

**Introduction to the Conference “Policy Priorities for Aid Reform in South Asia”, organised by the IPS and FES, Cinnamon Grand, 29-30<sup>th</sup> July 2010**

*Saman Kelegama, Executive Director, Institute of Policy Studies of Sri Lanka*

I join together with FES Resident Director, Mr Joachim Schluetter, in welcoming you all to this two day conference on “Policy Priorities for Aid Reform in South Asia” jointly organised by the IPS and the FES, Colombo. We are honoured to have here with us Hon. Dr. Sarath Amunugama as our Chief Guest and Nihal Rodrigo as our Guest of Honour.

I extend a warm welcome to all of the foreign delegates who have joined us here today. I thank you all for making the journey to Colombo and hope that you take this opportunity to explore places of interest in the city. As always, our staff at IPS and hotel staff are ready and willing to assist you in this regard. I would also like to thank our local participants for accepting the invitation and being present here today. I hope that you are all looking forward to what will be an intense two day discussion on a topic that is of much importance to our region.

The IPS is pleased to be hosting this event with Friedrich Erbert Stiftung, with whom we have joined with on many an occasion in organising such events. Most recently, in 2009, we organised a conference on “Migration, Remittances and Development Nexus in South Asia” and in 2008 we organised a conference on the “Trade-Poverty Nexus in South Asia” with the help of the FES. I would like to express my gratitude to the FES, in particular, Joachim Schluetter, for their financial support in hosting this event today.

## **Significance of Aid Reform in South Asia**

Over the years foreign aid has become an increasingly fixed feature of development all over the South Asian region. The role of donors in South Asian countries extends into both the funding and implementation aspects of development plans. Given the growing significance of donor activity in developing countries there has been much discussion as to how development partners and recipient countries should work to increase the effectiveness of aid. Such initiatives have been mobilised through agreements such as the the 2003 Rome Declaration on Harmonisation and the 2005 Paris Declaration on Aid Effectiveness, which aimed to increase the productivity of aid and sustainable development. Whilst these movements have flagged the importance of changing the modalities of aid from a donor perspective, there has been limited input from recipients on where aid reform should be focused in their own countries.

This conference is intended to create a dialogue on aid reform in South Asia amongst both recipients of aid and their respective development partners. As economic growth takes off in the South Asian region, the significance and provision of aid in our countries will inevitably fall as income rises. Sri Lanka has already experienced this as her per capita income breached the US\$ 2000 mark, and countries such as the Maldives will be moving out of LDC status in the coming months. Given this context, it is important for us to prepare for such changes by contemplating the role of aid in our own countries; where has aid been most effective and where has aid been least effective or had unintended negative consequences? The mobilisation of country-driven reforms is imperative to changing the culture of passive complacency amongst recipient countries that has long accompanied the

provision of aid. Such complacency may arrest the ability of countries to expand capacity, making them dependent on aid in the long run. Therefore, countries must change the way in which aid is viewed; aid should be thought of as a means-to-an-end as opposed to an end in itself. Such thinking demands that we establish what the end is and how we will arrive there. One important facet of this reform is for countries to consider and actively support alternative forms of finance for development processes, such as focusing on domestic resource mobilisation and commercial markets. Of course there are a number of risks associated with venturing into such avenues which will accordingly have to be accounted for and managed efficiently.

### **Aid Effectiveness**

In the past there have been many multilateral initiatives on aid reform starting with the Monterrey Consensus which saw donor heads join together in a bid to enhance aid effectiveness so as to increase the chances of achieving the Millennium Development Goals and other development targets. This was followed up by the Rome High Level Forum in 2003 wherein donors met with recipient countries to discuss measures to increase the harmonisation of aid. In 2005 the High Level Forum in Paris took place which resulted in the Paris Declaration on Aid Effectiveness. The Paris Declaration comprises of 5 principles believed to augment the effectiveness of aid and was signed by 91 countries, 26 international organisations and 14 civil society organisations. The principles laid out in the Declaration comprised of ownership, alignment, harmonisation, management for results and mutual accountability. More recently, in 2008, the Fourth High Level

Forum took place in Accra which assessed the success of the Paris Declaration and where modifications needed to be made.

Whilst such forums were effective in raising awareness around the need for reform, they were largely driven by the OECD. If we consider that aid effectiveness is translating the delivery of aid into the delivery of development outcomes in a systematic manner then we can understand how the lack of country leadership in these initiatives undermines the ability to achieve this objective. Whilst the Paris Declaration is important in terms of indicating the direction with which aid reforms should be moving, its application to individual countries may be less successful. The downward approach with which such agendas are devised inadvertently assumes that enhancing the efficacy of aid can be achieved through the same conduit in each country. However, the different characteristics of each individual country requires aid reform to take a more tailored approach in order to realise the desired outcome. In the case of Sri Lanka, for instance, strong national ownership of development and alignment of government and donor priorities is already existent in development strategies. Therefore, other priorities must be identified so as to enhance the delivery of outcomes ensuing from aid. These priorities can then be fed into a global forum on the aid framework, so that such country experiences can be used as a point of reference for nations with similar conditions.

Given the long history of donor-partner country relations, we must recognise the interdependency between the two bodies. Hence, enhancing the performance of aid cannot be channeled through just one of these agents. Both developing countries and their respective development partners must

share the responsibility of enhancing aid effectiveness. Encouraging the ability of countries to assess and communicate their own needs, and the effect of donor activity in their development, to donors is a far more efficient and accurate process to aid reform. Likewise, such dialogue will enable donors to voice concerns over impediments that they have encountered in the respective country.

Furthermore, the involvement of both parties in restructuring aid deliverance can further facilitate the institutional development of the recipient country. For instance, in Sri Lanka there have been a number of problems experienced with targeting in development projects, both on behalf of the donors and local institutions. Such issues are a direct hindrance to the effectiveness of aid, therefore, by flagging them both donors and the recipient countries can incorporate such obstacles into their development plans. Not only can such movements enhance the performance of aid it will facilitate sustainable development; reducing the dependency of recipient countries on aid in the long run. Sustainable development of this manner can help us to change the culture of country dependence on donor aid and the passive nature of recipient states resulting from this association. This will enable countries to identify what the end is, where the obstacles are and how to overcome them.

### **Thematic Structure of Conference**

Over the next two days we will hear from representatives from Bhutan, Maldives, Afghanistan, Pakistan, Sri Lanka, Nepal, India and Bangladesh who will present their papers on aid reform in their respective countries. Given the varying conditions within each country, they have been grouped

into areas of relevance. During the course of today we shall hear from The Maldives and Bhutan who will be represented in the “Role of Aid in Least Developed Countries” session. Following this the Nepal and Sri Lankan papers will be presented in the “Role of Aid in Post Conflict Economies” session. Finally, we shall hear from India whose position as a Newly Emerging Donor shall be discussed in the last session of today.

Friday shall start with a presentation from Bangladesh in the context of Aid within Least Developed Countries. This shall be followed by the “Nexus between Aid and Security” discussion wherein we will hear from both Afghanistan and Pakistan. The conference will end with a discussion on “Donor Perspectives on Aid Reform” with representatives from four major donors operating within the South Asian region contributing to the discussion by sharing their experiences in attempting to enhance aid effectiveness and the challenges faced therein.

We hope that the proceedings of this conference will positively contribute towards stimulating discussion amongst donors, recipient countries and academic thinkers alike about aid reform within our region. We will have an open forum for discussion with the audience of policy makers, academics, donors, civil society, the diplomatic community, international and local resource persons with the intention on enhancing the dialogue surrounding aid effectiveness in the South Asian context. We plan to publish the proceedings of the conference in due course. With this brief introduction of the conference, let me once again extend a warm welcome to all of you and wish our foreign delegates a pleasant stay in Sri Lanka.

I thank you.