# Whither aid? Perspectives from developing countries

**By Jonathan Pickering, Robin Davies and Annalisa Prizzon**

Development co-operation has changed rapidly in recent years. Developing countries have entered an 'age of choice' for development finance in which they have access, at least in principle, to a more diverse range of financing sources. These include non-traditional providers of bilateral development assistance, new multilateral and regional institutions like the Green Climate Fund and the Asian Infrastructure Investment Bank, philanthropic organisations, international capital markets and private investors. More financiers also mean a more fragmented and complex development finance landscape for partner country governments to manage.

At the same time, some traditional donors have cut their aid budgets, spurring consideration of how other sources of finance might fill this gap and how aid might be used in a more catalytic way. Along with broader shifts in the global economic order, traditional divides between developed (or provider/donor) and developing (or partner/recipient) countries are blurring or being called into question.

These changes in the global context for development co-operation raise pressing questions for external providers of development finance. Their policies and practices must evolve—both to meet changing development priorities and to ensure that the overall development assistance effort from all providers is optimal. But how? We cannot know without a better understanding of developing countries' own perspectives.

Starting in Paris in 2005 through to Nairobi in 2016, development partners and providers have agreed on an evolving series of principles and actions that aim to make aid and development effective. However, perspectives and views of partner country governments on how development aid should be delivered have often been overlooked, both in the literature and in international policy debates on development cooperation.

### New research on developing countries' perspectives

A new special issue of the journal *Development Policy Review* brings together the findings and conclusions of three recent efforts to gather 'consumer' perspectives on international development assistance—where the consumers in this case are mainly senior officials within developing country governments. While the three pieces of research were undertaken independently of one another, they overlapped in time, in target countries and in the research questions they asked.

The first article is based on a study commissioned by the OECD and undertaken by Robin Davies and Jonathan Pickering of the Development Policy Centre. The study sought to obtain respondents' perspectives on their future development challenges and their views about how development assistance relationships should evolve to meet those challenges. Key findings of the survey were reported in a previous Devpolicy post.

The second study, by Annalisa Prizzon, Romilly Greenhill and Shakira Mustapha of the Overseas Development Institute, explores how countries are viewing and managing increasingly diverse sources of external finance. It is based primarily on nine in-depth country case studies from sub-Saharan Africa and South-East Asia conducted between 2012 and 2015.

The third study, by Matthew Dornan of the Development Policy Centre, draws on 50 in-depth interviews conducted in 2015 with policy-makers, political leaders and providers in three Pacific island countries (Solomon Islands, Tonga and Tuvalu). Its topic is policy conditionality in the context of budget support, and it seeks to assess the extent to which provider objectives and approaches have changed in light of consumer preferences. The findings are summarised in this blog post.

**What have we learnt?**

The three studies reach similar conclusions on at least six aspects of the development finance agenda at the country level:

1. *Diversifying financing options.* Many developing countries, except perhaps those at both the poorest and most prosperous ends of the spectrum, are carefully considering the range of financing options they have, and how those options can be combined to best advantage in order to maximize access to finance, reduce risk and achieve national development objectives. There is a strong sense that countries welcome the increasing diversity of sources of finance, and are not greatly concerned about the ensuing complexities.
2. *The future of aid.* Developing country governments see a significant and continuing role for official development assistance (ODA), and specifically

for ODA from OECD Development Assistance Committee (DAC) sources—while many countries view it as insufficient or too inflexible to meet the full range of their needs.

3. *National ownership and preferred aid modalities.* Developing country governments accord high priority to national ownership of development assistance programmes, the alignment of external assistance with their own strategies, budgets and programme delivery systems, and timeliness of delivery (an attribute of aid that does not figure in the standard effectiveness agenda). Developing country governments strongly prefer the direct provision of financing into their budgets at the national or departmental level, despite seeing reductions over time in the amount of financing so provided, but are less likely than in the past to accept onerous and rigid policy conditionalities.
4. *Technical assistance.* Developing countries value good quality technical assistance, particularly policy-related assistance, provided that it is tailored to national priorities. Developing countries do not yet see newer donors as significant sources of such advice, but they find assistance from multilateral sources to be of considerable value.
5. *Development effectiveness priorities.* Recipient country governments evidently care little about the 'donor harmonisation' element of the standard aid effectiveness agenda, and are also not much concerned about the tying of aid procurement except where the aid in question turns out to be shoddy. They are capitalizing on the availability of new sources of finance to diversify risk and also to drive harder bargains and fill infrastructure gaps.
6. *Multilateral and non-DAC providers have different roles to play.* Developing countries see clear, but quite different, roles for the several categories of provider, based on perceptions of their relative strengths and weaknesses. While positive about the contribution of non-DAC bilateral providers, they are by no means uncritical—commenting, for example on shortcomings in transparency, or the absence of local benefits from 'turnkey' construction projects. Multilateral providers are more

> highly valued than bilateral providers, owing to their often strong field presence, depth of knowledge and willingness to support national priorities.

**What do the findings mean for development policy?**

It is in their assessment of lessons for policy-makers that the three studies vary most, at least in emphasis. Dornan emphasizes the need to avoid a drift toward the 'old conditionality' associated with budget support, which is destructive of mutual trust. He also underscores that in some situations a degree of conditionality in connection with budget support can be useful to key centres or champions of reform within a recipient government.

The interest of Prizzon, Greenhill and Mustapha is in external assistance generally to governments, so their emphasis is more on what might be termed ease of doing business. This entails ensuring that external support is in line with government priorities and provided in a timely and flexible way, or risk losing ground to other providers as developing country governments use the availability of new financing options to their advantage, bolstering their negotiating position with donors. They also encourage recipient countries to 'play the field', taking the best assistance options available, on the best terms, in accordance with their needs and objectives.

Davies and Pickering's conclusions reinforce this latter point, while also emphasizing the need for providers to calibrate engagements with recipient countries in light of their level of aid dependence, focusing particularly on the growing cohort of moderately aid-dependent countries. They also highlight the need to reflect on how best to meet future demand for high quality, unobtrusive technical assistance.

It would be helpful if providers and the broader development community conducted research of this kind more regularly. Doing so will be essential for making more development co-operation more effective and more solidly based on a spirit of partnership.

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