

Moving out of Aid Dependency: Money, Mindsets and Politics. Or: We are all aid dependent!

Poul Engberg-Pedersen

Director-General, Norad

Norwegian Agency for Development Cooperation

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Main Messages: Aid is but an instrument

1. Aid is a mindset problem, more than a financial constraint
2. Moving out of aid dependency requires cultural emancipation – among both 'donors' and 'recipients'
3. Development, development cooperation and aid are political issues
4. Emphasizing politics in developing and 'donor' countries alike puts aid in its proper place: as an instrument of cooperation
5. All development paradigms are political and can use aid as an instrument
6. Addressing global public goods and bads will make us all aid dependent, or at least make us use aid productively
7. Norway is tying aid to its foreign policy goals; We're aid dependent

Aid dependency as a mindset problem in 'donor' and 'recipient' countries

- Recent visit to Afghanistan: Politicians and civil servants at all levels appear to be in a dependency mindset. We 'donors' are all over the place in an interventionist mindset. Both aid mindsets are wrong. Time and political space is essential for Afghans to make use of aid for peace- and state—building.
- Recent event in Sweden: State auditors criticized lack of knowledge about NGO activities. Out of two possible solutions (demanding results from Southern partner NGOs, vs. controlling the Swedish money all the way from Stockholm to the field), the State auditors leaned towards the wrong one...

No development paradigm is less prone to aid dependency – They can all use aid productively

- Economic growth is essential for poverty reduction. Europe, South-East Asia and countries elsewhere used aid productively to develop institutions and infrastructure for growth
- Human development and human security are essential for poverty reduction. Health interventions, with much aid, have contributed up to half of health improvements (mortality, life expectancy, etc.) in Africa, Asia, Latin America since the 1960s
- Good governance and human rights are essential components of state-building and peace-building. Developing countries need time for this – and aid in the meantime. External partners, with aid, can protect and promote, but never drive local politics.

Aid is much more than bilateral state-to-state cooperation and humanitarian assistance

- People's perception of aid is wrong.
 - Its size (10 cents a day for each of 3 billion poor) is miniscule compared with other flows.
 - Aid flows through multiple channels. Much of it aims to solve other global problems than poverty – never reaching the poor.
 - New global actors, public and private, dominate the scene.
 - The Paris Declaration on aid effectiveness – and debates on aid dependency – risk addressing aid as it used to be.
- Yet, aid is the most flexible and potentially effective instrument of equitable globalization and development cooperation

The case of Norway: Aid as an instrument of foreign policy makes us aid dependent...

- Norway's annual 4 billion USD aid budget is founded on solidarity in the labour and Christian movements. Aid is used as an instrument of Norway's integrated foreign and development policies.
- Bilateral state-to-state aid constitutes only 15 % of Norway's aid. The big winners in recent years aid allocation are:
 - Politically directed aid, relatively short-term and flexible, in support of human rights, peace-building and state-building
 - Global funds and targeted programmes in health, education, anti-corruption, and potentially environment / climate change
 - Programmes reflecting Norway's strengths: Oil for development

Moving out of aid dependency – Into a new aid realism?

- For 'donors':
 - We must recognize our self-interests and be open about our political goals of poverty reduction, human protection, good governance, etc.
 - We must focus on results and interfere much less in process.
 - In Paris Declaration terms: We must work more on results and alignment than on harmonization.
 - We must recognize that aid is an instrument in the ever-more complex international policy regimes on climate change, terrorism, human trafficking, epidemics, energy, human rights.
 - We must counter the strong forces of bureaucratization and control – Emphasizing diversity and political dialogue.

Moving out of aid dependency – Into a new aid realism?

- For 'recipients':
 - Governments must create political space for aid utilization, encouraging debate about local development priorities.
 - Governments and their external partners must broaden the concepts of 'local ownership' (not necessarily the Ministry of Finance) and 'country in the driving seat' (people drive, not countries).
 - Governments of developing countries must take their legitimate seat in the governance of global public goods and bads, including in the UN and in the emerging regimes.
 - All actors must adopt the mindset of political masters of aid as one among many instruments of development cooperation