

Working Paper 259

**Which Way the Future of Aid?
Southern Civil Society Perspectives on Current Debates
on Reform to the International Aid System**

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Acronyms

ACP	African Caribbean and Pacific
BRICS	Brazil, Russia, India, China, South Africa
CDRN	Community Development Resource Network
CEPA	Centre for Poverty Analysis
CSO	Civil society organisation
DAC	Development Assistance Committee
ECOSOC	UN Economic and Social Council
EU	European Union
FFA	Forum on the Future of Aid
GBS	General Budget Support
GFATM	Global Fund to combat Aids, Tuberculosis and Malaria
HIPC	Heavily Indebted Poor Countries
IDA	International Development Association
IFF	International Financing Facility
IFI	International financial institutions
IMG	Tanzania Independent Monitoring Group
INGO	International non-governmental organisation
MCA	Millennium Challenge Account
MCC	Millennium Challenge Corporation
MDGs	Millennium Development Goals
NEPAD	New Partnership for Africa's Development
ODA	Official development assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
NGO	Non-governmental organisation
PRSP	Poverty Reduction Strategy Paper
SAP	Structural adjustment programme
TA	Technical assistance
TASOET	Tanzania Social and Economic Trust
UKAN	UK Aid Network
UN	United Nations

Executive Summary

This Working Paper has its origin in the ODI project ‘Southern Voices for Change in the International Aid System’. The original draft served as the basis for discussion at a workshop organised by ODI in November 2005, with collaborators from Africa, Asia and Latin America, as well as representatives from the donor community and from Northern-based NGOs. Drawing on comments made by Southern CSO representatives involved in the project, the paper aims to provide an analysis of the forces shaping the structure and operations of the international aid system. It examines current (mostly Northern) perceptions of problems inherent in and reforms necessary to the aid architecture, and explores Southern responses to this, focusing particularly on views and proposals from civil society organisations (CSOs) based in the South.

In recognition of the failure of official development assistance (ODA) to produce better and more sustainable developmental outcomes over the past few decades, donors have come to reconsider their engagement with poor countries. A new paradigm of ‘effective aid’ has emerged that, at least in principle, is based on the concepts of country ownership, a compact between donors and recipient countries to work in partnership to promote development, and mutual accountability.

Calls for ‘scaling up’ aid have also increased substantially over the past few years, mainly out of the belief that adequate, predictable and more effective aid flows are critical to achieving the MDGs. At the G8 Summit in Gleneagles in July 2005 as well as elsewhere, donors have pledged to increase ODA volumes by as much as US\$50 billion between now and 2010. At the same time organisations like ActionAid (2005) have argued that much of this increasing flow of aid remains ‘phantom’ in the sense that it does not represent a real resource transfer to recipient countries. While the debate between ‘real’ vs. ‘phantom’ aid has not been settled, it underlines the need for improving aid quality – that is, ensuring that maximum benefit is extracted from existing aid flows.

In a context of increasing flows of aid, questions about ‘aid architecture’ – or the way the international aid system works – have become more pressing. There is a growing perception among donors and recipient governments alike, as well as many NGOs in the North, that a multiplicity of agencies is compounded by a multiplicity of agendas and purposes which lead to a number of different inefficiencies. Hence the launch of a variety of initiatives, beginning with the Monterrey Consensus, attempting to rationalise the aid system and make aid more ‘effective’ – more harmonised, aligned, and based on country ownership.

This debate, however, has mainly been undertaken among (Northern) donors themselves. Voices of Southern constituents in shaping such trends have been muted, especially among Southern-based CSOs. Most of the Southern contributors to ODI’s Southern Voices project have noted how difficult it has been to capture Southern civil society views on the way the international aid system functions. Very little seems to be available or to have been written on the subject, for a number of reasons. These include a lack of appropriate fora to promote dialogue and information sharing among Southern CSOs, weak capacity, language barriers, inadequate funding, and high transaction costs, among others. This paper (as well as the Southern Voices for Change in the International Aid System project more broadly) argues that encouraging Southern CSO engagement in this debate is essential, against the backdrop of the future scaling-up of aid and the consequent need for a more responsive and appropriate way to address the needs of the poor.

Some of the major themes emerging from the Northern Agenda and responses from the South include the following:

1. **Aid harmonisation/complementarity/comparative advantage:** The leading paradigm of aid effectiveness is built on the premise of strong country ownership and increased coordination among donors: alignment with country preferences and donor harmonisation and complementarity. While it is not clear that recipient governments will always prefer to face donors as a group coming together under a common programme because of the risks of facing a united front of donors, it may well be in the interest of recipient governments to identify what the comparative advantage of each different aid agency is and use that information to identify what role each donor should play.
2. **Donor and recipient government accountability:** Despite commitments to this objective, observers in both the North and South have claimed that a lack of accountability on the part of donors continues to characterise the aid system. An important task in reforming the aid system will be to identify what kinds of mechanisms are necessary to promote the monitoring of donor behaviour by recipient governments, and what role Southern CSOs can play in this respect.
3. **Ownership and conditionality in the international aid system:** One of the lessons from the less than successful Structural Adjustment Programmes (SAPs) carried out in the 1980s and 1990s is that country ownership of the development agenda is essential if aid is to have more impact. As a result, donors are attempting to move towards a model of assistance that is less dogmatic and more responsive to country needs as perceived in-country. However, there also seems to be an inherent tension between a country-owned development agenda (as a result of a national process of consultation and priority setting) and an externally-driven assessment of its feasibility and quality: while donors have increasingly embraced the concept of country ownership, at least in theory, they have not abandoned the use of conditionality in providing support. While both Northern and Southern CSOs are critical about economic conditionalities because of their perceived impact on the poor, Southern CSOs tend to be more favourable towards the use of political conditionalities than their Northern counterparts.
4. **Instruments/modalities to deliver aid:** While (some) donors are increasingly channelling aid through programmatic approaches, such as GBS, civil society organisations in both the South and the North have voiced concerns about such modalities of delivering aid. These include: making performance measurement more difficult; encouraging corruption; bringing donor micro-management and loss of sovereignty; and prioritising government recipients at the expense of civil society.
5. **Global governance issues:** The lack of either an effective market-based discipline or an overall external regulator for the aid system has prompted observers to call for better instruments of global economic governance.

This paper also identifies areas that are of particular interest to Southern CSOs in the debate about the international aid system, while they tend to be less emphasised in the North. These include:

1. **Desirability of increased aid and aid dependence:** Despite Northern donor/NGO convergence on the need for increasing aid, Southern CSOs are more ambivalent, and they tend to be more suspicious of donor intentions and the overall impact of aid. This particularly reflects Southern concerns regarding aid to corrupt governments, donor security agendas, and the issue of aid dependence, which can become ‘crippling’ in the long-term.
2. **Tied aid:** Despite numerous commitments, donors have generally been slow to move on untying aid. For the South, this is one of the most important areas of interest in reforming the aid system. In the view of Southern CSOs, if their voices are to be treated as ‘equal’

within the international aid system, it seems essential for donors to deal with current imbalances in knowledge production and expertise.

3. **Underlying values of the international aid system:** There is a widespread perception among Southern CSOs that there is a pre-existing commitment (by donors) to maintain a market-oriented global economic system. In their view, a thorough reform of the international aid system is not currently possible given the underlying set of values that sustains it.
4. **INGOs and local CSO capacity:** INGOs have become increasingly important actors in aid relations given their ubiquitousness and the large sum of international development assistance they command. In the view of Southern CSOs, INGOs have increasingly come to be perceived as competing unfairly with local CSOs for resources, as well as undermining the growth and effectiveness of an independent and autonomous indigenous civil society sector.

Where to go from here? It seems clear, as a starting point, that Southern CSO voices need to be further encouraged. There is significant scope for improving the current system of aid delivery, and this may present an opportunity for Southern civil society actors to contribute to shaping the future of aid. Tapping into their views on feasibility and desirability, and garnering alternative perspectives for change, would provide insights that current discussions on the future of aid may be lacking but cannot afford to overlook.

An initial, very short and by no means exhaustive, list of the issues that need to be further explored from a Southern CSO perspective includes:

1. **Conditionality:** Are some forms of conditionality (e.g. political) better and more acceptable to Southern CSOs than others (e.g. economic)? How could Southern CSOs go about helping define such conditionalities so that they are not imposed from above and/or the outside?
2. **Regulation of the aid system:** Should there be some kind of global arbiter regulating the international aid system, and if so, is the UN the best institution to be made responsible for that? If not the UN, what other kind of international forum that is broadly representative would be suitable?
3. **INGOS:** Should there be a code of conduct for Northern CSOs?

However, Northern counterparts will also have to listen to these Southern voices and engage with their concerns and ideas seriously if Southern input is to make a real difference on how the aid system works. First off, there is a need for more international fora where Southern CSOs can voice their views, and where they can discuss proposals for reform. Through the Southern Voices for Change in the International Aid System project, it is hoped that Southern CSOs will seize this agenda, own it and work with it, so that their voices can be heard and can have an impact on initiatives to shape the future of aid.

1 Introduction

This Working Paper served as the basis for discussion at the workshop organised by ODI in mid-November 2005 with collaborators from Africa, Asia and Latin America, as well as representatives from the donor community and from Northern-based NGOs as part of its project on ‘Southern Voices for Change in the International Aid System’. The paper aims to provide an analysis of the forces shaping the structure and operations of the international aid system. It examines current (mostly Northern) perceptions of what is not working with the current aid architecture and how the system might be reformed. The paper contrasts this with Southern inputs and/or responses to this ongoing debate, paying particular attention to the views and proposals emanating from civil society organisations (CSOs) based in the South.¹

Based on a preliminary assessment of Southern thinking on the structure of the international aid system and the way aid should be delivered in the future to make it more effective, the working paper also identifies areas where further Southern engagement with these issues might be desirable. It considers how to foster suitable fora for continuous Southern engagement in discussions around aid reform and suggests where the debate on the future structure of the aid system can go next.

A draft of this paper was circulated for comment among several Southern CSO representatives who have been involved with the Southern Voices project. However, the paper commits only its authors and does not claim to be broadly representative.

The structure of the paper is as follows: Section 2 provides some context to the global debate on the structure and methods of the international aid system. Section 3 endeavours to track ‘Southern Voices’ in this debate. Section 4 makes an analysis of Northern views and Southern feedback regarding some of the major themes in aid architecture and Section 5 highlights areas of divergence. Section 6 makes some recommendations about future direction for the debate.

¹ For the purposes of this paper and the Southern Voices for Change in the International Aid System project more broadly, we use the term ‘civil society organisations’ rather narrowly to refer to think tanks, policy research institutes, and advocacy NGOs that have a policy and/or research component.

2 Context: The Debate on the International Aid System

Over the past decade, there has been growing recognition that the modalities of official development assistance (ODA) in general and structural adjustment programmes (SAPs) in particular have failed to produce the intended developmental outcomes. This has led donors to reconsider, at least in theory, the nature of their engagement with poor countries. A new paradigm of 'effective aid' has emerged, founded on a discourse of country-led partnership and co-responsibility. Although not all donors subscribe equally to this new consensus, or 'meta-narrative' (Maxwell, 2005), or act on it consistently, no donors explicitly reject it.

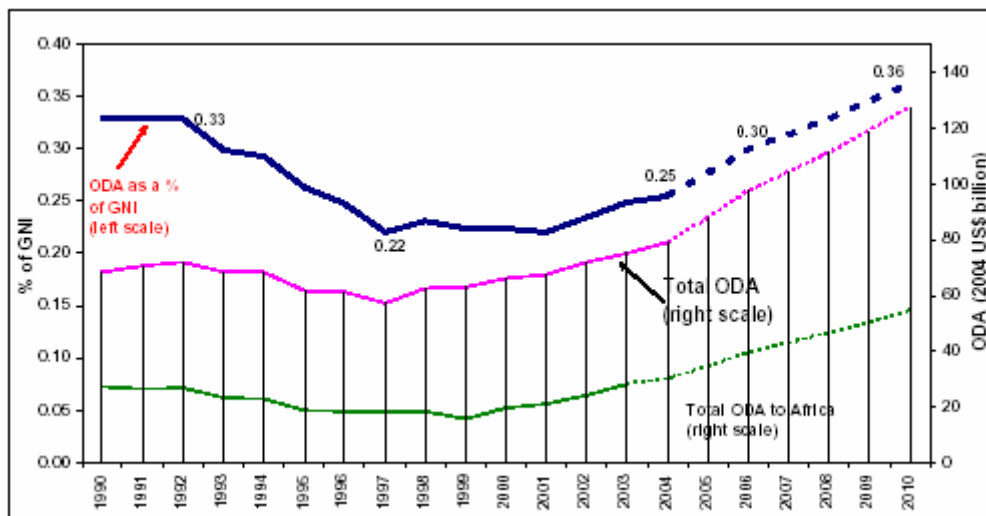
As a step in the direction of building this new paradigm, the blueprint structural adjustment policies and conditionalities characteristic of the Washington Consensus have ostensibly been superseded by a 'new' approach to development, embodied in the Poverty Reduction Strategy Paper (PRSP) process. Started in the wake of the international initiative on Heavily Indebted Poor Countries (HIPC), PRSPs are intended to be documents prepared by governments through a participatory process involving civil society and development partners. They represent in part an attempt by the World Bank and the IMF to base their decisions on nationally owned strategies. An increasing number of countries have been encouraged to draft their own PRSP.

In addition, in 2000 leaders from virtually all countries, both developed and developing, agreed to a set of eight ambitious objectives to combat world poverty; the UN Millennium Development Goals. For many observers, the adoption of the MDGs signalled, at least in theory, the emergence of a global consensus that the needs of the poor 'should be the driver of international development aid' (Kamara, 2005b). Importantly, and reflecting a break with the past (at least in the official discourse), these goals are meant to be achieved through an aid relationship between donors and recipient countries that is based on genuine partnership and 'mutual respect and accountability'. At the Monterrey Conference on Financing for Development in 2002, participating countries reaffirmed their commitment to meet the MDGs by the year 2015. In particular, rich countries renewed their pledge to increase development assistance to 0.7% of national income. In return, poor countries committed themselves to taking concrete steps to improve governance, establish development priorities, and adopt sound policies for growth.

Since then, calls for 'scaling up' aid have become increasingly influential in the international development agenda. The emphasis on scaling up development efforts has focused on issues of both quantity and quality of development assistance, and is based on the premise that adequate, predictable and more effective aid flows are critical to achieve the MDGs. In terms of the quantity of aid, in 2005 numerous declarations and reports have called for substantial increases in aid flows. Both the Commission for Africa chaired by Tony Blair and the UN Millennium Project Report, for example, call for a doubling of aid to poor countries. EU Member States, for their part, agreed a timetable in May 2005 to meet the 0.7% target of gross national income for ODA.

As shown in Figure 1, if donors deliver on the public statements they have made at the G8 Summit in Gleneagles in July 2005 as well as elsewhere, the Development Assistance Committee (DAC) of the OECD estimates that ODA from the main OECD donors will increase by approximately US\$50 billion, going from a little under US\$80 billion in 2004 towards US\$130 billion in 2010. This represents the largest expansion in absolute levels of ODA as measured by the OECD DAC since the committee was formed in 1960, if not in the proportion of gross national income. The sharpest percentage increase is likely to occur in Africa, taking the level of aid to that continent alone to around US\$50 billion in 2010 (DAC, 2005).

Figure 1: DAC members' net ODA 1990–2004 and DAC Secretariat simulations of net ODA to 2006 and 2010



Source: DAC (2005).

Importantly, however, organisations like ActionAid (2005) and others have argued that, despite such high profile commitments by donors to dramatically increase aid flows to poor countries, much of this aid remains ‘phantom’ in the sense that it does not represent a real resource transfer to recipient countries.² While the debate between ‘real’ vs. ‘phantom’ aid has not been settled, it underlines the need for improving aid quality – that is, ensuring that maximum benefit is extracted from existing aid flows. In other words, even if one were to assume that aid flows are not likely to increase by the amounts projected by the DAC, what can be done to ensure that maximum benefit is extracted from existing aid flows? The past few years have seen several efforts to attempt to understand why aid has thus far failed to produce better developmental outcomes and to build from those lessons to improve aid effectiveness.³ Among donors and a number of recipient country governments, a growing consensus has emerged on what needs to be done to make assistance work better. At the High-Level Forum on Aid Effectiveness held in Paris (28 February to 2 March 2005), both donor and recipient countries renewed pledges made in the Rome Declaration on Harmonisation of 2003, to improve levels of coordination and minimise the negative effects of fragmented and unpredictable flows. To support the Paris Declaration on Aid Effectiveness, signed by 61 bilateral and multilateral donors, 56 aid recipient countries and 14 civil society organisations, the DAC has developed a set of 12 indicators to measure progress on aid effectiveness and promote greater mutual accountability (OECD DAC, 2005).

The Paris Declaration is seen by many observers as representing significant progress in establishing ‘a set of monitorable targets for changes in donor, recipient, and joint behaviour’ which could well embody ‘the core of a new compact on mutual accountability’ (Rogerson, 2005: 531). In particular, signatories made a commitment to reform the way development assistance is currently delivered in three broad areas: recipient-country ‘ownership’ of the development agenda; donor alignment with the priorities and goals set by partner countries and increased reliance on national administration systems; and more coordinated, streamlined and harmonised actions among multiple donors.

² As defined by ActionAid, ‘phantom aid’ includes technical cooperation, debt relief, excessive transaction costs in divesting aid, aid that is not poverty focused (while allowing for some aid going to middle-income countries), tied aid, aid to host refugees, and excessive administrative costs. ActionAid has estimated that as much as two-thirds of all aid is phantom, while only one-third should be counted as ‘real’. See www.actionaid.org.uk/100113/real_aid.html for more information.

³ As Campodónico and Valderrama have pointed out (2005b) in the comments they prepared on an earlier draft of this paper, debates about the quality of aid and aid effectiveness have been ongoing since the 1990s. Their comments list several publications that may be of interest, including Sagasti, Bezanson and Prada (2005) *The Future of Development Financing: Challenges, Scenarios and Strategic Choices*, Sussex: IDS, as well as a 1994 article in *The Economist* on ‘Why Aid is an Empty Promise’ (7 May: 19–22).

In a context of increasing flows of aid, questions about ‘aid architecture’ – or the way the international aid system is structured and how it functions (or does not) – have become much more pressing. As Maxwell has observed, proposals to double aid offer a unique opportunity to reconsider issues related to the international aid architecture, for ‘it would be remiss to double aid without considering the apparatus for delivering such large amounts of money’ (Maxwell, 2002).

A large part of the problem affecting the quality of aid to developing countries seems to be that ‘there are too many cooks in the kitchen’ (de Renzio and Rogerson, 2005). Today, the international aid system consists of a loose aggregation of more than 90 aid agencies, and it continues to expand. The latest newcomers include the Millennium Challenge Corporation (MCC), launched by the USA, the Global Fund to combat Aids, Tuberculosis and Malaria (GFATM), and the still unborn International Financing Facility (IFF). Two-thirds of the aid disbursed is government-to-government, or bilateral; while one-third is multilateral, channelled through international organisations such as the World Bank and the EC.

There is a growing perception among donors and recipient governments alike, as well as many NGOs in the North, that this multiplicity of agencies, each striving to leave its mark, is compounded by a multiplicity of agendas and purposes which lead to a number of different inefficiencies. These range from poor coordination to high transaction costs for governments, which have to deal with a variety of donors at once, each having their own priorities and list of requirements.

Hence the launch of a variety of initiatives, beginning with the Monterrey Consensus, to attempt to rationalise the aid system and make aid more ‘effective’ – more harmonised, aligned, and based on country ownership. Whether these initiatives will bear any fruit remains an open question. As experience has shown time and again, despite the rhetoric and purported best intentions, international actors have introduced initiatives to make aid work better for development with great fanfare, only to realise that they are inadequate to the task at hand, and that they need to be replaced with new policies that prove to be equally ill-suited. As a result, perhaps it is not surprising that there is some real scepticism as to whether this emerging paradigm of effective aid, summarised in Box 1 below, represents what Maxwell (2005) has termed a ‘new and improved orthodoxy’, or simply a list of ‘wishful policies’ (Campodónico and Valderrama, 2005b) unlikely to change the status quo. Nonetheless, those are the trends towards which the main actors shaping the international aid system are moving, at least at the rhetorical level.

Box 1: ‘Leading’ paradigm of effective aid

The key elements of the leading paradigm of effective aid that has emerged in the post-Washington Consensus era include:

- a **compact** linking sovereign responsibility in developing countries for good governance and development choices with better aid quality and sharply increased aid volume in developed countries;
- the **Millennium Development Goals (MDGs)** as guidance for country development priorities;
- **partnership approaches**, including the Poverty Reduction Strategy process; and
- **streamlined conditionality**, recognising the failure of traditional conditionality.
- **Performance-based aid allocations**

Source: Rogerson (2004).

3 Tracking ‘Southern Voices’ in the Debate on Aid System Reform

3.1 Predominance of Northern voices/shortage of Southern voices

Admittedly, most of the impetus and intellectual leadership for reforming the international aid system along the lines described above has come from donors themselves. As the North-South Institute based in Canada has noted, reviews of reforms to the aid system undertaken since the 1990s suggest that ‘where systemic reform is concerned, the perspectives of the North (and particularly the G7 and, ultimately, the United States), are far more important than those of the South’ (Morton, 2005).

There are several processes at work that help explain the Northern origin of reform initiatives. One of the most benign, at least intuitively, is the cumulative political pressure to make a stronger case for aid volume increases with taxpayers in donor countries, by demonstrating that all possible steps are already being taken in terms of increasing aid quality and effectiveness. In this dynamic, especially during the mass Northern CSO mobilisation of 2005 to ‘make poverty history’ through concerted action on aid, debt and trade,⁴ fundamental reservations about the political drivers of development, lack of accountability within recipient countries, aid absorption limitations etc., were understandably downplayed for fear of undermining the headline message of solidarity (de Renzio, 2005).

Northern NGOs have, nonetheless, become increasingly engaged with issues regarding aid architecture and proposals for reform. In its 2005 report *Real Aid: An Agenda for Making Aid Work*, for example, ActionAid calls for the creation of a new International Aid Agreement ‘that replaces the prevailing top-down, donor-dominated model with a system of genuine mutual accountability that balances the legitimate interests of donors, recipients and, most importantly, poor people’ (2005: 34). Other networks, most notably Reality of Aid, have attempted to build a dialogue between civil society organisations (CSOs) in the North and the South and lobby for policies and practices in the international aid regime that benefit the poor.

For the most part, however, the voices of aid recipients in shaping such trends have generally been muted, and their contribution to the debate on how to reform the aid system has been rather limited. This is in marked contrast to the heavy involvement of Southern CSOs in the debates and discussion surrounding debt cancellation, to which they made a substantial contribution (see Lifuka, 2005, for example). As one example, Tim Williams at DFID has noted that in the particular case of Africa, ‘a collective African voice discussing aid effectiveness is a vacant lot. There is a huge gap in terms of engagement with aid architecture issues between the North and the South.’⁵ More broadly, as will be examined below, most of the Southern contributors to ODI’s project on ‘Southern Voices for Change in the International Aid System’ have commented on how difficult it has been to capture Southern civil society views on the way the international aid system functions because very little seems to be available or to have been written on the subject.⁶

⁴ For more information on this campaign, refer to www.makepovertyhistory.org/.

⁵ Personal communication with Tim Williams, September 2005, London.

⁶ See, for example, Isooba’s comments on the Bulletin Board of the Forum on the Future of Aid (FFA) website www.odi.org.uk/ffa. The FFA was launched as part of the Southern Voices project to encourage the dissemination of research and opinions about how the international aid system currently works and where it should go next.

3.2 Factors limiting Southern involvement

If this lack of involvement in issues related to the structure and functioning of the international aid system is true for recipient governments, it seems to be even more so in the case of Southern-based CSOs. Several different reasons may help to explain why this has been so. One is that, as pointed out by Bhattacharya (2005) among others, until now there has been a lack of appropriate fora to promote dialogue and information sharing among Southern CSOs on aid architecture issues and the future of aid more broadly.

The main international discussion fora are heavily biased towards donor views (the DAC and EU), Northern shareholder representation (the IFIs), and a predominantly governmental perspective (the above plus the UN). Policy-relevant information, even within donor countries, is often poorly analysed and communicated. Another element that may be in play is that, in the measure that countries become less dependent on aid, the focus of civil society groups (as well as other actors) shifts to other priorities.

Could it be that different regions experience different levels of engagement with aid architecture issues depending on their levels of aid dependence? This is certainly plausible in regions like Latin America and Asia, where countries have made a gradual shift from aid to trade, and therefore CSOs may well choose to focus their attention on issues related to the international development agenda (e.g. trade, domestic resource mobilisation, foreign investment, etc.) rather than aid as such. On the other hand, issues related to aid architecture do not seem to feature prominently in the agenda of African-based CSOs, even though Africa as a region continues to be heavily dependent on aid and, as pointed out above, is bound to be at the receiving end of the largest increases in inflows of assistance to any developing region between now and 2010.

This may point to a need to build/strengthen capacity among Southern CSOs to engage with such issues, so that they may, as Lwanga-Ntale (2005b: 2), a Uganda-based researcher, has pointed out, be 'able to effectively participate in international debates, thereby bringing out [a Southern] voice'. Importantly, some Southern CSOs have begun to build such capacity, but these remain the exception rather than the rule.⁷ Thus, as emphasised by Siapha Kamara (2005b: 1) of the SEND Foundation in Ghana, 'the need to support ... civil society organizations [in the South] so that they can develop and sustain interest in pro-poor policy work in an effective, rigorous and robust manner cannot be overemphasized'. Many Southern actors further point out language as a potential barrier for involvement, as most of the discussion on these issues is conducted in English, on the basis of highly specific terminology seen to emanate from the North (Campodónico and Valderrama, 2005b; Adong, 2005).

Beyond the issue of capacity, another key factor limiting the involvement of Southern CSOs in aid architecture issues relates to a lack of adequate financial resources (Lwanga-Ntale, 2005a). As highlighted by Campodónico and Valderrama (2005b: 2) 'Northern organizations are the ones who have the means to promote research, discussion and diffusion on these issues'. There may also be a sense among Southern CSOs that, because of their reliance on donor funds, adopting positions that may be construed as critical towards donors is not entirely desirable, and even if they do, resources to carry out such work are not likely to be forthcoming (Mwakasege, 2005a).

Another hypothesis explaining the lack of Southern inputs may be the lack of incentives to participate in a debate whose transaction costs are significant, but where the payoff is uncertain at

⁷ These would include, for instance, the Reality of Aid network, which is active in Africa, Asia, and Latin America, the Bangladesh-based Centre for Policy and Dialogue, the Institute of Policy Studies of Sri Lanka, Social Watch, and ALOP in Latin America, which in fact has a work stream dedicated to aid architecture.

best. There may be profound scepticism among Southern voices that anything they could propose would in fact shape, other than marginally, the actions of sovereign actors in rich countries and the international organisations they are believed to dominate (see Adong, 2005, among others). ‘Naming and shaming’, however rhetorically appealing, may not be enough to bring about real change.

Finally, different levels of engagement with the debate on the existing international aid system and how to reform may reflect different priorities: Northern preoccupation with aid architecture matters may be of a more technical nature, whereas Southern actors tend to stress the need to address the political and economic relations underlying the aid system. Thus, as both Antonio Tujan of IBON in the Philippines (2005a) and Priyanthi Fernando (2005b) of the Centre for Poverty Analysis in Sri Lanka have separately noted, the Northern debate is about ‘tweaking the system’s components to make it more effective’ (Fernando), while Southerners may be more concerned with a more radical/profound transformation of the structures underpinning the aid system, challenging its very basis. From a Southern perspective, this Northern focus on technicalities tends to depoliticise poverty reduction and fails to take into account (more political) issues such as inequality and citizens’ rights. This may be particularly true in Latin America, where growing inequality is a serious concern and where CSOs are asking whether aid can contribute at all to reducing such inequality (Campodónico and Valderrama, 2005a). For the most part, the question of social equity (and redistribution) is absent from the agenda on reforming aid architecture. According to Rosemary Adong (2005), head of the Uganda-based Community Development Resource Network (CDRN), ‘we need to come up with alternative discourses of aid that will truly bring about a fundamental change in the lives of poor people ... Of course advocating for small improvements within the system is much easier and achievable – however this should not divert our attention from more fundamental issues.’

3.3 ODI’s ‘Southern Voices’ project and the need to allow more input from the South

Despite this limited input from the South, especially among CSOs, on issues regarding the international aid system, we would argue that encouraging such engagement is essential. As shown in Figure 1 above, if donors meet their solemn commitments, the current international context stands to see aid flows to poor countries increase substantially. In this context, issues related to how the aid system may be made to work better become all the more pressing. As Fernando (2005b) has expressed it, ‘aid can, and often does, provide opportunities for Southern civil society to expand democratic space. For this reason alone, Southern civil society is an important stakeholder of the aid system.’ But if voices from the South are not heard, their omission from the debate could be a missed opportunity to reform the international aid system in a way that is more responsive to and better addresses the needs of the poor. It seems essential, therefore, to identify what Southern voices are saying so as ‘to encourage decision-makers in the aid agencies in the North to engage with Southern perspectives on the international aid system’ (Fernando, 2005b).

ODI’s project ‘Southern Voices for Change in the International Aid System’, part of the Forum for the Future of Aid (www.odi.org.uk/ffa), was thus conceived as an initiative to sample and capture a cross-section of the views and priority issues of Southern CSOs on the structure and functioning of the international aid system.⁸ Clearly, it is essential to underscore from the outset that ‘Southern Voices’ are hugely varied and not limited to CSOs, and the project therefore cannot aspire to give adequate representation to the richness and diversity of Southern perspectives on aid, even within

⁸ Southern CSOs include think tanks, academic institutions, research centres, and other NGOs. The project seeks to identify the views of Southern-based individuals/organisations/institutions that are domestically generated. This does not mean that the views of an individual closely associated with a Northern NGO or working with a local affiliate of a Northern NGO are excluded: the degree of ownership of ideas by Southern CSOs is much more important than the degree of affiliation with a Northern NGO.

civil society. The hope, however, is that it serves to encourage Southern CSOs to become more fully involved in this debate and that it can provide a forum that facilitates a dialogue engaging Southern CSO actors on the desirable future structure, instruments, and processes of international aid. ODI's intent is that these perspectives be brought to the attention of donor governments, international agencies and Northern CSOs, as well as recipient governments, in real time and in as transparent a manner as possible.

This paper draws on the background research that Southern Voices collaborators in Africa, Asia and Latin America, all of them civil society representatives, have carried out for this project. This work included regional literature reviews on the kind of studies and publications Southern-based CSOs have produced on this topic, and commentaries on those reviews as well as on an earlier draft of this paper. The sample is perforce limited, but we hope it can begin to provide a sense of where Southern views currently lie on these issues, help in assessing if there is convergence or divergence in Southern thinking, and stimulate further opportunities for the exchange of ideas between Northern and Southern perspectives.

4 Main Themes Emerging from the Northern Agenda and Responses from the South

4.1 Aid harmonisation/complementarity/comparative advantage

The leading paradigm of aid effectiveness described above is built on the premise of strengthening country ownership. Extensions to this approach in the context of the Paris Declaration on Alignment (OECD DAC, 2005) see donors as obligated to base their aid programmes on country-owned strategies. Under the rubric of ‘alignment’, donors are also called upon to make increasing use of national management systems. Secondly, external actors are asked to use common approaches to aid delivery and behave more predictably. This increased coordination among donors is what is understood as ‘harmonisation’. To these ends, a number of aid modalities and mechanisms, notably increased use of budget support⁹ and sector-based programmatic approaches, as well as smaller donors operating as ‘silent partners’ via others with a stronger country presence, are encouraged.

From the perspective of aid recipients, it is not immediately obvious that grouping donors together under a common programme, let alone one with the same set of conditions, is unequivocally in the country’s best interests. The risks of facing a united front of donors – or a ‘donor cartel’ – may outweigh the transaction cost savings of no longer dealing separately with multiple aid sources. Such coordinated action among donors may also give exceptional leverage to a few smaller donors who agree to act in harmony with more significant ones.

More generally, the aid system is characterised by a large and growing number of aid agencies, whose relative concentration or fragmentation at country level obeys no clear ‘market’ logic – for decades there have been no significant exits through closure or merger, and many new entrants (Harford and Klein, 2005). Nor, of course, is the aid market regulated externally by a common regulator, such as the UN or other supranational arrangement. It is not surprising, then, that ‘complementarity’ among donor behaviours is at best elusive. For example, no single aid agency is required to take explicitly into account what the others are doing when setting its country aid allocations. This tends to reinforce patterns of ‘donor darlings’ and ‘donor orphans’ triggered by divergent underlying assistance objectives and geo-political preferences (Rogerson, 2005).

It may be argued, nevertheless, that it is in the recipient country’s interest to identify clearly what different aid agencies may offer that others cannot – their comparative advantage – and to use this as far as possible in defining roles that each can usefully play. Conditionality and other costs of the relationship have to be balanced against size, flexibility, reliability and other useful attributes (de Renzio and Rogerson, 2005). Whether the recipient country can actually shape the deployment of different donors deliberately, by creating a framework for aid coordination that is more directive of who fits where, remains to be seen. Experiments in this direction with Joint Assistance Strategies in Tanzania and Uganda, for example, where recipient countries assign lead responsibilities to a few donors in specific sectors and redirect others, are still at their early stages. Intuitively, they are likely to have more traction in countries with reputations for good or at least rapidly improving governance, and where there are many, potentially competing, donors. The recent massive aid

⁹ General Budget Support (GBS) is a form of financial programme aid in which funds are provided in support of a government programme typically focusing on growth, poverty reduction, fiscal adjustment and strengthening institutions, especially budgetary processes. The funds are also channelled directly to a partner government’s treasury department, to spend using its own financial management, procurement and accountability systems. GBS can take the form of a general contribution to the overall budget or be earmarked to a particular sector.

volume increase commitments are likely, all else being equal, to raise such countries' bargaining power. It would be interesting to hear views from Southern civil society on this issue.

4.2 Donor and recipient government accountability

The principle of 'mutual accountability' is enshrined in several international and regional agreements and declarations. The concept derives from the paradigm of development assistance described above, based on country ownership and donor coordination. This has been promoted in the last decade in a variety of international fora. At the international level, for example, the Monterrey Consensus emphasises shared responsibilities for achieving the MDGs, whereas regional initiatives like the New Partnership for Africa's Development (NEPAD) focus on country ownership and governance. On the side of donors, the DAC of the OECD has stated its commitment to support NEPAD and to promote the 'good governance' of aid. All of these mandates include commitments between donors and recipient governments on both sides of the aid 'partnership', and emphasise the need for a systematic review and monitoring of the mutuality of commitments. Despite such commitments, many observers in the North have claimed that a fundamental lack of accountability on the part of donors continues to characterise the aid system (ActionAid, 2005; de Renzio and Rogerson, 2005).

This concern is echoed by civil society actors in the South. The regional literature reviews commissioned for the Southern Voices project reveal that there seems to be a shared sense among many Southern-based CSOs that donors need to become more transparent in their allocations and more accountable for the pledges they make and for their performance. As stated in the NGO Statement on Aid Effectiveness (Eurodad, 2005), signed by a total of 26 NGOs from both the North and the South ahead of the High-Level Forum in Paris, 'donors and recipients share responsibility for making aid work', so the aid system needs to be transformed from one that is based on one-sided conditionality to one that is based on mutual accountability. This emphasis on mutual accountability is essential in order to shift, to borrow from Rueben Lifuka of Africa Dialogue in Zambia, from donor-recipient relations based in tutelage to a genuine partnership among equals (Lifuka, 2005). 'All donor conditions must be made public so that vital parliamentary and civil society oversight and input can be ensured' (NGO Paris Statement, in Lifuka, 2005: 10).

The question then becomes what kinds of mechanisms can be instituted to promote the monitoring of donor behaviour by recipient governments, and what role Southern CSOs can play in such arrangements. For Lwanga-Ntale (2005a), for example, it is important to ask the extent to which Southern governments (African and otherwise) are supporting CSO monitoring of donor and government behaviour, as well as what conditions are necessary for effective CSO engagement in holding both donors and recipient governments to account. In this respect, Christopher Mwakasege from the Tanzania Social and Economic Trust (TASOET), whose organisation undertook an evaluation of the Tanzania Independent Monitoring Group (IMG), suggests that that group has contributed to 'a positive swing in aid relations, characterised by increased country ownership, more responsiveness by international partners to improving their policies and practices, greater transparency in the dialogue process, and increased effective use of aid', (Mwakasege, 2005b: 3). While a full analysis of the evolution of donor-recipient government relations in Tanzania is beyond the scope of this paper, the role of the IMG and the reports it provides biennially to chart a mutually agreed way forward have been widely recognised as legitimate and valuable.¹⁰ Curiously, however, despite its positive track record so far and the potential it offers to make aid more effective, such a group has not been replicated elsewhere. This is an issue that is not raised by any of the other literature reviews commissioned for this project, but it would be nonetheless interesting to analyse the reasons for this.

¹⁰ For a more detailed analysis, see Mulley and Rocha Menocal (2005).

For Southern CSOs, the agenda on donor accountability also needs to address donor responsibility for the impacts and effects of projects they fund. As Tujan (2005a) has put it, ‘mutual accountability should not only cover the responsibility to deliver effective aid for poverty reduction but also the accountability for the negative economic, social and political impact of some ODA-funded development projects.’

On the other hand, there is also a concern among Southern CSOs that the emphasis on ‘mutual accountability’, especially among Northern CSOs, may be focusing too much on donor behaviour without paying sufficient attention to the actions of recipient governments. As Moreblessings Chidaushe (2005: 4) of AFRODAD has put it, ‘a more balanced view [of mutual accountability] should also look at some critical issues in recipient countries which contribute to the ineffectiveness of the aid to these countries to ensure maximum benefits from the new Effective Aid agenda. These include governance deficiencies, corruption, weak institutional capacities amongst others.’

Aside from a variety of existing mechanisms and proposals to improve mutual accountability, put forth at the initiative of governmental or inter-governmental actors acting jointly in the North and the South,¹¹ the most comprehensive proposal developed by CSOs so far to address issues of mutual accountability at the international rather than the country level comes from ActionAid. Among other things, its *Real Aid* report (2005) calls for the establishment of a UN Commissioner on Aid as a crucial institution to give appropriate international-level representation to aid recipients. The report also advocates replacing current donor-dominated arrangements for coordinating aid with annual international meetings between donors and recipients as equals, to track donor progress. No other proposals regarding mutual accountability emerge from the regional literature reviews commissioned by the Southern Voices project, nor do Southern CSOs engage with this idea of a UN Ombudsman. One exception is Kamara of the SEND Foundation (2005b), who argues that the idea of a UN Ombudsman is a good idea, especially in the light of the work the UN has already undertaken in terms of monitoring progress towards meeting the MDGs. Kamara calls for a global civil society movement to act in partnership with the Commissioner on Aid to make the work of that body more effective. In his view, such a partnership is essential in order to ensure that ‘international development aid remains focused on the needs of the poor’ and to keep both donor and recipient government behaviour in check (2005b). Eliciting further feedback on this proposal from Southern CSOs remains an important task.

4.3 Ownership and conditionality in the international aid system

Country ownership through the PRS?

As has been noted above, one of the central elements underpinning the new aid paradigm that has emerged in the spirit of the Monterrey Consensus is that of ‘country ownership’. There has been a growing awareness, especially among donors, of the need for recipient governments to take on a more proactive role in the aid relationship, and to play a bigger part in how aid is allocated and targeted, as well as managed. Donors now recognise that the lack of ownership in the structural adjustment programmes (SAPs) of the 1980s and 1990s often meant that policies were not adapted to suit specific country contexts and were frequently not implemented. Thus, putting recipient governments on a ‘tight leash’ by releasing money on the basis of (economic) performance proved to be counterproductive. In this respect, economic conditionality failed to ‘fulfil its promise of greater aid effectiveness’ (Killick, 1998). A growing number of critics have also contended that conditionality undermines normal democratic politics, by making governments upwardly

¹¹ These include, among others, the set of 12 indicators for aid effectiveness established as part of the Paris Declaration on Aid Effectiveness; the Cotonou Agreement signed in 2000 between 77 African Caribbean and Pacific (ACP) states on the one hand and the EU on the other; and the ECA/DAC Mutual Review of Development Effectiveness.

accountable to donors, rather than to their own people. While not entirely letting go of conditionality (as will be discussed below), donors have since attempted to respond to the widely perceived failure of the Washington Consensus by moving – again, at least at the rhetorical level – towards a model of development assistance that allocates aid in a manner that is less dogmatic and more responsive to country needs and priorities.

The PRS process thus emerged as a key mechanism, intended in principle to enable recipient countries to own the development agenda, set objectives, and lead in designing the shape that donor determined cooperation should take in-country, and to provide a framework for donors to work more in line with national priorities and processes. It represents a move from specific policy conditionality towards process conditionality, with the expectation that this might increase the relative importance of governments' accountability to their own citizens (Piron, 2004). The World Bank and the IMF originally used the PRSPs, which are supposed to be drafted by recipient governments through a participatory process that includes civil society perspectives, as the basis to grant low-income countries access to debt relief and later to concessional funding. Most other donors have since thrown their full support behind the PRS process and placed their own grants to recipients under the same principle.

Nonetheless, the PRSP approach also confronts important challenges, which numerous observers in both the North and the South have noted. One set of issues revolves around the supposed 'participatory' nature of the PRS process. Though PRSPs are intended to be drafted in collaboration with multiple stakeholders, their participatory nature cannot be taken for granted, and it is not always clear that all actors have the same capacity to engage. Southern CSOs seem to be particularly sensitive about this issue, feeling that civil society voices and input are often marginalised. Debapriya Bhattacharya of the Centre for Policy Dialogue (2005), for example, talks about a 'participation deficit' among key stakeholders in the PRS process. Zie Gariyo of the Uganda Debt Network illustrates this in an analysis of the PRSP experience in Uganda. In it, he contends that 'most civil society organisations and institutions lack capacity to engage donors and policy planners in meaningful dialogue about policy issues. Both at national and local levels this is still a problem. The danger therefore is that CSOs might end up endorsing positions for which they have little knowledge' (Gariyo, 2002: 37).

The relationship between ownership and conditionality

There also seems to be an inherent contradiction between a country-owned development agenda meant to be the result of a national process of consultation and priority setting, on the one hand, and an externally-driven assessment of its feasibility and quality, on the other. Thus, though it is meant to be domestically owned, the PRSP also needs to obtain a 'seal of approval' from the outside. This may lead not so much to ownership but more to what Van de Walle (2005: 67) has described as 'ventriloquism', whereby 'donors make clear what their policy expectations are, and governments understand what they need to say and do in order to get the foreign assistance'.

This is a point that has not been missed by Southern CSOs. In the literature review he prepared as part of the Southern Voices project, Bhattacharya (2005) points out that there is an inverse relationship between ownership and conditionality – if the development agenda were truly owned, then there would be no need for conditionality. Fernando (2005a), for her part, has argued that the fact that the World Bank presents a country PRSP to the Bank's board for approval 'is a way of Washington signing off on a supposedly country-owned process'. In this respect, the PRSP represents a form of conditionality of its own, as Jack Jones Zulu of Jubilee-Zambia has noted: 'Countries have to prepare a [PRSP] which includes macroeconomic, structural, and sectoral as well as social elements. This means that in addition to traditional adjustment targets, new conditions must be met' (Zulu, 2003). Moreover, any sense of ownership is limited by the narrow range of

policy alternatives that recipient countries have at their disposal if they want their policies to meet with positive donor responses. As Fernando puts it (ibid: 3), ‘national governments are expected to set the agenda via national poverty reduction plans of PRSPs prepared (purportedly) through participatory processes involving civil society and international development partners. A government’s autonomy in developing these plans [however] is limited by ... the need to work within the now globally dominant development paradigm that emphasises market-oriented and trade-led economic growth.’

As was noted earlier, it is also important to keep in mind that, while donors have increasingly embraced the concept of country ownership, at least in official discourse, they have not abandoned the use of conditionality to provide support. Reliance on economic conditionality may be decreasing, but the number of conditions, especially those associated with IFI programmes, is still very high (Killick, 2004). On the other hand, donors have also begun to rely increasingly on political conditionality. This has been done through an emphasis on good governance as an indispensable ingredient in achieving development. The World Bank, for example, emphasises the need of political reforms ‘that ensure that the government is made accountable to its citizens’ (Degnbol-Martinussen and Engberg-Pedersen, 2003). Such reforms include openness, transparency, predictability, and equality before the law, among others. The Millennium Challenge Account (MCA) launched by the current US administration apparently abandons conditionality altogether in favour of selectivity. In fact, selectivity can be a form of post-hoc conditionality; whether countries qualify for MCA assistance depends on their performance on a range of criteria – both economic and political – along with their presumed efforts on the ‘war on terror’. Thus far, the first round of MCA funding in Africa has gone to only seven countries that have been able to meet the account’s rather stringent indicators on good government and development readiness (Lockwood, 2005).

Economic and political conditionalities

CSOs in the North and the South hold similar views on economic conditionalities and the perceived detrimental effects that these have had on recipient countries, especially among the poor. They seem to speak with one voice on this issue, calling on donors to abandon economic conditionality in their decisions to allocate aid. However, CSOs in the North are much more ambivalent when it comes to other forms of conditionality and, as Lockwood (2005: 43) has put it, they are ‘sometimes divided about what degree and kind of conditionality there should be, who should set it, in some cases whether there should be any conditionality at all, or what should replace it’.

This ambivalence is noticeable even among Northern advocacy NGOs. During the debt campaign of the late 1990s, Oxfam, for example, disagreed with the content of conditionality, but was in favour of alternative conditionalities. Others have tended to be firmly against almost all conditionality, although an awareness that corruption permeates African countries makes some uneasy about the idea of no conditionality at all. This unease about conditionality was evident recently in the lobbying efforts the UK Aid Network (UKAN), a grouping of (mostly UK) organisations working on issues of aid volume and quality, undertook during the G8 meeting. While the network had no problem agreeing that aid quantity to developing countries, especially in Africa, should be substantially increased and its quality improved, UKAN members had a much more difficult time developing a position on conditionality, and remained vague about it.

Northern academics, for their part, tend to argue that some form of political conditionality or selectivity is necessary to ensure aid reaches its intended beneficiaries. Van de Walle (2005) has suggested, for example, that no aid should go to military governments or governments with no provisions for presidential term limits. He has also argued that, by channelling aid mostly through governments, donors have prevented healthy domestic accountability mechanisms from developing. While less categorical, Lockwood (2005: 104) has also written in favour of political conditionality,

suggesting that aid should be used to ‘support political transformations that change a clientelist political system with a logic on consumption, to a developmental political system and state with a logic of productive investment’. His proposal is to provide ‘floor assistance’ to all countries based on poverty levels, and to allocate additional resources ‘on the basis of a very few final outcome indicators of development performance’ that are linked to efforts at enhancing domestic accountability mechanisms.

Southern CSOs have often expressed support for some form of political conditionality, and in this respect they have more in common with Northern academics than with Northern NGOs, although they too complain about the arrogance and lack of accountability of donors (see Zulu, 2003, for example). Kamara, for example, has argued that the shift among IFIs towards process conditionality, including good governance, accountability, transparency, rule of law, and civil society and government partnership, represents ‘no mean victory for an African civil society activist like myself’. He goes on to say: ‘In the 1970s and 1980s, the IMF and the World Bank equated people’s participation with socialism and therefore initiatives empowering communities to champion their own development were suppressed ... With the emergence of process conditionality emphasising participation and partnership-based development, civil society across Africa is on the rise’ (Kamara, 2005a: 2). Moses Isooba from the Community Development Resource Network in Uganda has written (2005: 24), for his part, that ‘many CSOs in Uganda have argued that aid should be tied to good governance and ... to how the government remains focussed on the road map of political transition from the one party [system] to political pluralism’.

The question for Southern CSOs is how to go about determining what these political conditionalities should be and how best to enforce them. As Fernando has expressed (2005a: 4), ‘from the point of view of civil society the dilemma has been about how to push for conditionalities regarding transparency and accountability that expand democratic space, without also opening the doors to a range of other conditionalities that may cramp democratic space’. At a roundtable discussion on the Southern Voices project at the CEPA office in Colombo, one of the participants expressed the view that much of the problem with conditionality (economic and otherwise) to date has been that donors have imposed conditions from the top without any kind of regard for the local context, needs and views. The CEPA participant suggested instead that conditionalities should emanate ‘from below’: donors should engage in direct and frank dialogue with Southern CSOs to determine what forms of political conditionality would work best to pressure the government to open up and be accountable to its citizens. This is a concern that appears to resonate among CSOs across different regions. As Lifuka has written from an African perspective (2005: 3), ‘the current aid relationship can at best be described as a relationship between donors and government officials in recipient countries. There is therefore need to open up the process to all key stakeholders in order to improve on aid delivery and ownership and at the same time enhance the principles of accountability and transparency in the donor-government relationships.’

4.4 Instruments/modalities for delivering aid

Reference has already been made to the increased use of budget support and, more generally, programmatic approaches (with or without pooling of funds), as part of the consensus towards greater alignment and harmonisation among donors. In fact, relatively few donors are using budget support as their instrument of choice, even in countries considered to have generally high levels of performance. Some donors, notably the US, remain highly sceptical of the approach. Their reservations are that it makes performance measurement and attribution harder, and that it is arguably more exposed to corruption than traditional project-based approaches. In practice, there are also a number of country contexts in which ‘ownership’ is at least disputed if not entirely absent, and where centralised government-to-government approaches are therefore either not appropriate or not feasible.

From the point of view of civil society, North and South, such programmatic approaches are also questionable, on both objective (altruistic) and subjective (self-interested) grounds. In theory, programmatic assistance simplifies and streamlines the aid relationship and serves to strengthen domestic accountability mechanisms such as budgetary scrutiny, on which donors must also increasingly rely. In practice, however, it can lead to micro-management of public expenditure processes by donors and commensurate loss of sovereignty (Booth, de Renzio and Christiansen, 2005). Moreover, particularly where formal national accountability institutions are weak, civil society may feel that it lacks sufficient opportunity both to influence and subsequently to track public finance decisions, and is excluded from a process which is largely carried out in private, bureaucrat-to-bureaucrat ('B2B'), between unaccountable technocrats on both sides.

Subjectively, the (in some types of countries) dwindling flows of project finance may have serious negative repercussions on NGOs which previously depended on such 'venture capital' to fund their own operations. At any rate, the shift towards budget support may be seen to give too much power to recipient governments in selecting priority projects and subcontractors, where previously NGOs and donors had been in direct contractual relationships. Hence there is a Northern assumption that new and more flexible aid instruments have at least some lukewarm supporters in principle, whereas in practice they have very many detractors, among civil society in the South, as they undoubtedly do in the North. Does this hypothesis correspond to actual Southern perspectives on the ground?

4.5 Global governance issues (UN reform, IFI governance reform, etc.)

The lack of either an effective market-based discipline or any overall external regulator for the aid system, discussed above, has prompted several observers, mostly but not exclusively in the North, to call for better instruments of global economic governance.

As an illustration, Table 1 lists some of the options for regulation in the aid system. The matrix distinguishes broadly between (i) self-regulation, through voluntary actions largely on the part of donors, as in the case of OECD DAC guidelines; (ii) some quasi-market instruments to give greater power to 'consumers' of aid, including more choice on aid delivery channels as distinct from financial sources; and finally (iii) proposed external regulatory or coordination devices, mostly but not exclusively via the UN or a similar forum (G20/L20 for example).

These can be complementary, to the extent, for example, that the credible threat of external regulation is likely to be a spur to greater efforts at self-regulation. A number of 'rating' or monitoring institutions that would help bring greater market-based discipline, or put more information in the hands of aid recipients, could also serve to improve incentives for self-regulation and could be used by external ombudsmen or regulators, or mutual accountability frameworks, as discussed above.

There is not yet much written by Southern civil society on these topics, with one major exception: there are well documented proposals for governance reform of the IFIs, mainly but not exclusively in terms of a shareholding structure that adequately reflects the growing role of Brazil, Russia, India, China, South Africa (BRICS) and other emerging markets which are no longer primarily 'aid recipients' and, indeed, increasingly becoming public and private investors in other countries in their region or even globally. Reform of the voting structure in the World Bank and IMF is seen by many (Buirra, 2004 and Tujan, 2005b among others) as essential to restoring their legitimacy, and has become a crucial issue in the debate regarding the effectiveness of the international development system.

Less directly observed so far are suggestions on how to increase voice for low-income countries in the larger multilateral windows, such as the World Bank's International Development Association (IDA),¹² which do not raise funds on financial markets but need constant replenishment by donors. Likely changes in voting structures that would satisfy the BRICS would have a negligible impact on voice for low-income countries as a group, which argues for differentiated approaches to different facilities within the IFI family of institutions. The future relationship between such facilities and the UN system is also unclear, and there is relatively little available in terms of Southern perspectives as to how IFIs and the UN system can best work together.

These institutions, finally, fit into a global 'superstructure' of international collective governance arrangements, one which is relatively well defined in the security arena and beginning to spill over into development. In the security arena, examples of this include concerted action in post-conflict recovery situations under the aegis of the recently agreed Peace Building Commission in the UN (see UN Secretary General, 2005), and the reformed Human Rights Commission. In the 'conventional' development field, responsibilities for coordination, let alone regulation, are much more diffuse, shared between a myriad of entities: the DAC with its ministerial meetings, the Development Committee of the IMF and World Bank, the UN Economic and Social Council (ECOSOC), the G20 and the G8, among others. Various proposals to strengthen one or more of these bodies – or complement them with new ones, for example an Economic Security Council (Dervis, 2004) – have been mooted. Each has pros and cons, in terms of legitimacy, efficacy, ambition regarding the level of collective action involved and, ultimately, its political feasibility. Beyond calling for greater Southern representation within IFIs, increased transparency in their decision-making processes, and the democratisation of the global governance agenda (Chidaushe, 2005), there is no clear strand of discourse that has reached us from Southern CSO partners on this subject, nor for that matter on the narrower issue of the reform of the UN's own development mission and its internal organisation.

¹² IDA provides interest-free loans and grants to the world's poorest countries for programmes aimed at boosting economic growth and improving living conditions.

Table 1: Different approaches to ‘regulation’ in the aid system

(Problem) Approach	(Examples of solutions)		
	<i>Self-regulation</i>	<i>Market-based</i>	<i>Regulatory</i>
Mixed motives for aid.	More transparent assignment of weights other than poverty (DAC guidelines needed), so that opportunity cost of other objectives in terms of poverty is transparent.	Accept blurring of mixed objectives as inevitable: allow greater countervailing recipient choice via pooling, vouchers etc. (see below).	Strict redefinition of development aid versus ‘foreign assistance’ at, e.g. UN, EU, so that development budgets are ‘ring fenced’, though smaller.
No vision/forum for debate.	Expand role of DAC into structural issues (as donor cartel) including multilaterals.	Networked investigation of future of aid, via private foundations and think tanks, not aid agencies in the first instance.	Merge expanded DAC and Development Committee; UN ombudsman office for aid, lined to ECOSOC or Economic Security Council; UN Commission on the Future of Aid, new Bretton Woods Conference.
Insufficient recipient choice and voice.	Better consultation processes, reinforce PRSP alignment guidelines; expand selective participation of recipients in DAC.	Voucher-type recipient choice on channels for use of, e.g., IFF funding; common pool of untied funds for technical cooperation; outcome-based aid delivery contracts.	Change voting structure at IFIs; make DAC fully representative; Subject donor agencies to UN body (ECOSOC?) dominated by recipients.
Ownership versus conditionality.	Owners continue to lean on WB, IMF to streamline conditionality and accept policy alternatives. This gradually increases costs and risks to institutions.	Introduce aid instruments based on <i>ex post</i> (outcome) eligibility, measured by non-negotiable progress indices (MCC-type); IFF requires new conditionality approach in successful delivery agency bids.	Strict limits on conditionality and much heavier public social impact assessment (PSIA) requirements, with burden of proof on IFIs and country right of appeal to UN tribunal/ombudsman.
Aid allocation and geographic imbalances.	DAC works on harmonising performance-based allocation formulae; encourages bilateral donors to introduce corrections where overall aid allocation at country level is far from optimal.	Balancing fund introduced so that multilaterals can fill critical gaps; multilateral allocation criteria made more flexible; IFF funding prioritises rebalancing of country allocations; publish country policy assessments and compare ratings with different donor funding behaviour (name/shame).	Much more funding routed through multilaterals. ‘Minimum’ aid threshold, related to need not performance, agreed by UN and enforced via regulation or special fund.
Aid fragmentation.	Encourage voluntary consolidation: leading bilaterals to self-restrict to e.g. three areas per country, without reducing country envelope; expand use of silent partnerships, Joint Assistance Strategies.	Recipient countries impose demand-side restrictions on numbers/size (India/Afghanistan); recipients select lead agency and deal with others through lead or only as group; competitive elements to select appropriate delivery channel(s) in e.g. IFF (see above), common pool arrangements.	International agreement on code of conduct for small donors, vertical funds etc. EU gradually absorbs functions of small member states. UN consolidates development group into ‘one-stop shop’.
Independent monitoring and mutual accountability.	Follow-up on Paris HLF2 targets for harmonisation and alignment via repeat of joint survey of donors and governments in selected countries; encourage donor self-assessment; strengthened mutual peer review under NEPAD-DAC.	Agree on performance rating standards, then contract out independent monitoring groups to benchmark within and across countries to these standards; sponsor civil society groups to conduct cross-country and cross-donor comparisons; publish ‘Aid Effectiveness International’ rankings; use rankings to allocate IFF-type funds competitively.	Creation of UN office of aid effectiveness evaluation/ombudsman. Mandate that all official aid agencies have to use common evaluation framework and publish results, UN to review annually.

5 Areas of Particular Interest to the South

5.1 Desirability of increased aid and aid dependence

If there is an issue on which a large number of donors and Northern-based advocacy NGOs and academics tend to converge, it is the idea that there should be more aid to the developing world, even if there is disagreement on how to make that aid most effective (Booth, 2005; de Renzio and Rogerson, 2005). Jeffrey Sachs, for instance, has called for a ‘big push’ for Africa, financed by aid, in order to meet the MDGs. He estimates that aid amounting to approximately US\$60–90 billion will be required every year until 2015 (Sachs et al., 2004). Citing the Monterrey Consensus, a paper produced by CAFOD, Christian Aid and Eurodad (2003) has argued that US\$25–35 billion of additional aid is needed for that purpose.

Southern CSOs, on the other hand, seem to be more ambivalent about the merits of increased aid. This seems to be particularly true in the case of Africa, the most aid-dependent region in the world today – and also, as was emphasised earlier in this paper, the region likely to receive the largest increase of assistance in the coming years. African CSOs are suspicious about the impact of aid in their countries as well as about donor intentions behind the aid (Lwanga-Ntale, 2005a). Much of this discussion continues to be shaded by an anti-colonial discourse against ill-conceived interventions driven by donor political interests (Lifuka, 2005). In the words of Adong (2005), aid is seen as ‘dubious, messy and political’.

In a particularly strong critique of the July 2005 Live 8 concerts organised around the world, Jean-Claude Shanda Tonme (2005), an independent consultant and columnist from Cameroon, argued in a *New York Times* editorial that aid to Africa has been essentially misguided and has helped to entrench authoritarian regimes: ‘we [Africans] are troubled to think that [donors] are so misguided about what Africa’s real problem is, and dismayed by their willingness to propose solutions on our behalf ... Don’t they understand that fighting poverty is fruitless if dictatorships remain in place? Neither debt relief nor huge amounts of food aid nor an invasion of experts will change anything. Those will merely prop up the continent’s dictators.’

Kamara of the SEND Foundation also argues that official Africa is much more enthusiastic about the prospects of increased aid than African CSOs, who ‘are justifiably asking what is different in the present day international aid system’ that would make aid have a more positive impact in the region (Kamara, 2005a). According to Lockwood (2005), for instance, African countries have absorbed almost US\$500 billion of aid and debt relief at 2002 prices over the last 45 years, while levels of poverty have actually worsened throughout the region.

There are also growing concerns, not only in Africa but also in the Asian and Latin American contexts, about the nexus between aid and the security agenda of donors. Tujan argues that, as a major locus of the war on terror, Asia has been particularly affected by this, with donors like the US and Japan shifting their aid strategies to accommodate their interests in the region (Tujan, 2005b). Pakistan, for example, has moved from being 14th on the list of aid-recipient countries in 1999/2000 to first place in 2001/02. And while Latin America is the least aid-dependent region of the three, CSOs view with suspicion efforts by the US to provide assistance to Colombia in the war against drugs (Dávila, 2005).

Very closely linked to this Southern CSO ambivalence towards the desirability of increased aid flows is the issue of ‘crippling’ long-term aid dependence that greater ODA is likely to bring about in already highly indebted and highly aid-dependent countries in the developing world (Lwanga-

Ntale, 2005a). There is a perception among Southern actors that ODA contributes to the debt burden of poor countries (Tujan, 2005a) and that, as a result, a discussion on aid architecture needs to include a strategy for overcoming reliance on aid over time. As Mwakasege (2005a: 2) has pointed out, Northern ‘CSOs and other key international players on the aid debate are advocating for more aid ... What is not being discussed widely is the impact of increased aid on the long-term sustainability of aid-funded programmes.’

While all these concerns may be valid, it is also true, as discussed at the beginning of the paper, that levels of aid are likely to increase significantly, especially in the coming five to 10 years. This is why it is so fundamental to engage in a dialogue about the international aid system that incorporates CSOs in the South and fully engages them in the process of identifying proposals on how to make aid more effective. As has been illustrated above, a large part of the preoccupation of Southern CSOs with aid revolves around its political consequences in poor countries. For a long time, aid served to prop up authoritarian and corrupt regimes. Current donor emphasis on process conditionalities offers the possibility (however small) that this may be changing – but, as stressed above, Southern CSOs may be legitimately concerned that, in an aid system that is mostly driven by donor-recipient government relations, civil society voices and proposals are being marginalised and their concerns not addressed.

As Bhattacharya has argued, ‘the global aid architecture is gradually taking the shape of a highly sophisticated set of national performance-rated ‘reward’ schemes – which are being put in place without democratic inputs from ... national CSOs’ (Bhattacharya, 2005: 1). There is therefore a need to establish institutional mechanisms for civil society participation in decision-making processes that can go beyond the PRS process (Mwakasege, 2005b), and to support the role of Southern CSOs as watchdogs regarding ODA (Campodónico and Valderrama, 2005a).

5.2 Tied aid

As much as 45% of bilateral aid remains tied, which leads to significant increases in the cost of goods, services and works in recipient countries. On this basis, the OECD has calculated that the direct cost of tied aid reduced the actual value of total bilateral aid by as much as US\$7 billion in 2002 (Eurodad, 2005). Technical assistance (TA) and other forms of tied aid have been decried by many actors in the North, with a number of civil society actors, including academics and NGOs, calling for increased donor reliance on local expertise and a reduced role for foreign consultants. Donors, on the other hand, have been slower to move on untying aid than on other aid reforms (see, for example, the Paris Declaration indicators, where up to now donors have only made a vague commitment towards ‘continued progress’ on untying aid).

For the South, this is one of the most important areas of interest. Darini Rajasingham, a Sri Lanka-based academic and activist with a doctorate from Princeton University in the USA, argues that the reliance of donors on Northern consultants, who are often less knowledgeable and qualified than local experts, if much better remunerated, results in the production and imposition of a system of knowledge that is based in the North and takes no account of equally valuable information coming from the South.¹³ Bhattacharya (2005), Kamara (2005a) and other contributors to the Southern Voices project also highlight the asymmetric treatment of ‘local’ versus ‘international development experts’, which itself seems to be contributing to a worrying brain drain in Africa, Asia and Latin America. If Southern voices are to be treated as ‘equal’ within the international aid system, it seems essential for donors to deal with these imbalances in knowledge production and expertise.

¹³ Conversation with Darini Rajasingham at her home in Colombo, August 2005.

5.3 Underlying values embedded in the international aid system

Almost all of the Southern CSO representatives who collaborated in the Southern Voices project, either as the authors of literature reviews or as commentators, have argued that an in-depth, thorough reform of the international aid system is not currently possible given the underlying set of values that sustains it. In the view of many of these Southern organisations, a neo-liberal philosophy weakens the credibility of the aid system. Certainly, there is a pre-existing commitment by donors to maintaining a market-oriented global economic system (as well as an explicit or implied preference for multiparty democratic systems). In the view of many of these Southern commentators (Tujan, Kamara, Isooba, Campodónico and Valderrama, etc.), the neo-liberal orientation of the trade system, in particular, has imposed important limits on the economic choices with which aid-dependent countries might be able to experiment (as underlined above, in Section 4.3), and has also placed them at considerable disadvantage vis-à-vis developed countries.

In the case of Latin America, for example, Campodónico and Valderrama (2005a: 11) have written that the international trade system in its current form represents an enormous obstacle to the development of the region. In their view, ‘it is schizophrenic to channel resources for the accomplishment of MDGs on the one hand while on the other hand promoting an economic system and a strategy for development that is not based on the interests of the poor’. Perhaps in recognition of this, Millennium Development Goal No. 8 is intended to establish a global partnership for development based on a trading and financial system that is ‘open, rule-based, predictable, [and] non-discriminatory’.¹⁴ However, as Tujan (2005b: 2) points out, even if moderated to a certain degree by the Monterrey Consensus, ‘monetarist and neo-liberal policy frameworks on the aid regime ... [continue to] provide the dominant policy guideline and conditionality framework for ODA-funded development’.

5.4 International NGOs and local CSO capacity

A final area of concern highlighted by most of the contributors to the Southern Voices project relates to the growing influence that international NGOs (INGOs) are exerting at the local level in developing countries. While not strictly part of the official aid system (since aid flows from donor governments or multilateral organisations like the World Bank or the EU are based on state membership), INGOs nonetheless have become increasingly important actors in aid relations given the large sum of international development assistance they command and their large presence in Africa, Asia and Latin America alike. In the Latin American context, for instance, INGOs played a significant role in supporting local NGOs in the fight against authoritarian regimes and the defence of human rights (Campodónico and Valderrama, 2005a). However, the impact of INGOs can also be overwhelming for CSOs at the local level. INGOs have increasingly come to be perceived as competing unfairly with local CSOs for financial and other programming resources, as well as undermining the growth and effectiveness of an independent and autonomous indigenous civil society sector. This was vividly illustrated by the international civil society response to the Tsunami in Asia: As expressed, in separate conversations, by both Dr. Vishaka Hidellage of ITDG Sri Lanka and Dr. Vinya Ariyaratni of Sarvodaya, the largest national NGO in Sri Lanka, INGOs arrived at the scenes of disaster in such large numbers that they sometimes have pushed aside (even if unintentionally) local CSOs, undermining their capacity and forcing them to close down.¹⁵

¹⁴ For a full list of the MDGs and their targets, see Sachs et al. (2004).

¹⁵ Conversations with Vishaka Hidellage and Vinya Ariyaratni at their respective offices in Colombo, August 2005.

6 Where does the Debate Go from Here? Keeping Southern Voices Engaged

This paper has attempted to provide an overview of how the international aid system has evolved since the 1980s, and lay out the most important issues related to aid architecture currently under discussion (mostly by Northern actors). At the same time, it has made an effort to highlight the perceptions and opinions of CSOs in Africa, Asia and Latin America with regard to the way the international aid system is currently structured and how it ought to be reformed.

The key issues, topics and debates related to the structure and workings of the international aid system as discussed in this paper include:

- aid harmonisation/complementarity/comparative advantage;
- donor and recipient government accountability;
- ownership and conditionality in the international aid system;
- instruments/modalities of delivering aid; and
- global governance issues (UN reform, IFI governance reform, etc.).

Areas of divergence between the Northern agenda on aid architecture and proposals for reform and Southern preoccupations regarding the aid system have also been highlighted. These include:

- the desirability of increased aid and aid dependence;
- tied aid;
- underlying values embedded in the international aid system; and
- international NGOs and local CSO capacity.

The Southern Voices project has been able to tap into some of the ideas, opinions and concerns of Southern CSOs regarding some of these issues through the regional literature reviews and the different sets of commentaries on them that were commissioned. However, it seems clear from what our project collaborators have said that these voices need to be further encouraged and brought out. Again, Southern CSO engagement with aid architecture issues seems all the more pressing in a context in which, even if aid is not likely to increase by the levels that have been pledged by donors, reforming the aid system so as to maximise the benefits of aid flows has become a priority, at least in principle, among donors and recipient governments.

There is significant scope for improving the current system of aid delivery, and this may present a window of opportunity for Southern civil society actors to be able to contribute in shaping the future of aid. While this paper has highlighted many of the concerns of Southern CSOs about the international aid system (treated here as a large, diverse cluster of institutions, instruments and practices), less information has been available about potential proposals on how to reform it so that aid may become more effective. This is an area in which Northern-based CSOs have done increasing amounts of work, as illustrated most recently by the new International Aid Agreement put forth by ActionAid (2005). As argued earlier in this paper, tapping into Southern CSO views about the feasibility and desirability of such a proposal seems essential, and garnering alternative perspectives for change coming from the South would provide insights that current discussions on the future of aid may be lacking but cannot afford to overlook. In short, there is a great need, as well as an unique opportunity, for enhanced dialogue and exchange of ideas between decision-makers in aid agencies and CSOs in the North, and Southern CSOs.

If Southern CSOs are to rise to the challenge and not have aid architecture reform ‘done to them’, they will need to work through some of their main ambivalences with the aid system. Some key questions that need to be further explored from a Southern CSO perspective include the following:

- Are some forms of conditionality (e.g. political) better and more acceptable to Southern CSOs than others (e.g. economic)? How could Southern CSOs go about helping define such conditionalities so that they are not imposed from above and/or the outside?
- Should there be some kind of global arbiter regulating the international aid system, and if so, is the UN the best institution to be made responsible for that? If not the UN, what other kind of international forum that is broadly representative would be suitable?
- Should there be a code of conduct for Northern CSOs?

However, Northern counterparts will also have to listen to these Southern voices and engage with their concerns and ideas seriously if Southern input is to make a real difference to how the system works. As our Southern collaborators have pointed out time and again, there are very few international fora where Southern civil society organisations can articulate their views about the current functioning of the international aid system, and where they can discuss proposals for reform. Through the Southern Voices project, the related Forum on the Future of Aid, and the November 2005 workshop on the future of aid, ODI has aimed to make a small contribution to begin to correct this situation. However, while ODI can help facilitate this ongoing discussion among Southern CSOs across different regions, our main hope is that Southern CSOs will seize this agenda, own it and work with it in whatever manner they see fit, so that their voices can be heard and their ideas can have an impact in ongoing initiatives to shape the future of aid.

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