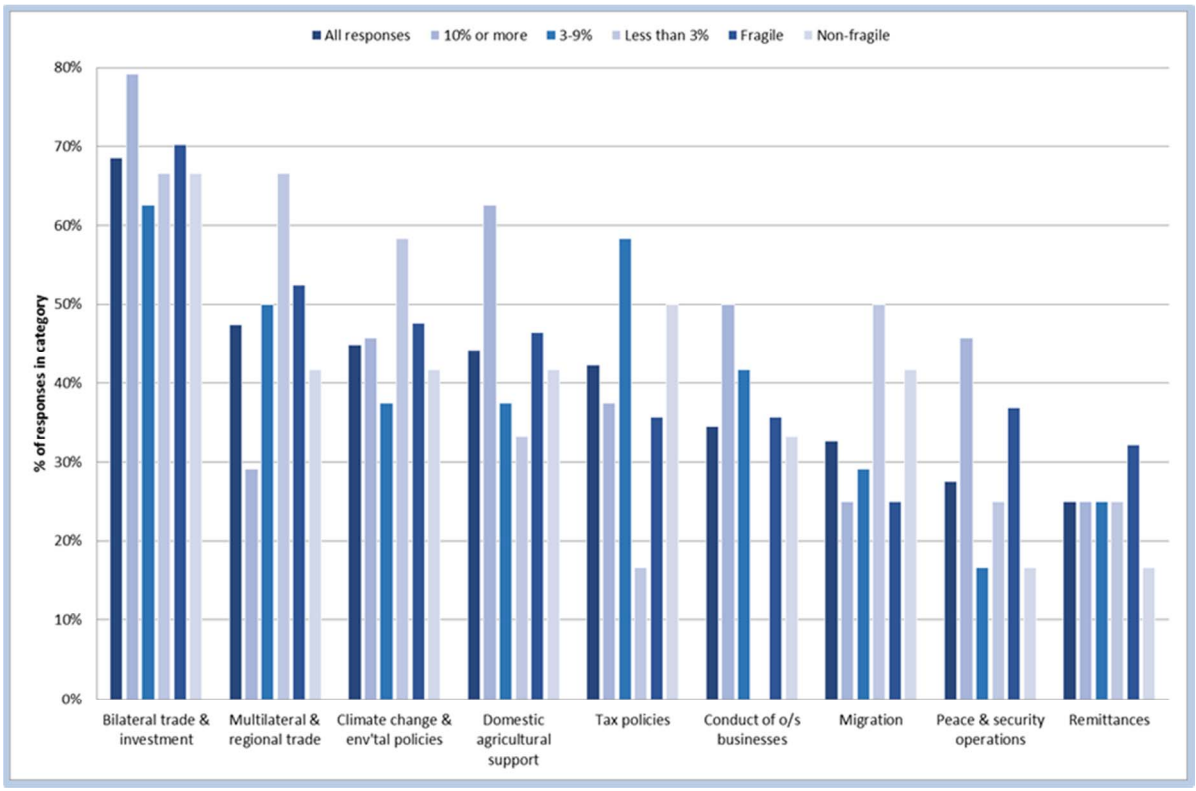


Medium-dependency countries are most concerned about policy coherence. The biggest 'yes' votes were posted by the categories of South Asia, highly ODA-dependent countries and non-fragile countries. The biggest 'no' vote was posted by the medium-dependency countries, followed by East Asia and the Pacific and low-income countries. The overall impression given by these results is that the most and least ODA-dependent countries and regions are, presumably for quite different reasons, less concerned about policy coherence. The countries for whom development assistance is neither trivial nor critical are the most assertive in seeking greater coherence between development assistance and other policies.

2.5.2. Policy coherence priorities

Respondents answering 'no' to the previous survey question were invited to specify which non-ODA policies their development partners should reform as a matter of priority over the next five to ten years. Figure 18 below shows responses disaggregated by several country categories — though it should be noted as a caution that only about half of the respondent countries responded to this question.

Figure 18. Areas for improvement on policy coherence for development (disaggregated by country category)



Bilateral trade and investment is the top area requiring greater policy coherence. The overall results seem intuitive. Concerns about trade and investment policies are consistent with views reported further below about wanting bilateral relationships, and co-operation in regional and multilateral forums, to evolve in favour of enhanced trade and investment over time.

> *Financial aid is one thing but it should also take into consideration direct investment promotion and fair trade with no or limited restriction on our export products. (Morocco)*

The high level of concern about providers' climate change and environmental policies is consistent with the earlier finding that climate change adaptation and environmental management is an area in which challenges are expected to become far more acute within five to ten years.

Results for some country categories also appear intuitive. For example, fragile states are particularly concerned about policy coherence for development in relation to peace and security operations and remittances. Some results are somewhat less intuitive and not easily explained. For example, (i) high-dependency countries are more concerned about bilateral trade and investment than other ODA dependency categories, but correspondingly less concerned about multilateral and regional trade; (ii) medium-dependency countries are significantly more concerned about providers' tax policies than are high-or low-dependency countries; and (iii) low-ODA-dependency countries and

non-fragile countries are particularly concerned about migration policy without this being matched by their level of concern about remittance-related policies.

Interviewees for the most part had few concrete suggestions about the role of development assistance agencies in helping to address policy coherence, but one interviewee made the following remark:

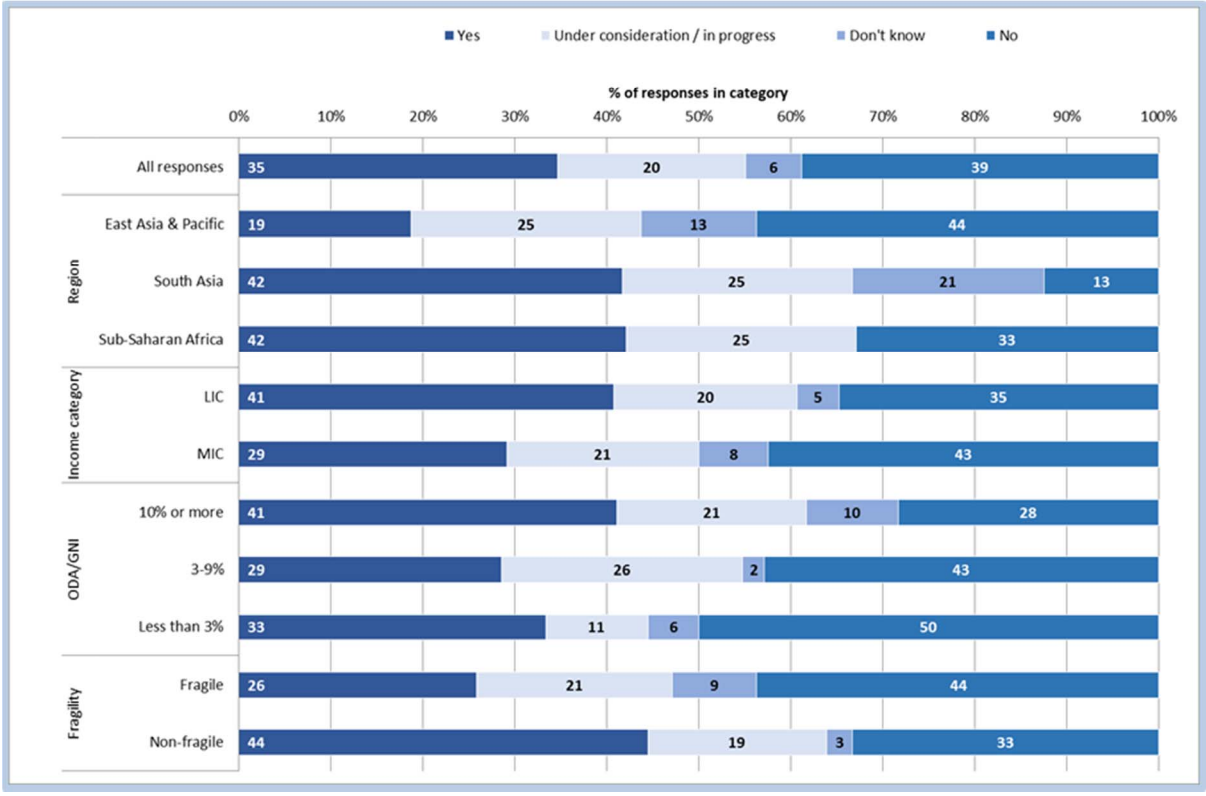
> *It's actually not the primary mission of aid agencies to facilitate [improvements in other areas of government]. However, since they know the development problematic so well they could help us with advocacy. And they could help [with] this idea of enlargement, widening because you cannot give with your right hand and take back with your left hand in terms of taxes on imports for instance. What I think is that aid should be coherent in all its components. Otherwise it would just be a vicious circle and if it's just finance then we will never be able to phase it out. (Morocco)*

2.6. Transitioning away from development assistance

2.6.1. Reducing ODA-reliance

Respondents were asked whether their government has a formal or informal goal of, or strategy for, reducing reliance on development assistance (survey question 24). Their responses, disaggregated by country category, are shown below, in Figure 19.

Figure 19. Do partner countries have a goal or strategy for reducing reliance on development assistance? (disaggregated by country category)



Low-income, high-dependency countries are the most determined to reduce their ODA-reliance. Again, the results are intuitive. Countries more intent on reducing ODA-reliance are low-income, highly ODA-dependent countries in sub-Saharan Africa and South Asia. Countries that are already less reliant on development assistance have lower levels of interest in further reducing their reliance.

> *All parties involved, beneficiaries and donors, have an interest that beneficiary countries would be eventually able to phase out development aid. So the responsibility is also on the beneficiary countries because they have to be able to work on internal revenues, internal capacities. (Benin)*

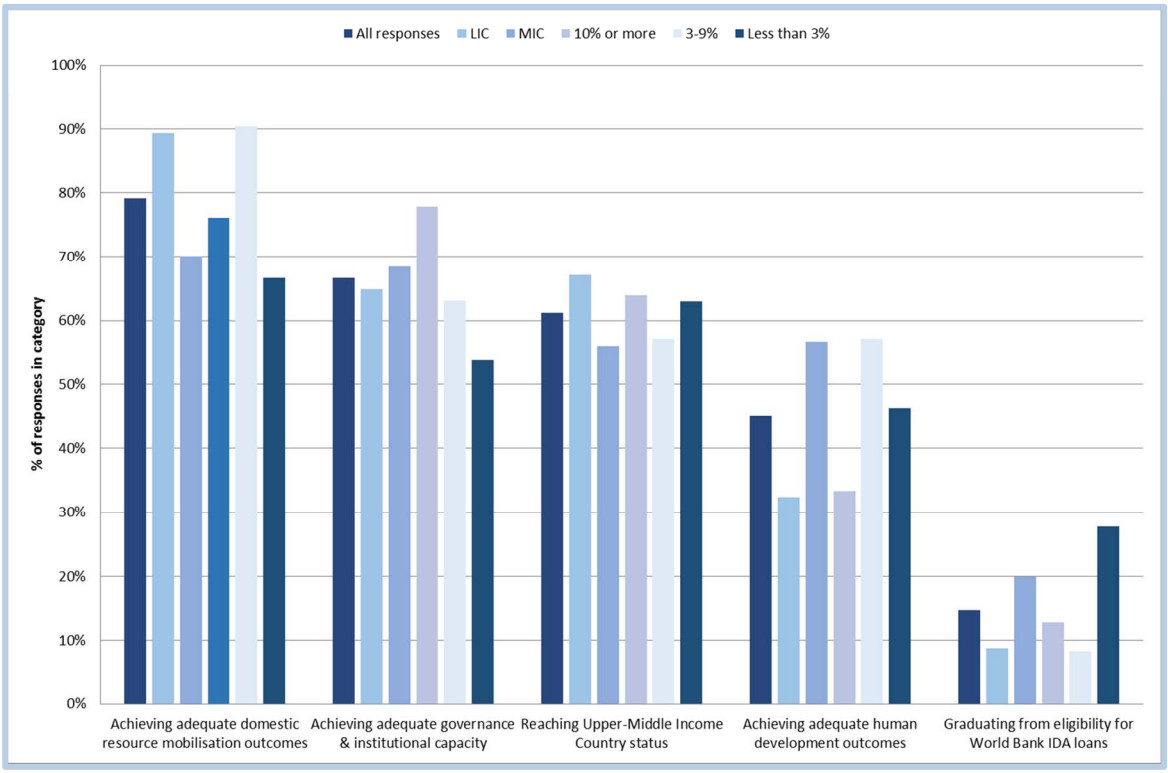
In justifying their responses, countries without a goal saw the need for assistance to support large, long-term investment programmes. Countries with a goal referred to factors such as their likely graduation from Least Developed Country or low-income country status or the unreliability and limited availability of concessional assistance, which necessitated consideration of other sources of external finance.

Most countries have no specific time-frame for phasing out assistance. Respondents were also asked whether their governments had specific time-frames for phasing out external assistance. Overall, 75 per cent of countries in the survey have no specific time-frame for phasing out external assistance, with a majority of countries in all categories lacking a time-frame. Non-fragile states, and the countries of South Asia, are more likely to have definite time-frames in mind but these are in most cases longer than a decade. Low-income countries are more likely to have a timeframe than middle-income countries, and the countries of East Asia and the Pacific are less likely to have a time-frame than the countries of other regions. This is consistent with the results discussed immediately above in that middle-income countries, and the countries of East Asia and the Pacific, appear to see themselves as having moved beyond the need for ODA-related goals and timetables.

2.6.2. Development assistance graduation benchmarks

Respondents were further asked what benchmarks, from a list of possibilities, they viewed as important in determining what might be an appropriate time to commence the phasing-out of external assistance (survey question 26). The results, disaggregated by country category, are shown in Figure 20 below.

Figure 20. Benchmarks for phasing out assistance (disaggregated by country category)

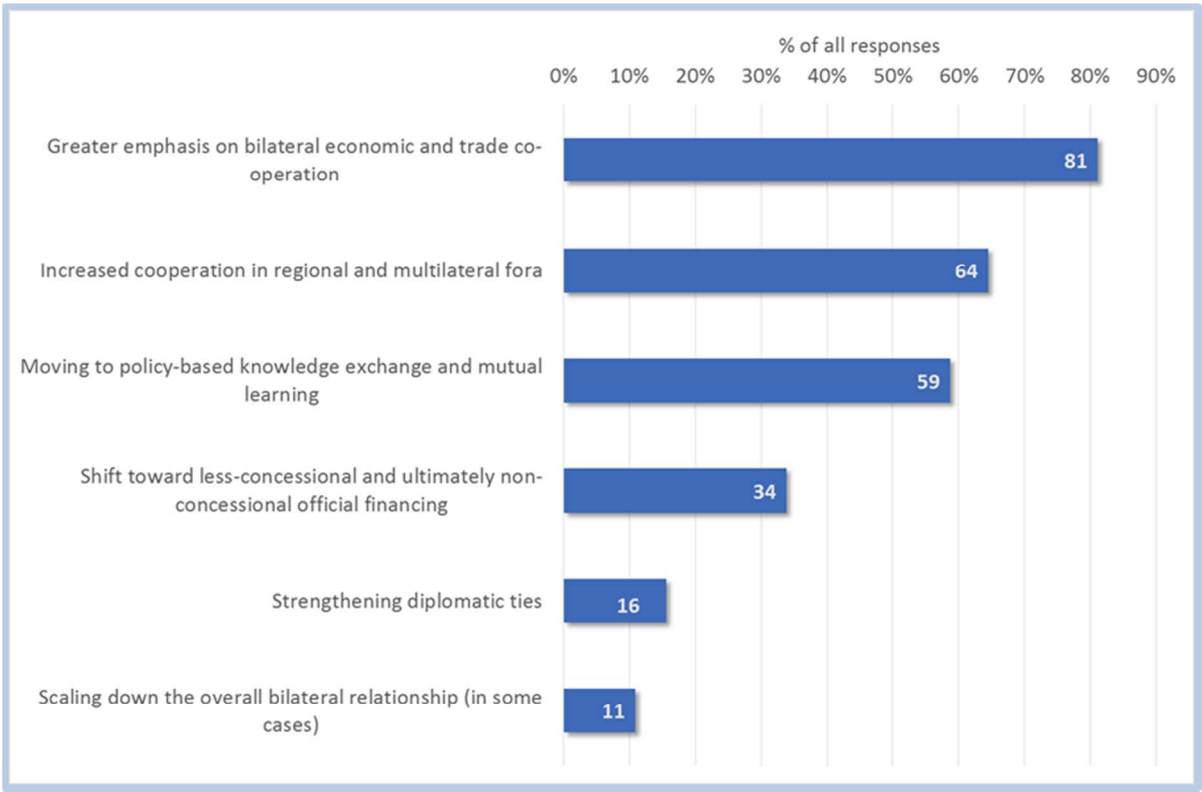


Internal measures of performance are the most widely favoured benchmarks. Achieving adequate domestic resource mobilisation outcomes was the most commonly cited benchmark across most country categories, followed by achieving adequate governance and institutional capacity. Both these benchmarks are really internal measures of performance. There was less interest in using benchmarks that involve international comparisons or human development outcomes, suggesting that the key factor for respondents was the capacity of governments to assume responsibility for the achievement of development outcomes, and sustain their achievement. Interestingly, middle-income countries saw the threshold of reaching upper-middle-income country status as somewhat less relevant than low-income countries did, perhaps reflecting a concern that the use of this threshold by providers could prematurely reduce their access to external concessional finance in the near future.

2.6.3. Evolution of relationships with development assistance providers

Respondents were asked to indicate, with reference to a list of possibilities, how they would like their relationships with their principal development partners to evolve as their countries transitioned away from development assistance (survey question 27). Their responses, in aggregate, are shown in Figure 21.

Figure 21. Preferred evolution of relationships with development partners



Note: Bars add up to more than 100 per cent as respondents were able to choose more than one option.

Partner countries want relationships with provider countries to evolve towards trade and co-operation for mutual benefit. Few respondents saw relationships scaling down. The largest number saw them transforming into trade and investment relationships, and a surprisingly large number were interested in increased co-operation in regional and multilateral forums — even ahead of policy-based knowledge exchange and mutual learning. These results are nevertheless consistent with the high priority placed by partner countries on improved policy coherence in relation to bilateral, regional and multilateral trade.

Equally, support for greater knowledge exchange and mutual learning remains considerably higher than the three lowest-ranked options, with a majority of respondents selecting this option. This result is consistent with findings mentioned previously about support for a greater shift towards technical and policy advisory support (see section 2.2.2).

Less interest was shown in accessing official financing on less-concessional or market terms. There was some variation across regions but less so across income categories (the disaggregation is not shown here). The overall message would seem to be that relationships are expected increasingly to yield mutual, regional or global benefits.

2.6.4. Development assistance provider exit strategies

Few development assistance providers have exit strategies in place, and their partners are concerned about the potential for abrupt, poorly managed exits. Respondents were asked whether any of their development partners had put in place development-assistance exit strategies (survey question 30). Very few respondents (nine per cent) reported the existence of formal exit strategies,

and the largest 'no' responses came from regions or groups where such strategies are no longer really relevant.

However, the fairly uninteresting quantitative results mask the fact that many countries have in fact experienced provider exits or ODA suspensions in recent years, which were frequently mentioned in interviews. When respondents were invited to comment on the main strengths and weaknesses of the exit strategies, if any, that their development partners had put in place, they referred to advance notice as a strength where it was given, but more often referred to the absence of it as a major weakness. Some noted that abrupt exits, especially from relatively well-organised co-operation scenes, had created 'orphan sectors'.

> *As of now, two donors already terminated their co-operation with Burkina Faso because our country was no longer a priority in their co-operation programmes or in the current government's view of the donor country. And that, as a consequence, has created huge problems in the neglected sectors. (Burkina Faso)*

Others referred to cases in which the threat of ODA withdrawal had been used for what respondents perceived as political purposes.

Notes

1. 'Collectively' because each individual respondent was restricted to selecting one top purpose now, and one in the future.

2. The chart shows the most important funding source for each of the three major development assistance provider groups, and also includes DAC concessional loans for completeness with respect to DAC providers.

3. 'Technical assistance' here should be understood in a narrow sense to refer to technical advisory support. Unlike the term 'technical co-operation' as sometimes used, it does not refer to projectised development assistance in general.

4. For example, 'cash on delivery' programmes in which partner governments are guaranteed a certain level of financing if they are able to meet negotiated social or environmental service delivery targets.

5. According to the 2014 Global Partnership Monitoring Report, 'Across all the countries reporting on this indicator in 2013, 64% of scheduled development co-operation funding for the government sector was reflected in developing countries' national budgets. This represents a positive trend in comparison with 2010, with a share of 57% … Only seven countries have reached the minimum target of capturing at least 85% of scheduled co-operation funding in their national budgets …: Bangladesh, Cabo Verde, Kenya, Lesotho, Mozambique, Nepal and Samoa.' (OECD/UNDP 2014: 41) All these countries except Lesotho participated in the partner country survey.

6. Transparency and untying are the subject of development effectiveness targets and indicators included in the Busan Partnership agreement in 2011.

7. The 2014 Global Partnership Monitoring Report found that 'There has been some progress on annual predictability, with 84% of funds disbursed according to plan. However, developing country governments are faced with continued unpredictability and are managing increasingly complex resource equations where providers' disbursements both fall short of – and exceed – initial plans.… Medium-term predictability remains a real challenge. The commitment for providers to share, by 2013, rolling three- to five-year

forward expenditure plans has not been implemented. Forward expenditure plans for the third year ahead now cover just over half of estimated expenditure' (OECD/UNDP 2014: 29).

8. This finding is consistent with an observation made by Greenhill et al. (2013: 29) that two of their three case-study countries, Ethiopia and Cambodia, showed little interest in including non-DAC providers in national development assistance co-ordination mechanisms.

9. Rwanda, a survey participant, has done so. According to the 2014 Global Partnership Monitoring Report, 'Rwanda manages diversity and reduces fragmentation through an agreed division of labour based on a portfolio analysis of development partners using the Development Assistance Database. This has decreased the share of development co-operation relations that are relatively small in size and therefore contribute to fragmentation (from 40% in recent years to 31% in 2012).' (OECD/UNDP, 2014: 100)

3. KEY FINDINGS

The preceding discussion contains much that is unsurprising, but also some findings that should be of considerable interest to DAC and other development assistance providers. The key findings may be grouped under six key headings:

- development challenges;
- demand for development assistance;
- quality of development assistance;
- utilisation of development assistance;
- expectations of each category of development assistance provider; and
- transitioning away from development assistance.

3.1. Development challenges

Partner countries anticipate significant shifts in their development challenges. Partner country government respondents are generally optimistic that their countries will experience substantial improvements in state capacity, political and social stability and domestic resource mobilization over the next five to ten years. This optimism is particularly marked in middle-income countries and countries with medium to low levels of ODA dependency. Governments in these countries are confident that they will be able to assume greater responsibility for meeting the basic needs of their citizens in the future, adopting a more complete front-line service delivery role.

Despite this optimism, partners see formidable challenges ahead. Respondents nominated the achievement of sustainable economic growth as the dominant development challenge both now and in the future, with a focus on generating employment opportunities, particularly for growing and increasingly urban youth cohorts. Other challenges expected to grow in importance in the coming years were dealing with climate change, ensuring equitable growth that meets the needs of the poorest, increasing agricultural productivity, managing revenues from resource extraction, and attracting private financing, particularly for investment in public-private partnerships.

3.2. Demand for development assistance

The demand for DAC development assistance will remain strong, but partners want DAC providers to play a more enabling role in the future. Respondents see an ongoing, important role for DAC development assistance in meeting emerging challenges. However, in the enlarged provider marketplace of the future, partners want DAC providers to shift to a more enabling role: still providing vital finance, but in support of government-led sector investment programmes; providing more and better technical and policy advisory support; and doing more to leverage private flows. This shift is most marked in middle-income countries and in countries with medium to low levels of ODA dependency, who see the provision of public policy support as the top purpose for DAC assistance in the future, even ahead of filling domestic financing gaps.

These findings illustrate that the intensity of development assistance relationships will not necessarily reduce as partners' economies grow and they move down the ODA dependency scale. Intensity might in fact increase for a period in cases where partner country governments see a reinvigorated role for targeted, policy-oriented grant assistance from DAC sources in the future. This is particularly the case in connection with the growing number of medium-dependency

countries, for whom development assistance is an important but not dominant element of national income.

3.3. Quality of development assistance

Partner countries want development assistance, in no matter what form, to contribute materially to the achievement of national priorities. Respondents place very high value on alignment, predictability and responsiveness as qualities of their countries' development assistance providers in five to ten years' time. Accordingly, they see general and sector budget support as the most important modalities for future assistance, though project-based assistance retains significant support provided it is demand-driven and high-impact.

Some partner countries are considering or putting in place disincentives to development assistance fragmentation, including size thresholds for projects and formal divisions of labour among provider countries. While grant ODA is preferred, all else being equal, there is also a sense that loan-financed programmes are less likely to be supply-driven and less prone to aggravate fragmentation.

Most respondents emphasized sector budget support over general budget support. In part, this clearly reflected a view that their partners' appetite for the latter was demonstrably waning. It should also be noted, however, that the ability to manage a sector investment programme marks a government that is capable and in control. Such a government might well have no preference for general over sector budget support.

In the above respects also, the findings of the survey reinforce those of the OECD's New Development Finance Landscape project, which found that the partner countries it studied valued 'flexibility and the use of country systems, speed of delivery, and alignment to their national strategies' (OECD 2014a: 8). While respondents expressed some concerns about other factors limiting ODA effectiveness, such as the use of parallel project implementation units, the tying of procurement and the fielding of multiple, unco-ordinated design, monitoring and review missions, these concerns did not loom particularly large — possibly because they are less pressing in a scenario in which assistance is provided mostly in the form of sector budget support, highly targeted technical assistance or 'turnkey' infrastructure.

3.4. Utilisation of development assistance

Partner countries are actively diversifying their providers

While DAC countries will in general continue to be the most important bilateral providers, they are perceived as somewhat unpredictable at present, liable to reduce ODA budgets or end relationships, sometimes abruptly. Multilateral organisations, while perceived as very important, high-quality providers, cannot entirely meet partner countries' needs in terms of volume and flexibility. Partner countries are therefore increasingly engaging their diplomatic resources to diversify bilateral sources of assistance, with a view to spreading risk.

In this regard, the report lends support from a wider sample to a finding of Greenhill et al. (2013: 25), that their case-study countries (Cambodia, Ethiopia and Zambia)

> *"..did not indicate a major push to reduce aid dependency on the part of recipient governments. The anticipated reductions in traditional ODA appeared to be coming more from 'push factors' on the part of donors than from 'pull factors' on the part of government. Countries appeared to want to diversify financing more because ODA flows had, or were expected to, fall, rather than because of any political desire to exit from dependency on ODA."*

Partner countries show little appetite for thinning the ranks of their development assistance providers and are quite tolerant, even encouraging, of competition among providers. Some view such competition as an incentive to quality improvement in various dimensions. This reinforces the statement by Greenhill et al. (2013: ix) that 'the benefits of greater choice were found to outweigh the potential costs of the additional fragmentation'. Likewise, it is consistent with the finding of the New Development Finance Landscape project that, among the partner countries it studied, 'greater choice is welcome, with the benefits of more funding options seen as outweighing the complexity of managing these new resources' (OECD, 2014a: 8).

Our results suggest that there exist three distinct groups of partner country, with different interests and concerns. One comprises the larger, higher-growth middle-income countries for whom development assistance is no longer significant in proportion to GNI but who might still attach considerable value to grants from DAC sources. A second group comprises highly ODA-dependent low-income countries whose over-riding concern is to maintain or increase ODA volume. A third group comprises a growing number of 'medium-dependency' countries for whom development assistance is an important but not dominant element of national income.

There are currently 38 countries worldwide in this third group, compared with 33 a decade ago[1], and it is likely to grow in the coming years, as economic growth in high-dependency countries outstrips growth in development assistance, or indeed causes reductions, in their development assistance receipts. Medium-dependency countries tend to be more demanding and critical of their development assistance providers. They are more likely than countries in the dependency cohorts above and below them to have both the capacity and the incentive to negotiate terms with development assistance providers, and to juggle multiple negotiations and relationships. Providers, DAC and non-DAC, will need to calibrate their engagements with partners accordingly, recognizing that the intensity of development assistance relationships will not necessarily decline as partners move down the dependency scale, and might in fact increase for a period, until the significance of development assistance to the partner country falls below a certain level.

This observation with respect to medium-dependency countries adds some nuancing to an observation made by the authors of the New Development Finance Landscape study: "governments that do not extensively rely on foreign assistance to finance their national budgets are likely to have a stronger position in negotiating with development assistance providers than those that are heavily dependent on external resources" (OECD, 2014a: 16). This will likely be true only within a certain dependency range, as countries with very low dependency will have less incentive, and in many cases less dedicated bureaucratic apparatus, to engage in such negotiations. By comparison, an earlier study by Greenhill et al. found evidence of a strong will and capacity to negotiate with development assistance providers in two of its three case study countries — Ethiopia and Cambodia — both of whom are in the medium-dependency cohort.[2] In these countries, "governments were using the existence of [non-traditional providers] to increase their negotiating capital in relation to traditional donors, and there was some evidence to suggest they were able to secure better outcomes in relation to their priorities" (Greenhill et al., 2013: 28).

3.5. Expectations of development assistance providers

Each major category of development assistance provider is valued for specific strengths and expected to remedy specific weaknesses. DAC providers are valued for the magnitude of their financial assistance, public policy experience, transparency, in-country presence, and solid track record of co-operation. However, respondents expect them to improve funding predictability, provide more sector budget support, reduce programme fragmentation and earmarking, and do more to use and build local capacity. They also want better-managed exits (see section 3.6), greater coherence between different policy domains and more consistency between development effectiveness commitments made in international forums and practice on the ground. The need for in-country offices to have much higher levels of delegated authority, and at the same time to be better connected to their headquarters with respect to international policy commitments, was very heavily stressed.

Non-DAC bilateral providers are valued for the additional resources they bring, the important role they play in providing high-priority economic infrastructure in a responsive and timely manner, and for their reliability in delivering against agreed objectives. Respondents tend to measure these providers' effectiveness by reference to standards specific to project-oriented development assistance, and for the most part do not expect from them budget support or the use of country systems. Nevertheless, respondents would like to see changes in the way their non-DAC bilateral providers operate over the next five to ten years, particularly in relation to transparency, value for money, country presence and engagement in development dialogue.

Multilateral providers are valued for their ability to support large-scale, long-term and complex government programmes, and are seen by partners as a critical, if not dominant, source of financing in the future. They are praised for their high level of alignment, limited conditionality, predictability, strategic focus and the depth and relevance of their pools of expertise, both locally-based and international. Respondents see little room for improvement, but they do point to policy and procedural rigidities, for example long delays in the issuance of 'no objection' certificates which trigger loan or grant disbursements, as irritants. They also want multilaterals to do more to build local capacity.

3.6. Transitioning away from development assistance

Partner countries want to transition away from development assistance in a measured way, avoiding shocks and maintaining relationships. Many respondents were critical of the way in which some DAC development assistance providers managed their ODA exits at both the country and sector level. They pointed to abrupt exits arising from their achievement of middle-income status, or in other cases their fear that external financing will diminish should they lose Least Developed Country status, without regard to the role that development assistance currently plays in their economies. Where not simply fatalistic about such developments, they see them as arbitrary, often leading to the defunding of particularly effective programmes or the creation of 'orphan' sectors.

Partner governments often have their own ambitions to eliminate reliance on external assistance, but their criteria for graduation relate to internal measures of state capacity rather than per-capita income thresholds or other international benchmarks. They want their bilateral relationships with development assistance provider countries not to diminish but to evolve, so that assistance continues in some forms while bilateral relationships diversify into trade and investment and co-operation in regional and global forums — that is, into areas that deliver mutual, regional or global benefits. They see considerable scope to improve the internal coherence of their partners' policies affecting developing countries, particularly with respect to trade and investment, climate

change policies and domestic agricultural support. They attach at least as much importance to improving coherence between providers' headquarters and their country offices, even where both the former and the latter already integrate foreign policy, development, trade and other functions.

In some ways, the shift toward an increased number of bilateral relationships which appears to be happening in the development assistance arena, partly to insure against the vagaries of DAC members' development assistance policies and budgets, will stand partner countries in good stead once they move beyond development assistance. ODA effectiveness might call for deep relationships with a few providers, but foreign and trade policy objectives generally call for diverse and issue-specific relationships with many partners.

Notes

1. Based on data from the World Bank's Word Development Indicators dataset.
2. At the time of publication of the Greenhill et al. study (2013), the latest available ODA data put Ethiopia in the high-dependency category (with an ODA/GNI ratio of 11.6 per cent in 2010). Subsequent ODA data has shown that by the time of the study's field work (2012), Ethiopia was already in the medium-dependency category (at 7.6 per cent in 2012). The third case-study country, Zambia, was (in both 2010 and 2012) also in the medium-dependency category but according to the study its approach was not as strategic as that of the other two countries studied, 'perhaps given the slightly lower share of [non-traditional providers] to total external resources there' (Greenhill et al., 2013: 28).

4. CONCLUSION

Overall, the findings of the survey suggest that partner countries, including middle-income countries, see a very substantial ongoing role for development assistance from DAC member countries well into the next decade — though they want DAC development assistance to play a more enabling role than at present. They are, in most cases, counting on ongoing access to multilateral sources for large-scale financing. They are carving a niche for, and reaching out to, non-DAC bilateral donors, both in recognition of their comparative advantage in economic infrastructure and in order to hedge the risk of ODA volume cuts and abrupt exits on the part of DAC development assistance providers.

DAC development assistance agencies will have to get used to working in crowded spaces under a stronger spotlight, and will need to take their commitments to alignment with national development strategies and priorities much more seriously, including by vesting greater decision-making authority in country offices. Partner countries, particularly the growing number of countries in the medium ODA-dependency category, are likely to give increasing voice to their desire for DAC assistance to be provided in the form of sector budget support and focused, responsive and high-quality technical assistance for public policy development, with less emphasis on flagship front-line service delivery projects.

While much other recent research has emphasised changes on the supply side of development assistance, exploring the proliferation of sources of finance, delivery agents and instruments, and some other research has looked at how specific partner countries are responding to this, the present survey tends to highlight an important general shift on the demand side. That is, on average partner countries are becoming increasingly discerning, selective and strategic in their use of development assistance. At least in part, this reflects the fact that there are now more countries than at any time in the past for whom development assistance, both generally and from OECD-DAC sources, is an important source of financing for development without being the dominant one. These countries not only have more choice but also stronger capacities and incentives to exercise it. As a result, the future of development assistance agencies is increasingly where it was putatively placed a long time ago: in the hands of partner governments. Nevertheless, it is those agencies' own policy and management choices that will ultimately determine whether they are fit for purpose.

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6. APPENDIX A

The distribution of respondent countries by category is as shown in Figure 22 below. The full list of countries participating in the survey, with information on key characteristics and on the number of respondents per country, is at Table 3.

Figure 22. Distribution of online responses by country category

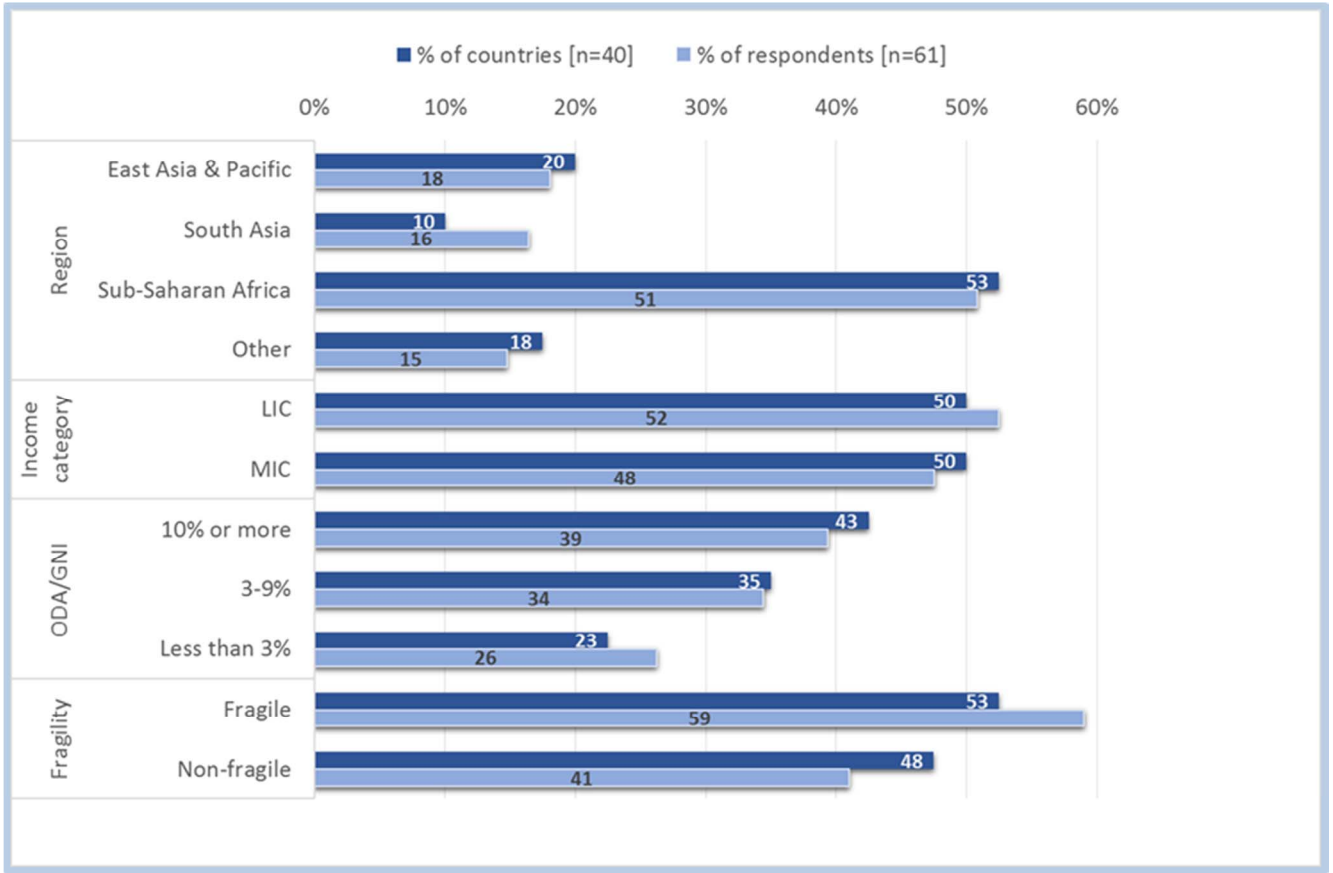

Table 3. List of countries participating in the partner country survey

	Region	*Population, 2012 (m)*	*GNI per cap, 2012 (USD[1])*	*Income category*	*LDC status*	*Fragility*	*Net ODA, 2012 (USD m)*	*Gross ODA, 2012 USD m)*	*ODA / GNI ratio, 2012 (%)*	*ODA / GNI ratio category*	*ODA / capita, 2012 (USD)*	*Questionnaire responses (n=61)*	*Interviews (n=28)*
Afghanistan	South Asia	29.8	690	LIC	LDC	Fragile	6,725	6,740	32.7	10% or more	225.5	2	0
Armenia	Europe & Central Asia	3.0	3,513	LMIC	Non-LDC	Non-fragile	273	325	2.6	Less than 3%	91.9	1	0
Bangladesh	South Asia	154.7	821	LIC	LDC	Fragile	2,152	2,988	1.7	Less than 3%	13.9	3	2
Benin	Sub-Saharan Africa	10.1	747	LIC	LDC	Non-fragile	511	544	6.8	3-9%	50.9	1	1
Burkina Faso	Sub-Saharan Africa	16.5	635	LIC	LDC	Fragile	1,159	1,226	11.1	10% or more	70.4	4	2
Burundi	Sub-Saharan Africa	9.8	249	LIC	LDC	Fragile	523	539	21.3	10% or more	53.1	3	0
Cambodia	East Asia & Pacific	0.5	3,757	LIC	LDC	Non-fragile	807	860	6.1	3-9%	54.3	1	0

	Region	*Population, 2012 (m)*	*GNI per cap, 2012 (USD[1])*	*Income category*	*LDC status*	*Fragility*	*Net ODA, 2012 (USD m)*	*Gross ODA, 2012 USD m)*	*ODA / GNI ratio, 2012 (%)*	*ODA / GNI ratio category*	*ODA / capita, 2012 (USD)*	*Questionnaire responses (n=61)*	*Interviews (n=28)*
Cameroon	Sub-Saharan Africa	21.7	1,140	LMIC	Non-LDC	Fragile	596	692	2.4	Less than 3%	27.5	3	1
Cabo Verde	Sub-Saharan Africa	4.5	472	LMIC	Non-LDC	Non-fragile	246	268	13.3	10% or more	498.3	1	1
Congo, Dem. Rep.	Sub-Saharan Africa	65.7	240	LIC	LDC	Fragile	2,859	2,877	18.1	10% or more	43.5	1	0
Côte d'Ivoire	Sub-Saharan Africa	19.8	1,194	LMIC	Non-LDC	Fragile	2,636	4,571	11.1	10% or more	132.8	1	0
Dominican Republic	Latin America & Caribbean	10.3	5,523	UMIC	Non-LDC	Non-fragile	261	346	0.5	Less than 3%	25.4	1	0
Ethiopia	Sub-Saharan Africa	91.7	469	LIC	LDC	Fragile	3,261	3,322	7.6	3-9%	35.6	1	1
Guatemala	Latin America & Caribbean	15.1	3,277	LMIC	Non-LDC	Non-fragile	299	347	0.6	Less than 3%	19.9	1	0
Guinea-Bissau	Sub-Saharan Africa	1.7	539	LIC	LDC	Fragile	79	82	8.8	3-9%	47.4	1	0

	Region	*Population, 2012 (m)*	*GNI per cap, 2012 (USD[1])*	*Income category*	*LDC status*	*Fragility*	*Net ODA, 2012 (USD m)*	*Gross ODA, 2012 USD m)*	*ODA / GNI ratio, 2012 (%)*	*ODA / GNI ratio category*	*ODA / capita, 2012 (USD)*	*Questionnaire responses (n=61)*	*Interviews (n=28)*
Honduras	Latin America & Caribbean	7.9	2,103	LMIC	Non-LDC	Non-fragile	572	599	3.4	3-9%	72.0	1	1
Indonesia	East Asia & Pacific	246.9	3,454	LMIC	Non-LDC	Non-fragile	68	2,323	0.0	Less than 3%	0.3	2	2
Kenya	Sub-Saharan Africa	43.2	863	LIC	Non-LDC	Fragile	2,654	3,175	7.1	3-9%	61.5	1	0
Kiribati	East Asia & Pacific	0.1	2,393	LMIC	LDC	Fragile	65	65	26.8	10% or more	640.2	1	1
Liberia	Sub-Saharan Africa	4.2	385	LIC	LDC	Fragile	571	574	35.4	10% or more	136.3	1	0
Madagascar	Sub-Saharan Africa	22.3	434	LIC	LDC	Fragile	379	419	3.9	3-9%	17.0	1	1
Malawi	Sub-Saharan Africa	15.9	260	LIC	LDC	Fragile	1,175	1,197	28.4	10% or more	73.9	2	1
Moldova	Europe & Central Asia	3.6	2,197	LMIC	Non-LDC	Non-fragile	473	500	6.1	3-9%	132.9	2	1

	Region	*Population, 2012 (m)*	*GNI per cap, 2012 (USD[1])*	*Income category*	*LDC status*	*Fragility*	*Net ODA, 2012 (USD m)*	*Gross ODA, 2012 USD m)*	*ODA / GNI ratio, 2012 (%)*	*ODA / GNI ratio category*	*ODA / capita, 2012 (USD)*	*Questionnaire responses (n=61)*	*Interviews (n=28)*
Morocco	Middle East & North Africa	32.5	2,885	LMIC	Non-LDC	Non-fragile	1,480	2,026	1.6	Less than 3%	45.5	2	2
Mozambique	Sub-Saharan Africa	25.2	577	LIC	LDC	Non-fragile	2,097	2,170	14.4	10% or more	83.2	1	1
Nepal	South Asia	27.5	712	LIC	LDC	Fragile	770	932	3.9	3-9%	28.0	3	1
Niger	Sub-Saharan Africa	17.2	376	LIC	LDC	Fragile	902	933	14.0	10% or more	52.6	1	0
Pakistan	South Asia	179.2	1,354	LMIC	Non-LDC	Fragile	2,019	2,906	0.8	Less than 3%	11.3	2	1
Papua New Guinea	East Asia & Pacific	7.2	2,096	LMIC	Non-LDC	Non-fragile	665	713	4.4	3-9%	92.8	1	0
Rwanda	Sub-Saharan Africa	11.5	600	LIC	LDC	Non-fragile	879	917	13.3	10% or more	76.7	1	1
Samoa	East Asia & Pacific	0.2	3,391	LMIC	Non-LDC	Non-fragile	121	129	18.9	10% or more	638.5	1	0

	Region	*Population, 2012 (m)*	*GNI per cap, 2012 (USD[1])*	*Income category*	*LDC status*	*Fragility*	*Net ODA, 2012 (USD m)*	*Gross ODA, 2012 USD m)*	*ODA / GNI ratio, 2012 (%)*	*ODA / GNI ratio category*	*ODA / capita, 2012 (USD)*	*Questionnaire responses (n=61)*	*Interviews (n=28)*
Senegal	Sub-Saharan Africa	13.7	1,018	LMIC	LDC	Non-fragile	1,080	1,159	7.7	3-9%	78.7	2	2
Sierra Leone	Sub-Saharan Africa	6.0	635	LIC	LDC	Fragile	443	459	11.7	10% or more	74.1	1	0
Solomon Islands	East Asia & Pacific	0.5	1,273	LMIC	LDC	Fragile	305	310	43.6	10% or more	554.5	1	1
Tanzania	Sub-Saharan Africa	47.8	586	LIC	LDC	Non-fragile	2,832	2,873	10.1	10% or more	59.3	1	0
Togo	Sub-Saharan Africa	6.6	501	LIC	LDC	Fragile	241	250	7.3	3-9%	36.4	2	1
Vanuatu	East Asia & Pacific	0.2	3,101	LMIC	LDC	Non-fragile	101	105	13.2	10% or more	410.6	1	0
Vietnam	East Asia & Pacific	88.8	1,511	LMIC	Non-LDC	Non-fragile	4,116	4,790	3.1	3-9%	46.4	3	2
Yemen	Middle East & North Africa	23.9	1,411	LMIC	LDC	Fragile	709	844	2.1	Less than 3%	29.7	1	1

	Region	*Population, 2012 (m)*	*GNI per cap, 2012 (USD[1])*	*Income category*	*LDC status*	*Fragility*	*Net ODA, 2012 (USD m)*	*Gross ODA, 2012 USD m)*	*ODA / GNI ratio, 2012 (%)*	*ODA / GNI ratio category*	*ODA / capita, 2012 (USD)*	*Questionnaire responses (n=61)*	*Interviews (n=28)*
Zambia	Sub-Saharan Africa	14.1	1,388	LMIC	LDC	Non-fragile	958	1,013	4.9	3-9%	68.0	1	0
Total (T) or average (A) (all developing countries)		*5,727 (T)*	*3,730 (A)*				*133,050 (T)*	*156,738 (T)*	*0.6 (A)*		*23.2 (A)*		
Respondent countries (% of all developing countries)		*23%*					*36%*	*36%*					

Data sources:

***Regions, population, GNI, ODA (including ratios)**: OECD statistics (several regions have been grouped under 'Other' (Europe and Central Asia, Middle East and North Africa, Latin America and Caribbean)), retrieved 6 August 2014; where no data listed in OECD statistics (e.g. GNI for Afghanistan, Rwanda, West Bank), World Development Indicators 2014 used.*

***LDC status**: UN (http://www.un.org/en/development/desa/policy/cdp/ldc/ldc_list.pdf).*

***Income category**: World Bank (2014) http://data.worldbank.org/about/country-and-lending-groups.*

***Fragility**: OECD Fragile States 2014.*

Note

1. Atlas method.

OECD

BETTER POLICIES FOR BETTER LIVES