REAL AID 2

MAKING TECHNICAL ASSISTANCE WORK

actionaid international

CONTENTS

ACRONYMS & ABBREVIATIONS

ADB	African Development Bank
CaPAS	Contract and Procurement Advice Section (DFID)
CEDAW	Convention on the Elimination of All Forms of Discrimination Against Women
CG	Consultative Group
CSO	Civil Society Organisation
DAC	Development Assistance Committee
DACO	Development Assistance Co-ordination Office of Sierra Leone
DFID	Department for International Development
DHV	A Netherlands based consultancy firm
EBRD	European Bank for Reconstruction and Development
EU	European Union
GNI	Gross National Income
GTZ	Deutsche Gesellschaft fur Technicshe Zusammenarbeit
GVWC	Guma Valley Water Company
HIPC	Heavily Indebted Poor Countries initiative
IEO	Independent Evaluation Office of the IMF
IFI	International Financial Institution
IMF	International Monetary Fund
JICA	Japan International Co-operation Agency
LDCs	Least Developed Countries
MoF	Ministry of Finance
NatCAP	National Technical Co-operation Assistance and Programmes
NCP	National Commission for Privatisation
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental organisation
ODA	Overseas Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
PFM	Public Financial Management
PFMRP	Public Financial Management Reform Programme
PRGF	Poverty Reduction and Growth Facility
PRSC	Poverty Reduction Support Credit
PWC	Pricewaterhouse Coopers
SIDA	Swedish Agency for International Development Co-operation
SNV	Netherlands International Development Organisation
TA	Technical Assistance
TCAP	Technical Co-operation Assistance Programme
ToR	Terms of Reference
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational Scientific and Cultural Organisation
UNICEF	United Nations International Children's Emergency Fund
USAID	United States Agency for International Development
WDM	World Development Movement
WTO	World Trade Organisation

EXECUTIVE SUMMARY

2005 was a watershed in the fight against poverty. Around the world, tens of millions of campaigners came together in an unprecedented coalition to speak out against the scandal of extreme poverty in a world of plenty and to demand decisive action from their political leaders on debt cancellation, just trade rules and more and better aid.

The pledges made by EU members in June, by the G8 leaders in Gleneagles in July, and in New York at the UN World Summit in September, fell short not only of campaign demands, but also of what both the UK government's Commission for Africa and the UN Millennium Project identified as necessary steps to make poverty history.

Nonetheless, massive public pressure did lead to significant progress: if last year's promises are kept, by 2010 global aid will have leapt from $79 billion a year to almost $130 billion, with half of this increase going to Africa, the region furthest off-track in achieving the 2015 Millennium Development Goals. Spent well, this money would make a lasting difference to the lives of millions of people across the developing world who live in extreme poverty and see their basic rights – to education, safe water and healthcare – violated daily.

Yet as this report argues, in its current form the aid system is ill-equipped to translate these new commitments into lasting improvements in the lives of people in poverty. Having staked so much on halving poverty, getting every child into school and cutting child mortality by 2015, donor countries now need to focus on creating an aid system geared to the challenge of achieving these goals. In a world where one hundred million children are out of primary school and 30,000 die daily from preventable disease, the costs of an inefficient and out-dated aid system are enormous. Strong political support for aid will be sustained only if the current increases lead to clear progress. This demands far-reaching changes to how aid is planned, managed and delivered.

This report follows last year's *Real Aid* report, where we calculated the extent to which official aid figures exaggerate the generosity of rich countries. This year we estimate that $37 billion – roughly half of global aid – is 'phantom aid', that is, it is not genuinely available to poor countries to fight poverty. Despite the attention given to the quality of aid in 2005, especially in the new targets from the Organisation for Economic Co-operation and Development (OECD) adopted for 2010, too much aid continues to be haphazardly allocated with little reference to need, tied to requirements that it be spent on donor countries' own companies, double counted as debt relief, or lost through cumbersome and poorly co-ordinated procedures and systems.

The richest and largest economies, those of the G8, show up both as the meanest and lowest quality donors. For example, about two thirds of aid from the world's biggest donor, the US, is phantom aid. Once this has been discounted, the US gives just $25 dollars per person each year in 'real aid'. In real aid terms, the Norwegians are almost fourteen times more generous, and the Irish over five times more. Viewed from another angle, reaching the international aid target of 0.7% of national income in 'real aid' terms would cost each American an extra 72 cents a day, and each German another 46 cents a day.

Nowhere is the challenge of increasing real aid as a share of overall aid greater than in the case of technical assistance. At least one quarter of donor budgets – some $19 billion in 2004 – is spent in this way: on consultants, research and training. This is despite a growing body of evidence – much of it produced by donors themselves and dating back to the 1960s – that technical assistance is often overpriced and ineffective, and in the worst cases destroys rather than builds the capacity of the poorest countries.

Like a relic from an earlier age, technical assistance has been largely insulated from donors' efforts to improve the quality of their aid and to act on the widely advertised principles of ownership and partnership. Too much of it continues to be identified, designed and managed by donors themselves, tied to donor countries' own firms, poorly co-ordinated and based on a set of often untested assumptions about expatriate expertise and recipient ignorance. For all these reasons, technical assistance tends to be heavily overpriced and under-evaluated and has proven stubbornly resistant to change.

This report argues that root-and-branch reform of technical assistance is urgently needed to ensure that the aid increases pledged in 2005 result in genuine benefits for people living in the poorest countries. These reforms need to be anchored in four guiding principles: of putting recipient countries in the lead; giving them freedom to choose their own development path; of mutual accountability between donors and recipients; and of country specificity.

Both donor countries and aid recipients share responsibility for making technical assistance work effectively. For their part, southern governments need to draw up capacity building plans that set out clearly their needs and priorities, establish transparent procurement systems and reject any offers of technical assistance that fall outside this framework.

Donors must untie all technical assistance in policy and practice, support countries' own priorities and make maximum use of countries' own systems. They must pull back from using technical assistance alongside aid conditions as a lever to push countries in the donor's preferred direction, and strengthen the OECD aid effectiveness target on technical assistance.

Whether or not donors, working with southern governments, actually carry out these reforms and maximise the contribution of aid to the fight against poverty is a litmus test of their commitment – one year on from the G8 pledges in Scotland – to moving beyond narrow self-interest and putting the interests of poor people first. Their credibility hinges on real progress. And real progress on poverty requires more real aid.

INTRODUCTION

In 2005, rich countries made long overdue promises to increase aid. European Union countries signed up to clear timetables to reach the 35-year-old target of allocating 0.7% of national income on aid, encouraging other donor countries to add their own pledges of new funds. At their summit in Gleneagles, the G8 announced that aid would increase by $50 billion over the next five years. These commitments, while failing to provide the scale of funding needed to eradicate poverty, were welcomed as a step forward.

Aid can make a real difference to the lives of the world's poorest people. It can build schools, clinics and rural roads, purchase essential medicines and train and employ the millions of teachers, extension workers and nurses needed to meet the basic rights of poor people. But to do this aid must be real: that is, genuinely available to fight poverty. In this report we show that almost half of all aid remains 'phantom': it is either poorly targeted, double counted as debt relief, tied to donor goods and services, or badly co-ordinated and highly conditional. While there has been some progress since our first *Real Aid* report was released in 2005, this falls far short of what is needed to eradicate poverty.

One of the largest areas of phantom aid is technical assistance: donor spending on consultants, research and training. Technical assistance absorbed $19 billion of aid in 2004, a quarter of global aid flows. But as we show in this report, much of the current spending is ineffective, over-priced, donor-driven and based on a failed development model. Although this ineffectiveness is an open secret within the development community, donors continue to insist on large technical assistance components in most projects and programmes they fund. They continue to use technical assistance as a 'soft' lever to police and direct the policy agendas of developing country governments, or to create ownership of the kinds of reforms donors deem suitable. Donor funded advisers have even been brought in to draft supposedly 'country owned' poverty reduction strategies.

When it is provided properly, technical assistance can do a great deal to help poor countries make their own way out of poverty. But too often technical assistance is deeply flawed. Ensuring that it contributes fully to poverty reduction will require a radical overhaul of the way that technical assistance, along with other forms of aid, is provided. Donors must stop trying to control poor countries and instead let them determine their own paths to development at their own speed. They must stop pressurising poor countries into adopting identikit reforms designed in Washington. And they must stop assuming that their own western 'experts' have better ideas about poverty reduction than those experiencing poverty first hand.

This report comes in three main parts. Chapter 1 updates our analysis from last year to present new rankings of where donors stand in the real aid league. Chapter 2 uses new case study research from Sierra Leone, Ghana, Kenya, Tanzania and Cambodia to focus in detail on technical assistance. Chapter 3 presents the conclusions and our recommendations for making technical assistance work.

CHAPTER 1: REAL AID

"AID HAS RECEIVED A BAD PRESS IN RECENT YEARS, BUT FOR UTTERLY THE WRONG REASONS. AID IS TOO LITTLE TO SOLVE THE PROBLEMS AT HAND, (AND IS) EXCESSIVELY DIRECTED TOWARDS THE SALARIES OF CONSULTANTS FROM DONOR COUNTRIES RATHER THAN INVESTMENTS IN RECIPIENT COUNTRIES."

JEFFREY SACHS, 2005.

More aid is a crucial part of the fight against poverty. Yet headline aid levels remain pitifully low, standing at only 0.26% of the combined income of all donor countries in 2004. Even if all the promises made in 2005 are met, donors will only give an average of 0.36% of national income by 2010 – half of the 0.7% target level. As we will show, even these low headline aid figures exaggerate the true donor contribution to the fight against poverty, with real aid levels standing at only 0.14% of donor income in 2004, one fifth of the way to the 0.7% target.

Such low real aid levels stand in stark contrast to the extent of 'reverse flows' – the flow of resources from poor countries to the rich world. Debt repayments, capital flight, unfair trade, profit remittances and rich countries' contribution to climate change contributed to an estimated net resource flow of $710 billion from developing countries in 2003, ten times the value of official aid.[1] Outflows on such a scale are a huge drain on the efforts of poor countries in the fight against poverty. Rich countries must stop harming poor countries through their policies on trade, finance, migration and the environment. But especially while these structural inequities persist, they need to provide more real aid as a matter of urgency.

1.1 REAL AID IN 2004

ActionAid International's first *Real Aid* report was launched in May 2005. This report used indicative data to estimate how much of each donor's aid was real. Using 2003 figures, we calculated that more than 50% of official aid flows were 'phantom': that they were not genuinely available to fight poverty.

This report uses newly available 2004 data to update our earlier analysis. Our figures are necessarily approximate: donors are very poor at reporting on how they spend aid money, making it difficult to hold them to account. However, we have used the most comprehensive current source – data from the OECD – to calculate indicative estimates of real aid.

We estimate that a massive $37 billion (47%)[2] of the $79 billion in headline aid in 2004 was 'phantom', while real aid stood at only $42 billion. There was some improvement from 2003, with nearly all the increase in aid – otherwise known as Overseas Development Assistance or ODA – between 2003 and 2004 counting as real aid. However, there is no room for complacency. Even with this increase, our analysis suggests donors still contributed an average of only 0.14% of gross national income in real aid in 2004, or only one fifth of the UN target level. On average, donors give only $48 for each of their citizens in real aid each year – less than $1 a week.

The $37 billion of phantom aid in 2004 included:

— **$6.9 billion** which was not targeted for poverty reduction
— **$5.7 billion** which was double counted as debt relief
— **$11.8 billion** spent on over-priced and ineffective technical assistance
— **$2.5 billion** lost through aid tying
— **$8.1 billion** lost through the costs to recipients of poor donor co-ordination
— **$2.1 billion** spent on immigration related spending in the donor country
— at least **$70 million** spent on excessive administration costs.

These figures are necessarily approximate. If anything, they probably flatter donors. Lack of data means that other areas of 'phantom aid' have been excluded from our analysis. These include conditional or unpredictable aid, technical assistance and administration spending through multilateral channels, security-related spending and emergency aid for reconstruction following conflicts in countries such as Iraq. Some of these forms of aid do little to fight poverty, and can even do more harm than good.[3]

1.2 COMPONENTS OF PHANTOM AID

1.2.1 Poorly targeted aid ($6.9 billion)

Aid remains poorly targeted: much is spent in middle income countries, out of all proportion to the number of poor people living there. Donors give aid to middle income countries because they are geopolitically or commercially significant, near neighbours, or because of other historical and cultural ties. The US, for example is very clear that its foreign assistance, "has always had the twofold purpose of furthering America's foreign policy interests in expanding democracy and free markets while improving the lives of the citizens of the developing world."[4] Of the $7.7 billion increase in US ODA between 2004 and 2005, nearly two thirds was for Iraq and Afghanistan alone.[5]

Even when aid is given to low income countries, it is sometimes aimed at meeting donor commercial priorities rather than reducing poverty. For example, the website for AusAID, the Australian government aid agency, proudly states that, "Australia's aid program creates jobs and opportunities for Australians [who] deliver over 80% of the aid program…every year AusAID awards Australian firms hundreds of contracts for goods and services."[6]

In calculating real aid, ideally we would subtract aid that is not aligned behind country owned development strategies. Data inadequacies mean that such a detailed analysis is not possible, and we therefore look simply at broad allocations across countries. We assume that, if donors were really allocating aid in accordance with poverty needs, 70% would go to the poorest countries, leaving only 30% allocated to middle income countries. Aid above that level is counted as phantom aid.

The share of aid going to low income countries increased from just under 60% in 2003 to nearly 63% in 2004.[7] However, some countries still allocate large shares of their aid budget to middle income countries, with Austria, Greece, Spain and the US continuing to be the worst offenders. Greece allocates only 29% of its aid to low income countries, and the US only 50% – a deterioration from 2003 levels. Finland, Japan and Italy also saw a worsening in their poverty targeting: in Finland, the share of aid going to low income countries fell from 67% to 59%; in Japan from 67% to 59%; and in Italy from 74% to a disappointing 62%. In contrast, six countries: Australia, Belgium, Denmark, Ireland, Portugal and the UK, all retained high levels of poverty targeting, with aid to low income countries at or above the 70% threshold in both 2003 and 2004.[8]

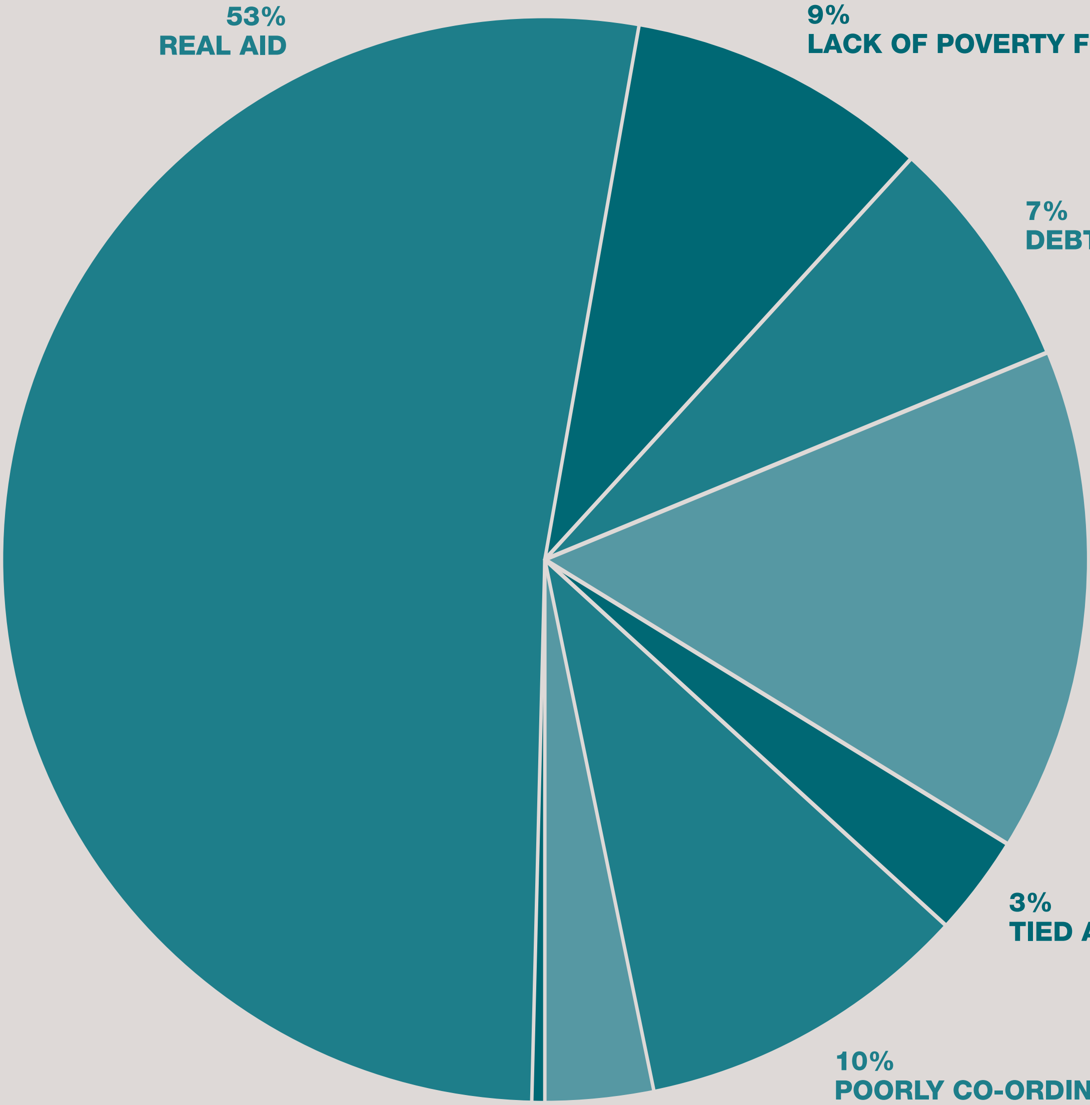
1.2.2 Debt cancellation is still double counted as aid ($5.7 billion)

Debt cancellation is vital in the fight against poverty. Recent debt cancellation deals for Nigeria and other poor countries, while inadequate,[9] are a step forward.

But debt cancellation must be additional to new aid transfers. Contrary to their commitments at the 2002 Monterrey Consensus on Financing for Development, donors continue to count debt cancellation as part of their headline ODA. This can vastly exaggerate the sums of money available to reduce poverty. For example, one fifth of the headline ODA from EU member states in 2005 was accounted for by cancellation of Nigerian and Iraqi debts.[10] Yet Iraq was not even servicing these debts, meaning that no more money will be available to the Iraqi government as a result of debt cancellation.[11] A recent OECD paper on the Heavily Indebted Poor Countries debt relief initiative (HIPC) suggested that as little as 10% of debt relief actually generated new resources for poverty reduction.[12] Debt cancellation also shows up in the ODA statistics at full nominal value, usually over a one to three year period, even though the benefits would only be felt over a number of years.

Counting debt cancellation as part of aid is particularly unjust given that the debts that are cancelled were often incurred for odious or illegitimate purposes that had little to do with fighting poverty.[13] Counting debt relief as aid violates the

FIGURE 1 BREAKDOWN OF ODA 2004



SOURCE: ACTIONAID CALCULATIONS BASED ON OECD DAC principle of justice that southern governments and global debt campaigners have long fought for: that creditors should share the cost of past mistakes. By using debt cancellation to help them meet the 0.7% target, creditors are effectively passing that cost on to poor countries, who would otherwise have received higher volumes of aid.

Debt relief fell as a share of headline ODA in 2004, from 13% in 2003 to 7% in 2004.[14] This may, however, reflect slower progress in debt cancellation rather than any great commitment to increasing real aid. France, Belgium and Italy all saw large falls in the share of their ODA spent on debt cancellation between 2003 and 2004. In Portugal, in contrast, nearly 70% of ODA in 2004 was accounted for by debt cancellation, a huge increase from 2003. This accounts for Portugal's sharp rise in headline ODA, from 0.22% of gross national income in 2003 to 0.63% in 2004.[15]

Although debt cancellation fell between 2003 and 2004, large scale debt cancellation deals in Iraq and Nigeria and the Multilateral Debt Relief Initiative mean that it is likely to account for a large share of headline ODA over the next few years. A recent paper from the OECD estimated that because of this, large increases in new ODA (excluding debt cancellation) are unlikely to materialise before 2008, even if donors fully meet the pledges announced in 2005.[16]

1.2.3 Over-priced and ineffective technical assistance ($11.8 billion)

One quarter of global aid is spent on technical assistance: donor spending on outside expertise such as consultants, research and training, used to supplement the existing skills and administrative capacity of developing country governments. Yet, as we show in Chapter 2, technical assistance has often failed to build capacity, and has in some cases even served to erode existing capabilities.

Because most technical assistance is still donor-driven, it is both heavily over-supplied and over-priced. Globally, spending is still concentrated on expatriate consultants, often at very high rates of pay. Such 'phantom' technical assistance often fails to make a lasting contribution towards the ability of poor countries to determine their own development paths, and instead tends to leave little behind once donor payments cease.

Donors are particularly poor at providing information about spending on technical assistance, as Chapter 2 explains.[17] For this reason, it is very difficult to distinguish between donors in terms of the quality of their technical assistance – its impact on capacity, ownership and poverty reduction. However, the Development Assistance Committee (DAC) is starting to rectify this, potentially allowing scope for a more differentiated analysis in future. In the meantime, in order to assess 'phantom' technical assistance, we continue to use an across-the-board 75% discount[18] of bilateral technical assistance. This is based on:

— An estimate of the cost mark up from tying of technical assistance. Technical assistance is excluded from the 2001 OECD agreement on aid untying. It is also excluded from the data collected by the DAC on tying (see next section) and as such it is difficult to get a precise estimate of the extent of tying. However, as Box 6 on page 32 shows, technical assistance contracts are overwhelmingly awarded to firms from the donor country, suggesting that actual and *de facto* tying is common. We therefore discount 25% on the basis of the cost mark up from tying.[19]

— An estimate of the cost mark up of expatriate consultants. Non-salary costs associated with expatriate consultants, including school fees and flights, can amount to more than half of technical assistance costs, as Figure 6 on page 34 shows. These costs would obviously not be incurred in all cases, but probably would be in around half of them, generating a total discount of 25%.

— An estimate of effectiveness. Of the remaining 50% of technical assistance, on the basis of the analysis presented in Chapter 2, we assume half has been ineffective in building capacity. This generates a total discount of 75%.

Technical assistance levels only rose very slightly between 2003 and 2004, from $18.3 billion to $18.7 billion, meaning that they fell slightly as a share of total ODA, from 27% to 24%. Across all donors, phantom technical assistance amounts to $11.8 billion, a slight increase from 2003 levels.[20] Data for multilateral technical assistance is not made available by the DAC, meaning that this is an underestimate of its true extent. Large donors, as a share of total ODA, include Australia, Greece, Germany and the US, all of which spent more than one third of their ODA on technical assistance in 2004.

1.2.4 Aid tying reduces the value of aid ($2.5 billion)[21]

Donors still commonly tie aid to goods and services from their own countries. According to OECD estimates, tying increases the costs of aid by between 15% and 40%.[22] It also distorts local priorities and denies local contractors the opportunity of using aid money to boost employment and develop their own skills and capacity. Even when aid is not officially tied, procurement practices often mean that donor country firms win the lion's share of the contracts (see Box 7 on page 35).

Using a conservative estimate of the cost mark up from tying, we assume that 20%[23] of all tied aid is phantom. This means that $2.5 billion, or roughly 3% of ODA, is phantom tied aid, up slightly from $2.3 billion in 2003.[24]

In 2001, donors agreed to untie all their aid to the least developed countries, excluding food aid and technical assistance. But five years on, progress from some donors has been woeful, and there does not appear to have been any reduction in the total share of tied aid between 2003 and 2004.[25] The US, Italy, Canada, Greece, Spain and Austria remain the worst culprits in terms of aid tying. In contrast, Ireland, the UK and Norway have fully untied their aid.[26]

1.2.5 Loss through poor donor co-ordination ($8.1 billion)

Despite promises made by donors in Paris in March 2005 to improve 'harmonisation and alignment', aid continues to be poorly co-ordinated, imposing heavy burdens on already over-stretched administrations. According to the DAC, for example, a typical African country hosts more than 20 donor missions a week – or four each working day.[27] Donors continue to demand different reporting requirements from poor countries, often with minimal co-ordination.

Donors are particularly poor at providing data on the extent to which they co-ordinate their aid, making it very difficult to hold individual donors to account. The OECD has started to collect data,[28] but this is not yet available on a donor-by-donor basis. The survey data put together by the OECD in preparation for the Paris High Level Forum in 2004 might have been one potential source, but because it relied on donor self-assessment it yielded few useful results. Donors known to be poor in terms of their aid quality were simply able to respond that they always aligned behind country systems and harmonised with other donors, with no independent verification.

As we show later in this chapter, a more useful and independent framework would involve governments, CSOs and other stakeholders monitoring donors on the basis of their performance in country. In the absence of such a framework, we continue to rely on donor rankings put together by UK-based non-profit consultancy Debt Relief International (DRI), based on recipient governments' own estimates of donor performance. Based on DRI's calculations we estimate that donors ranked as 'above average' by recipients lose 10% of the value of aid through poor co-ordination, while donors ranked 'below average' lose 20%. This generates an estimate of $8.1 billion of phantom aid lost through poor donor co-ordination.[29]

1.2.6 Aid is spent on immigration related costs in donor countries ($2.1 billion)
Under OECD rules donors can count spending on refugees in their first year of arrival in the donor country as part of ODA. Countries vary in the extent to which they do this: the UK, Finland, Italy, Japan and Luxembourg commendably do not include any such spending in their ODA, while the US and France include almost half a billion dollars each. In Switzerland and Austria refugee spending accounts for upwards of 15% of bilateral ODA. While such expenditures are vital, ActionAid believes they should be counted as part of domestic expenditure rather than ODA.

1.2.7 Aid is spent on excess administration costs ($70 million)
Spending on administrative expenses by donors, including housing and transport, is also allowed to score as ODA. Some administrative spending is important to ensure effective aid programmes. However, donors such as DFID allow a maximum spend on administration by NGOs of 8% of the total budget, and we therefore allow a similar threshold. Spending over and above that level is deemed to be excessive, yielding a total discount of around $70 million. Canada and the UK are found to be the worst offenders in terms of their admin costs. However, OECD estimates of admin costs are open to a wide variety of definitions, meaning that this figure is actually likely to be a significant underestimate for most donors.

1.3 REAL AND PHANTOM AID: THE DONOR RANKINGS

In total, our analysis suggests that nearly 50% of all aid is still 'phantom' – it is not genuinely available to meet the human development needs of the poor. Donors vary substantially in their efforts to provide real aid. Some have high headline aid levels and a high share of real aid; others give low volumes of largely phantom aid.

As Figure 2 shows, the five '0.7%' countries retain their position at the top of the real aid league. Luxembourg, Denmark, Norway, Sweden and the

TABLE 1 REAL AID VOLUMES AND SHARES OF PHANTOM AID

	HIGH REAL AID VOLUME [32]	MEDIUM REAL AID VOLUME	LOW REAL AID VOLUME
LOW SHARE OF PHANTOM AID	**IRELAND LUXEMBOURG SWEDEN DENMARK NORWAY NETHERLANDS**	**UK**	
MEDIUM SHARE OF PHANTOM AID	**SWITZERLAND**	**BELGIUM FINLAND GERMANY CANADA NEW ZEALAND**	**JAPAN ITALY**
HIGH SHARE OF PHANTOM AID		**FRANCE PORTUGAL**	**AUSTRALIA SPAIN AUSTRIA GREECE US**

BOX 1: CHANGES TO THE REAL AID METHODOLOGY

When ActionAid's first *Real Aid* report was launched in May 2005, some donors criticised the way 'real' and 'phantom' aid were calculated. Most of the problems are caused by lack of data, and the absence of systematic impact assessments or detailed analysis of aid quality on a donor-by-donor basis. Until such data improves, options for improving the methodology remain limited.

But even preliminary and approximate estimates such as those presented in this report can shed useful light on donor performance and help to more clearly identify each donor's contribution to the fight against poverty.

We have, however, made some changes to the way we have calculated the share of real and phantom aid this year and have also modified the 2003 data. In particular, we have tried to eliminate some elements of double counting that cropped up in the original analysis.[30]

The absence of accurate data on multilateral aid means that we are unable to analyse 'real aid' for multilateral donors. For example, there is no available data on multilateral technical assistance or administration costs. As with the original *Real Aid* report, where we have multilateral data (for example on aid allocations and donor co-ordination), this has been attributed back to the bilaterals that fund them.

Netherlands all have high official ODA/GNI ratios and a high share of real aid, while Luxembourg, Denmark and Norway have all increased their real aid since 2003. Luxembourg now meets the 'real' 0.7% target, while Denmark and Norway are not far behind. This does not mean that there is no scope for improvement, however. Swedish NGOs, for example, believe their government can do more to fully untie aid and stop attaching economic policy conditions to it.[31]

Ireland retains its 2003 position as the donor with the highest share of real aid. The UK and Finland also both have relatively high shares of real aid. But all three countries are brought down the overall real aid league slightly by their less impressive levels of aid volume. Switzerland and Belgium both score relatively well in terms of headline aid volumes, but both have slightly higher levels of phantom aid, dragging them down the real aid league.

At the bottom of the donor league are those with both low volumes of official aid and high shares of phantom aid, giving pitifully low real aid levels. The world's richest country, the US, scores worst of all, with real aid at only 0.06% of gross national income, the equivalent of only $25 per person per year. Greece, Italy, Japan, Austria, Australia and Spain also score badly.

Countries that have higher real aid levels also tend to have a lower share of phantom aid, as Table 1 shows. This strongly suggests that support for aid is greater in those countries where a greater proportion of aid is real, and thus more likely to deliver poverty reduction, rather than in countries where aid is used as a means of pursuing donor interests at the expense of the poor.

1.4 THE AID SYSTEM IN 2010

Assuming that donors meet the promises made in 2005, aid should rise to around $130 billion by 2010. Those who campaigned in both rich and poor countries for more and better aid will rightly be expecting results from this money. They will be keen to see that increased aid has resulted in better educated children, less disease and ill health, more secure livelihoods, cleaner water, a healthier and more sustainable environment and more autonomy for poor countries to determine their own paths to development.

As we have seen, substantial increases in aid volumes are unlikely to materialise before 2008, even if donors fully meet their pledges. Of the $50 billion increase in aid by 2010 promised last year, we estimate that more than $20 billion will be phantom aid unless donors take urgent action now to improve the quality of aid.[33]

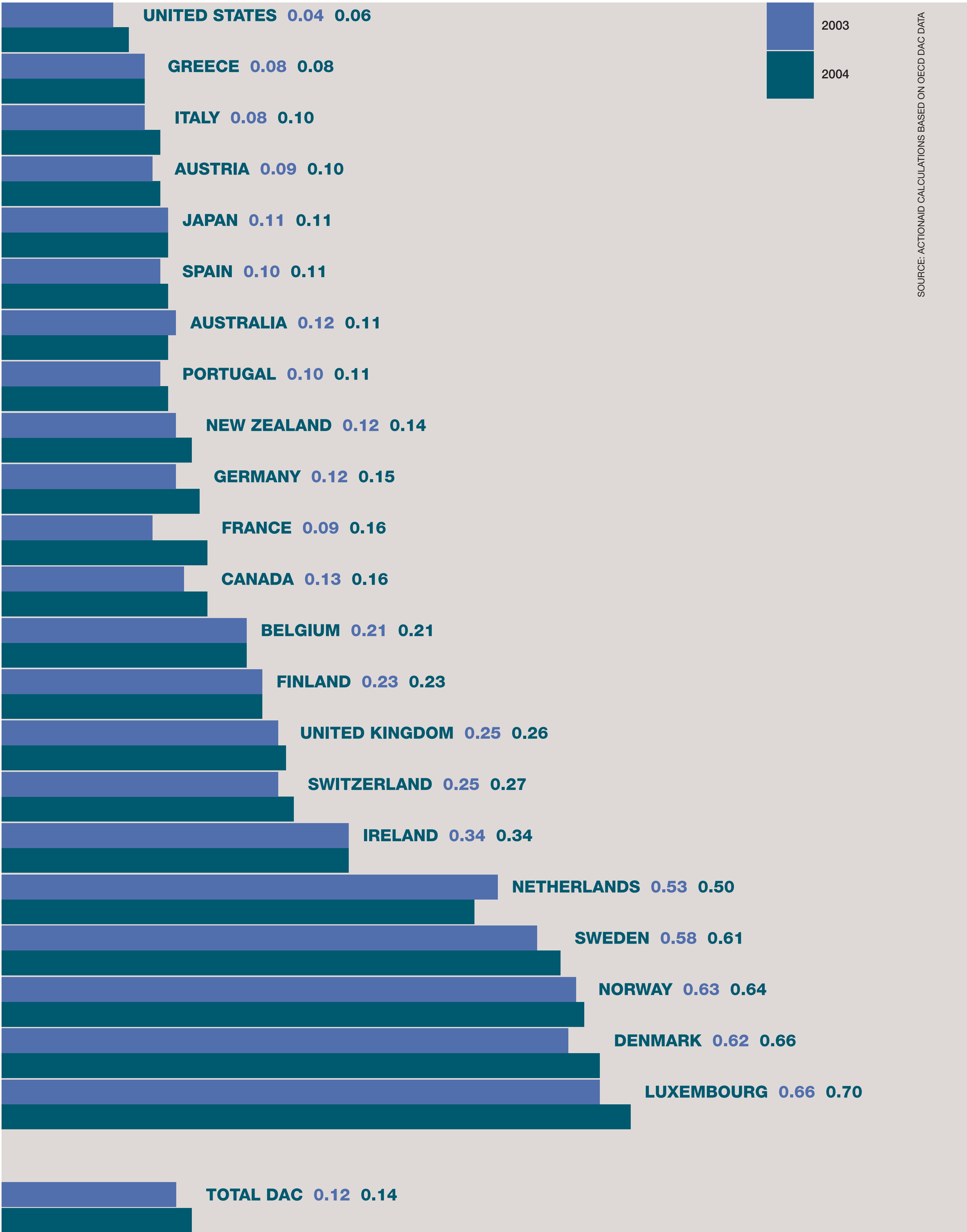
There is also a risk that donors, under budgetary pressure, may try to further inflate their headline aid by seeking to loosen the ODA definitions. Already, there are pressures at the OECD to allow security related expenditures to count as ODA, and the debate on ODA definitions will re-open in 2007. Pressure to spend increasing aid budgets quickly could also lead to a deterioration in aid quality, even in normally 'high quality' aid donors.

It is vital that rich countries take action now to improve the quality of their aid, and that they stop inflating their headline ODA with debt cancellation, refugee spending and other non-aid items.

TABLE 2 REAL AID PER CAPITA IN 2004 (US $)

DONOR	REAL AID PER PERSON	DONOR	REAL AID PER PERSON
LUXEMBOURG	441	CANADA	50
NORWAY	347	JAPAN	40
DENMARK	294	AUSTRIA	35
SWEDEN	238	AUSTRALIA	32
NETHERLANDS	175	NEW ZEALAND	30
SWITZERLAND	136	ITALY	28
IRELAND	132	SPAIN	25
UNITED KINGDOM	94	UNITED STATES	25
FINLAND	83	PORTUGAL	18
BELGIUM	73	GREECE	14
FRANCE	52		
GERMANY	50	DAC AVERAGE	48

FIGURE 2 REAL ODA/GNI RATIOS 2003 AND 2004

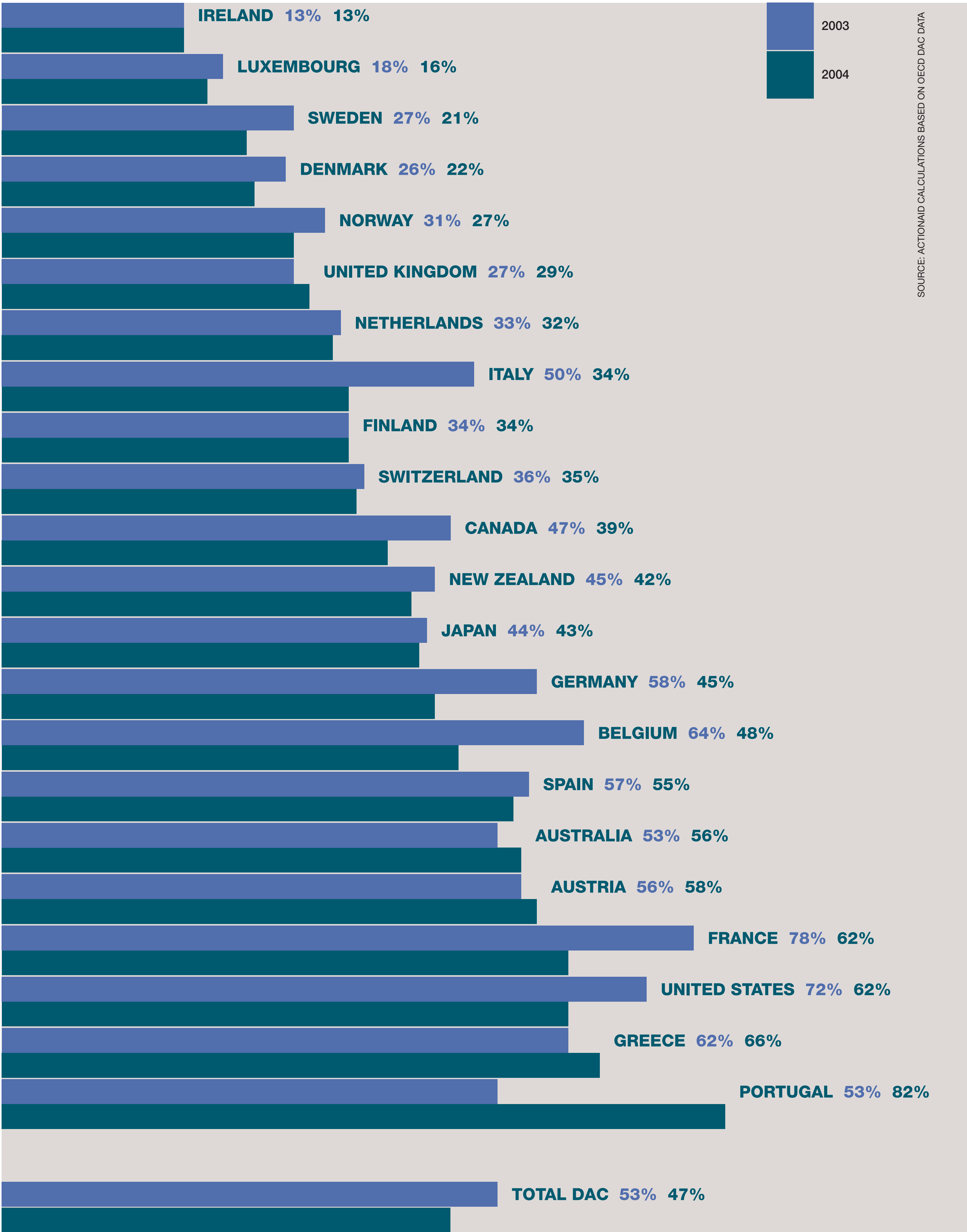


BOX 2: THE PARIS PROCESS ON AID EFFECTIVENESS

The donor-driven nature of current aid reform efforts is demonstrated clearly by the Paris Declaration on Aid Effectiveness. While this process has generated a set of targets for aid effectiveness to be met by 2010, it still falls far short of a system to promote donor and government accountability. Progress still relies on self assessment, giving donors leeway to simply define away the problem in cases where they continue to provide poor quality aid. The targets are weak, exclude key elements such as tying and conditionality, and apply only to aid given to the minority of countries deemed by donors to have strong enough systems. It is still not clear whether progress towards the targets will be reported on a donor-by-donor basis, making it difficult for citizens in donor countries to hold their governments to account for meeting the targets.

ActionAid believes that, if the Paris Declaration targets are to drive meaningful improvements in aid quality, there must be a greater role for southern countries in assessing donor progress towards the targets. Governments and civil society should be encouraged to do their own rankings of donors. Donor-by-donor progress towards meeting the targets must be publicly announced both in country, for example at reformed Consultative Group meetings, and internationally. Progress must be made public in a way that is accessible to local stakeholders, including those without access to sophisticated technology.

FIGURE 3 SHARE OF PHANTOM AID 2003 AND 2004



SOURCE: ACTIONAID CALCULATIONS BASED ON OECD DAC DATA

1.5 RECOMMENDATIONS ON INCREASING REAL AID AND REFORMING THE AID SYSTEM

As our last report outlined, the failure of the aid system to deliver real aid is no accident. Aid quality is poor because donor countries are not held accountable. These countries on the one hand make excessive demands on poor country governments in the form of intrusive policy conditions, but on the other are not held accountable for delivering on their own promises. Donors have promised to untie aid, to improve co-ordination, support capacity building and to better allocate their aid. Yet in most rich countries, progress in meeting these promises has been woeful.

As the first *Real Aid* report also showed, if aid is truly to become real then there is a need for fundamental reform of the international aid system to make donors, governments and civil society organisations truly accountable to each other and to poor people. Such a system must involve:

— clear financing policies from southern governments

— a shift from donor-imposed conditions to mutual commitments

— national and international forums for ensuring donors and developing country governments are held to account.

1.5.1 Clear financing policies from southern governments

Some southern countries have been able to improve aid quality by developing clear financing strategies and putting pressure on donors to provide aid in their preferred forms. The Tanzania Assistance Strategy, launched in 2002, identified specific commitments from both donors and governments to improve the effectiveness of aid, and has served to improve donor behaviour. This is now being used as the basis for a new Joint Assistance Strategy that aims to further strengthen donor co-ordination. Similar efforts are underway in Afghanistan, Vietnam and Mozambique.[34] In India, the government has even asked donors who provide low levels of aid to leave the country. Other developing countries should now follow their lead and set out their own financing policies. With the projected aid increases by 2010, they should increasingly be able to reject aid that does not meet minimum criteria.

1.5.2 Mutual commitments in place of one-sided conditionality

Donors continue to impose a raft of intrusive policy conditions on poor countries, and to back 'reformers' they have identified in recipient governments who are prepared to promote donor-friendly policies. Yet these practices often undermine democratic accountability, skew policy priorities and promote policies that have often been ineffective in the fight against poverty. If there is to be sustainable poverty reduction, poor countries must, as the G8 stated, be, "free to decide, plan and sequence their economic policies to fit with their own development strategies."[35] This means that donors should no longer attach externally imposed conditions to their aid or push countries in a pre-determined reform direction. Southern led initiatives in resisting such conditions, such as African Alternatives to Structural Adjustment Policies and the New Partnership for Africa's Development, should be promoted and supported.

The British and Norwegian governments, to their credit, have both announced that they will no longer attach economic policy conditions to their aid. Other countries must now follow suit. The World Bank and IMF, both heavy users of conditionality, need to dramatically reduce the amount and intrusiveness of their conditionalities. The Bank's good practice principles on conditionality, agreed in September 2005, are a small step in the right direction,[36] but fall far short of the change that is needed. As we will see in Chapter 2, donors must also stop using technical assistance and other forms of 'soft' pressure to unduly influence developing countries' policy options.

This does not mean that developing countries should be able to misuse donor (and their own) resources. Both rich and poor countries have mutual obligations to ensure accountability and transparency in the use of resources, and that aid is focused on the needs of poor people, especially women and girls. Both also need to ensure that their broader policies, including trade, environment and financial policies, promote the rights of poor people, especially poor women. All governments must meet international obligations, including those specified by the UN Convention on Corruption, the Convention on Discrimination Against Women, the Millennium Declaration and the Kyoto Protocol.

1.5.3 National and international processes for holding donors and governments to account

If donors and southern countries are to be held accountable for effectively using resources to fight poverty and for meeting international obligations, there needs to be new national and international forums where both sides can be held to account by parliaments, the media, NGOs and other civil society groups.

At present, there are no international forums for promoting such accountability. Existing forums such as the World Bank, IMF and OECD DAC are dominated by rich countries, with developing nations and CSOs allowed a very minimal role. The weaknesses of such donor-dominated processes is clearly demonstrated by the limitations of the Paris Process on Aid Effectiveness (see Box 2). A new forum is needed where donors and southern governments can meet as equals to review progress on improving the quality of aid and meeting international obligations. There is a need for an independent arbitrator, such as the UN, to adjudicate in case of disputes between donors and southern governments.

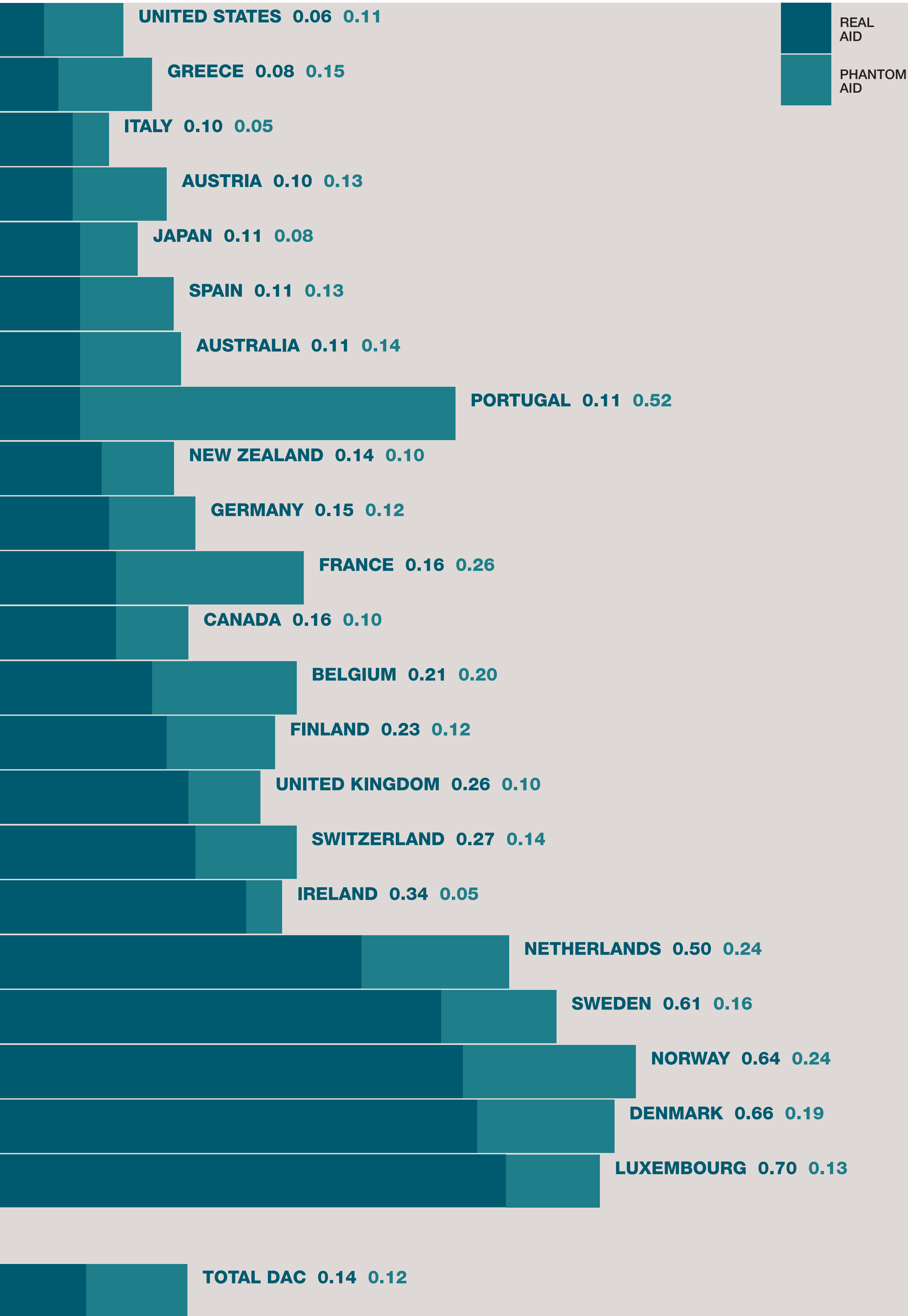
At country level, negotiations between donors and southern countries generally take place behind closed doors, with limited opportunities for engagement by parliaments, civil society, the media and the general public. Even public forums such as Consultative Group meetings are largely donor dominated. Parliamentarians, CSOs and other stakeholders have few opportunities to scrutinise the agreements that their governments are signing, the use of donor resources, or even the new loans being contracted in their name.[37] This must change. New, broadened Consultative Group meetings should be run by developing country governments, with parliamentarians, CSOs, other stakeholders and donors all able to effectively participate.

1.6 CONCLUSIONS FROM CHAPTER 1

More aid is vital if basic rights are to be met. However, too much aid fails to effectively contribute to the fight against poverty. Donors need to dramatically increase both the quantity and the quality of their aid in order to meet the 'real' 0.7% target by 2010.

Radical changes are required in the way the aid system is run. In particular a new international aid system is needed, through which donors and governments can hold one another to account for meeting international commitments and protecting basic rights.

FIGURE 4 REAL AND PHANTOM ODA RATIOS BY DONOR, 2004



SOURCE: ACTIONAID CALCULATIONS BASED ON OECD DAC DATA

CHAPTER 2: MAKING TECHNICAL ASSISTANCE WORK

"IT IS THE LACK OF OWNERSHIP ON THE PART OF RECIPIENTS THAT ACCOUNTS FOR OUR MANY FAILURES. WHAT MATTERS IS THEIR VISION, THEIR DEVELOPMENT. NOT OUR IDEAS, OR WHAT WE HAVE TO OFFER. AND THAT ALSO APPLIES TO TECHNICAL ASSISTANCE."

EVELINE HERFKENS,
DUTCH MINISTER FOR DEVELOPMENT CO-OPERATION, 2000.

Technical assistance – donor spending on consultants, training and research – is one of the most heavily criticised forms of aid. Damning critiques go as far back as 1969, with the Pearson Commission noting that it was, "little related…to development objectives". By 1993 the critiques had hardened, with then World Bank vice president Edward Jaycox describing it as, "a systematic destructive force that is undermining the development of capacity." Bilateral donors have been equally scathing, with Eveline Herfkens, then Dutch Minister for Development Co-operation, noting in 2002 that: "The presence of so many experts in Africa in particular has undermined the confidence of countries in their own abilities. Technical assistance has not done enough to give poor countries the ability to stand on their own two feet."[38] Even the typically understated OECD acknowledged recently that there was little evidence of the effectiveness of technical assistance, and that higher levels have shown no positive impact on economic performance.[39]

Yet despite these critiques, technical assistance is still one of the most heavily used forms of aid, accounting for between a quarter and a half of all ODA.[40] Donor policies have remained stubbornly resistant to the kinds of reforms seen in other parts of the aid system. Much technical assistance remains heavily donor-driven, tied to donor country firms and dependent on expensive 'expert' knowledge from rich countries. Recent efforts towards improvement have generated some benefits, but fall far short of the root-and-branch reform that is needed.

New ActionAid research in five African and Asian countries shows that a significant proportion of current technical assistance is:

— ineffective: failing to build long term capacity and reduce poverty

— over-priced: with high salaries being paid to expatriate consultants.

Both of these areas need urgent reform if aid is to really deliver for poor people. Policy changes such as untying aid and improving the design of technical assistance projects will bring benefits. But important though these reforms may be, they will not have a lasting impact unless broader issues of power, control and ownership are addressed.

Fundamentally, technical assistance often fails because it is:

- **donor-driven: skewing country priorities and accountability relations**
- **out-dated: based on a development model that has been shown to fail.**

Such failures are particularly concerning given that many southern countries do face capacity shortages in crucial areas. Donors can play a role in supporting country efforts to strengthen capacity. But for technical assistance to be effective, there must be widescale reform of the aid system of the kind described in Chapter 1.

Making technical assistance work will require:

- **southern countries taking more control over capacity building**
- **a shift from one-sided conditionality to mutual commitments from donors and southern governments**
- **countries being free to determine their own paths to development**
- **the recognition that development is an indigenous, locally driven process.**

This chapter explains these critiques and outlines the reforms needed in more detail. Section 1 presents a history of technical assistance and asks what we currently know about it. Section 2 presents our four key critiques. Section 3 reviews existing efforts to reform technical assistance. In Chapter 3, we present our conclusions and recommendations for making technical assistance work.

2.1 A HISTORY OF TECHNICAL ASSISTANCE

There is a long history – dating back to at least 19th century Japan – of countries looking overseas for ideas on how best to achieve economic and social development. However, only with the advent of extensive aid programmes in the post-war period has large scale technical assistance been funded by foreign donors.

In the early years many theorists and donors argued that 'under development' was caused by fundamental 'gaps' in poor countries: a savings gap, in which low domestic savings limited investment; an import gap, in which limited exports prevented poor countries from importing enough to meet their needs; and a capacity gap, in which poor countries lacked the necessary skills and technical know how to develop their economies.

As donors provided finance to fill the savings and import gaps, they similarly poured in expatriate experts to fill the capacity gap.[44] As with finance, technical assistance was seen as a relatively mechanistic process. Donors used their experts to impart knowledge to a population that was assumed to have little prior knowledge or expertise. As one writer on the issue has observed: "The technical assistance adviser or development practitioner took on the role of expert physician and diagnostician, 'transferring' generic technical solutions to fill knowledge 'gaps' that would then enable 'counterparts' to improve their performance."[45]

Over time, however, there has been a fundamental change in thinking within the development community on the role and function of aid, owing largely to the failure of 'blueprint' approaches that lacked local ownership and did not create lasting change. There is now a far greater emphasis on participation, local ownership and locally developed solutions. This shift is incomplete; many donors still provide finance in ways that restrict, rather than promote, the ability of poor countries and poor people to make their own policy choices. But for some donors, at least, this shift has led to quite fundamental changes in the way they provide aid. However, as we will see later, reforms in the use of technical assistance have lagged far behind.

Paradoxically, these other reforms in donor practice have sometimes increased the incentives on the donor side to provide donor-led technical assistance. Convinced that aid works better in 'sound' policy environments, donors use technical advisers to try to shift government priorities in ways they deem sensible. Some donors even try to use technical assistance to create domestic ownership of the reform process, leading to the contradictory situation whereby donor consultants have drafted supposedly 'country owned' poverty reduction strategies, as in Cambodia or Uganda. Greater use of country systems by donors is also increasing donor anxiety to ensure their money is well spent, with advisers commonly posted as formal or informal gatekeepers within government ministries.

Such pressures are likely to increase over the next few years as new aid streams materialise and donors look for options to disburse funds, particularly in so-called 'fragile states'. Large users of technical assistance such as Germany and France account for a substantial share of the $50 billion extra promised in 2005. Other countries such as the UK face constraints on their staffing levels, with greater use of technical assistance being an obvious solution. This likely trend makes it more important than ever that technical assistance is provided in a way that is cost-effective, builds capacity, is genuinely owned and allows countries to chart their own development paths.

2.2 TECHNICAL ASSISTANCE: FOUR CRITIQUES

2.2.1 Technical assistance is ineffective: it has largely failed to build long term capacity and reduce poverty

Despite the billions of dollars spent on technical assistance, there have been few systematic attempts to assess the extent to which it has contributed to the long term development of capacity in developing countries, and how this has impacted on poverty reduction efforts. The OECD has admitted that, "There is little data based analysis of the overall effectiveness of technical assistance as an aid instrument, whether in terms of cost/benefit, impact on growth, fiscal impact or other financial measures."[50] This global trend has, perhaps unsurprisingly, been matched by a failure to carry out thorough analyses of projects at country level. In Ghana, for example, despite large sums of money being spent on technical assistance to the education sector, we found that no comprehensive assessment of its effectiveness has ever been carried out, either by donors or by government.

However, it is now widely agreed among the development community that technical assistance has fallen far short of expectations in terms of capacity building. The very fact that projects have continued for so long, often in the same sectors and same countries, suggests failure. This was admitted by the World Bank as far back as 1996, who noted that:

> "Despite their stated intentions to promote sustainable development and local capacity, donors have often behaved in a way that has either had no impact on local capacity or, worse, has eroded it." External interventions, they recognised "…may actually have made matters worse on the capacity-building front because they have tended to exacerbate Africa's capacity problems through approaches that have been supply driven and geared to satisfying internal institutional demands rather than the capacity-building needs of the countries."[51]

A recent evaluation by the IMF similarly concluded that:

> "Significant variability is found in whether agencies have been able to start using or enforcing the new technical knowledge [gained through IMF capacity building] and whether, as a result of these actions, there is a final impact on the ground."[52]

Similarly, a 2005 review by the World Bank of its capacity building efforts found that:

> "Conscious of the limited impact of its capacity building support in the face of Africa's still-weak public sectors, the Bank has progressively broadened its support to include the strengthening of public institutions, with emphasis in Africa on public financial management, decentralization, and governance…

BOX 3: ACTIONAID'S CASE STUDY RESEARCH

ActionAid's policy work is developed in tandem with our programmes and partners across the world, building on our concrete experience of fighting poverty on the ground. This report therefore relies on case study material gathered by ActionAid staff in four of the countries in which we work.

In **Tanzania** and **Cambodia** we examined public financial management reform programmes. These multi-donor funded programmes included heavy technical assistance components. In Cambodia, we also reviewed the recently completed technical co-operation assistance programme, an IMF led multi-donor funded technical assistance programme supporting economic management that ran between 2001 and 2004.

In **Ghana** we looked at technical assistance to the education sector, including the use of consultants in the Ghanaian education service and ministry of education, and donor intervention at the district level.

In **Sierra Leone** we reviewed the role of technical assistance in water restructuring plans. Both the World Bank and DFID are providing substantial support to commercialise urban water and increase private sector involvement.

BOX 4: WHAT IS TECHNICAL ASSISTANCE? HOW MUCH DO WE KNOW ABOUT GLOBAL TRENDS?

Technical assistance as defined by the OECD has three main elements:

— study assistance through scholarships and traineeships, including training of developing country nationals in donor countries

— personnel, including long term and short term experts (both expatriate and national)

— research into the problems of developing countries, including diseases.

This study focuses largely on the second category, though the insights and recommendations we make will have relevance for technical assistance as a whole.

Official OECD statistics indicate that global technical assistance stood at nearly $19 billion in 2004, or roughly a quarter of global aid. However, this is an underestimate. OECD figures exclude money spent by multilateral donors such as the UN, EU, World Bank and IMF. UN technical assistance alone has been estimated at $2-$3 billion a year, while the EU probably accounts for another $3 billion or so.[41] The official statistics are also inaccurate in other ways. They fail to count money that is provided as part of investment projects, for example. Conversely, some hardware such as vehicles, computers and other equipment does get counted as technical assistance. In total, the OECD has estimated that 'investment related' and 'free standing'[42] technical assistance account for about half of all official ODA.[43]

Official statistics also fail to tell us much about how budgets are actually spent. Areas funded through technical assistance can be as varied as a research project in a northern university or a grassroots teacher training project. They range from long term expatriate experts to short term national consultants employed for a day or two. While the OECD is working on better categorisation of the data, this work is still in its early stages. But this makes it even more difficult to assess its real scale or impact.

The largest donors in absolute terms are four G8 countries: the US, France, Germany and Japan, who between them account for 75% of all technical assistance. Australia and Greece also provide a high proportion of their aid in this form: with technical assistance accounting for over 40% of total ODA in recent years.

But even with these improvements, the Bank's support for capacity building in Africa remains less effective than it could be."[53]

Reviews undertaken under the UNDP national technical co-operation assessment programmes in the early 1990s also found that, while technical advisers had been effective in getting the job done, they had been far less effective in developing local institutions and strengthening local capacities. They concluded that technical assistance was expensive, donor-driven, heightened dependence on foreign experts and distorted national priorities.[54]

Evidence from our case study research supports the view that technical assistance projects have fallen far below expectations when it comes to building capacity:

— In Cambodia, at the end of the $6.5 million multi-donor funded technical co-operation assistance programme the government noted that, "the experience and capacity gained through the programme is unlikely to be used once the national program manager and national expert staff are returned to their regular assignments …if there are no follow up activities the achievements [under the programme] might have only a limited impact."[55] The IMF found that a total of more than 2,000 person days of IMF technical assistance in budget management, tax and customs administration had resulted in 'little progress'. Assuming standard day rates, this implies that $12 million was spent by the IMF on providing technical assistance to Cambodia in areas that generated little progress.[56]

— In Tanzania, an OECD study identified excessive and ineffective technical assistance as the fourth most important problem with the aid relationship, based on interviews in the country. One of the key issues identified by respondents was the failure to build genuine capacity.[57]

The failure of technical assistance to build capacity means that it has not been effective in helping southern countries improve their ability to reduce poverty and meet the basic rights of their populations. While there has been no systematic attempt to compare technical assistance with overall progress in reducing poverty, the OECD did correlate technical assistance and economic growth and found no positive relationship. In fact, the trend appeared to be slightly negative (although statistically insignificant).

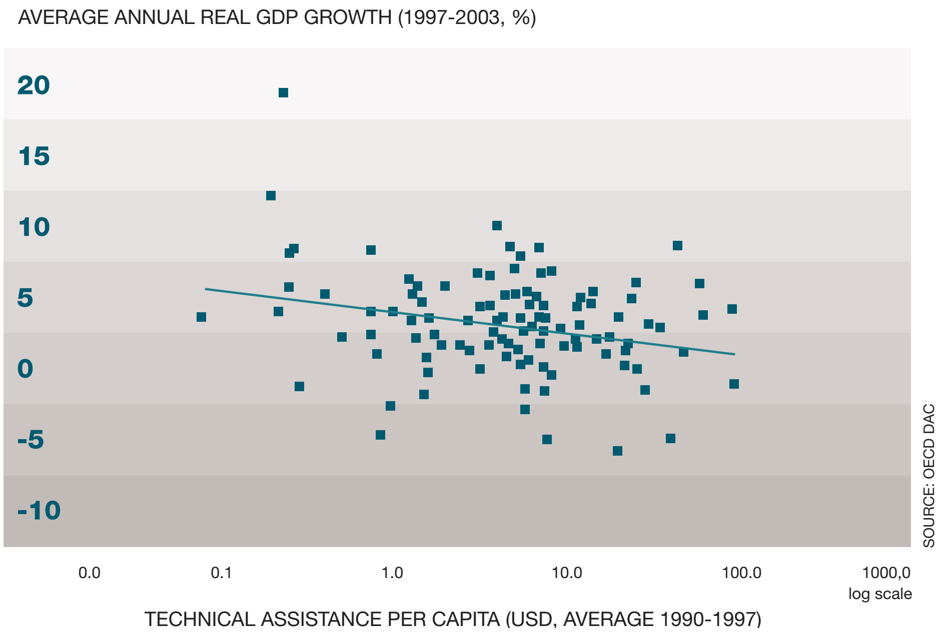
Why has technical assistance failed to build capacity?

As we will see in the following sections, the underlying cause of technical assistance's failure to build capacity is that projects have often been donor-driven and have lacked southern country ownership and leadership. Technical assistance is commonly seen by governments as a 'free good', accepted because it brings other benefits, such as access to other forms of aid, rather than capacity development. It has been heavily over-supplied in relation to demand. Donor dominance has increased failure rates because it has led to the adoption of the wrong model – where it is assumed that an expert with generic knowledge can simply pour knowledge onto a needy recipient, whether they want this knowledge or not.

This donor-dominated, international expert led model has contributed to a failure to build capacity in seven main ways:

(a) Technical advisers are often under pressure from donors and governments to 'get the job done'

FIGURE 5 DAC FINDS NO POSITIVE CORRELATION BETWEEN TECHNICAL ASSISTANCE AND ECONOMIC GROWTH



rather than take extra – expensive – time to build capacity. Some advisers are provided specifically in order to fill gaps, with capacity building seen as a side effect at best. Contracts don't usually include performance indicators on capacity building. In Ghana, for example, we found no example of payment on a contract being dependent on the transfer of skills, or of non-payment as a result of technical assistance failing to build capacity. In Cambodia, when a World Bank staff member was asked whether technical advisers recruited under the public financial management reform programme had capacity building as an explicit aim of their work, he responded that he thought there was 'a line or two'.

(b) Advisers often have real incentives not to pass on knowledge to their counterparts. Their continued employment may hinge on the existence of capacity gaps. In Ghana, some government officials argued that donor-funded advisers perpetuated their stay by failing to transfer skills to counterparts.

(c) Technical advisers are more focused on meeting donor demands than building capacity. Advisers commonly provide outputs, such as reports, in a format which may meet donor demands but which fails to be useful to the government. In Ghana, we found that the German and Japanese official donor agencies, GTZ and JICA, were writing their education project reports only in German and Japanese, not English, leaving little scope for local learning from successes and failures. In Cambodia, a number of interviewees observed that advisers often write reports that no-one reads because they are long and in English. The Asian Development Bank, a major provider of technical assistance, agreed that it was important that reports were translated but said that there was 'a question of funding' for this.

(d) Advisers have often lacked skills or expertise in building capacity. Recruitment of technical advisers has tended to focus on the selection of international 'experts', rather than those who are able to transfer skills. In Cambodia, it was observed that it was largely the luck of the draw as to whether consultants able to transfer skills were selected. In Ghana, it was found that there had been no transparent assessment of consultants by the government, and that no consultant had ever been denied their salary for failing to perform.

(e) Some governments have not been strategic in their use of technical assistance. Because so many have been donor-driven, southern governments have often lacked the motivation to acquire new skills through technical assistance projects. In Cambodia, one former adviser noted that: "if the Cambodian boss isn't happy with the technical adviser, they will give the signal and all the staff will pretend they don't speak English."[58] In contrast, in Tanzania it was observed that relatively high government ownership of reforms in public financial management had ensured that technical assistance delivered results. Governments have sometimes failed to reward performance, undermining the incentives of officials to receive training and causing high staff turnover.

(f) Heavy use of expatriate consultants can foster a 'dependency culture'. Government officials can have reduced incentives to develop their skills and abilities because they assume that international experts will always be there to do the job. In fact the very presence of international experts has often led to the degradation of local capacity and encouraged the mistaken view that southern countries are unable to manage for themselves. One interviewee working for a daily newspaper in Cambodia, for example, observed that, "foreign technical assistance is bad for Cambodia on a psychological level."[59]

(g) The common failure of donor co-ordination has fuelled the problem. In Cambodia, for example, the government observed that, "when foreign advisers change, they often provide advice which contradicts that of the previous adviser. For example, the establishment of a unified budget system is an objective of the budget department, but each new adviser has advised a different approach to that of the former adviser."[60] In Ghana, the effectiveness of technical assistance for literacy in Ghanaian languages has been undermined by the fact that GTZ and USAID have run parallel projects in the same districts, aiming to develop teaching/learning materials. The projects not only contradicted each other,[61] but in the case of USAID also failed to fit with government policy.

(h) Capacity building initiatives have been undermined by a lack of policy coherence. This has been in evidence on both the government and donor side. Donor efforts to train up doctors and nurses have been undermined by the donor encouraged 'brain drain' of teachers and nurses leaving for more highly paid positions in rich countries: 70,000 African professionals leave the continent each year, according to the OECD.[62] On the government side, low salaries due to a lack of pay reform often provide few incentives for newly trained counterparts to stay in government, particularly when more lucrative opportunities are available elsewhere. This problem is compounded by stringent IMF imposed macroeconomic policies which serve to keep wages low, because of concerns about the inflationary impact of salary increases.

2.2.2 Technical assistance is over-priced

The failure to build long term capacity in southern countries is particularly concerning given the high cost of technical advisers, especially expatriate experts. As with the impact of technical assistance it is very difficult to obtain accurate information about consultants' charges, but indications are that costs are generally very high, particularly in relation to local salaries. In Cambodia, for example, typical adviser costs were found to be in the region of $200,000 per year, with similar costs observed in Tanzania.[63] In Ghana, one UNICEF official said that $10,000 per month was usual for a highly qualified education consultant, which put them at the lower end of the pay scale, with the World Bank and African Development Bank paying as much as double this rate.

High salaries paid to expatriate advisers do not only raise questions in terms of value for money. They can also cause

BOX 5: TECHNICAL ASSISTANCE: A HISTORY OF CRITIQUES

Technical assistance is heavily criticised today by many people in the aid system for being over-priced, ineffective, undermining ownership and for promoting an out-dated development model. Such critiques are not new. As the quotes below show, there has been consistent high level criticism for almost 40 years:

"Experience indicates that technical assistance often develops a life of its own, little related either in donor or recipient countries to national or global development objectives."
Pearson Commission, 1969.[46]

"The vast bulk of technical experts and expertise at present provided by the UN and donor system have outlived their usefulness….the time has come to rethink the purpose of aid and technical assistance within the UN system." Richard Jolly, Institute of Development Studies, 1989.[47]

"The use of expatriate resident technical advisers by aid donors is a systematic destructive force that is undermining the development of capacity." Edward Jaycox, former World Bank vice president and African director, 1993.[48]

"Almost everyone acknowledges the ineffectiveness of technical co-operation in what is or what should be its major objective: achievement of greater self reliance in the recipient countries by building institutions and strengthening local capacities in national economic management." UNDP, 1993.

"The main traditional form of technical assistance – the long term assignment of experts – is becoming an anachronism…it is no longer viable in the form it has taken for many years." Netherlands Ministry of Foreign Affairs, 2002.[49]

"Afghanistan is a failure as a case for technical assistance," Seema Ghani, former director of budget, Ministry of Finance, Afghanistan, May 2006.

BOX 6: JAPANESE TECHNICAL ASSISTANCE IN TANZANIA

Technical advisers can often fail to build sustainable capacity and can propose solutions which are inappropriate to the local environment. The Japanese-Tanzanian Bagamoyo irrigation development project is one of the all too frequent examples of this.

ActionAid spoke to a group of farmers working at a farm being supported by the project. They told us they had two agreements with Japan, in 1991-1993 and 1995-1998. They were provided with Japanese advisers, and also machinery. The advisers trained the farmers in how to use irrigation pumps. At that time the cost of diesel was very low, so using pumps brought many benefits and helped them to increase production.

However, since the Japanese advisers left, the price of diesel has increased and using the irrigation pumps is now very expensive. It now costs farmers 100,000 shillings per quarter hectare to plough and irrigate. This is three times the cost in other areas of Tanzania where they use gravitational irrigation rather than pumps. Yet the farmers don't produce more rice than before. Because of this project, they now pay more but get less.

The farmers still use the pumps because there is no alternative. The Japanese advisers were supposed to train the farmers in using gravitational irrigation and solar and wind power, but they left before they could do this.

Few farmers are now coming to the project because the cost of irrigation is so high. Much of the Japanese machinery lies idle – only one of the three pumps still works – because the machines have broken down and no-one is able to repair them.

significant resentment among counterparts and the public in the south. In Cambodia, for example, adviser fees of $17,000 per month are several hundred times higher than the salary of a typical government employee, at only $40 per month. Salary differentials were raised as key concern by interviewees in Cambodia, Tanzania and Ghana. In the Ghana education service headquarters, government officials receive about $300 a month, what a relatively inexperienced Ghanaian consultant could expect to earn in a day, and a foreign consultant in a few hours. This was particularly galling to many observers who felt that expatriate advisers made heavy use of local expertise imparted by their counterparts in order to understand local culture, traditions and politics.

High salaries can also encourage 'gap filling' behaviour. In Cambodia, one interviewee observed that government officials often want advisers to focus on getting the job done, thus earning their high salaries, rather than training local counterparts. Conversely, in Tanzania attempts to 'mainstream' public finance reforms into normal government business have apparently been slow because government officials have been reluctant to take on work previously done by advisers without receiving extra pay.[64]

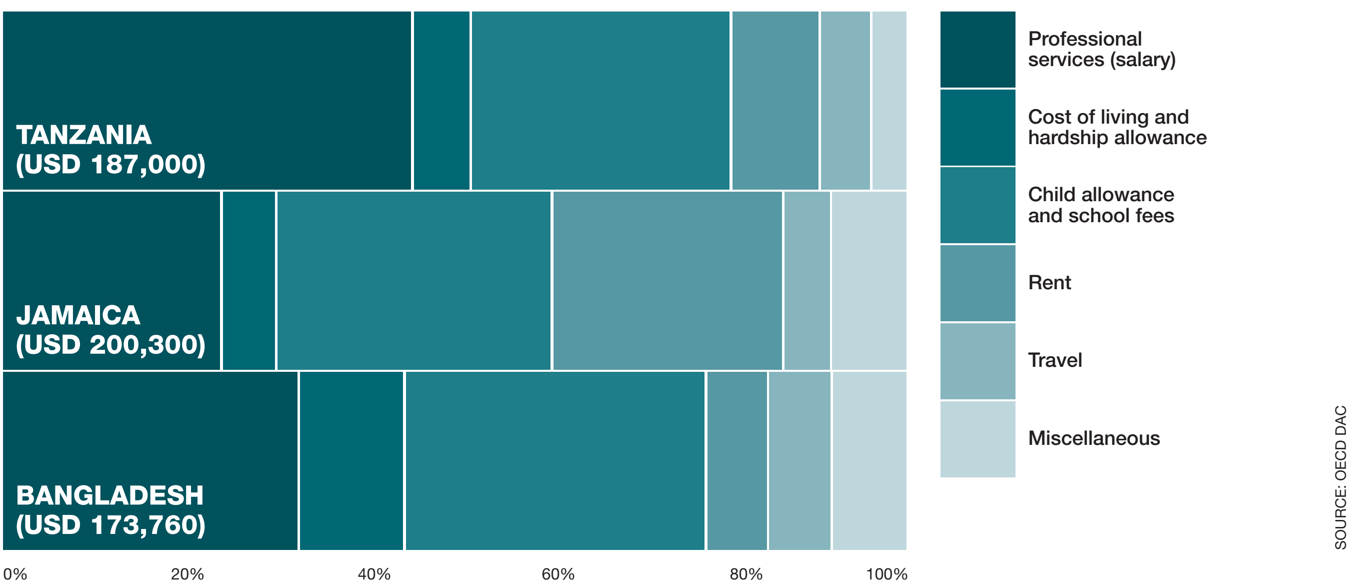
Why are costs so high?
Once again, the donor-dominated, expert led model is the underlying cause of overpriced technical assistance. There are five main reasons why this model leads to inflated costs:

(a) Costs and prices play a very limited role in determining demand and supply. Donors often see technical assistance as an instrument of, rather than a market for, services.[65] Donors gain advantages such as policy influence or information from technical assistance and have little incentive to drive down overall costs as budgets are often determined in advance. Southern countries – the supposed beneficiaries of technical assistance – are rarely given the option of spending the money on something else instead, meaning that prices do not reflect opportunity costs. Some experts consider the lack of consideration of opportunity costs to be the major reason for the ineffectiveness of technical assistance.[66] In Sierra Leone, one UN staff member stated that: "technical assistance is there for the sake of technical assistance, mainly because money follows advice." He observed that the assumption that international consultants were needed inflated prices to unreasonable levels, with no serious discussion about the opportunity costs of spending aid on consultants rather than anything else.

(b) Much technical assistance is officially tied. Technical assistance, along with food aid, is one of the areas excluded from the 2001 OECD DAC agreement on untying aid to the least developed countries. Yet tying raises costs by an estimated 15%-40%, according to the OECD,[67] with technical assistance likely to be at the higher end of that scale. This is partly because donor country firms generally have higher costs than local suppliers, and partly because restricted competition through tying tends to push up prices. There is no complete OECD data on the extent to which technical assistance remains tied, although anecdotally there is much evidence to suggest that the bulk of contracts are indeed tied, officially or unofficially.

(c) Donors prioritise their own nationals, even when technical assistance is not officially tied. Even donors which have officially untied aid still award the bulk of contracts to their own suppliers (see Box 7). There are several reasons for this. Firms from the donor country often know better

FIGURE 6 BREAKDOWN OF TYPICAL COSTS OF AN EXPATRIATE TECHNICAL ADVISER



BOX 7: DONORS STILL PRIORITISE THEIR OWN NATIONALS IN AWARDING TECHNICAL ASSISTANCE CONTRACTS

Some donors heavily tie their aid to companies from the donor country. Of the top 100 firms used as consultants by **USAID** in 2000,[69] for example, more than 80 were US companies, accounting for 87% of the contract values. The remainder were nearly all multinationals with offices in the US, or one of the International Financial Institutions.

In **Germany**, tenders under 200,000 euros are not even advertised, while tenders over 200,000 euros (apart from those in a special category) are only advertised in a German speaking newspaper. Information on the GTZ website about future tenders is only available in German, making it difficult for non-German firms to even identify potential opportunities.

In **France**, according to UNESCO, only French professionals are sent as part of French technical assistance programmes.[70]

Even where donors no longer officially tie their aid, it is still common to find the bulk of donor contracts being awarded to host country firms. In the **UK**, for example, at least 80% of the contracts awarded by DFID HQ in 2005-06 were awarded to UK firms, and of the remainder the bulk went to firms from OECD countries. UK contracts also tend to be allocated disproportionately to the 'big five' accountancy firms (Pricewaterhouse Coopers, KPMG, Deloitte Touche, Ernst and Young, Accenture) as well as to free market think tanks like Adam Smith International. The big five received a total of £101 million in contracts from DFID between 2000 and 2005. Adam Smith International received £22 million in 2005 alone, the vast majority for projects in Iraq and Afghanistan.[71]

In **Sweden**, another country which has untied much of its aid, firms are still lobbying the government to access aid funds. A consortium of Swedish exporters (including Volvo, Ericsson, ABB, Scania and Tetra Pak) recently sent a letter to the Swedish minister for trade and industry calling for more involvement from the Swedish private sector in foreign aid. One argument used by the consortium was that industry's engagement in aid projects can create many qualified job prospects in Sweden.

BOX 8: TECHNICAL ASSISTANCE AND DONOR ACCOUNTABILITY TO TAXPAYERS

Donors commonly use technical assistance to ensure that funds are used in an accountable and transparent manner in order to meet the demands of taxpayers for accountability. In both **Tanzania** and **Cambodia**, for example, donors confirmed that this was a key motivation behind their support for public financial management (PFM) reforms.

Donors do have a legitimate interest in ensuring that their aid money is well spent. But there are questions as to whether technical assistance is the best mechanism for doing this. In both Tanzania and Cambodia it was observed that the main focus of the PFM reforms was on technical issues, including the installation of new budget software. The demand side of accountability, in terms of involvement of domestic stakeholders in the budget process, was seen as peripheral at best.

In **Cambodia**, for example, while most donors we interviewed agreed when pressed that CSO participation in the budget process would be welcome, none seemed to be making any effort to promote this, and there is currently no CSO participation in the donor-government working group on PFM reforms. One donor even suggested that: "it is important not to sacrifice the efficiency of the [technical working groups] to get CSOs on board." Even the Cambodian government observed that: "if CSOs can provide advice they should become technical advisers. But they shouldn't just take up time."

Ensuring that money (whether from donors or local taxpayers) is well spent is in the interests of both donors and domestic stakeholders. Yet all the evidence is that domestic stakeholders are of primary importance when it comes to promoting change.[79] This raises questions about whether providing technical assistance to try to short-circuit the building of domestic accountability relations is the most effective use of donor time and resources.

what the donor is looking for, so are best able to design their tenders accordingly. Donors sometimes only advertise for tenders in their own newspapers, or only in their own language, excluding local firms or those from other donor countries. The costs of tendering for large contracts are often high, benefiting large firms and creating barriers to entry for new start-up firms. Procurement rules generally mean that it is important to show a good track record when seeking tenders: consultancy firms from donor countries, particularly when there is a history of aid tying, are often better placed to do this.

(d) Heavy use of expatriate advisers inflates costs because of associated expenses. The OECD, for example, using data supplied by DFID, cited three cases they described as typical in which the total cost of expatriate consultants, as in Cambodia and Tanzania, was in the region of $170,000-$200,000 a year. Of this, salaries were estimated to amount to less than half, with the remainder accounted for by cost of living and hardship allowances, travel, rent, child allowances, school fees and other miscellaneous expenses. All of these costs would presumably be saved if local experts were employed. In their typically understated manner, the OECD themselves have observed that, "such costs seem excessive".[68]

(e) The technical assistance market is highly inflexible, and competition is severely limited. This is particularly true where donors insist upon or encourage the use of their experts, meaning that alternatives cannot be explored, severely reducing competition and therefore increasing prices. Donors often refuse to share information, further increasing transaction costs. Commercial confidentiality means that fee rates are not normally divulged and the usual effect of competition – pushing down prices – is limited because rival suppliers have no way of knowing what others are charging, and therefore little incentive to compete with the lowest rate. Because donors often prefer to package their assistance into large units to reduce their administration costs, technical assistance is hard to disaggregate and often effectively comes as a 'take it or leave it' offer to governments.

2.2.3 Technical assistance is often donor-driven

There is widespread agreement in the literature on technical assistance that government ownership is vital if it is to be effective in building capacity and fighting poverty. When technical assistance is not fully owned – or 'demand-driven' – advice tends either to be ignored, or worse, to be irrelevant to the country's needs. Yet despite the agreement on this problem, the available evidence suggests that the bulk of technical assistance remains donor-driven. Donors continue to play a key role in the identification of needs, project design, terms of reference design, procurement, reporting and monitoring and evaluation.

In Cambodia, for example, the technical co-operation assistance programme (TCAP) project failed, according to one government official, because: "TCAP was done through IMF assessments. People implementing the programme knew nothing about it. Technical advisers were determined by the donors when they developed the programme. A lot didn't fit in with what Cambodia needs."[72] This example is not atypical, according to the IMF, which found that terms of reference for IMF funded experts, "are usually prepared by staff for approval by the authorities, frequently without significant engagement by the relevant local officials." The involvement of the country authorities, according to the study, was "generally passive".[73]

In Tanzania, although the government has generally taken a relatively proactive stance with donors, there were still complaints that technical assistance is donor-driven. One government official said: "the donors ask 'do you want this technical assistance' and the government says 'yes', and then the donors claim that it is demand driven!" The same interviewee noted that "donors give what they have rather than what Tanzania actually needs."[74]

In Ghana, a similar story was observed. Funds for capacity building in the Special Education Division from the German agency GTZ, for example, are wholly supervised by GTZ personnel based at the University of Education at Winneba, and the Division itself does not handle any funds whatsoever. As a result there is no discussion of the opportunity cost of these resources or the potential for funding to be used in another way. Interviewees in Ghana note that, "…agreement documents are not thoroughly read by Ghanaian counterparts because they are often desperate to get the money."

Why does technical assistance remain donor-driven?

The reasons rest with both donors and governments. On the donor side, there are four main reasons:

(a) Donors want to maintain control and meet disbursement timetables. Donor officials often face strong pressure to disburse funds and to ensure that projects are delivered on time. Posting technical advisers in key government ministries is a way of ensuring that this happens.

(b) Technical assistance is used to ensure that aid money is well spent. Donors face demands for accountability from taxpayers, particularly with the increasing use of budget support funds. While donors do have legitimate concerns about how money is being spent, however, it is questionable as to whether technical assistance is the best way of doing this, as Box 8 shows.

(c) Donors use technical assistance alongside conditionality to promote reforms they consider to be important. Many donors, most notably the IFIs, attach policy conditions to their loans. Technical assistance is often provided by the Bank and other donors to ensure that there is sufficient capacity for these conditions to be met, or to 'buy' support for reforms (see Boxes 9 and 10). As one World Bank staff member put it: "Technical assistance can be used by the Bank to promote 'ownership' of reform by government."[75] Research by ActionAid into World Bank poverty reduction support credit (PRSC)[76] loans in six low income countries[77] found that in all cases, conditions were accompanied by a substantial volume of technical assistance, both from the Bank and bilateral donors. In many cases these conditions

BOX 9: TECHNICAL ASSISTANCE AND POLICY CONDITIONALITY IN SIERRA LEONE

Sierra Leone is one of the poorest countries in the world, emerging from a brutal conflict and with very low levels of human development. The country is also heavily donor dependent, with 51% of the country's budget financed by donors. In the capital Freetown, the Guma Valley Water Company (GVWC) has been struggling to provide water to meet the city's needs. At present, it does not reach even half of the population. Households spoken to by ActionAid in the eastern part of the city described unreliable water supplies, with children collecting water in the early morning when water pressure is highest, and of poor maintenance and unofficial payments. But while this situation is widely agreed to be unsustainable, there is far less agreement about what should be done about it and what form any change should take.

Despite this lack of agreement, privatisation of water in the Guma Valley has been a condition for a number of World Bank and IMF loans and debt relief.[80] Technical assistance is clearly being used by donors in conjunction with this conditionality to put pressure on the country to privatise. One official interviewed in the government's donor co-ordination unit described technical assistance as a "subtle conditionality" accompanying the harder conditions attached to water reform, which is "as much about leverage as about capacity building". This perspective was echoed in remarks from one technical adviser in the ministry of finance, who described technical assistance as donor-driven and wider donor influence as "huge, and often politically motivated".

DFID and the World Bank have both funded consultants in the National Commission for Privatisation (NCP), a body tasked with the privatisation of over 20 state-owned enterprises and parastatals. For its part, the World Bank has given upwards of $10 million in technical assistance to water since 1997. A team of World Bank funded consultants from Pricewaterhouse Coopers and the Netherlands firm DHV is currently working in the Guma Valley Water Company office in Freetown, where their tasks include establishing systems to achieve "the commercial transformation of GVWC" – something requiring "aggressive implementation of a meter installation program and stricter customer disconnection policies". The World Bank technical assistance loan is also funding two consultancy posts in the policy, planning and co-ordination unit of the ministry of energy and power. According to one member of the unit, "World Bank support for GVWC is designed to create the conditions for privatisation."

DFID is also providing privatisation-friendly technical assistance in Sierra Leone. In 2005, they advertised for an 'international consultancy firm' to advise the NCP on the privatisation process. The contract, worth £2 million, had amongst its objectives "maintaining momentum in the privatisation programme …catalysing direct and indirect private sector participation in other sectors…and carrying out a communications and public awareness campaign to give all stakeholders a better understanding of the role of privatisation." The original contract included the production of a communications strategy including, "a public awareness campaign designed to inform the general public about the objectives and benefits of privatisation." Eight companies were shortlisted to tender for the DFID contract, all with a background in donor-funded privatisation projects in developing countries, including Pricewaterhouse Coopers, Adam Smith International and Maxwell Stamp. Following pressure from NGOs, DFID subsequently changed the contract, saying, "we wish to make it clear to all potential bidders that this contract is not intended to fund any campaign to promote privatisation."[81] But DFID continues to plan to fund a water privatisation adviser in the NCP. The adviser is specified as requiring both privatisation experience, and experience of water restructuring through to transaction completion.

While there is some support within Sierra Leone's government for water privatisation in the Guma Valley, it was not clear that the policy was widely 'owned'. Interviewees within Sierra Leone's government described the government as 'reacting to' initiatives and ideas originating from the donor community. Officials from the water company were not even aware that the NCP is now tasked with acting as the 'prudent shareholder' of Guma Valley. There was even less engagement with a wider group of stakeholders, including parliament and civil society organisations. The chair of the parliamentary committee on energy and power reported that there has been no discussion of the World Bank funded draft water and sanitation policy. Local CSOs also complained that "issues are not being pushed out to the public for a debate" but are being driven by donors and a small number of staff in NCP "who believe they have a mandate to privatise".

included sensitive policy areas, including trade liberalisation in Vietnam, water privatisation in Rwanda and power sector reform in Bangladesh. Yet policy conditions attached to donor loans have often served to undermine poor countries' efforts to reduce poverty, as in Tanzania (see Box 10), and to skew accountability relations so that donors are given a greater role in holding governments to account than domestic stakeholders.[78]

(d) Technical assistance contributes to donor geopolitical or commercial objectives. Technical assistance provides a good source of income for donor country firms, or can give donors opportunities to influence political decisions in the host country in line with donor geopolitical priorities.

Southern governments are also partly responsible for the donor-driven nature of technical assistance. Reasons from the government side include:

(a) Lack of clear strategic framework for capacity building. Few national development strategies include a proper consideration of the capacity needs of the country, or identify clear steps to address these needs. In some cases, governments lack the capacity even to identify their needs and priorities. Southern governments often simply accept the technical assistance that donors offer without a clear idea of how this will contribute to their long term objectives. In Sierra Leone, both government staff and CSOs said that the government had not sufficiently articulated its priorities in terms of technical assistance and as a result had made too few demands of donors, failing to present a clear policy on what forms of external finance it needs and wants.

(b) Technical assistance is seen as a 'free good'. Because donors often offer technical assistance on a 'take it or leave it' basis, governments see it as a 'free good', or as something that must be accepted in exchange for other benefits, such as foreign trips, computers, budget support funds and so on. There is often little consideration of the indirect costs of hosting technical assistance. The fact that funds are not made available in a way that would enable alternative uses tends to encourage this approach to technical assistance.

Because technical assistance remains heavily donor-driven, accountability relations are often heavily skewed, undermining national ownership. Some technical advisers, while working in the government, remain formally accountable to donors, as with the DFID funded advisers being contracted at the National Commission for Privatisation in Sierra Leone (see Box 9). Even where formal accountability is with the government, there is often informal pressure on advisers to report back to the donor on government activities or to promote donor objectives in government. In Uganda, for example, following the dispute over whether the country should be eligible for debt cancellation under the HIPC initiative because they had taken out a non-concessional loan to pay for a new jet for the president, an ODI fellow (a junior technical adviser) working for the Ugandan finance ministry was asked privately by IMF staff whether there were other 'forbidden' items, such as presidential helicopters, hidden in the budget.[85] One UNDP staff member observed that he had to tell consultants working for him not to email him to tell him what was going on in the ministry.[86] Donors also tend to use their leverage to back the advisers they fund. In Sierra Leone, for example, one government official observed that, "where there's a disagreement between a civil servant and an adviser in a ministry, the donors will back the adviser."

Donors also use technical assistance funding to supplement the salaries of certain groups of workers, often in central ministries such as finance or planning. In Ghana, for example, no less than 18 key positions in the ministry of education and the Ghana education service are funded by donors, including the financial controller, internal auditor and director of planning, thus blurring the boundary between donors and the government. In Sierra Leone, a combination of World Bank, DFID, EU and African Development Bank aid pays the salaries of all but the most junior staff in the ministry of finance. One finance official remarked that, because donors were preoccupied with an 'international best practice' budget planning process at the centre, they had invested in the finance ministry at the expense of line ministries such as health and education, creating a situation where there was inadequate capacity to properly implement the budget.

This skewing of accountability relations can be particularly problematic given that technical advisers often have substantial power within government ministries,[87] particularly when it comes to promoting donor-led reforms. In Uganda, for example, donor funded economic advisers were key in the country's decision to turn down funding for HIV and AIDS from the Global Fund because of concerns about IMF spending limits.

2.2.4 Technical assistance is based on an out-dated model of development, failing to recognise country specific indigenous knowledge

One of the fundamental reasons why technical assistance has generally failed to reduce poverty is that most of it is based on an out-dated model of development. As we have seen, donors no longer assume that they can help to promote development simply by filling import or savings 'gaps'. Yet, in effect, donors routinely still assume that there are 'capacity gaps' in governments that they can fill with external, expert, generic knowledge, rather than building on existing, indigenous knowledge and context specific solutions. As UNDP has noted, there has been a greater focus on development as displacement, rather than development as transformation.

Just as thinking on development finance now emphasises local ownership, so thinking on technical assistance must shift to emphasise genuine southern country led capacity development. As UNDP has pointed out, "when new knowledge is not integrated into indigenous knowledge or production systems, it fails to be useful, despite its potential."[88] They also note: "for all the universal theories about development, and the upheavals caused by wars and revolutions, most countries and societies have evolved organically, following their own logic and building on their own resources and strengths. So the assumption that developing countries with weak capacities should simply be able to start again from someone else's blueprint flies in the face of history."[89] This outdated thinking on technical assistance has led to fundamental weaknesses that appeared across all of our case studies:

(a) Too much emphasis is placed on technical solutions to what are often social and political problems (see Box 8). Donors assume that by providing more expert knowledge, such political problems will be solved. Yet it is notable that one of the least successful areas of technical assistance has been in institutional building and 'good governance' – the very areas in which donors are investing more.[90]

(b) Too much value is placed on international expertise and experts, and not enough on local knowledge, and experts with understanding of the local political, social and cultural context. In Sierra Leone, for example (see Box 9), DFID explicitly specified that the consultant to advise the country on water reforms must be international rather than local, and interviews to whittle down the shortlist took place in London rather than Freetown. World Bank technical assistance in Sierra Leone reveals a similarly strong preference for imported expertise. While Sierra Leone obviously has human resource constraints as a result of its recent conflict, the lack of local knowledge is often assumed rather than tested. One official working for the Guma Valley Water Company, for example, observed that donors are often ignorant about the sort of expertise that does exist inside Sierra Leone. In Cambodia, CSO interviewees complained about the dominance of international advisers who lack local knowledge and understanding.

(c) It is often incorrectly assumed that learning is always one way; from expert to recipient, and this seriously hinders capacity development efforts. In none of our case studies did donor learning from governments appear to influence the design and planning of technical assistance. But in reality, it was reported that technical advisers often have to rely heavily on their local counterparts for local knowledge and understanding. The fact that this local knowledge is not valued or rewarded by status or pay was reported, unsurprisingly, to be a source of resentment among local staff.[91] One Ghanaian interviewee went as far as to describe external technical advisers as 'brain pickers' who rehash existing knowledge. A similar sentiment was felt in Tanzania, where one CSO observer noted that, "Very junior members of staff, even interns, are sent to advise ministers. Young people come and are supposed to both learn and provide technical assistance, but it's not possible to provide both."[92]

2.2.5 Key conclusions from the case studies

Southern countries do need to build capacity to pursue their own paths to development. However, there is need for a fundamental re-think in the way that capacity development takes place, and in particular in the way that technical assistance is conceptualised and provided. In particular, there must be a shift from donors taking the lead to governments taking the lead; from upward to downward accountability; and from the view that development can be an externally driven process based on expert policy advice from donors, to the understanding that development is a locally driven, locally determined process in which the role of experts is not to point out the one right path, but to illuminate the many different, context specific choices and trade-offs that governments face.

2.3 EFFORTS TO REFORM TECHNICAL ASSISTANCE

Faced with a barrage of critiques of the system over the years, there have been some efforts, both internationally and on the part of individual donors, to reform the way they provide technical assistance. Countries such as Botswana have also made efforts to improve the way technical assistance is provided. To various degrees, these efforts have yielded results. But they still fall far short of the fundamental overhaul of the system that is needed.

2.3.1 International reform efforts

The most prominent international effort to reform technical assistance was the National Technical Co-operation Assessment and Programmes (NatCAP), which started in the early 1990s. Led by the UNDP, the programme worked with more than 30 governments in Africa. The aim was to launch national programmes of reflection on technical assistance, which would lead to the adoption of coherent national policies and priorities. At the same time, the OECD in 1991 adopted a set of principles on the issue, emphasising the central role of governments, partnership, participatory development, greater attention to cost and cost effectiveness and a focus on more comprehensive programme approaches. Yet neither of these new initiatives really succeeded in bringing about widespread change on the ground.

More recently, the 2005 Paris Declaration on Aid Effectiveness committed donors to improving the harmonisation of their aid procedures and systems, with southern countries taking the lead within a framework of mutual accountability. Donors committed to using country systems and procedures 'to the maximum extent possible', including for procurement. However, it is on technical assistance that the Paris Declaration is especially weak. The 2010 target committed to in the Paris Declaration is that, "50% of technical co-operation flows are implemented through co-ordinated programmes consistent with national development strategies." Leaving aside the fact that 50% is a low target in itself, the wording gives donors a free rein to interpret as they see fit.[93]

2.3.2 Donor-led reform efforts in country

As well as international reform efforts, there have been attempts by some donors to reform the way they provide technical assistance in country, in particular through pooling, untying, and through greater use of country systems. There have also been some attempts to contract more local consultants from developing countries.

Pooling is the process of combining donor funds into a common pot to fund technical assistance. At one end of the spectrum, full pooling can involve a substantial transfer of resources and control to the government, who then both contract and direct personnel employed using pooled funds. This is, at least in part, the case for the public financial management reform programme in Tanzania, for example. There can also be pooling that results in less handover of control. Mixed pooling, for example, means that national authorities manage the technical assistance, but contracting is done by one of the financing donors. At the other end of the spectrum, under loose pooling, the direction and management of technical assistance personnel is shared between the government and donors, with personnel normally contracted individually by one or more donors, often on a tied basis.[94] The extent of pooling generally depends on the degree to which donors are willing to cede control to the government.

The most recent independent evaluation of the impact of pooling[95] found that the pooling that had taken place to date had not yet had a major impact on national ownership, or resulted in lower costs or quantity of technical assistance. However, at the time of their research, most pooled mechanisms were still in their relatively early stages, making it difficult to draw strong conclusions. Tellingly, the evaluation found that the structure of the broader aid relationship, including the behaviour of donors and their relationship with the southern country, was crucial in determining the impact of technical assistance pooling.[96]

Our research in Cambodia and Tanzania, both of which use pooling mechanisms (tight pooling in Tanzania and mixed pooling in Cambodia), found that it was having a positive impact in terms of lowering transaction costs and enhancing government ownership. In both cases, however, the benefits were being undermined by the fact that not all donors were participating in the mechanism. In Cambodia, for example, while five donors, accounting for roughly 85% of the total project funding provided under the public financial management reform programme, are pooling financing into a trust fund managed by the World Bank,[97] a further six (IMF, UNDP, Asian Development Bank, Japan, Germany and France) continue to provide funding outside of the pooled mechanism. Similarly, in Tanzania even normally high quality aid donors such as Sweden were continuing to provide project financed technical assistance using their own systems outside of the multi-donor pooled funding mechanism,[98] while it was reported that the African Development Bank and USAID are not even attempting to co-ordinate their projects with other donors. A Tanzanian government employee confirmed that the failure of all donors to fully support the basket fund is causing problems and delays, because they are required to go through additional procedures in order to access funding.

In a case where all donors supported pooled mechanisms, however, pooling would appear to offer some potential for improving the way technical assistance is provided, but only in the context of broader reforms to technical assistance and aid relationships in general.

A second reform shift that has taken place in some countries has been the greater use of local consultants, which can help to bring down costs and ensure greater understanding of the local political, social and cultural context. The data does not allow any rigorous assessment of the extent of this trend, but instances of significant change can be identified. For example, DFID's office in India established a contract and procurement advice section in the late 1990s to streamline technical assistance procurement in line with DFID's untied aid policy. This body has helped to develop a transparent and competitive market by mentoring the development of in-country services and developing specialist panels of consultants in areas where there is a lack of in-country capacity. As a result, the share of expatriate technical assistance providers fell from 90% to 55%, and there was a sharp fall in DFID's procurement costs.[99]

Thirdly, there have been in some cases a shift towards greater use of country systems, which appears to be generating some benefits in terms of enhancing government ownership. Some examples of donors basing their policy round country systems follow.

2.3.3 Reform efforts by individual bilateral donors

Some donors, notably the Netherlands, Sweden and Ireland, have made substantial changes to their technical assistance policies.

The **Netherlands** have introduced the most far-reaching reforms. Their policy recognises that traditional technical assistance – the long term assignment of experts – is an anachronism and argues that technical assistance is only useful where it is focused on long term capacity building, that is demanded and controlled by southern countries as part of wider nationally owned strategies for development. The Dutch government has disbanded the department that was responsible for sending Dutch expertise to developing countries and is phasing out subsidies to a placement agency. The Dutch government has stated that in future, Dutch funding of technical assistance will only be provided in the context of programmes initiated and funded by aid recipients.[100]

Sweden has, according to its official statements, almost entirely abandoned all direct contracting of technical assistance by its aid agency SIDA. Sweden is officially committed to ensuring that technical assistance is procured, contracted and managed by recipients.[101] Sweden's official policy states that: "Sweden has in principle decided against a continuation of technical assistance, but it is still provided at a very reduced level. Sweden opposes the sending of bilateral technical assistance professionals for project implementation. Local consultants have been increasingly employed in the last years in Swedish technical assistance." However, Sweden does continue to provide some of its own long term experts. In Tanzania, for example, Sweden still places experts from its own National Audit Office in the Tanzanian Audit Office. As noted above, Sweden has so far failed to join the basket fund in Tanzania, although local embassy staff reported that they had plans to do so in future. SIDA still advertises procurement opportunities on its website.

The **Irish** government has heavily cut down its technical assistance provision, and no longer provides it directly to the countries in which it works, instead offering grants to NGOs. However, Ireland does continue to fund a number of technical assistance trust funds with multilateral agencies, including an European Bank for Reconstruction and Development trust fund, and also holds a number of trust funds at the World Bank.[102]

2.3.4 Country led reform efforts

A number of southern countries, increasingly discontented with donor technical assistance, have initiated their own reform efforts.

BOX 10: TECHNICAL ASSISTANCE AND WATER PRIVATISATION IN TANZANIA

In **Tanzania**, both the World Bank and DFID used a considerable amount of technical assistance to promote the privatisation of the Dar es Salaam water and sewage system. The World Bank provided a total of $60 million in technical assistance during the 1990s to pave the way for privatisation, of which $1.3 million was spent on contracting Adam Smith International, a British free market think tank, to undertake a public awareness campaign extolling the virtues of privatisation. DFID also spent at least £66,000 with Adam Smith International to fund study tours promoting privatisation in other countries.[82]

Privatisation of the Dar water system was a condition of numerous World Bank and IMF loans. Yet, despite some government ownership, the reforms faced substantial opposition within civil society, parliament and the broader public. As a result, one of the key rationales for World Bank technical assistance was to try to create support for reform, both inside and outside government. Bank documentation, for example, identifies “significant risks of wavering government commitment to an efficient and transparent divestiture,” and proposes that, “these risks are to be addressed to the extent possible principally through the provision of considerable technical assistance aimed at increasing understanding within government, and more generally, of the implications of various policy options.”[83] A DFID funded technical adviser working within the Parastatal Sector Reform Commission confirmed the key role played by donor-driven technical assistance in Tanzania, noting that “donors are of course able to influence. They bring in experts.”[84]

Ultimately, however, the reforms pushed by the World Bank and donor funded technical assistance largely neglected the needs of poor people and failed to generate substantial public support. The private contractor struggled to collect bills from an unwilling public and was ultimately unable to undertake the investments needed to improve services. As a result, the Tanzanian government terminated the contract after less than two years. In Tanzania’s case, at least, it appears that attempts by donors to ‘create’ ownership of reforms through the use of technical assistance have failed.

BOX 11: TRADE RELATED TECHNICAL ASSISTANCE[103]

An increasingly common focus for donor technical assistance is in the area of aid for trade. Trade related technical assistance and capacity building has increased by 50% since the Doha Ministerial Declaration in November 2001, and is likely to be given a further boost by commitments made in 2005. The stated aim of aid for trade is to help countries develop their trade policies and regulations, to help create a 'favourable business climate' and to build the physical infrastructure needed for trade.

While improving the capacity of poor countries to trade may seem a valid objective, there are two potential problems with the projected scale up in aid for trade. First, most trade related capacity building aims to, in the words of the OECD, "help countries reform and prepare for close integration in the multilateral trading system". In **Vietnam**, for example, there are 60 different technical assistance projects helping the country prepare for WTO accession, largely dealing with ways that Vietnam can reduce barriers to trade. Much less attention is being paid to alternative trade policy choices.

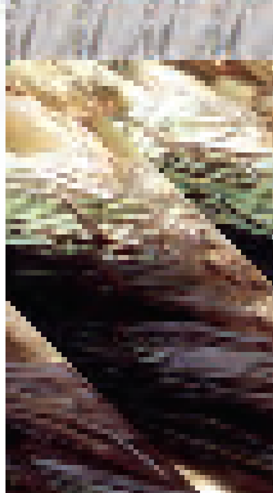
Second, there are potential conflicts of interest in donors providing assistance to southern countries to help them negotiate on the opposite side of the table. In **Kenya**, for example, the EU funded Keplotrade project aims to build Kenya's capacity to negotiate an Economic Partnership Agreement with the EU. This raises real questions about whether Keplotrade staff will be thinking more of the interests of the Kenyan government or their EC funders when making their recommendations on Kenya's negotiating position. This concern is reinforced by the fact that the EC delegation has observer status on the steering committee of, and gives overall direction to, the Keplotrade project. According to interviewees in Kenya, critical stakeholders who might be assumed to be less in favour of free trade have been largely excluded from the discussions on Kenya's trade strategy taking place under Keplotrade, such as Labour Unions and Federation of Kenyan Employers.

In **Botswana**, all technical assistance is channelled through national planning and budgeting systems. All aid funded projects must be included in the national development plan, which is approved by parliament. All technical assistance is contracted by the government, integrated into the human resource planning of the public service and assigned to established posts. There are no separate project and advisory posts. Crucially, the government is willing to refuse any assistance that does not meet Botswana's needs.

In **Tanzania**, the government is in the process of developing a new policy on technical assistance, based on its own assessment of its capacity needs. Although this work remains in its early stages, some efforts at reform have already been made and early results are encouraging. Tanzania has encouraged a shift towards more government procurement and use of local consultants. According to interviewees in Tanzania, this has led to a shift to greater Tanzanian government ownership and has helped to ensure that technical assistance is better linked to the government's own plans.

2.4 CONCLUSIONS

Several of these reform efforts offer useful recommendations, and in several cases offer models for other donors and southern countries to follow. But collectively they still fall short of the fundamental change that is needed. Incentives for providing technical assistance have remained strong on both donor and government sides. Donors continue to want to maintain their 'man on the inside', while governments have often wanted to maintain technical assistance in order to get the job 'for free', particularly when under pressure to meet a raft of donor-imposed policy conditions. There has been a strong push from the supply side too, with consultancy firms having strong incentives to create demand for their services.



CHAPTER 3: RECOMMENDATIONS FOR MAKING TECHNICAL ASSISTANCE WORK

“CONDITIONALITY OF AID SHOULD MOVE AWAY FROM RECIPIENT COUNTRIES BEING RESPONSIBLE TO DONORS...TO THEIR ELECTORATE. THE ONLY CONDITIONALITY THAT MATTERS, IS OF THE GOVERNMENT TO THEIR PEOPLE.”

GORDON BROWN, 2005.

Official aid is at a crossroads. The $50 billion annual increase that was pledged in 2005 at the G8 summit in Gleneagles will test the current system and bring its shortcomings into stark relief. Technical assistance is foremost among the areas that need reform if a dramatically enlarged aid system is going to achieve lasting change in the world's poorest countries. The implications of failure are straightforward but far-reaching: unless donors rise to the challenge of reforming technical assistance, and thereby ensure that the scaling up of aid leads to tangible results, the wider development system risks becoming so discredited that there will be a rapid falling-off in public support for aid.

Where technical assistance is led and managed by the recipient country, addresses a specific constraint and is time-bound and outcome-focused, it can help build the capacity of poor countries and help them on the path to poverty reduction. But as this report has shown, it currently sits like a fossilised relic within the aid system, at odds with the principles of country ownership and partnership that donors have espoused over the last decade. Instead of fixing a problem, too much technical assistance is either having no significant impact or a negative impact – a case of phantom aid creating phantom capacity that dissipates as soon as the expatriate consultant returns home and the donor funding dries up.

For technical assistance to be 'real', reform needs to be anchored in four underlying principles – putting recipient countries in the lead; giving them the freedom to choose their own development path; mutual accountability between donors and recipients; and country specificity. This means poor countries must start taking responsibility for defining their own capacity building needs in line with their national development strategies. They must draw up plans for how to meet these needs, identifying what support, if any, they need from donors. It also means donors should provide high quality, flexible and predictable aid to help countries implement their capacity building plans, and should not provide any technical assistance outside of these plans. And both governments and donors should be held to account by parliaments, NGOs, women's groups, the media and other civil society groups for ensuring that funds are used to build effective capacity in a way that respects countries' rights to determine their own development strategies.

3.1 RECOMMENDATIONS FOR SOUTHERN GOVERNMENTS

— Draw up **capacity building plans** based on national development strategies. Identify what, if any, role there is for donors to support these capacity building plans. Do not accept any donor technical assistance that falls outside these plans, or that there is no capacity to manage or make use of. Take responsibility for identification of technical assistance projects, drawing up terms of reference, procurement, management, monitoring and evaluation in line with capacity building plans.

— **Ensure technical assistance contributes to capacity building**. Ensure that all technical assistance is used to build capacity and not merely to fill gaps. Include performance criteria on capacity building as part of contracts, and terminate any projects that fail to meet these criteria. Take account of the need for technical advisers to understand the local political, social and cultural context. Ensure that more gender disaggregated impact assessments of projects are carried out, make the findings publicly available and ensure the lessons learnt are incorporated into the design of subsequent projects. Provide the right incentives for staff to build their capacity and to utilise the skills gained.

— **Ensure transparency and accountability** in the use of resources, both donor and government. Ensure that procurement is carried out according to competitive principles. Report on the use of funds to parliament, NGOs, women's groups, media and the general public.

— Ensure that **women's rights** are fully taken into account, including in project design, consultant selection, identification of beneficiaries of training projects and ultimate beneficiaries of reforms.

3.2 RECOMMENDATIONS FOR DONORS

— **Allow southern countries to take the lead in the capacity building process**. Pledge the finance necessary to support the government's capacity building plan, in a way that is fully untied, predictable, co-ordinated and channelled through a host government managed fund. Provide 100% of technical assistance flows through untied, government led capacity building mechanisms and allow the country to spend the funding on their priorities, enabling them to take account of the opportunity costs of spending money on technical assistance. Do not provide any technical assistance outside of national capacity building plans, or which there is no capacity to strategically manage or make use of.

— **Make maximum use of country systems**, including for procurement, financial management and reporting. Where domestic stakeholders believe that there is a significant risk of resources being diverted, donors may need to use pooled mechanisms for procurement and financial management outside of country systems. However, this should only occur in exceptional circumstances, on an interim basis.

— **Do not use technical assistance to either substitute for or complement conditionality**. Advisers should offer a range of policy options to governments to enable them to assess the implications of the various choices open to them, including the likely impact on women and girls.

— **Be fully transparent**, to both citizens and poor countries, about funding for technical assistance and its impact, including on women and girls.

3.3 RECOMMENDATIONS FOR THE INTERNATIONAL COMMUNITY

— Ensure **greater cost effectiveness**, by ensuring that all technical assistance contracts are fully competitive and that bids are made fully transparent. Encourage competitive domestic, regional and international markets for technical assistance provision. Improve provision of information on potential contractors and their quality standards, including new start-up businesses. Invest more in local research institutes. Support the development of local contractors in southern countries.

— **Strengthen the targets agreed under the Paris Declaration**. The new target should read that, by 2010, 100% of technical assistance flows should be provided through untied, government led capacity building mechanisms which allow the country to spend the funding on other areas. There should be annual reporting on progress towards this objective, on a donor-by-donor basis.

— Collect and make available **more data on donor-by-donor spending** on technical assistance and the gender disaggregated impacts of such spending.

3.4 RECOMMENDATIONS FOR CIVIL SOCIETY ORGANISATIONS

— Ensure that any technical assistance either provided or used by CSOs is locally driven, has capacity building as an explicit aim, and prioritises the rights of women and girls.

— Do not subcontract as providers of donor-funded technical assistance except in situations where there is strong demand from government, and a clear plan for transferring skills to strengthen permanent civil service posts. Promote the use of local experts and local knowledge.

— Act as a watchdog to ensure that donors, governments and the international community are using technical assistance to build sustainable capacity, in an accountable and transparent manner.

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[7] These figures exclude aid which is unspecified by region.

[8] For donor-by-donor data on the share of aid going to low income countries and other real aid indicators, see http://www.actionaid.org.uk/index.asp?page_id=100113

[9] For example because they fail to recognise the odious nature of the debts, and remain highly conditional and reliant on a creditor dominated framework.

[10] Joint European NGO report, 2006, EU aid: genuine leadership or misleading figures? An independent analysis of European government's aid levels.

[11] Nigeria was partially servicing its debt, but the actual savings to the government will amount to only around $1 billion a year, one fifth of the $5 billion of Nigerian debt cancellation which was shown as part of headline ODA in 2005.

[12] OECD development centre, 2000, The HIPC initiative: true and false promises. It should be noted that the multilateral debt relief initiative agreed in 2005 is likely to generate a high level of new resources because it largely cancels debts that were actually being serviced.

[13] In fact, when aid (ODA) loans are cancelled, this does not show up in the ODA statistics, because of concerns around double counting. Only cancellation of debts for non development purposes actually counts as part of ODA.

[14] We have discounted a slightly smaller amount in our real aid calculations, because some debt relief was provided for middle income countries, and as such has already been partly discounted. This only amounts to less than $100 million each year, however, as most debt cancellation has gone to low income countries.

[15] This is likely to be a one off increase as a result of Paris Club agreements for countries for which Portugal is a major creditor.

[16] DAC, 6 December 2005, Scaling up for results, issues paper.

[17] The DAC is starting to work on categorising technical assistance in terms of research, consultancies, training and so on, although this analysis was not available at the time of our research.

[18] The 75% is calculated as: cost mark up from tying (25%) plus expenses associated with expatriates (25%), generates a total discount of 50%. Of the remaining 50%, we assume that half fails to build capacity, leading to only 25% of TA being 'real' with the remainder being 'phantom'.

[19] This is higher than the discount used in the next section for other forms of tied aid, on the grounds that cost differentials between donor country and local firms are usually higher for technical assistance than other forms of aid.

[20] There is a small difference from the 2003 levels we presented in the first Real Aid report, because we have tried where possible to eliminate some elements of double counting.

[21] Excluding technical assistance, which is counted as part of section 1.3.

[22] OCED, 2005, Harmonisation, alignment, results: progress report on aid effectiveness.

[23] This is based on a mid-range estimate of the cost mark up from tying, of 25%, generating a total discount of 20%.

[24] We have assumed that the share of aid that is tied is the same in middle income countries as in low income countries, and have therefore subtracted tied aid to middle income countries that has already been discounted.

[25] These estimates are necessarily approximate because the US and Italy don't report on aid tying to the DAC. We have therefore taken data on these countries from Oxfam, 2004, Paying the price: why rich countries must invest now in a war on poverty.

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[29] Multilateral scores (where available) have been attributed back to the bilaterals that fund them. Debt relief, phantom aid to middle income countries, refugee spending and admin costs have not been subject to this discount in order to avoid double counting.

[30] For comparative purposes, we have recalculated the 2003 data using the new methodology. This leads to some changes in the 2003 figures, particularly for the US and France.

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