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## Two Furrows of Aid Effectiveness “Bogged Down”

Patrick GUILLAUMONT, Sylviane GUILLAUMONT JEANNENEY

➔ Patrick GUILLAUMONT, President of FERDI

➔ Sylviane GUILLAUMONT JEANNENEY, Special advisor, FERDI

The expression «aid effectiveness” is often a source of misunderstanding because its meaning differs fundamentally depending on whom you ask. If the person is an economist, he or she will immediately think of the hundreds of articles written to test econometrically the influence exerted by aid flows on economic growth or any other macro-variable important for development. This current of thought, which was very present and lively in the first decade of this century, has tended to fade away in the second in favour of numerous micro-evaluations of the impact of development projects with a view to identifying the most effective development aid initiatives.



.... / .... If you are a civil servant in a developed country or a staff member of a development finance institution, you will think of the great debate initiated by the OECD with the Forum on Aid Effectiveness, which focused on aid modalities and targeted the behaviour of aid suppliers and recipients alike with a view to making aid more effective and promoting the accountability of partners. This forum, marked in particular by the Paris Declaration in 2005, was followed by meetings and declarations in Accra in 2008 and Busan in 2011 and then by other meetings that have received less attention.

Strangely enough, the two approaches to the question of aid effectiveness have remained rather separate but have not lost their topicality. They arise again and again, often sceptical and almost nostalgic. Is aid still effective? Under what conditions can it be? Is it even justified? When, as today, the issue is about mobilising more concessional resources for the development of poor and vulnerable countries and for the financing of global public goods, how can we make progress in these two areas?

### ► Assessing Scientific Assessments

Let us look briefly at the evolution of the academic literature on the macroeconomic effectiveness of aid. The first decade of the century witnessed an explosion of articles devoted to the macroeconomic effects of aid on economic growth and poverty reduction. Most of these studies were cross-sectional, that is, they covered a sample of countries rather than being limited to a single country in a time series, for the simple reason that the response times for aid disbursements are extremely varied. In the early 2010s, it was possible to take stock of these cross-sectional studies, as we did, for example, by highlighting how they had revealed the specific effectiveness of aid in situations of

vulnerability (Guillaumont and Wagner, 2013). Nevertheless, the scientific community has not reached a genuine consensus on the contribution of aid to economic growth and poverty reduction. The meta-analyses carried out in this area, while providing a good review of the literature, are not really suited to this purpose: they bring together too many studies that are heterogeneous in terms of their subject and the quality of their method to bring out a real consensus. Cross-sectional studies of aid effectiveness all encounter similar problems, which are unevenly addressed: the endogeneity of aid in the estimated relationship and the heterogeneity of situations of the countries in the sample considered, particularly from one sample to another.

By providing an apparently robust response to the problem of the endogeneity of aid and the heterogeneity of samples, microeconomic studies, popularised by randomised controlled trials (RCTs), have contributed to the move away from macroeconomic studies of aid effectiveness. However, the results obtained in a particular area cannot necessarily be transposed, let alone generalised. Of course, this does not mean that, within the limited framework in which these studies are carried out, they do not provide useful lessons for policy. They offer information on the effectiveness of aid (or other funding) in a certain context but by definition cannot report on the effectiveness of macroeconomic policies, given the difficulty of defining policy control groups.

Chauvet and Ferry (2023) stated that macroeconomic studies have made progress in dealing with heterogeneity. Indeed, macroeconomic studies, particularly those focusing on a single country, have sought to disaggregate observations at the territorial level, in particular by using geolocalised data. This is a promising avenue of exploration, even though not all social change can be captured through variations in night-time luminosity.

Will these new directions make it possible to overcome the methodological dilemma resulting from the respective limitations of cross-cutting macroeconomic analyses of aid effectiveness and microeconomic impact analyses, as both were so clearly identified by Angus Deaton back in 2012?

## ► Coordinating Policy Coordinators

What kind of body is needed to ensure the transparency of a fragmented system of development financing and to assess its effectiveness? At the Busan conference on aid effectiveness in 2011, the oddity of the existence of two forms of high-level dialogue with similar objectives became apparent: the Aid Effectiveness Forum held in Busan, which had been preceded by the Paris and Accra meetings and declarations, implemented by the OECD, followed the Development Cooperation Forum (DCF) implemented at the United Nations by ECOSOC, the second (and last) meeting of which was held in 2010. The former could undoubtedly be considered more effective (the 2005 Paris Declaration on Aid Effectiveness seems to have had some impact) while being less legitimate than the DCF, which brought together all the countries of the United Nations (Guillaumont, 2011). This rather simple diagnosis now needs to be qualified.

The Development Cooperation Forum (DCF) continues to meet every two years (the last meeting took place in March 2023) and has gained little in terms of effectiveness or visibility: still under the aegis of ECOSOC, it has been supplemented, since the 2015 United Nations Conference on Financing for Development in Addis Ababa, by a Financing for Development Forum (FfD). The latter is generally held in New York in April, the week after the Bretton Woods Institutions' Spring Meetings, which take place

in Washington. Its visibility seems to be increasing over time at the expense of that of the DCF.

The most important change has undoubtedly come from the evolution of the OECD's Forum on Aid Effectiveness, which has sought to involve all the countries of the world and therefore to be more legitimate. At the Busan conference, the Forum was transformed into the Global Partnership for Effective Development Cooperation (GPEDC), an association supported by the OECD and joined by the UNDP, a UN body that was supposed to provide greater legitimacy and that the developing countries, particularly the largest among them, were invited to join. However, what was already apparent in the Busan Declaration, namely the reluctance of major countries, such as China and India, to join the partnership, has subsequently proved to be a persistent weakness, despite more than 90 countries now having signed up. This weakness became apparent as early as 2014 at the Mexico conference, the first of the Global Partnership, although it was a good forum for discussions on concrete problems of cooperation for development. The subsequent conferences in Nairobi in 2016 and finally in Geneva in December 2022 certainly succeeded in bringing together a large number of political figures from a variety of backgrounds, but, it would seem, they were not highly visible, and the response of the press and the public to this "high-level" meeting of the GPEDC appeared limited.

The difference between the two discussion forums and their respective legitimacy is apparent from the communiqués that closed them<sup>1</sup>. On the one hand, the DCF communiqué clearly asserted its legitimacy to speak on behalf of all the countries in the world, whatever their level

1. On the one hand, "High-level political forum on sustainable development, convened under the auspices of the Economic and Social Council, 14 and 15 March 2023. Summary of the eighth high-level meeting of the Development Cooperation Forum Note by the Secretariat" and "Global Partnership for an Effective Development Cooperation Summit 2022, Effective Development Co-operation Summit Declaration".

of development or economic importance. « The United Nations provides the global platform where challenges to and opportunities for international development cooperation should be discussed and dealt with in a collective manner, with all United Nations Member States at the table as equal partners joined by relevant stakeholders<sup>2</sup>. On the other hand, the UN Forum clearly focused on the development concerns of the South. The main messages and general recommendations formulated by the Forum are summarised below, covering five areas: (a) address vulnerability in its multiple dimensions through more risk-informed development cooperation; (b) scale up development cooperation for climate resilience; (c) strengthen development cooperation to boost social protection to reduce risk and vulnerability; (d) enhance capacities to overcome the digital divide; and (e) shift the development cooperation paradigm to better respond to the trends and challenges in the sprint to achieve the 2030 Agenda for Sustainable Development».

Conversely, the Global Partnership Declaration makes much room for the concerns and values of the Western world, such as human rights and gender equality. For example, the fourth paragraph of the preamble read “ No country has fully achieved gender equality – and significant levels of gender inequality persist globally. Progress on empowerment of women and girls is a prerequisite for inclusive development, democratic governance, social and economic justice, and peace<sup>3</sup>...”; furthermore, in paragraph 15, “We will be guided by the human rights-based approach, which requires that human rights prin-

ciples (universality, indivisibility, equality and non-discrimination, participation, accountability) guide development cooperation”.

Therefore, which body should be given the mandate to monitor and evaluate development cooperation policies and in particular financial flows: the reformed DAC, the Development Cooperation Forum (DCF), the Global Partnership (GPEDC), or a new body yet to be created?

The Global Partnership has already declared its legitimacy to perform this function and plans to implement it by 2026, with a dashboard of all financial flows (cf. Annex 1 of the 2022 Summit Declaration<sup>4</sup>). It is true that it has the support of both the UNDP and the OECD; the latter has large competent teams at its disposal with its Development Cooperation Directorate, which feeds into the work of the Development Assistance Committee (DAC), and its Development Centre, which runs a programme independently and with the support of countries that are not members of the OECD, not forgetting the MO-PAN (Multilateral Organisation Performance Assessment Network) responsible for monitoring the activities of multilateral institutions. The internal fragmentation of the analysis of cooperation policies within the OECD itself is perhaps not a good omen for inviting correction of the excessive fragmentation of the policies themselves. There is undoubtedly a lack of a real political mandate from OECD member countries

2. The statement continued: “The Development Cooperation Forum is a space where Member States have agreed to carry out the relevant mandates. Many participants called for the Forum’s role to be not only sustained but enhanced. Developed and developing countries from all regions expressed their appreciation of the Forum as an invaluable (non-negotiating) space for inclusive discussions and shaping of norms and policies on high-quality and high-impact development cooperation”.
3. The statement continued: “We can only address the multiple intersecting challenges facing the world and establish a meaningful social contract when we fully engage women and girls at all levels of society and in all decisions”.

4. “Implementation of the new Global Partnership Monitoring will address challenges of effective partnering in the evolving development co-operation landscape. The Global Partnership will provide timely and relevant evidence to inform dialogues, policies and practices, at both global and country levels. This requires political will and actions of all countries and Global Partnership stakeholders.
  - We will resume the monitoring exercise from 2023 and will complete data collection by 2026. This will also allow us to contribute to the Global Partnership’s global reports with country level data and provide evidence on progress for the forthcoming Senior- and High-Level Meetings...
  - We will promote accountability and transparency through a dashboard that will be updated regularly (as countries complete the monitoring phases and provide information) to track countries’ progress, including on key metrics and action plans. We will also provide monitoring results profiles for partner countries and development partners, to inform parliaments and other stakeholders for awareness raising and dialogue.”

but also from other countries in the South and the North that would like to join to make progress in monitoring and evaluating development cooperation policies and especially financial flows.

What then would be the chances of success of a reform with a mandate that would be given either to the OECD through the DAC extended to the Global Partnership (GPEDC) or to the United Nations through the Development Cooperation Forum (DCF)? Each of these two bodies already has its own history and governance, so which would be the most reformable on the basis of an international consensus? Furthermore, is a reform that would have them work together conceivable? Can the OECD be pushed to expand the GPEDC further towards the United Nations beyond the UNDP, which no longer fulfils its prior role of coordinating aid agencies at the country level, this role now having being devolved to the UN Resident Representative in a country?

It is also possible to allow the existing major international forums to evolve at their own pace, to formulate policy recommendations where necessary and, where appropriate, gradually to find ways of converging in a parsimonious way, that is, in a way that respects the time available to political leaders in developing countries.

If it is politically impossible to reform by merging, perhaps the simplest solution would be to create a new body based on the existing ones, with the obvious risk of adding further confusion to a system that is already suffering from it. A mandate would therefore be given to an ad hoc institution (public or private?) to monitor, on a comparative basis, the policies implemented by public development funding bodies and philanthropic institutions on the basis of criteria to ensure that the policies of each of these bodies are consistent with the purposes of the funding and their overall coherence (as proposed in Severino and Guillaumont Jeanneney, 2023<sup>1</sup>). This institution, which should report an-

nually, would be similar to the DAC Secretariat but with a broader geographical or geopolitical base, including other countries (developing countries at different income levels) in addition to OECD countries, as the GPEDC has tried to achieve with limited success, and with a slightly different and more targeted objective, that of ensuring the transparency of the system to increase its effectiveness. It should naturally work in cooperation with the DAC secretariat but also with the GPEDC, MOPAN and, of course, the DCF and FfD, or even UNCTAD, as the latter would be mandated! It could also, insofar as the OECD agrees, involve the broadening and deepening of the DAC secretariat, which would mean a profound reform of the DAC itself. If no agreement is reached between public institutions, it may be up to a small group of private institutions from the North and South to offer their services to achieve this and possibly receive a mandate to do so.

Whatever the institutional formula chosen, it is important that the evaluations of aid effectiveness carried out on the institutional and procedural side are in line with those performed on the analytical side. The best institutional arrangement once again runs the risk of becoming bogged down if it is not irrigated by the results of research into the effectiveness of the various types of external financing for development and global public goods. The two strands of aid effectiveness that we have identified must come together if they are not to get bogged down.

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### **Contact**

[www.ferdi.fr](http://www.ferdi.fr)

[contact@ferdi.fr](mailto:contact@ferdi.fr)

+33 (0)4 43 97 64 60

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