

The Role of International Cooperation in Improving Aid Effectiveness: The case of the High-Level Forums of the Organisation for Economic Cooperation and Development (OECD).

By

Stanley John-Jay Amevor

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Abstract

Historically, development aid dates back to the aftermath of World War II and its principles and practices are still much in action today. Although the idea of development aid is seen to be crucial and beneficial, in reality, there have been mixed outcomes. There is an equal measure of voices arguing for and against aid being effective in contributing to the economic growth of recipient countries. Generally, there have been efforts at the global level to consolidate development aid to bring about the needed impact. The Organisation for Economic Cooperation and Development (OECD) assumed the role of rallying action around aid effectiveness through its Working Party on Aid Effectiveness (WP-EFF, 2003) forum. This study analyses the contributions of the OECD interventions in making development aid effective. The study uses secondary data predominantly on the OECD archives and current research on the aid effectiveness agenda. Using content and grounded theory analysis, the study finds that the OECD interventions have been limited in guiding development aid towards adding economic prosperity to recipient countries. In particular, these OECD strategies have not managed to reduce donor transaction costs and coordinate the highly fragmented aid delivery system. The study further finds that aid effectiveness to some extent is conditional to a favourable policy environment. This research concludes by suggesting a strict commitment to aid reform by partners, development beyond aid, and alternatives sources of development financing.

Keywords: Development Aid, Aid Effectiveness, Aid fragmentation, Economic Growth, OECD

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Background and Overview

PART I

Introduction

According to the Organisation for Economic Cooperation and Development (OECD), Development aid is defined as the financial and technical assistance offered by one country's government or multilateral institutions to another country. It must be concessional and constitute a 25 percent grant, which means that the aid should include an element of soft loans, technical assistance, and commodities such as food aid (OECD, 2019). The inclusion of grants that covers peacekeeping and other forms of military assistance and export credits may not be treated as development aid in defining Official Development Assistance (ODA) (OECD, 2019; Rady, 2013). This form of development aid is often seen as an important component for reducing poverty and promoting economic growth in recipient countries (Rady, 2013). For many, it is a form of international aid that became prominent after World War II when the United States provided financial assistance for the rebuilding of Europe through the Marshall Plan (Eichengreen & De Long, 1991). Though the Marshall Plan is criticised for its austerity policies like a cut in government spending on social interventions and higher taxes; it is often argued that it paved the way for free enterprise, the system of the competitive price system, and the introduction of competitive democracy that accelerated Western Europe's growth and development (Eichengreen & De Long, 1991). As a result of the seeming success of the Marshall Plan, many aid programs in the West have been crafted after it and have subsequently received significant coverage in the development practice as well as in the literature (Tarnoff, 2018; Thérien, 2002).

Aside from promoting the necessity of development aid, there is increasing interest and debate over aid effectiveness. A good proportion of development literature is devoted to what has been called *the aid effectiveness agenda* and how aid could be made to work in recipient countries (Asongu, 2014). A significant amount of research on the aid effectiveness agenda points to mixed results with critics and advocates often falling somewhere along the spectrum of Right-leaning and Left-leaning approaches (Thérien, 2002). A study conducted by Sachs (2011) and other advocates of international aid (see also Howes, 2014; Kelegama, 2012, Collier, 2002) reveals that aid is effective and essential in stimulating growth and achieving the Millennium Development Goals (MDGs) and other global development targets. These researchers propose a scaling up of aid to recipients. On the other side of the debate, researchers that adhere to a Right-leaning position (see Easterly, 2006; Engel, 2014; Moyo, 2009) argue that foreign aid has not been effective as a result of corruption, mismanagement, proliferation, fragmentation, and its imperialistic nature.

Since the introduction of the MDGs, there has been an increased focus on making aid effective while at the same time scaling it up. Deliberate efforts like the United Nations' (UN) led Monterrey Consensus in 2002 aimed at discussing the modalities of enhancing financing for development was initiated (UNDESA, 2003; United Nations, 2002). Subsequently, the OECD – a strong proponent of aid coordination and international cooperation - put together the Working Party on Aid Effectiveness (WP-EEF) which was mandated to establish an international development cooperation framework. The WP-EEF has since led four international High-Level Forums (HLFs) on Aid Effectiveness (Lawson, 2011). They include the Rome Declaration (2003), the Paris Declaration (2005), the Accra Agenda for Action (2008), and the Busan Partnership for Effective Development Cooperation (2011) (Cox & Jacobson, 2017).

The OECD remains a major international organisation dealing with aid effectiveness. Despite its considerable efforts and the various interventions aimed at consolidating aid, the literature is relatively skewed against the OECD when it comes to development issues such as the aid effectiveness agenda when compared to other international organisations like the World Bank, the International Monetary Fund (IMF), or the International Labour Organisation (ILO). Insights needed to move the discussion forward would be inexhaustive without examining the limited coverage the OECD received in the past decades concerning its overarching efforts to coordinate aid to the poorest countries.

Among the issues raised by the aid effectiveness agenda is a problem related to the proliferation of donors. This proliferation leads to fragmentation of aid calling for an urgent need to consolidate the aid architecture and make better use of multilateral systems to moderate the impact of fragmented aid systems. As a result, there are many international efforts to make aid more effective, for the most part, the OECD as highlighted earlier has led efforts to develop internationally agreed-upon frameworks meant to enhance aid effectiveness. The central goal of this research is to examine how the OECD's interventions contributed to the development of aid effectiveness.

The contribution of this paper is in three strands: Part I discusses the background to the current debate on the aid effectiveness agenda, highlighting the OECD and the international aid architecture, and places the ongoing analytical and policy issues into perspective. Part II highlights both the history of the OECD and its interventions on the aid effectiveness agenda. It also provides a synoptic review of some salient literature and policy issues associated with the aid effectiveness agenda. In all of these strands, aid effectiveness is critically examined. Although the various OECD HLFs will be explored, the Paris Declaration (2005) which was a

potentially important milestone and the turning point for the global aid effectiveness agenda remains the fulcrum of this paper. Finally, based on the preceding discussions, Part III offers some concluding observations on the aid effectiveness agenda and gives recommendations on aid effectiveness, and provides a roadmap for future research.

To analyse the role of the OECD interventions in ensuring aid becomes effective, this research employed a qualitative approach in analysing the literature. It used content and grounded theory analysis. A similar approach was adopted by Quibria (2014), Cox and Jacobson (2017), and Thérien (2002). This study offers a new reading of the aid effectiveness agenda, focusing on the interventions carried out by the OECD at ensuring aid becomes effective. I analysed the OECD as an institution and its aid interventions. The study depends largely on the archival research of the official OECD documentation on the HLFs and is annotated with references to the current debates on aid effectiveness agenda alongside other scholarly articles in the field. The case is being made because exploring the archives of the OECD gives a broader and contextual understanding of its interventions at making development aid effective to recipient countries. While this research relies on qualitative and grounded theory approach to explain the aid effectiveness agenda, there has been less focus on the quantitative, regression techniques, multivariate analysis, and econometric models to determine the influence of aid on growth. This remains a limitation of the study.

Evolution of Foreign Aid

Foreign aid over the decades experienced various modifications. With this in mind, discussing aid effectiveness and the OECD interventions at consolidating development aid requires a survey of what is meant by ‘foreign aid’.

In the last decades, developed countries have paid increasing attention to the needs of developing countries posed by such challenges as poverty, poor health, and lack of human development. Despite the disappointing and the mixed results of foreign aid in developing countries, aid remains an anchor in development financing and continues to play a significant role in development. Aid is often assumed to underpin progress and development in recipient countries. Many also believe that it is aimed at providing long-term curative and foundations for development rather than palliative measures (Keeley, 2012). However, a closer examination reveals that ‘foreign aid’ is more complex than these assumptions suggest.

Aid is not simply money but can include other forms of assistance like the transfer of goods, technological equipment, military hardware, or technical and expert assistance (Thérien, 2002). Foreign aid can also be characterised by a variety of motives most notably humanitarian goals, commercial aims, and strategic interests (Baker, 2014). Humanitarian assistance includes emergency food, shelter, and other goods and services primarily provided to save lives and assuage misery during crises. This form of aid can be provided in response to natural or man-made crises and has a separate form of assessment concerning its effectiveness (Baker, 2014). Economic and commercial aid on the other hand is often used by donors to promote their economic interests in recipient countries. For example, in 2011, China provided Africa assistance of RMB 1 billion and in exchange acquired service contracts worth \$1 billion (RMB 6 billion)

(Carter, 2017). In this sense, aid to developing countries can create economic opportunities for a donor's companies and employment for its workforce (Bräutigam, 2010; Carter, 2017).

Aid can sometimes be used strategically as a foreign policy tool to promote certain geopolitical interests, maintain friendly relations; and for the most part to keep a particular political regime in power as well as form political allies (Apodaca, 2017; Moschella & Weaver, 2014; Ovaska, 2003). For some analysts, aid as a foreign policy tool is among the reasons why there has been a surge in donor countries. The foreign policy objectives of donor governments can determine trends in aid volumes to developing countries (Moschella & Weaver, 2014), especially when aid is used as either 'carrot' or a 'stick' meant to induce particular actions from recipient governments (Thérien, 2002).

Development aid¹ remains the most debated type of aid in contrast to other forms such as emergency, charity, and humanitarian aid. Unlike other forms of aid such as humanitarian aid designed and spearheaded by donors, contemporary development aid is largely spearheaded by recipients with significant guidance from the donors. It is designed to address specific global policies and development targets such as the Sustainable Development Goals (SDGs). It is important to understand how these issues relate to how development aid is disbursed and its broader objectives in achieving these targets and policies hence rendering it the most debated type of aid (UNU-WIDER, 2012).

Development aid or official development assistance is the international transfer of funds from one government (bilateral) or international agencies (multilateral) to developing countries.

¹The bulk of literature on aid uses official development assistance (ODA), development aid, and foreign aid interchangeably to refer to the same concept of financial aid offered by governments and other international agencies to support developing countries. There are broad definitions of foreign aid, some from academics and others from international organisations. The definition given by the OECD Development Assistance Committee (DAC) however falls within the scope of this research hence its use.

This according to the OECD must have an overarching objective of promoting the economic development and the welfare of recipient countries and must be concessional (Reddy & Minoiu, 2006). While bilateral and multilateral aid is argued to be the largest share of development aid over the past decades (Hjertholm & White, 2014; Keeley, 2012), Write and Winters (1990) argue that multilateral aid is likely to spur growth, whereas bilateral aid may not. According to them, multilateral aid is largely not beholding to strategic interests unlike bilateral aid (Wright & Winters, 1990).

Aid has remained crucial in developing countries over decades and consistently, aid, particularly bilateral and multilateral aid has increased over the period to developing countries. Hjertholm and White (2014) account that multilateral aid for instance has risen about 23 percent in the 1970s to nearly 30 percent in the 1990s and continue to increase to present decades.

UNU-WIDER (2011) reports that from 1970 through 2007 for instance, there has been an average long-term annual inflow of US\$25 aid per capita to developing countries.

While some authors like Doucouliagos and Paldam (2008) argue that foreign aid has existed for several decades and predates World War II, others such as Edwards (2015) maintain that foreign aid is a relatively new concept in development practice. According to Doucouliagos and Paldam (2008), the evolution of development assistance or foreign aid can be classified under six periods which are discussed as follows.

The first period begins in the aftermath of World War II. The 1950s played a pivotal role in the development aid program. According to Edwards (2015), the 1950s was characterised by two main theoretical frameworks that defined development – the Harrod-Domar model and the Arthur Lewis labour model. While the Harrod-Domar model underlines the role of capital accumulation and savings in determining growth, the Lewis Arthur labour model explains the

importance of labour in stimulating growth. These two models emphasised the importance of increased savings and investment in long-term growth and development (Edwards, 2015).

Browne (1997) and Thorbecke (2000) also provide a similar account of aid flow in the 1950s. Browne refers to this decade as the Keynesian post-world war era that experienced growth and modernisation due to increased capital savings and investment. Thorbecke also emphasised the significance of capital accumulation and investment in infrastructure and industry. He points out that industrialisation was seen as the driving force of the future economy, thus; a larger part of resources was directed towards industrial activities and social projects (Thorbecke, 2000).

The second period of aid evolution is in the 1960s. This period is characterised by an emphasis on ‘development’ as reflected by the United Nations’ declaration in January 1961 of *Decade of Development* (OECD, 2006). This period experienced a surge in aid flows to poorer countries and saw the emergence of new aid donors such as Japan, West Germany, the Netherlands, and the Scandinavian countries (OECD, 2006). Doucouliagos and Paldam (2008) observe that it was this period that ODA was institutionalised; Western donors agreed to earmark a 0.7 percent target of their Gross National Product (GNP) to development assistance. Doucouliagos and Paldam further point out that GNP growth, capital transfer, and investment remained the focus of both donors and recipients. Ali and Zeb (2016) recount that in the 1960s, it was generally assumed that heavy investment in infrastructure would trickle down to the benefit of the poor in the recipient countries. Despite the increase of capital investment in this period, the trickle-down effect projected did not materialise in the poorest countries (Ali & Zeb, 2016; Pearson Commission Report, 1969).

The third era of the 1970s witnessed a steady rise in the percentage of aid extended by multilateral organisations such as the World Bank and the International Monetary Fund (IMF) (OECD, 2006). Ali and Zeb (2016), point to the upward trend in all development assistance extended by member countries of the OECD and a corresponding surge of development assistance extended to developing countries in this era. By the 1970s, all the development assistance extended by member countries of the OECD combined was 30 percent compared to the 1960s which was between 0.1 and 10 percent (Ali & Zeb, 2016). Browne (1997) attributes the increase in aid flow in this decade to the emergence of non-traditional donors including countries belonging to the Organisation of the Petroleum Exporting Countries (OPEC). He explains that a large percentage of this aid was untied, and recipient countries could import goods and services from any country (Ali & Zeb, 2016). According to some analysts, untying aid² increases the cost-effectiveness of aid-financed imports and spurs growth (Hjertholm & White, 2014). In this period also, the focus of development assistance shifted and was driven by agriculture, rural development, and social services including housing, education, and health (Ali & Zeb, 2016, Browne, 1997).

The 1980s coincided with multiple changes concerning the history of development aid. The period could be described historically as the era of neoliberalism and debt forgiveness (Thérien, 2002). In this period, the private sector increasingly got involved in the economy whereas the state participated less and was seen as a problem to development (Ali & Zeb, 2016). Globally, the World Bank and the IMF were dominant actors responsible for development

² Tied aid is a potential source of market distortions, especially in situations where the donor is overly concerned with promotion of home exports. It also has the potential of limiting recipients choice of countries to purchase products from resulting in high cost of aid management to recipients such that aid effectiveness is impaired. Untied aid on the other hand generally is seen as a way of increasing aid effectiveness by reducing transaction costs and enabling recipients to set their own rules regarding the use of aid especially aid-financed imports.

assistance program delivery while nationally, the private sector and Civil Society Organisations (CSOs) managed and administered aid (Ali & Zeb, 2016). It was assumed that stakeholder involvement would promote aid efficiency and reduce fragmentation resulting in much-needed economic growth (Ali & Zeb, 2016).

The 1980s were also marked by a global financial crisis, especially in the Global South. The crises included debt crisis, budget deficits, oil shocks coupled with international high-interest rates (OECD, 2006; Ali & Zeb, 2016). The crisis swelled the debt stock of poor countries from \$639 billion to \$1341 billion resulting in the indebted poor countries' inability to pay off their debts (Thérien, 2002).

This historic debt crisis changed the face of development assistance and aid architecture globally. The debt crisis necessitated a call for debt cancelation and forgiveness by multilateral institutions and donor countries especially for the poorest and most indebted countries (Keeley, 2012). ODA was used to assist countries that were struggling at this period. It also required aid recipient countries to implement the Structural Adjustment Programs (SAPs) as a requisite for accessing new loans and development aid (Ali & Zeb, 2016; Dollar & Svensson, 2000). SAPs were spearheaded by the IMF and the World Bank. This became the only development model for poor countries saddled by the crisis (Thérien, 2002). SAPs were characterised by two main policy reforms – limiting the role of state participation in the economy and strengthening that of the market in the economy (Thérien, 2002).

The 1990s marked the fourth decade of development assistance and was characterised by a downward trend in foreign aid otherwise known as *aid fatigue* (Bauhr, 2016). The average aid assistance of OECD member countries became the lowest at just 0.3 percent of GNP (Ali & Zeb,

2016). The fourth decade of development assistance became known for aid dependency and reliance on long-term aid resulting in chronic poverty and underdevelopment in recipient countries (Acaye, 2015). Another significant event in this period was the demise of the Cold War which dissipated geopolitical interest in the developing world and by extension bilateral aid to developing countries. For example, in the 1960s, the United States donated 60 percent of the total OECD aid, but by the 1990s that percentage had fallen to only 13 percent. Needless to say, the end of the Cold War played a significant role in reducing aid assistance from the United States to low-income countries (Wright & Winters, 1990).

This period also presents a discussion on how development assistance could be delivered better. Hynes and Scott (2013) emphasise that the demise of the Cold War stimulated introspection discussion among development partners about the fundamental justification of aid. They explain that this provided an occasion to re-examine the modalities of aid delivery such that it reduces fragmentation while ensuring its effectiveness (Hynes & Scott, 2013). They further add that the deliberation also provided an opportunity to re-examine the definition of ODA to include concession (borrowing at a low-interest rate) and debt relief (Hynes & Scott, 2013).

The final period of the history of foreign aid is the contemporary moment starting from the 2000s to the present. During this time, the international political landscape has been characterised by conflicts and instability, especially in developing countries. Many countries have been transitioning from military regimes to democratic consolidation with calls for inclusiveness and equality (Thérien, 2002). As such, aid programs to these countries are aimed at tackling poverty and wealth inequality and strengthening institutions such as the judiciary, executive, legislature, and security apparatus (Thérien, 2002). On a larger scale, initiatives like

the MDGs and the SDGs were introduced and were targeted at eradicating absolute poverty, improving healthcare, gender equality, and addressing environmental degradation. These targets now often determine the flow of ODA (Ali & Zeb, 2016, Wells, 2013).

The present aid architecture has also introduced a relatively new component or type of aid known as remittances. In this era, private capital flows and remittances from migrant workers became the two largest sources of *aid* from wealthy countries to poor ones. This surpasses the amount of ODA provided by those countries and the inflow of remittances (Laniran & Olakunle, 2019). In 2019 for instance, remittance flows to developing countries amounted to \$548 billion higher than a foreign direct investment at \$534 billion and ODA at \$166 billion. In most developing countries including some Latin American countries, remittances are the third-largest source of income after oil exports and tourism (Ratha, 2019). The remittances are seen to have a significant impact on growth and development in this period in that the funds which are transferred are largely untied and effectively coordinated (Laniran & Olakunle, 2019).

The Aid Effectiveness Agenda

A central concern of foreign aid is whether it spurs growth in recipient countries. Simply asked; has foreign aid been effective? Is there a better way to deliver foreign aid? The ensuing sections address these questions.

While foreign aid has become a significant component of development programs and increased substantively over decades, there remain significant challenges that confront its effectiveness. While both traditional and non-traditional donors have increased, donor fragmentation has worsened making the impact of aid deleterious (Howes, 2014). As a result, aid

has become less predictable, less transparent, and more volatile while imposing huge costs on recipient countries (Paterson, 2014; Rogerson & Steensen, 2009). Fragmentation contributes to high transaction costs that affect donors and recipients. In 2012 for instance, Anderson's economic tool used in measuring transaction costs reveals that bilateral donors could save between US\$1.4 and \$2.5 billion annually in transaction costs if aid was consolidated and allocated efficiently (Paterson, 2014). Aside from aid fragmentation, critics of aid such as Easterly (2014) and Moyo (2009) argue that aid is problematic and ineffective due to issues such as dependency syndrome, corruption, and currency overvaluation. They further argue that it distorts the market while limiting the recipient's full participation in the economy.

There is an increased contestation about how foreign aid effectiveness is measured. Determining aid effectiveness requires the measurement of indicators such as growth and poverty reduction. For example, Quibria (2014) argues that many studies use the cross-country regression which is more aggregative and limiting in scope. According to Quibria, an increase in savings and investment increases Gross Domestic Product (GDP) but does not necessarily stimulate growth. He suggests that a reliable assessment of effectiveness should focus on the target of what aid is allocated to achieve and whether it has been accomplished (Quibria, 2014). He criticises the savings-investment nexus by suggesting that it does not necessarily lead to growth. Quibria suggests that research on aid effectiveness and policies need to be linked and that the confluence of research and policies is indispensable in understanding aid effectiveness and the fragmentation of appropriate policies (Quibria, 2014).

Cox and Jacobson (2017) argue that the debate about aid effectiveness increased as a result of donor confusion and mixed reactions to outcomes of foreign aid. It is generally agreed by researchers that aid has huge impacts on recipients' GDP, however, this growth remains

insufficient to deliver an equitable distribution of benefits to the larger population (see Fenge & Kharas, 2010; Cox & Jacobson, 2017). The debate for development aid to become effective in spurring growth in recipient countries has therefore become essential in recent times in ensuring that development aid achieves its objectives such as poverty alleviation and promotion of economic development (Killen, 2011). Killen (2011) suggests that for aid to be considered effective, the benefits should outweigh the cost. He further states that foreign aid is more useful when utilised in a way that brings about economic and human growth in recipient countries (Killen, 2011).

The demand for aid to be made effective increased during the introduction of the MDGs in 2000 drawing the attention of the OECD WP-EFF. The overarching objective of the OECD WP-EFF was to coordinate aid to the poorest countries. The OECD, which will be discussed in greater detail in Part II of this paper, also highlighted a major point that promoting widespread and sustainable development was not just about the amounts of aid given but equally important was how aid was delivered (OECD, 2019).

The Paris Declaration (2005) on aid effectiveness encapsulates the issue succinctly. It describes aid effectiveness as the commitments made by the partners to the principles aimed at ensuring that aid becomes as effective as possible while working towards attaining the various globally agreed development goals and objectives such as the MDGs (OECD, 2008c). The MDGs were global targets set to ensure sustainable development, equality, and poverty eradication. Development assistance to developing countries aimed at meeting the targets increased significantly since the adoption of the MDGs in 2000 (Ali & Zeb, 2016). At the same time, aid coordination became predominant in development and policy discussion. This resulted

in the increased effort by the global community at ensuring aid and development assistance becomes effective towards achieving the MDGs (Ali & Zeb, 2016).

The Millenium Declaration that resulted in the adoption of the MDGs culminated in the Monterrey Consensus in 2002 (UNDESA, 2003), which in turn led to the launch by the OECD of the first of four HLFs on aid effectiveness since the 2000s aimed at achieving the aid effectiveness agenda (Killen, 2011). These HLFs are discussed in more detail in the subsequent section.

The OECD and International Development Aid Architecture

This section grounds the argument that aid effectiveness is hinged on the international aid architecture of which the OECD is one component. This is because, given the value that aid offers for development, the debate for effective aid is practically irrelevant without understanding its dominant policy frameworks and the governing structure. The international aid architecture is relatively a broader concept. This section is not exhaustive but only deals with aid architecture as it pertains to the policy frameworks of the OECD.

Ensuring that aid becomes effective in achieving its overarching objectives of promoting economic growth and the welfare of recipients has become very crucial. Foreign aid in real terms³ has increased over the last few years increasing global calls for aid coordination (OECD,

³ As reported by the OECD in 2019, ODA by member countries combined as a per cent of GNI was 0.30 compared to 0.31% in 2018. In 2019, the in-donor refugee costs stood at USD 10.2 billion representing, a 2% fall in adjusted values compared to 2018. However, in real terms, if such costs are excluded, the ODA rose by 1.7% (USD 153.5 billion in 2018 to USD 152.8 billion in 2019) representing an increase in aid flow in recent years. The difference in the fall in current dollar terms is attributed to lower exchange rates of some currencies against the United States dollar. As per OECD, six countries contributed more than 10% of the total ODA.

2020).⁴ The OECD has since become the primary international organisation leading the aid effectiveness agenda. The OECD coordinates aid to the poorest countries to prevent difficulty in the governance of aid as the proliferation of donors is causing aid to be fragmented. Aid fragmentation has become an imperative issue for consideration particularly for recipient countries as it has been found to impact aid efficiency (Lawson, 2011). This further deepens calls for coordination among donor countries and the need for international development aid architecture to curtail fragmentation to consolidate development aid to bring about the needed impact (Lawson, 2011).

The call for development aid to be consolidated has brought consensus and support among actors of foreign aid in recent decades in the form of improved donor coordination and centralisation of development aid activities (Lawson, 2011). Unlike the global trade architecture that has been in existence for decades, no forum brought together all the large donors of international aid until the formation of the OECD in 1961 and the subsequent interventions carried out in the early 2000s. The OECD is a multilateral organisation aimed at improving the competitive global economy and promoting world trade and provides a platform to discuss issues related to development and aid (Cox & Jacobson, 2017; Lawson, 2011). The OECD monitors aid through its Development Assistance Committee (DAC), aid from 20 other countries, and all main multilateral aid agencies (Cox & Jacobson, 2017). It has since become a leader for the aid effectiveness agenda and has championed and sponsored a series of HLFs aimed at making aid more effective and efficient (Burall, S.; Maxwell, S. & Menochal, 2006). The bulk of the aid

⁴ See OECD, “Aid by DAC Members Increases in 2019 with More Aid to the Poorest Countries,” April 16, 2020, Available at <http://www.oecd.org/dac/financing-sustainable-development/development-finance-data/ODA-2019-detailed-summary.pdf>.

effectiveness agenda and interventions by the OECD focused on economic growth and human development in recipient countries (Burnside & Dollar, 2000).

Central to the goal of the international aid architecture is to deliver aid effectively while stimulating growth and ensuring poverty reduction in recipient countries. This is underscored by the Monterrey Consensus (2000) that officially opened the discussion for aid effectiveness (Christiansen & Rogerson, 2005, OECD, 2000a).

The principles governing the international aid architecture and the modalities of how aid is delivered are the fulcrum of the 2005 Paris Declaration on aid effectiveness. These principles accentuate the need to deliver aid in ways that support ownership, harmonisation, alignment, results, and mutual accountability (Bräutigam et al., 2010). Whether the principles are followed in the delivery of aid remains highly contested (Bräutigam et al., 2010, OECD, 2008a).

While aid architecture requires partners, mostly donors to follow certain processes in delivering aid to developing countries, most western donors rather consider certain factors such as international relations and foreign policy interests in aid delivery (Christiansen & Rogerson, 2005). The pursuits of these interests determine the direction and the flow of aid which may undermine the international aid architecture (Christiansen & Rogerson, 2005). Some earlier aid allocation studies including Hjertholm and White (2014), Christiansen and Rogerson (2005) find that between 2000 and 2002, aid flows to some countries in the Middle East more than doubled from \$1.2 billion to over \$2.7 billion. Similarly, there was an enormous increase in the United States aid flows to Pakistan from \$40 million (1998-2000) to \$770 million in 2002. This trajectory, Hjertholm & White, 2014, Christiansen & Rogerson, 2005 suggest may undermine the

international aid architecture resulting in aid fragmentation due to the geopolitical interest attached.

The work of Brautigam et al. (2010) was particularly important to the OECD and the international aid architecture as they criticise the global aid regime for its silence on democracy and human rights issues. Unlike several bilateral and multilateral donors whose aid delivery is largely limited to the issues of democracy and human rights, the OECD represents standards and norms that underline aid delivery including the adherence to transparency, governance, and corruption frameworks (Bräutigam, 2010). While traditional donors continue to coordinate their activities by complying with the aid architecture norms, emerging donors such as China are said to depart from the aid architecture norms. Bräutigam (2010) reveals that the Chinese state, for instance, plays a crucial role in policy loans thereby distorting the market rules governing aid delivery and ultimately reduces its effectiveness and impacts in recipient countries.

In the last few years, China continues to play a crucial role in the development aid business. China has become a major actor to reckon with in the aid business and therefore its mode of aid delivery must be assessed. Since 1956 for instance, China has provided over 900 aid projects to African countries and has a long-term plan by providing Africa with \$1 trillion financings including direct investment, soft and commercial loans by 2025 (Carter, 2017). China is not a member of the OECD and does not follow its definition of aid and practice on development aid. This represents a stark contrast with the OECD's aid architecture. China's mode of aid delivery has generated heated debates especially with its huge presence in Africa. While researchers have criticised its mode of aid delivery as ineffective as a result of factors such as its long-term negative consequences associated with neglecting issues of governance, human rights, and government corruption in exchange for natural resources (Bräutigam, 2010). Others

argue that it is effective and has delivered major projects in Africa ranging from a wide array of projects such as the Tanzania-Zambia Railway built between 1970 and 1975 (Bräutigam, 2010). They further added that the overhead cost of China's aid is lower than that of the OECD and the Western model with lower conditionalities providing an alternate framework for developing countries against the OECD international aid architecture. China's model largely proffers an important lesson of finding success from purported failures of the Western aid architecture (Carter, 2017).

Brautigam (2010) describes the international aid architecture as a division of development finance comprising of a "system of institutions, rules, norms, and practices that govern the transfer of concessional resources for development" (Bräutigam, 2010, p.8). Bräutigam further adds that the international aid architecture is made up of institutions and actors who are the players including – bilateral and multilateral donors, NGOs, the OECD, Paris Club, and the DAC. Another component of the international aid architecture is volumes and composition which includes the amount of aid flows over time. The five principles of the Paris Declaration (2005) also form part of the international aid architecture and defines the mode aid is programmed and delivered. The final component is rules and standards that comprise the universal norms agreed by the DAC members, and the Bretton Wood Institutions (Bräutigam, 2010).

Burall (2006) and his colleagues criticised the development aid architecture citing its complexity and the high transaction cost it imposes on partners particularly recipients. Despite such criticism, the international aid architecture is often presented as crucial to ensuring that aid becomes as effective as possible. At a minimum, it has shaped how aid is delivered and consolidated.

PART II

The Trajectory of the OECD's Interventions and the Aid Effectiveness Agenda

Synopsis of the OECD

International organisations have continued to play pivotal roles in international cooperation and development over the past decades. Woodward's (2007) work on the OECD and other multilateral institutions is particularly important in understanding the contributions of international institutions to international cooperation and development (Woodward, 2007). The author highlights the significant contributions made by the OECD and other multilateral institutions to international cooperation and development such as the shaping of international norms and frameworks that regulate the global economy (Woodward, 2007).

Interestingly, despite the significant contributions made by these institutions, the compendium of evidence has shown that most of them are understudied, most notably, the OECD. The OECD provides policy assistance to governments but it is the least studied by researchers and analysts concerned with international aid. Exceptionally, Woodward (2007) postulates that a careful survey of articles published on multilateral organisations largely excludes the OECD and most importantly, its archives are heavily understudied.⁵ This is as a result of the supposedly less popularity of this organisation, less internal funding to study its

⁵ Woodward (2007) finds that quantitatively articles on the OECD's work in early 2000s was 34 and was only a little ahead of the World Bank's 26 in terms of published articles unlike the WTO with 211 articles during the same period, and the IMF with 48. However, Woodward finds that only 15 of these OECD articles contained significant material about its operation as well as its contribution to global frameworks of rules further asserting that it is the least studied and investigated by researchers.

activities, and largely its closed activities to the public scrutiny relative to other international organisations like the IMF and the UN (Cox & Jacobson, 2017).

The OECD is largely described as the economic counterpart of the North Atlantic Treaty Organisation (NATO) (Ryosuke, 2007) and a forum organisation that provides a platform for member countries to discuss issues of mutual interest and benefit (Cox & Jacobson, 2017).

Wolfe (2008) notes that the OECD's origins lay with its predecessor to the Organisation for European Economic Cooperation (OEEC), which was founded in 1948 in response to the horrors of World War II. Wolfe explains that after World War II, the OEEC was established to administer the Marshall Plan aid for the reconstruction of Europe and for ensuring a stable and prosperous international order. The perceived success of the OEEC and its subsequent demise ushered in the OECD to further champion the economic world order (OECD, 2008; Ryosuke, 2007; Wolfe, 2008).

The OECD was established in 1961 by 18 European countries led by the United States and Canada (Cox & Jacobson, 2017; Wolfe, 2008). The OECD is a multilateral economic organisation dedicated to promoting trade, pluralistic democracy, and economic progress among member states and partners while establishing frameworks of rules for the global economy and practices that coordinate activities such as trade and development aid (Cox & Jacobson, 2017; Woodward, 2007). The OECD also makes the case that it contributes to strengthening the capacities of people and countries to achieve a fairer and more secure world (OECD, 2006). Cox and Jacobson (2017) argue that given the diversity and the fluidity of the global system coupled with its challenges, multilateral organisations including the OECD continuously undergo reform to meet global demand. The OECD has since reformed and attracted membership across the

world. As noted, at its founding, there were 18 members, but membership has expanded over the period to include members from South America and the Asia-Pacific expanse (Cox & Jacobson, 2017). Moreover, the OECD's focus has broadened over time to include extensive contacts with non-member states. Today, there are 37 OECD members globally and the organisation has developed into a multi-thematic and knowledge-based expert organisation playing key roles ranging from education to economics (Cox & Jacobson, 2017; OECD, 2008; OECD, 2020). The OECD also expanded to include the forum of the Development Assistance Committee (DAC) to discuss issues of aid, development, and poverty in developing countries (Wolfe, 2008).

Wolfe (2008) chronicles that, at its founding, the OECD was mandated to perform three distinct functions. First, the OECD was created to cooperate and bring together the economies of developed member states for mutual benefits. Secondly, the organisation sought to coordinate the policies of developing states. The final function involved ensuring a balanced and effective international economic system (Wolfe, 2008).

The OECD itself as a multilateral economic organisation is not responsible for aid. The DAC of the OECD is the forum responsible for policy discussions on Official Development Assistance (ODA) of member states. The DAC is a forum under whose umbrella the major bilateral aid donors globally meet to assess and coordinate aid policy and work to make development assistance effective (Woodward, 2007).

Wolfe (2008) opines that though the OECD is not an executive, rule-making organisation, its decisions are based on consensus and thus all members are encouraged to comply with them. There are however few measures put in place to check those who do not obey them such as monetary penalties (fines).

Further, the OECD operates within three organisational structures in executing its mandates. First, the Council; this consists of Ambassadors from member states and is responsible for the strategic direction of the OECD. Conversely, the Council is vested with decision-making power. Secondly, the Secretariat is vested with the collection of data, conducting research, and analysis. Lastly, the Committees are responsible for the discussion and implementation of ideas and policies (Wolfe, 2008).

The OECD is distinctively identified by three themes – policy ideas, evaluation, and data generation (Cox & Jacobson, 2017). The work of Cox and Jacobson is particularly important in understanding the rules and functions of the OECD which makes it particularly distinct from other multilateral organisations. Three essential characteristics distinguish the OECD. Firstly, the OECD is known for its autonomy and independence. Secondly, the OECD policies are largely neutral and resonate with the member country's citizens. Lastly, in contrast to other international organisations, the OECD has enjoyed some level of plausibility and reputation in respect of its data and information (Cox & Jacobson, 2017).

The OECD remains very vital in advancing liberal economic reforms since its inception among member countries and has contributed to policies ranging from labour, governance, deregulation, privatisation, corruption, and money laundering. The OECD is largely suggestive and does not push policies on member countries (Cox & Jacobson, 2017).

Some of the OECD policies are lauded by researchers. Jackson (2013), for instance, contends that the untied aid and the free-market policies pursued by the OECD fosters economic development in member countries. He further adds that such policies are a means by which member countries can achieve sustainable growth and development (Jackson, 2013). He further

emphasises that over the years, the OECD has worked to address global imbalances and structural reforms and has developed a framework for strong, sustainable, and balanced growth especially during the 2008 global financial crisis (Jackson, 2013).

For some scholars, the OECD is argued to be one of the most trusted and reliable multilateral economic organisations and has contributed significantly to the international norms and practices of international organisations. It remains a critical institutional driver in addressing the challenges confronting the world in different forms, most notably, improving aid effectiveness (Wolfe, 2008).

Despite the significant strides made by the OECD, there is significant literature that criticises the organisation. This is generally on operational, composition, and foundational grounds. Critics contend that the OECD exceeds the authority of national governments and undermines their sovereignty and yet is accountable to no one (Jackson, 2013). Jackson further criticises the OECD as an economic cartel and that some of its policies like free trade and open market policies promote the interest of advanced economies like the United States. He adds that these policies can hurt developing economies (Jackson, 2013). Also, the composition of the OECD is problematic for many researchers. They contend that the OECD is perceived as a *Rich Man's Club* and *Donors Club* that accept only countries from the West (Cox & Jacobson, 2017; Jackson, 2013). There is also the perceived narrowness of its membership to include countries committed to a free market economy and competitive democracy while excluding major market players like China (Jackson, 2013).

When the OECD was established in 1961, researchers like Cox and Jacobson (2017) contend that it was under-resourced and not well-positioned to counter the threat of globalisation and emerging economies.

Other studies, however, argue that while the OECD works to address the complexities and challenges that confront it in a highly volatile global environment, it must likewise work towards tackling emerging and contemporary challenges like trade protectionism, illiberalism, the rising tide of populism, anti-globalists, competition from global entities like the G20 and the Financial Stability Forum, and the emergence of chauvinistic political actors among member countries and beyond (Cox & Jacobson, 2017; Jackson, 2013; Woodward, 2007).

The OECD Interventions

The previous section succinctly summarises the overview of the OECD while highlighting the significance of international corporations in the aid effectiveness agenda.

As previously noted, much of the conventional aid literature generally agrees that aid can contribute to the development and international cooperation on aid policy enables partners to address pressing issues. Foreign aid remains a central policy tool for poverty reduction in the recipient countries and it can assist in thriving private sector-led growth. A well-utilised aid is an equally important tool in preventing conflict and supporting pluralistic democracy (OECD, 2006).

In its existence over the past decades, the OECD remains rallying support for ensuring aid becomes as effective as possible by engaging other partners in working to minimise the

challenges that burden aid management. The OECD has strongly supported the implementation of the recommendation it has agreed on with regards to coordinating aid to the poorest countries (OECD, 2006).

Manning (2008) argues that the issue of aid effectiveness gained momentum and attention in the 2000s after formal efforts and a global response were initiated to tackle the issue. This coincided with the adoption of the Millennium Declaration and the MDGs in 2000 and ushered in a formal discussion on the aid effectiveness agenda. The OECD has since initiated four HLFs as a result (Bigsten & Tengstam, 2015).

The HLFs afford various actors from the international donor community, developing countries, and CSOs to meet to discuss the most efficient and effective ways aid could be managed and delivered to ensure that a fairer and egalitarian development is achieved. The various stages toward aid effectiveness agenda were the Millennium Development Declaration in 2000 and the Monterrey Consensus on Financing for Development in 2002 as seen earlier became the axle for the aid effectiveness agenda discussions (United Nations, 2002).

The Monterrey Consensus was adopted by Heads of State and Governments in Monterrey, Mexico in March 2002 and aimed at making funds available to achieve the MDGs (UNDESA, 2003). The Consensus brought together over fifty Heads of State, two hundred Ministers of Finance, Development, and Trade. Officials from multilateral institutions including the UN, IMF, the World Bank (WB), and the WTO, CSOs, high profile business leaders, and other patrons also participated in the meeting (United Nations, 2002). The Monterrey Consensus paved the way for the first HLFs on the aid effectiveness agenda and the subsequent interventions (United Nations, 2002).

This subsequently brought together the OECD's WP-EFF in 2003. The WP-EFF was mandated to put together an international development cooperation framework and has since supervised four international HLFs on aid effectiveness (Bigsten & Tengstam, 2015; Lawson, 2011).

The first HLF was held in Rome, Italy in 2003. It discussed among other things how development assistance could be delivered on priorities and timing of the countries receiving it. The key focus of the Rome Declaration was how donor partners were committed to align their assistance to recipients' strategies, institutions, and structures and to work towards donor harmonisation. The declaration committed partners to ensure aid becomes effective and aimed at eradicating poverty while promoting growth and a fair global economic system (Lawson, 2011; Manning, 2008; OECD, 2003).

Lawson (2011) affirms that the declaration has contributed largely toward better aid delivery and coordination. There was however no well-established specific goals and objectives by which an assessment could be done such that donors' and partners' commitment to making the changes in their systems could not be measured effectively.

The second HLF on aid effectiveness was held in 2005 in Paris and led to the establishment of the Paris Declaration. The HLF on Harmonisation in Rome (2003), the core principles of the Marrakech Roundtable⁶ on Managing for Development Results (2004), and the

⁶ The Marrakech Roundtable on Managing for Development Results (MfDR) was a global plan for improving development statistics. It was agreed at the Second International Roundtable on Managing for Development Results in Morocco in 2004. The Roundtable recognises the importance of statistics for achieving better development results and therefore agreed on ways for improving national and international statistics. It brought together more than 60 representatives of partner countries deliberating with representatives of bilateral and multilateral development partners to discuss the challenges of MfDR. The Roundtable identified three core principles: first, relying on and supporting partner own priorities, objectives, and results; second, coordinating with other development agencies under partner country leadership to promote joint action whenever possible; third, strengthening partner countries own institutions, systems, and capabilities. These principles are applicable at all levels and aimed at helping

modalities of the OECD-DAC ushered in the Paris Declaration on aid effectiveness. It was aimed at achieving the MDGs and improving aid effectiveness (see Engberg-Pedersen & Lundsgaarde, 2019; KPMG, 2011; Lawson, 2011; OECD, 2008d).

Engberg-Pedersen and Lundsgaarde (2019) argue that though the previous forum highlighted the relevance of aid effectiveness, the Paris Declaration marked a turning point in the history of development cooperation. They assert that the Paris Declaration came at the time the global community was rallying against poverty which resulted in the subsequent endorsement of the MDGs in 2000 (Engberg-Pedersen & Lundsgaarde, 2019). That said, the Paris Declaration became the fulcrum of the aid effectiveness agenda discussions (Engberg-Pedersen & Lundsgaarde, 2019). Lawson adds that in contrast with the first HLF, the Paris Declaration provides unambiguous and detailed goals and a strong monitoring process which was subsequently consented to and signed by 35 donor countries, 26 multilateral partners, 56 recipient countries, and about 14 CSOs (Lawson, 2011).

The Paris Declaration promoted five principles: ownership, harmonisation, alignment, results-based management, and mutual accountability (Lawson, 2011). The principles focus on specificity. First and foremost, ownership - this principle aimed to place recipients in control of their development and limit the ability of donors to dictate policies to them than hitherto been the case. Secondly, alignment - donor countries were to align with recipient development policies and use local systems for aid delivery and procurement processes. Also included among the principles is harmonisation - simplification of procedures and information sharing by donors to avoid replication. Further, results-based management - the need for recipients and donors to

developing countries focus on managing results such that they can make better policy decisions and formulate better strategies for development.

achieving results and monitoring such results. Lastly, mutual accountability - donors and other partners are to take responsibility for development results (Lawson, 2011; OECD, 2008b; Samy & Aksli, 2015).

The declaration presented twelve indicators in monitoring its implementation while stepping up efforts for donors and changing the pendulum from traditional donor-driven to a more pragmatic partner-driven aid paradigm (Engberg-Pedersen & Lundsgaarde, 2019).

While Engberg-Pedersen and Lundsgaarde (2019) emphasise the lack of modality for the Paris Declaration implementation at the country-level leading to slow adaptation of the principles, Bissio (2008) finds that most of the targets of the Paris Declaration goals were inconsistent and were not time-bound, as such these targets do not make partner governments responsible for its implementation and evaluation. Similarly, the Paris Declaration was skewed towards the donors while the rights and responsibilities were not fairly distributed. Recipient countries could attract sanctions for not implementing conditionalities while donors are not sanctioned for any disagreeable action (Bissio, 2013). Bissio further argues that some power play from major contributing countries within OECD may influence decision-making processes. In this regard, critiques including Bissio (2013) observes that this extension of power by dominant players in OECD creates doubt about the independence of this organisation.

Further, the debate on aid effectiveness did not start with the Paris Declaration but it became the fulcrum and a pivotal point upon which other HLFs were formulated (Droop et al., 2008). The Paris Declaration as indicated by Wood & Betts (2013) and Engberg-Pedersen & Lundsgaarde (2019) have made considerable and significant progress to reform the ways aid is managed and delivered such that the Paris Declaration stress on the donors to work with the recipient countries existing administrative and procurement systems which had not hitherto been

the case. The Paris Declaration reflects the bottom-up approach to development relative to past practices. The declaration also presents 56 partnership commitments organised around five principles; to consolidate development aid to minimise proliferation, harmonise how aid is coordinated, ownership of policies such that the declaration sought to move away from the donor-driven approaches, managing for results, mutual accountability, and align aid by ensuring that the donors use recipient country systems to bring about the needed impact. That said, the progress has however been slow. Droop et al. (2008) indicate that one of the five principles, mutual accountability, is a great determinant of the quality of aid effectiveness and the implementation of the Paris Declaration. Its progress has however been slow more than other principles thereby impeding Paris Declaration implementation and aid effectiveness.⁷ Lastly, although the Paris Declaration curtails' donors from influencing recipients' development policies, Droop et al. (2008) find that the Paris Declaration is inherently power imbalanced such that some donors still determine the contents of development policies of recipient countries.

The third HLF was the Accra Agenda for Action. This was held in 2008 in Accra, Ghana. The Accra Agenda for Action was a build-up on the Paris Declaration and was mandated to examine the results of the 2006 and 2008 surveys on the Paris Declaration implementation while focusing on improving the predictability of aid flows and ensuring a strong commitment to working through recipient country systems (OECD, 2008d). The Accra Agenda for Action also aimed at strengthening and deepening the implementation of the Paris Declaration on the aid effectiveness agenda while empowering recipients to take control of their development (OECD, 2008d).

⁷ A monitoring survey conducted by the OECD-DAC in 2006 and 2008 reveals that the overall progress of the implementation of this principle by donors and recipients has been slow such that donor behavioural change towards implementing the Paris Declaration Differed.

The Accra Agenda for Action also emphasised the role of CSOs, NGOs, citizens, and parliamentarians in the development and aid effectiveness agenda more than had hitherto been the case (Lawson, 2011; OECD, 2008d). It also introduced mechanisms that were pragmatic in evaluating the aid effectiveness agenda. Lawson (2011) points out that the International Aid Transparency Initiative (IATI) was launched during the Accra Agenda for Action to provide access to data on aid activities, particularly the amount of aid provided, what it is spent on, and the designated aims to be achieved thereby describing the Accra Agenda for Action as the high point of the aid effectiveness agenda.

In a follow-up to the previous HLFs, three new agreements were entered into in 2010 aimed at making aid effective and improving development. One important agreement was the Bogota Statement aimed at implementing and reaffirming the Accra Agenda for Action principles towards effective and inclusive development partnerships (OECD, 2010). The Bogota Statement hinged on what the OECD described as ‘win-win outcomes’ such that all partners including donors had full participation. This also presented horizontal partnerships where there were equal opportunities and responsibilities, unlike the vertical partnerships and power-imbalanced that had hitherto been the case (OECD, 2010). The Bogota Statement recognises the importance of South-South Cooperation to deepen knowledge exchange and mutual learning for effective development (OECD, 2010). It brought partner countries at global, regional, and country levels together for effective cooperation in achieving the MDGs while addressing looming global challenges that have saddled the global community like inequality, human rights abuse, and global warming (OECD, 2010). The Bogota Statement recognises the importance of these issues to effective development and contends that such issues remain “foundations for achieving enduring impacts on the lives of people, primarily poor and marginalised populations”

(OECD, 2010, p.1). That said, the Bogota Statement suggests capacity building for partners and equal participation for effective triangular cooperation among partners such that the challenges that impair aid and hampers development effectiveness could be addressed (OECD, 2010).

The second agreement was the Dili Declaration and was aimed at renewing partners including donors' commitment to the Paris Declaration and Accra Agenda for Action, and ensuring good governance in fragile states through peacebuilding (Kelegama, 2012). The third agreement was the Istanbul Principles aimed at coordinating development activities and the CSOs (Kelegama, 2012).

The Busan Partnership for Effective Development Cooperation was the final HLF. It brought over 160 countries and 50 partners together while emphasising country-level accountability. It was held in Busan, Korea in November 2011 (OECD, 2011). The Busan Partnership marks the evolution of international development cooperation placing more emphasis on effective development cooperation such that it presented a set of common principles for all development actors; ranging from ownership, results, partnership, transparency, and shared responsibility (Lawson, 2011; Mawdsley et al., 2014).

The Busan Partnership identifies aid as a complement to other sources of development financing; and that eradicating poverty requires cooperation among development partners (OECD, 2011). Researchers (see Mawdsley et al., 2014; Killen, 2011) observe that developing countries appear to be deviating from the traditional notion of aid as the solution for growth to a partnership model that underlines the Busan Partnership for Effective Development Cooperation. As a result, Mawdsley (2014) argues that the Busan Partnership advocates for domestic resources mobilisation, effective state institutions, deeper public-private partnership (PPP), and lastly,

efficient use of resources in a manner that is intelligible with recipients national development plans and policies and above all, in a manner that engages all partners for effective development.

Lawson (2011) accounts that the Busan Partnership succeeded in two ways in bringing success to development cooperation. First and foremost, there was an improved commitment to the principles of transparency and to reporting of data such that countries like South Africa and India are more transparent in aid reporting and management. Lastly, it proposes a process of peace-building for fragile states in building their economies (Lawson, 2011).

In 2014, the First High-Level Meeting for the Global Partnership for Effective Development Cooperation was held in Mexico in reaffirming the Busan Principles. The meeting was centred on deepening South-South cooperation, triangular cooperation, and knowledge sharing among development partners (Mawdsley et al., 2014).

While the OECD's efforts to consolidate development aid were welcomed, researchers tease out the weaknesses of the HLFs. They contend that generally, though the various HLFs have been lauded for their specificity and explicit measures on specific aid effectiveness goals to a larger extent, countries grappled with the difficulty of the goals and measures on country-level implementation, as a result, limited progress on the aid effectiveness agenda has been made (Lawson, 2011).

Context and Literature Review

This section builds on the previous section by providing a survey of scholarly articles on aid effectiveness in examining whether the OECD has been successful in its aid effectiveness agenda. Admittedly, the section is not an exhaustive list but is meant to be illustrative of existing work on aid effectiveness. While some of the articles are specific about the HLFs of the OECD, others are general on aid effectiveness. The main conclusion that can be drawn from this section is that there is no clear consensus on the aid effectiveness debate. There are proponents of foreign aid who claim aid has been effective to some extent. On the other hand, others criticise foreign aid and argue that aid has not been effective. Some scholars such as Thérien prefer to use the term left and right-leaning approaches to evaluating the benefits and limitations of international aid, which others might characterise as the proponents and critics of aid. This literature review will use these terms interchangeably.

As noted, there is no consensus on existing literature on aid effectiveness. Researchers like Asongu (2014) tease out how aid dispersion has hampered its effectiveness and lower growth in recipient countries while others contest such findings. Existing literature is centred on aid-growth and aid-human development nexus while the findings are largely mixed with regards to aid effectiveness (Asongu, 2014). Asongu argues that generally, most developing countries such as those in Africa have low-growth as such are stuck in the *poverty trap*. Such countries with low-growth, therefore, require more aid to experience a positive impact and to be lifted out of the bottom rungs unlike countries with high-growth. He explains that as a result of the low-growth of many of such developing countries particularly African countries, the proportion of aid received by them is mostly high compared to other developing countries. Asongu however suggests there is the need to improve the delivery and management of the scaling-up of

development aid to countries with low-growth to prevent fragmentation such that its effectiveness is not hampered (Asongu, 2014).

The work of Thérien (2002) on aid effectiveness contributes to this intellectual debate. He gives an account of the checkered evolution of foreign aid since its official institutionalisation in the 1940s (Thérien, 2002). Thérien opines that foreign aid is a complex phenomenon and has undergone several reforms since its inception in the 1940s (Thérien, 2002). Grounding his work from an ideological perspective, Thérien postulates that the debate on international aid is best understood within the proponents and critiques ideological frameworks (Thérien, 2002). Thérien opines that when foreign aid began in the 1940s, it was underscored by the proponents' political philosophy while the 1950s and 1980s international aid regimes have coincided with the renaissance of the critiques political ideals.

Thérien further claims that advocates for foreign aid dominate the international aid regime from the 1990s to the present while the tension between the advocates and the critiques continues to characterise the aid effectiveness debate (Thérien, 2002). Whereas the advocates for foreign aid propose a limited definition of foreign aid to “avoid an excessive representation of the developed countries’ generosity”, critiques viewpoints constantly pushes for a broader definition that reflects partners, particularly donors' role in aid management and delivery (Thérien, 2002, p.451). Critiques see aid as a charity to developing countries. According to Thérien, the critic's view of aid suggest that for optimal use of aid resources, the donor countries must introduce new administrative policies and practices that ensure accountability and results-based management systems. In general, Thérien articulates that critiques of foreign aid are generally concern about how aid weakens the state institutions; and that donor-driven aid ensures

accountability and strengthens state institutions inextricably suggesting that donor countries should dictate the use of aid and the rules governing aid (Thérien, 2002).

Critics of foreign aid further criticise aid on the grounds that there is no direct relationship between aid and growth in recipient countries (Boone, 1995; Easterly, 2006; Moyo, 2009). Boone is one of the foremost contributors and vocal critics of foreign aid. Using three different political regimes in his analysis -- egalitarian, elitists, and laissez-faire -- Boone sees aid as an income transfer to the political elites and the affluent in recipient countries. Boone further explains that aid does not significantly result in economic expansion and growth, and aid does not benefit the less privileged of society when measured based on the global standard human development index. According to Boone, aid is not effective, aid increases the size of government, and it is just a mode of income transfer to the most privileged of society (Boone, 1995).

Proponents of foreign on the other hand often see aid as a privilege and a moral issue and that the rich countries are morally obligated towards the poor countries. They further maintain that development assistance to poor countries is critical to their development. While other researchers account for the high cost of development assistance, Thérien (2002) emphasises that its benefits are relatively large in proportion to costs (Thérien, 2002). In line with this view, proponents express strong support for the scaling-up of development aid. They further claim that an increase of aid will ensure its effectiveness while ensuring an equitable world and a minimum of global justice (Thérien, 2002). They justify the scaling-up of aid by asserting that free-market mechanisms do not result in an optimal and efficient allocation of resources and that the intervention of the state is necessary to provide the most marginalised groups with social support (Thérien, 2002).

Sachs (2005) is one of the leading advocates for an increase in foreign aid. Sachs argues that foreign aid remains crucial in ensuring equality, reducing poverty, and fostering development in recipient countries. He presents three scenarios; firstly, there is a positive impact of aid on reducing extreme global poverty by employing macro-level statistical analysis.⁸ Secondly, he observed that the extreme poor are in a poverty trap as such aid becomes a form of capital that empowers those in the poverty trap. Thirdly, aid increases investment and savings in recipient countries. Sachs assumed a linear development from aid to savings to growth (Sachs, 2005).

Additionally, two prolific researchers of conflict and foreign aid, Collier and Hoeffler (2002) have established the direct relationship between aid and countries emerging from conflict. Collier and Hoeffler adduced the significant role that aid can play in the process of post-conflict reconstruction and development. After a conflict, investment is needed to revamp the economy, and to build the ravaged infrastructure (Collier & Hoeffler, 2002). Collier and Hoeffler's work confirms that the Marshall Plan remains a great guide of aid helping in rebuilding and reconstruction after the ravages of war (Tarnoff, 2018).

Proponents of foreign aid further argue that aid has been effective because it has led to increases in savings and investment in recipient countries (see Burnside & Dollar, 2000; Gisselquist & Tarp, 2019). Burnside and Dollar (2000) for instance established that aid has a positive outcome on the GDP of developing countries that have robust institutions and sound

⁸ The macro-level statistical analysis takes aid as independent variable data and economic growth figures as dependent variable. Macro-level statistical analysis does not reduce extreme global poverty in and of itself. However, it indicates a positive correlation and aid effectiveness when cross national data is collected from multiple aid-recipient countries and regression techniques, multivariate analysis and econometric models are applied to determine the influence of aid on growth. This same approach was used by White (1992) and Riddell (2007) to determine aid effectiveness.

economic policies. By employing the growth-regression model for 56 aid recipient countries over six four-year periods (1970-1993), Burnside and Dollar (2000) found that these countries recorded a higher GDP growth rate than non-aid recipient poor countries within the same period. They further assert that in poor countries, there is a poverty gap and there exist low savings and investment portfolios (Burnside & Dollar, 2000; Quibria, 2014). As a result, aid has become an alternate source of capital that complements the scarcity of domestic savings and investment that assists in addressing poverty issues (Burnside & Dollar, 2000; Edwards, 2015; Quibria, 2014).

Other researchers (see Paterson, 2014 and Lawson, 2011) hold mixed views on the arguments advanced by the proponents of foreign aid with regards to the scaling-up of development aid. They argue that scaling up of aid leads to difficulty in coordinating aid resulting to aid fragmentation such that aid effectiveness may be undermined. Undoubtedly, improved coordination in development aid delivery by partners is assumed to make aid effective and stimulate growth in recipient countries (Paterson, 2014). Lawson (2011) argues that the multiplicity of donor agencies and governments breed competition in aid delivery resulting in its effectiveness. Using similar reasoning, Wright and Winters (1990) argue that pluralism and the multiplicity of foreign aid are beneficial to recipient countries. Conditionalities are reduced as a result of the existence of different aid agencies and an effective coordination system (Wright & Winters, 1990). Gehring et al., (2017) argue that while some countries, most particularly Vietnam, embrace a multitude of donors and see it as beneficial by ensuring more collaboration, other aid recipient countries oppose a multitude of donors. These recipients argue that a multitude of donors and lack of coordination put them in volatile situations thereby making aid ineffective. They argue that the robust administrative capacity of recipient countries reduces fragmentation that makes aid effective. However, aid recipient countries are mostly developing

countries with weak administrative capacity making the negative effects of aid fragmentation on aid effectiveness in terms of its impact on growth deleterious (Gehring et al., 2017).

In contributing to the aid effectiveness debate, Lightfoot and Kim (2017) have made the case that the Paris Declaration on aid effectiveness and its subsequent documents have represented the most comprehensive framework that aims at addressing the issue of aid effectiveness at a global level. They claim that the declaration largely succeeded in involving many partners in committing to the principles, rules, and monitoring mechanisms aimed at ensuring aid becomes as effective as possible (Lightfoot & Kim, 2017). They highlight the significant role played by the European Union (EU) in the aid effectiveness agenda and the HLFs. In this regard, they urge the EU to continue to exert its influence on building a bridge among aid partners in shaping global development norms (Lightfoot & Kim, 2017).

Bigsten and Tengstam (2015) attempt to quantify the impacts of improved donor coordination on aid effectiveness. Just like Samy and Aksli (2015), Bigsten and Tengstam (2015) trace the debate for improved coordination on aid effectiveness to the 1980s and 1990s which later culminated into the four HLFs on aid effectiveness in the 2000s. Bigsten and Tengstam concede that the enormous political constraints in the implementation process of aid programs derailed poverty reduction. They recommend that partners should increase their commitment to the HLFs and enhance risk management for improved donor coordination (Bigsten & Tengstam, 2015a).

Dabelstein and Patton (2013) argue that the Paris Declaration (2005) has shaped the discussion on aid effectiveness agenda by stressing a donor-led to a partner-driven model of development aid than had hitherto been the practice. Wood and Betts (2013) in their assessment

on aid effectiveness praised the improvements of the Paris Declaration in making aid more effective by improving the quality of aid partnerships, accelerating achievements of the MDGs, and building the capacity of the donor and recipient countries. They however criticised that these improvements were slow, not shared equally between donor and recipient countries and that some donors have shown less commitment to the principles (Wood & Betts, 2013).

Lundsgaarde and Engberg-Pedersen (2019) in their report question the aid effectiveness agenda and its implementation. They argue that aid effectiveness lost its momentum as a result of low political commitments. The report revealed fundamental challenges with the agenda related to the uniform approach that it advanced and its limited attention to the underlying drivers of ineffective aid. One clear challenge in the implementation of the Paris Declaration for, instance, was that it proposed a common framework for action for diverse partner countries that differed concerning their core development challenges and the nature of previous efforts to improve aid management (Engberg-Pedersen & Lundsgaarde). They claim that the failure to provide a focal point in donor strategies affected the Paris Declaration principles, but they maintain that the idea behind it remains valid (Engberg-Pedersen & Lundsgaarde, 2019).

On the relationship between accountability, participation, and foreign aid effectiveness, Winters's summary of existing empirical literature reveals that accountability between and among government and implementing institutions greatly increased aid effectiveness (Winters, 2010). However, increased participation has not necessarily led to an increase in accountability in the design of aid programs. He cautions that increased participation is not the cure for all the ills of foreign aid effectiveness. Winters recommends that one of the ways of monitoring aid projects is the increased involvement and participation of the end-users. He reveals that governments often mismanage development aid and spend it on consumption rather than

productive and capital investment. He concludes by suggesting that aid effectiveness is more likely to succeed where governments are more democratic and respect the rule of law (Winters, 2010).

Engel (2014) also gives a damning assessment of aid flows by asserting that aid flows are not motivated by development but by geopolitical concerns. Just like Winters (2010), Engel argues that much of the aid in the past six decades have been spent on administration, refugee processing, and procurement instead of the intended purpose of development (Engel, 2014).

Fløgstad and Hagen (2017) fill the gap in the literature on how aid fragmentation should be measured. They highlight the significance of aid fragmentation to the aid effectiveness debate. Fløgstad and Hagen postulate that aid fragmentation hampers aid effectiveness and leads to lower economic growth in recipient countries. They suggest that aid fragmentation should be measured by both donors and recipients using the Theil index. The Theil index measures the relative inequality of economic and non-economic indicators by emphasising the difference between the actual fragmentation of aid and the complete concentration of aid (Fløgstad & Hagen, 2017).

Fløgstad and Hagen, therefore, adopted this statistical tool to measure such discrepancy resulting from the fragmentation of development aid. They argue that the Theil index allows for the ranking of official donors and recipients on the total spread of aid and also assesses the contributions of geographic and sectoral fragmentation (Fløgstad and Hagan, 2017). They further added that the Theil index “is the only inequality measurement tool that allows for a perfect decomposition into variation between and within entities”, thus; between donors and recipients (Fløgstad & Hagen, 2017, p.233). Their work shows that Bilateral aid has been more dispersed

than multilateral aid and that there is more fragmentation in Sub-Saharan Africa and the poorest countries. Given this, they recommend that donors should be more selective about the distribution of the multilateral part of their aid which can lead to a reduction of the number of partners on the donor's side of the aid business (Fløgstad & Hagen, 2017).

While other researchers emphasise aid delivery and fragmentation in their research, Quibria (2014) in his assessment of aid effectiveness contends that the current literature on aid effectiveness has few coherent and robust findings and this has negatively affected policy outcomes. His work attempts at answering the question of the impact of foreign aid on economic growth. He argues that foreign aid in some cases has reduced poverty and brought about economic growth. In other cases, foreign aid has led to a deterioration of the economy. Quibria questions the empirical research on foreign aid and suggests that contemporary literature must focus on why, how, and when foreign aid has worked in certain societies. It is only through this that Quibria believes will be possible to design and deliver foreign aid effectively (Quibria, 2014).

Yanguas and Hulme (2015) examine the administrative hurdles encountered in the institutionalisation of political analysis in the aid effectiveness discourse. They discover that programming, management, and training practices were not included in the political analysis agenda of two institutions- the World Bank and the United Kingdom Department for International Development. They find that the translation governance and administrative structure of partners hinder aid delivery and hamper growth in the recipient countries. They suggest that aid effectiveness could only be achieved by strengthening delivery systems (Yanguas & Hulme, 2015).

Atwood et al., (2008) also add to the growing literature on the aid effectiveness agenda. They argue that organisations and multiple systems tend to increase the costs of executing foreign aid programs such that implementation delays and slows the impact. They claim that research has supported the failure of aid programs that are not customised to suit the local content and demand of recipient countries. The study, therefore, argues for tailoring foreign aid to suit local conditions and making deliberate efforts to build on local ownership. Implementing this suggestion will to some extent reduce aid fragmentation resulting in the overall aid program's effectiveness (Atwood et al., 2008).

Easterly (2006) is a vocal opponent of foreign aid. He criticises the top-down approach in disbursing and implementing aid programs. He suggests that foreign aid fails to get to extremely poor and vulnerable in recipient countries using such an approach. Easterly also rejects the existence of the poverty trap in poor countries. In 2006, Easterly used a regression analysis to compare poor and rich countries. The poorest fifth of countries studied from 1950 to 2001, Easterly finds that these countries increased their per capita income growth by a factor of 2.25 while the richest four-fifths saw a 2.47-factor increase (Easterly, 2006). Easterly, therefore, rejects the existence of the poverty trap and maintains that poverty is autonomous of growth (Easterly, 2006).

Easterly also argues that aid is ineffective because of endemic and systemic corruption in recipient countries as well as bad governance. He explains that it is bad governance that is responsible for slow growth and nothing like the poverty trap as propounded by Sachs. Easterly expands Boone's argument on aid ineffectiveness that aid is just a transfer of cash flows to the privilege of society and that aid is ineffective; instead, aid increases government expenditure and consumption (Easterly, 2006).

Moyo (2009) strongly disagrees with the advocates of foreign aid. She examines foreign aid and economic growth especially in Africa and describes it as a fantasy that does not spur growth (Moyo, 2009). Moyo argues that macro-level analysis shows that aid has been ineffective and that it has neo-colonial underlining. Moyo suggests that inextricably, all aid has resulted in making the poor poorer and that aid weakens economic growth in recipient countries. A synopsis of Moyo's argument reveals that the avalanche of aid flows to poor countries, particularly Africa over the last half-century has not translated into growth. She further argues that aid is not just ineffective but it is counter-productive. Moyo explains that aid creates a dependency trap, props up bad governments, undermines transparency and accountability, weakens local enterprise, reduces incentives to save, and stunts growth. Moyo provides entrepreneurship as the alternative policy and remedy for poor countries to stimulating growth (Moyo, 2009).

Based on the literature review, the authors are divided on whether foreign aid has been effective. While some studies find that there has been a limited improvement in aid delivery and effectiveness others show that aid has to some extent lifted poor countries from the bottom rungs and impacted some human skills. Though aid has been scaled-up, it has as well been increasingly fragmented with entrenched donor interest still embedded in aid management and delivery. Structurally, the aid regime is not well-institutionalised with regards to corruption, governance, and human rights in making aid effective. The literature points out that a strong commitment to the HLF's, especially, the Paris Declaration (2005) is contingent on ensuring aid becomes effective. The political and policy conditions of the recipient in ensuring aid is effective was strongly articulated in the literature.

PART III

Conclusion and Recommendations

This paper examined how contemporary development aid programs date back to the aftermath of World War II when the Organisation for European Economic Cooperation (OEEC) was formed in 1948 to administer the Marshall Plan aimed at rebuilding Europe after the ravages of the World War II. The demise of the OEEC subsequently ushered in the Organisation for Economic Cooperation and Development (OECD) in 1961 with the overarching objective to coordinate aid to the poorest countries.

Historically, there have been theoretical debates about aid effectiveness and this continues to dominate the literature on international aid. The study reveals the mixed outcomes of the effectiveness of development aid. While one camp asserts its effectiveness in contributing to the economic growth of recipient countries and advocates for an increase in aid to developing countries, another group is opposed to aid by arguing that aid is ineffective and does not lead to economic growth as a result of fragmentation, corruption, and mismanagement. It is generally agreed that the impact of foreign aid on economic growth in the recipient country is contingent on its effectiveness. However, contemporary development aid delivery has been saddled by fragmentation and proliferation of non-traditional donors while recipient countries continue to grapple with its effects. Fragmentation of aid adversely affects aid effectiveness in terms of its impact on economic growth such that employing a cross country aid impact assessment, the evidence is inconclusive. It does not show a strong relationship of aid fostering growth in developing countries.

To mitigate the challenges of aid fragmentation and its impact on aid effectiveness, there has been an effort by the global community to consolidate aid. The OECD has stepped-up its effort as a strong advocate for aid effectiveness and has since held four HLFs under the Working Party on Aid Effectiveness (WP-EFF) forum on ensuring that aid becomes effective. Excessive fragmentation and proliferation of aid have been a concern of the HLFs, particularly, the Paris Declaration (2005) – the blueprint and rallying point for international consensus on aid effectiveness. A central finding of this study is that the literature identifies some progress on aid effectiveness which has been achieved as a result of the OECD interventions. Aid is increasingly coordinated and the multiplicity of donors are streamlined to benefit both donors and recipients. The issue of aid effectiveness has witnessed various important changes that have pushed the aid agenda in new and interesting directions. Nonetheless, despite the various interventions by the OECD, based on a survey of relevant literature on the topic, the study shows limited progress on aid effectiveness. Drawing from this survey, there has not been any significant fall in aid fragmentation since the Paris Declaration in 2005. Examining the OECD interventions comprehensively is problematic because the issues are instantaneously highly technical and largely political. Empirical evidence suggests that fragmentation of aid is the norm rather than the exception. The debate over the issue of aid effectiveness, however, seems to be far from reaching a consensus or solution.

One other central finding of the study is that although not explicitly stated in the HLFs, the common practice among DAC donors has been to entrench extensive political and economic conditions to their development aid such that the effectiveness of aid is impaired.

The study concludes that aid remains crucial in the development of developing countries and that aid programs are going to largely remain a central policy tool in international

cooperation and development practice. A key insight that would be needed to move the discussion forward to ensure aid becomes effective and perhaps shapes how development aid is delivered is a greater commitment to the HLFs by partners. Notwithstanding the key role of development aid in growth and development, any discussion of development assistance is fragmentary without considering the policy environment of recipients such that an increase of aid to developing countries without considering its policy environment may impair its effectiveness. Thus, aid works best in conjunction with sound economic policies, transparency, and good governance.

Many have noted that contemporary aid is saddled by donor fatigue. As a result of increasing donor fatigue, future research must explore alternatives for financing development in poor countries, thus; financing development beyond aid. Further policy reform and commitment are still crucial to fully address aid fragmentation and improve donors' and recipients' performances. Also, the argument for aid effectiveness must be tilted from the aid-growth nexus (macroeconomic impact) to include the specificity of issues and sector targets such as poverty alleviation, institutional and human development, health, participatory development, and governance as these are argued to establish evidence showing aid is effective in terms of delivering on its objectives.

Last but certainly not least, while this research relies on qualitative and grounded theory approach to explain the aid effectiveness agenda, there has been less focus on the quantitative, regression techniques, multivariate analysis, and econometric models to determine the influence of aid on growth. This remains a limitation of the study. Given this, this research suggests conducting a further study on the aid effectiveness agenda with a new methodological focus by employing the above-listed techniques and approaches.

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