



Accountability dilemmas in foreign aid

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Abstract

This paper argues that many of the problems with foreign aid stem from two interrelated accountability dilemmas. On the one hand, in deciding on aid policies and interventions, donor agencies are accountable to their own parliaments and domestic pressure groups rather than to foreign aid beneficiaries in recipient countries. On the other hand, their resulting focus on short-term targets and results can undermine efforts to build the institutions needed for the long-term sustainability of development outcomes. These dilemmas generate some ‘contradictions’ that are very difficult for donors to avoid and that have consistently undermined aid effectiveness.

This paper offers a set of ideas and suggestions for rebalancing accountabilities in development assistance. These span from the need to provide more development assistance through multilateral institutions and to finance it with independent and direct sources of revenue, to identifying necessary reforms in donor agencies aimed at designing aid interventions that are (1) better suited to recipient country contexts and to avoiding a short-term focus on targets and results and (2) oriented towards the important task of deepening our knowledge on foreign aid effects on recipient country actors and institutions and of providing them with more and better information on donor policies and interventions. Without taking action in at least some of these areas, foreign aid is likely to remain caught in its very own contradictions, and efforts at improving its effectiveness are destined to fail.

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1 Introduction

Foreign aid, or assistance – financial, technical or material – provided by one country to another with the aim of promoting socioeconomic development has been around for more than 60 years. For more than half of that period, its effectiveness in achieving its objectives has been repeatedly called into question. Lord Peter Bauer’s well-known essay, ‘The case against foreign aid’, one of the first in its genre, dates back to 1973. In it, he argues that aid strengthens governments that often end up stifling private economic activity and disrespecting the rights of minorities. It also ‘promotes the adoption of unsuitable external models’ and ‘reinforces the widespread attitude that opportunities for the advance of one’s self and one’s family must be provided by someone else, which promotes or reinforces torpor and fatalism’ (Bauer, 1973: 155).

Since then, many others have followed in his footsteps, turning the debate on the effectiveness and impact of foreign aid into a regular feature of discussions in both academic and policy circles.¹ Over the past decade, also thanks to international campaigns that have brought foreign aid into the spotlight – think, for example, of the Jubilee Debt Campaign for the cancellation of poor countries’ foreign debt or the Make Poverty History campaign – this debate has gained some very high-profile advocates on both sides. The heated – some would say overhyped – exchange of opinions between Jeffrey Sachs on the one hand, arguing for a doubling of foreign aid levels to reach the Millennium Development Goals (MDGs) (Sachs, 2005), and William Easterly and Dambisa Moyo on the other, claiming aid should be overhauled, if not stopped altogether, has kept aid audiences enthralled (Easterly, 2005; Moyo, 2009).

While the debate still rages on, it is worth asking to what extent the question still makes sense. How many countries still rely heavily on foreign aid to finance public spending, and how important does foreign aid remain in the fight against global poverty? Using a rough indicator of aid dependency – net Official Development Assistance (ODA) as a share of national income – the number of countries where foreign aid amounts to more than 10% of national income has come down significantly over the past 20 years, from 53 to 36. Most of those that remain are either Sub-Saharan African countries or Pacific small island states. Those that have managed to reduce their levels of aid dependency, though, did so mostly over the second half of the past decade, when a global rise in commodity prices led to high rates of economic growth in resource-rich countries, often with a limited impact on poverty levels.² As Table 1 shows, if we use a lower threshold of 5% of national income, the reduction in the overall number of aid-dependent countries is less accentuated, and affects a more geographically diverse group. This means foreign aid is likely to remain an important source of financing for a significant number of countries in the years to come. Therefore, coming to a better understanding of how to improve foreign aid continues to be a very important enterprise, also in light of the recent adoption of the 2030 Agenda for Sustainable Agenda by the UN, coupled with the definition of 17 Sustainable Development Goals – and related indicators and targets – which will contribute to shaping international development efforts over the next 15 years (UNGA, 2015).

Aid critics have pointed to a number of problems with foreign aid, and with the way development assistance

Table 1: Number of aid-dependent countries, 1994–2013

Average ODA/gross national income	1994–1998	1999–2003	2004–2008	2009–2013
> 10%	53	49	38	34
> 5%	76	70	69	63

Source: *World Development Indicators*

1 See, for example, the much-cited report commissioned by the World Bank and the International Monetary Fund (IMF) and produced by Robert Cassen and colleagues in the mid-1980s (Cassen et al., 1986), or Roger Riddell’s more recent review and assessment of existing evidence on the effectiveness of foreign aid (Riddell, 2008).

2 The 2011 African Economic Outlook, for example, argues that ‘Africa’s growth [...] has had little impact on job creation and poverty reduction’ and ‘benefited a small part of the population’ (AfDB and OECD, 2011).

has been provided until today. Some of those most often referred to point to the important unintended consequences of even the most well-intentioned foreign aid interventions and echo some of Peter Bauer's arguments from 40 years back. Two are particularly important for the argument developed in this paper. First, foreign aid focuses on the wrong things. Too often, aid-financed projects and programmes are decided and designed based on donor priorities and on models drawn on either some past successful experience of the donor country or on some abstract notion of recognised 'international best practice', without much attention to local needs and priorities or to the context in which they are meant to work and achieve impact. Easterly's argument that too much of foreign aid is based on a 'planner's' approach, which promotes ready-made solutions based on global blueprints, rather than on a 'searcher's' capacity to look for context-specific responses to development problems through trial and error experimentation is an example of such a line of argument (Easterly, 2006).

Second, foreign aid undermines governance and institution-building. Through the direct financing of government spending, aid favours incumbent governments in the domestic political game and weakens their dependence on taxes paid by citizens. By being channelled through a multiplicity of uncoordinated projects and

programmes, it drains government capacity for coherent policy formulation and implementation. And through its contradictory behaviour in using conditionality – attempting to impose reforms on recipient governments by threatening to withhold aid, only to then cave in to the pressure to disburse available budgets³ – foreign aid weakens incentives for much-needed reforms and to address some of the collective action problems that stand in the way of faster and more equitable growth.⁴ In his latest book, Angus Deaton summarises this argument succinctly: 'even in good environments, aid compromises institutions; it contaminates local politics; it undermines democracy' (Deaton, 2013: 305).

No discussion of the future of development assistance can ignore or overlook these important criticisms. This paper argues that they both stem from contradictions in the accountability relationships donor agencies are embedded in, which in turn generate some important tensions and difficulties in the way donor agencies work affecting the effectiveness and impact of the foreign aid they give. The next section defines, explains and illustrates these accountability dilemmas through some examples. After that, we introduce and describe some possible avenues for addressing them and fixing the resulting contradictions. A final section concludes.

3 In a 2000 article, *The Economist* aptly described this situation for Kenya: 'For years, relations between the government of President Daniel arap Moi and those who gave it aid resembled a complicated dance in which the Kenyans promised reform, the donors lent money, the Kenyans would break the promises, the dance paused, the donors threatened and the government would make new promises. The dance would then resume.'

4 See, for example, Brautigam (2000), van de Walle (2005), Knack and Rahman (2007) and Booth (2011).

2 Accountability dilemmas of foreign aid

In order to introduce the framework that the remainder of this paper will use, a brief summary of what has come to be known as the ‘Samaritan’s dilemma’ is a good starting point. In the original formulation of the Samaritan’s dilemma, Buchanan (1975) focused on some of the perverse and unintended consequences that charitable giving may generate. In this particular type of two-player game, the Good Samaritan of biblical fame always ends up helping the recipient, driven by altruistic intentions, while the recipient is better off taking the help but not putting much effort into improving their own situation, perpetuating the need for further help and leading to the recipient depending on the Samaritan’s help for survival. Many people have faced a similar dilemma when confronted with someone begging for money on the street. Will their coins help the beggar get off the street, or will they help keep them there, disincentivising their search for alternative sources of income? Modern welfare states face such issues with regard to unemployment benefits, for example. Do they constitute an important social safety net or do they contribute to keeping people dependent on government hand-outs?

In an insightful application to foreign aid and donor agencies – a clear example of modern-day Samaritans – Elinor Ostrom and her colleagues (Gibson et al., 2005) show how much the Samaritan’s dilemma pervades donor–recipient relations. They cite examples showing how the availability of humanitarian food aid can keep recipients off their farm land and how the average lifetime of aid-financed new power stations in developing countries is usually much shorter than it is elsewhere, given the lack of an incentive for politicians to invest in the necessary maintenance, knowing donors will eventually step in and finance the construction of another new one. A further exploration of donors’ (Samaritans’) motivations gets to some of the crucial issues addressed in this paper. For donors, not only is providing aid a dominant strategy regardless of recipient behaviour – in the end, ensuring

the foreign aid budget gets disbursed is one of their main institutional functions – but also they often have clear ideas and preferences as to what recipients should do to get out of their predicament, and want to see the results of their charitable giving in as short a time as possible.

This leads to the two interrelated accountability dilemmas around donor agency behaviour depicted in Figure 1 below. The vertical line is linked to the question ‘Accountability to whom?’, whereas the horizontal line links to the question ‘Accountability for what?’

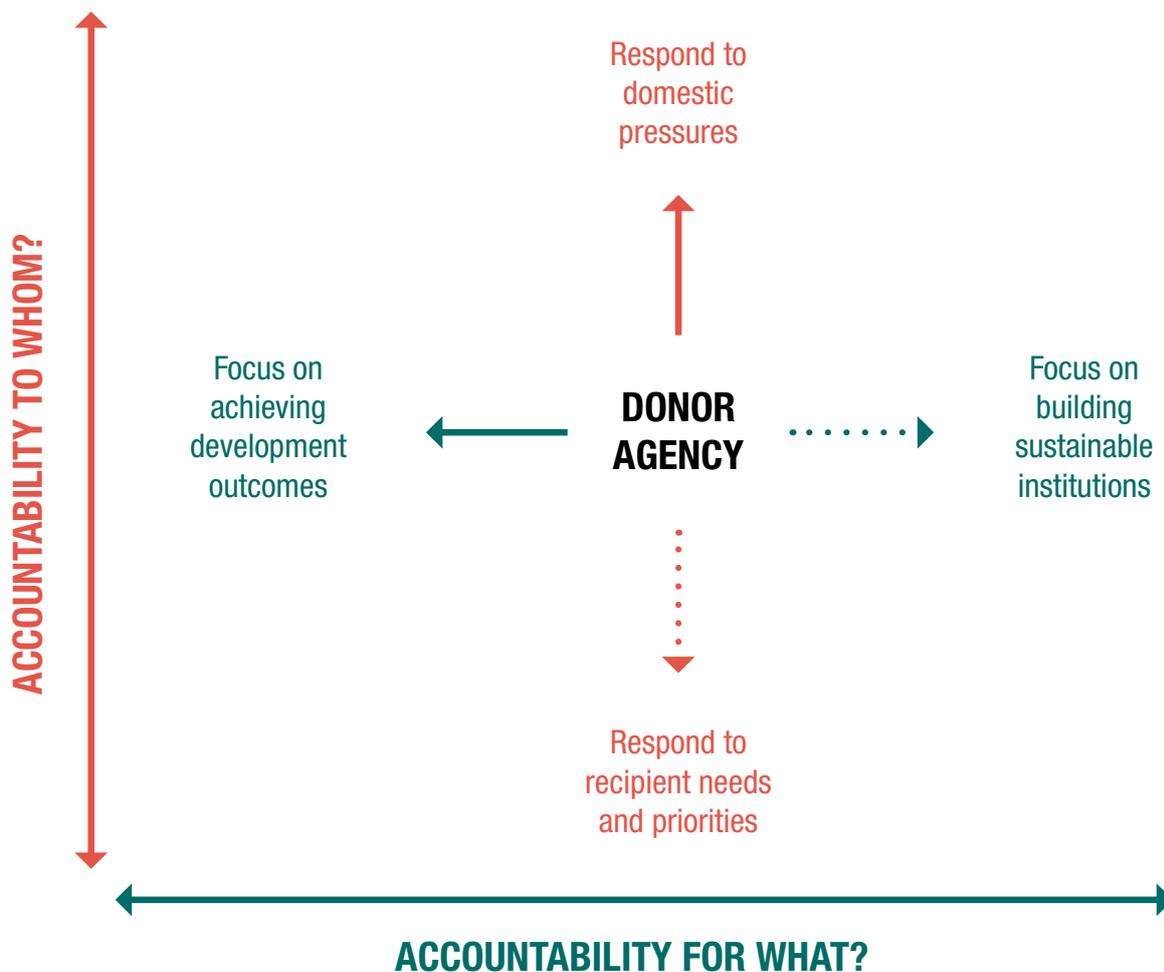
Accountability to whom?

There is an inherent tension between the necessary accountability of donor agencies to their parliaments, taxpayers and public opinion in rich countries and their desirable accountability to domestic institutions and beneficiaries in recipient countries, that aid policies and interventions directly affect. Under pressure from domestic constituencies, donor agencies may define priorities and promote policies that are not suited to the local circumstances of recipient countries. And, given the need to report at home, donors have often relied on fragmented and uncoordinated projects with parallel management systems that allow them to keep close control over how money is spent. All of this happens without aid recipients being able to directly influence relevant decision-making processes.⁵ Donors are well aware of these problems, and over the past decade they have been promoting reforms to aid modalities and donor behaviour, underpinned by the Paris Declaration on Aid Effectiveness (OECD, 2005) and its subsequent iterations. The reforms are aimed at getting donors to better coordinate their activities, align behind policies defined by recipient governments and rely on recipient government systems wherever possible. Yet, as the results of surveys⁶ clearly show, the benefits of this approach are very slow to materialise, given the

5 Martens (2005) talks about the ‘broken feedback loop’ between recipients and decision-makers in foreign aid.

6 See OECD (2011). The survey reports on the level of implementation of donor commitments on a set of indicators agreed as part of the Paris Declaration.

Figure 1: Accountability dilemmas of foreign aid



Source: Author's own

clear difficulties donors face in shifting accountability 'downwards' to aid recipients and placing greater trust in recipient governments' policies, priorities and processes.

Accountability for what?

Ultimately, aid effectiveness needs to be judged against evidence of impact. In recent years, the focus has rightly shifted towards results, and global campaigns on the MDGs have added a sense of urgency. While it is difficult not to support a focus on performance, the tension that donors – and the aid system more generally – face relates to the potential trade-off between focusing on short-term development impact (e.g. putting children into school, ensuring the availability of drugs in health posts) and building sustainable institutional capacity for long-term development efforts. This tension can be witnessed in the recent surge in special purpose aid delivery channels (e.g. vertical funds for interventions in specific areas such as

immunisation), which focus on clear impact indicators but at the same time often bypass the domestic systems, processes and institutions meant to sustain such impact in the long term.

A few examples may help clarify some of the ways in which these dilemmas play out:

1. Under pressure from domestic pressure groups and public opinion, many donor governments have drastically increased funding dedicated to responding to the HIV/AIDS epidemic over the past 10–20 years. Shiffman (2008) finds that between 1992 and 2005 global donor funding for HIV/AIDS increased tenfold to about \$2.5–3 billion per year. This trend continued until the onset of the global financial crisis, when global funding levelled off at around \$8 billion per year (KFF and UNAIDS, 2014). The creation of the Global Fund to Fight Aids, Tuberculosis and Malaria in 2002 and the launch of George W. Bush's President's Emergency Plan for AIDS Relief (PEPFAR) the

7 For more on this example, see IDD and Associates (2006) and de Renzio (2006).

following year contributed significantly to this surge in available resources. Two resulting contradictions ensued. First, funding for other very important health issues in developing countries, like reproductive health and infectious disease control, suffered as a consequence (Shiffman, 2008). Second, donor funding for HIV/AIDS ended up exceeding the entire government's health budget even in countries that had relatively low HIV prevalence levels, like Uganda and Ethiopia, distorting domestic policies and undermining efforts to strengthen overall health systems (Shiffman, 2008; Biesma et al., 2009).

2. After the introduction in the late 1990s of poverty reduction strategy papers (PRSPs) as a condition for countries to access debt relief, general budget support (GBS) gradually became the aid modality of choice for donors interested in shifting accountability 'downwards'. Direct financing of the recipient government budget was to promote full ownership and alignment, allowing the recipient government to choose how aid money was to be spent and to report on it through its own systems. However, donors soon started imposing conditionalities that forced governments to spend resources on pre-identified 'pro-poor' items, usually focused on social sectors, even when many in recipient countries were voicing concerns about the need to invest in infrastructure and economic development. They also insisted on reforms in public financial management systems that did not take technical and political feasibility into account. Finally, the intense 'policy dialogue' donors requested of governments receiving GBS often ended up strengthening external rather than domestic accountability, while breaking down whenever a political or governance scandal hit the media in donor countries, leading to suspensions and cutbacks.⁷ The negative effect of project proliferation and aid fragmentation on the bureaucracies of recipient governments were noted 30 years ago by Morss, in a paper that denounced the 'institutional destruction'

stemming from the large and increasing number of donor-funded projects across Africa (Morss, 1984). A more recent paper by Knack and Rahman (2007) provides further evidence that donor fragmentation has a detrimental impact on the quality of bureaucracy and erodes administrative capacity in recipient country governments. In their own words, 'in their need to show results, donors each act to maximize performance of their own projects, and shirk on provision of the public sector human and organizational infrastructure essential for the country's overall long-term development' (Knack and Rahman, 2007: 193).

These examples provide evidence of the consequences of the difficult tensions donor agencies face in deciding how to design and implement aid policies and interventions. They recognise the importance of promoting recipient country ownership but their priorities are often driven by domestic pressures. They commit to providing predictable support but they are sometimes forced to cut or reduce aid based on domestic political circumstances and considerations. They sign up to declarations promoting better coordination and harmonisation among donors but continue to finance stand-alone projects where their contributions can be more visible. They say they want to promote sustainable solutions and long-term development but often choose to focus on pursuing politically important short-term targets, ignoring the perilous impact this may have on recipient country institutions. The two accountability dilemmas outlined above stand at the crux of these tensions, and create a very complex geometry in donor action that seems difficult to realign. While most foreign aid today sits in Figure 1's upper-left quadrant, common sense and successful development experiences point to the need to shift to the bottom-right quadrant. This would rebalance accountabilities so aid can be more effective, responding to the needs and priorities of recipient countries and ensuring the long-term sustainability of its impact. The next section discusses some suggestions for avenues to bring about such rebalancing.

3 Rebalancing accountabilities: towards a different model of foreign aid provision

How can we address the two accountability dilemmas discussed above and reconcile the contradictions of donor intervention to make development assistance more effective? Below is a list of suggestions that might help us move in that direction. The list is by no means exhaustive, and simply aims to present some ideas that deserve to be considered. Many of them have been discussed before, but presenting them as means of ‘rebalancing accountabilities’ in the aid system gives them a better grounding and turns them into a more coherent and forceful agenda.

Provide more aid through representative multilateral institutions

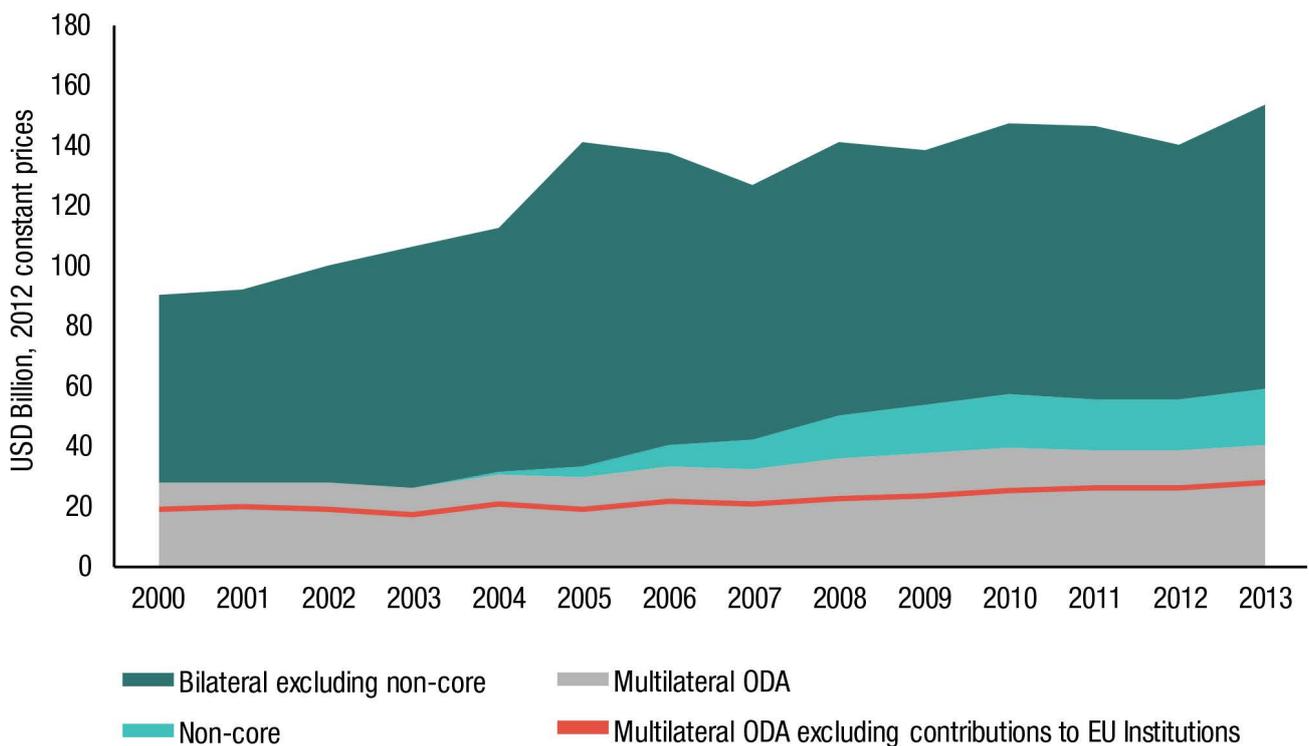
Some of the key contradictions stemming from the accountability dilemmas donors face are linked to the fact that most decisions on foreign aid policies and financing are ultimately taken by rich country governments with their own peculiar political systems and realities and a set of domestic actors – public, private and non-governmental – that often focus on narrow interests or issues and influence decision-making in ways that can be detrimental to development progress in poor countries. Think of changes in government or of economic and fiscal crises that lead to drastic reductions in donor country foreign aid budgets; industrial lobbies convincing donor governments to tie aid to contracts with donor country companies; the

tying of foreign aid programmes to geopolitical interests of various kinds; or media reports and public opinion outcries that push politicians to take decisions dictated by short-term domestic preoccupations rather than a coherent vision of what foreign aid should do and might achieve. Many of these issues are particularly relevant for bilateral aid, and could be partly solved by channelling more development assistance through multilateral institutions

As Figure 2 shows, over the past decade – and indeed historically – multilateral aid has represented less than a third of total aid flows. And while its overall amount has slowly increased, its share has gradually reduced, given larger increases in bilateral assistance and in so-called ‘non-core’ contributions to multilateral agencies – the practice through which donor governments contribute resources to fund specific projects and activities, over which they therefore retain a certain degree of control.⁸ Pushing for the delivery of a larger share of development assistance as core financing to multilateral institutions would help de-link foreign aid decisions from some of the more deleterious aspects of donor country politics. At the same time, such a shift should not happen through the creation of additional multilateral agencies and funds – as has often been the case in the past – worsening problems of proliferation and fragmentation, but through existing institutions reformed to make them more inclusive and representative, for example by expanding their membership and revising existing quotas.

8 This practice is particularly common in funding UN Funds and programmes (see OECD, 2015: 25).

Figure 2: Share of multilateral aid in overall aid flows, 2000–2013



Source: OECD (2015)

Finance development assistance from independent and direct sources of funding

Even if a larger share of development assistance were ‘multi-lateralised’, most of it would still come from donor country treasuries, and therefore be subject to some of the accountability distortions already highlighted. A possible solution for this would be to finance development assistance through independent and direct sources, following some of the suggestions already put forward for an international tax on financial transactions or currency exchanges – also known as the ‘Tobin Tax’ or the ‘Robin Hood Tax’ – or for an airline ticket levy.⁹ This would guarantee a steady stream of financing for development assistance activities unrelated to donor country budget and political cycles. The revenues from such global taxation efforts – which estimates show could be very substantial – could be put into a global reserve fund and spent through multilateral channels in ways that take into account possible revenue flow fluctuations owing to global economic cycles, similarly to what some countries do with sovereign wealth funds that manage revenues from natural resource extraction. A similar arrangement would reduce

the power of donor country constituencies within multilateral institutions, where influence and board votes are often based on financial contributions. In turn, it could spur innovative ways of providing foreign aid more focused on recipient country needs and priorities and on long-term institution-building.

Deepen knowledge of country context and engagement with local actors

In order to be able to better respond to recipient country needs and priorities, donor agencies need to improve their knowledge and understanding of country contexts, including the specificities of development challenges countries face and the intricacies of the political and institutional realities that shape the socioeconomic environment in which development occurs. This would enable donor agencies to avoid the pitfalls of blindly promoting ‘international best practice’ models without seriously considering the extent to which these make sense in each specific country context.

Moreover, donors should move beyond their usual dialogue with government officials and politicians

⁹ This could build and expand on the initiative spearheaded by France in 2006, joined by eight more countries, to fund health programmes through UNITAID (see <http://www.unitaid.eu/en/how/innovative-financing>).

and engage with a much broader range of actors that are part of the domestic accountability ecosystem in recipient countries. Through a structured dialogue with a varied set of stakeholders, donor agencies would be able to better identify the country's needs and priorities, direct foreign aid interventions towards them and obtain valuable feedback and local perceptions about their activities and performance. A recent book pulling together the results of consultations and interviews with over 6,000 people worldwide provides interesting evidence on perceptions of foreign aid from the side of recipients and beneficiaries (Anderson et al., 2012). 'In the eyes of many people in recipient communities', the authors claim, 'donors decide policy priorities and pursue their agendas in recipient countries without consultation, adaptation, or negotiation that aid recipients can participate in or influence' (ibid.: 58).

A recent study on aid programming within the 11th European Development Fund, the key financing tool for development activities by the European Union, shows how decisions about programming were taken in a top-down manner and not based on analyses of country context or on specific sector knowledge (Herrero et al., 2015). As the authors note in the study's summary, 'We have gathered substantial evidence that the policy priorities defined by the Agenda for Change superseded EUD [EU Delegation] proposals, thus overruling EUD-led in-country consultations with partner governments and member states' (ibid.: xiii).¹⁰ If more genuine and better structured 'listening exercises' – with real links to donor policy formulation and implementation – were carried out regularly by donor agencies, either individually or – even better – collectively, this could go a long way towards ensuring development assistance focused on the things that matter to people at the receiving end.

Design aid interventions 'from the ground up'

Recent research has brought attention to some ways in which foreign aid policies and interventions could be designed in a manner that is much better suited to local context, both in responding to locally defined issues and problems and in taking into account existing local constraints in terms of the capacity, incentives and interests of actors targeted or involved on the recipient side. Andrews et al. (2013) propose an alternative approach to the one donor agencies normally adopt, termed Problem-Driven Iterative Adaptation (PDIA), and based on four core principles. In their words:

'First, PDIA focuses on solving locally nominated and defined problems in performance (as opposed to transplanting preconceived and packaged "best practice" solutions). Second, it seeks to create an authorizing environment for decision-making that encourages positive deviance and experimentation (as opposed to designing projects and programs and then requiring agents to implement them exactly as designed). Third, it embeds this experimentation in tight feedback loops that facilitate rapid experiential learning (as opposed to enduring long lag times in learning from ex post "evaluation"). Fourth, it actively engages broad sets of agents to ensure that reforms are viable, legitimate, relevant, and supportable (as opposed to a narrow set of external experts promoting the top-down diffusion of innovation)' (Andrews et al., 2013, abstract).

Along somewhat similar lines, Booth (2012) and his colleagues at the Africa Power and Politics Programme provide a broad overview of evidence on the distortions brought by foreign aid interventions, based on the mechanical application of donor-inspired policy solutions. In order to enable local reforms, they argue, donor interventions need to support local problem-solving and what they call 'practical hybridity', or the design of interventions that are anchored in and compatible with existing cultural norms and socio-political realities. 'Development efforts have a greater chance of success', they claim, 'when they stop treating cultural factors as a problem and try instead to harness them as a means to channel behaviour in more positive ways' (ibid.: 86). What these two examples show is that good ideas and evidence exist of a different way of working for donor agencies, one that addresses both accountability dilemmas at the same time: it allows for the design and implementation of interventions that are locally defined and relevant and for building rather than undermining domestic institutions in developing countries.¹¹

Restructuring donor agency incentives and systems

One of the key challenges for donor agencies interested in addressing the accountability dilemmas that characterise aid policies and interventions is that of getting reorganised in order to ensure they have systems and procedures in place and human resources capable of doing things differently. The current incentives that predominate in donor agencies, including pressures to spend budgets and to show short-term results, and human resource management practices geared towards internal management and administration rather than development success, currently work against the introduction of some of the alternative approaches outlined above.

10 One can only hope that the World Bank's recent efforts at promoting citizen engagement in its operations will not run into similar obstacles (see World Bank, 2014).

11 For another interesting contribution to this theme, see Levy (2014).

In their book on the Samaritan's dilemma, Gibson et al. (2005) provide interesting evidence about how aid delivery institutions are structured in a way that generates a series of perverse incentives that promote inefficient and unsustainable outcomes. Among the necessary reforms they identify are the need to increase the length of field assignments to avoid very high turnover of staff and therefore promote longer-term commitment to country development, to review career advancement criteria so they reward stronger engagement with country actors and a focus on sustainable impact and to improve organisational learning through more effective use of project and programme evaluations. Other areas that are clearly important are (1) levels of devolution of resources and decision-making powers to donor country offices; (2) redefinition of core staff competencies away from simple project management to a more diverse set of abilities related to assessing the country context, engaging with local actors and designing better tailored interventions; and (3) the complete overhaul of project and programme cycle management guidelines, covering all stages from pre-appraisal to implementation and monitoring/evaluation, to ensure all aid interventions and modalities are refocused on providing better support to country-specific needs and priorities, building rather than undermining domestic institutions and engaging with local beneficiaries and stakeholders. These are areas in dire need of further attention, and where additional research evidence could help build the case for reforming donor systems and practices.

Develop a more sophisticated understanding of institutions and institutional change

Rebalancing 'accountability for what' away from an exclusive and narrow focus on short-term targets and results towards long-term institution-building will also require donor agencies to invest more resources in research

that can (1) further deepen our collective understanding of how institutions develop and change over time, and how this contributes to overall development; (2) clarify and spell out the linkages that exist between foreign aid, institutional quality and institutional change; and (3) define new and/or improve on existing measures of the quality of institutions, which would help donor agencies monitor the effectiveness of their interventions.

Ensuring full aid transparency, especially towards recipients

A final suggestion relates to improvements in one of the basic preconditions for the realignment of accountability relationships around development assistance. Aid transparency has been given much attention in recent years, especially since the International Aid Transparency Initiative (IATI) was set up in 2008 and international groups started monitoring its implementation.¹² While IATI's efforts have the potential to increase the quantity, quality and usefulness of publicly available information on foreign aid, the realignment of accountabilities argued for here will require more aid information to be made available in ways and formats that are more specifically targeted at developing country audiences, both on the government side – to ensure all aid information is provided in a way that makes it fully compatible and 'integrate-able' with country budget and policy systems – and beyond government, to ensure other actors have access to all the information necessary to hold donors accountable for the use and impact of the projects and programmes they fund.¹³

12 See for example the work of Publish What You Fund: <http://www.publishwhatyoufund.org/>

13 For a critical assessment of the current state of knowledge on transparency and accountability in foreign aid, see McGee (2013).

4 Conclusions

This paper has argued that the future of development assistance, and the realisation of its potential impact on poverty and development, depends crucially on the efforts donor governments and their aid agencies will spend in the coming years to address two interrelated accountability dilemmas that lie at the heart of donor behaviour. First, aid accountability needs to shift from domestic actors in donor countries to the beneficiaries of foreign aid in recipient countries, in order to better respond to their needs and priorities. Second, it needs to reconcile its focus on short-term development impact with the long-term institution-building needed to ensure development impact is sustainable.

A number of ideas and suggestions presented here could help in this effort to resolve the contradictions that hamper donor action and aid effectiveness. Channelling more aid through representative multilateral institutions, financing development programmes from independent and

direct sources of funding and promoting aid transparency can all contribute to ensuring accountability shifts from donor interests to recipient needs. Coming to a better understanding of how institutions change over time and how they contribute to development results is important to move away from a narrow focus on short-term impact. Other measures aimed at fixing incentives within donor agencies and promoting bottom-up planning and country-based dialogue have the potential to shift both dimensions of aid accountability in the right direction.

Putting these ideas into practice will not be easy. Public opinion in donor countries will need to be better informed and educated on how foreign aid can best contribute to reducing global poverty, and strong resistance against reform within donor agencies should be expected. Ignoring them, however, might be a very costly option, and lead to a further undermining of the case in favour of foreign aid as an effective tool for promoting development.

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