MILLSTONE OR MILESTONE?

WHAT RICH COUNTRIES MUST DO IN PARIS TO MAKE AID WORK FOR POOR PEOPLE

On March 2nd, the world's richest countries will meet in Paris to agree the actions needed to make aid work for one billion people living in poverty. The aid donors currently preside over a system that fails the poor. Roughly 20% of aid is spent in the poorest countries. This money is further devalued by donor red tape, duplication, conflicting objectives, intrusive conditions and tying to overpriced goods and services. At a time when aid is increasing, it is critical that this money makes an effective contribution to the fight against poverty. Without concrete steps in Paris to make aid accountable and efficient, progress towards the Millennium Development Goals will be jeopardised. The choice facing development ministers at the OECD High Level Forum is simple: 2005 can either be a milestone in making aid work for the people it is supposed to help, or a millstone.

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Executive Summary

At the start of March, international development ministers from the world's richest countries will gather round the table in Paris to identify the actions needed to make aid work for one billion people living in extreme poverty. Two years ago in Rome, these same countries made a series of commitments to reform the aid system, and transform it into an effective instrument of change. But instead of celebrating progress, they will be confronted by the results of two years of inaction. This is a sorry tale of muddle and hypocrisy, dithering and stalling, with the world's poor cast unwittingly in the role of fall guy. For example:

- Just 20% of aid gets spent in the poorest countries, and only 10% gets spent on basic services that are critical to achieving the Millennium Development Goals[i]
- 40% of aid continues to be tied to overpriced goods and services from the donors' own countries[ii]
- 80 official agencies are responsible for 35,000 aid transactions a year that are imposing a massive administrative burden on some of the poorest countries. [iii]
- Aid conditions continue to impose donor blueprints, such as trade liberalisation and privatisation of essential services, with often devastating results for poor people

The lack of progress since Rome raises fundamental questions about the commitment of rich countries to the 2015 Millennium Development Goals. Without aid reform, these goals will not be met, and the ambitions of major donor countries to use 2005 as a turning point in international development will be jeopardised. Yet the script can read differently. In Paris, the donor agencies have the opportunity to make the OECD-DAC High Level Forum a milestone in international efforts to eradicate poverty, rather than a millstone for the world's poor. To make aid an instrument of deep and lasting change, donors must agree to do some simple things to improve its efficiency and accountability.

First and foremost, they need to spend aid where it's needed, on poverty reduction – rather than channel it to their own consultancy and infrastructure industries, and geopolitical allies. Cutting the red tape and intrusive conditions that accompany aid, using countries' own systems and procedures, delivering what's promised on time, and practising what is preached about transparency would together transform the impact of aid on poverty. The need for these changes is well understood. So far, it is political commitment rather than analysis that has been in short supply.

To deliver these changes, ActionAid and Oxfam are urging the donors agencies gathered in Paris to act on the following three key recommendations:

1. **Make Aid accountable**
   - Adopt ambitious targets for improving aid quality
   - Hold an annual international meeting of donors and recipients to review these targets
   - Create an independent UN commission on aid effectiveness
2. **Make Aid Effective**
   - Untie all aid, including food aid and technical assistance

- Use countries’ own systems to build capacity
- End intrusive policy conditions

3. **Reform the Aid Architecture**
   - Allocate aid according to poverty reduction criteria
   - Cut transaction costs by harmonising procedures
   - Identify structural reforms to aid

The public response around the world to the Indian Ocean Tsunami demonstrated that people care, and believe aid can make a positive difference to poor countries’ development prospects. However, the Tsunami response has also cast a spotlight on the effectiveness of that aid, and raised critical questions about whether it is benefiting poor people on the ground. At Paris and through 2005, this will be the test against which rich countries’ development commitments are measured, not least by poor people themselves. If the international development goals are going to become a reality, donor half measures and excuses need to stop, and action needs to begin.

Introduction

2005 represents an unprecedented opportunity for the international community to deliver decisive progress towards poverty eradication. As the first Millennium Development Goal (MDG) falls due, a series of decision-making events, from the G8 and MDG summits to the WTO Ministerial, have the potential to galvanise rich and poor countries into reaching long overdue agreement on the actions needed to lift one billion people out of extreme poverty. Africa's development prospects are high on the agenda of several G8 countries. A growing number of democratically elected poor country governments are asserting control of their development plans. Civil society around the world is mobilising to put pressure on their leaders to translate promises into tangible results. The MDGs provide an internationally agreed framework for assessing progress, and focusing on outcomes.

Aid has a critical role to play in contributing to achieving these goals, most of which are seriously off-track. Good governance, trade justice and debt relief are all essential to progress, but none of these can stand alone. Without aid, the poorest countries will not have adequate resources to invest in education, healthcare and water, confront the HIV-AIDS pandemic, and tackle hunger. After more than a decade of declining aid flows, donor commitments are finally set to rise significantly. This is happening on the back of pledges made at the UN summit on Financing for Development, held in 2002, where an emerging consensus recognised that aid does matter for development.

These aid increases present an exceptional opportunity to get the MDGs back on track. But they also pose an exceptional challenge to the donor agencies that provide that aid. Put simply, the aid system is not geared to deliver on the poverty reduction goals agreed in 2000. Instead, poor countries are confronted by an aid system that was originally devised to meet the reconstruction needs of post-war Europe. During the Cold War, this system mutated into a confusing muddle of official agencies, each with their own projects and programmes, that are driven by competing geopolitical, commercial and development objectives.

This legacy persists today. Aid is allocated inconsistently across sectors and countries, with much of it spent in the donor countries on overpriced and inappropriate goods and services. Donor demands for demonstrable results and accountability have driven the creation of parallel systems for planning, implementing and reporting of projects and programmes. Byzantine donor procedures and conditions have distorted incentives and systems in aid dependent countries, and undermined local capacity, hindering with one hand where they have helped with the other.

The Aid Effectiveness agenda, which was pulled together by the OECD Donor Assistance Committee in Rome in 2003, is designed to respond to these major challenges. Yet so far it has been treated largely as a technical process, best dealt with behind closed doors by civil servants, and insulated from the calendar of international meetings that attract media and political attention. This is a mistake on two counts.

First, without an aid system that is explicitly geared to supporting poverty reduction – rather than treating it as one objective among many – the wider MDG agenda cannot succeed. Therefore aid effectiveness has to be addressed as part and parcel of international efforts to achieve the MDGs, and not as an adjunct dealt with by the donors' own club. The MDG summit in September will be a key forum for integrating aid effectiveness into this bigger development agenda.

Second, progress will inevitably be piecemeal without robust accountability mechanisms, which hold donors as well as recipients to account for what they do and don't deliver. So far, mutual accountability has been little more than a donor mantra, with neither the public information nor the open forums needed – both at national and international level – to hold individual actors up to scrutiny and constructive criticism. As a first step, the forthcoming Paris High Level Forum, where development ministers and senior officials will review progress on aid effectiveness, must agree to measurable targets and annual donor-recipient meetings to provide a measure of accountability.

1. Making aid work for poor people - why the Rome agenda matters
In Rome in 2003, official donors set out an agenda for making aid work better for its supposed beneficiaries – the world's poor. Spurred on by the ambitious international goal of halving poverty by 2015, donors belatedly recognised that the aid system is failing to deliver on its own terms. Despite evidence that focused, good quality aid does reduce poverty, too much aid continues to be driven by non-development objectives. As a result, aid often ends up distorting recipient systems and undermining capacity, while generating few benefits for poor people. In short, the aid framework needed to catch up with the MDG framework, and focus on achieving a clear set of development outcomes in poor countries. Donors meeting in Rome responded to this challenge by announcing far-reaching changes to improve the efficiency and accountability of aid, and start to tackle some of the well-documented problems with the current aid system.

In particular, the Rome agenda acknowledged the urgent need for action on the following key issues:

Red tape – There are 35,000 aid transactions a year, 85% of them worth less than $1m. Each comes bound in red tape, stemming from excessive donor demands for accountability and micromanagement. Overstretched civil servants in aid dependent countries are required to produce thousands of quarterly reports, and sit in hundreds of meetings, with dozens of donor agencies, diverting scarce time and resources from the day-to-day business of delivering government policy. Senegal alone had to contend with over fifty World Bank missions in 2003, or one per week. [iv]
Round tripping – donors tie about 40% of aid, and 20% of aid to Africa, to purchases of goods and services from the donor country. Italy and the USA are among the biggest culprits, spending upwards of 70% of their aid on their own companies. This is the ultimate form of round tripping – taking with one hand what's given with the other, while advertising your 'generosity'. More importantly, tying is hugely wasteful, inflating procurement costs by up to $7bn a year – money that could be better spent reducing poverty. [v]
Inappropriate blueprints – aid is tied to a raft of highly controversial conditions, requiring countries to pursue the donors' policy preferences. For example, in Ghana $100m of World Bank assistance was withheld because the government failed to privatise municipal water. The UK followed suit, withholding £7m of its own aid, and leaving two million urban Ghanaians waiting for clean water.[vi] Policies such as this shut down policy space, undermine local ownership of development strategies, bypass democratic accountability, and have a dismal track record of reducing poverty.
Disbursement shortfalls – there is a consistent gap between what donors promise, and what they deliver. For Africa, actual disbursements fall short of projections by 14% for programme aid, and 26% for project aid. Aid also tends to arrive late, with one quarter of aid arriving over 6 months late. These shortfalls disrupt and delay implementation of national development strategies, thereby undermining progress towards the MDGs. [vii]

Duplication and muddle – aid is allocated in a scattergun approach, with some countries and sectors getting the lions' share (the donor 'darlings'), and others getting the scraps (the donor 'orphans'). So whereas Nicaragua received $178 in aid per person in 2001, Niger, at a similar income level, received just $22 per person.[viii] Donors tend to be more concerned about the success and visibility of their project or programme than the success of a countries development plan, and create their own systems in parallel to the recipient's. The upshot is that donor efforts are generally ill coordinated, overlapping and often undermine local capacity.
Lack of transparency – Donors do a poor job of disclosing information on their conditions, their planned and actual disbursements, their procurement policies and the impact of their activities. For example, in Zambia more than three quarters of donor agencies fail to notify the government about their actual disbursements of aid.[ix] There are no effective systems for gathering and publishing data on aid quality. Nor are there forums, either at country level or internationally, to hold donors to account for their performance, giving donor talk of partnership a hollow ring.

The impact of these problems on poor countries is twofold. The first impact is felt in terms of a massive diversion of money, efforts and capacity from where it's most urgently needed, with recipient governments satisfying donor demands at the expense of planning and delivering policy. The second impact is more insidious and damaging, but less well recognised. Constant donor demands for upward accountability, and the excessive use of parallel systems paralyse the public sector, and undermine the quality of governance – an irony given growing donor calls for 'good governance'. As the Millennium Project report by Jeff Sachs recently highlighted, through both these channels donor malpractice is directly limiting the ability of countries to progress towards the MDGs.

Action on these issues was given added urgency in the wake of pledges to reverse declining aid at the UN summit in Monterrey in 2002. After a decade of increasing meanness from the growing economies of the North, donors resolved to boost aid flows and focus on poverty reduction. This agenda is welcome, and some tentative progress has been made in delivering on these promises. However, at Rome donors acknowledged that its impact will be limited unless it is accompanied by concerted efforts to improve the efficiency and accountability of aid. In sum, what happens in Paris will be the litmus test of donor commitment to ensuring aid puts poor people's needs front and centre.

2. Taking stock, or taking cover?

In early March, development ministers and senior officials will sit round the table in Paris to take stock of progress over the past two years in delivering on this agenda, and agree a set of indicators to follow their performance more closely. Their attention will focus on four formal agenda items:

- **Ownership** – aid supports developing countries' leadership of their own development policy
- **Alignment** – aid is based on countries' own development strategies and systems
- **Harmonisation** – donors' collective actions are efficient
- **Results** – aid is accountable and delivers clear outcomes

So far, progress has been glacially slow, with a yawning gap between what donors have committed to and what's been delivered on the ground. The recent OCED-DAC survey of 14 developing countries, where donor harmonisation and alignment efforts have been concentrated, makes for grim reading. While there's some limited evidence of improved communication between donors about how best to limit duplication and overlap, both at the country level and internationally, even here much of the discussion seems to be geared to how donors can reduce the cost to themselves of doing business, rather than how they can support developing countries' own needs.

On the key points where substantive progress was called for in Rome, the survey shows how little has been achieved. In particular, the following areas highlight the lack of concerted action:

- **Ownership**
    - **National Development Strategies** - there's no evidence from World Bank or other donor reviews of Poverty Reduction Strategies (PRSs) that genuine country-led plans are being developed that are forcing donors to adjust their aid response. Instead, PRS's still tend either to be vague shopping lists, which any existing donor programme fits, or else are 'retro-fitted' with donor agencies' own priorities – as happened with the inclusion of infrastructure as a priority in Cambodia's PRS at Japan's insistence – making ownership little more than a polite donor fiction.
    - **Conditionality** – there's no evidence from recent donor evaluations of a reduction in the aggregate burden of IMF and World Bank conditions, and some evidence that donor harmonisation has led to more donor money being put behind a largely unreformed set of International Financial Institution conditions, while bilateral donors seek to add their own conditions to IFI programmes. In short, donor ownership of programmes appears to be actively undermining country ownership. Harmonisation in the absence of reforms to conditionality also has the potential to increase the negative impact of aid volatility, as the IMF 'signal' is switched on and off and carries with it a growing share of a recipient's aid.
- **Alignment**
    - **Country systems** – Very limited progress has been made on aligning with recipient planning, budget and reporting cycles, still less using national systems. As a result, aid is administratively cumbersome and ties up scarce recipient capacity. It also tends to be late and unpredictable, which directly undermines planning for the international development goals. In general, the DAC survey revealed a gulf between donor and recipient perceptions of the extent to which country systems are being used. This partly reflects the fact that many country systems are identified, designed and implemented with donor funds, in order to satisfy donor demands.
    - **Recipient demands** - There are few signs that countries are placing explicit demands on donors, or setting out policies on external finance that might pressure donors to improve aid quality. India, where aid totals less than 1% of GDP, and to a lesser extent Eritrea, Uganda and Tanzania are exceptions. In some countries, this may be attributable to a lack of recipient capacity or commitment. However, it's not always clear that donors would support a strong articulation of recipient needs – a point which may inhibit aid dependent countries from challenging donors.
- **Harmonisation**
    - **Transaction costs** - No significant progress has been made in reducing the recipient transaction costs that arise from the multiple planning, accounting, monitoring and reporting procedures donors bring with their money. Donors continue to make widespread use of

parallel systems such as Project Implementation Units that carry heavy administrative and political costs for recipients, and there has been little progress towards genuinely harmonised missions, silent partnerships and other approaches that are likely to benefit recipients substantially. For example, Vietnam hosted more than 400 donor missions in 2003, from more than 20 agencies – half of which each have more than 40 active projects in the country.[x]
  - **Tied Aid** – Efforts to untie aid have been desultory at best – overall some 40% of official bilateral aid remains tied to goods and services from the donor country – while food aid and technical assistance both continue to be excluded from definitions of untying. Yet tied technical assistance in particular has an abysmal track record of responding to recipient needs, or of providing value for money.
- **Results**
  - **Transparency and accountability** - Accountability remains a one-way street, with donors failing to publish adequate information on aid flows, or progress on the aid effectiveness principles adopted at Rome. Without transparency, mutual accountability is impossible – yet several key donors including Japan and the US are objecting to the establishment of measurable progress indicators in Paris.
  - **Evaluation** - Donors have made sluggish progress towards using countries' own systems to gauge their impact, or even towards harmonising their need for evaluation into a single, periodic report. Instead, multiple parallel evaluation systems continue to put huge strain on aid recipients, while neglecting to feed back into country systems.

The failure to act decisively on the commitments made in Rome is clear to all the participants in the process. What's less clear is how donors will now respond. The DAC members meeting in Paris face a straightforward choice: they can take stock, identify the reasons for inaction, and chart a way forward that delivers real progress for the world's poor. Alternatively, they can take cover, and hide behind the same tired excuses and mutual finger pointing that have characterised previous donor forums on the issue.

3. Three key actions to deliver pro-poor aid

For their part, developing countries cannot afford further donor prevarication. Five years on from the Millennium Summit, it's increasingly apparent that progress towards the MDGs demands a gear change in aid quality, as well as aid volumes. Without predictable aid that supports recipient capacity, governments cannot take the necessary long term steps to achieve the MDGs. ActionAid and Oxfam are calling on the donors who are meeting in Paris to rise to the challenge, and act on the following key recommendations to provide aid that genuinely supports poverty reduction:

I. Make Aid Accountable

So far, the aid effectiveness debate has existed in a political vacuum, far removed from the public accountability for results that has pushed donors to deliver debt relief, and increase aid volumes. This has to change. The Rome agenda cannot make meaningful progress as a series of gentlemen's agreements hatched in closed-door donor meetings. Recent efforts to open up the process, by including the SPA group of developing countries in limited discussions, and by inviting civil society to open a dialogue, are a nod in the right direction, but do not go far enough. Instead, there must be agreement on an open process where all partners make explicit commitments, are monitored and held publicly accountable for what they do and don't deliver. In particular:

- **Adopt monitorable and ambitious targets**: Donors need to make a clear-cut commitment to principles of transparency. At Paris, they must agree a set of monitorable and ambitious targets that capture key issues of aid efficiency, accountability and ownership. These need to go beyond the current proposals in the draft declaration.
- **Convene annual multi-stakeholder reviews**: There should be an annual publication and review of progress, donor by donor as well as by recipient, towards these targets. This needs to happen in an international forum that brings together donors, recipients and civil society in a spirit of mutual accountability. This forum should be jointly convened by the DAC, but cannot be controlled by the DAC members if developing country voices are going to be given equal footing.
- **Establish an Independent Commission**: An ombudsman should be created to provide impartial oversight of progress by both donors and recipients towards their commitments. This post could report directly to the UN Secretary General as part of an Independent Commission on Aid Effectiveness.
- **Create country level forums**: At the country level, forums are needed to hold donors and recipients jointly to account for delivery. Consultative Group meetings could be developed to serve this function, with civil society involvement.
- **Provide technical support**: Donors should pool funding to support neutral capacity strengthening activities that encourage recipients to establish clear policies on external finance, and be more selective about accepting donor funds.

II. Make aid effective

The most challenging aid reform issues that were identified at Rome have subsequently been sidelined or ignored by the majority of donors. 'Soft issues' that do not challenge the objectives and incentives of aid agencies have instead been pushed to the fore, with an emphasis on information sharing and technical assistance for recipients. These have been justified by arguments that developing countries' lack of commitment and capacity are the principal block to progress. The key issues of harmonisation and alignment need to be placed back on the agenda as urgent priorities, with a clear plan of action concluded at the High Level Forum. In particular:

- **Untie all aid**: Donors need to agree clear targets for untying all aid, and stick to them. The current declaration is woefully inadequate, stating only that donors will 'maintain efforts', which have so far been minimal. Untying needs to extend to Technical Assistance and food aid, which together account for over one third of all aid, and which currently have a highly distorting effect on recipient policies and economies.
- **Reform Technical Assistance**: Clear targets should be adopted for pooling technical assistance, and making it truly technical – rather than another influencing tool used by donors to promote their policy priorities, and support their own consultancy industries. Experience of pooled, untied TA is limited, but countries such as South Africa have demonstrated its positive impact.
- **Build local procurement:** Procurement should be carried out through recipient government systems, and used to build up local private sector capacity and expertise. Where transparent, competitive procurement systems don't exist, donors should actively support their development. Donors should undertake to be fully transparent with their own procurement procedures, in line with their policy lines on good governance and corruption.
- **Align with budgets**: Donors must move decisively to align with recipient budget cycles, and wherever possible, provide aid through countries' budget

systems in multi-year commitments. This is critical to reducing recipient transaction costs, managing the recurrent cost implications of scaling up basic services, and to improving the timeliness and predictability of donor aid, all of which are essential if countries are going to plan ahead for achieving the MDGs.

- **Restrict and focus conditions**: Intrusive policy conditions should be abandoned. Donors should commit to full disclosure of all remaining conditions, and establish transparent processes for agreeing them.

III. Reform the aid architecture

Progress on many of these aid alignment and harmonisation challenges will require significant changes in how bilateral donors use IMF and World Bank conditions as a signal, and in how they 'piggy back' on IFI systems and analysis. More broadly, the Rome agenda is soon likely to reach the limits of what it can realistically achieve in the absence of wider reforms to the aid architecture.

'Architecture' can seem a misnomer for a construction as ramshackle as the current aid system. A slew of competing objectives and incentives mean that most aid is not spent on poor people, or in the poorest countries, and rarely responds in a straightforward manner to recipient demands. The past half-century has witnessed the proliferation of official donors, out of all proportion to any increases in aid, creating an increasingly confused situation where the costs of coordination have steadily grown as the benefits to any single agency have diminished. The accession of ten new member states to the EU, each of them required by the European Commission to establish their own aid agency as a condition of membership, has significantly added to this problem. So far, donors have been keen to keep these systemic issues off the agenda for Paris, and talked about aid effectiveness as if it is disembodied, and can be tackled separately from underlying objectives, incentives and institutions. Instead, they need to kick-start a structured discussion, with recipients and civil society, about how best to reform the aid architecture. In particular, the following issues demand attention:

- **Focus on poverty**: Allocation of aid across countries and sectors needs to be made more even, and follow need and ability to use resources, rather than other, non-development objectives. One option for achieving this could be to agree a limit on the number of donor agencies active in each low income country, while developing topping up funding mechanisms for donor orphans – as has started to happen with the Education Fast Track Initiative.
- **Cut transaction costs**: Transaction costs are especially high in a limited number of sectors in aid dependent low-income countries, where multiple donors are actively engaged in policy dialogue. Donors should move to develop more 'silent partnerships', where funding is provided through another agency, and move other coordination costs upstream by identifying a single interlocutor with government.
- **Identify structural reforms**: The growing number of official bilateral and multilateral donors underlies many of the aid effectiveness problems identified in this paper. A serious discussion needs to come out of the Paris forum about streamlining of the existing aid system. This cannot be achieved simply by expecting aid recipients to be more selective about the sources from which they take aid. As the current IDA replenishment concludes, and the future shape of EU development finance is discussed, deliberate decisions need to be taken about the respective roles of multilateral and bilateral aid agencies, and the functions of the UN system.

4. Conclusions

Aid has a critical role to play in achieving the Millennium Development Goals. However, this aid has to be effective to make a real difference to the lives of poor people. Effective aid demands much more concerted donor efforts to cut red tape, reduce and focus conditions, untie, work within country systems, and make aid predictable and results-focused. These are major challenges to the aid system, since they imply a redistribution of power between recipients and donors, and far greater openness and accountability than currently exists. They cannot be met without high-level political commitment and engagement, and the full integration of the Rome agenda into wider plans for achieving poverty reduction.

When donors meet in Paris, they will have the opportunity to agree a set of targets, and accountability mechanisms that increase the pressure on them to act, and take clear steps towards efficient and accountable aid. Poor quality aid is neither in the interests of the recipients, nor the donors. As the public response around the world to the Indian Ocean Tsunami shows, rich country publics do care, and do think aid can make a difference. However, they also expect aid principally to benefit poor people, and to support the long-term capacity of countries to plot their own development path. At the moment, aid is failing to do this. At the DAC High Level Forum, ministers and officials must grasp the nettle of reform, and set in place an aid system that marks 2005 as a decisive year in the fight to end poverty.

This briefing was written by Patrick Watt at ActionAid International UK. Arry Fraser and Max Lawson at Oxfam GB, and Louise Hilditch at ActionAid Brussels office also contributed.

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ActionAid International is a unique partnership of people who are fighting for a better world - a world without poverty.

Oxfam International

Oxfam International is a confederation of twelve organisations working together in more than 100 countries to find lasting solutions to poverty and injustice: Oxfam America, Oxfam-in-Belgium, Oxfam Canada, Oxfam Community Aid Abroad (Australia), Oxfam Germany, Oxfam Great Britain, Oxfam Hong Kong, Intermón Oxfam (Spain), Oxfam Ireland, Novib Oxfam Netherlands, Oxfam New Zealand, and Oxfam Quebec.

[i] In 2002, net aid to African Low Income Countries was $14bn, out of global gross aid flows of $70bn, or 20% of the total (OECD-DAC). Overall gross aid flows to all LICs in 2002 were $29bn, or 41%. Given that a large proportion of aid to LICs is write-off on unpayable debt stock, this significantly exaggerates the real resource transfer to poor countries.

[ii] OECD. 2003. *DAC Journal: Development Cooperation 2003*. Paris: OECD.

[iii] Rogerson, A. 2004. 'The International Aid System: for and against change'. ODI. Manning, R. 2004. 'How can the Development Community help to achieve greater progress towards the Millennium Development Goals?'. WIDER 'Angle'.

[iv] OECD-DAC. 2004. Survey on Progress in Harmonisation and Alignment.

[v] Development Finance International. 2004. 'The Effectiveness of Aid to Africa Since the HIPC Inititiative: Issues, Evidence and Possible Areas for Action'. Report for the Commission for Africa. OECD-DAC estimates that tying inflates aid costs by 15-30% - e.g. see policy brief, 'Untying Aid to the Least Developed Countries', OECD Observer 2001.

[vi] ActionAid. 2004. 'Money Talks: How aid conditions continue to drive utility privatisation in poor countries'.

[vii] Development Finance International. 2004. 'The Effectiveness of Aid to Africa Since the HIPC Inititiative: Issues, Evidence and Possible Areas for Action'; Oxfam International. 2005. 'Paying the Price: Why rich countries must invest now in a war on poverty'.

[viii] World Bank. 2004. *World Development Indicators*. Washington, D.C: World Bank.

[ix] OECD-DAC. 2004. Survey on Progress in Harmonisation and Alignment.

[x] OECD-DAC. 2004. Survey on Progress in Harmonisation and Alignment; World Bank. 1999. Comprehensive Development Framework Progress Report. Washington, D.C: World Bank.