

Aid, the Crisis and the MDGs

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The Brookings Institution, Somers Rooms, 1775 Massachusetts Ave, NW, Washington, DC

On Friday April 23, the Wolfensohn Center for Development at Brookings and the OECD hosted a roundtable discussion on *Aid, the Crisis, and the MDGs*. Eckhard Deutscher, chair of the OECD Development Assistance Committee (DAC) and Jon Lomoy, Director of the OECD Development Cooperation Directorate, presented recent OECD data and discussed the current aid climate. The discussion was moderated by Brookings Senior Fellow Homi Kharas and included participants from the public and private development sectors.

The discussion started with a [review of recent trends in global aid flows](#), which have reached historic highs. Most countries have met their aid commitments but others have fallen short, including Japan, Germany, France and Italy among major donors. Those with more [ambitious targets](#) have generally raised aid levels the most, even if the targets are not met. Looking toward the future, donor countries need a plan for scaling up their aid commitments; they need to identify annual targets, not just far-off future targets, to improve accountability; they need to improve predictability; and they need to move forward in a coordinated way. A gap is emerging between Europe—that has common, agreed minimum aid thresholds and the Treaty of Lisbon commitment to aid effectiveness—and the U.S. and Japan where aid levels are far lower.

Of course, aid is a minority share of global financial flows; but it is important, especially considering that official development assistance (ODA) from OECD DAC members has remained stable during the financial crisis and ensuing global recession. But aid will face challenges in coming years as climate change funds and the fiscal crunch in OECD countries will put pressure on development assistance. There is a communication gap that has allowed the aid quality agenda to be captured by aid-skeptic voices, but the sense from the ground is that enormous improvements have been made in donor coordination, use of country systems and program-based assistance; and that aid is working and is better shared with allocations broadly following U.N. Millennium Development Goal (MDG) needs. But problems of fragmentation, unpredictability, and bureaucratization of the aid effectiveness agenda have become more serious. Experiments with new forms of aid delivery may be needed to re-energize the debate on making aid work.

There was no consensus among participants on how much impact could be achieved by “naming and shaming,” nor on whether ODA budgets will be at risk as fiscal consolidation takes place in donor countries. Possibly some coordination among G-20 countries on how to treat aid in designing stimulus exit strategies could be useful. Faced with budget pressure, there is new urgency to finding creative and innovative ways of boosting the development impact of scarce aid dollars and using better what is already in the pipeline.

Three ideas emerged. First, experiment with climate change funds to test drive new aid approaches such as results-based aid. Second, use the summity processes of the G-20 and the U.N. to build stronger international solidarity. Third, engage in a more concrete fashion with non-DAC official donors and the private philanthropic and business communities.

The remainder of the discussion focused on tensions inherent in aid delivery that complicate the urgent tasks of maintaining the relevance of development cooperation in a changing world environment and communicating the story of aid successes to a broader audience.

One tension is between global targets (the MDGs) and the principle of country ownership (where jobs and other development issues get high priority). A blind focus on MDGs can generate distortions in aid allocations that can be harmful. This has relevance for the balance between aid channeled through vertical funds and through horizontal flows.

Another tension is in moving from process issues and measures of organizational effectiveness of aid agencies to results on the ground. Aggregating the latter into a simple storyline remains an elusive challenge partly because aid planning and evaluation is limited by poor statistics on actual cross-border financial flows.

The push for results can yield short-term gains but can also involve a trade-off with sustained development. There was consensus that providing aid in a way that builds capacity is essential.