

# AFD'S ECONOMIC NEWSLETTER

## Aid effectiveness

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### EDITORIAL

The idea that aid needs to be made more effective is a matter of plain common sense and stems from a pressing obligation. Yet this topic of effectiveness has become such a totem that before exploring its different aspects in this newsletter, it would prove useful to look at some of its limits. The first is the persistent “micro-macro” paradox. Many projects or programmes that aim to improve living conditions do reach this target, but taken as a whole they do not necessarily speed up economic growth. At what level should effectiveness be examined? From a human perspective, it is as important to provide millions of additional people with drinking water and sanitation as to obtain macroeconomic results.

Aid also pursues macroeconomic objectives to reduce poverty or promote growth in the aided country. But why should its average effectiveness be measured using an always debatable correlation between the volume of aid and a results indicator, rather than considering that aid is more of a gamble than a recipe, and that if it does contribute to a “success” among a number of failures then it has been effective? By seeking to measure if aid has been successful in a sample of countries, empirical correlation studies are missing the fundamental question: can aid be effective? Finally, research on aid effectiveness leads to a theory on its allocation: we should earmark restricted resources for countries where they will be used in the most effective manner (and in cases where this is not possible, stop the aid, as Dambisa Moyo suggests in *Dead Aid*). Beyond its intuitive appeal, this approach contradicts one of the fundamental missions of aid agencies, which is precisely to learn how to improve aid for countries where there is little chance that it will be effective.

Restricting aid to a country on the pretext that it had not used it appropriately in the past is based on three unacceptable premises: (1) the idea that its capacity to use it well in the future is determined by its past experience. This denies any possibility of learning from one’s mistakes, or any improvement as a result of political changes; (2) the idea that poor economic performances can be put down to poor policies. This leaves out the role of exogenous shocks, and (3) the idea that we must leave countries orphans of international aid efforts. This is politically dangerous and questionable from an ethical point of view. Development aid must be designed as one of the priority and structural instruments for the governance of globalisation. We must therefore avoid the pitfalls of a theocracy of effectiveness and design the latter as a continuous learning and improvement process, rather than a soundly and scientifically established relation between inputs and results that are difficult to gauge and account for. It is more a question of management than of science.

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# ” Aid effectiveness: debates and commitments ”

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In September 2004, AFD's Economic Newsletter n°7 presented the developments in international debate that brought about the initiative on aid effectiveness. These debates began after the fall of the Berlin wall (1989) at a time when it appeared that no aspect of aid was spared from criticism: its macroeconomic ineffectiveness, the human and social costs of structural adjustment, the perverse effects on the incentive structures in developing countries and the failure of conditionalities were all emphasised. By contrast, the end of the Cold War seemed to underscore how in the past aid had served the geopolitical interests of the major powers rather than the development of poor countries. At the dawn of the third millennium, did aid consequently still have a meaning and could it show any signs at all of effectiveness?

The World Bank first considered that to have an impact on development and growth, greater selectivity in aid was required (Jaycox, 1993). In 1997, the Burnside and Dollar study inspired the Bank's *Assessing Aid* report (1998) which demonstrated that aid was more effective, through its effects on growth, in countries with good governance.<sup>(1)</sup> The Bank used this study to develop the CPIA (Country Performance and Institutional Assessment) index and direct aid towards poor countries with good governance where, according to studies, one dollar of aid could pull a maximum number of people out of poverty. However, this orientation gave rise to a new debate, particularly on governance and institutions (were they the main factors of aid that determined growth?), the need for aid in post-conflict situations and, more generally, the antagonism between effectiveness and justice: could we abandon populations in distress on the pretext that aid was less effective in difficult situations?

In the early 2000s, weaknesses revealed in the scientific bases on which the Bank had based its orientations obliged analysts and decision-makers to show more pragmatism (Clemens et al., 2004; Banerjee et al., 2006). Econometric analyses today seem to be more careful to avoid cursory approaches and simplistic conclusions.

At the same time, in 2000 the UN endeavoured to clarify the Millennium Development Goals (MDGs) by focusing on poverty reduction targets to be met by 2015. Then, in 2002 the Monterrey Conference, which took place after the 11th September 2001 terror attacks, seemed to forget the criticisms of previous years and concluded in favour of increasing aid rather than reducing it. In 2005, The G8 Gleneagles Summit, which took place among numerous demonstrations, confirmed this orientation and the participant members of the European Union (Germany, France, Italy and the United Kingdom) did not hesitate to set quantitative aid targets: 0.56 % of GDP by 2010 and 0.7 % by 2015.

However, the criticisms and debates of the 1990s today oblige donors and financiers to demonstrate aid effectiveness in one manner or another. This explains why "best practices" are a specific focus. The 2003 Rome Declaration constituted a first commitment towards seeking harmonisation. In 2005, the Paris Declaration adopted a consensus based on five principles:

1. ownership (of poverty reduction policies by "partner" countries),
2. alignment (of "donors" with the policies and systems of partner countries),
3. harmonisation (of donor interventions),
4. results-based management,
5. mutual accountability (of partner countries and donors).

<sup>(1)</sup> The Burnside and Dollar study, "Aid, Policies and Growth" was published in the *American Economic Review* (90, pp. 847-868).

Pending convincing analyses, the Paris Declaration seems especially to advocate a discipline rather than advancing a demonstration. It seeks to insist on the principles of common sense, whereas the link between cause and effect (between these five principles and aid effectiveness) is assumed to be accepted because it is logical. However, the clarity of its short text (fifty paragraphs)

and its twelve indicators encourage some actors to be overzealous in its application, turning the Paris Declaration into a sort of dogma. A wide number of States and organisations do adhere to it, but it does not escape from the deviations, overzealousness or reserves of some members.

### To learn more

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# Aid predictability, volatility and effectiveness

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The Paris Declaration only takes a cursory look at the issue of aid predictability (set out as one of the seven indicators for progress towards the more general objective of alignment), while recent economic research on the effectiveness of Official Development Assistance (ODA) seems almost entirely devoted to this topic. The review of the literature proposed here seeks to lay the foundations for a good understanding of the issues surrounding the concepts of aid predictability, volatility and effectiveness. In doing so, it highlights the potential aspects that are likely to lead to problems relating to aid predictability, being overestimated, at the expense of an analysis of the effects of its volatility.

Improving aid predictability in the sense of the Paris Declaration supposes that “donors commit to provide reliable indicative commitments of aid over a multi-year framework and disburse aid in a timely and predictable fashion according to agreed schedules”.<sup>(1)</sup> The progress indicator associated with this objective is to halve the proportion of aid not disbursed within the budget year for which it was scheduled by 2010.

Two aspects are therefore retained in the Paris Declaration to define predictable aid: aid is, as far as possible, based on multi-year commitments and the amounts provided for by these commitments are disbursed according to explicit criteria (calendar or other criteria) for the partner countries. The relation between the thus defined aid predictability and its effectiveness consequently includes the capacity of partner countries to plan flows from ODA resources in the medium-term and enter them into their annual budgets in order to be in a position to achieve their economic policy objectives. Any gap between what was scheduled and what was actually made available by donors necessarily requires adjustments in the amounts or the structure of the investment and the government’s consumption. This can be harmful from the perspective of allocation effectiveness. It is interesting to note that this loss in effectiveness may lead to a higher or lower amount of aid finally being disbursed compared to the aid promised. Kharas (2008) proposes an estimation of

the cost that this phenomenon may represent. It is estimated at an average 15-20% of the value of aid over the past years.

Andrews and Wilhelm (2008) propose to expand this definition of predictability by introducing notions of forecasts and reliability, and integrating the time aspect of the concept of predictability. More precisely, they introduce the typology below in order to classify the types of aid and their properties according to a selected time scale.

Tableau 1 :  
Aid disbursement methods

	Reliable	Unreliable
Expected	1	2
Unexpected	3	4

Source: Andrews, Wilhelm (2008).

Aid can be classified as “expected/unexpected” on the basis of the capacity of donors to formalise their commitments in advance so that they can be included in countries’ budgets. On the basis of the forecasts that result from these commitments, aid is subsequently disbursed at a more or less reliable rhythm, i.e. at the scheduled rhythm, or according to an explicit rule in the commitment agreements. Box 1 shows predictable aid: the authorities are able to predict the aid that will be allocated to them (on the basis of information available in the commitment agreement, among which the scheduled conditions and rhythm of the disbursement) and this forecast is not distorted (the disbursement respects the plan set out in the commitment agreement). Box 2 corresponds to the aid that the authorities are in a position to plan, but which they do not necessarily receive according to what was scheduled.

One measurement of reliability that is often used in the literature is the gap between commitments and disbursements. Celasun and Walliser (2008) show that on average the gap in absolute value between commitments and disbursements for Sub-Saharan African

(1) Paris Declaration on development aid effectiveness, p.6 §26

countries for the period 1990-2005 is equal to 3.4% of GDP. A methodological precaution developed by Borensztein et al. (2008) is required here: the comparison of commitments of a year  $t$  with the disbursements for the same year is not a satisfactory measurement of aid predictability (the commitment agreement may well provide for the aid to be disbursed over several years starting from year  $t$  or at a later date). A measurement that is less likely to overestimate the gap between commitments and disbursements would then be what the authors call the implementation rate for commitments, which is defined as a percentage of the amount of the commitment for year  $t$  which has actually been disbursed between year  $t$  and today. These authors also show that average commitments over five years are extremely well correlated to average disbursements for the five following years. Of course, the reliability of commitments cannot really be assessed using the two methods, since the information that corresponds to the scheduled rules or rhythm for the disbursement of each commitment is not available. Part of the disbursement may well not take place because the criteria provided for in the commitment agreement are not met. There will consequently be a gap between the commitment and the disbursement, yet the latter is supposed to be completely predictable for the country. Determining to what extent aid is unpredictable therefore requires being able to estimate the proportion of the gap between commitments and disbursements that stems solely from a “fickle donor” problem, i.e. a problem due to political or administrative reasons for example (Celasun and Walliser, 2008).

Boxes 3 and 4 in table 1 refer to aid that has not been scheduled (and which has consequently not been planned in the budget year) by the recipient countries. Yet it can be disbursed in a reliable manner, i.e. on the basis of an explicit rule known by the recipient. This can bring to mind certain forms of aid allocated to countries on the basis of a predetermined criterion following a natural disaster, such as the Catastrophe Deferred Drawdown Option mechanism offered by the IBRD for example. The aid is unpredictable (as is the natural disaster), but if the pre-identified criterion is met, the flows arrive in the country as scheduled.

As Andrews and Wilhelm (2008) point out, the time scale selected to characterise aid predictability is important. Different types of aid do not have the same properties (predictability, reliability) depending on the selected

reference period. For example, a Strategic Partnership with Africa study (2007) shows that 92.5% of budget support promised in 2006 was actually disbursed in the same year (type 1 aid). However, the same budget support programmes are much less effective in terms of medium-term predictability, since only 69% of them give indications for commitments in 2008, and 35% for commitments in 2009. Following the same analysis, the project aid which is disbursed over several years on the basis of pre-specified project implementation criteria should allow recipients to forecast the amounts of aid for the project that will actually be disbursed in the medium term once the project has started (box 1). In the short term, project aid flows may not match what was scheduled, but this gap is only unpredictable if it is solely due to the donor (if the disbursement conditions provided for in the commitment agreement are not met by the recipient we are still in the case of box 1). Still in the short term, project aid can fall into boxes 3 and 4 for reasons inherent to donors’ project cycles (the project is identified but procedures make the financing date uncertain).<sup>(2)</sup> By introducing the time aspect, the results of several studies, such as that of Bulir and Hamann (2007) who find that budget support is more volatile than project aid, can be nuanced. It would certainly be more appropriate to say that their commitment and disbursement methods do not have the same properties in terms of predictability depending on the selected analysis horizon. The impact on aid effectiveness is itself differentiated by this aspect: if the budget support is indeed predictable in an annual framework, but not multi-year, then the type of expenditure that it can finance will be affected. It is likely to be used to finance consumption or repay loans, rather than finance investments (by nature generally multi-year). Similarly, in terms of public finance management, the short- and medium-term differences in aid methods may weaken the capacity of the budget authorities to link the two different exercises, i.e. an annual budget and medium-term budget planning.

In the light of the typology proposed above, it is possible to reassess the definition of aid predictability given in the Paris Declaration, or the results of an OECD study (2008) which shows that only 45% of aid flows are disbursed in the scheduled year. By referring to the gap between commitments and disbursements, without estimating the proportion of this gap which is predictable according to the disbursement conditions specified

(2) This distinction can also apply to the types of donors. Vertical funds such as global funds which finance sectors are often characterised by rapid disbursements after the commitments. The financing approval may take years, but once the commitment has been signed the funds are available very quickly. In the short term (the first year), this type of aid may well fall into category 3, but in the medium term it becomes predictable, i.e. planned and disbursed in a reliable manner.



for each commitment and known by the recipient, this definition overestimates aid unpredictability. The proportion of the gap that is actually unpredictable is that which stems solely from the rules of the game being changed by the donor after the commitment (“fickle donor problem”). Of course, it is quite possible that donor behaviour may well be the biggest cause of these problems of predictability, but this has not yet been demonstrated in a satisfactory manner.

The economic literature often refers to a third concept – aid volatility – and sometimes confuses it with predictability. Aid is considered as being volatile when there is a high fluctuation in flows compared to the volumes concerned. One of the indicators that is often used is the standard deviation of annual aid flows, i.e. the deviation compared to their trend. For example, Bulir and Hamann show that the annual variation in aid flows as a percentage of GDP is seven times higher than for fiscal revenues in a sample of 33 countries. Volatile aid flows (where amounts fluctuate from one year to the next) are not necessarily unpredictable in the sense of the typology presented above (this aid may well be programmed and disbursed in a reliable manner as in box 1). On the other hand, type 3 or 4 aid, for example post-natural disaster aid, may be a substantial factor of volatility: the amounts of aid in a given year may be much higher than in previous years and subsequent years.

The link between aid volatility and effectiveness is also complicated to estimate. A “sound” volatility does exist from the perspective of effectiveness, as numerous studies suggest. For example, volatile aid may reflect massive investment financing in a given year which does not need to be renewed the following years. The volatility may also be the sign of donors adapting well to the conditions prevailing in recipient countries, an expression of a truly countercyclical action. Chauvet and Guillaumont’s article (2008) shows that in some countries, aid can have a stabilising effect in response to the external shocks (shocks on exports) that developing countries experience. Other studies are more nuanced on the countercyclical nature of aid (see Pallage and Robe, 2001, or Borensztein et al., 2008). Aid volatility may also be a way for donors to maintain their objectives or impose conditionality. We can clearly see here that some tension exists between the objective of aid effectiveness and the aim of smoothing aid flows over time.

Does this mean that all volatility is a factor of effectiveness? It is probably not and for several reasons. Volatile aid makes countries vulnerable to sudden stops in development aid financing, especially since the different donors tend to act in a similar manner (or are obliged to do so due to the objective of harmonisation). Similarly, volatile aid can jeopardise the recipient’s absorption capacities when the volumes committed are substantially higher than in the past. Cagé (2009) studies the properties of positive aid shocks in the framework of an economic policy model with information asymmetry, and shows that their negative effect on aid effectiveness goes beyond this problem of absorption capacities alone because it arouses predatory behaviour on the part of elites.

Finally, aid volatility can also be analysed from the fickle donor aspect: the decision to operate in a country or a sector may result from constraints that are specific to the donors, such as their project cycles or administrative time scales. The combined effects of all this individual behaviour accentuates the annual fluctuations in aid allocated to a country or sector. This type of volatility is particularly likely to make aid ineffective from the perspective of the recipient country.

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# 🔊 Aid in Mozambique: conventional beliefs, best practices and areas for improvement 🗨️

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Mozambique has a leading edge in terms of aid effectiveness issues. Numerous ODA organisations are present and choose Mozambique as a concentration country for their aid because of the satisfactory results that have been achieved since the civil war ended in 1992. One of the consequences is that 50% of the State budget is financed by external aid. It is consequently highly dependent, and this also poses the real challenge for the government and its partners of how to effectively manage such high levels of financing (total aid: roughly USD 1.7 billion annually). This is why very early on, back in 1996, global budget support (GBS) was implemented in Mozambique. Today, 19 countries (called PAPs for “Programme Aid Partners”) contribute, a world record. And the GBS, which represents roughly 30% of total aid (USD485M scheduled in 2009), is the engine for progress in terms of aid effectiveness, thanks to the well-structured technical and political dialogue which is constantly evolving, particularly with the aim of reducing transaction costs.

GBS is characterised by:

- an MOU to define the rules;
- a troika system to pilot the mechanism at the level of ambassadors, development agency leaders and economists;
- two performance assessment matrices, one for the government, one for donors;
- two joint government/donor reviews, in March-April to assess the performances of the year n-1, and in September to validate the matrices for the year n+1;
- a system of sectoral working groups (23 groups, some with subgroups) based on five topics (macroeconomic, governance, human capital, economic development, cross-cutting aspects).

Donors in Mozambique may not have engaged in a common strategy process as in other countries, but coordination and harmonisation are at an advanced stage. What are the positive aspects of this? Are we not witnessing the establishment of excessive bureaucracy and administration to the detriment of aid results?

In order to address these issues, the present paper provides a response to three commonly held conventional beliefs, describes three best practices that could be disseminated in other countries and, finally, proposes three possible areas for improvement.

## ■ 1. Three commonly held conventional beliefs:

**Activities relating to aid effectiveness constitute an additional workload: yes and no.** Of course, mechanisms for coordination and harmonisation with the government do take up time, but this must be seen as being part of operational activities: indeed, by leading a working group it is possible to conduct the political dialogue with the government, be at the centre of sectoral debates, implement communication operations and, sometimes, intellectual production thanks to analytical research conducted in the sector. These actions are the natural and necessary complement to the allocation and implementation of financing.

**Global budget support (GBS) is very time consuming, much more than a project: no.** A lot of time is indeed taken up by meetings with ambassadors, development leaders and G19 economists, but it is really much less than the time required to manage a project cycle and, particularly, to give no-objection notices to the bid invitations and contracts that are financed. Moreover, very little time is devoted to disbursements in a year (one or two hours with a single disbursement) - this is consequently negligible compared to all the project disbursements which can reach 10 to 15 a year for some projects - whereas it often takes a long time to prepare and verify a disbursement under a contract.

**The GBS of a donor that is a small contributor is neither visible nor effective: no.** Thanks to GBS, all donors can participate in sectoral debates and development strategies with the government (preparation of G19 positions which will subsequently be conveyed by the G19 representatives, chairmanship and troika). The government's joint reviews and performance matrix are tools for dialogue and reform. The messages conveyed by the G19 have a greater impact than those conveyed by one institution alone. More generally, experience in Mozambique shows that GBS has helped make a significant improvement to public finance. The real issue in terms of GBS is in fact how to gauge the impact this aid has on the country's growth and development, and to be able to compare it to the impact of aid provided in the form of isolated projects. This does remain difficult to evaluate.

## ■ 2. Three best practices that could be reproduced in other countries:

**The PAPs' annual rating:** a matrix of 20 indicators is jointly defined by the government and the PAPs based on the principles of the Paris Declaration, sometimes with more ambitious objectives. The rating is a sort of peer review conducted by an independent consultant, and provides each institution with incentives to make progress towards the objectives of the Paris Declaration and to measure its progress in a transparent manner. The aim is to "move boundaries" and for everyone to have the right reflexes when preparing financing. It is, in its principle, consequently a highly innovative and stimulating process which would certainly deserve closer monitoring and greater appropriation by the headquarters of each institution.

**The numerous basket funds:** they are increasingly integrated into the budget process and constitute a real advance in many sectors, with joint strategies and objectives between the government and contributors to the sector and coordinated and harmonised processes. Thirteen basket funds are in place in Mozambique, not only in classic sectors (health, education, agriculture, roads), but also for capacity building operations for fiscal administrations or for the public sector reform. This process should be encouraged by scaling up the integration of the majority of donors into this coordinated process (for example, the vertical funds in the health sector).


**Increasingly greater predictability:** PAPs must announce their definitive disbursement forecasts for the year  $n+1$  (except when the underlying principles of the GBS MOU

are called into question) one month after the end of the annual GBS review, i.e. at the end of May in year  $n$ . Moreover, every quarter all donors (including non-PAPs) enter information into a database managed on Internet (ODAMOZ) indicating the disbursements of the year and the three following years. This estimated disbursement data is organised by type of aid (GBS, basket funds, projects) and allows the government to prepare the Medium-Term Expenditure Framework (MTEF) and, consequently, to adjust its sectoral and global strategy to the expected amounts. This planning process is even more important if the country is highly dependent on aid, which is the case for Mozambique. Donors must consequently make a more accurate definition of their future financing in advance: this is not always easy, but it is essential for improving the planning of development operations, particularly for the achievement of the Millennium Development Goals.

## ■ 3. Three areas for improvement

**A greater State commitment in processes for the division of labour and working groups:** the government may be very involved in all the processes relating to GBS management, but it is not yet at the forefront in terms of everything that concerns the division of labour and the way working groups operate. There are considerable opportunities for productivity and improving effectiveness here. Donors are for the time being making headway alone in this area, and a process to concentrate sectors according to comparative advantages is well underway (under the initial impetus of the May 2007 European Code of Conduct on the Division of Labour), but without government leadership. The discussions on the new aid policy that are currently being finalised by the authorities should promote this commitment.

**A greater harmonisation of technical cooperation operations and capacity building:** this is the poor relation in the harmonisation process, and there are still too few sectoral action plans to strengthen human resources defined by the government and supported by donors, including by technical assistance to build national capacities. Both the government (weak human resources) and donors (vast number of capacity building operations with little coordination, vast number of financial instruments for the same topic) share responsibility for this situation. A concrete example lies in the difficulties the Mozambican Ministry of the Environment is currently experiencing in preparing and managing files for all the initiatives and climate funds that emerge every day in this sector.



**More time devoted to analysis and results than to issues of organisation and processes:** discussions in working groups and aid coordination bodies still focus too much on organisational issues and operating methods, to the detriment of core issues relating

to improving performance in sectors. For example, in Mozambique it took over two years to prepare the new MOU for the health sector basket fund which was signed in July 2008. The technical and sectoral dialogue would gain from being more targeted and focused on results.



Background paper

## 📖 The State, Finance and the Economy. History of a Conversion (1932-1952) 📖

Michel Margairaz

### Armand Rioust de Largentaye

The book by Michel Margairaz "The State, Finance and the Economy. History of a Conversion (1932-1952)", published in 1991 by the French Ministry of Finance's Committee for Economic and Financial History, shows France in the situation of a developing country and observes its behaviour in this situation 62 years ago.

The most striking aspect of the book that evokes the debate on aid effectiveness is undoubtedly France's concern to take "ownership" of America's aid. The chapter devoted to the beginning of 1948 (President of the French Council Robert Schuman, Minister of Finance René Mayer) thus concludes:

*"Jean Monnet was always anxious to convert a humiliating dependence into a dynamic convergence and managed to get both the French in power and their American counterparts to accept the principle whereby the implementation of the first plan constituted the best application of now common objectives between Paris and Washington defined by the Marshall Plan. According to the terms of the warning it sent to Vincent Auriol (President of the French Republic) in July 1947, the Plan made it possible to conserve the "national character" of the costs of modernisation financed by the exchange value in francs of Marshall dollars."*  
(conclusion of Chapter XXIX, p. 1062).

General Marshall was urged on by President Truman, for whom he was Secretary of State, and on 5<sup>th</sup> June 1947 made a speech at the Harvard diploma awards ceremony which gave his name to America's aid for the European Recovery Program (ERP). The Marshall Plan met the pressing need to rebuild Europe's ruined economies and modernise its equipment. But it also met the American aim to break Soviet and

Communist influence in Europe. In this respect, it can be considered as one of the first signs of the Cold War. At the conference organised by France at the Grand Palais in Paris on 27<sup>th</sup> June that gathered the United Kingdom, the USSR and France, Viatcheslav Molotov, Soviet Minister for Foreign Affairs, reiterated his refusal to share economic information about his country. According to the USSR, the Marshall Plan was simply a "clever disguise" for Truman's anti-communist doctrine.

This opinion was not unfounded. In April 1947, Georges Bidault, the French Minister of Foreign Affairs, discussed France's difficult negotiations with the World Bank for a 500 million dollar loan with General Marshall. Yet, observes Mr. Margairaz, these difficulties were suddenly resolved on 9<sup>th</sup> May 1947, five days after the Communist ministers were removed from the Ramadier government. Similarly, on 2<sup>nd</sup> April 1948, the ERP was voted by the US House of Representatives, a few days prior to the Italian parliamentary election. This facilitated the Christian Democrat victory over the coalition of the Italian Socialist and Communist parties.

For Jean Monnet, the Marshall Plan helped keep the "wound of the separation with the USSR" open in France. Jean Monnet constantly sought to anticipate American demands in order to prevent them from looking like interference. Ownership, we can see, was therefore a critical condition for the implementation of aid in France in the post-war years.

The second aspect of specific interest emphasised by this book is the way the Marshall Plan was implemented, while the difference in power

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## Background paper (cont'd)

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between donors and beneficiaries was one of the questions addressed in 2007 during the preparation of the Accra Forum. On this occasion, the Marshall Plan and its methods were quoted as a possible source of inspiration for how to overcome the inequalities in the dialogue.

On 12<sup>th</sup> July 1947, less than five weeks after George Marshall's speech in Harvard, the Committee for European Economic Cooperation was established at the Grand Palais in Paris.<sup>(1)</sup> In April 1948 this Committee became the Organisation for European Economic Cooperation (OEEC and later OECD). Mr. Margairaz's book does not dwell on the effect of information exchanges and "peer" reviews that constituted the working method of this Organisation and continue to characterise the research of the OECD. On the other hand, it emphasises the relationship between this activity and the creation of the European Coal and Steel Community (ECSC) which led to the European Economic Community and, eventually, the European Union. This history of the development of supranational institutions through joint research and practices is not without interest in the current debate on aid effectiveness.

A final interesting aspect is the planned approach to development which was born, as certain analysts remind us,<sup>(2)</sup> of the traumatic experience of the Depression in the 1930s and the threat perceived in Western countries of the post-war Soviet power. Mr. Margairaz's book reminds us of the situation in France.

The post-war French Plan came about as a result of reflection by the French Finance Commission in Algiers in 1943 and 1944, particularly under the impetus of Pierre Mendès-France. Jean Monnet, close to the Roosevelt government, was familiar with the activities of this Commission. And yet we know that President Roosevelt's pre-war New Deal had not ruled out planned intervention measures. In France in the 1930s, prior to the arrival of the Popular Front government (1936), a "plannist" movement had developed at the SFIO (French Section of the Workers' International), in other European Socialist parties and in trade union circles. The post-war planning trend, whose origins were consequently linked to the pre-war fight against unemployment, was supposed to be an instrument – in the context of shortage that prevailed after 1945 – for price stabilisation.

- (1) Sixteen countries participated in the Paris Conference: Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, United Kingdom, and the USA. Eight declined the invitation: Albania, Bulgaria, Czechoslovakia, Finland, Hungary, Poland, Romania and Yugoslavia.
- (2) Easterly W. (2001), *The Elusive Quest for Growth*, chapter 2, MIT Press, Cambridge.

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