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INTRODUCTION

Given inevitable constraints of the fiscal year framework for development planning, not to mention the day to day rush of project design and implementation, development policymakers and practitioners often simply lack the time to engage in longer term strategic planning. While there is usually a general sense of what they want to see happen 10 years down the line, there is still a need to think more systematically about what should be done today to best ensure those goals are actually achieved. In other words, we need to increase our resources for thinking over the horizon and strive to better understand how to get to where we really want by acting earlier in a more coordinated fashion. *Foresight* is intended to help meet this need in a novel way, by offering new insights drawn from cutting edge evidence based academic research. Each issue will be dedicated to a single theme, to be defined through a dialogue between academic researchers and the policymaking community. Articles will synthesize current research from the perspective of what we need to think about today in order to achieve our goals 10 years from now. In this way, we hope to create a new nexus between research, policy and practice by disseminating the latest development research in a practical way that is in tune with the priorities of the development community.

SOME REFLECTIONS ON THE AID CONSEQUENCES OF MISSING THE 2015 MDGS

Franque Grimard, McGill University

Introduction

An economist has a simple answer when asked why donor countries give aid to developing countries: it is done in the donor's self-interest. Of course, what is not

so simple is to define self-interest! It is a complicated mix of factors, ranging from economic to political ones, all influenced by a combination of altruistic and domestic reasons. Donor countries' foreign aid policies have changed through the years, but they always have tried to balance the various factors, as well as actors, involved in

foreign aid. Despite the changes in policies,¹ some have argued that *plus ça change, plus c'est pareil*: the vocabulary might change across various policy statements, yet the actions remain the same.²

While there may be some truth in this argument, one can also argue that the aid effectiveness agenda has included at least one element that makes it stand out from previous policies: the engagement by recipient and donor countries in a process that has a common outcome within a pre-determined time frame and with specific targets: the Millennium Development Goals (MDGs). For some, these targets have helped put a face on what development should strive for. They have also helped to dissipate ambiguity in defining the goals of foreign aid. From an economist's point of view, the MDGs certainly provide an interesting instance of self-interest, particularly for a donor country, because they provide an explicit and verifiable outcome measure for its aid delivery performance.

British Prime Minister Gordon Brown's 2008 Call to Action (CTA) to intensify the efforts of countries to reach the MDGs should be an occasion for donor countries to ponder whether linking aid to MDGs performance should be a predominant factor of their aid policies.³ Canada's development agency is in the midst of an administrative re-organization that aims at putting results on the forefront. This "transformation for results" is one in a

long series of attempts at making the agency's role in Canada's foreign policy more relevant in today's world. Emphasizing results is not new: There is a long tradition from "Sharing our Future", to the Sustainable Development Strategies through "Strengthening Aid Effectiveness"⁴ of attempting to gear Canada's aid in terms of outcomes rather than merely expenditures. However, linking performance to reaching MDGs has some consequences. In 2000, it was laudable to help countries reach their MDGs. In 2008, as the poor developing countries Canada is engaged with will unlikely reach their targets, it might be interesting to think about the consequences for foreign aid policies.

In this short paper, I would like to use a long-term horizon and discuss some possible implications of continuing to adhere to the MDGs agenda. I will point out that they bind the donor countries to a standard of performance in 7 years. Given that it is unlikely that, for several countries, the level of performance will be achieved, it might be interesting today to think about the consequences of failing to meet these MDGs for the policies of the donor countries and whether it is in their-self interest today to strongly adhere to the fulfillment of the MDGs as a policy goal. Depending on one's view on aid effectiveness, it might be better to use a more balanced approach; keep the MDGs as distant targets and work more on issues of results and performance so that some better assessments of aid delivery can be communicated to the public.

This paper will first discuss the MDGs in the context of the aid effectiveness compact that donor and recipient countries have agreed upon. Secondly, I will speculate on whether, more than half way to 2015, the recipients of foreign aid will be able to reach these ambitious targets and it will not be unreasonable to suggest that

¹ In Canada, for instance, there are interesting links to be drawn across the three policy statements "Sharing our Future" (1985), "Canada and the World" (1995) http://www.dfait-maeci.gc.ca/foreign_policy/cnd-world/menu-en.asp and the "International Policy Statement" (2005) http://geo.international.gc.ca/cip-pic/current_discussions/ips-archive-en.aspx over the 20 years they span.

² See, for instance, table 1 of Easterly (2003).

³ The Call to Action is an international effort launched by DFID to accelerate progress on the MDGs and help make 2008 a turning point in the fight against poverty. It involves not just governments - north and south - but the private sector, NGOs, faith groups, professional bodies, cities and civil society. CTA supporters are meant to push for an action plan which helps to accelerate progress on the MDGs at key moments in 2008, particularly the EU and G8. A pivotal moment will be 25 September, when the UN hosts an MDG summit in New York.

⁴ See the Strengthening Aid Effectiveness 2002 policy statement on <http://www.acdi-cida.gc.ca/CIDAWEB/acdicida.nsf/En/STE-32015515-SG4>

few will indeed reach them. Then, I will keep speculating as to whether it is worthwhile for a donor country such as Canada to stay on the aid effectiveness and MDGs ship, as its course appears to be in troubled, if not treacherous, waters. I will argue that it is perhaps in the interest of Canadians to stay on the ship, although I will make some suggestions to provide a more balanced approach.

Caveats:

Examining the MDG issue might also raise other issues about the current paradigm of aid effectiveness. Indeed, the aid effectiveness compact has been criticized elsewhere on many points ranging from a lack of true local ownership, forcing universal goals on individual countries, to the absence of a major player in foreign aid: civil society.⁵ Furthermore, there are coordination issues among the various donors. For instance, with aid effectiveness, there is a tendency to concentrate one's aid in fewer countries. If all donor countries do the same and each adheres to a notion of performance, there will be adverse selection: the same countries will receive a lot more aid because they are more likely to succeed. This may in turn create problems for the "winner" countries and there are moral issues in neglecting the populations of the countries unable to fulfill the aid effectiveness conditions. These are important issues in their own right, but I will not discuss them, due to space considerations. Furthermore, even though these represent an increasing share of aid delivery, the discussion will not include MDGs of developing countries considered "fragile states". Obviously, these countries will not be evaluated on the same basis as the other developing countries.

⁵ The integration of civil society within the aid effectiveness is the subject of discussions in Accra and it is not clear how civil society will be included, if at all, within the new aid effectiveness framework of harmonization. This is not however, the point of this paper.

1. MDGs

The use of the MDGs has been quite remarkable in drawing attention to the need to raise living standards in the developing countries. Yet, the MDGs are not only a pedagogical tool. For some, they have bound countries, both developed and developing, to a visible target that can potentially be enforced. They provide explicit targets for development outcomes that fit well within a reorganization of aid delivery based on the promise of more effective results rather than a sole focus on funds spent. For developed countries, the MDGs imply that they have to change the way they deliver aid as well as increase the amount they give to developing countries to reach their goals. Some countries like the UK have explicitly linked their development policy and aid delivery to the MDGs by including them in their performance targets. Other countries, like Canada, have not been as bold, and only include them as an implicit framework. Yet, the acceptance of the MDGs by developed countries has created expectations among the general public and civil society.⁶

1.1 MDGs are part of a "deal".

The goals are part of larger context. Much has been written on them, on the politics of choosing them, on what they include and do not include, and on the specific targets used to measure them. This is interesting, but the point here is different. MDGs are part of a larger framework, one established to provide a different and, hopefully, more efficient way to deliver foreign aid. For instance, here is what one can read on the CIDA website:

"In September 2000, 191 countries adopted the United Nations Millennium Declaration, which led to the Millennium Development Goals (MDGs). The MDGs are a

⁶ See for instance CCIC, <http://www.ccic.ca/e/002/aid.shtml> and Results Canada, <http://www.results-resultats.ca/VisionMissionGoals/default-en.aspx>

set of specific targets for poverty reduction, health, education, gender equality, environmental sustainability, and global partnerships to be reached by 2015. In 2002, the international community struck a new development agreement to achieve these goals under the Monterrey Consensus. Developing countries assumed primary responsibility for them, while the industrialized countries, including Canada, committed to supporting their efforts through aid, trade, and debt relief."

In the light of studies claiming that foreign aid did not work unless recipient governments undertook appropriate policies, countries agreed on a new compact: Developed countries agreed to modify their foreign aid disbursements to developing countries by giving them more flexibility (Basket funding, Program-Based Approches [PBAs], pooling funds across donors) and more ownership in the policies they can enact. In return, developing countries established their own plans (short, medium and long-run) to bring about development (Poverty Reduction Strategy Papers (PRSPs)) and agreed on explicit outcomes for what these plans should allow them to reach. Furthermore, donor and recipient countries agreed that these outcomes will be monitored and measured regularly until 2015.⁷

This new deal would allow aid to be more effective. For instance, a Brookings Institution task force on "Transforming Foreign Assistance in the Twenty-first Century" published its 2006 report and noted that by the late 1990s Tanzania was preparing 2,400 reports to donors each quarter, and hosting 1,000 meetings of donors annually. Thus, instead of dealing with 500 visits from foreign aid officials and experts to tell them how to enact and operate school projects across the country, the civil servants of a developing country education ministry

⁷ Obviously, this is a simplification of the process. See Easterly (2006) and Collier (2007) for a review of the policy developments leading to the current aid effectiveness compact.

could concentrate on spending resources for making the whole education system more efficient. Besides PRSPs and PBAs, a new vocabulary and acronyms started being used, Sector-Wide Approaches (SWaP), Global Budgetary Support (GBS)), and policy papers started steering the foreign donor ships into the aid effectiveness agenda beginning in the late 1990s.⁸ Canada and CIDA adopted the change in 2001 with the policy paper on "Strengthening Aid Effectiveness".

Besides accepting performance indicators such as MDGs, embracing the aid effectiveness agenda and its harmonization and program-based approaches implies another side of the coin: Project-based aid programming becomes less important and it is more difficult to promote specific domestic (donor) values through aid delivery, as projects take a backseat to the pooling of donors' resources and expertise in collaboration with the recipient countries.

1.2 Half Way Point

Of course, how much foreign aid has actually changed since 2000 is another matter. The switch from projects to programs takes a while. Coordinating donors is also often easier said than done. Establishing monitoring and auditing rules is not straightforward and furthermore, things take time to take shape and take effect. So, even if on paper the new development compact may seem promising, the jury is still out on whether it will be successful.⁹

At the same time, how each donor views the importance of the MDGs in their new aid effectiveness policies is relative. For instance, UK's DFID puts them

⁸ The World Bank aid effectiveness study, itself an extension of the work by Burnside and Dollar (1997) was a catalyst. Besides acronyms, the new vocabulary also includes cities (Monterrey, Rome, Paris, Accra...).

⁹ For instance, the evidence on PBAs and GBS is so far mixed. Donors are still trying to figure out how to include civil society in the aid effectiveness compact and it is not clear that the High Level Forum in Accra will achieve this feat.

explicitly at the forefront.¹⁰ Canada is certainly not as bold. Anyone looking at CIDA's business road map will see that the MDGs are not part of the Program Activity Architecture (PAA) that makes the agency accountable to the Treasury Board.¹¹ They are, however, used in the periphery as justification regarding the deployment of Canadian Foreign Policy. For instance, here's what one can find on CIDA's website discussing Canada and the MDGs:

"The International Policy Statement also includes a pledge to deliver a visible and lasting impact on the MDGs. Canada's revised development priorities—governance, health (especially HIV/AIDS), basic education, private sector development, and environmental sustainability, with gender equality integrated across all areas—directly support Canada's contribution to helping the world achieve the MDGs.

Canada is now participating in more large-scale, multi-donor programs based on developing-country priorities that use local institutions and systems for their implementation. This reinforces the capacity of well-governed developing countries that have assumed primary responsibility for achieving the MDGs and it also helps coordinate and focus aid."

So, while they are not directly part of the accountability framework of the Canadian donor agency as they are in the UK's DFID, the MDGs are certainly influential in setting up the rationale for the increased aid from Canadian tax payers. Thus, while technically the fine print means that results are not measured in terms of MDGs in Canada, the Canadian government has shown a

¹⁰ See <http://www.dfid.gov.uk/Pubs/files/departmental-report/2007/default.asp>

¹¹ For more details, see <http://www.acdi-cida.gc.ca/CIDAWEB/acdicida.nsf/En/8A35A0EF2C905E4B8525712C0070CCFD?OpenDocument>

political commitment to the process to a degree that one may wonder about the consequences of a MDGs failure for Canadian foreign aid policy.

The Evidence So Far

What is the evidence on the new aid effectiveness compact?¹² First if one looks at the Paris Declaration measures, donor countries appear to follow their targets in terms of how they structure their aid,¹³ indicating a gradual change in the direction of the aid effectiveness agenda. Of course, it is one thing to change the process; it is another thing to see if the results and outcomes follow accordingly. Yet, in 2008, while the verdict is not entirely clear, some have already made preliminary assessments and it would appear that few countries will reach the targets. Indeed, the 2007 UN report on the MDGs mentions that:

"Currently, only one of the eight regional groups cited in this report is on track to achieve all the Millennium Development Goals. In contrast, the projected shortfalls are most severe in sub-Saharan Africa. Even regions that have made substantial progress, including parts of Asia, face challenges in areas such as health and environmental sustainability. More generally, the lack of employment opportunities for young people, gender inequalities, rapid and unplanned urbanization,

¹² Of course, whether countries reach their MDGs should not be the performance yardstick. The proper one should be whether countries are closer to those targets than they otherwise would be. In the absence of a control group of countries, (countries similar to those "treated" to the aid effectiveness program and that do not take the aid effectiveness "treatment"), it is very difficult to evaluate the counterfactual. Another problem in assessing the current evidence is that the performance is attributed to all the parties involved: the recipient countries as well as the donor countries. This makes direct attribution of blame or merit to a single unit impossible.

¹³ There is also mixed evidence on PBAs and GBS. For instance, see the OECD studies on http://www.oecd.org/document/51/0,2340,en_21571361_34047_972_36556979_1_1_1_1,00.html

deforestation, increasing water scarcity, and high HIV prevalence are pervasive obstacles.”

Not surprisingly, the 2007 UN report reiterates the need for an increasing effort from developed countries in terms of spending:

“The results achieved in the more successful cases demonstrate that success is possible in most countries, but that the MDGs will be attained only if concerted additional action is taken immediately and sustained until 2015. All stakeholders need to fulfill, in their entirety, the commitments they made in the Millennium Declaration and subsequent pronouncements. Success in achieving the MDGs in the poorest and most disadvantaged countries cannot be achieved by these countries alone. Developed countries need to deliver fully on longstanding commitments to achieve the official development assistance (ODA) target of 0.7 per cent of gross national income (GNI) by 2015.”

Looking at the same numbers, another point of view comes from the *Economist* (July 2007):

“..... Sadly, however, they (the MDGs) cannot do what they purport to do, which is to provide credible benchmarks against which governments can be judged. Set for the world as a whole, the numerical targets do not fit any country in particular. China had all but met the target of halving poverty from its 1990 levels by the time it was set a decade later. Sub-Saharan Africa, on the other hand, will fall short of all of the goals, even though its economy is growing quicker than it has for a generation and it is putting children in school faster than any other region.... The goals are supposed to be everyone’s responsibility, which means they are no one’s. Poor countries can blame rich ones for not stumping up

enough cash; rich governments can accuse poor ones of failing to deserve more money.... ”

From the available data today, it would appear that most poor developing countries will be unable to reach their MDGs in 2015. Let’s go forward 7 years and think about the implications for donor countries of the failure to meet the MDGs. There are at least two possible speculations on their reactions:

1) Been There, Done That, Bought That T-Shirt...But Let’s Go For Another One

This would not be the first time that foreign aid would be questioned. One would have to say that the targets were always too high and were unreachable to begin with. Furthermore, it is not the donor countries’ direct responsibilities to fulfill the MDGs. Donor countries would reiterate that foreign aid is an important element in helping developing countries and that one will continue to make aid more effective by bringing some modifications. Such reasons (“it did not work because there was not enough reform and/or because we had forgotten about a factor or two”) have been mentioned in the past¹⁴ and this is quite likely a spin that donor countries may want to give by 2015.¹⁵

2) Been There, Done That, Bought That T-Shirt... Let’s Try Something Different

Several versions could take place here. Here one could reject the aid effectiveness compact and point out that development is more than MDGs.¹⁶ One could ask for a return to a project-based approach with a focus on donor domestic value-added content. One could also reject the compact and point out that after years of

¹⁴ For instance, the so-called Washington Consensus has undergone many incarnations since the 1980s.

¹⁵ The spin could be to do even more harmonization and to include, this time, civil society in the North and the South.

¹⁶ (see for instance the CCICs)

<http://www.ccic.ca/e/002/aid.shtml>

foreign aid reforms, the funds spent are wasted and the aid agencies such as CIDA should stop their activities. Easterly (2006), for instance, mentions the idea of issuing vouchers to groups in developing countries. A related idea has been mentioned by researchers at the Center for Global Development who suggest that donors should adopt a “payments for progress” incentive structure. Donors would agree to provide an amount for every child completing a primary school degree or some test that would be administered by an independent auditor. In the past, no country wanted to take such bold reform actions. Now given that the donor agencies will have used the MDGs as a justification for more aid between 2000 and 2015 (even though they are not directly responsible), it could be that this criticism may have some bite and one might be willing to entertain the termination of foreign aid or its complete transformation from the top down.

Regardless of the possible forms it takes, the relative performance in meeting the MDGs will force a re-evaluation of the current aid paradigm and donor countries will have to make some decisions about what to do. But donor countries will not have to wait until 2015 to start thinking about these considerations. There is a scheduled revised analysis of the results as part of the MDG process. Furthermore, Prime Minister Brown of the UK has launched a Call To Action initiative in 2008.¹⁷ There is no doubt: donor countries have to consider committing once again to the aid effectiveness agenda as well as devoting more resources to fulfilling it.

2. What Could the Consequences Be for Canada? What Is Canada's Self Interest?

There are strong pressures on donors to intensify their efforts and one can already see that a country such as Canada will have little choice but to stay on the aid

¹⁷ For more on Prime Minister Brown's Call To Action, see <http://www.dfid.gov.uk/mdg/>

effectiveness ship.¹⁸ One problem however is that expectations will rise even higher and disappointment might be stronger by 2015. A foreign aid donor like Canada will then be in an interesting situation. Canada has commitments and obligations to the international community. The government is also committed to spending wisely and efficiently the funds it receives from the taxpayers. What might an observer of foreign aid perceive when she sees the failure of developing countries to reach their MDG targets in 2015? Will she conclude that it represents 1) a failure of the new development compact of aid effectiveness (program-based approaches); 2) a failure of developing countries; 3) a failure of the developed countries; 4) a failure in overall foreign aid; or 5) all of the above?

As perception often becomes reality in politics, some might argue that number 5 will be chosen and the development community will have to deal with the consequences. Foreign aid is indeed a difficult issue and it is often easier for analysts to point the finger at an organization rather than deal with the complex factors. For example, recent history in Canada easily demonstrates this tendency. The 2007 Senate Standing Committee on Foreign Affairs found an easy target to explain the lack of development in Africa. Here's the second resolution (p.97) of the report:

“Given the failure of the Canadian International Development Agency (CIDA) in Africa over the past 38

¹⁸ Pressures come from several levels: the United Nations MDG 2007 report <http://www.un.org/millenniumgoals/pdf/mdg2007.pdf> calls for a renewed effort, particularly in the light of the April 2008 mid-review at the assembly: <http://www.un.org/ga/president/62/ThematicDebates/mdgthematicdebate.shtml>. Furthermore, UK Prime minister Brown's Call to Action is meant to put pressures on donor and recipient countries to meet their 2015 MDG targets. There are also pressures from civil society. See for instance the Civicus website: <http://www.civicus.org/mdg/title.htm>

years to make an effective foreign aid difference, the Government of Canada should conduct an immediate review of whether or not this organization should continue to exist in its present non-statutory form. If CIDA is to be abolished, necessary Canadian development staff and decision-making authority should be transferred to the Department of Foreign Affairs and International Trade. If CIDA is to be retained, it should be given a stand-alone statutory mandate incorporating clear objectives against which the performance of the agency can be monitored by the Parliament of Canada."

Of course, the whole report is more nuanced than this resolution, but the impression has lingered that CIDA is not working. Another example where it is easier and more politically convenient to point a finger at a foreign aid agency rather than deal with a greater set of political considerations is the Manley Report on Afghanistan. Indeed, in its article "Another Kick at CIDA" (January 30, 2008), the newspaper "Embassy" reports that:

*"The Manley report's strong criticisms of Canadian aid delivery in Afghanistan have again highlighted systemic problems within the Canadian International Development Agency that must be addressed, opposition critics and senators say."*¹⁹

Thus, it is not hard to speculate that if there is a report in 2015 stating that the recipients of Canadian foreign aid report were unable to meet their MDGs, some people will be looking for a culprit. While it is technically correct that a failure of the MDGs does not implicate

¹⁹ The interesting point here is that the Manley reports points out that Canada's aid involvement uses too much the multilateral approach. Indeed it suggests that "Canada's civilian reconstruction and development engagement in Afghanistan should concentrate more on aid that will directly benefit the Afghan people. This calls for more emphasis on project assistance, including at least one "signature" project (a hospital, for example, or a major irrigation project) identified with Canada and led by Canadians" (p. 40).

CIDA directly in terms of its accountability to the taxpayers,²⁰ the agency certainly will be perceived to be involved in the process. And as perception is often reality, it becomes hard to avoid dealing with it. If last year's comments about the Senate Africa report are any indication of the potential range of judgments on foreign aid, it would not be surprising to hear many proposals, ranging from reforming it once again with whatever the flavor of the month will happen to be in vogue then, to eliminating CIDA, sending annual payments to multilateral organizations and giving a larger tax deduction to Canadian charitable organizations involved in developing countries.

If this is the likely outcome in 2015, should a country such as Canada take the position of rejecting the MDGs in 2008? Rejecting the MDGs might also be seen as a rejection of the new development compact, implying either a return to the project based approach, the elimination of foreign aid or yet another transformation. Although Canada has in the past reneged on international agreements (i.e. Kyoto), it may not be politically feasible to jettison the MDGs yet, as there are pressures from other donor countries as well as from some domestic groups to stick with the aid effectiveness compact. Thus, for the purpose of this paper, let us assume that Canada will want to stay on the aid effectiveness ship.

Given the troubled waters ahead, however, let me enumerate some suggestions to strengthen the balanced approach that Canada has taken so far to bring more flexibility to Canadian aid delivery over the coming years.

Suggestions:

The **first suggestion** is to work on better communications, rather than trying to re-invent the wheel: one would keep the MDGs in the periphery as an

²⁰ This is true both in terms of the PAA as well as with the impossibility of attributing specific merit or blame in the joint coordinating process of the aid effectiveness compact.

important, but distant, goal. MDGs should be kept as long-term targets, not necessarily to be met by 2015. There is no need to set up Canadian foreign aid policy for a fall by adhering strictly to an unrealistic outcome measure. For its self-interest, Canada should communicate better about what it wants to achieve with its harmonization and aid effectiveness approach. There is a pressing need for better communications to the general public of what the aid effectiveness agenda is and is not. The emphasis on joint efforts of donors, on harmonization and cooperation with the recipient countries and what it represents for a donor country's tax payers and development agencies should be better explained to the general public. One can use that effort to justify better the choice of countries that donors decide to get involved with.

The **second suggestion** is also a simple one: Don't put your all eggs in one basket. While doing a better job at communicating the aid effectiveness agenda, there is a need to keep improving the project-based approach and let the public know that the aid agencies use more than one strategy to deliver aid. This approach has had several advantages in the past. First, while some link this approach with tied aid and conditionality, this need not happen. Second, the project usually creates something that can be measured and attributed more directly. Third, the project can be put more easily in terms of reflecting the domestic values of a donor country. Thus, from an accountability point of view, this approach has the advantage of being able to measure more concretely the performance/results of where the spending goes, either in terms of outcomes or intermediate inputs.²¹

The **third suggestion** is to explicitly connect the dots between the actions of donors and recipient countries in terms of getting MDG results. Indeed, if one decides to keep the aid effectiveness agenda with its

harmonization goals and PBAs, one needs to be more explicit in what one is trying to achieve not only 10 years from now, but also in the short term. This is the return of the five-year plan, adapted to the flavors of the harmonization agenda. For instance, in health, one should think of intermediate targets in terms of structure of health systems that will then allow individuals to be healthier. Assume that this structure is agreed upon by all donor and recipient countries. One can then talk about the concerted efforts' progress towards establishing a health system as an explicit target towards achieving MDGs. In concrete terms, here is an example. First, countries agree on a common definition of health system and some health outcomes. Second, the countries agree on a list of indicators which underscore the performance of the various parts of the health system. These two points are already being done to some extent in practice when donor countries, health partners and recipient governments agree to a health SWAp. Third, the donor countries agree to coordinate on the various parts of the system they will contribute. Fourth, based on the first three points, one can then construct indicators of progress in health outcomes and health systems as well as indicators that describe whether donors do coordinate their actions. The last type of indicators would then be the health-specific counterparts of the Paris Declaration of Aid Effectiveness. Effectiveness would then be defined in terms of the coordinating process of the various donors, as progress on the health outcomes is supposed to be picked up by the MDGs. Agreeing on health system indicators that capture both the efforts done by the recipient countries in reforming their health system towards attempting to achieve the MDGs as well as the coordinating efforts of the donors would then give an assessment on 1) how well the donors coordinate and 2) more importantly, several indicators of health performance with which a country can be assessed within a near continuous

²¹ This is not to say that there are no problems with the project approach.

framework. These indicators can then be used by the donors as an assessment to measure short-run progress in the health sector.²² Similar indicators could be used for other sectors such as education.

The **fourth suggestion** is that it is not a question of one approach as opposed to another one. Indeed, the project-based and program-based approaches need not be unrelated to each other or be disconnected from the MDGs. One complaint about the program-based approach is that it is concentrated on disbursing funds for inputs in the development process. For example, building a clinic or buying textbooks that might then contribute to an improvement in living standards (but that no one measures). The advantage of the MDGs approach is that one gets a measure of some outcome of development, but one does not know how the funds engaged by the respective donor countries contribute to that outcome in the short, middle and long runs. It is possible to reconcile the two approaches in terms of performance measurements if one is willing to follow the third suggestion and entertain the thought of having targets based on intermediate production processes leading to the realization or achievement of improvements. For instance, if one is willing to construct an index of a health system and what the health system needs to have in order to be able to allow individuals to raise their living standards, one can then evaluate how each health project contributes to the evolution of the health system. This evolution and evaluation of the health system could then be measured and results could be assessed. Of course, this is nothing more than a return to a series of five-year plans with intermediate and long-term targets leading to outcome goals, but this time, everything is adapted to the flavors of coordination and harmonization. This is something relatively easy to do and that can be

²² One will not be able to attribute credit directly to a donor country (as the money is pooled), but certainly, one will have a target to report on as a measure of progress of the coordinated process.

done now to improve the measurement of aid delivery performance.

The **fifth suggestion** is to improve monitoring and evaluation. Foreign aid policies with an emphasis on performance and results cannot be credible without data and if the MDGs are the only things being measured, credibility might be strained. There is a need to get more data to continuously manage aid disbursements. Data gathering on projects is one thing that all aid agencies are currently working on and must improve. More needs to be done on getting data and integrating them in a proper monitoring system.

Beyond monitoring, there is a serious need for better evaluation. Even though the aid paradigm has shifted towards an emphasis on results, we still know very little of what works and what does not. Measles, for instance, is used as an example of progress in health standards in developing countries over the period 1999-2005. Yet, as the Lancet article itself points out²³, the numbers for developing countries are unreliable and the figures often cited by officials in fact come out of a computer model simulations. These numbers may be the best ones science can come up with, but they are nevertheless the result of models rather than measured data. There is a need for more data, for expanded budgets on statistical offices, training, surveys etc. Furthermore, the process of evaluation in the aid effectiveness framework has to be reinforced if not reconsidered. Some have even suggested there is a need for the evaluation to be done by an outside party to allow for an unbiased view. This could go far. For instance, one suggestion of Easterly (2006) is for donors themselves to improve their evaluation: "Perhaps the aid agencies should each set aside a portion of their budgets (such as the part now wasted on self-evaluation) to contribute to an international independent evaluation group made up of

²³ See Wolfson, L., P. Strebler, M. Gacic-Dobo, E. Hoekstra, J. McFarland, B. Hersh, (2007).

staff trained in the scientific method from the rich and poor countries, who will evaluate random samples of each aid agency's efforts."

Conclusion: A Balanced Approach

These suggestions are not earth-shaking: basically, Canada's short-term self-interest appears to be in staying on the MDGs' ship while its longer-term interests relate to working on integrating results and performance with intermediate targets to give some chance of attribution and strengthen both the project and program-based approaches. Furthermore, there is a need for better communications: present the work done by Canadian aid with both approaches. Finally, one should pay more than lip service to measurement and evaluation, both in management operation terms as well as more academic ones. This means spending money on surveys, on training people, on thinking about an evaluation framework with appropriate treatment and control groups before implementing projects or programs.

There is one potential problem: the issue of integrating domestic values into the aid effectiveness agenda is a difficult if not impossible one.²⁴ It is probably better to clearly state that a percentage of the ODA envelope will be on project-based approach that will include domestic values, while another will be devoted to an enhanced aid effectiveness approach coordinating with other donors and recipient countries.

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²⁴ The reactions to the Manley report on Afghanistan are representative of this problem. The proposal argues for more "signature" projects for Canada while some civil society members disagree with "the idea of Canada putting its flag on projects" (*Embassy*, January 30, 2008).

SUMMARY OF POLICY RECOMMENDATIONS TO STRENGTHEN CANADA'S APPROACH TO AID DELIVERY IN THE MDG CONTEXT

First Recommendation:

Better communications

Keep the MDGs in the periphery as an important, but distant, goal of aid.

Second Recommendation:

Don't put all your eggs in one basket

There is a need to keep improving the project-based approach and let the public know that aid agencies use more than one strategy to deliver aid to improve development.

Third Recommendation:

Explicitly connect the dots between the actions of donors and recipient countries in terms of getting MDG results

If one decides to keep the aid effectiveness agenda, one needs to be more explicit in what one is trying to achieve not only 10 years from now, but also in the short run.

Fourth Recommendation:

Do not put one aid delivery approach against the other

It is possible to reconcile the project-based and program-based approaches in terms of performance measurements if one is willing to follow the third recommendation and entertain the thought of having targets based on intermediate production processes leading to the realization or achievement of improvements

Fifth Recommendation:

Improve monitoring and evaluation

Foreign aid policies with an emphasis on performance and results cannot be credible without data and if the MDGs are the only things being measured, credibility will be strained. There is a need to get more data to continuously manage aid disbursements. Beyond mere monitoring, there is a serious need for better evaluation. We still know very little of what works and what does not.



ABOUT CDAS

Founded in 1963, the Centre for Developing-Area Studies is undergoing a process of renewal so that it better reflects the changed reality of the world we live in. In the

not so distant past when the Cold War had an inescapable impact on the “third world,” the developmentalist state was almost universally regarded as a solution to development bottlenecks and the advantages of various non-democratic forms of government were hotly debated. Today the Cold War is over, states are often seen as obstacles to market-led development and political democracy is an explicit goal of a wide range of national and transnational actors. Sadly, while the problems of poverty and inequality often remain daunting after decades of development research and assistance, the solutions seem to be more complex than ever given the often contradictory tendencies associated with many of the changes that have so transformed the world in which we live. It is also more apparent than ever before that bridges need to be built between academic researchers, policymakers and various non-governmental actors to deal with these challenges. CDAS is plans to help build these bridges. *Foresight* is one way to accomplish that.

CDAS’ new research agenda revolves around the need for *Understanding the Foundations of Democratic Governance*. To an unprecedented degree, achieving democratic governance where it does not exist and improving its quality where it does have become dominant goals, from the local level to the global. Yet it is not clear whether there is just one form of democratic rule, or if there is not, what qualities all democracies must share. For many new democracies, there is also a growing concern with the apparent inability of elected governments to effectively respond to citizens’ most urgent needs. However valued democracy may be in the abstract, the perceived ineffectiveness of actual democratic governments threatens to lead people to question its *relevance* to the most pressing issues of the day.

CDAS’ renewal also reflects a tradition of strength in development research and teaching at McGill. With literally dozens of tenure-stream professors working on issues relating to development, well over 100 graduate students completing MA and PhD degrees in Arts focusing on development issues and a new MA Development Option at the graduate level, not to mention almost 1000 undergraduate students in McGill’s *International Development Studies* program, CDAS is poised to assume a new leadership role in development studies.

EDITORIAL COMMITTEE

Philip Oxhorn (CDAS)
 Franque Grimard (McGill)
 Alison Van Roy (Canadian International
 Development Agency – CIDA)

Contact Information:

FORESIGHT
 Centre for Developing-Area Studies
 McGill University
 3715 Peel Street
 Montréal (Québec) H3A 1X1
 Canada
 Managing Editor: Iain Blair
iain.blair@mcgill.ca

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