

MOVING OUT OF AID DEPENDENCY
2nd Committee Panel Discussion
Organized by FFDO and OESC
Department of Economic and Social Affairs
United Nations, New York
16 November 2007

Remarks by Roy Culpeper, President, The North-South Institute

among the aid, trade and investment arenas; and on the impact of geopolitical security developments and the “war on terror” on aid policies and allocation. In

local government councils. It is not sufficient for ownership to be exercised by the national Executive on behalf of the country.

- It was found that the Poverty Reduction Strategy mechanism, as framed by the Bretton Woods institutions, is not suitable as a vehicle for national ownership, even with extensive consultations.
- Donors need to pull back and allow low-income countries to develop their own plans/ strategies and minimize policy-based conditionality connected to national development plans.

Developing countries should reduce their aid dependence and debt overhang to reduce conditionality and leverage of donors.

- Policies that bring about rapid economic growth (e.g. in Vietnam) make this happen automatically;
- As well, to facilitate an exit strategy from aid dependence, low-income countries should establish medium/long-term development financing scenarios that provide a roadmap for increased domestic resource mobilization, growth in export earnings, FDI and other non-aid resources.
- Exit strategies could include LICs' own "conditionalities" for continued (but

where southern governments/ stakeholders have a leading role (see below).

4. Effectiveness

Finally, the international development architecture is regarded as ineffective in achieving key development objectives, e.g. the Millennium Development Goals. This is recognized in the OECD Paris Declaration. Greater mutual accountability between donors and recipients is imperative in order to enhance the effectiveness of aid. At present accountability is heavily weighted toward donors, i.e. there is need for more accountability by donors toward recipients.

- The DAC/ODA peer review process for individual OECD donors should be widened formally to include recipient and other developing-country participation.
- Accountability should be enhanced in each recipient country through more systematic monitoring and evaluation of donor performance. Precedents such as the Tanzania Independent Monitoring Group must be built upon.

Technical assistance is widely seen as ineffective and wasteful by recipients and some donors. Much more TA must be spent on local experts with greater local ownership and orientation, and more potential for local capacity building.

More budget support is needed to minimize multiple donor coordination and harmonization problems and to improve the quality of the budget process, via:

- Multi-year donor commitments and disbursements, streamlined procedures to strengthen predictability and lessen volatility.
- Donor funds should not be “off budget”, as is frequently the case, but instead should be integrated into recipients’ budgetary processes.
- A re-assessment of common funds is needed, with a speed-up of the transition from common funds to budget support.
- More division of labour is needed to reduce the number of active donors in each country and the associated administrative burden on recipients of dealing with a large number of insignificant donors.
- Greater emphasis on domestic resource mobilization is required to finance development and reinforce long-term sustainability.

- The trade and investment agenda must be altered to be more development-friendly and allow more policy space and time for developing countries.

References

The following constitute the key project documents on which this synthesis is based:

Background papers

Bill Morton, "Southern Writing on Reform of the International Development Architecture: a Review", The North-South Institute, Sept. 2005.

Roy Culpeper and Samuel Wangwe, "Reforming Global Development Institutions: What do Sixty Years of Reform Proposals Tell Us?" The North-South Institute and Economic and Social Research Foundation, Sept. 2005.

Theme papers

Kwesi Aning, "Security, War on Terror and ODA." Draft. The North-South Institute, September 2007.

Norman Girvan, "Power Imbalances and Development Knowledge", The North-South Institute, September 2007.

T. Ademola Oyejide, "Policy Coherence: Aid, Trade and Investment". The North-South Institute, September 2007.

Country Studies

Gover Barja, "Bolivia". Draft. The North-South Institute, September 2007.

Dismas Baransaka and Astère Girukwigomba, "Burundi". Draft. The North-South Institute, September 2007.

Sam Olofin, "Nigeria". Draft. The North-South Institute, September 2007.

Saman Kelegama and Deshal de Mel, "Sri Lanka". Draft. The North-South Institute, October 2007.

Nguyen Thi Thu Hang. "Vietnam". Draft. The North-South Institute, September 2007.

Conference reports

Report of the Steering Group meeting, Strathmere House, Ottawa, 15-17 October 2006, prepared by Adam Sneyd for The North-South Institute.

"Empowering Southern Knowledge to Enable Southern Ownership." Report prepared by Adam Sneyd on Wilton Park Conference May 19-22 2007. Wilton Park and The North-South Institute, June 2007.

Samuel Wangwe, Keynote Address, Wilton Park Conference, may 19, 2007.