

Lexicon and Syntax of Development Cooperation Institutional Heterogeneity in Development Cooperation



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The focus of control being the people-to-people relations in solidarity, or premise, SSC thus clearly distinguishes itself from the OECD/DAC institution that shifted its focus from action to output since the declaration at the Second High Level Forum on Aid Effectiveness (2005).

In the previous issue (Vol. 1 No. 3) we underlined the choice of premise control in managing South-South Cooperation, while it was argued that the development cooperation model followed by OECD/DAC (2005) underwent significant changes after the Paris Declaration from action to output control. We shall elaborate the argument in further detail in the present issue.

Development cooperation involves exchange of resources – transactions, to be precise – between the parties engaged in such an action. Let us first consider the attributes of the transactions under different control regimes. Obviously, the number of transactions under action control (hierarchy) and premise control (Brotherhood) will be higher as the capability of specifying contract *ex ante* would be lower under conditions of limited rationality. The frequency would be generally lower in case of a market determined transaction as the evaluation of the product/services delivered is carried out through output control. In case of exchanges through market involving delivery of a series of intermediate products, the frequency of transactions may even be higher in regimes dictated by output control. Irrespective of the control regime, the uncertainties involved in transaction would be high under all the cases. The variations in terms of ambiguities about goal and action have already been discussed in the previous issue. Table 1 distinguishes the characteristic features of attributes of transactions across the control regimes.

Let us now turn to the characteristics of the transactional forms. The arbiter of relationship between the parties under action control would undoubtedly be authority where the coordination between the donor and the recipients will be through commands – a feature that

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characterized development cooperation by OECD/DAC before the Paris Declaration – Structural Adjustment Programme included. Post-Paris Declaration, the relationship changed to that of bargaining, with coordination ensured through exhaustive contracts that called for

- Ownership: Developing countries set their own strategies for poverty reduction, improve their institutions and tackle corruption.
- Alignment: Donor countries align behind these objectives and use local systems.
- Harmonisation: Donor countries coordinate, simplify procedures and share information to avoid duplication.
- Results: Developing countries and donors shift focus to development results and results get measured.
- Mutual accountability: Donors and partners are accountable for development results¹.

SSC, on the other hand, relied on trust between the partners, with the sense

of solidarity, as enshrined in its non-negotiable guiding principles providing the basis for such horizontal coordination.

Under action control, investments – in the sense of provision of resources – were transaction specific, giving rise to identification of modalities. Paris Declaration, based on output control, argued in favour of investments that need not necessarily be transaction specific. More emphasis was laid on general budget support that covers “financial assistance as a contribution to the overall budget with any conditionality focused on policy measures related to overall budget priorities. Within this category, funds may be notionally accounted for against certain sectors, but there is no formal limitation on where funds may actually be spent”². An evaluation study on partnership general budget support (PGBS) in 2004 found³:

- (a) PGBS has been a relevant response to acknowledged problems in aid effectiveness.
- (b) PGBS can be an efficient, effective and

Table 1 Three institutions of Development Cooperation

	DAC Post-Paris Declaration (Market)	DAC Pre-Paris Declaration (Hierarchy)	SSC (Brotherhood)
Attributes of transactions			
-Frequency	Low/high	High	High
-Uncertainty	High	High	High
-Ambiguities about:			
Goal	Low	High	High
Action	High	Low	Low
Characteristics of the forms			
Relation	Bargaining	Authority	Trust
Coordination through	Exhaustive contracts	Command	Ideology
Transaction- specific investments	No	Yes	Yes
Autonomy of party	Yes	No	Yes
Control type	Output control	Action control	Premise control
Focus of control	Outcome	Action	Person

Source: Collin (1993) P: 79.

sustainable way of supporting national poverty reduction strategies.

- (c) Provision of discretionary funds through national budget systems has produced systemic effects on capacity, particularly PFM-related capacity. These effects are government-wide.
- (d) PGBS tends to enhance the country level quality of aid as a whole, through its direct and indirect effects on coherence, harmonisation and alignment.
- (e) PGBS's effectiveness in reducing poverty depends on the quality of the strategy that it supports. Given the bias of early poverty reduction strategies towards the expansion of public services, most of the effects of PGBS inputs so far have been on access to services, rather than income poverty and empowerment of the poor.
- (f) It is important not to overload the PGBS instrument, but in all cases a capacity to learn from experience suggests that PGBS could become more effective, and have a broader scope, over time.
- (g) The evaluation considered unintended and adverse effects of PGBS (corruption, undermining of revenue effort, unpredictability, crowding out of the private sector). It did not find adverse effects that outweighed the benefits of PGBS, but all these risks need to be taken into account in the design of PGBS (and of other aid).
- (h) PGBS, as presently designed, is vulnerable to a number of risks, including political risks, that threaten its ability to operate as a long-term support modality.
- (i) PGBS is part of a family of programme-

based approaches (PBAs), and many of the study findings are also relevant to PBAs in general.

SSC, for a change, gives credence to transaction specific investments, as exemplified through the five distinct but not independent components of Development Compact – capacity building, trade and investment, development finance, grant and sharing of technology.

In view of the above differential characteristics, it is obvious that post-Paris regime of aid management increases the autonomy of the recipients, compared to what they enjoyed prior to 2005. In a framework of demand driven, unconditional SSC, the autonomy of the partners in cooperation was never in jeopardy. The focus of control being the people-to-people relations in solidarity, or premise, SSC thus clearly distinguishes itself from the OECD/DAC institution that shifted its focus from action to output since the declaration at the Second High Level Forum on Aid Effectiveness.

Endnotes

- ¹ <http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm>
- ² <http://ec.europa.eu/development/body/theme/rurpol/forum/papers/Hoole1En.pdf>
- ³ <http://www.oecd.org/development/evaluation/dcdndep/37421292.pdf>

Reference

Collin, S-O (1993): The Brotherhood of the Swedish Sphere: A Third Institutional Form for Economic Exchange: Institutional Studies of Management & Organization: Vol. 23, No. 1 Pp 69-86.