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6 **Revisiting the Paris Declaration agenda—an inclusive, realistic orientation**  
7 **for aid effectiveness**  
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12 **Abstract**

13 The progress in endeavours to achieve the commitments of the Paris Declaration on Aid  
14 Effectiveness has been slow. This paper explains the challenges faced by the aid  
15 effectiveness agenda and discusses why and how it needs to be revisited. In order to  
16 elucidate the differences in donors' approaches to aid effectiveness, a comparison is  
17 made between the United Kingdom and Japan, which leads to two suggestions. The  
18 main messages are that it is important to be inclusive of different donors, and to link  
19 the policy dialogue and reality on the ground.  
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26 Key words: Official Development Assistance, Paris Declaration on Aid Effectiveness,  
27 Japan, United Kingdom  
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## Introduction

The proliferation of sources of donor aid has been an issue for a long time. In Tanzania, it was reported that 2,000 uncoordinated aid projects from 40 donors were undermining the capacity of the government (Helleiner 1995); therefore, a strong need for donor coordination became evident. Since the early 2000s, international action has been taken to address this issue, mainly led by the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD): The Rome High-Level Forum on Harmonization was held in 2003, followed by another High Level Forum in 2005, at which the Paris Declaration on Aid Effectiveness was endorsed. The Paris Declaration, signed by more than 100 countries, international organisations, and non-governmental organisations, set out five partnership commitments between the donors and developing countries: ownership, alignment, harmonisation, managing for results, and mutual accountability. The goal is to change the ways in which donor aid is delivered by putting the developing countries at the centre and aligning donors' aid with the structure of the administrative systems of the developing countries. Under the five commitments, twelve measurable indicators were agreed upon to monitor the progress of the commitments. For instance, targets include halving the proportion of aid flows to the government sector which are not reported in governments' budgets (under alignment), and ensuring 40% of donor missions are jointly conducted (under harmonisation). As such, through the collective efforts by both donors and the developing countries, the Paris Declaration aims to reduce the transaction costs imposed on the developing countries.

While the aid effectiveness agenda has changed the way in which donors provide aid for increased ownership of and partnership with the developing countries, the recent monitoring survey on the Paris Declaration (OECD 2008) reports that the pace of progress has been slow, and, therefore, it urges further collective efforts in achieving the targets. Most of the academic literature on the Paris Declaration points out some structural bottlenecks embedded in it, and these bottlenecks are understood as the reasons for the slow implementation of the Declaration. Rogerson (2005) points out that without real penalties for non-compliance, like any collective action, the aid effectiveness agenda is vulnerable to failure; therefore, he proposes that accountability devices to assess and rate donors' performance be put in place. Andersen and Therkildsen (2007) indicate that promoting budget support and decentralisation of aid administration may not easily lead to the reduction of transaction costs and increase of

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6 local ownership as assumed in the Paris Declaration because it depends on the  
7 country-specific context in terms of donor–recipient interests, incentives, and altruism.  
8 Barder (2009) argues that the Paris Declaration is substantially dominated by the  
9 ‘planning’ mindset, and that the aid system needs to be reformed, supported by other  
10 institutional approaches such as ‘markets’ and ‘networks’ for coordinating multiple  
11 actors with diverse and competing interests. Hyden (2008), by analysing the Tanzanian  
12 situation through the concept of power, cautions that the harmonisation and ownership  
13 are not always compatible and that understanding the political realities in developing  
14 countries is the real challenge for donors. The common issues underlined in the existing  
15 literature are that the rigid planned policy of the Paris Declaration should be  
16 supplemented by other approaches, and political economic insight needs to be taken  
17 into account at both the policy and implementation levels.  
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26 This paper will first explain the emerging challenges that the Paris Declaration is faced  
27 with, which account for the reasons for slow implementation of the Declaration.  
28 Although one of the fundamental purposes of the Paris Declaration is to reduce the  
29 transaction costs of the government, this paper questions the successful realisation of  
30 reducing such costs; because donors’ harmonisation and alignment efforts often go  
31 beyond the optimal level, the transaction costs problem at the country level remains to  
32 be solved. While the progress on the Paris Declaration has been slow, other actors such  
33 as non-DAC donors have increasingly begun to gain influence in the changing  
34 international aid architecture, which has strong implications for DAC donors, who are  
35 the majority of the signatories of the Paris Declaration. The following section will  
36 examine the incentives and obstacles for donors in adopting and implementing the aid  
37 effectiveness agenda based on a comparative analysis of the United Kingdom (UK) and  
38 Japan. Analysing the two different donors will add value to the existing literature on  
39 the Paris Declaration in understanding donors’ bottlenecks for implementing the  
40 Declaration. The final section proposes some suggestions for a way forward toward an  
41 inclusive and realistic orientation for the aid effectiveness agenda.  
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#### 54 **Challenges facing the aid effectiveness agenda**

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56 One of the issues underlying the Paris Declaration is whether it has reduced the  
57 transaction costs of governments through the donors’ effort for harmonisation and  
58 alignment. The difficulty and complexity of precisely measuring transaction costs is  
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6 reported in a recent study evaluating the transaction costs of implementing the Paris  
7 Declaration (Lawson 2009), while other studies (Killick 2004; Batley 2005) show that  
8 the new aid modalities, such as Programme-Based Approaches (PBAs) do not reduce,  
9 but rather increase, transaction costs accrued to the government.(1) While recognising  
10 the difficulty of measuring transaction costs, nonetheless, this paper argues that  
11 governments are still busy dealing with donors, especially in countries where an aid  
12 effectiveness agenda has been introduced rapidly. Ideally, through the different levels of  
13 meetings (from the ambassador level to the technical level) and different kinds of  
14 meetings (such as those of sector working groups or thematic coordination groups),  
15 donors should coordinate themselves so that the governments' time and costs for  
16 dealing with donors are reduced. However, the frequency of the meetings often goes  
17 beyond the optimal level, probably because there is no consensus on what would be  
18 'optimal', which means that the donors who perceive the optimal level to be higher than  
19 other donors do tend to act radically. More importantly, these meetings usually require  
20 governments to attend or be involved in order to share information and have policy  
21 dialogue with the donors. For instance, the recently proposed new dialogue structure in  
22 Tanzania shows that under the joint coordination group and Public Expenditure Review  
23 working group, there are 10 sectors and 10 thematic groups, which are categorised into  
24 4 working groups, where more than 10 ministries of the Tanzanian government take  
25 part as members of each sector and thematic group.(2) This shows the complexity of the  
26 aid coordination mechanism at the country level and the intensity of government  
27 involvement in it. Furthermore, there are risks that might lead to the creation of two  
28 dialogue tracks: in addition to the formal joint coordination mechanism, donors  
29 continue to communicate with the government bilaterally below the surface, especially  
30 when it comes to critical issues.(3) The increased pressure to attend and respond to  
31 many coordination meetings is incentivised by international aid policy from the outside;  
32 once the policy is agreed to internationally, the government and donors in the  
33 developing country tend to demonstrate, and sometimes exaggerate, their performance  
34 against the agreed-upon agenda in order to be recognised as having achieved success.  
35 Such an incentive could often be understood as the cause of harmonisation and  
36 alignment going beyond the optimum level.

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55 Another emerging challenge is the dramatically changing international aid architecture  
56 in recent years, which has significant implications for the aid effectiveness agenda.  
57 While DAC donors committed to the Paris Declaration to varying degrees, development  
58 assistance activities of other actors, such as non-DAC donors or private foundations, are  
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6 increasingly having an impact on developing countries.(4) Because the Paris  
7 Declaration aims to provide a government with a comprehensive overview of donors'  
8 activities within its country, the existence of the actors outside the framework means  
9 that the DAC donors' collective efforts are undermined. However, ironically, the more  
10 the emerging countries, most of whom are non-DAC donors, gain stronger voices and  
11 more power in the global economy, the less likely it is that they will be motivated to be  
12 involved in the Paris Declaration. Woods (2008) calls this surge of emerging countries a  
13 'silent revolution' and explains that the emerging donors are introducing competitive  
14 pressures into the existing system by quietly offering alternatives to aid-receiving  
15 countries. They are indeed offering alternatives. For instance, non-DAC donors are  
16 often criticised by DAC donors because their aid is different and far from DAC  
17 standards. In general, it is said that the purpose of non-DAC donors' aid is inclined to  
18 political motivation or resource diplomacy, which the DAC donors view as undermining  
19 developmental and poverty-reduction effects. An increased volume of loans to African  
20 countries is reportedly being injected by emerging donors such as China; this is seen as  
21 free-ride behaviour by DAC donors, who have concerns about the debt sustainability of  
22 African countries, especially because their debts were relieved by international  
23 initiative during the 2000s. On the other hand, the non-DAC donors' aid is more often  
24 than not welcomed by either governments or political leaders, especially in Africa,  
25 resulting in the weakening relative power of the DAC donors. One reason of this might  
26 be that non-DAC donors do not attach conditionality, especially on governance issues,  
27 based on the principle of non-interference. Ironically, this contrasts with the recent  
28 suspension or reduction of budget support by several DAC donors in countries such as  
29 Uganda, Ethiopia, and Rwanda because of governance-related conditionality, which  
30 turned out to be undermining the predictability and ownership of those countries.(5)  
31 Another reason is that as DAC donors' aid has shifted toward the social sector,  
32 non-DAC donors' aid has gone to the underfunded sectors, such as infrastructure or  
33 production, which also matches the needs of the recipient countries. Non-DAC donors  
34 are providing alternatives which DAC donors are not able to offer.  
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52 As has been shown, while the donors' harmonisation effort of the Paris Declaration does  
53 not result in reducing the transaction costs of the recipient government, the increasing  
54 influence of non-DAC donors' aid activities exposes DAC donors to emerging pressure to  
55 reflect their own practice. It is necessary to revisit the current aid effectiveness agenda  
56 so that a more inclusive and comprehensive framework for donor cooperation can be  
57 realised. While this section explained 'why' the aid effectiveness agenda needs to be  
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revisited, the following sections will compare the aid effectiveness approaches of the UK and Japan in order to show 'how' it should be revisited.

### Comparison of aid effectiveness approaches by the UK and Japan

Progress in implementing the Paris Declaration varies among the donors. Table 1 shows the Paris Declaration monitoring survey indicators for the UK and Japan in 2005 and 2007. By and large, the UK performs better than Japan. It is widely recognised that the UK has been a frontrunner in leading the aid effectiveness agenda, while Japan follows after the frontrunners. While there's no space for arguing that Japan needs to make its own effort for aid effectiveness, observations as to why Japan has been regarded as a follower and what makes it difficult for Japan to move ahead toward the aid effectiveness agenda have useful implications for successful implementation of the agenda, especially since the number of new aid actors is increasing.

<Table 1>

Over the last decade, the UK has been leading the international aid discourse on poverty reduction and the aid effectiveness agenda. After the Labour Party took power in 1997, the Department for International Development (DFID) was created and the White Paper on International Development, 'Eliminating World Poverty: A challenge for the 21st Century', was published in the same year.<sup>(6)</sup> The main objective of the DFID is to work for the world's poor to achieve the Millennium Development Goals (MDGs), and this is clearly directed by the legislation of the International Development Act introduced in 2002. As such, an institutional setting exists that is clearly led by the political leadership in the UK government toward aid effectiveness. Based on such an institutional and political strength, the UK plays a key role in advocating for and influencing other countries. For instance, Ms. Clare Short, who served as Secretary of State for International Development between 1997 and 2003, was in a core position in contributing to lead the international aid agenda. In 1999, she formed the Utstein Group together with other ministers in charge of development from Germany, Norway, and the Netherlands in order to drive the international development agenda forward, including aid effectiveness. The aim of the group was to implement an international consensus on development in a concerted way on various issues ranging from peace-building to corruption.<sup>(7)</sup> The new aid modalities, such as PBAs and budget



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6 support under the aid effectiveness agenda, were developed and led by interest groups  
7 such as the Utstein Group. The Like-Minded Group, comprising mainly the Nordic  
8 countries and the UK, served the same purpose. These allied groups formed a consensus  
9 on accelerating the aid effectiveness agenda, and by utilising such forums, the UK  
10 successfully disseminated its initiative and extended influence over other countries.  
11 This strong political leadership was a critical element of the UK becoming a frontrunner  
12 in the implementation of the aid effectiveness agenda.  
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18 How has the aid effectiveness agenda influenced Japan? During the 1990s, Japan  
19 enjoyed the status of the largest Official Development Assistance (ODA) donor among  
20 the DAC countries; from the late 1990s, however, Japan's ODA budget started to shrink.  
21 Since then, Japan's ranking in ODA volume has been declining, and currently it is fifth  
22 among the DAC countries.<sup>(8)</sup> This decline in ODA volume coincided with the timing of  
23 the introduction of the Poverty Reduction Strategy Papers (PRSP) and the advent of the  
24 aid effectiveness agenda. Although there was not a clear policy or direction on how  
25 Japan should deal with the new aid agenda, the Japanese government inevitably had to  
26 face it, as it started to influence the way in which aid was provided at the country level.  
27 However, compared to the strong political leadership of the UK, the lack of high-level  
28 commitment in response to the new aid agenda was apparent in Japan. This is not only  
29 because the aid effectiveness agenda was initiated by the Utstein Group and the  
30 Like-Minded Group—in other words, introduced from 'outside'—but also because  
31 internal political structure matters. In Japan, ODA does not work as a political power  
32 base during political election campaigns, which might be attributed to Japanese  
33 citizens' low level of interest in ODA. Naturally, then, political leadership on aid  
34 effectiveness is weaker compared to that of the UK, where ODA and aid to Africa are on  
35 the political agenda. In July 2009, the Democratic Party of Japan and the Conservative  
36 Party of the UK, which took power after elections in September 2009 and June 2010,  
37 respectively, published their manifestos. The 64-page-long Conservative Agenda for  
38 International Development critically analyses the DFID's approach under the Labour  
39 Party and proposes alternative measures to ensure the development results of reducing  
40 the world's poverty. On the other hand, the description of ODA policy in the manifesto of  
41 Japan's Democratic Party is less than half a page long. This contrast shows the  
42 different backgrounds for the political implications of ODA in the two countries. As  
43 Lancaster (2010) points out, the reason that Japan did not align its aid more with the  
44 DAC norms is because there was almost no constituency for 'development' aid of the  
45 kind provided by most DAC member governments.  
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8 Secondly, in addition to the political leadership, the administrative structure of  
9 development aid matters. Comparison is often made between the UK's approach to  
10 budget support and that of Japan: the UK was proactive in adopting and promoting the  
11 new aid modality, whereas Japan was cautious in introducing it. This reveals the  
12 different levels of tolerance for the 'possibility of failure' between the two countries' aid  
13 administrations. In the Japanese aid administration, officials are strongly concerned  
14 about the possibility of failure because ODA needs to be accountable to the Japanese  
15 people, and this is associated with the strict traceability of the ODA funds. However, in  
16 countries where budget support is more easily introduced, accountability could be  
17 regarded as more flexible. In addition, while the UK's aid administration is  
18 decentralised, which allows for quicker decision making, the decision-making power  
19 still rests in the central authority of the Japanese aid administration. Also, sectionalism  
20 among the different departments and ministries in Japan often prevents the  
21 government from making prompt decisions and deciding on a clear policy direction. It is  
22 also important to note that Japan's aid administration is led by the Director General of  
23 the International Cooperation Bureau within the Ministry of Foreign Affairs, which  
24 makes the policy coordination function more difficult compared to the DFID where the  
25 Minister heads the administration. Administrative capacity should be supplemented by  
26 political leadership and support from civil society, but the level of understanding of  
27 development aid in Japan is comparatively low. The history of international  
28 development has progressed gradually through tremendous efforts of trial and error.  
29 However, international society is still groping to find the right method of reducing world  
30 poverty, and, therefore, new approaches may contain risks of failure. If this aspect is not  
31 understood by the citizens, aid administrations become cautious in introducing new  
32 approaches because they have to take responsibility for the possible failure as viewed by  
33 citizens. From this, we can understand that although implementing the Paris  
34 Declaration requires behavioural change within donor countries, the effort and time  
35 required for each donor varies because of the different administrative settings.  
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52 Third, incentive mechanisms for aid effectiveness are different between the two  
53 countries. An incentive mechanism is in place in the UK which applies to all levels, from  
54 the State Secretary and management to general staff in the DFID. The existence of a  
55 strong political commitment and enabling administrative structure allow individual  
56 DFID staff to take action in implementing the international agenda smoothly. The  
57 internalisation of incentives in implementing the Paris Declaration goes to the extent  
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6 that 'DFID staff believe that demonstrating commitment to the Paris Declaration  
7 principles, including alignment, supports their career progression' (Thornton and Cox  
8 2008:50). This, however, brings us back to the issue of aid effectiveness going beyond  
9 the optimum level, which was discussed in the previous section. At the country level,  
10 when donors have a strong incentive to show their performance against the aid  
11 effectiveness agenda, they tend to create additional aid coordination meetings and try to  
12 lead the discussion. Under such circumstances, there is a risk that donors may  
13 concentrate on achieving the targets set for aid effectiveness and lose sight of the  
14 ultimate aim, which is 'development effectiveness'. Too much concentration on aid  
15 effectiveness may narrow our perspective in achieving the real results of development.  
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23 Conversely, incentive for aid effectiveness is weaker in Japan. One of the possible  
24 reasons for this, apart from the lack of political leadership and weak administration  
25 structure, is that Japanese aid has been attaching greater importance to changing the  
26 reality on the ground in terms of supporting development through face-to-face working  
27 relationships. Not a few Japanese aid officials and experts in the field offices initially  
28 questioned the necessity of participating in aid coordination and alignment, because  
29 what was important for them was to spare their time in dealing with the reality in front  
30 of them (i.e. supporting their counterparts by finding practical solutions) rather than  
31 attending meetings for policy dialogue. In addition, as Takahashi (2010) analyses,  
32 because the new aid modality is associated with donors' deep engagement in the  
33 domestic affairs of recipient countries, Japan is hesitant towards such engagement  
34 because of its historical aid experiences with Asian countries. Therefore, even though  
35 the importance of the aid effectiveness agenda is now recognised, Japan has been of the  
36 opinion that the 'mixed approach' of both project and budget support is necessary in  
37 order to bridge the downstream practical issues and upstream policy dialogue.  
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48 Lastly, it is important to illustrate the struggles that Japan experienced when  
49 confronting the aid effectiveness agenda. As Ishikawa (2005:34) puts it in his report  
50 comparing the UK's ODA and that of Japan, 'Japan's aid policy did not pay sufficient  
51 attention to trends in the international aid community, instead walking the path of  
52 splendid isolation'. The historical geographical distribution of Japanese aid mainly to  
53 Asian countries, together with the fact that Japan was one of a few large bilateral  
54 donors in these countries, may have allowed Japan to walk 'the path of splendid  
55 isolation'. In addition, although Africa has been the core focus of international aid  
56 because of its severe poverty level, Japan's geographical focus had been on Asia. As  
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6 Japan started to increase its aid to Africa, and as the aid effectiveness agenda began to  
7 become mainstreamed in international aid policy, Japan had to face the new agenda. (9)  
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10 Accordingly, Japan experienced major disputes in development aid circles on whether  
11 and how to respond to the aid effectiveness agenda. The proponents' opinion seemed to  
12 be that the aid effectiveness agenda came out of the long history of discussions on how  
13 aid could be effectively provided, and Japan should join and contribute to such an  
14 important discussion; or, if Japan did not participate in it, it would become difficult to  
15 continue Japanese aid to Africa, at least in the current way. On the other hand, the  
16 opponents' main position could be summarised as follows: the PRSPs, budget support,  
17 and PBAs were initiated by the Like-Minded countries, and the rationale for Japan to  
18 participate was not clear. For instance, the opponents were of the opinion that visibility  
19 of Japan's ODA might be lost by shifting aid modality from project to budget support; or,  
20 that budget support might imply that the budgets of developing countries would be  
21 controlled by allied donors, and there was no consensus that Japan would like to join it;  
22 or, that the aid effectiveness agenda contained too many risks, as it was unclear how  
23 that agenda would be linked with the real development results on the ground. In the  
24 end, the pressures from both outside, such as the signing of the Paris Declaration in an  
25 international forum, and from the field offices, which experienced the practical  
26 inconvenience of not having participated in the collective efforts of donors, gradually  
27 pushed Japan's effort towards aid effectiveness. As a result, during the early 2000s,  
28 Japan started to provide budget support as trial cases to a limited number of countries,  
29 such as Tanzania and Vietnam.(10) In terms of aid administration, in order to increase  
30 the capacity at the field level, the ODA Task Force, which is mainly composed of  
31 embassy and Japan International Cooperation Agency (JICA) staff in the field offices,  
32 was established in 2003 in order to foster the comprehensive approach of Japanese aid  
33 at the country level. (11)  
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### 51 **Suggestions for a way forward**

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53 'Donors are independent actors. We should not expect uniformity of approach. Diversity,  
54 within and beyond the DAC, is valuable. But if we are to make a reality of a fairer and  
55 less divided world, donors do need to work together and to learn together' (Manning  
56 2008:17). These words clearly address the importance of keeping the right balance  
57 between uniformity and diversity of donors. The Paris Declaration was agreed upon in  
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6 order to solve the common problems of development aid by fostering collective actions  
7 among relevant actors. However, as was shown in the previous section, different donors  
8 have different motivations and constraints in making efforts for collective action.  
9 Although it is obvious that there is no way for donors to excuse not having implemented  
10 the Paris Declaration, which they committed to do, it is also important that we do not  
11 take it for granted that the followers are easily able to catch up with the frontrunners.  
12 This is because internal political structures are different from country to country. Again,  
13 it is the responsibility of the respective donors to carry out necessary reforms by  
14 changing the internal political structure so that their commitments can be  
15 implementable; nevertheless, we should be aware of the fact that such changes cannot  
16 be realised overnight.

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25 Why do we need to maintain diversity while addressing the importance of uniformity?  
26 Uniformity is, as a matter of course, necessary in order to foster global governance and  
27 international cooperation, though too much uniformity may create risks of undermining  
28 what we eventually aim for, which is development effectiveness. Since the late 1990s,  
29 donors' aid has been concentrated on the areas which have direct impact on poverty  
30 reduction, notably the social sectors. This was because there was pressure among  
31 donors for the aid to Africa, where a large amount of debt was owed, to be in the most  
32 concessional form (i.e. grants) and to the sectors where the poorest could benefit the  
33 most (i.e. social sectors). As a result, the share of ODA allocated to the infrastructure  
34 and production sectors dropped from 53% during the early 1990s to 34% in 2002–2006,  
35 whereas that of social sectors rose from 36% to 57% during the same period (World  
36 Bank 2008). Interestingly, in some African countries, where a Division of Labour  
37 exercise is ongoing as part of the aid effectiveness agenda, the governments are trying  
38 to reduce the number of donors in the social sectors, where donors are the most  
39 concentrated, while sectors such as infrastructure are still found to be underfunded.  
40 (12) When uniformity is pursued among donors, such discrepancies may occur at the  
41 country level, and this may not be compatible with the diverse realities of developing  
42 countries, which donors need to confront. In order to maintain the complementarity of  
43 donors' aid, diversity must be secured to some extent. (13)

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55 In the previous section, it was discussed that there is no consensus on the 'optimal level'  
56 for harmonisation and alignment. It was also shown that non-DAC donors have  
57 increasing influence on development aid. These two challenges are in fact associated  
58 with the issues of uniformity and diversity. In order to grapple with these challenges  
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6 faced by the aid effectiveness agenda, inclusiveness is crucial. The first step is to expand  
7 the scope for diversity and decrease the level of uniformity so that the collective efforts  
8 by DAC donors can be maximised and more non-DAC members can be involved at the  
9 same time.  
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13 Secondly, the aid effectiveness agenda needs to be reflective of the reality on the ground.  
14 Under the aid effectiveness agenda, it is assumed that the government will deliver  
15 services to the people, which will lead to successful poverty reduction and development.  
16 However, the current aid effectiveness agenda is too occupied with upstream  
17 policy-level dialogue; therefore, the linkage between aid input and development results  
18 remains unclear. In fact, one of the most serious challenges in developing countries is  
19 implementing the plans and policies that have already been formulated under  
20 initiatives such as PRSPs. How can the missing link between policy and service delivery  
21 be tackled?  
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29 Before answering this question, it is important to point out that although the aid  
30 effectiveness agenda tries to change the donor–recipient relationship by putting  
31 ownership of the recipient countries and a spirit of partnership at the forefront, which  
32 can be regarded as unprecedented in the history of international aid, donors are still  
33 dominant in the aid relationship. One factor behind this is that while the donors are  
34 promoting aid coordination on the one hand, they are still competitive on the other. The  
35 focus of aid has shifted from projects in the field to policy dialogue in the capitals, and  
36 the national visibility of donors has also shifted accordingly: donors' flags are no longer  
37 planted on projects but on negotiation tables (Molenaers and Renard 2008). Another  
38 factor is that now that donors are participating in discussions related to budgetary  
39 processes in developing countries, such as the Public Expenditure Review, donors'  
40 behaviour could progress to the point where they try to persuade the government about  
41 what they think is right in the budget allocation, which the developing countries may  
42 find intrusive. Donors' role should not be to push what they think is right for  
43 development, but to provide a range of choices from their own perspectives and  
44 experiences so that developing countries can choose policies which they think are the  
45 best for their countries. In addition, the policies should be implementable in order to  
46 bridge the missing link.  
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58 More focus should be put on implementation, although the current aid effectiveness  
59 agenda does not take this into consideration. For instance, the typical reputation of  
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6 Japanese aid, such as on an infrastructure project, is that once the project plan is  
7 agreed upon, everything will be implemented according to the plan; therefore, the  
8 government can be assured that the services will be delivered on the ground within the  
9 expected timeframe. The other side of this coin is that if Japanese experts are involved  
10 in the project implementation, their high wages could be susceptible to criticism as they  
11 do not directly benefit the developing countries, therefore undermining value for  
12 money.<sup>(14)</sup> The aid effectiveness agenda promotes the untying of aid by pursuing 'value  
13 for money': when competition is introduced, the cost will be lower. However, even if  
14 there is value for money in terms of the budget, unless the services are delivered on the  
15 ground as planned and the delivered products are durable, the value for money will not  
16 be realised. From this perspective, the 'quality' of aid delivery should be dealt with in  
17 the aid effectiveness agenda. Here, I am not arguing that tied aid should be maintained,  
18 but rather that we should be cautious of the possibility that there might be cases in  
19 which the untying of aid undermines the value for money of service delivery at the  
20 country level. Again, it is important that the scope of the current aid effectiveness  
21 agenda should be expanded to include 'outcomes' so that we do not lose sight of  
22 development effectiveness. What matters to developing countries is whether the aid is  
23 properly delivered on the ground and the necessary technology and capacity are  
24 appropriately transferred to them.  
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37 In the end, it is the developing countries that have responsibility for narrowing the gap  
38 between the existing policy and reality on the ground through successful  
39 implementation. However, the current aid effectiveness agenda tends to attract  
40 governments' attention only at the policy level. Therefore, it is necessary to shift the  
41 incentives for the government officers in developing countries in a way that allows them  
42 to deal directly with the people on the ground rather than spending time responding to  
43 the international aid policy. Aid can play an important role in supporting the  
44 government in implementing the policies. Naturally, this process will take time, mostly  
45 through capacity development, but donors need to be patient and not be intrusive in  
46 supporting the government in implementing their policies.  
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## 55 Conclusion

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58 Under the current practice of the Paris Declaration, donors are still competitive and  
59 demanding, which undermines the successful reduction of transaction costs imposed on  
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6 governments in developing countries. The nature of international policy also encourages  
7 competition among the donors. Furthermore, it is important that new actors in the  
8 international aid architecture also join the aid effectiveness agenda. However, with the  
9 increased power that non-DAC donors have been gaining in the global economy, it is  
10 unrealistic to expect their participation in the aid effectiveness agenda under the  
11 present conditions. Based on these challenges, this paper proposed revisiting the Paris  
12 Declaration to create a more inclusive and practical orientation.  
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18 As was shown in the comparison between the UK's approach to aid effectiveness and  
19 that of Japan, different donors have different motivations and obstacles in  
20 implementing the aid effectiveness agenda. While pressures from the outside would  
21 influence the donors' behaviour, the obstacles are sometimes deeply embedded in the  
22 internal political structure, and prevent donors from successfully implementing the  
23 Declaration. Balancing uniformity and diversity is essential when revisiting the aid  
24 effectiveness agenda and inclusiveness needs to be ensured. On the other hand, the  
25 motivation for promoting the aid effectiveness agenda may conceivably have led to the  
26 shift toward upstream policy orientation. Therefore, implementation of the policies  
27 needs to be taken into consideration and the scope of the aid effectiveness agenda  
28 should be expanded to include 'outcomes'. This will lead to link the current gap between  
29 policy and the reality on the ground.  
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#### 40 Notes

41 (1) PBAs are defined as 'a way of engaging in development co-operation based on the  
42 principles of co-ordinated support for a locally owned programme of development'  
43 (OECD, 2008).  
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45 (2) Further detailed information on this is available at  
46 <http://www.aideffectiveness.org/Country/Tanzania.html>.  
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48 (3) Based on my conversation with one of the management-level government officers in  
49 Uganda.  
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51 (4) According to Kragelund, non-DAC donors can be categorised as (a) OECD and EU  
52 members, (b) OECD but not EU members, (c) EU but not OECD members, (d) neither  
53 EU nor OECD members. [Kragelund, P. (2008) 'The return of non-DAC donors to Africa:  
54 New prospects for African development?', *Development Policy Review* 26 (5) :555-584]  
55 However, in this paper, the term refers to (d).  
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59 (5) In 2005–2006, Uganda and Ethiopia experienced severe suspension and reduction of  
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6 budget support because of human rights and election issues. In 2008, Rwanda  
7 experienced the same for military issues.

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9 (6) Two other DFID white papers on international development, 'Eliminating World  
10 Poverty: Making Governance Work for the Poor', and 'Building Our Common Future',  
11 which also reaffirmed the importance of aid effectiveness, were published in 2006 and  
12 2009, respectively.

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14 (7) Further information on the Utstein Group can be found at  
15 <http://www.u4.no/projects/utstein/utsteinprinciples.cfm>.

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17 (8) In 2009, the largest five donors by volume were the United States, France, Germany,  
18 the UK, and Japan.

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20 (9) Japan's ODA to Africa increased from US\$954 million (11% of total ODA) in 1998 to  
21 US\$1,396 million (20% of total ODA) in 2008.

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23 (10) Recently, the number of countries to which Japan provides budget support has  
24 increased.

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26 (11) Japanese private companies and NGOs sometimes participate in the Task Force.

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28 (12) A Division of Labour exercise is aimed at restricting the number of donors and  
29 determining the 'lead donor' per sector in developing countries in order to reduce  
30 transaction costs.

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32 (13) A 2008 publication by the GRIPS Development Forum, *Diversity and*  
33 *Complementarity in Development Aid—East Asian Lessons for African Growth*,  
34 <http://www.grips.ac.jp/forum-e/D&CinDA.htm>) provides further analysis and case  
35 studies on the diversity and complementarity of donors.

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37 (14) In 2008, 84% of Japanese ODA was untied, and another 13% was not reported.  
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Table 1: Comparison of Paris Declaration monitoring indicators for the UK and Japan (2005 and 2007)

Country	UK			Japan		
Year	2005	2007	Progress	2005	2007	Progress
Aid flows are aligned on national priorities	45%	65%	+21%	31%	45%	+14%
Strengthen capacity by co-ordinated support	56%	66%	+10%	74%	76%	+2%
Use of country public financial management systems	78%	77%	-1%	29%	62%	+33%
Use of country procurement systems	78%	68%	+10%	26%	61%	+35%
Avoid parallel implementation structures (number of parallel PIUs)	37	18	-19	2	2	0
Aid is more predictable	46%	60%	+14%	32%	48%	+16%
Aid is untied	100%	100%	0	89%	95%	+6%
Use of common arrangements or procedures	61%	72%	+11%	33%	52%	+19%
Joint missions	46%	61%	+15%	2%	2%	0%
Joint analytic work	69%	69%	0	52%	31%	-21%

(Source: OECD, 2008)