



What do we know about aid as we approach 2015?

UNU-WIDER summary and overview

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Abstract: The ReCom—Research and Communication on Foreign Aid—programme produced 240 original studies. Some 300 researchers from 60 countries came together and provided evidence on what does and could work in development, and what can be transferred and scaled up. ReCom’s five thematic areas are summarized in comprehensive Position Papers on: Aid and the Social Sectors; Aid and Gender Equality; Aid, Governance and Fragility; Aid, Growth and Employment, and Aid, Environment and Climate Change. ReCom research was communicated and tested in seven international Results Meetings, more than 75 seminar and conference presentations across the world, and an impressive series of academic outlets. The ReCom website wider.unu.edu/recom provides access to working papers, videos and research summaries. Together this material offers an unprecedented insight into what moves societies forward, what achieves change and what aid can and does achieve.

Following the guidelines established at the outset, ReCom research was not meant to simply compile small ‘best practice’ projects, hoping that these might add up to systematic large-scale impact. Instead the focus has been on synthesizing what aid has produced in terms of outputs and outcomes and on contributing to systematic thinking and reflection with a view to improving existing knowledge about development assistance. An old saying suggests that success is not doing extraordinary things, but doing ordinary things extraordinarily well. High impact aid is associated with doing many ordinary things, but also with doing the extraordinary, in less than ideal circumstances. In aid’s daily practice, context, political acumen and sequencing are indispensable to complement technical proficiency and expert identification of needs. As we approach 2015, the task of achieving and sustaining large-scale impact—‘going to scale’—stands out as aid’s greatest challenge.

About ReCom

ReCom—Research and Communication on Foreign Aid—is a UNU-WIDER co-ordinated research programme implemented over 2011–13 in partnership with Danida (Ministry of Foreign Affairs of Denmark) and Sida (Swedish International Development Cooperation Agency). The Danish Institute for International Studies (DIIS) and the UNU-WIDER global network of partner institutions and researchers were also involved in ReCom research. The aim of the programme was to research and communicate what works and what can be achieved through development assistance. For this purpose, a specific programme website wider.unu.edu/recom was created.

People-to-people knowledge sharing was a central part of the overall communication strategy of ReCom. The ReCom results meetings anchored the communications activities. They brought together researchers, practitioners and policy makers to exchange knowledge on key development and aid issues. During the programme period, the following seven ReCom results meetings took place in Copenhagen and Stockholm:

- *'Aid, Growth and Macroeconomic Management', Copenhagen, 27 January 2012*
- *'Democracy and Fragility', Stockholm, 10 May 2012*
- *'Jobs—Aid at Work', Copenhagen, 8 October 2012*
- *'Aid and the Social Sectors', Stockholm, 13 March 2013*
- *'Aid and Our Changing Environment', Stockholm, 4 June 2013*
- *'Challenges in Fragility and Governance', Copenhagen, 23 October 2013*
- *'Aid for Gender Equality', Copenhagen, 16 December 2013*

*Specific ReCom contributions to the research literature on aid to date include 227 UNU-WIDER working papers and 13 DIIS studies. Some of these contributions have already found their way into academic journals such as the *African Development Review*, *Journal of Development Studies*, *Journal of Globalization and Development*, *Political Science & Politics*, and *World Development*. ReCom studies have also been featured in the 2013 *World Development Report* and include a book volume published by Oxford University Press. Five journal special issues—of *World Development*, *Development Policy Review*, the *Annals of the American Academy of Political and Social Science*, the *Journal of Globalization and Development* and *Public Administration and Development*—are forthcoming; and nine journal special issues and several book volumes are under preparation or review.*

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Summary

Much is said in both the academic literature and public press about the failures and limits of aid. Yet, aid has worked in many areas and could work even better in others. **ReCom's findings** confirm this and speak to core issues on the post-2015 development agenda.

Aid as emergency **humanitarian assistance** is widely understood and accepted. Displacement of people through conflict or droughts, floods and famines are legitimate reasons for the international community to help. At the same time, the rationale for aid goes beyond the moral imperative to supporting development processes—so societies become more resilient to disaster, and less prone to conflict.

Aid to the social sectors (education, health, water and sanitation and social protection) has produced an impressive number of policy innovations and successful outcomes over the past 30 years—significant progress towards universal primary education, a remarkable achievement in increasing children's immunization, and a fall of nearly 50 per cent in maternal mortality. All this has been achieved despite a rising population.

Important strides have also been made towards the 'Millennium Development Goals (MDG) agenda'—keeping throughout in mind that far too many people remain in poverty. Moving forward, aid to the social sectors must continue, applying lessons learnt in implementing the 2015 MDG agenda—especially in transferring best practice between countries in social protection and in sharing advice on scaling up from small to large interventions.

Aid for gender equality is critical to achieving women's fullest contribution to economic, social and political life. Ensuring girls' secondary education; promoting better reproductive health and access to family planning; increasing women's control over and ownership of assets; putting better employment prospects in place; supporting women's leadership; and preventing violence against women and girls—are all key areas. To achieve more requires mainstreaming gender equality and mobilizing more funding, both aid and domestic resources. This will deliver progress for women at scale rather than remaining at the project level.

Aid contributes to long-term growth. An inflow of aid of the order of 10 per cent of GDP spurs the per capita growth rate by more than one percentage point. ReCom analysis of the aggregate evidence shows a more than 7 per cent annual rate of return on aid over 35 years. Building up physical and human capital, technology and well-functioning institutions requires investment. These are cumulative processes. Sending a child to primary school brings most of its economic benefit in future decades as young people enter the labour force. The full results of aid can only be assessed over the long term, and long-term results have arrived.

Many former low-income aid recipients are now middle-income countries—and in the next 10 years 36 out of 70 International Development Association (IDA) recipients will ‘graduate’ out of aid recipient status, on present forecasts. While these are significant results, growth must become more inclusive. ReCom has highlighted **the need for remunerative employment**, especially for young people—the surest route out of poverty. Higher priority to **structural transformation** is required to help move people from less productive into more productive sectors and occupations. While aid to **agriculture** has declined in recent decades, improving agricultural productivity remains as central to food security and human well-being as ever; and agricultural employment (and moving up the value chain into agro-processing) is crucially important in aid recipient countries. Employment generation and structural transformation have not, however, featured strongly in donor priorities. In their post-2015 development agenda report the UN High Level Panel calls for a *‘quantum leap in economic opportunities and a profound economic transformation to end extreme poverty and improve livelihoods’*. This call will be in vain unless policy priorities are revisited.

As national governments extend their work with an increasingly complex set of development partners on the structural transformation agenda, social sectors and social protection will need continued financing. Growth lifts revenue and potentially allows such spending to be financed from domestic revenue—although the overlapping groups of least developed (LDCs) and low-income countries (LICs) will continue to need significant external support in the coming decades. One major innovation, primarily in Latin and Central America, are **cash transfer programmes**. These have largely been financed from taxation, they have shown results, and this innovation should be spread across Africa.

Domestic resource mobilization through taxation and improved natural resource management is needed to finance human capital development and social protection, even in poorer African countries. This is particularly so where countries have newly discovered natural resources—such as oil and gas.

Going to scale in human development and structural transformation requires public institutional capacity—not just ‘looking like a state’ but ‘delivering like a state’, a key insight from ReCom research. A ‘capability trap’ characterizes many states with stagnant or declining capacity. The **governance and fragility** studies under ReCom disaggregate governance into key components and provide many examples of work on Peace- and State-building Goals – legitimate politics, security, justice, economic foundations and revenues and services.

An important ReCom result is that development aid helped promote the democratic transitions in Africa in the 1990s. Yet, a residue of hard policy contexts remains as a result of fragility and armed conflict. Development aid has to be better aligned with peace-keeping and post-conflict strategies. Securing physical security is critical—in fragile states economic development, humanitarian concerns and security all intersect. The gender dimensions of post-conflict reconstruction also need stronger emphasis. Only 6 per cent of

300 ceasefire agreements, peace accords and power-sharing arrangements since 1989 make reference to sexual violence.

On **environment and climate change** ReCom finds that the main institutional initiatives (Reducing Emissions from Deforestation and Forest Degradation: REDD; the Clean Development Mechanism: CDM, the Global Environment Facility: GEF and the Green Climate Fund: GCF) are basically sound in conception. Yet, they are neither backed by appropriate policy frameworks at the global level nor sufficiently funded to ensure major impact. In addition, ReCom stresses the need for more effective international action in agriculture.

A vital area for sustainable (green) development policy is **energy** use. To develop, poorer countries will require more energy. Currently, middle-income developing countries use cheap and environmentally ‘dirty’ energy. Changing the incentive structure through agreeing on a carbon price is important and would make investment in cleaner energy sources more attractive. Aid can be used to encourage and catalyse energy and infrastructure provision and further technological innovation. Aid can neither substitute for international climate agreement, nor pay the bill to ‘climate proof’ infrastructure and development.

The increasing frequency and intensity of climate-related crises will eventually overwhelm development efforts unless climate change is brought under control through effective mitigation. Experts highlight a huge difference between development impacts (e.g. food production in Africa), if the global temperature rise can be restricted to a maximum of 2 °C, rather than, say 4 °C or more. ReCom research concludes that climate change is unlikely to preclude growth and development prospects until about 2040. This offers a window of opportunity. As the Stern Report argued, early action on climate change is essential and will save money in the long run. If this opportunity is not taken by the world community, the challenges for aid and development become progressively more difficult.

To remain relevant and effective beyond 2015, aid must learn to deal with (i) the increased complexity on the supply side of aid, (ii) the new geography of poverty, (iii) the hard core of fragile states (and the challenges of building state capability), as well as (iv) the provision of global public goods including environmental protection.

Successful completion of the poverty eradication and the sustainable development agenda by 2030 will require a step change in multilateral support for global public goods. Breakthroughs are needed on climate change agreements, development financing (including international financial transparency and taxation), international trade and peace-keeping. With a more resilient international architecture for sustainable (green) development, and with peace, security and better protection against shocks, aid can deliver more—and to scale. Delivery and impact in the social sectors in the past is a substantial achievement—promoting employment in green and growing economies is an even bigger prize to accomplish.

Overview: 15 ReCom findings for post-2015

1 Humanitarian assistance and the social sectors remain crucial, support must continue

Aid as emergency **humanitarian assistance** is widely understood and accepted. Displacement of people through conflict or droughts, and floods and famines are legitimate reasons for the international community to help. The rationale for aid goes beyond the moral imperative to supporting development processes so societies become more resilient to disaster, and less prone to conflict.

Aid to the social sectors (education, health, water and sanitation and social protection) has produced many innovative and successful outcomes: there has been significant progress towards universal primary education. For sub-Saharan Africa (SSA), the region with the lowest primary school enrolment rates, figures have improved from 57 to 78 per cent for boys and from 50 to 74 per cent for girls, in just a 20-year period (1990–2010). Aid has played a key role in that process.

In 1980, only 17 per cent of children in the developing world were immunized against diphtheria-tetanus-pertussis; by 2011, more than 80 per cent of children were regularly immunized. This is a remarkable achievement. Maternal mortality has also fallen significantly, from 543,000 in 1990 to 287,000 in 2010—a 47 per cent improvement despite rising population.

Important strides have been made towards some of the MDG targets, but overall the ‘agenda’ is far from complete. That task must continue and apply lessons learnt for 2015–30—especially in transferring best practice between countries, e.g. in social protection and in sharing advice on scaling from small to large interventions.

Impact of aid in the social sectors: ReCom findings

A long-term, annual inflow of aid equivalent to 5 per cent of GDP:

- Augments schooling by 1.4 years per child
 - Boosts life expectancy at birth by four years
 - Reduces infant mortality by 20 per 1000 births
 - Contributes to growth and poverty reduction
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Education, healthcare, access to safe drinking water and sanitation and the provision of social protection are fundamental to development. Aid to the social sectors helps break poverty traps for the poorest and most vulnerable. This builds inclusive societies and therefore social justice.

2 Much has been achieved in the social sectors, more can be achieved by moving from project aid to sector-wide and budget support approaches, where gender equality is imperative

Universal primary **education** has advanced substantially—also in SSA. This reflects the contribution of the Global Partnership for Education, increasing aid to education to 1 per cent of GDP, support for female students, cash transfers and financial incentive programmes to reduce teacher absenteeism. These are strategies that have worked. Enrolments are up, but raising quality is urgent. Bilateral aid to education and health remains too project focused, despite stated commitments to sector-wide approaches and budget support. In 2011 (six years after the Paris Declaration) more than two-thirds of aid to the social sectors was disbursed as projects.

In **health**, maternal and child mortality has almost been cut in half over the last two decades—an exceptional success, supported by aid, in Sri Lanka, Niger, Ghana and Mexico. Foreign aid has funded large-scale programmes to contain and reduce the prevalence of HIV/AIDS, which 30 years ago looked likely to devastate whole societies.

Impact of aid to health and education

ReCom research shows that aid to the education and health sectors reduces maternal mortality and the female/male gap in youth literacy, in a comprehensive analysis of 141 countries over the period 1973–2010.

Aid-financed public expenditure on health and education has positive results. There is strong evidence that aid has helped reduce maternal mortality, improved access to contraception and reduced rates of new infection of HIV/AIDS.

Yet, much remains to be done. In 2013, of 215 million women who lacked access to modern contraceptives worldwide, more than 127 million were in SSA and South and Central Asia. Maternal mortality remains high in the same areas. In SSA almost 60 per cent of those infected with sexually transmitted diseases are women and girls. HIV/AIDS, tuberculosis and malaria still account for about five million deaths annually.

In addition to vaccines and clinical interventions, non-clinical interventions help: securing stable financial resources for services; promotion of behavioural change; and enhanced use of anti-retroviral drugs. These are expensive, and aid remains essential until domestic revenues rise substantially.

3 Innovation in service delivery must continue to make the best use of aid and limited domestic revenue

There have been considerable and effective innovations in school-feeding, incentives to teachers, and deworming. Schools can act as a centre for achieving wider social policies.

Institutions and the policy environment are important for effective work on education and health. ReCom identifies the key factors for success as: strong government support and donor leadership, with close collaboration across governments, donors and NGOs in project design; consistent and predictable funding support even after success has been achieved; simple and flexible technologies adapted to local conditions; programmatic approaches that recognize and address the need to build health system infrastructure, especially human resources; and household and community participation in the design, execution and monitoring of programme activities. Rigorous impact monitoring and evaluation facilitates the assessment and, when needed, fine-tuning of programme modalities.

4 Scaling up aid for gender equality is imperative to achieve greater social justice and more productive economies

Aid for **gender equality** is essential from a rights perspective, and is critical to achieving women's fullest contribution to economic, social and political life. Ensuring girls' secondary education; better reproductive health and access to family planning; increased women's control over and ownership of assets; better employment prospects; support for women's leadership and influence; and the prevention of violence against women and girls—these are all key areas. Challenges regarding mainstreaming and scale of funding persist. The challenge of universal application rather than remaining at the project level continues.

While gender equality is a matter of justice (a rights-based approach) it is also instrumental in achieving better economic outcomes. Greater efficiency and higher productivity result from investment in, and the full inclusion of, women and girls. Women are now 40 per cent of the world's workforce, and are much more likely to be employed in low-productivity and labour-intensive jobs than men.

5 Mainstreaming gender equality is critical to eliminate the social and economic disadvantages facing women—and the violence that far too often pervades their lives

Successful gender mainstreaming depends upon political commitment; technical capacity to implement change; incentives; indicators; practices and other mechanisms for mainstreaming; adequate financial resources and

accountability and monitoring systems. Using different measures, a pattern emerges of rising donor commitment to gender empowerment until 2009, then a tailing off.

Violence against women is pervasive. It is rarely the case that gender equality and women's empowerment are approached holistically through the entire range of conflict prevention, conflict and post-conflict recovery issues. Of 300 ceasefire agreements, power-sharing arrangements or peace accords signed since 1989, only 18 (6 per cent) mention sexual violence. After conflict, women's rights are often 'traded away'. More energetic application of UN Security Council Resolution 1325 is needed to fulfil the promise of that landmark decision.

Gender quotas and reservations are now used in more than 100 countries and have been found to increase women's political representation at national and local levels. The design of quotas is important, but they do not guarantee equal representation.

Development agencies need to step up investment in **gender-disaggregated data**—particularly on the informal economy, entrepreneurship, violence against women and unpaid work. This will help donors and their national partners to do a more effective job in costing the needed interventions for gender equality, achieving the necessary scaling up, and thereby accelerating impact. The OECD, with its gender marker, has provided a toll for systematic monitoring since 1991.

6 Aid makes a significant contribution to long-term economic growth, with a high rate of return. Through growth, countries graduate out of aid dependence

ReCom research not only shows that results have been achieved in the social sectors but also that **aid helps achieve growth**. This is a cumulative process. Many of the growth effects are not seen immediately. Sending a child to school improves its well-being today, but most of the economic benefits occur in the long run, when that child eventually enters the workforce.

A key finding of the programme is that in the long run an inflow of aid of the order of 10 per cent of GDP spurs the per capita growth rate by more than one percentage point per annum.

Impact of aid

- For 36 SSA countries ReCom research shows an overwhelmingly positive long-term impact of aid, over time.
 - ReCom analysis of the aggregate evidence shows a 7.3 per cent annual rate of return on aid over 35 years—indicating that while not every aid intervention works, in aggregate aid has had a significant impact.
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Aid does this by building up physical and human capital, technology and well-functioning institutions. These all require substantial investment. As the UN High Level Panel notes, Official Development Assistance (ODA) provides 55 cents of every dollar of foreign capital that comes into low-income countries. But when aid helps achieve growth, it also helps countries to ‘graduate’ out of aid recipient status.

In the next 10 years perhaps 36 out of 70 (more than 50 per cent) of IDA recipients will graduate, on current forecasts. They are becoming more attractive to private flows, including foreign direct investment.

7 High growth is not enough: growth must become more inclusive. Aid can help achieve this by supporting structural transformation—which will deliver more and better employment

Inequality is socially destabilizing. It also makes it harder to reduce poverty through growth, as the non-poor reap more of the benefit of growth.

ReCom highlights **the need for remunerative employment**, especially of young people—the surest route out of poverty. This includes more wage-employment—especially in manufacturing and high-value services—as well as better self-employment in smallholder agriculture and informal enterprises (urbanization without employment is no answer). This implies greater attention to non-traditional exports, industrial clusters, and strengthening firm capabilities. Underlying this is a process of **structural transformation** that helps people move out of less productive and into more productive sectors and occupations.

ReCom finds that donors should now give higher priority to helping countries achieve structural transformations that create ‘jobs’, particular to reduce youth unemployment. ReCom analysis highlights the many ways donors can work with countries to achieve this. Donors can help countries with national strategies that improve skills and human capital formation, allowing them to diversify into new sectors, as well as support macro-economic policies that facilitate high and stable growth.

Donors can help new and promising sectors, building on the evidence around the ‘new industrial policy’ that helps countries compete in the global economy for manufacturing and high-value services. Infrastructure investment is vital, especially in energy, and particularly in Africa. Finally, donors can support enterprises and social businesses—notably those that employ the poor—and public employment schemes that stabilize incomes in the face of poverty and shocks.

Yet, aid has not paid much attention to employment; what has happened remains small-scale and patchy, according to ReCom’s findings. Aid to one of the most important sectors for livelihoods—**agriculture**—has declined over

the last two decades, and while it shows a modest recovery, donors are not paying enough attention to improving agricultural productivity, and helping countries move up the value chain into agro-processing. Donor support to infrastructure remains too meagre. Overall, donors are not helping enough for countries to achieve **scale** in employment generation. Small donor-funded projects might create a few jobs, but millions of jobs are needed for inclusive growth. Otherwise, the quantum leap in economic opportunities and a profound economic transformation to end extreme poverty and improve livelihoods’ called for by the UN High Level Panel will not occur. This should be a vital part of aid’s support to the post-2015 development agenda.

8 As donors work with partners on the structural transformation agenda, social sectors and social protection need continued financing. Domestic resource mobilization can improve, but many low-income countries continue to need external donor finance

Growth lifts revenue and potentially allows such spending to be financed from domestic revenue—although LICs will continue to need external support. One major public policy innovation, primarily in Latin and Central America has been **cash transfer programmes**. These have largely been financed from taxation.

Domestic resource mobilization, through taxation and improved natural resource management, could finance human capital development and social protection also in some poorer African countries. This is particularly valid where countries have newly discovered natural resources—especially oil and gas.

The tension between domestic resource mobilization and the resource curse suggests that even countries which are able to generate considerable resources through exports of minerals require assistance in governance issues, with public sector management and combating corruption. Increasing tax revenue and linking the windfall of oil, gas and mineral revenue to the rest of the economy are key opportunities. There are considerable gains to be made from regulatory reform.

Tax policy and public administration reform have been ReCom emphases—including improved tax policy and design, creating more effective tax administrations and encouraging more a productive state–society engagement around taxation. Countries that have found their way out of the ‘low-tax trap’ include Bangladesh, Cambodia, Ghana, Kenya, Nepal, Rwanda, Sierra Leone, Uganda, and Vietnam. Donor support to reform and build better tax institutions—and better mechanisms of public sector financial management overall—have been an important part of these successes.

9 Going to scale in human development requires public institutional capacity—not just ‘looking like a state’ but ‘delivering like a state’

A ‘capability trap’ characterizes many states with stagnant or declining capacity, especially among LDCs.

ReCom’s work on **governance and fragility** disaggregates governance into key components and provides many examples of innovative aid initiatives to help achieve the Peace- and State-building Goals—legitimate politics, security, justice, economic foundations and revenues and services.

However, there remains a residue of ‘hard policy environments’—the result of fragility and armed conflict. Aid has to be aligned with peace-keeping and post-conflict strategies. Physical security has to be secured for development to function—state fragility is where economic development, humanitarian concerns and security intersect. Aid’s role here can be significant, noting that the gender dimensions of post-conflict reconstruction need stronger emphasis.

Fixing poorly governed societies and fragile situations is not a simple task for which a universal manual can be written. In many situations, the challenge is no less than a long-term commitment to building state capability. Long-term institution-building is the way to good governance and overcoming fragility. ‘Looking like a state’—without effective delivery—is a proven avenue to donor funding—and longer-term failure. Short-term programmes aimed at accelerated modernization of the administrative capacity of states are not effective and waste money.

What can be done? Each least developed, fragile country is different, but there are some basic principles. These are encapsulated in the **problem-driven iterative adaptation (PDIA)** approach, developed under ReCom. PDIA has four principles: (i) it is problem driven; (ii) it authorizes positive deviation into the design space; (iii) it adapts using experiential learning and (iv) it scales up through diffusion.

PDIA provides an analytical framework and explanations for the capability trap—stagnant or falling state performance in many countries, and also for failures due to ‘premature load bearing’. ReCom analysis of Afghanistan and South Sudan show how dependent these states are on external support and expertise.

10 Building legitimate politics and secure and just communities are essential to reducing fragility and bad governance

In fragile states, economic development, humanitarian concerns and security intersect. ‘Whole of government’ approaches, which use the full range of political, security and development strategies, have been commended for

application in countries such as Somalia, Afghanistan and the Democratic Republic of Congo.

The ReCom project stresses and assesses issues such as **electoral assistance, party political support and strengthening legislatures**. It also emphasizes wider democratic involvement, human rights, human security and the rule of law.

For electoral assistance, the entire democratic cycle (not just one set of elections) must be supported. Basket funds for elections have proven successful, and are scalable and transferrable. Parliamentary support, including development of parliamentary oversight of the budget, remains important for the functioning of democracies and also for curbing official corruption.

In democracy assistance, ReCom has stressed that better harmonization of donor initiatives is essential. This message is also borne out by the work on democratic trajectories in Africa, which shows how aid contributed to these transitions in the 1990s.

Security sector reforms remain a core challenge. Successful police reforms have been built around a political settlement, shared values of governance, administrative capacity and a vibrant civil society.

Among the positive examples of work which has been transferred and scaled up is that of judicial facilitators in Nicaragua—a volunteer-based programme started by the Organization of American States. This model has already been applied in other countries in the region (e.g. Argentina, Ecuador, Guatemala, Panama and Paraguay).

11 Climate change could overwhelm development, and reduce the effectiveness of aid across all of its objectives

The increasing frequency and intensity of climate-related crises threatens to overwhelm development efforts unless climate change is brought under control. Experts highlight a huge difference between development impacts (e.g. on food production in Africa) if the global temperature rise can be restricted to a maximum of 2 °C, rather than, say 4 °C or more. ReCom analysis concludes that climate change is unlikely to preclude growth and development prospects until about 2040. While this provides a window of opportunity, it must now be taken into account for long-term investments such as infrastructure and energy.

As the Stern Report argued, early action on climate change is essential and will save money in the long run. If this chance is not taken, the work for aid in helping countries meet their development challenges will become progressively more difficult, and more aid will have to be allocated to disaster relief. If climate change becomes acute, then the progress of LICs to middle-income status will be halted or reversed, and they will slide back into aid-dependence.

12 Many climate change initiatives are basically sound in conception, but neither supported by adequate policy frameworks nor sufficiently resourced to make a major impact

ReCom finds that the main institutional initiatives in climate finance (REDD, CDM, GEF and GCF) are basically sound in conception, but are neither supported by adequate policy frameworks nor sufficiently resourced to make a major impact.

There is now more environmental assistance, increasingly from bilateral sources, and funding has recently been shifting towards supra-national issues such as climate change. A complex institutional framework in climate finance has evolved rapidly alongside the existing aid architecture.

The trend towards bilateral aid is coupled with a decrease in the size of environmental projects. In many ways effort in this area is being dissipated by the replication of long-standing weaknesses in aid: too many projects, too small a project size and a lack of co-ordination between actors and initiatives. These dilute impact.

ReCom points to the need for **sharpening the profile of the environmental objective** in overall aid flows; the reform of existing institutions in order to better address environmental objectives and the creation of smart approaches at programme, project and sectoral level. Aid should continue to seek to help to catalyse the transformation needed to confront and mitigate environmental problems.

ReCom makes a case for deeper engagement with middle-income countries without in any way diluting the traditional attention paid to LDCs and LICs. This is justified by the sheer number of poor in middle-income countries; the potential role of middle-income countries in combating global environmental problems; and their needs in adapting to climate change.

Aid donors and institutions need to play a greater role in the provision of and funding for global and regional public goods. ReCom singles out the neglect of agriculture in particular and finds that there are overlapping mandates and ineffectiveness in the international organizations tasked with support for agriculture. ReCom stresses in particular the need for more effective international action.

Aid in support of technology development and innovation is needed. But aid (and climate change finance) cannot act alone. They must support mechanisms to mobilize, catalyse and leverage private and domestic public investment. Given the high investment costs of private investment in this area, aid policy needs to think creatively about ways to encourage more private investment.

13 A vital area for sustainable development policy is energy use. To develop, poorer countries will need to use more energy

Currently, countries tend to use cheap but environmentally ‘dirty’ energy. Changing the incentive structure through agreeing a carbon price—and providing adequate financial and technical support—is vital and would make investment in cleaner energy more viable. Aid should be used to encourage and catalyse energy and infrastructure provision.

Aid can neither substitute for an agreed, robust and effective international climate agreement, nor pay the total bill to ‘climate proof’ development (e.g. infrastructure) in a ‘climate-constrained’ world. Taking full account of the best quality data and analysis is absolutely essential to inform and guide investments. This is especially so in agriculture, which still provides the main livelihood for many of the world’s poor.

14 Strengthen national capacity for analysis. Evidence-based policy requires more and better-disaggregated data

Development strategy must allocate domestic and external resources among many competing ends. Decisions on policy and investments will be better informed by strengthening national capacity for analysis within government as well as national research institutions. Through its technical assistance component, aid has helped to build more capacity in recipient countries over the last 30 years.

Initially such aid support was in the area of macro-economic policy. This must be sustained while also building capacity in the areas of structural transformation, inclusion and climate change, in particular. To bring national analytical capability up to the best international standards, effective and sustained linkages need to be built with the global research community.

Analysis to be policy-useful needs good quality and timely data. This applies to all policy areas but especially to the areas of poverty and employment generation. **Evidence-based policy requires better disaggregated data**, especially to address gender inequality, to provide evidence for action on poverty and social inequalities and to support the creation of better livelihoods (e.g. in understanding the informal sector and its potential).

ReCom finds that aid has improved statistical capacities in Africa, but that far more needs to be done. Efforts have so far been sporadic, with a multiplicity of small projects, rather than larger efforts to create a step change in data quality and availability.

More data will allow aid donors and governments to better understand the impact of aid inflows and policy reform and will reduce the reliance of the aid

debate on often patchy data and, in worst cases, repetition of ‘anecdotes’ that bear little relation to country realities.

15 Going to scale in impact must be a core objective for aid to remain relevant and effective beyond 2015, and aid delivery must become more efficient. Aid cannot work alone. Breakthroughs in providing global public goods in such areas as climate change and peace-keeping are essential to aid-effectiveness

Better aid co-ordination in practice, and not just in rhetoric, is needed to generate efficiency gains on the supply-side of aid and will reduce the transactions costs for donors and recipients. ReCom finds that by doing so, significant resources can be reallocated to development itself. New donors (national, business and philanthropic) will need to be drawn into a closer working relationship with traditional donors.

Going to **scale in impact** must be a core objective if aid is to effectively support the post-2015 development agenda. For donor countries the composition of their ODA is a political choice. Beyond 2015, continuing with aid to the social sectors is a safe choice and certainly valuable; maintaining the momentum in the social sectors remains a priority. More ambitious and more risk-tolerant donors will embrace the structural change agenda as well, and marry this to environmental sustainability.

Focusing more aid on structural transformation will assist with growth and inclusion. If the high-growth African countries can sustain their success, and if growth in the lagging economies among the LICs is raised, then more fiscal space is created to finance social protection (e.g. by emulating Latin American countries in paying for cash transfer programmes from taxation). Aid for gender equality needs to go to scale for reasons of justice as well as to help deliver more growth by using the productive resources of women more efficiently.

While there will be a hard core of fragile states and situations in LDCs, which will continue to require external support, strategies have been developed for assisting post-conflict countries. Achieving growth in such countries makes the solution of governance issues easier to address. An expanding economy makes redistributive policies more viable, allowing destabilizing inequalities to be contained and reduced.

While aid does foster growth in the long term, climate change is a potential ‘game changer’—it could create a situation where development stagnates or faces challenges of such a magnitude that governments and donors are overwhelmed by the size of the problem. This would push most aid away from development and into disaster relief.

If an era of effective multilateralism can produce significant international agreements on global public goods (e.g. on trade and climate change), aid will operate in a context that enhances its effectiveness. Even if this is not the case, climate-proofing aid, investing in cleaner energy and climate finance projects will still be beneficial.

Successful completion of a poverty eradication and sustainable development agenda by 2030 will require a **step change in multilateral support for global public goods**. Breakthroughs are needed on climate change agreements, development financing, international financial transparency and taxation and international trade and peace-keeping. With a more resilient international architecture for sustainable development, and with peace, security and better protection against shocks, aid can then deliver more—to scale. Human development through aid’s support to the social sectors is already a substantial achievement. Structural transformation for inclusive growth and environmental sustainability are even bigger prizes to accomplish.