



## **How aid can be a tool for helping make poverty history?**

### **1) Delivering more and better aid – As important as ever**

International aid has been and continues to be one of the most important and challenging aspects of international policy.

The objectives of aid, to support developing countries to overcome the financial, technical and human resource constraints they face in more rapidly developing societies that cater for basic human needs and provide opportunity to their people, are more relevant than ever.

Despite recent progress through initiatives like the MDGs, today 2.5 billion people in the world still live on less than \$2 a day and 30,000 children a day die of preventable diseases; this was even before the devastating impacts of the food, climate and financial crises began to be felt in recent years. Donors therefore urgently need to meet their international commitments to deliver 0.7% of their GDP as aid and to make their aid more effective.

### **2) Reassessing how aid can best support development**

The challenges international donors face in using aid to support developing countries to progress and overcome these crises cannot be underestimated. After all they are attempting to reinforce and support complex processes of social and economic development and to adapt their efforts to the unique environment of each society they engage with.

It is widely believed that early efforts to deliver aid all too often shirked these challenges, with donors instead using their aid to forge geo-strategic alliances in the Cold War, enforce ideological policy reforms on countries and apply approaches to development designed in donor countries.

Whilst such donor approaches are still in evidence today, there is a strong and growing consensus that such practices are harming development efforts and need to be reformed to:

- **i) focus aid more effectively on tackling core development and poverty-related challenges, so as to ensure these are the primary objectives of aid interventions**
- **ii) allow recipients to design and lead aid interventions, so as to ensure that they respond to country needs, underpin democratic processes and are more sustainable**
- **iii) to make aid delivery more efficient and coordinated across the donor community,**

### 3) Recent donor progress; but more to do

Important steps have been taken by donors towards implementing such an approach to aid in recent years, including the adoption of the Millennium Development Goals (MDGs), the Poverty Reduction Strategy process and the Paris Declaration on Aid Effectiveness. Such steps have contributed to some significant achievements for aid in recent years, including:

- **helping an extra 40m children into school since 2002**
- **helping over 3m people in the developing world with HIV/AIDS onto life saving drugs since 2004**
- **helping rebuild countries such as Rwanda and Sierra Leone following conflict**
- **helping civil society across the developing world to deliver vital services, support marginalised groups and hold their governments accountable**

The UK government has also made significant progress over the last 10-15 years by:

- **establishing an independent Department for International Development with a cabinet position, supporting a focus on key development challenges**
- **delivering aid increasingly to the poorest countries – around 90% of DFID's bilateral aid goes to the Low Income Countries**

However, recent donor reform efforts have only taken us a limited way towards the goal of making aid effective. Many of the MDGs are still some way from being met; country poverty strategies still face challenges of underfunding, weak implementation capacity and excessive donor influence; and significant reforms to in-efficient donor practices are still required. A comprehensive reform agenda still awaits implementation.

### 4) A comprehensive reform agenda to make aid more effective in tackling poverty

We know aid can help the world's poorest people, but also that it could be more effective at doing so. Donors therefore need to take stock of how effectively their aid policies and practices support country-led sustainable development and commit to the full range of reforms required to maximise its contribution to this goal. They owe this to the world's poor and their taxpayers; such actions can literally save million of lives in the coming years. *A comprehensive aid reform agenda needs to focus on the following principles and practices:*

- ❖ **Deliver aid for poverty reduction and based on need** – Donors all too often deliver aid for objectives other than poverty reduction, with spending priorities and allocations based on donor foreign policy or economic interests. Such practices need to end if aid is to most effectively support poverty reduction and the following approaches needs to be adopted:
  - *Protect aid from non-development interests* - through management by an independent development ministry, relevant legislation and other suitable institutional practices
  - *Allocation based on need* – allocations across countries should be based primarily on development needs and challenges
  - *Support for international development goals and rights frameworks* – aid should support international development goals (e.g.) the MDGs and rights frameworks
- ❖ **Comprehensive and pro-active support for country ownership** – Country ownership is the foundation of effective, sustainable and accountable aid. This

objective therefore needs to inform every aspect of donor practice and be pro-actively pursued by donors through the following practices (amongst others):

- Support for national owned policies/strategies – ensure that aid is used primarily to help implement national development strategies and other locally owned policies
- Build national institutions and systems – ensure that aid as much as possible is delivered through and supports national institutions and systems for accountability, planning and policy implementation (amongst others)
- Responsible conditionality - ensure that economic conditions are not used; that other policy conditions are not imposed on countries but drawn from democratically agreed policies; and that donors move towards outcome conditions in the future
- Country-owned technical assistance – ensure that technical support for building capacity of national institutions etc is lead by national stakeholders, focussed on nationally identified priorities and helps build sustainable local capacity
- Support for accountability – ensure support is provided to strengthen national accountability processes and relevant stakeholder groups, e.g. national parliaments, audit institutions, independent media and civil society groups

❖ **Making aid practices more efficient and effectively delivered** – Donors currently use a myriad of inefficient practices to deliver aid that impose excessive levels of bureaucracy on recipients, hinder efforts of recipients to use these resources efficiently and reduce aid effectiveness. There is an international consensus (based on the Paris Declaration) that the following practices need to be adopted:

- Predictable aid – unpredictable aid hinders the ability of recipients to plan how to use these resources or use them effectively to support development
- Effective donor coordination – donors all too often fail to coordinate their support and procedures which creates excessive bureaucracy for recipients and wasteful mal-coordination of activities
- Untied aid – donors continue to require recipients to use aid to purchase their own goods and services, which makes them 15-30% more costly
- Transparent aid – the international aid system is currently very un-transparent, hindering the ability of recipients to manage aid resources effectively and for local and donor citizens to hold their governments to account for aid spending and delivery.

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