



THE AGE OF CHOICE

How are developing countries managing the new aid landscape?

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Many studies about the development finance landscape at the global level..

Development assistance landscape is changing *new actors, new motivations and new instruments*

Center for Global Development
Working Paper Number 187
March 2009
The End of ODA:
Deaths and Politics of a Global Public Policy
Johan-Magnus Sewerid and Olivier Ray

Abstract
The world of international development assistance is undergoing three conceptual revolutions, which culminate in the emergence of a truly global policy. First, it is being through a diversification of the goals it is asked to pursue. In the traditional language of achieving convergence between less and more developed economies have progressively been replaced those of financing access to essential services and promoting global public goods. Secondly, faced with this new array of challenges, the world of development aid has demonstrated an impressive capacity to increase the number and diversity of its players, generating a greater sense of ownership for the world's fragmented global policy. Thirdly, the instruments used by this expanding array of actors to achieve a broader range of policy objectives have themselves multiplied. In the wake of innovations in mainstream financial markets, yet surprisingly little ripple revolution in goals, instruments have not yet impacted the very core measure both the financial volume dedicated to this emerging global policy nor the overall impact it aims to achieve. This paper argues for the need to move from the conventional measures of Official Development Assistance to the consideration of broader benchmarks for what ultimately matters: resources and results that accrue to 21st century international development.



The Future of Development Finance

Nemat Shafiq

Abstract

Development finance is a complex patchwork of instruments, goals, actors, and needs. In the wake of this patchwork, the world of development finance is being redefined by the rise of new actors, the diversification of its goals, and the emergence of new instruments. A growing share of development finance will be directed to meeting global public goods—the clean energy, water, and health needs. Responsibility for addressing global challenges will increasingly be seen to rest with the private sector, and not with the state. How can we address these and other issues? This paper examines the institutional architecture in a complex world. The role of the state and the need for development assistance need to evolve to meet its complex needs, necessitating a re-evaluation of the aid and finance landscape for the future. Development finance opens a horizon for global public good.





...but limited research on partner country experiences in managing this complexity





Key research questions

- Do partner countries see the new landscape as a challenge, an opportunity, or both?
 - Are they overwhelmed by the additional **fragmentation of assistance**, or do they value greater choice?
- Neutral starting point vis-à-vis the aid effectiveness agenda



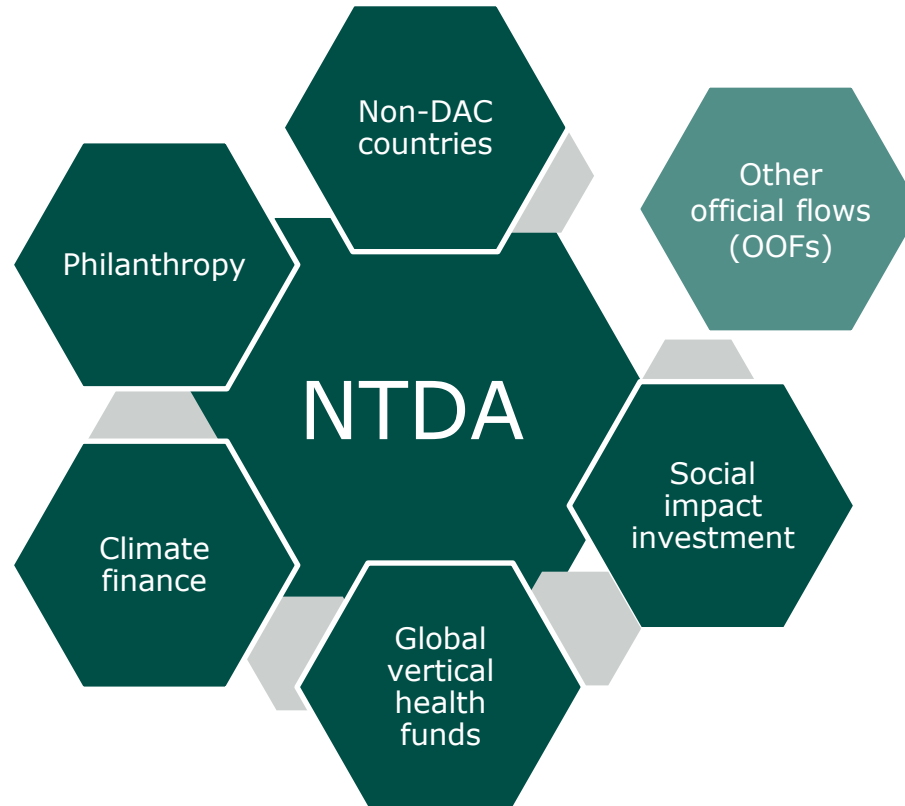
Non traditional development assistance flows as the focus of the analysis

Non-traditional development assistance (NTDA) flows are:

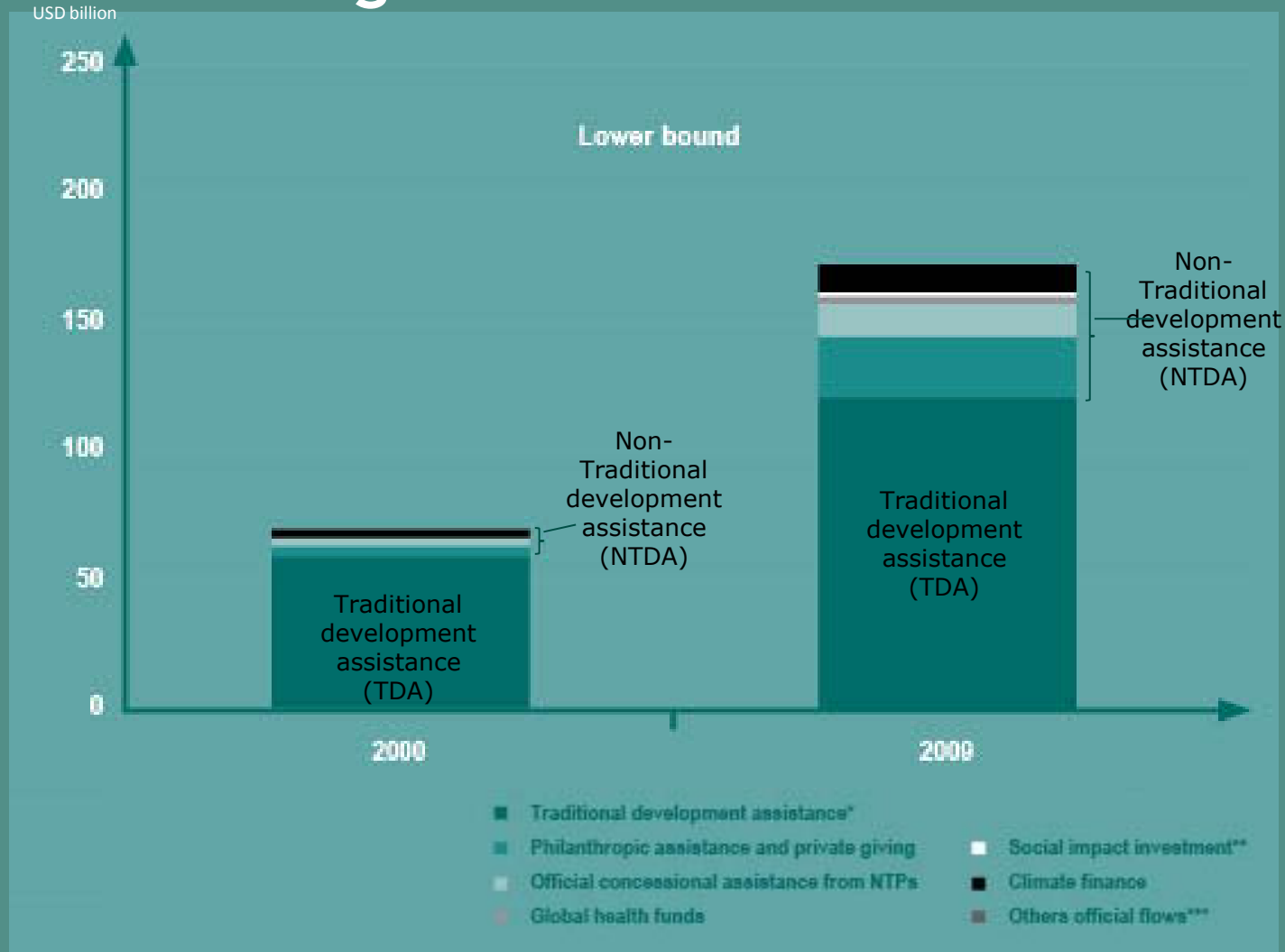
- Cross-border to developing countries
 - Provided with a public/philanthropic interest and purpose
 - Presenting some level of concessionality
 - Funding or delivery mechanisms differ from those of traditional donors
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Applying these criteria these are the non-traditional development assistance flows we analyzed



Greater development assistance flows and higher share of non-traditional flows



Note: * net of NTDA; ** 2011 figures from E.T. Jackson and Associates (2012); *** three-year moving average: 2002-2004 for 2000 figures and 2008-2010 for 2009 figures.

Source: Authors' elaboration on the basis of CPI (2011); E.T. Jackson and Associates (2012); Hudson Institute (2012); OECD (2003); OECD.stat website (accessed 2012); GAVI and Global Fund websites



Case studies so far

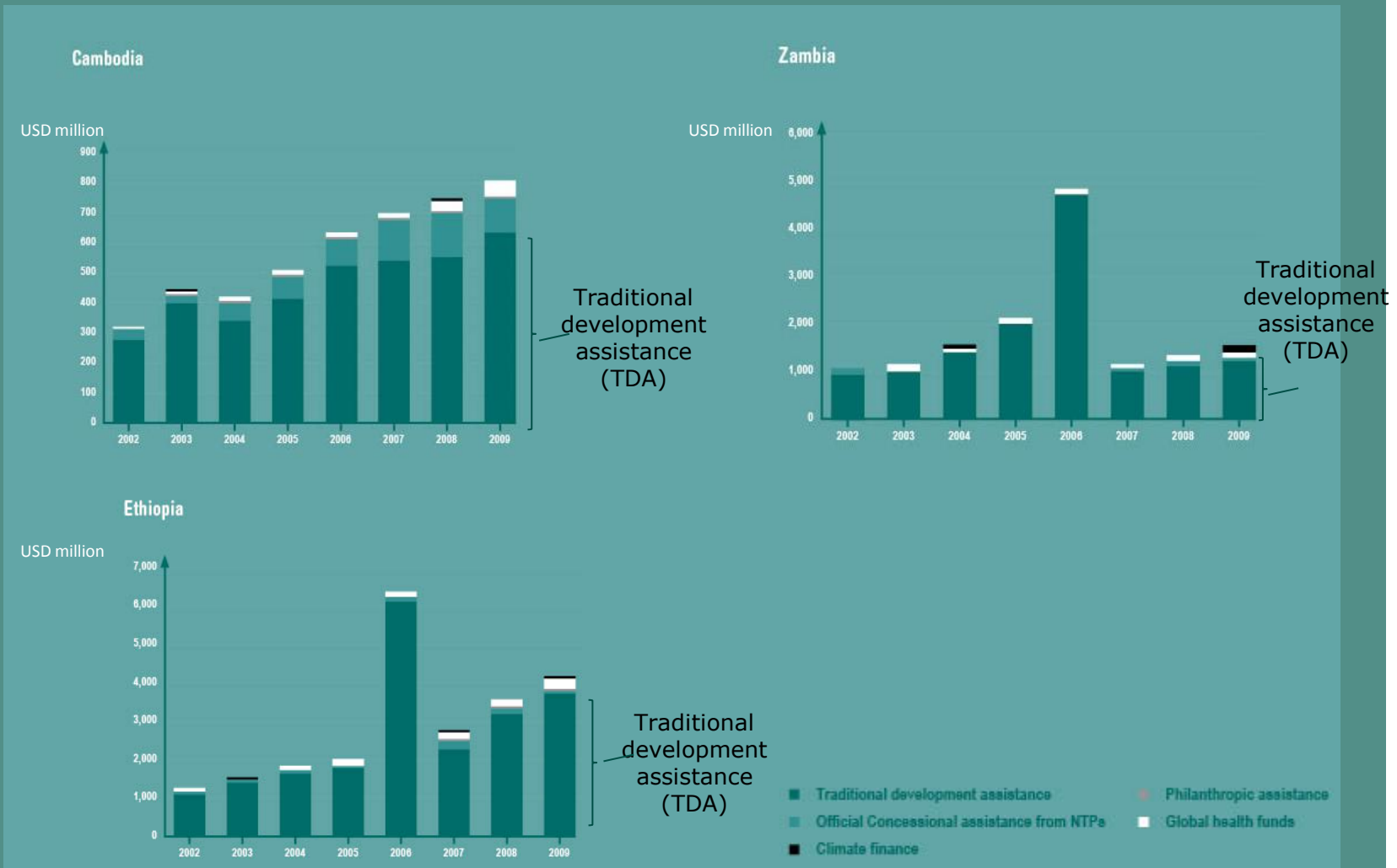




A mixed-methods methodology applied

- Desk-based review and interviews with approximately 30/35 stakeholders for each case study (government officials, DAC representatives, providers of non-traditional development assistance, CSOs)
- Based on Fraser and Whitfield (2008) on negotiation strategies and Ostrom *et al.* (2001) Institutional Analysis and Development (IAD) framework

A different picture of non-traditional development finance flows at country level: Three examples



Source: Authors' elaboration on the basis of OECD.stat, AidData, Foundation Centre, Climate Funds update October 2012 version, disbursement data only.



Summary of case study findings

1. More finance, more choice welcome

2. Ownership, alignment and speed are key priorities

3. Countries may not take a strategic approach in managing these less traditional flows

4. Non-traditional providers are not involved in aid coordination mechanisms

5. Philanthropic and private flows are small

6. Management of climate finance depends on national strategy; also climate flows at country level are small



Finding 1: More finance, more choice welcome

- All countries highlight need for additional resources as key priority
- Reducing aid dependency low priority – explicit in PNG
- Limited concern on debt sustainability but rising debt in Ghana and Senegal – TL low debt





Finding 2: Ownership, alignment and speed are key priorities

- Limited conditionality from new actors welcomed
- Non-DACs score well on alignment due to contribution to infrastructure, under-funded by DAC donors
- Speed highlighted as key priority, and non-DACs may not necessarily score well
- Preference for budget support but not necessarily achieved as outcome
- Value technical assistance/capacity building instead of 'turnkey' projects





Finding 3: Countries are taking a strategic approach in managing development finance?

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- It is less the case in countries such as Ghana, Senegal and Zambia.
- **Cambodia**: some evidence that funds from China bolstering government confidence in dealing with traditional donors
- **Ethiopia**: preference for concessional, budget support type funding but other sources of funding accepted where necessary. Funds channelled to sectors in line with understanding of donor priorities
- **Timor-Leste**: borrow at rates below average returns on assets – preference for untied assistance. Strong liquidity position.....





Finding 4: Non-traditional providers not involved in aid coordination mechanisms

Limited participation from new actors in aid coordination mechanisms

- Nearly all countries: limited interest from government in including new actors in those mechanisms
- Zambia different story: more active engagement
- A different story in Pacific Islands





Finding 5: Philanthropic and private flows are small

- Small volume philanthropic flows in all countries – no joint projects with governments
- Social impact investment was poorly understood and seen as more akin to private flows than ODA





Finding 6: Management of climate finance depends on national strategy

Limited access to climate finance – capacity building for proposal development and negotiation

- Ghana, PNG, Zambia: climate finance new, lacks overarching strategy
- Cambodia, Senegal: clearer set of priorities, but not yet meeting objectives when it comes to climate finance
- Ethiopia: clearer strategic plan, more successful in framing objectives





Conclusions

- Non-traditional development assistance is sizeable in relation to traditional assistance – though further work needed to confirm figures
- Countries welcoming choice and being strategic about how they manage new flows: more positives than negatives



Implications for traditional donors and the aid effectiveness agenda

- Traditional donors may find their aid less popular and/or conditionality less effective in future (an exception among the case studies?)
- Potential challenge to the standard aid effectiveness agenda
→ speed of delivery
- Exclusion of non-DACs from aid co-ordination mechanisms may weaken those mechanisms – but stronger ownership is positive



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