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From aid to global development policy

José Antonio Alonso

Abstract

The international community has advanced in reforming the international aid system. Such reform comes at a time when there is a renewed skepticism about aid effectiveness and when the crisis sheds new doubts about the sustainability of donors´ commitments. At the same time, the international reality has changed as a consequence of the growing heterogeneity of the developing world, the new geography of global poverty, the emergence of new powers from the developing world, the presence of new aid players and, finally, the enlargement of the sphere of international public goods. Such changes demand a deeper reform in the development cooperation system.

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Keywords: international aid, aid effectiveness, development cooperation system, international public goods, Paris Agenda, South-South cooperation

José Antonio Alonso is Professor of Applied Economics (Complutense University) and member of the CDP, email: j.alonso@ccee.ucm.es.

Comments should be addressed by e-mail to the author.

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Typesetter: *Nancy Settecasi*

United Nations
Department of Economic and Social Affairs
2 United Nations Plaza, Room DC2-1428
New York, N.Y. 10017, USA
Tel: (1-212) 963-4761 • Fax: (1-212) 963-4444
e-mail: esa@un.org
http://www.un.org/en/development/desa/papers/

From aid to global development policy

José Antonio Alonso

This paper was originated as a contribution to the work programme of the Committee for Development Policy (CDP), a subsidiary body of the United Nations Economic and Social Council, on the United Nations development agenda beyond 2015. This research effort aimed at analysing and proposing alternative development models that could contribute to a sustained improvement in human wellbeing worldwide. While the views expressed here do not necessarily coincide with those of the CDP or the United Nations, the paper has benefitted from the discussions conducted at various workshops and plenary meetings of the Committee. Additional information on the CDP and its work is available at http://www.un.org/en/development/desa/policy/cdp/index.shtml.

Introduction

Over the last decade, the international community has taken significant steps towards reforming the international cooperation system to improve its levels of coherence and effectiveness. A greater focus has been placed on the need of aid ownership by recipient countries, as well as on coordination, harmonization, and alignment of donor policies. The 2005 Paris Declaration, the subsequent 2008 Accra Agenda for Action, and the 2011 Busan Partnership for Effective Development Cooperation demonstrate those efforts. These agreements imply a certain rebalancing of the relationship between developing countries and donors. Nevertheless, recent external evaluations of this process have shown that the advances have been smaller than initially agreed by donors (OECD, 2011a).

These changes in development aid doctrine have been accompanied by a greater focus on targeting resources to the poorest countries. As a result, low-income countries (LICs), particularly in Sub-Saharan Africa, have become more important aid recipients, while middle-income countries (MICs) have reduced their weight in the allocation of Official Development Assistance (ODA). There has also been a change in the aid sectoral allocation, with more resources going to social sectors (like education and health), at the expense of actions directly related to the productive structure of recipient countries. The strictness of this shift has been subject to criticism.

During the last decade, aid resources have also significantly increased, reaching their historical highest level in 2010. Even so, the current volume of aid falls behind donors' previous commitments. In any case, the economic and financial crisis of 2007-2008 and their aftermath have begun to affect ODA flows which fell in 2011. Concerns about the future trend of aid demand that new financial mechanisms be employed to combat poverty and to face new global issues (such as the climate change, for example). These new financial sources should be more dynamic and less discretionary than ODA.

Despite the changes promoted within the aid system, there is a feeling that the current development policy framework is not up to the challenges of today's reality. It could be said that although the international aid system has changed, the international reality has changed more profoundly and more rapidly. Some of the most relevant changes in the international arena include the growing heterogeneity of the developing world; the new geography of global poverty; the emergence of new regional and global powers from the developing world; the presence of new development aid players; and, finally, the enlargement of the sphere of international public goods. Finding the right approach to address these changes demands reforms in the development cooperation system that are much deeper than those being currently contemplated

The debate over such reform comes at a time when there seems to be a renewed skepticism about the effectiveness of international aid. Fueling that skepticism are recent and meticulous research papers (Rajan and Subramanian, 2008, for example) as well as essays, varying in approach and quality, but with high media impact (Moyo, 2009, for example). However, this skepticism about aid effectiveness does not always seem well founded, both terms of its estimates of impacts at the macro and micro levels (Riddell 2007).

This paper aims to contribute with some reflections and evidence on these matters, in light of the post-2015 UN development agenda. The paper is structured as follows. After this introduction, the second section analyzes the evolution of aid in relation to the crisis; the third section reviews the conclusions of the specialized literature on the overall effectiveness of aid; the fourth section discusses the relationship between the agenda for aid reform and the conclusions drawn by studies on aid effectiveness; the fifth section assesses the reforms of the development aid system in view of the changes experienced in the international system; and the final section, by way of a conclusion, presents three foreseeable scenarios for the aid system.

Aid and development finance

Over the course of the last three decades, the processes of innovation and deregulation of the capital markets have led to an unprecedented expansion in the volume of international financial flows. In a context of acceptable macro-economic circumstances, a significant part of those resources was directed towards developing countries, particularly those with emerging markets. International aid increased in the last decade, but not as fast as other private flows. In fact, aid decreased its share in the international financing of developing countries. This fact has led some actors to question the role of aid in the future agenda for development. Is development aid condemned to irrelevance in a world of deregulated financial markets?

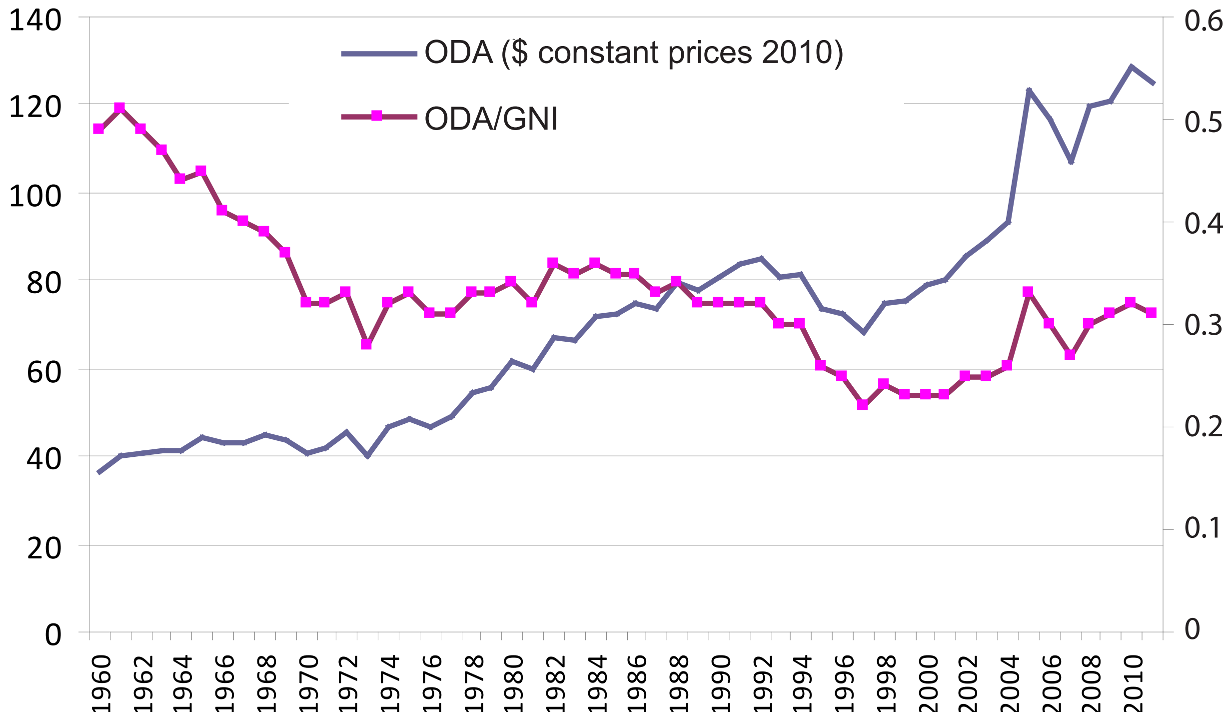
A related question refers to the effects that the current crisis could have on international development aid resources. Although experience from previous crises is relatively inconclusive, it is to be expected that the severe budgetary restrictions that OECD countries are suffering will end up affecting development aid. This fact, combined with the new challenges resulting from the provision of international public goods, means that alternative sources of development financing are needed. In this section we will discuss these three issues.

Aid: resistance to growth

Analysis of the evolution of development aid reveals that this flow has a rather limited dynamism. Between 1960 and 2011, the volume of aid (at constant prices) has tripled, while the number of donor members of the Development Assistance Committee, DAC (OECD) increased from 8 to 24, and the level of GNI per capita of this group of countries has quadrupled (figure 1)[1].

The modest growth in the volume of aid has been paralleled by a falling trend in the ratio of ODA as a percentage of the GNI of the DAC donors (OECD). For the last two decades, that coefficient has remained below 0.33 per cent. Therefore, despite the repeated commitments, only five donors were meeting the agreed goal of dedicating 0.7 per cent of their GNI to ODA in 2011 while the average ratio for the group was less than half that coefficient (at 0.31 per cent in 2011).

Figure 1: Official development assistance, 1960-2011 (Billions of constant US dollars, percentage of GNI)



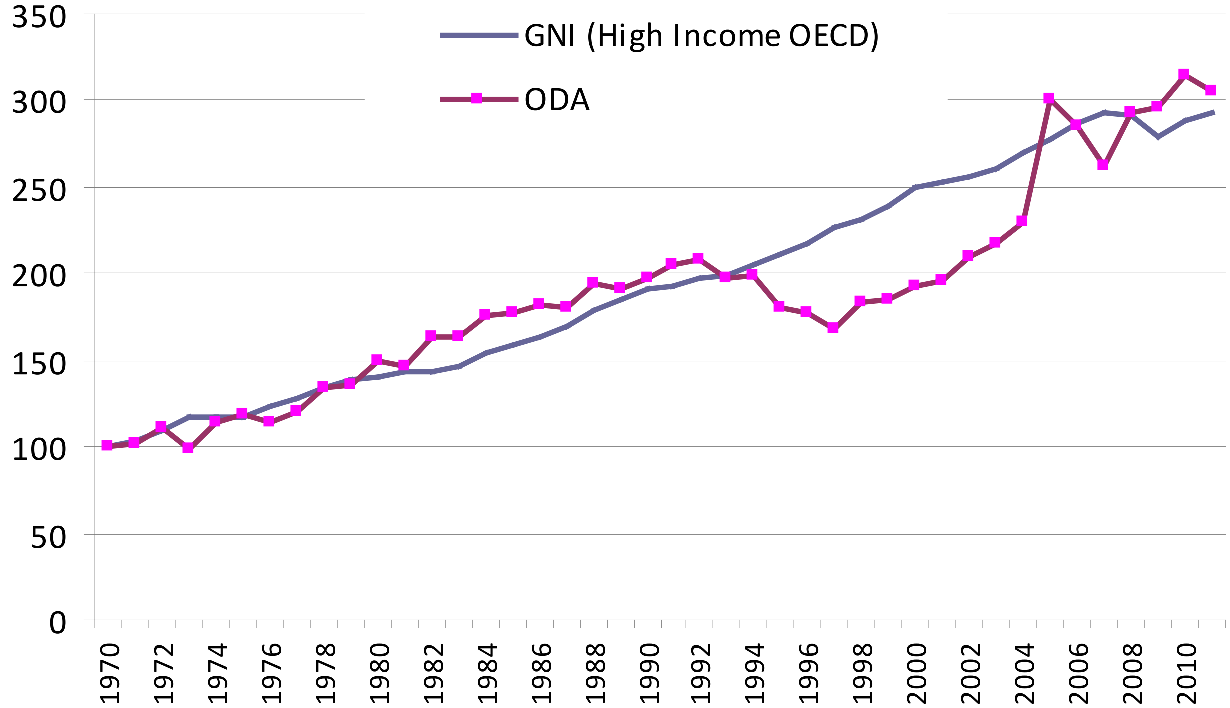
Source: DAC (OECD), DAC Statistical Tables

When both variables, ODA and OECD GNI, are considered, the dynamism of the former is not higher than the latter, a necessary condition to increase the ratio of ODA over GNI and to approach the 0.7 per cent target. In fact, the connection between the growth rates of OECD GNI and ODA is limited (figures 2 and 3). The periods of aid expansion do not necessarily coincide with phases of economic growth in donor countries, nor do declines in aid seem necessarily associated with times of crisis. Indeed, it seems that the donors' economic situation is only a minor factor in explaining aid disbursements.

Moreover, neither does there seem to be a growing trend in aid in relation to the respective GNI of recipient countries. When the developing world as a whole is considered, the ratio of aid to the GNI of recipient countries has followed a slightly decreasing trend, although with variations, depending on the period of analysis (figure 4). When the group is divided according to income levels (considering also the UN's Least Developed Countries group or LDCs), the share of ODA in relation to the recipients' GNI has expanded only in the LDCs and LICs (figure 5).

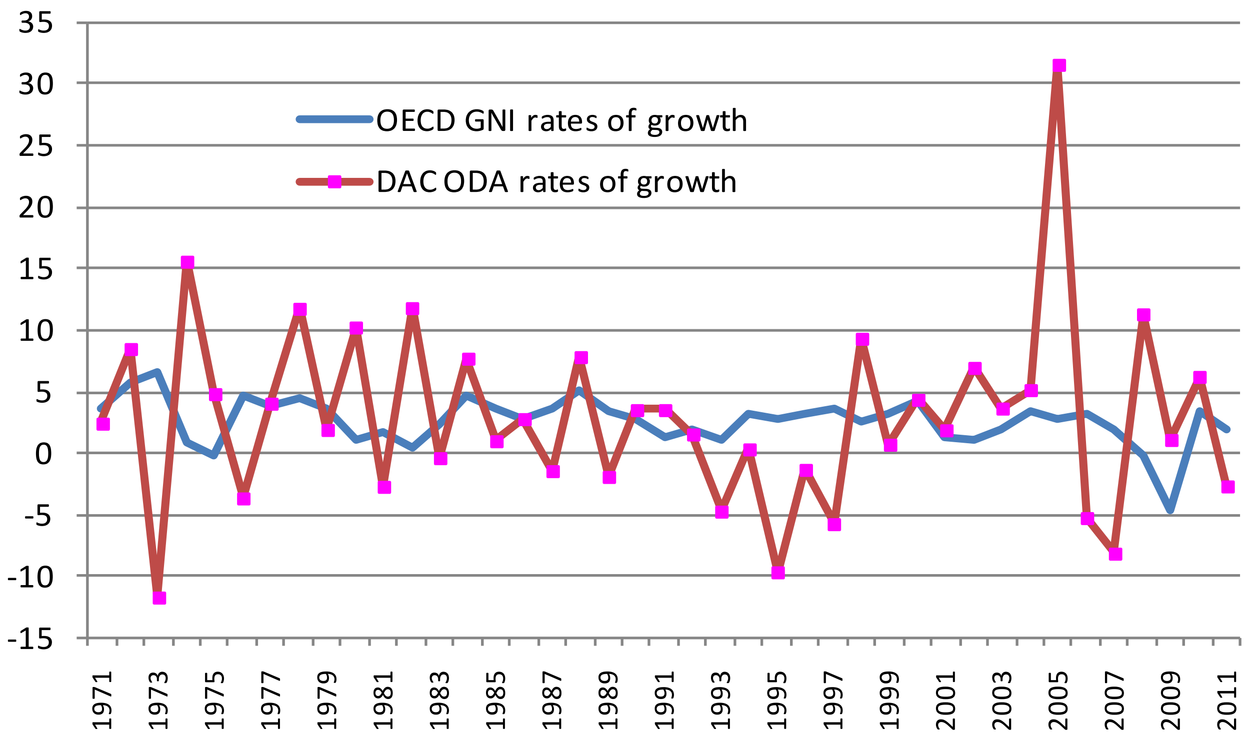
In short, over the years, aid has proved to have very limited elasticity to growth, even in the periods of prosperity of donor countries. This is a feature that should be taken into account in order to set realistic commitments for the future.

Figure 2: GNI and ODA, 1970 - 2011 (constant prices, 1970 = 100)



Source: DAC (OECD), DAC Statistical Tables, and World Bank, World Development Indicators

Figure 3: Annual rate of growth of ODA and OECD GNI, 1971 - 2011 (constant prices, percentage)



Source: DAC (OECD), DAC Statistical Tables, and World Bank, World Development Indicators

Public and private funds

The limited dynamism of aid is in contrast to the expansion in private financial flows to developing countries in the last two decades (figure 6). During this period, the rate of growth of the volume of international aid was slower than that of workers' remittances, direct investment, and other private flows. As a consequence, there has been a notable shift in the structure of international financing of developing countries, with private finance gaining in importance at the expense of public funding. Aid has clearly lost weight as a source of funding for developing countries. In this context, it is not surprising that some sectors have questioned the importance of aid in the future development agenda. It would seem as if development aid had been condemned to become increasingly irrelevant.

However, such conclusion may be only partially correct for at least three reasons. Firstly, the overall picture presents a version of the fallacy of composition: the data as a whole mask divergences among individual countries within the various groups of countries. For example, taking into consideration the income groups used by the World Bank (and the UN group of Least Developed Countries), one could confirm that the contribution of aid to total sources of financing is indeed irrelevant in the case of the upper middle-income countries (UMICs), and more significant in the case of the lower middle-income countries (LMICs), while it is by far the greatest source of international funding in the case of the LICs and the LDCs. In fact, in the LDCs, the volume of aid in was higher than all other sources of international financing put together in the last five years (see figure 7).

Secondly, the relevance of the funding sources should not only be considered in terms of volume, but also in terms of their predictability. And in this aspect, aid clearly remains more predictable than private flows. Without attributing to aid a counter-cyclical character, aid does at least play a part in smoothing out trends in private flows to developing countries.

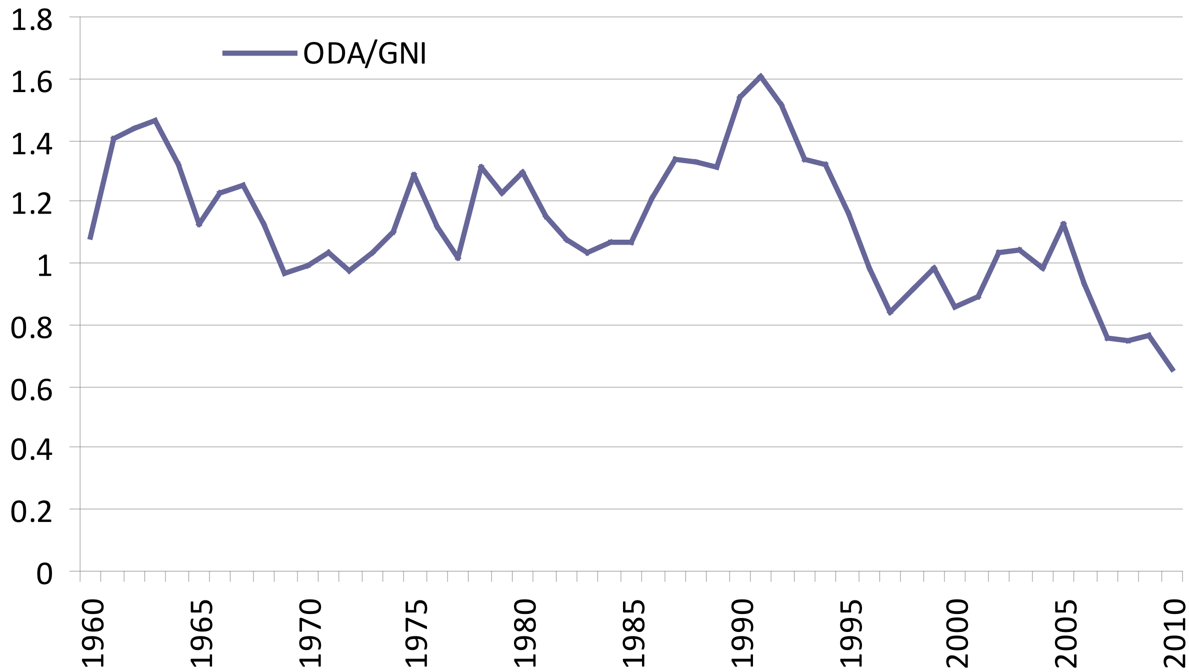
Lastly, for many countries, the most important aspect of aid is not so much the volume of resources it brings, but its role as an incentive to promote changes or as a means for leveraging additional resources in the market. In sum, aid should be considered mainly as a catalytic and not central factor to promoting development. As Kharas et al. (2011: 2) point out, "development will not happen because of aid, but aid can make a difference." These three reasons justify the importance of aid, even in a world of open financial markets.

The current crisis and ODA flows

From 1997 through 2010, aid flows maintained a positive growth trend, with minor setbacks. Nevertheless, in 2011 aid fell by 2.7 per cent in real terms as a consequence of the current crisis, and forecasts point to additional decreases in future years. The trend is clear: eight of the 24 DAC members reduced aid in 2010, with that number climbing to 16 in 2011. Given the severity of the crisis and the magnitude of anticipated fiscal adjustments in donor countries, there is justified concern about the future evolution of aid.

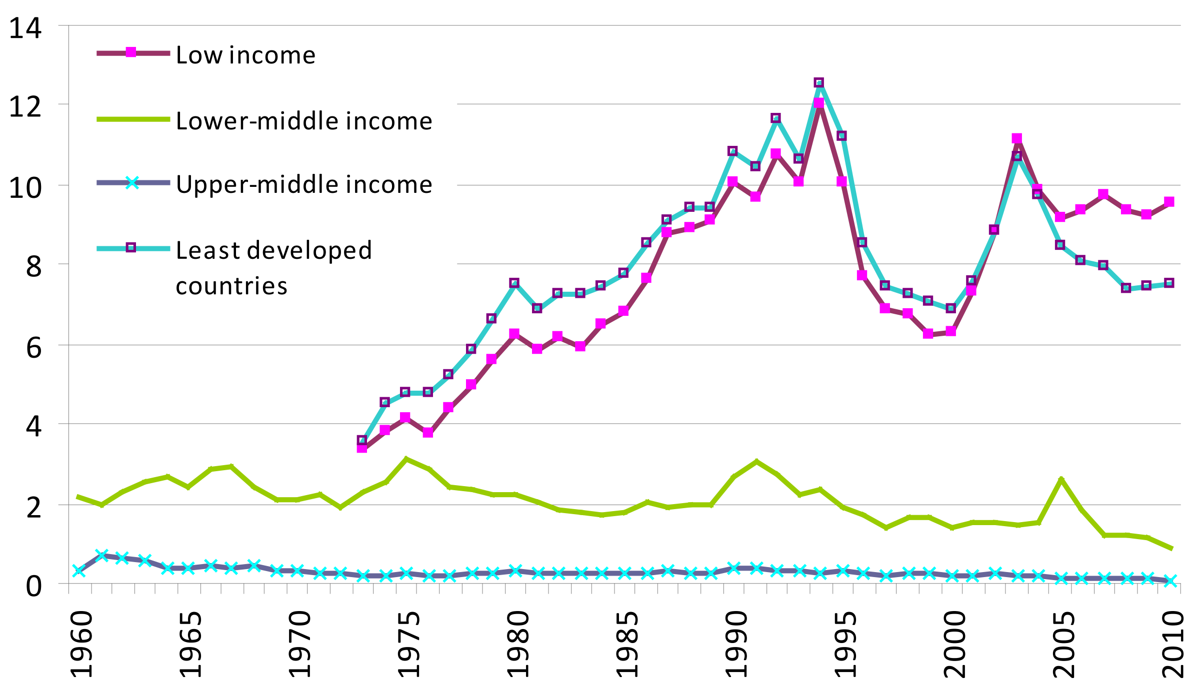
Past economic crises provide no conclusive insights for the behaviour of aid flows in the near future. For example, Roodman (2008) shows that Finland reduced its international aid by 60 per cent between 1991 and 1993 as a result of its banking crisis; similarly, at the beginning of Japan's long crisis, between 1990 and 1996, aid fell by 44 per cent. On the other hand, neither Sweden nor Norway reduced their aid as a consequence of the Nordic financial crisis in 1991; France actually increased its aid during the crisis of 1993; and, finally, the United States reduced its aid during the recession of 1990-91, but increased it during the crisis of 2000-01.

Figure 4: ODA flows as a share of the GNI of recipient low and middle-income developing countries, 1960 - 2010 (per cent)



Source: World Bank, World Development Indicators

Figure 5: ODA flows as a share of the GNI of selected groups of recipient developing countries, 1960 - 2010 (per cent)



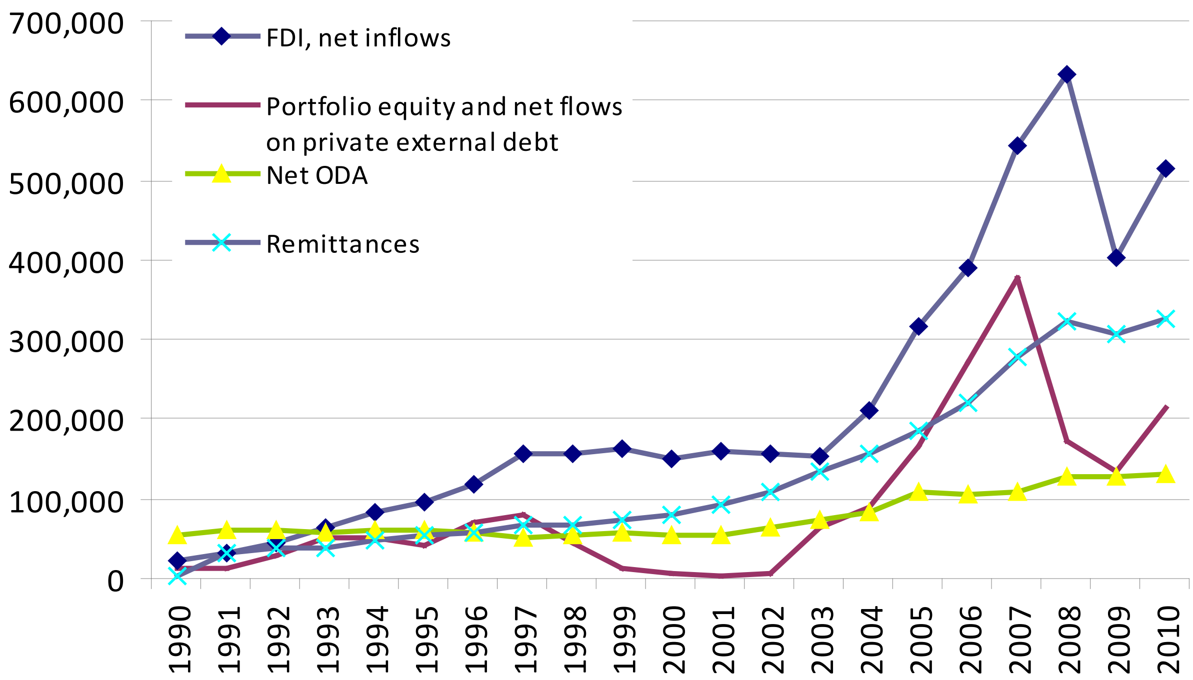
Source: World Bank, World Development Indicators

Econometric analysis does not offer a clearer picture either. When aid effort is analysed, three relationships (none related to donor´s economic cycle) receive generalized support. Firstly, aid increases as the donor's per capita income rises: a result that was confirmed by, among others, Pallage and Robe (2001), Chong and Grandstein (2008), and Faini (2006). Secondly, the aid as a percentage of GDP decreases with the donor country's population, that is to say, the smaller the size of the population of the donor country, the higher is the country's ODA to GNI ratio: a result that was confirmed by Round and Odedokun (2004), Bertoli et al. (2008), and Allen and Giovannetti (2009). Thirdly, aid expenditure increases with social equity in the donor country, as Round and Odedokun (2004), Bertoli et al. (2008), and Allen and Giovannetti (2009) have all demonstrated.

More debatable is the relationship between expenditure on development aid and the donor's economic cycle. For example, Pallage and Robe (2001) and Round and Odedokun (2004) find hardly any evidence that aid is pro-cyclical with respect to donors' economic performance; Hallet (2009) and Mold and Prizzon (2012) find a weak correlation between aid and OECD donors' growth; and, finally, Dang et al. (2010) find evidence that decreasing aid is significantly correlated with episodes of crisis in donor countries. Similarly disparate results are obtained when aid is linked to donors' output gap: Faini (2006) does not find any significant relation between the two variables, but Bertoli et al. (2008) and Allen and Giovannetti (2009) confirm that the output gap has a significant effect on aid. There is perhaps a slightly higher level of consensus around the link between fiscal balance and aid: fiscal surplus (deficit) in a donor country tends to have a positive (negative) effect on aid (Faini, 2006; Bertoli et al., 2008; Allen and Giovannetti, 2009).

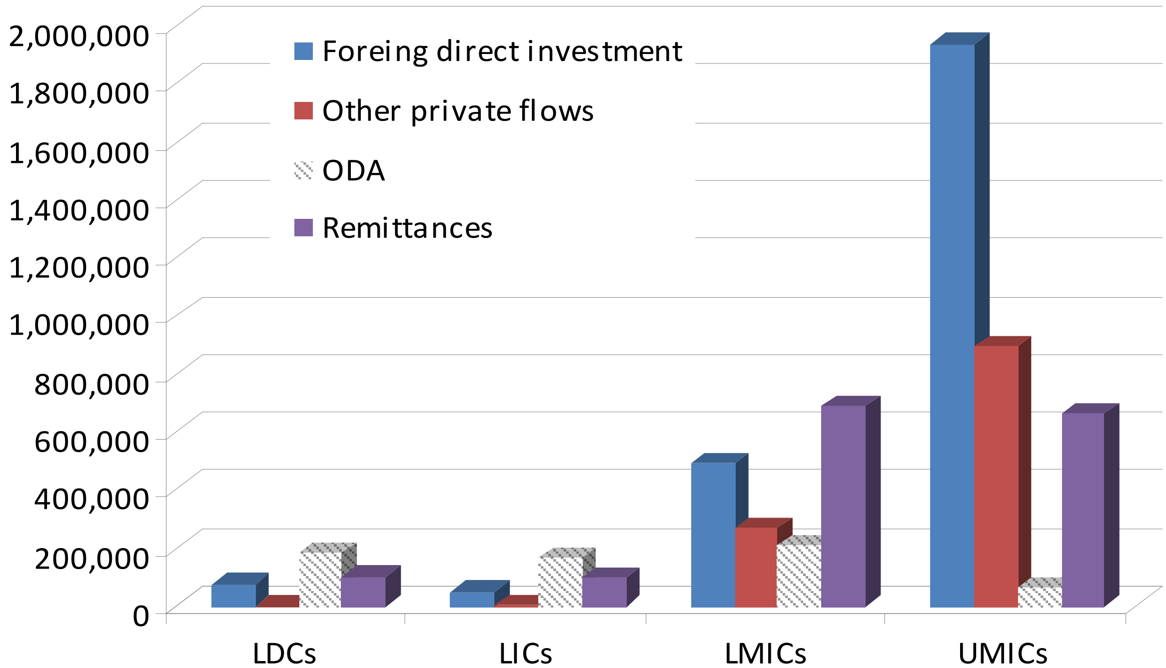
This last result gives support to pessimism about the evolution of aid in coming years. With continuing tight budgets in OECD countries, it will be very difficult for donors to meet their aid commitments. This is why several commentators have proposed the need to open the cooperation system to new sources of financing that are subject to a lower degree of discretionary decisions by donor governments.

Figure 6: Selected financial flows to developing countries, 1990 - 2010 (in millions of current US dollars)



Source: World Bank, World Development Indicators

Figure 7: Selected financial flows to developing countries, 2006-2010 (in millions of current US dollars)



Source: World Bank, World Development Indicators

Note: LDC=least developed countries; LICs=low-income countries; LMICs=low middle-income countries; UMICs=upper middle-income countries

New financial sources

The uncertainty surrounding the behaviour of future ODA reminds us of the weakness of international commitments on aid. The repeated failure to meet the target of 0.7 per cent of GNI for aid is a case in point. This could be also interpreted as the result of a deliberate desire by donor governments to manipulate public opinion by making generous commitments that they are not willing to fulfil, perhaps with the intention of improving their international image, or to please a sector of their electorate. While these factors should not be ruled out, the repeated breach of commitments suggests that there is a significant problem of political economy underlying the functioning of aid.

Aid commitments affect budget allocation decisions. Thus, in order to meet aid commitments there should be active and sufficiently large social segments in donor countries interested in demanding resources for aid against other competing public objectives. But national aid systems are ill-equipped to fight for a bigger slice of the budget. Since the system is based on non-reciprocal relationships, recipients (the potential clients) lack representation in the political system of the donor: they are not citizens of donor countries. Meanwhile, the principal in the aid relationship (the taxpayers in the donor country) lacks the information needed for understanding the effect of their tax contributions on recipient countries and thus it is difficult for them to define in a sound way the priority that should be assigned to ODA during the budget allocation process (Martens et al., 2002). In fact, the only interested party able to press for a more active development aid policy are the suppliers of specialized services (non-governmental organizations, consultancies, and other contractors). But the political strength of these sectors is very limited. Therefore, it is not surprising that even governments committed to development aid find it hard to maintain their promises in view of competing demands by more powerful and better organized groups of interest. This is why several sectors have proposed the need to open up the aid system to new sources of financing that are subject to a lower degree of discretionary interference by donor governments.

A new, strong argument has recently supported that idea: the need to look for new resources to finance international public goods, which have been poorly provided for in the past, and which are prerequisites for achieving the desired global levels of well-being and security. Some of these international public goods are intimately related to the development agenda but cannot be financed with development aid. For instance, according to the OECD, $320 billion a year are needed to pay for mitigation of and adaptation to climate change, on top of the $130 billion of development aid — and climate change is just one of many international public goods under consideration, although doubtlessly the most challenging.

Proposals in this field are very diverse. Many of them fall under the category of "innovative financing sources" (even though some are very old) (see table 1). These proposals could be divided into six basic groups: i) proposals aiming at gathering resources (both public and private) together to focus on a defined priority (global partnership); ii) proposals to allow for an anticipated use of resources through the securitisation of future aid funds (for example the International Finance Facility for Immunization, or IFFi); iii) initiatives aiming at encouraging voluntary private contribution in actions with social or environmental interest (incentives for corporate social responsibility, for example); iv) proposals aiming at encouraging better use of private resources which have a potential development effect (encouraging specific ways of using remittances, for example); v) new aid mechanisms aiming at strengthening the capacity to leverage new resources for aid (financial cooperation, for example); and vi) new taxes on negative international externalities (the Tobin tax, for example)[2].

Table 1: Innovative mechanisms of finance for development

	Characteristics	Examples
Traditional	- Public resources - Private resources	- ODA from developed and emerging sovereign donors - Private contributions to development cooperation system
Innovative	- New institution from frontloading resources - New ways to put together public and private funds for specific goals	- International Financial Facility (IFF for Immunization - Global Fund - GAVI
	- New mechanisms for voluntary contribution - New incentives for a better use of private resources	- Global or national lotteries - Digital Solidarity Social Fund - RED - Corporate Social Responsibility - Support to some uses of remittances - Clean Development Mechanisms - Carbon Funds
	New ways of leverage	- Public-private partnership in infrastructure investment - Development Finance Institutions (investment, debt and guaranties)
	New levies	- Airlines ticket taxes - Tobin tax - Financial transactions tax - Carbon emission tax

Some of these alternatives are already being implemented and in use (the IFFi, for instance, as well as various types of global partnership and the taxes on airline tickets); others have been used at the national level, and are not supported or backed by international agreements (support for corporate social responsibility and carbon emissions taxes, for example); and finally, others are still being debated at the moment (the tax on financial transactions, for example).

Even if most of these mechanisms could help to create a more vigorous and predictable development aid system, the search for alternative sources of finance should be guided by some normative criteria. Six criteria seem particularly relevant from this point of view:

- *Additionality:* the resources should be in a great part additional to development aid (and not replace it).
- *Sufficiency:* the instruments proposed should mobilise sufficient resources in relation to the size of the issues they will be addressing.
- *Efficiency:* the instruments proposed should generate the lowest possible costs without penalising the potential of economic growth.
- *Effectiveness:* the instruments proposed should be easy to implement.
- *Fairness:* the costs and benefits of the new mechanisms should be fairly distributed, favouring a more equal distribution of opportunities.
- *Predictability:* the resources of the new funding sources should be easy to predict, to avoid instability.

When all these requisites are considered, the mechanism that has emerged as a possible answer is the tax on international financial transactions. The merits of a tax on international financial transactions have been analysed by the European Union and by the Leading Group on Innovative Finance for Development. The Group commissioned a technical study on this new mechanism whose main conclusions suggest the application of a tax on financial transactions in foreign currencies to finance development aid.[3] Even a very low tax rate of 0.005 per cent could raise between $30 and $50 billion annually. The amount of resources generated can be increased if other types of financial transactions were also subject to the tax. In any case, this is only one of the options: other proposals (carbon emissions, for example) are also technically viable.

Aid effectiveness

Besides quantity, the effectiveness of aid should also be considered. In this regard, the relevant literature has produced differing viewpoints over time. After a period of profound skepticism in the late 1980s and early 1990s, a rather more optimistic perception emerged: aid could indeed be effective, but that result depended on the recipient country's policy and institutional frameworks. However, in recent years new questions have arisen around aid, due to discouraging results obtained by some research papers (for example, Rajan and Subramanian, 2008, or Doucouliagos and Paldam, 2008). This questioning has been reinforced by some essays (not necessarily backed up by econometric estimation) that have received wide media coverage (Easterly, 2006, Moyo, 2009, or Hubbard and Duggan, 2009, for example). This section presents a brief review of the main results of this blurred literature[4].

Aid effectiveness: a blurred literature

The most recent studies on aid effectiveness, although carried out in a relatively similar theoretical framework, vary in relation to the control variables used in the convergence equations, the way of handling the endogenous nature of aid, and the assumption of linearity of aid. In terms of this last element, the possible existence of decreasing returns on the aid was admitted in some cases while in others, it was supposed that the impact of aid was conditioned by other characteristics in the recipient country.

Among the studies in this last group, the influential work of Burnside and Dollar (2000) stands out. These authors believe that aid effectiveness depends crucially on the institutional framework and policies put into place by the recipient country. After including an interactive term between aid and policies in the growth equation, the authors confirm that the aid coefficient is not significant and that correlation to the interactive term is positive and significant. Based on this study, the World Bank (1998) concluded that it is important to focus aid resources only on those countries that enjoy a proper policy framework (although the real meaning of a universal "good policy framework" is debatable).

Other authors followed the approach of Burnside and Dollar (2000 and 2004), and incorporated an additional variable related to the recipient country's selected specific circumstances. Among the factors considered, authors include an export price shock in the affected countries (Collier and Dehn, 2001), the degree of vulnerability of the economies (Guillaumont and Chauvet, 2001; Chauvet and Guillaumont, 2004), previous conditions of violence in the country (Collier and Hoeffler, 2004), political instability (Chauvet and Guillaumont, 2004), the level of democracy (Svensson, 1999), or the limited size of the government (Economides et al., 2008). In all these papers, the effectiveness of aid conditioned by the recipient country's circumstances is confirmed, although the results are highly sensitive to the methodologies used in the respective estimations (Roodman, 2007a and b; Easterly et al., 2004).

Additional evidence of non-linearity of aid effectiveness is the presence of diminishing returns. In all cases where an appropriate variable was incorporated, the estimation confirms the existence of decreasing marginal returns on aid (Hadjimichael et al., 1995; Durbarry et al., 1998; Hansen and Tarp, 2001; Rajan and Subramanian, 2005 and 2008). Although it is debatable where the threshold lies, it seems clear that after a certain level, the accumulation of aid can end up having negative effects on the recipient country. Many of the studies incorporate the existence of decreasing marginal returns, stating that the effect of aid is not necessarily conditioned by policies (Hansen and Tarp, 2001; Durbarry et al., 1998; Lensink and White, 2001; Easterly et al., 2004; Dalggard and Hansen, 2001; Dalgaard et al., 2004).

This new generation of studies also opened up some new issues worth considering. For example, Lensink and Morrissey (2000) and Arellano et al. (2009) showed that instability of aid flows negatively affects aid effectiveness. In these studies, aid effectiveness is related not so much to the characteristics of the recipient but to the donor's methods of operation. The importance of donors´ behavior is also underlined by Minoiu and Reddy (2009) in an estimation of the long-run relation between aid and economic growth.

Some categories of aid (like humanitarian aid) have no relationship at all to the recipient's growth, while others (like health or education expenditure) only produce positive effects in the very long-term. For that reason, Clemens et al. (2004) refine aid flows considered in their analysis, leaving only those elements that have an effect on growth within a relatively short time period. After that data disaggregation, the results point to a positive robust relation between aid and recipient growth in the short-term (in periods of less than four years). That result is also independent of the quality of applied policies and other control variables.

Some authors admit that aid can be effective in some places and not in others. For example, Dalgaard et al. (2004) incorporate the percentage of the total land mass located between the Tropics in a given country as one of the explanatory variables. Their results confirm that aid is not effective in countries located in the tropical zone, but it has a positive effect on growth in the rest of countries. Unfortunately, as Roodman (2007b) highlights, these results are highly dependent on the behavior of a limited number of countries. In the same vein, Herzer and Morrissey (2009) try to capture the heterogeneous effect of aid in different countries. After confirming that aid has, on average, a negative effect on GDP, they show that in about one third of countries analyzed (included in their sample) aid influences growth positively. Out of the 19 variables tested as potentially explanatory of the divergent impact of aid on countries, only 3 (namely, government size, religious tensions, and the rule of law and order) were considered statistically significant.

Among the most skeptical—and influential—studies are those by Rajan and Subramanian (2005 and 2008). Despite the sophisticated instrumentation strategy used, the authors cannot find any robust relationship between aid and growth[5]. They argue that the absence of a relationship is due to two potentially negative aid effects: first, the impact that aid has on the political and institutional climate of the recipient country by deteriorating governance (Rajan and Subramanian 2009b); and second, the effect that aid has on the recipient country's competitiveness due to Dutch disease effects (Rajan and Subramanian 2009a). Nevertheless, a negative coefficient of aid is found only in two out of eight main panel data regressions, that is to say, instances when the coefficient is non-significant are more numerous than otherwise. But, as Temple (2010: 4448) points out: "An insignificant coefficient should usually be seen as absence of evidence, not evidence of absence, at least until the economic implications of a confidence interval have been explored".

Other authors derived their conclusions from meta-studies based on the results generated by the specialized literature. Doucouliagos and Paldam (2008), review more than one hundred studies and conclude the following: (i) the effect of aid on growth is positive, but not significant; (ii) aid has a small negative effect on savings and an equally small, but insignificant, negative effect on investment; and (iii) the effects associated with conditional estimates (when the effect of aid is conditioned by other variable) could not be replicated. The authors admit the pessimistic tone of their conclusions.

Arndt et al. (2009) carry out an application of the Rubin Causal Model on the most recent publications on the effect of aid. Their results suggest that the aid-to-GDP-ratio elasticity of growth is somewhere between 0.10 and 0.23 for the longest time periods. That implies that the effect on aid exceeds its supposed contribution to generating capital stock (estimated by Rajan and Subramanian, 2005) and also positively influences the evolution of total productivity. According to the value of the confidence intervals, the authors cannot rule out the possibility that the aid elasticity falls into the negative zone, but that it is positive wherever the results are the most solid.

These limited results of the impact of aid on growth have led some researchers to look for the impact of aid on specific social indicators of direct interest. For example, Dreher et al. (2008) or Mishra and Newhouse (2007) focus on the impact of aid on primary enrollment and infant mortality, respectively; Masud and Yontcheva (2005) center on infant mortality and illiteracy rates; while Gomanee et al. (2005) takes on infant mortality. In these cases, a positive effect of aid has been more frequently established.

Aid, institutions, and taxation

As mentioned above, the decreasing return of aid on growth can be explained, among others, by the negative implications of these resources on the quality of institutions of recipient countries. Aid can encourage rent-seeking activities, alleviate pressures to reform domestic institutions and keep undemocratic governments in power (Moss et al., 2008). Empirical studies have contributed to consolidating the negative image of aid (this conclusion is shared by several more-or-less related studies, including Bräutigam, 2000; Knack, 2004; and Bräutigam and Knack, 2004). In the same vein, Djankov et al. (2008) believe aid has an effect similar to that of the "resource curse", negatively affecting growth through a deterioration of governance conditions in the recipient country; Alesina and Weder (2002) and Knack (2000) find a correlation between aid inflows and corruption in recipient countries; while Svensson (2000) finds a negative correlation between aid and democracy. In this framework, the exceptions are Tavares (2003) who obtains a positive correlation (although in this case institutional quality is only approached through corruption), and Coviello and Islam (2006) who cannot detect any effect of aid on institutional quality, once country effects that are time invariant are controlled.

However, several of the studies mentioned above raise two important elements for criticism. First, they do not specify a model of institutional quality that is acceptably complete, and their specifications raise suspicion of omitted variables. Second, the cited studies consider the relationship between aid and the quality of the institutions to be linear, despite numerous reasons to see the relationship as one of diminishing returns.

In a previous estimation, Alonso and Garcimartin (2010) argued that institutional quality can be explained through four main variables: the country's level of income per capita; the average number of years of education among the population; the level of social inequality (through the Gini index, with a negative sign); and the level of tax resources. Subsequently, in Alonso and Garcimartin (2011a) they included aid (measured as a percentage of GDP averaged over five years)[6] into this explanatory structure. If only ODA is included (in constant dollars or PPP), the coefficient is not significant (although it has a positive sign); however, when squared aid is also incorporated (to reflect diminishing returns), the two are significant, with aid having a positive sign and squared aid a negative one. In other words, aid has a positive effect on institutional quality, but subject to diminishing marginal returns, so that beyond a certain threshold the total impact becomes negative.

One of the arguments often offered to justify the negative effect of aid on institutional quality is the negative impact that foreign flows have on incentives for setting up a solid tax system in the recipient country. But having a tax system is crucial for consolidating effective and accountable institutions, and for moving a country from aid dependency to self-sufficiency (Tilly, 1992; Moore, 2009; and Kaldor, 1963).

Traditionally, studies that analyzed the effect of aid on taxes led to notably pessimistic results: received aid contributed to reducing the tax level of the recipient (Heller, 1975; Cashel-Cordo and Craig, 1990; and Khan and Hoshino, 1992). However, more recently, studies have been less conclusive, and the empirical evidence is ambiguous. For example, Bräutigam and Knack (2004) find a negative correlation between aid and tax effort, while other studies are unable of finding any relationship at all between the variables (Ouattara, 2006), Morrissey et al., 2007); Teera and Hudson, 2004).

However, papers taking a more comprehensive approach seem to detect a positive sign in the relationship between aid and taxation. For example, Gupta (2007) analyzes the determinants of taxes in 105 developing countries, controlling for structural factors. Through several specifications and models of estimation, he confirms that aid has a positive, although weak, impact on tax resources. Similarly, Brun et al. (2007), starting from a database elaborated by the authors[7], estimate the tax ratio from structural variables. In their study, the effect of aid on taxation effort is positive and significant, the institutional quality is not significant except in two cases, and the interaction between both variables is positive in one case (the quality of bureaucracy) but not in the other two. Finally, Clist and Morrissey (2011) also find a positive relation between aid and tax effort, particularly in the last decade.

Alonso and Garcimartin (2011b) also have similar results. They estimate a structural equation of tax effort, in which they take into account both the usual variables (such as GDI per capita, structure of output, trade openness or rate of inflation) and one which is less frequently used: income distribution. Their results suggest that the aid coefficient is positive in all cases, per capita income and the Gini index are also both significant, and with the expected signs (positive in the former, negative in the latter).

Some authors have stated that the impact of aid can be conditioned by the quality of the institutions in the recipient country (Azam et al., 1999). Proceeding in a manner similar to that of Brun et al. (2007), Alonso and Garcimartin (2011b) incorporated the product of institutional quality by aid into their previous estimation. The results of the estimation reveal that both the aid coefficients and those of the interactive term (aid by institutional quality) are significant. This means that aid positively influences tax resources, but its effect is not linear and depends on the quality of a country's institutions: in a context of weak institutions, international aid could negatively affect the tax effort.

The overview carried out in the last two sections is sufficient to confirm that the existing literature on the relationship between aid and growth is far from conclusive. Despite that, it is plausible point out that: (i) the effect of aid seems easier to detect in the short-term than in the long-term (Clemens et al., 2004), although a long-term positive effect might also exist (Minoiu and Reddy, 2009); (ii) second, aid seems more effective in contexts where it contributes to relaxing obstacles to a country's advancement, such as vulnerability to external shocks, or internal conflicts (Collier and Dehn, 2001; Guillaumont and Chauvet, 2001; or Collier and Hoeffler, 2004); (iii) third, the relationship between aid and growth seems to be subject to diminishing returns, to the extent that beyond a certain threshold, negative impacts can take place (Hadjimichael et al., 1995; Durbarry et al., 1998; Hansen and Tarp, 2001; or Rajan and Subramanian, 2008); (iv) fourth, there may exist national factors, specific to recipient countries, that condition aid effectiveness, but it is not clear what those factors may be; v) instability of aid flows negatively affect aid effectiveness (Lensink and Morrissey, 2000); and vi) finally, aid can positively influence the quality of domestic institutions, and there is nothing to suggest that it necessarily affect taxes negatively (impact may, in fact, even be positive) (Gupta, 2007; Brun et al., 2007); nonetheless, due to decreasing returns beyond a certain threshold, aid effects on both institutional quality and on taxation can become negative (Alonso and Garcimartin, 2011b). Taking all the results into account, and in spite of the pessimism shared by certain commentators, there are reasons to believe that aid probably has a positive impact on growth, although not necessarily in all cases. In any case, empirical evidence rarely supports the claim that aid, in a general sense, is actively harmful.

Aid effectiveness: donor response

The studies presented in the previous section provide a hazy picture on aid effectiveness. Neither the use of insights from microeconomic theory nor the use of increasingly sophisticated econometric methods has eliminated the controversies underlying the results of the studies discussed above. Moreover, even in cases where the effect of aid is positive, that effect seems to be relatively minor, which justifies the efforts to improve aid effectiveness by the international community. Although efforts seem to be well directed, there are some aspects that require fine tuning while others are still lacking and need to be addressed.

The Paris Agenda: some critical observations

Widespread doubts about aid effectiveness have motivated donors to begin a revision of their aid management practices. The origins of this process can be tracked back to the document entitled *Shaping the 21st Century,* approved by the DAC in 1996, but the drive for reform received a renewed boost at the end of that decade due to the revision of the highly indebted poor countries (HIPC) initiative, the debates around the Millennium Declaration, and the outcomes of the Monterrey Conference on Financing for Development. This reforming spirit was translated into a series of high-level meetings organized by the DAC. One of such meetings, taking place in Paris, five central principles were defined in relation to aid effectiveness: (i) recipient *ownership* of development interventions; (ii) *alignment* of donor strategies and procedures with strategies and management systems of the recipient countries; (iii) *harmonization* among donors; (iv) *management through results,* both for donors and recipients; and (v) *mutual accountability.* These principles were revised and expanded at the summits held in Accra in September 2008 and in Busan in December 2011.

Without a doubt, this is an agenda that requires donors to change their traditional means of operation. The OECD-DAC has monitored the implementation of the agreed reforms but the picture that emerges from its latest report is ambiguous: progress has been made, especially in the use of reliable public management systems and in the coordination of technical assistance, but commitments are still far from being met (OECD, 2011a).

In principle, the process that started with the Paris Declaration must be judged positively. The insistence on the ownership of aid intervention by recipient countries; the desire to give greater predictability to aid allocations; the insistence on more ambitious instrumental resources (such as programmed aid); the promotion of coordination between donors; and the use of the recipient's management channels are all recommendations that stem directly from studies on aid-effectiveness.

However, these agreements are also the product of the framework underlying their adoption. Two traits stand out here: (i) first, the decisions were mainly led by the donors, even if recipient countries were invited to the debate — there is a problem with the representativeness of the forum (DAC) where the process originated and evolved; (ii) second, perhaps again due to the nature of the forum where these recommendations were adopted, their assumptions are based on an excessively technocratic (and rather naïve) vision of global effects of aid relationships (Whitfield et al., 2008). Both aspects are limitations that must be overcome in the future.

To be more precise, the main reform efforts made by the donors seem to have been directed at correcting two important problems that penalize aid effectiveness: the existence of perverse incentives stemming from asymmetry of information within the aid chain, on the one hand, and high transaction costs from the proliferation of donors and fragmented interventions, on the other.

The first problem derives from the fact that the "aid chain" rests on a system of principal-agent relations that condition the incentive framework in which the players act: the donor (who is the principal) decides about the allocation of resources, but has limited capacity to control the management of those resources, for which the recipient (the agent) is responsible (Gibson et al., 2005; Martens et al., 2002).[8] The fungibility of aid is a manifestation of this problem.

Addressing the problem of perverse incentives is not simple. In the past, donors sought a solution by imposing conditionalities as a sort of implicit contract between donor and recipient. However, this route has proved rather toothless. In a context of imperfect information, it is not plausible to expect an optimal contract design that would exhaustively define in advance all conceivable possibilities states of nature. As a consequence, a problem of time-consistency in donors' behavior was common, as well as the process had costs in terms of recipient ownership of reforms (Collier, 2007). Furthermore, it is also debatable whether the donor is in a better position than the recipient to define responses to the development problems that the recipient is facing.

The only possibility for progress on correcting problems of asymmetric information would be through stricter alignment of the goals of both parties in the transaction: and that is precisely the meaning of the principle of *ownership*. In this case, the recipient supposedly defines its priorities more clearly, and the donor identifies those areas in which it wants to contribute. Steps toward this goal include drawing up national development strategies as a foundation for defining the priorities; the use of programmed aid instruments to support national policies; the use of a recipient's own fiscal system to channel aid (through budget support); and the formulation of medium-term budgetary frameworks that focus the aid commitments (Mid-Term Expenditure Frameworks, or MTEFs).

However, the ways in which these responses have been handled are open to some criticism. Four observations are worth highlighting here:

1. First, there has been a certain misconception of ownership which has in practice been reduced to the capacity of a recipient government to define a comprehensive development plan with a clear set of indicators to be generated by a functional statistical system for monitoring progress. It should be assumed that ownership is political and not a technocratic process; and it is a gradual and complex process rather than a simple binary outcome.

2. Second, an excessively naïve perception of social dynamics has supported the national development strategies. The demand for national consensus as condition for aid support is simply misguided. In socially fragmented societies, public action is the result of a confrontation between visions and interest, and of an institutionally channeled political struggle. In that context political consensus is more an exception than a rule.

3. Third, the alignment of the donor with the goals of the recipient has tended to be understood as a merely functional problem of adapting priorities, as if there were substantial match between the interests of the two parties involved. The rhetoric of the principle of partnership rests on that assumption. But within that dialogue, there might be also conflict and divergence of interests (Whitfield, et al., 2008). The agreement, therefore, will be the result of a strategic game in which both parties (donor and recipient countries) are implied.

4. Lastly, this type of approach has gone hand-in-hand with donors using highly intrusive formulas of negotiation and control, which have given rise to demands for monitoring and evaluation systems of aid use (Whitfield, 2009). This type of requirement was softened in the second generation of Poverty

Reduction Strategies (PRSs), but there is still excessive meddling by the donors. However, as a recent investigation revealed, effectiveness can be achieved by much simpler means (World Bank, BMZ and GTZ, 2007).

The second major problem of aid effectiveness concerns the high transaction costs of aid. This problem has become more acute due to the proliferation of players in the aid system, the overlapping of their priorities, and the growing dispersion of their action (Acharya, et al., 2004; IDA, 2007). Donors' responses to this problem include the establishment of a more active coordination process, and measures to ensure fuller integration of their initiatives in the budgetary process of partner countries. The principles of harmonization and alignment are steps toward those goals.

Here too, we find a process that should be considered positively, but which presents some limitations that are worth highlighting. First, the lack of trust seems to underlie donors' behavior which is reflected in their resistance to the introduction of more effective approaches to support budgets in a coordinated way. In fact, if donors were genuinely committed to improving coordination, they will further support multilateral channels, a which, in general, does not seem to be the case. As a consequence, and beyond their rhetoric, donors prefer to preserve their control on the channels of aid provision and management (such as, projects and programs).

Second, despite the fact that some conditions have been eliminated, aid conditionality remains in effect in many cases. In the case of many LICs dependent on aid conditionality reduces their policy space. While it may be understandable that donors want to shape the policy framework where they would allocate aid resources, imposing conditions for disbursement constitutes a poor guarantee of an adequate execution of those agreed policies. Evidence indicates that this approach has been counterproductive: conditionality is not effective when it substitutes local commitment to reform.

Lastly, limited progress has been made on improving complementarity and the division of labor among donors. Some donors have advanced towards a more selective definition of their geographical priorities, but that process has been carried out on the margin of identifying complementarities with other donors. Labour division has improved within individual countries (national complementarity), but there is hardly any progress in improving complementarity of actions among countries.

Perhaps it is still too early to judge donors' efforts in that direction. However, there are some obstacles that may constrain action by donors:

1. First, there are no sufficiently developed analytical tools to unequivocally to match recipient country needs and individual donors' expertise in specific sectors or areas. In fact, there is a wide overlap in donors' spheres of action: they score low in sector concentration (or high dispersion) of aid, and high in similarity among them (see table 2). These are not the best basis for identifying complementarities among donors.

2. Second, in terms of geographical priorities, strategic, economic and historical factors come into play in donors' aid allocation that are difficult to subordinate to an indisputable technical criterion. Thus establishing a coherent framework for identifying priorities which would allow for reducing gaps and overlaps among donors is not an easy task and would only probably achieve partial success.

Table 2: Concentration, diversity and similarity of sectoral distribution of ODA (2006-2008)

DONORS	Concentration by sector (Herfindal Index)	Diversity by sector (Shannon Index)	Similarity Index by sector (DAC)
Australia	0.0440	0.6874	53.64
Austria	0.1618	0.5789	46.39
Belgium	0.0305	0.7574	57.41
Canada	0.0222	0.7717	57.48
Denmark	0.0289	0.7335	54.21
Finland	00267	0.7499	53.54
France	0.0859	0.6286	52.38
Germany	0.0436	0.7378	62.67
Greece	0.1177	0.5446	35.55
Ireland	0.0415	0.6845	53.53
Italy	0.0281	0.7516	55.54
Japan	0.0329	0.7337	53.16
Luxemburg	0.0259	0.7310	44.34
Netherland	0.0411	0.7305	63.48
New Zealand	0.0510	0.6914	58.89
Norway	0.0240	0.7734	64.64
Portugal	0.0767	0.5794	34.25
Spain	0.0185	0.7981	58.71
Sweden	0.0271	0.7510	60.60
Switzerland	0.0554	0.6727	52.75
United Kingdom	0.0477	0.6666	56.46
United States	0.0476	0.6952	61.58
DAC Countries	0.0172	0.8196	
Non-DAC Countries	0.0240	0.7644	65.57

Source: OECD/DAC, OECD.Stat online database. Available from http://stats.oecd.org/index.aspx?

Note**:** Herfindal Index Normalized: $HIN = \dfrac{\sum_{i=1}^{i=n} (S_i^j)^2 - \frac{1}{n}}{1 - \frac{1}{n}}$,

Shanon Index: $SI = \dfrac{\sum_{i=1}^{i=n} S_i^j Ln(1/S_i^j)}{Ln(N)}$;

Similitude Index: $SimI = \sum_{i=1}^{i=n} \min\left[S_i^j, S_i^{DAC}\right]$;

with i sector of aid; j donor country; N number of sectors; and $S_i^j = \dfrac{ODA_i^j}{\sum_{i=1}^{i=n} ODA_i^j}$

3. Lastly, recipients sometimes prefer to maintain relationships with several donors, in order to gain some negotiating room and to benefit from the existing differences among donors. Diverse aid providers can bring complementarities and varied expertise. For example, the Republic of Korea benefitted from the differences in the respective aid approaches of the United States and Japan; and Central America in the 1980s positively explored the differences in the aid policies of the United States and the European Union with respect to their respective approaches to the conflicts in the region.

To sum up, while some progress may have happened in improving complementarity among donors, the improvement has been limited and incomplete. This disappointing outcome demonstrates the limited contribution that enhanced complementarity among donors has had in lowering aid transaction costs and improving overall aid effectiveness.

Aid dependency

The Paris Declaration should also be criticized for being silent about one of the chief problems affecting aid effectiveness: the high dependency that aid generates in many developing countries.

As studies have shown, aid seems to present decreasing marginal returns. There are various (potentially complementary) reasons for this outcome. Relative large flows of ODA can generate: (i) an adverse effect on the recipient's competitiveness (the "Dutch disease" effects); (ii) undue pressure on the capacity of the recipient to absorb the resources efficiently; (iii) complacency about the need to carry out fiscal reforms or to raise domestic savings; (iv) diverting recipient's limited human and technical resources (particularly those in the central, regional and local administrations) ; and (v) a negative effect on the quality of institutions and their domestic accountability.

Data reveal that dependency is high in a wide range of countries. There are about 40 countries in the developing world where, in the last 5 years, the share of ODA to GDP is above 10 per cent. Fiscal dependency is even higher as generally that coefficient is multiplied by a factor of between three and four, to determine the share of aid in public budget. In these cases, the national institutions are being pushed to direct more attention toward their relationship with international donors rather than toward the demands or requirements of their citizens, with costs in terms of their accountability towards the nationals of that country.

Clearly the suspension of ODA flows is not an efficient response to this problem. It would entail costs far higher than those it is trying to avoid. For some recipients, ODA is a source of financing much needed social expenditures, and it is currently difficult to replace. Aid dependency, however, makes it necessary to: (i) be more cautious about plans to increase aid, on the understanding that more is not always better; (ii) establish plans to gradually downsize aid where feasible while seeking alternatives to sustain and improve achievements in the society concerned; (iii) pay greater attention to existing routes for mobilizing domestic resources in developing countries. This would involve strengthening tax systems as well as tackling tax evasion and capital flight, and curbing illegal flows; and (iv) finally, dedicate more resources towards the provision of international public goods related with development goals (such as health, diffusion of knowledge, financial stability or fighting against climate change, among others)[9].

Changes in the international system: challenges for aid policy

As we emphasized at the start, while the aid system has changed, the world has also evolved but more rapidly and more profoundly. It is a good idea, therefore, to look at such changes in the international environment and to identify the challenges they present for the aid architecture.

Heterogeneity in the developing world

International aid was born in the 1950s, confident in its (largely shared) diagnosis of the problems characterizing under-development. Since then, developing countries have experienced very disparate growth dynamics, increasing the heterogeneity among them. Thus, a unique and shared diagnosis for the developing world is no longer valid.

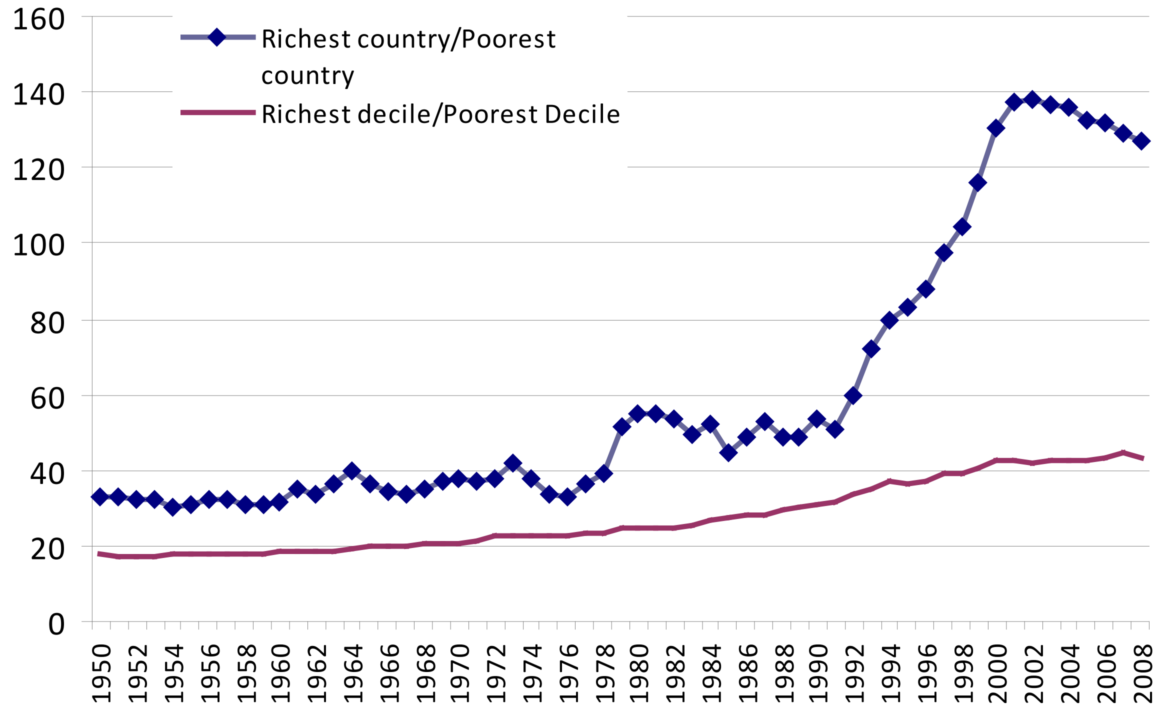
In fact, during the last five decades, developing countries followed very different trends. One group — countries located in East and Southeast Asia— have managed to drive a successful growth process and have been converging towards income levels observed in the developed countries. For another group —the Least Developed Countries— the gap has increased and they seem to be caught in a poverty trap (Guillaumont, 2009). Finally, a third large group of countries is situated between these two extremes. This group has also increased its internal heterogeneity as a result of very different growth dynamics of its members.

In sum, throughout the last half-century a double divergence emerged: (i) the distance between the poorest and the richest countries (LDCs and high-income countries (HICs)) grew; and (ii) heterogeneity among developing countries also increased (Ocampo and Vos, 2008).

Figures 8a and 8b illustrate the summary presented above. In figure 8a presents the GDP per capita of the richest country (converted to PPP) as a ratio of the per capita GDP of the poorest country (also expressed in PPP); it also presents the average per capita income of the richest decile as a ratio of the average per capita income observed in the bottom decile global distribution of income for the period 1950-2008[10]. In both cases, the ratios are increasing, confirming that the gap between the richest and the poorest worldwide has increased. It is worth noting that the rather fast increase in the ratios after the 1990s with a slight reduction in the last years. Figure 8b illustrates the evolution of heterogeneity among countries which is measured by the coefficient of variation of countries' per capita GDP (converted in PPP) also for the period 1950-2008. The heterogeneity in the world economy experiences an increase after the 1980s, while heterogeneity among developing countries also increases, and very intensively, after the 1990s.

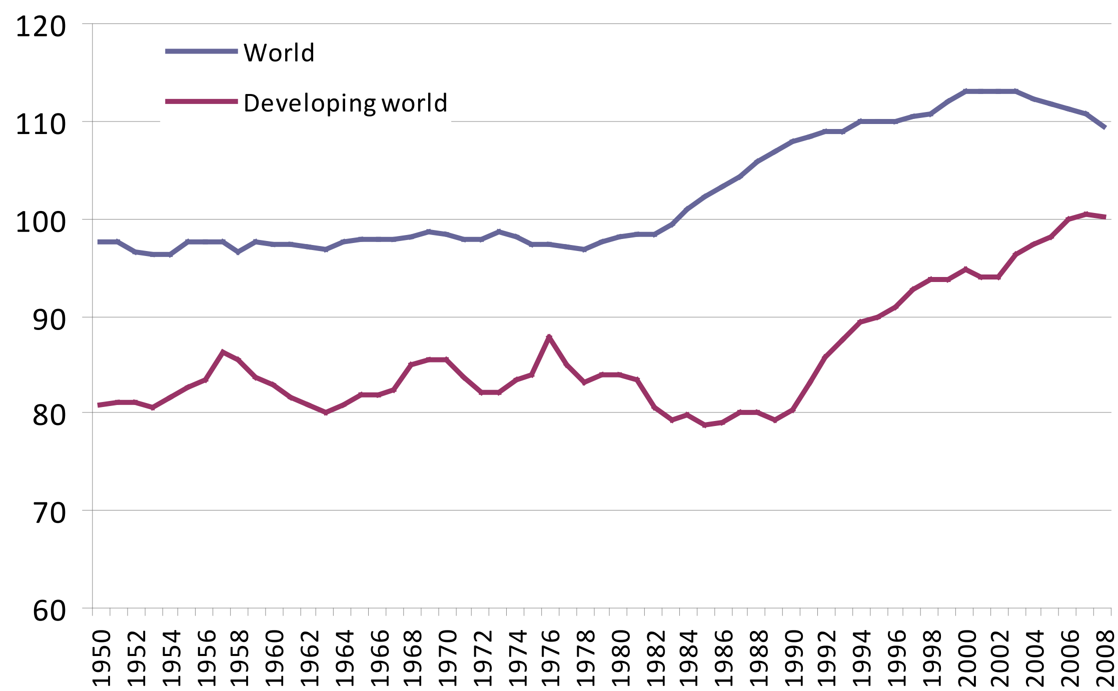
Another indication of this increasing heterogeneity is offered by the World Bank countries classification. In the late 1990s, LICs (some 63 countries) represented 59 per cent of the world's population, and close to 20 per cent of the aggregated world GDP, when measured in PPP (see table 3). However, over the period 1999 to 2011, a great shift occurred within the groups: 26 countries abandoned LIC status and became LMICs, while 2 LICs joined the UMICs. Meanwhile, 28 LMICs became UMICs; and, finally, 6 UMICs became HICs. As a consequence, in 2010, LICs (only 35 countries) represented just 11 per cent of the world population, and a minuscule 1.3 per cent of the world GDP (PPP). On the other hand, between 1998 and 2010, MICs (94 countries in 1998 and 110 in 2011) increased their share in world population from 25 per cent to 72 per cent, and their contribution to world GDP (PPP) rose from 23 per cent to 44 percent. Thus, the majority of the population of the developing countries no longer live in LICs (as in the past), but in the broader and more heterogeneous group of MICs.

Figure 8a: Ratios of the per capita GDP, 1950 -2008



Source: Maddison (www.ggdc.net/MADDISON/oriindex.htlm)

Figure 8b: Trends in divergence of per capita GDP across countries, 1950 - 2008 (coefficient of variation of the per capita GDP expressed in PPP)



Source: Maddison (www.ggdc.net/MADDISON/oriindex.htlm)

Table 3: World Bank country classification by levels of income, 1990, 1998 and 2010

	Number of countries			Population (in %)			GDP PPP (in %)			Top/bottom GNI per capita (PPP) intra-group relation		
	1990	1998	2010	1990	1998	2010	1990	1998	2010	1990	1998	2010
LICs	52	63	35	57.8	59.6	11.6	10.3	20.4	1.3	8.4	8.2	6.8
LMICs	55	57	56	11.9	15.4	36.0	8.7	10.1	11.7	5.0	2.6	5.3
UMICs	38	37	54	8.6	9.9	35.8	19.2	12.6	32.1	2.9	1.9	3.0
MIC	93	94	110	20.6	25.4	71.8	20.0	22.8	43.9	14.4	4.5	15.9
HICs	40	30	70	15.4	14.5	16.4	60.8	56.8	54.9	2.1	2.2	2.9
Total	175	187	215	100.0	100.0	100.0	100.0	100.0	100.0	93.9	75.2	178.4

Source: World Bank, Country classification. Available from http://data.worldbank.org/about/country-classifications

The need to respond to this growing heterogeneity is a challenge for the aid system. The system is faced two extreme options: either to maintain an integral perspective for the group of developing countries but work on the basis of a differentiated agenda dictated by the heterogeneous conditions of developing countries, or, alternatively, to have a very specialized agenda by focusing on fighting extreme poverty only in the poorest countries.

The MDGs seems to have adopted the second option. Although this has not been expressed explicitly, the MDGs are better adapted to priorities of the low-income countries rather than to the needs of all developing countries, including the middle income countries. With the MDGs, donors initiated a process of refocusing and concentrating aid flows towards those poorest countries, at the expense of the MICs. This may be a logical option as aid resources are scarce, attention should be focused on the neediest and poorest countries.

Nonetheless there is another, equally reasonable option of adopting a wider scope in order for aid to act as a development catalyzer in all countries with severe vulnerabilities. Such an approach would involve considering development as a permanent and continuous process which requires differentiated development instruments, with different agendas which are designed according to the developmental stages and challenges confronted by all countries in need of assistance, including those MICs with severe vulnerabilities.

There are several arguments to support a wider approach to development assistance (Alonso, 2007): (i) first, more than 70 per cent of the world's poor population—people living on less than $1.25 a day— live in MICs (Sumner, 2010); (ii) second, MICs are highly vulnerable to developments in international markets, often being negatively affected by external shocks or internal crises; (iii) third, MICs are key to the provision of international public goods—particularly environmental ones; (iv) fourth, some MICs have a significant demographic and economic weight at the regional level and their success can stimulate progress in third countries; (v) lastly, it is important to support MICs because it is necessary to build an aid system that is incentive-compatible with the aims of development, avoiding perverse incentives that could result from imposing a clear-cut and abrupt border between countries that are the subject of international aid and those that are not (Alonso 2007). Instead of a binary logic of "graduating" countries, a "continuous and gradual" support should be established in relation to countries´ needs and capacities.

The new geography of global poverty

The MDGs implied in the need to promote changes in the traditional patterns of aid distribution: donors should focus more on targeting resources to the poorest countries.

Accordingly, in the past decade the share of international aid directed to MICs decreased significantly: more precisely, this group received about 57 per cent of total allocated aid in the 1990s,; after the adoption of the Millennium Declaration the MIC's share declined until it reached 37 per cent in 2009/2010. Some donors even decided to stop their activities and close their delegations in some MICs in the last years. Conversely, the LDCs and LICs witnessed an increase in their shares from about 43 per cent in the 1990s to 62 per cent in 2009/2010 (table 4). In this regard, the promotion of a poverty-focused type of aid seemed to be on the right track.

Table 4: Allocation of ODA by levels of income, 1990-2010 (percentage share)

	1990-93	1998-2000	2006-08	2009-10
LDCs	31.8	32.0	35.1	46.6
LICs	10.2	12.5	17.2	16.0
LMICs	49.4	47.1	39.7	28.9
UMICs	8.6	8.5	7.9	8.5

Source: OECD/DAC, OECD.Stat online database. Available from http://stats.oecd.org/index.aspx?

The problem is that the new pattern of aid distribution does not match the new geography of global poverty. Currently, there are as many as one billion poor people—two thirds of the total—living in MICs, with the remaining third (close to 300 million) living in LICs (Sumner, 2010 and 2011). This pattern is entirely new: in 1990, 94.5 per cent of poor people lived in LICs and only 5.5 per cent were located in MICs (table 5).

Table 5: Incidence of world poverty ($1.25/day) in selected country groupings, 1990 and 2007

	Non-adjusted base years				Adjusted base years			
	1990		2007		1990		2007	
	Millions	%	Millions	%	Millions	%	Millions	%
LICs	1,596.1	94.5	305.3	24.1	1,632.5	93.1	342.7	29.1
MICs	93.2	5.5	960.4	75.9	121.4	6.9	836.0	70.9
Total	1,689.3	100	1,265.7	100	1,753.9	100	1,187.7	100
China and India	1,137.9	67.4	673.0	53.2	1,123.6	64.1	561.3	47.6
MICs excluding China and India	--		287.4	22.7			274.6	23.3
LICs excluding China and India	458.2	27.1			509.0	29.0		

Source: Sumner (2011)

This important shift is mostly due to the graduation of a significant number of countries, some of them with a very large population (such as China, Indonesia, India, Nigeria, and Pakistan), from LIC to MIC status. The aggregated population of these five countries is about 3 billion people, and they host some 70 per cent of the world's poor. Although this shift in the geography of poverty might be the result of changes in a reduced number of countries (more so than a global phenomenon), it expresses a trend that will probably maintain over time. Global poverty is not merely, or predominantly, a low-income country issue anymore.

The new geographical pattern of poverty presents a new challenge for international aid: should the recommendation to reduce aid to MICs be maintained[11]? Should the aid focus on LDCs and LICs be intensified, in spite of the fact that two thirds of poor people live in MICs?

Some commentators believe that MICs are rich enough to tackle their own problems, including their national pockets of poverty. Therefore, aid should focus on the poorest countries. But others think that if people (and not just countries) matter, there is good reason to combat poverty where the impoverished live. Obviously, international support should be graduated in relation to the capacities and resources of a country, but without defining a clear border of exclusion.

But if aid aims to contribute to reducing poverty in MICs, it should take into account the specific characteristics that poverty manifests in these countries. In MICs, poverty is more a consequence of bad distribution of national income than a result of a low income average. So combating poverty worldwide will require changes not only to the international income distribution, but also in internal income distribution. ODA flows to MICs should therefore not only be maintained but also more actively support national policies that contribute to improving social cohesion and equity in these countries.

A multi-polar world

Development aid was born in a bipolar world which characterized by the presence of two blocs in conflict — a struggle that permeated all international relationships. Today, that international reality has vanished. Instead, a more complex and multi-polar world is emerging. New global powers from the developing world are being added to traditional powers, and these new powers are highly dynamic, with a notable capacity to project their influence. Some seem likely to play an even greater role in the future.

This change also has important implications for the aid system, since some of these emerging powers —along with other developing countries— have become actively involved in sustaining their own aid-for-development programs as part of their growing international projection. The exact volume of this South-South aid is not known. Deficient registration systems in the countries involved contribute to the lack of information in this area. In any case, according to a DAC report (DAC, 2011b), South-South cooperation by 25 non-DAC countries reached US$ 10.6 billion (more than 8 per cent of total ODA), with Saudi Arabia (US$ 3.4 billion), China (US$2 billion) and Turkey (US$ 968 million) being the most important contributors. That said, these estimates do not include all new donors, suggesting that the total figures must exceed those mentioned.

South-South aid incorporates important new elements into the aid system. On the one hand, because this aid is more horizontal, it has greater potential for promoting a proper feeling of ownership on the part of the recipient, while activities carried under various projects also generate a "double dividend" — with benefits for both the recipient and donor alike, supporting the development of technical and institutional capabilities in both. Additionally, South-South cooperation allows developing countries to learn from the experience of other countries which have faced the same problems in similar contexts. Most importantly, South-South cooperation contributes to spreading a sense of shared responsibility, and not only from traditional donors, in the task of addressing the existing international inequalities.

In view of the above, rather than a dual system that neatly separates the functions of donor and recipient, the progressive participation of the "more developed" developing countries in international cooperation should be promoted and supported by other donors through various forms of triangular and regional cooperation. That will probably drive to a more horizontal (and less hierarchical) system, in which different actors coming from developed and developing countries can operate in a more complex network (instead of the simple bilateral relationship between donor and recipient).

Not withstanding the above, South-South cooperation poses a challenge to the frame of the existing aid architecture. Some of the Paris agreements, such as the untying of aid or the various programming instruments for providing resources, go against the very advantages of new development partners can bring to the aid system, namely, the provision of their own development experience in a direct and fast way (mainly through development projects). In the same vein, the Paris Declaration emphasis on harmonization tends to favor the approaches of the larger and more powerful donors, while it limits the scope for alternative approaches that new donors can put into practice.

Again, this opens up two different options: (i) to try to preserve the consensus on which traditional aid policy has been built, seeking to add new donors to this tradition; or (ii) to open up debate on new aid practices, in order to define a new consensus that involves these new players without renouncing the aid experience accumulated by traditional donors. A way to advance the second option is to admit that development partners have "common but differential responsibilities", also in terms of aid policy. For example, Park (2011) suggests that development partners could be tiered into three groups: i) DAC donors that have subscribed to the Paris declaration but that have still to fulfill some of its objectives; ii) non-DAC OECD or EU countries that are committed to share the DAC values and hence have to prepare to take the Paris principles as a guide; and iii) other countries that are both recipients and providers of aid which would define a more flexible, but clear, set of principles that fit with their experience and advantages.

Additionally, a change in the governance structure of the aid system is needed. In the first case, if the objective is just to add new donors to the existing consensus, the DAC could continue to play its role as a central force in the debate and definition of aid policy; in the second case, if the objective is to involve new donors in a more complex system, a more inclusive forum should be sought, in which all countries are represented. Looking at the likely evolution of the international system in the future, this second option seems more reasonable, that is to say a displacement of the current governance structures towards more inclusive and representative institutions (Barder et al., 2012).

A first possible alternative in this line is the Development Cooperation Forum of ECOSOC, where traditional donors, new donors and recipient countries are represented. Another alternative is now emerging from the post-Busan dynamics. In fact, the Busan declaration, "The Busan Partnership for Effective Development Cooperation", calls for "a new inclusive and representative Global Partnership". The Post-Busan Interim Group (PBIG) has proposed that ministerial meetings—to take place every 18-24 months—will be the key forum for dialogue and decision making in the Global Partnership; while a Steering Committee will support the ministerial platform. The Steering Committee will be supported by OECD and UNDP and have the participation of all key stakeholders, both public and private, in the Global Partnership: providers, recipients, and countries that are simultaneously providers and recipients.

International public goods

The globalization process now underway has tended to accentuate all types of interdependencies among countries. Activities that were formerly the exclusive responsibility of national States—such as national security—must now be tackled in a context of increasing international coordination. At the same time, similar coordination is being demanded for new goods and activities which are global in nature, such as the fight against climate change. The scope of international public goods arises from these interdependencies. These goods are characterized by strong externalities which mean that, once provided, their benefits are available for everyone in an unlimited way (the same could be said of "public bads"). Such public goods are very diverse in nature and related to the international regulatory order, to the sustainability of life, and the possibility of societies to advance (table 6).

Table 6: Spheres of International Public Goods

Configuration of Social Order	International Justice International Norms International Institutions
Preservation of Life	Control of Contegious Diseases Global Common Goods (Climate Change, Biodiversity, Ozone Layer, International Fisheries) Protection from Crime and Drug-Trafficking Peace and Security
Wealth Promotion	Financial Stability and Macroeconomic Coordination Knowledge Diffusion Trade Insertion

The characteristics of public goods dictate that the market is incapable of ensuring their efficient provision, and some form of collective action is required. In the international sphere, the response must be carried out through diverse coordination and voluntary cooperation formulas among the relevant players. The multilateral system is the most appropriate framework to promote and articulate such cooperative action. However, there is a widely shared view that the multilateral system, in its current form, does not meet the conditions that are necessary to efficiently promote the public goods that society demands.

A strong relationship exists between the international public good (IPG) and the development agendas. The developmental impact of a new vaccine against malaria (an IPG) can be bigger than that promoted by several aid interventions; the fight against climate change (another IPG) is required for any sustained development in the future; and global financial stability (another IPG) is a requirement for a sustained growth. However, these two agendas should not be seen as identical but rather as complementary. Firstly, because both agendas rest on different theoretical foundations: aid refers to international equity problems and its approach is mainly based on the realm of distribution; while IPGs refers to the correction of market failures, focusing its analysis mainly on the field of economic allocation. And secondly, and more importantly, because there is a difference in the preferential beneficiaries of each policy: while in the case of aid, developing countries (particularly the poorest ones) are the main beneficiaries, in the case of IPGs all countries (although not necessarily to the same grade) may benefit. In spite of these differences, it is difficult to establish when the development agenda stops and the IPG agenda starts, they overlap and achievements in one domain can produce improvements in the other.

Given their link, two options are conceivable: either to maintain both spheres as separate agendas, or to merge them in a progressive way within a broader global public policy. There are reasons to try to preserve the demarcations of current aid policy: in the end, the traditional agenda (the eradication of poverty) has yet to be achieved. However, in an interdependent world, it is difficult to achieve effective results in the fight against poverty if actions are not simultaneously taken in the sphere of international public goods (such as global health, climate change, peace and security, diffusion of knowledge, financial stability among others). This suggests the need for an increasingly integrated perspective for both agendas. Such integration does not necessarily imply that development assistance should be framed around the provision of public goods, but rather that there is need to identify and build upon the inter-linkages between the two agendas. Moreover, it is necessary to complement aid with new financing sources to support the IPGs agenda.

The possibilities of having public budgets fund a growing supply of IPGs are clearly limited. The fact that countries have difficulties to achieve their ODA commitments illustrates this point and justifies the search for new sources of funding, less discretionary than aid, for the provision of IPGs. At the request of the Department of Economic and Social Affairs of the United Nations Secretariat, UNU-WIDER commissioned a study on new sources of development finance (Atkinson, 2005). While not comprehensive, as several proposals on global tax were not analysed, the study covered well-known proposals, examining their design and implications[12], some of which could be considered for the purposes of IPG funding. Four conclusions could be highlighted:

- While there are various possibilities for global funding, none is free of criticism. In fact, some of the new sources of finance could lead to crowding out of existing mechanisms, and therefore their contribution to the generation of additional resources should be carefully considered.
- Among the various mechanisms considered, only two (tax on carbon and Tobin tax) have potential to generate sufficient resources to be considered relevant for IPG funding.
- The partial and imperfect nature of all of the mechanisms studied suggests the need to maximize the advantages while minimizing costs of their implementation. This will be easier the smaller the number of actors required for implementation (which works against global taxation proposals); and it will be also easier if national tax systems can collect the resources (without creating new international structures), even if they allocate part of them in a compulsory way to finance IPGs.
- Finally, the advantages of any given proposal will be greater when it — besides raising funds — promotes an allocation correction, and penalizes the production of a public bad. In this case, the source would have a “double dividend”: an argument backed both by the idea of a global carbon tax or the more recently discussed financial transaction tax.

New actors, new instruments

Since the 1990s, the number and diversity of the aid providers have increased rapidly. According to DAC, in the 1940s there were only four bilateral donors: in 2006, there were about 56 donor countries, with 197 bilateral agencies and 263 multilateral agencies, of which 24 were development banks and about 40 were UN agencies working in international assistance. Some countries have maintained active and autonomous donors at subnational level, such as regional or local governments. And an increased number of NGOs are involved in development cooperation, some of them taking part in international networks that channel more resources than most of the UN agencies. Today the global aid architecture is more complex and fragmented than ever before, with costs in terms of aid effectiveness insofar as the level of coordination among the actors is very low.

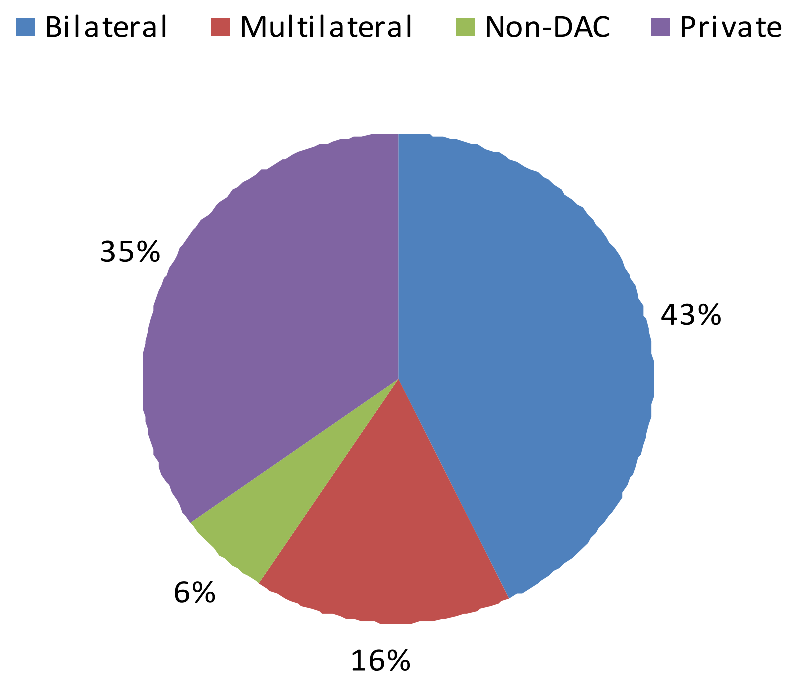
However, from another perspective, there are also positive features: the aid system seems to be richer and more vigorous inasmuch as new actors, with different experience and resources, are involved in development cooperation. In the last decade, three new actors have emerged with special force. Firstly, emerging economies are providing resources through South-South cooperation. The volume of aid from these countries is not very large, but the effect of their cooperation goes beyond the amount of ODA provided as mentioned above. Secondly, the private sector, directly or through its foundations, is increasingly supporting international aid programs. It is also promoting other initiatives ("social corporate responsibility" or "business at the base of the pyramid") that, although not being ODA, have positive effects on environmental and social objectives in developing countries. Finally, as a consequence of the partnership between official and private donors, new global funds and multilateral institutions have emerged in the field of development cooperation in the last decade. The World Bank has registered more than 1000 multi-donor funds specialized in different areas or objectives, some of them open to private contribution.

The composition of aid resources reveals, although in an incomplete way, the more complex structure of the aid system. According to a recent estimation, the sum of the contributions of these new actors (emerging donors and private sources) in 2009 reached about $70 billion (near 40 per cent of total aid) (figure 9). But this is only the tip of the iceberg, since many of the developmental activities and resources of these new actors are not reported as aid.

Beyond the resources provided, the presence of these new actors enriches the aid system in another significant way: they incorporate new cultures, new criteria, and new ways of conducting development co-operation. Development cooperation policies by some emerging countries are less intrusive and demanding than those by traditional donors, and they operate in a more resolute way. On the other hand, private actors are focused on strengthening the effectiveness of aid, searching for clearer results from their activities. Both influences could be positive for the aid system even if neither defines optimum behavior.

With the new actors, the development cooperation system has also increased the range of its instruments. Most of these new instruments are connected with private sector participation in development activities. This is the case, for example, of the social corporate responsibility policies promoted by some companies. Additionally, in the last two decades, new financial instruments have been used by donors to promote the private sector in partner countries. Donors maintain specialized institutions (the Development Finance Institutions, DFIs) to manage these financial instruments, which include equity investment (directly or through investment funds), loans, and guarantees. Data from 15 European DFIs (joined into the EDFI) indicated they managed a global portfolio of US$ 18.5 billion invested across low- and middle-income countries in 2009; and it is estimated that around US$ 4 billion in new funding, or almost 6 per cent of total ODA, are made available each year for new projects.

Figure 9: Distribution of aid according to types of donors, 2009 (percentage)



Source: Kharas et al. (2009: 5)

Finally, new instruments were created to promote capacities in areas where aid had not focused previously. That is the case for example of the Aid-for-Trade Initiative (AFT) promoted by the WTO to assist developing countries to increase their exports of goods and services, to better integrate in the multilateral system, and to benefit from increased market access. Total commitments from bilateral and multilateral donors in 2007 reached US$ 25.4 billion, with an additional US$ 27.3 billion in non-concessional trade-relating financing. International cooperation is also displaying new instruments in the area of environmental sustainability, particularly in relation to climate change mitigation and adaptation activities, some of them connected with public mechanisms, others with private incentives, and some that join public and private actors.

This proliferation of actors and instruments has led to a system that lacks coherence: overlapped and contradictory efforts are possible, reducing the level of effectiveness of the whole system. As discussed above, the Paris Agenda has tried to curb this problem, calling for donors to reach greater coordination, harmonization, and division of labor[13]. But this approach faces two problems: i) first, since there are new actors and instruments operating in a field wider than ODA, the need for coordination is no longer a strict ODA-DAC problem; ii) secondly, donor specialization and coordination, to be effective, should not be based at the global level but locally, in partner countries, in a way that suits the needs and realities on the ground.

Two possible alternatives can be contemplated to improve coherence. On one hand, official donors could refocus their efforts within the parameters of ODA (as DAC has defined them), in order to reduce the level of complexity of the system. This would provide them a clearer field of operation, leaving the hazy mixture of new actors and instruments that have surged in the last decade outside the aid purview. Nevertheless, the problem is that an increasing number of development activities would also be left outside their focus.

Alternatively, donors can accept that the cooperation system has definitively changed: a precise border of ODA is probably no longer useful. The enlargement of the cooperation system with new actors, instruments, and goals demands a transformation of aid policy into global public policy (in a space of "hypercollective action" as Severino and Ray, 2009, have called it). In this case, coordination cannot be reached through any single authority but by building multi-actor coalitions, through networks and alliances of actors (some of them different from traditional donors). The challenge then becomes how to design incentives to promote efficient collective action at the international level.

Concluding remarks

The analysis carried out in the previous sections confirms that the international development aid system is undergoing a period of change. The current state of affairs is very different from what it was 50 years ago, when the development aid system began. The post-2015 world will be very different from the world in which aid has operated until now. A careful consideration of the likely future evolution of the aid system is therefore necessary, particularly if we consider the challenges imposed by a highly integrated but notably unequal world, with new global powers emerging from the developing world and a global population that reached seven billion and face serious environmental problems. It is impossible to predict whether the international aid system will be capable of adapting to the emerging trends, or whether it will become increasingly irrelevant. Three possible scenarios shall be considered here, although in reality there may be variation or overlap among them[14]:

Scenario 1: Reducing and refocusing

The first scenario could develop as a result of the progressive loss of drive for the aid reform agenda, and of the relegation of international aid to a minor role in the ranking of donor interests. The severe effects of the economic crisis on many OECD countries could lead to a new phase of "donor fatigue" with negative effects on aid resources. The limited achievements of the Paris Agenda could meanwhile lead to revisionist attitudes already observable in some donors, aiming to return to more traditional formulas for managing aid (the development project). In this scenario, the Paris Agenda might not be abandoned completely, but efforts would be focused on certain of its elements, thus reducing its degree of complexity. In that case, it is likely that aid would maintain its traditional agenda, without embracing new elements related to the provision of IPGs. In keeping with the general approach of this scenario, the governance of the aid system would continue to function around the OECD's DAC, with this institution being progressively enlarged so long as new OECD members take part, also eventually inviting non-OECD donors or recipient countries to participate in the formulation of a new international consensus on development assistance.

Scenario 2: Deepening the path to reform

A second possible scenario could result from continuation of the reform path of recent years, deepening or expanding certain of its dimensions. This scenario is based on the idea that the Paris Agenda was the result of a significant international agreement that is already producing results and that, if properly updated, would allow the aid system to be improved. That process would be compatible with a reduction in rates of growth in ODA flows and with a search for alternative financial resources. In terms of the aid effectiveness program, some aspects of the Paris Agenda could be expanded, particularly those that increase the recipient country's decision-making ability in response to criticism of domination of the process by technocratic criteria. The basic idea would be to build a less generalized agenda, more focused on countries' specific needs. The monitoring of aid by donors should be less intrusive, in order to favour ownership of aid-financed projects by recipients. The remainder of the Paris Agenda principles would also be maintained, which implies: more aid through budget support, the use countries' own systems; reducing conditionalities as much as possible; improving predictability of inflows; ensuring that a multilateral approach is favoured; and increasing coordination and division of tasks among donors. The goal here would be to work toward results using simpler indicators and incorporating clearer sustainability criteria, reinforcing accountability and transparency of donors and recipients. New donors would be encouraged to become more actively involved in the debate around aid effectiveness, and they would be encouraged to apply the agreed principles to their own practice as donors. This scenario could be developed through peer-review processes involving the new donors, carried out in cooperation with the DAC and the UNDCF (or other international body surged from the post-Busan dynamic). Support for new (predominantly private) players in the aid system would also be maintained, although the aim would be to ensure that the parameters for development aid remain well defined. Lastly, the aim would be to more actively incorporate environmental sustainability into development aid policy, although aid and the provision of IPGs would be maintained as relatively independent agendas.

Scenario 3: Reconfiguring the system

The starting point for the third scenario is a more radical assessment of the change processes that the international system is now undergoing. Under this scenario, the aim would be to define a new global approach to the problems of development policy, one which corrects international inequalities and deals with transnational externalities. To tackle such a task, it would be essential to overcome the traditional separation between donors and recipients on which the aid system has been based: the goal would be to establish a framework of shared (although varying) responsibilities, in which industrial countries as well as developing countries with sufficient experience and resources can take part in the tasks of development cooperation. This scenario would entail a revision of the MDGs as the prime development agenda and the promotion of another, more wide-ranging agenda based around three major tasks: (i) guaranteeing the provision of basic social services to the world population; (ii) providing international public goods; and (iii) correcting international inequalities and promoting convergence among countries (Severino and Ray, 2009). This new agenda should also include replace the concerns strictly related to aid with concerns related to development, which should transcend problems of financing while understanding development finance to include instruments beyond ODA. Problems associated with the frameworks regulating international relations (trade, investment, technology, etc.) would also enter into this sphere, to ensure a better distribution of development opportunities, including penalties for practices that hinder that objective (illicit financial flows, fiscal paradises, etc.). This global approach must be compatible with the promotion of donor support alignment among country-owned and country-led national strategies. In order to make such a policy feasible, an international tax model that could provide complementary financing for development aid would be necessary. The new system described here would also have a more open, wider acceptance of potential players, in order to incorporate not just new donor countries but also private players implicated in the work. As a consequence of all these changes, a new structure of governance would be required in order to ensure that donor and recipient countries, public and private partners are all represented.

Clearly, the reform effort increases as we move from scenario 1 to 3; likewise increasing is the risk of losing valuable aspects of the aid system that should perhaps be maintained. As always, it is important to find an adequate balance between the accumulated experience in the past and the need to respond to future changes in society. The first scenario is clearly an insufficient response to changes already taking place, while the third scenario incorporates numerous and ill-defined components. Some point between the second and third scenarios might represent the best option for transforming aid into an effective instrument for development in the post-2015 era.

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Notes

1 We will follow the concept of ODA that is defined by the DAC (OECD). Although the presence of some of its components (such as debt forgiveness, for example) is debatable, the official figures will be used here.

2 Alternative classifications can be found in Sandor et al. (2009) or Girishankar (2009).

3 See: http://leadinggroup.org/IMG/pdf/Rapport_TTF_AN

4 More complete revision can be found in Alonso (1999), Hansen and Tarp (2000) and Tsikata (1998)

5 Despite the criticism that Rajan and Subramanian (2008) make of the previous instrumentation methods used in research on aid impact, and the work they undertake to justify their instruments, their own option is not flawless, as Roodman (2007b) points out.

6 Those components that behave more erratically were removed from ODA (humanitarian assistance, food aid, and ebt relief operations).

7 Many of the studies previously cited face a serious problem having to do with the tax data used in the estimates. Frequently, they use data corresponding to the central government, taken from IMF information or from the World Bank (*Government Finance Statistics* or *World Development Indicators*, respectively), which are far from representative of the actual taxation of countries with a high degree of decentralization or a high proportion of contributions.

8 In the case of aid, this type of principal-agent relationship appears at the very least between those citizens providing the resources and their government in the donor country, between the donor country and the development agency that manages the resources, and between the agency and the recipient institutions in the partner country.

9 The approach through the provision of international public goods rests in the difference that Bhagwati once pointed out between “aid spent in Africa” and “aid spent for Africa”.

10 I am not interested here in measuring global inequality but distances among countries´ levels of development.hus, the indexes are referring to countries´ GDP per capita (PPP) without weighting by population.

11 For example, the European Commission in its document “Agenda for Change” released in October 2011 (http://ec.europa.eu/europaid/what/development)

12 This involves the following mechanisms: i) Global environmental taxes; ii) Tobin tax; iii) Special drawing rights for development; iv) International Finance Facility; v) Private donations; vi) Global lottery and global premium bond; and, vi) Remittances by emigrants.

13 A mandate that emerges from the Code of Conduct on Division of Labor in Development Policy, in the case of the EU, and from the Development Assistance Framework, in the case of the UN.

14 Evans (2011) offers an alternative vision of future scenarios