Towards a New Conversation on Development Effectiveness

Keynote Presentation

by

Debapriya Bhattacharya
Distinguished Fellow, Centre for Policy Dialogue (CPD), Dhaka
and
Chair, Southern Voice network of think tanks

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The presentation is based on a fuller study titled, *Rethinking Development Effectiveness: Perspective from the Global South* by Debapriya Bhattacharya and Sarah Sabin Khan, CPD & Southern Voice (2019)
1. Setting the Scene

Context
• Discourse on effectiveness of external public development finance flows currently at an inflection point
• Evolution of effectiveness agenda from “aid effectiveness” to “development effectiveness”
• Dramatic shifts in landscape of development cooperation

Key Questions
• Are the changes at the global level in line with demands on the ground?
• Are development interventions on the ground effective?

Assumptions
• Current discourse is almost exhausted. There is need analytical exposé of new grass-root materiality coming from recipient countries
• New realities increasingly pushing new issues to the discourse opening avenues for new knowledge to be created
• So time for a new conversation based on the new realities!
1. Setting the Scene

**Enabling Factors**

- Three enabling factors that make the time opportune
  1. More openness under the new leadership of the GPEDC
  2. New found pragmatism among the Southern providers
  3. A new stock of accumulated knowledge backed by a dedicated group of people

**Objectives**

- Push the needle on the framing of a new narrative
  - Identify critical areas of concerns and gaps in the current discourse that could benefit from more ground level substantiation
  - Come up with a guiding framework for the methodological approach for country level investigation

- Explore the possibility of creating a secured platform to take the “new conversation” forward
  - Set out the rules of engagement in a non-negotiating environment
2. Trends and Observations

2.1 The Changing Development Cooperation Landscape

- Proliferation of **new actors** (e.g. DAC, Non-DAC, Southern providers, private philanthropy), **institutions** (e.g. IFIS, DFIs, MDBs, RDBs) and **instruments** (e.g. Blended finance, climate finance)

- The **profile** of **recipient** countries are changing with their **heterogeneous** development **trajectories** and **multiple graduation** from different development categories (e.g. UN LDC, World Banks Income Classifications, RDB lending categories etc.)

- **Financing needs** of recipient countries changing with , **less dependence** on ODA (as thus less leveraging capacity) changing **geography** of **poverty** (more poor in MICs), more relatively-poor, and developmental results more connected with the provision of global and regional **public goods**

- Changing global environment due to **humanitarian** crisis, **climate** change, **4IR**, **trade** war, EU **fragmentation**, **currency** risk, fading **multilateralism**

- New demands from SDGs/LNOB
2. Trends and Observations

2.2 Changing allocative priorities of official providers

- Highest spending in **social infrastructure** and services, but with declining allocation
- Increased allocation towards **economic infrastructure** and services
- Increased spending towards **humanitarian** aid (by bilateral providers and especially non-DAC)
- Increased allocation towards in-country **administrative costs** by DAC providers
- **Infrastructure** preferred sector for **all genres** of providers including Southern providers as well as for blended finance projects
- Proliferation of funders to multilaterals resulting in increased **conditionalities**, reporting requirements affecting MDB performance
- Increase in **ear-marked funding** to multilaterals, less **core funding** from bilateral providers. Loss in efficiency and autonomy over own mandate
2. Trends and Observations

2.3 Leveraging ODA for scaling up the private sector

- Slower growth of ODA compared to private flows e.g. FDI, remittances
- Increase in volume of private philanthropy
- Blended finance gaining momentum
- Philanthropy and blended finance mainly towards MICs, not the neediest (e.g. LDC, LIC, fragile)
- Mobilisation rate of private finance by ODA low in poorer countries; mostly from provider country (not from recipient country)
- Blended finance in poorer contexts confined to less risky sectors and large scale projects
- Blended finance not contributing to market development (as promised). Doubts regarding “additionality” of mobilised finance
2. Trends and Observations

2.4 Leveraging ODA for DRM

- ODA to improve capacity of tax administration has been **low** and **fell** in 2017 from 2016
- **Multilaterals** have been more **proactive** in supporting DRM
- **Addis Tax Initiative** target (of doubling ODA towards DRM) not **high enough**. **Efforts** too **little** too late.
- International tax evasion part of **illicit finance flows** instances of which is **high** in **developing countries**
- Increasing **digitalisation** of economy make fair taxation difficult
- **Participation** of developing countries in **tax cooperation** instruments still low, although improving
3. Analytical Assumptions

3.1 A shared understanding on a global development effectiveness agenda yet to be achieved and politically owned by all development stakeholders

- Has the evolution from aid effectiveness to development effectiveness been meaningful with regard to what the discourse wanted to achieve? – *Playing the old game?*
- How to create a consensus on consolidation of the understanding of development effectiveness? – *New rules of the game?*
- Is a consensus even desired given the organically diverse landscape of actors? – *Changing the game?*

Three alternatives for a future –

→ **GPEDC Zero** – Maintain status quo
→ **GPEDC Plus** – Tailored and contextualized assessment
→ **GPEDC 2.0** – New mutual learning platform for all actors, non-negotiating atmosphere
3. Analytical Assumptions

3.2 Consensus between providers of the North and providers of the South towards an effectiveness agenda and an assessment framework of development effectiveness difficult because of the distinctive positioning of SSC

- Decades old differences in historical contexts, development experiences, relationships, ideational motivations and vision for future
- Consolidation unlikely at the global level given the diverse and disjoint nature of efforts even within Southern cooperation
- Reconciliation efforts more feasible at the country level
- Necessary political ownership can be triggered through conversations backed by evidence created at the country level

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### 3. Analytical Assumptions

#### Differential positioning of SSC

<table>
<thead>
<tr>
<th>Scope</th>
<th>NSC</th>
<th>SSC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Common elements</strong></td>
<td>Both include concessional and non-concessional sources of official finance</td>
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<td></td>
<td>Both sides seeking to broaden the scope of cooperation – from development cooperation to economic cooperation (trade, investment, education, tech transfer, contribution to globalised public goods)</td>
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<tr>
<td>Different elements</td>
<td>• Private sources included only to the extent that they are fully concessional (private philanthropy) or some element of public source is involved (blended finance)</td>
<td>• Includes concessional and non-concessional “unofficial” sources of cooperation</td>
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<td></td>
<td>• Volumes are commitment driven</td>
<td>• Volumes are not commitment bound, are demand driven and voluntary in nature.</td>
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#### Principles

<table>
<thead>
<tr>
<th>NSC</th>
<th>SSC</th>
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<tbody>
<tr>
<td><strong>Common elements</strong></td>
<td>National ownership</td>
</tr>
<tr>
<td></td>
<td>Mutual Accountability and Transparency</td>
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<tr>
<td>Different elements</td>
<td>Harmonisation (among donors)</td>
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<td>Policy conditionality</td>
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<td>Policy coherence</td>
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<td>Untied aid</td>
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<td>Inclusive economic growth</td>
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Deb Bhattacharya: Conversation on Development Effectiveness (Seoul: December 2019)
### 3. Analytical Assumptions

#### Differential positioning of SSC

<table>
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<tr>
<th>Assessment Framework</th>
<th>NSC</th>
<th>SSC</th>
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<tr>
<td><strong>Common elements</strong></td>
<td></td>
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<tr>
<td>Both process driven</td>
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<tr>
<td><strong>Different elements</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Measurement comparatively easier because of uniform definitions</td>
<td>Measurement difficult because of technical and definitional challenges in concepts</td>
<td></td>
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<tr>
<td>More disclosure available</td>
<td>Less disclosure available</td>
<td></td>
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<tr>
<td>Commitment driven assessment</td>
<td>Voluntary assessment</td>
<td></td>
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<tr>
<td>Possible to assess at provider level/global level</td>
<td>More practical at recipient level/country level</td>
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<td>Cross-country comparison among providers within NSC possible</td>
<td>Cross-country comparison across providers within SSC difficult</td>
<td></td>
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<tr>
<td>Scaling up evaluations to meso and macro level a possibility</td>
<td>Scaling up evaluations beyond projects/programmes difficult</td>
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3. Analytical Assumptions

3.3 Is SSC and NSC heading towards mutual alignment?

- Increased interaction and dialogue with North leading to more collaboration – Triangular cooperation
- Increased exposure and ensuing scrutiny compel Southern providers to gradually shift from non-interference and non-conditionality to accountability and impact factors
- As quality of assistance becomes important in SSC, providers find it harder to resist a more “interventionist” stance
- “Southernisation” of traditional providers – pursuit of ‘win-win’ development efforts; refocusing on the ‘economic growth’, “blending” of development finance agendas with trade and investment. North moving towards economic cooperation (scaling up private sector, Blended Finance, TOSSD)
- NSC becoming demand driven, increasingly contextualised (e.g. GPEDC and fragility context)
- “Northernisation” of large Southern providers or emergence of a new “North” within the “South”
- Further marginalisation of poorer and needier Southern countries
- Decreasing policy space as well as negotiating space for recipient countries
3. Analytical Assumptions

3.4 Measurement challenges of assessing effectiveness of development cooperation less technocratic and more conceptual, if not political in nature

- Alternate Metric for Provider’s Effort (CPA over ODA)
- Disclosure and transparency issues from non-traditional sources
- Inferring outcomes or impact at scale has proven to be difficult. A sectoral approach at the country level in this regard may be more manageable
- Actual and perceived capacities (absorptive as well as implementation) of recipients, which are often functions of factors related to both providers and recipients’ also need factoring in the assessment frameworks
- Rising debt levels and an imminent debt crisis need consideration in measuring effectiveness especially given the new era of debt distress has a different set of (non-traditional) creditors.
- Global systemic concerns, an understudied aspect of development cooperation have implications for effectiveness on the ground and require to be addressed.
- New data (e.g big data and satellite imagery) provide opportunities for breakthroughs in measuring effectiveness
3. Analytical Assumptions

3.5 Power imbalances entrenched in provider-recipient relationships underlying cause of many other political economy challenges hindering the practice of the principles of effectiveness on the ground

- The challenges of reaching a consensus on global and national levels – more than just collective action problems, often complicated by conflicting interests and preferences of diverse actors
- Concept of ownership more of a political one defined by power dynamics between providers and recipients and exercise of control over the outcomes of that relationship. In practice, democratic ownership still a far cry
- In the presence of differential motivations, power asymmetries and broken feedback loops, mutual accountability channels fail to perform effectively
- Failure to meet commitments from both providers and recipients make aid flows unpredictable, further begetting power imbalances
3. Analytical Assumptions

3.6 Need for more ground level substantiation and recipient country perspectives

- Restating the importance of recipient country perspectives may seem redundant, but experience suggests it has not been emphasised and integrated enough in the discourse.
- Recipients' perspectives do not only mean voice and representation, but also evidence and knowledge created on the ground.
- The nature of the challenges delineated by the analytical assumptions are so context specific, they demand going down to the project level.
- The only constructive way to grasp these issues and prescribe solutions is to gather as much as possible, recent evidence and perspectives from a wide range of stakeholders on the actual practices and norms at the country level.
4. Testing out at the Country Level

*Four broad areas for testing out the analytical assumptions at the country level -*

1. Conceptual Concerns | Choice of Tools
2. Landscape Issues | Choice of Countries
3. Measurement Challenges | Choice of Instruments
4. Political Economy Matters | Choice of Sectors
5. Towards a New Conversation

Proposal for framing a new narrative based on

- New evidence reflecting grass-root realities as against changing global landscape
- Experience and knowledge of dedicated group of people with extensive research in this area
- Embedding of Southern perspectives as much as possible

The new conversation may be

- Kicked-off with a core group of thought-leaders and process-leaders; avoid acrimonious negotiating postures
- Evolve into a broad-based platform with balanced participation from the North and the South plus the set of new actors, engage in a mutual learning approach
- Interface with other relevant discourses on financing for development including implementation of Addis Ababa Action Agenda
We can not solve our problems with the same thinking we used when we created them.

- Albert Einstein
Thank You

<deb.bhattacharya@cpd.org.bd>