GOVERNANCE OF DEVELOPMENT ASSISTANCE: ISSUES AND CHALLENGES

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Governance is encompassing phenomenon than Government. The term, ‘Governance’ is a qualitative expression, a normative concept and different from entity. In 1989, World Bank Document on Sub-Saharan Africa first time highlighted the concept of ‘Governance’.\(^1\) Good Governance has four key elements - Public Sector Management, Accountability, Legal framework for Development, Information and transparency meant for development\(^2\). It is linked with effective and efficient administrative set up in a democratic framework.

The important features of good governance are ensuring accountability, establishing credibility of institutions and providing effective, efficient and responsive administration. These characteristics of good governance must be initiated into public services delivery mechanism. Good Governance itself depends on various factors which include development stage of a country, administrative patterns, political will, citizen awareness and participation.

An efficient and effective Governance pattern is the primary objective of foundation of public administration. The transformation of the role of state in 20th century to welfare state has introduced processes and institutions to make the governance citizen centric. The reforms in governance patterns in building public institutions and effective and time bound service delivery mechanism is not only limited to national plans and policies but also applicable to management of Development assistance.

Overview of Development Assistance

International development projects aim to improve the well-being of the poor in the medium to long term. According to the World Bank, there are currently more than 80,000 development projects under way.\(^3\) Majority of these projects are undergoing in African and Asian countries. Furthermore, majority of these projects are related with child health, child education, women empowerment, environment protection, sustainable agriculture and inclusion of poor.

Development assistance from rich countries (DAC Countries) to poor countries grew steadily from 1997 to a first peak in 2010 and fell in 2011 and 2012 and again rebound back in 2013. The total net flow by DAC country increased from US $ 334.360 billion in 2009 to $ 435.711 billion in 2013 and the total net private flows by DAC country increased from $ 181.608 in 2009 to $ 263.460 billion in 2013 and the Net Official Development Assistance (ODA) has crossed $134 billion in 2013. Further $ 15.9 billion come from European Commission and Non–DAC bilateral assistance (NDBA) countries provide $ 9.4 billion ("OECD" Accessed 13August, 2015 http://www.oecd.org).

\(^2\) Ibid
Private aid (PrA) from DAC members contribute between $58-68 billion per year and developing country governments are receiving about $38 billion in net country programmable aid (CPA). Multilateral aid agencies (around 230) outnumber donors and recipients combined. Multilaterals only disburse 12 percent of total aid and about one-quarter of total net CPA.

The pattern for providing development aid varies from funding agencies. Aid may be provided bilaterally, from donor to recipient, or channelled through a multilateral development agency. The composition of ODA’s bilateral, multilateral and non-core multilateral for the past five years is provided in the following Table 1 below:

Table 1: Share percent of ODA’s bilateral, multilateral and non core multilateral, 2007-2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Bilateral</th>
<th>Multilateral</th>
<th>Non-core Multilateral</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>66.55%</td>
<td>25.98%</td>
<td>7.48%</td>
</tr>
<tr>
<td>2008</td>
<td>64.20%</td>
<td>25.57%</td>
<td>10.23%</td>
</tr>
<tr>
<td>2009</td>
<td>60.60%</td>
<td>27.52%</td>
<td>11.88%</td>
</tr>
<tr>
<td>2010</td>
<td>61.09%</td>
<td>27.02%</td>
<td>11.88%</td>
</tr>
<tr>
<td>2011</td>
<td>61.13%</td>
<td>27.07%</td>
<td>11.80%</td>
</tr>
<tr>
<td>2012</td>
<td>60.07%</td>
<td>27.71%</td>
<td>12.22%</td>
</tr>
</tbody>
</table>

Source: OECD

Not all the funds counted as aid are the actual flows that can be applied to development project and programs in poor countries. The amount of aid money that is available to developing countries to implement upon the agreed projects and programs is referred to as Country Programmable Aid (CPA). To measure CPA, the costs of aid administrative agencies, humanitarian and emergency relief, food relief and others are subtracted from the total aid as shown in the following figure 1 below.

Figure 1: Bilateral ODA Composition of DAC Countries, 2012

Source: OECD

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5 Ibid
The share per cent of CPA for the past five year from 2008 to 2012 is shown in the following Table 2.

Table 2: Share Percent of CPA from net Bilateral ODA

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Aggregate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share Percent</td>
<td>53.50%</td>
<td>57.74%</td>
<td>55.01%</td>
<td>53.57%</td>
<td>55.02%</td>
<td>54.97%</td>
</tr>
</tbody>
</table>

Source: OECD

The average bilateral aid and multilateral aid for the past five years (2008-2012) accounts for about 65% and 25% of the net ODA respectively. The remaining aid is the non core multilateral (multi-bi). The average CPA for the past five years is about 55% of the total bilateral ODA.

ODA is one of the major sources of funding for development. It is one part of the flows targeted to support development. ODA represent only 28% of all official and private flows from 29 member countries of OECD’s DAC. Overall in 2012, developing countries received US $ 474 billion from DAC countries, including ODA as “other official flows”.

In the last decade diversity in development aid had increased. In 2012, non-concessional financing (not like ODA) represented almost two-third of international financing institutions’ total financing and more than 95% of it was extended to middle income countries. Brazil, Mexico, India, Turkey and People Republic of China benefitted the most, receiving a total of US $ 164 billion. Since 2008, finance extended to developing countries by public institutions from DAC members and multilateral institutions (other official flows) constitutes about one-third of all official flows. Private grants from philanthropic foundations and NGOs also have grown rapidly in number.

Many countries that are not a member of DAC such as BRICS (Brazil, Russia, India, China and South Africa) and others provide financial aid to developing countries. BRICS financing to developing countries reached over US $ 4 billion in 2012.

The above mentioned pattern in governance aid reflects the growing diversity in financial options available to developing countries.

Inspite of million dollars of financial assistance to carry out these programmes in developing countries, the facts and figures related with Human Development Index, Gender Inequality Index, Child Health and Environment reflects the gloomy state of affairs. As per UN Report; Women perform 66 percent of the world’s work, produce 50 percent of the food but earn 10 percent of the income and own 1 percent of the property. The state of women as per Human Development Index (UNDP 2010) shows loss in global HDI due to inequality in the world as a whole is 22 percent.

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8 Ibid, p.66
These statistical figures reflect that there exists a major flaw in the policy guidelines and in the implementation process. The financial allocations in billions of US Dollars from many multilateral agencies for the development had failed to large extent to achieve its objectives.

**Change in Framework for Development Assistance**

With the emergence of concept of welfare state and establishment of international agencies, there is increase in the role of these agencies in development process. This change in world political scenario has influenced the change in diplomatic relationships among the developed and developing countries. The positive beginning of development assistance has undergone evolutionary changes, due changes in political and financial relationship which in turn has changed the framework for development assistance.

The traditional aid framework connects three channels. Citizens in rich countries pay taxes to their governments, some of which is used for development assistance. The rich countries governments lend or grant money to poor country government, who in turn implement programs and policies designed to accelerate development and reduce poverty. The multilateral agencies act as an intermediary to reduce the transaction costs and provide co-ordination function for mobilising and disbursing of these funds. It also provides the necessary technical expertise to ensure that projects and programs are effectively designed.

Figure 2: Simple Aid Architecture

Source: Homi Kharas, Trends and Issues in Development Aid

With the increase in the number of bilateral and multilateral agencies, multiple private donors, and also the increased in the number of recipient countries (during the early 1990s), the simple traditional aid structure has grown into complex structure. There are more bilateral donors (37

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11Homi Kharas, Op. Cit., p.15
reports to DAC) and more recipient countries (151 Part I countries). There are more bilateral agencies (233) than donors and recipients. 25 multilateral agencies have been created between 2000-2005 alone. There are increasing numbers of international NGOs receiving money from bilateral (38), and thousands of private sector groups engaged in aid, both as donors and as implementers of non-governmental programs. The increase in multilateral and donors has led to fragmentation of aid and thus development programme per assistant has shrunken. The complexities in the structural framework directly affected the functional aspects in the recipient countries.

Figure 3: New Aid Architecture

Despite the considerable increases in private aid, the amount of development aid being delivered falls far short of the estimates of “need”. Sachs estimates a need of $124 billion; the Zedillo Committee called for an incremental $ 50 billion and World Bank called for $90-140 billion per year; the UN Millennium project called for $135 billion to fund MDG.

The introspection of this anomaly pointed towards challenges in process adopted for allocation, methodological limitations, evaluation limitation, lack of coordination among multiple agencies, political compulsions of donor and recipient country, transparency, accountability and multidimensional global financial markets compulsions. The findings of Aid Effectiveness High Level Effectiveness Forum (HLF) also reflect that corruption, lack of transparency and narrow

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12 Ibid, P.16
13 Ibid
political objectives of donors had led to mis-governance. Although these are the major problems but the problems are more complex and interrelated with domestic and regional issues.

Problem in Design and Management of Development Assistance Programme

The another major challenge is constraints in Design and Management of development programmes at the country level due to political limitations, local needs, cultural constraints and other factors. Any development programme is implemented through government of that respective country. The components of development can be turned into reality through collective efforts of individual, society, state and multilateral agencies involved in its implementation. The institutional mechanism constitutes stable political set up of any region. “Leif Wenar states that the countries where state institutions are weak and inefficient and then the funds are diverted to regional levels of governance. If the implementing agency is an international NGO, there is significant potential for resource diversion. The iron law of political economy in absence of good institutions, resources tend to flow towards those who have more power. The less powerful people are, the harder it is to get resources to them. Even an enormous poverty relief programme like Mexico’s PRONASOL which spent over one percent of the country’s GDP per year for five years, will not relieve poverty, if the funds are used by public officials to support the ruling party through electioneering and clientage.” The second constraint in management of programme is non participation of local population due to one or other reason. For instance In Awareness programme regarding AIDS Prevention and Control, it is very difficult to convince women folk in traditional societies like India, Bangladesh where women refrain from talking on personal aspects due to cultural conditioning of their mind set. Personnel involved in awareness programmes have to confront such challenges. The volunteers from local civil society organisations which are well versed with local people should be involved in such programmees.

Accountability and Transparency

The silent crisis in disbursement of development assistance is corruption in political and administrative set up of the recipient country and the narrow political interests of donor country. The absence of accountability mechanism make the situation volatile that leads to mismanagement of funds at all levels of government, starting from national to state to local government. Similar situation is present in administrative set up also, starting from higher officials to middle level to lower level. The immunity from country’s legislations like Right to Information, Right to Service Act also make the officials irresponsible towards their duties. Right to Information Act is a tool in hands of citizens of a country. They can seek information of all the government functions, process involved and persons responsible to carry out the specific task. It is mandatory for officials to provide information. Similarly Right to Service is also meant to provide services to citizens in stipulated time period. The Government personnel involved in UN assisted programmes are immune to these control measures which sometimes affects the performance of these personnel.

Limitations in Impact Evaluation

Another dimension of complexity is related with evaluation of these programmes. A 2010 OECD/DAC survey found heavy reliance on measuring outputs, but also a trend towards measuring aid impact and larger strategic questions of development effectiveness. It identified new emphasis on dissemination of evaluation findings, and found that bilateral aid agencies on average allocated 0.1% of their development assistance budget to evaluation, lack of human resources, people qualified to do rigorous impact evaluations, evaluation of direct budget support, or requiring specific language skills, in particular presented a bigger obstacle to

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14 Leif Wenar, Op. Cit., p.4
evaluate goals than did financial constraints.\textsuperscript{15} The report of Working Group of the Centre for Global Development Assistance focussed on why rigorous impact evaluations of development assistance were so rare. The Group made two recommendations that 1) Donors invest more in their own evaluation capacity and 2) that an independent institution be created to evaluate aid.\textsuperscript{16}

Complexity and new threats in the developing world like inflation, instability in financial markets, cyber crimes, environment crisis, energy scarcity, illiteracy, poverty, unstable political set up, overlapping of funding programmes, lack of accountability mechanism had made this compulsory to rethink and reframe the development programmes to make them more result oriented and poor people oriented.

Proper management Strategic interventions by the state, non-governmental organisations and the active participation of citizens can translate theoretical plans and policies into practical realities. These components can be turned into reality through collective efforts of individual, society, state and multilateral agencies involved in empowerment of disadvantaged group in negotiation and implementation will pave the way towards the emancipation. Empowerment process is always collective, horizontal and dialogic. Certain changes in structural and functional aspects are suggested to make the developmental effort more inclusive and sustainable. These suggestions are:

i) Coordination of all multilateral agencies  
ii) New tools for Impact Evaluation  
iii) Methodological Changes in Implementation as per country’s need and constraints  
iv) Capacity building of target population  
v) Citizen centric services  
vi) Accountability and transparency in Governance  
vii) Inter-Agency Partnerships and Public Private Partnerships and  
viii) Integration of traditional agencies and non traditional donors  

\textbf{Coordination of all multilateral agencies}

There is need to enhance the effectiveness and efficiency of all the agencies involved in implementation of development programmes. Multidisciplinary approach focussed on sectoral development. The challenging task is to restructure the disbursement of Development Assistance through multiple agencies in order to avoid overlapping. The mechanism to coordinate with other agencies should be developed. The coordination must start from beginning i.e selection of recipient country for allocation of financial assistance. This is only possible through information sharing among the agencies at the beginning of the process. Information sharing is essential component for all the donor and recipient countries as well as for all the agencies involved in development assistance. This will reduce delay, overlapping even at the policy making stage.

This is quite possible in today’s world due to presence of internet facility in each and every corner of the globe. E-governance has helped to translate the theory of responsive and transparent administration to practical reality arms of government. The four models of e-governance are Government to Citizens (G2C), Citizen to Government (C2G), Government to Government (G2G), Government to Businessman (G2B). The interaction and relationship between citizens and government can be improved through governance reforms governance per se is an essential requirement for a new sustainable development.

\textsuperscript{16} Ibid
New Tools for Impact Evaluation

Evaluation is a very important component of analysing the strengths and weakness of any policy and programme. Country ownership, compressed time lines limits the rationality of the evaluation. Third party evaluation, Experimental method, Random Assignment should be encouraged instead of questionnaire, interview/schedule methods for data collection. Quantification of data sometimes fails to explain the limitation due to cultural and other factors.

Methodological Changes in Implementation as per country’s need and constraints

The success of development programme depends upon various factors starting from political set up, political will, bureaucracy, social and economic conditions, civil society, awareness of citizens and effectiveness of judiciary. The implementation process should be framed as per the social and economic conditions of the target group not in a uniform pattern all over the globe. For example in case of sustainable agriculture development programmes for rural poor farmers, the techniques for sustainable practices must be taught in the villages or in main small town with which cluster of villages are attached in order to facilitate the process of capacity building. Members of local level institutions should be involved in selecting volunteers for disseminating the knowledge about these programmes. The literacy level as well as mobility of target population is an important aspect which is ignored during majority of programmes. Capacity building of target population is mandatory requirement.

Capacity building of target population

The success of any programme also depends upon the participation of the target population. The translation of theory of development into practice is only possible with active involvement of people. As Amartya Sen writes, "Human capability expansion plays important role in bringing about social change indeed, role of human beings even as instruments of change can go much beyond economic products on and include social and political development". The human capital has the direct relevance to the well being and freedom of people; indirect role through influencing social change; indirect role through influencing economic production.

Government must work to enhance the capacities of the target population. A sectoral approach should be adopted with emphasis on target group. The process and procedures adopted must be citizen centric.

Citizen centric services

Citizen centric services should be designed. Citizen-Centric service involves design of services from user’s point of view rather that of government departments, while formulating, implementing the government policy. When any Policy is made by the government then it first sees perspective, need and demands of the citizens. The benefits have to be directly visible for economic and social gain to the citizens. Of feel the pulse of its people, and be able to design and deploy its programmes accordingly. That is the essence of citizen centric government.

Government- to- Citizen (G2C) initiative was designed to facilitate citizen interaction with government and observers perceive to be the primar goal of e-government. All government information and services can be provided on internet such as infrastructure, PC penetration,

18 Ibid
widespread use of the internet, varying literacy level and physical constraints to certain demographic groups like as children or those with disabilities. G2C initiative should be conceived with a balance selection of multi-channel access. While the internet and information kiosks are popular modes of online government service delivery, channels such as the telephone, postal mail and face-to-face contact remain just as important in G2C interaction.

**Accountability and transparency in Governance**

No system whether economic, political, administrative can function effectively and efficiently. Same is true with the development assistance programmes. Leif Werner states that, accountability has a “direction”- it points to those to whom one must give account. Any authority at which accountability points will have distinguishable powers. There will be standard –setting, performance-measuring, and sanctioning powers. The power to set standards is the power to determine what norms the accountable agent must satisfy. The power to judge whether the agent has in fact satisfied the relevant norms is a second type of power. The third type of power is the power to penalise an agent found to have failed to live up to the norms it is bound by.20

There is need to set standards and penalties for non-performance even in development assistance programmes also at their country level and delimitation of further funding at international level. Such mechanism of check will ensure the sustainability and longevity of the programmes. Integrating accountability into practice leads to cost reduction, efficient use of financial and personnel resources at the country level. Such approach will surely help to provide assistance to needy and disadvantageous sections of the society and will reduce the filtration of funds at the higher and middle level of government.

**Inter-Agency Partnerships and Public Private Partnerships**

The complex global challenges in political and economic fronts have forced to redefine and redesign the form, method, process and stakeholders in the development process. It is time to encourage partnerships among multilateral agencies as well as public private partnerships.

Daniel Kaufmann also suggested for accelerating adoption and support for innovative public private partnership, such as advance market commitments in health, transparent concessions in infrastructure, and provision of governance and anti-corruption guarantees by institutions such as MIGA, expanding the scope and country and sectoral coverage of the Extractive Industry Transparency Initiative (EITI).21 The Africa Enterprise Challenge Fund (AECF) is a $150 million fund hosted by the Alliance for a Green Revolution in Africa. The objective of AECF is to encourage private sector companies to compete for investment support for their new and innovative business ideas in selected countries in Eastern, Central, Southern and West Africa. This shift by donors from traditional methods of providing aid to channelling funds to developing countries through the private sector is a result of the increasing evidence and understanding that sustainable development can only take place in countries where the private sector is robust and equipped to drive growth. With a focus on agri-business and financial services benefiting rural areas, AECF seeks out ideas that have potential for systematic market change and significant development impact.22

Integration of traditional agencies and non traditional donors should also be encouraged to make governance people centric, sustainable and result oriented.

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To conclude the words of Lord Michael Hasting, "Delivering long term sustainable change to the developing world will take the participation of all sectors-government, civil society and the private sector. By developing internal capacity, service delivery and accountability, we have the real opportunity to build a better future for the more than 80 percent of the global population that lives in developing world."

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23 Ibid, P.1