



## The Challenges for Improving the Impact of the UK's Aid

### UKAN Policy Paper 1 – January 2010

#### SUMMARY RECOMMENDATIONS

Given the increasing importance of improving the impact of the UK's aid, UKAN members believe it is vital that the UK government prioritises the following action:

- ❖ **Paris/Accra - As a major priority the UK needs to meet its aid effectiveness commitments laid out in the Paris Declaration and Accra Agenda for Action and agree to more ambitious and wider future related reforms**
- ❖ **Monitoring and Evaluation - DFID urgently needs to invest more in it's and country M&E; make M&E more independent; make M&E systems more robust; link M&E better to policy and resourcing; better involve country stakeholders in M&E**
- ❖ **Performance Based Approaches – Such aid modalities are not a panacea and need to be introduced following full assessment of their suitability and in full cooperation with recipients. Their design also needs to address concerns around tailoring to particular environments/sectors, delivering predictable up-front resources for delivery and potential bias against more complex interventions.**
- ❖ **Allow space for learning – Given the complexities of development, there needs to be space for learning where expected results are not achieved; intolerance of failure will discourage challenging interventions and open debate on challenges around aid**

#### 1. Introduction

The ongoing economic crisis – which was expected to push another 90m people into extreme poverty during 2009 – and the enormous challenges still to be overcome in meeting the MDGs, provide a strong case for increasing aid in the coming years.

However, this crisis is also impacting developed country economies, constraining public spending, putting aid budgets under increasing pressure and scrutiny and raising legitimate questions about whether aid is as effective as it could be in promoting development.

Such concern has stimulated an increasing level of debate in the UK on the steps that need to be taken to improve the impact of the UK's aid. This briefing presents UKAN's views on these questions and how this agenda should move forward.

#### 2. How significant are concerns around the impact of aid?

There is no doubt that aid is helping the world's poor; since 2002 aid has helped 40m children into school in Africa, 3m HIV/AIDS sufferers onto life saving drugs and to rebuild countries such as Mozambique and Sierra Leone following civil war.

Despite these achievements concerns around the impact of aid remain, with questions being asked about donors continuing to utilise many in-efficient and in-effective practices and the quality of impacts in sectors such as health and education (UNESCO 2008).

#### 3. What are the obstacles to improving aid quality?

The processes through which development programs are delivered are multi-layered, with action required at a number of levels, from the first conception of a

program to its delivery and monitoring. It is recognised that there are obstacles to the impact of development programs at each of these levels and all need to be addressed in order to improve their impact.

Many obstacles relate to the general development challenges found in developing countries. However, because donors are significant funders of development programs their policies and practices can either help to overcome these challenges or exacerbate them, as illustrated in the example below in relation to transparency.

**Links between donor transparency and good governance**

In Rwanda, where c50% of the government's budget is financed by donors, these same donors only reported around half of their aid to the government in 2008 according to the OECD. This has in turn hindered efforts by the Rwandan government to present a full picture of spending to its citizens, a step which is vital to efforts to promote accountability around the use of public resources in Rwanda

4. How can donors deliver aid more effectively?

Over the last decade or so, donors have been engaged in a process of self reflection about how to make their aid more effective. This process led to donors agreeing to a key set of principles and a program of reforms aimed at improving the effectiveness of their aid in the 2005 Paris Declaration on Aid Effectiveness (PD). These focus mostly on how donors actually deliver aid and support country delivery, e.g. predictability, donor coordination and tied aid.

Although donors have made progress in implementing these reforms, they still have some way to go to deliver what are basic reforms and face calls to deliver more ambitious and other related reforms in the future (see UKAN Advocacy Paper 4). **Given the impact of donor weaknesses in relation to Paris Declaration reforms on the real value of aid (see UKAN Advocacy Paper 4) these reforms need to be a priority for the development community in the coming years.**

As well as their practices related to aid delivery, an increasing amount of attention is being put on how effectively donors assess aid interventions for their impacts in order to support learning and put in place systems to try and incentivise results.

5. The intensifying debate on the results of aid in the UK

In the UK, one set of issues that has been highlighted in the debate on aid effectiveness are those related to the monitoring and evaluation (M&E) of DFID's aid programs. **A consensus has emerged that DFID needs to invest more resources in M&E, use more robust practices (e.g. making programs more evaluable, using results frameworks effectively), make M&E more independent, link it better to policy and be more open to learning (IACDI 2008 and 2009).** If these recommendations are acted on they will help to make sure DFID's aid is more effectively scrutinised; its spending is better accounted for; and its experience is fed from programs better fed into future programming and policy decisions. Given that reliable M&E is a sin qua non of effective aid, a response to these weaknesses is vital.

A more radical response to making aid more results oriented has been the proposal to increase the use of aid modalities which make some proportion of resourcing by donors for a program dependent on the success of implementers in delivering the expected results (Conservatives 2009; Barder 2009). Such Performance Based Approaches (PBAs) aim to incentivise good performance and fully integrate a results focus into aid programs.

6. How do performance based approaches work? What role can they play in improving the impact of aid?

PBA usually involve donors making a commitment to deliver some resources for a program up-front, with the level of additional resources to be delivered based on

performance in delivering a range of pre-agreed outputs/outcomes/impacts (termed results in this paper). PBAs are already used by a number of donors - although only a small proportion of global aid is currently delivered in this way – and a wide variety of types of PBAs are in operation. They commonly vary according to the proportion of resources contingent of results, the mechanism for linking resourcing to results and the types of results focussed on.

Despite the obvious attractions of using PBAs to deliver aid, there are a range of concerns that are commonly raised about such approaches, as highlighted below:

- **Up front investment resources** – Recipients usually need significant and predictable up-front resources to build capacity to deliver results and plan into the future. Not addressing this may lead to more funding going where existing capacity already exists. PBAs are also resource intensive in and of themselves.
- **Will long term interventions and those in difficult environments receive less aid?** – Might programs in which clear-cut results are harder to achieve (e.g. in challenging with hard to measure impacts, long term approaches) be neglected, although they tackle some of the most important development issues?
- **What type of results?** – As you move up the results chain attribution challenges increase; the more complex the intervention the more difficult choosing targets becomes; both factors mean that errors of omission are unavoidable
- **Country ownership** – Country ownership will be weakened if donors introduce their own results systems and fail to work together on country-led approaches
- **Do PBAs actually deliver better results?** – Evidence (from development and elsewhere, e.g. in relation to aid and for example the UK’s NHS) that PBAs deliver improved performance, is limited.

These concerns point to the need for PBAs to: **support delivery of sufficient up-front investment resources; ensure predictability of funding; be introduced following cost-benefit analysis or the like; be adapted (in terms of results framework, timeframe, resourcing decisions etc) to the environment and sector in which they are introduced; and be introduced with leadership from and full participation of recipients.**

Some existing PBAs do work in ways that attempt to address these concerns, with the approach taken by the European Commission’s MDG contracts and the Global Fund for Aids, Tuberculosis and Malaria (GFATM) relevant here as models which could inform future efforts.

#### **European Commission’s MDG Contracts**

First proposed in 2006 and currently being introduced, the EC’s MDG contracts essentially provide qualifying countries (meeting a standard level of accountability and governance) with financing over 6 years, around 80% of which is provided up front, with the remaining 20% based on performance in meeting health and education targets which are intensively monitored. A mid term review also allows capacity constraints to be identified and tackled.

#### **Performance based funding of Global Fund for Aids, Tuberculosis + Malaria**

GFATM-funded programs must set out targets for what they will achieve and then intensively monitor results to assess performance against these targets. Such assessment provides the basis for future resourcing. Programs that do not deliver on their targets, but implementers have a feasible strategy for addressing constraints, continue to get funding, part of which is then spent on capacity building to address identified constraints

It is due to the importance of the principles presented above that significant concerns around proposals to introduce Cash on Delivery (CoD) – aid delivered only after results have been achieved – have been raised. To address these concerns the

CoD proposal needs to be developed further and be introduced where other support modalities allow for resourcing of efforts to deliver results.

Of course, many of the challenges around PBAs cannot be entirely eliminated by program design. For example, errors of omission are inevitable; and balancing predictability with incentivising performance is challenging. Given also that the record of PBAs in delivering improved results is mixed, **it is important that PBAs are not seen as a panacea, but as useful in specific circumstances and requiring careful and informed use.**

### 7. Conclusions and recommendations

Given the increasing importance of improving the impact of the UK's aid on development and poverty reduction, it is vital that the following steps are taken:

- ❖ **Paris/Accra - As a major priority the UK urgently needs to meet its Paris Declaration (and Accra) commitments and agree to more ambitious and wider future related reforms**
- ❖ **Monitoring and Evaluation (M&E) - DFID urgently needs to invest more resources in M&E; make M&E more independent; make M&E systems more robust; link M&E better to policy; better involve country stakeholders in M&E**
- ❖ **Performance Based Approaches (PBAs) – Any use of PBAs needs: a full assessment of their suitability; leadership of recipients; cooperation with other donors; provide recipients with significant and predictable up-front resources; be adapted to the environments/sectors in which they are being introduced**

**Whilst increasing attention on results is vital, it is important that such efforts do not lead to a culture of intolerance and blame around failure. Development investments are inherently risky, especially focussing on the poorest people, and many will fail. The key challenge is to be fully informed of these experiences and learn from them in order to design better interventions in the future.**

### BIBLIOGRAPHY

- CGD, 2009. "Performance incentives for Global Health: Potential and Pitfalls", Centre for Global Development
- Conservatives, 2009. "One World Conservatism: A Conservative Agenda for International Development", Conservative Party Green Paper 11, July 2009
- IACDI, 2008. "Evaluation Independence at DFID", Independent Advisory Committee on Development Impact (IACDI), August 2008
- IACDI, 2009. "The Quality of DFID's Evaluation Reports and Assurance Systems", Independent Advisory Committee on Development Impact (IACDI), November 2009
- PWC, 2008. "Paying for Performance – Incentives and the English Health System", Price Waterhouse Coopers
- UNESCO, 2008. "EFA Global Monitoring Report 2009", UNESCO, 2008

---

*This paper was produced by the UK Aid Network (UKAN), the network of UK development NGOs working on aid quantity and quality issues.*

*UKAN's Steering Group, consisting of Actionaid UK, Bond, CAFOD, Care International UK, Oxfam GB, ONE, One World Action, Publish What You Fund, Wateraid and World Vision UK managed its production and its wider membership of 20-25 other organisations were also consulted.*