

INCORPORATION OF GENDER IN THE PROCESS OF AID EFFECTIVENESS

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WHAT IS AID EFFECTIVENESS

Aid effectiveness is about ensuring maximum impact of development aid to improve lives, cut poverty and help achieve the Millennium Development Goals.

THE CARIBBEAN REALITY

The Agenda for Aid Effectiveness by development agencies which operate in the Caribbean has been a farce and has most certainly not lived up to its expectations. In fact, the majority of empirical studies on aid effectiveness have not been able to identify a statistically significant relationship between aid and general economic growth.

TRENDS IN AID FLOWS

During the 1970s and 1980s aid flows to developing countries increased steadily, moving from around US\$18 billion in 1975 to close to US\$63 billion in 1991. Since 1991, however, there has been a significant decline in aid flows. A number of factors account for this decline, all of which relate to the changing political context of development assistance.

REASON FOR DECLINING AID FLOWS

- The requirements of the transition economies of Eastern Europe have resulted in a certain degree of aid diversion away from traditional recipients.
- The emphasis on 'aid for trade' in the context of trade agreements and private capital flows to developing countries.
- The "security" arguments are also less relevant. And finally, fiscal difficulties which has led to reduced public support for ODA.

SOME PATTERNS OF DECLINE

Aggregate data for 10 Caribbean countries⁶ indicate net ODA peaking in 1991 at around US\$688 million and declining to US\$212 million by 1997.

This Caribbean experience with ODA flows during the 1990s is significant for whereas the overall decline in ODA has tended to be concentrated in large countries, the rate of decline to the Caribbean has been higher than for the rest of the world.

The major decline actually occurred in 1992, and since then, apart from an increase in 1993, ODA has remained relatively constant at around US\$200 million per year.

Source: Global Development Finance, 1999

THE TRADE ALTERNATIVES

- The global increase in private capital flows to developing countries is one explanation for the decline in aid flows and probably also explains the pattern in the Caribbean.
- But this highlights one aspect of the aid flow problem; for of the approximately US\$5.4 billion in FDI that flowed to the Caribbean between 1990 and 1997, 77% went to 3 countries (Trinidad & Tobago 43%; Jamaica 24%; Guyana 10%).
- This pattern is similar to the situation internationally where, in 1997, around 70% of total FDI went to 10 countries.

THE EFFECTIVENESS OF AID

Despite the continuing but less aid flows to the Caribbean over the last three decades, the preponderance of evidence indicates that aid has not had a significant impact on economic growth.

(Tsikata, 1999) & Mosley, Hudson and Horrel (1987 & 1992)

THE CONTRADICTIONS

Despite the still large figures being quoted, the reality simply does not fit the picture of improvement through aid effectiveness. It follows that if aid accelerates growth it would also result in improvement in social indicators.

Eg: Effective agricultural diversification

SMALL STATES AND THE VULNERABILITY ISSUE

Trade liberalization and financial integration (i.e. “globalization”) have presented unique development challenges to small states. The significance of these challenges in a rapidly globalizing economy has encouraged a detailed look at the special circumstances of small states.

THE CHALLENGES

- ***Susceptibility to natural disasters*** - because of small size such natural events are pervasive affecting the entire population and economy.
- ***Openness*** - because of the heavy reliance on external trade, small states are especially vulnerable to external economic shocks.
- ***Weak institutional capacity*** - resulting from the higher costs associated with the provision of public services
- ***Limited diversification*** - in production and exports due to the narrow resource base and small domestic markets.

THE CHALLENGES CONT'D

- □ **Remoteness**- from markets with implications for transport costs.
- □ **Limited access to external capital** - because international capital markets have high-risk perceptions of small states.
- □ **Poverty** – with levels that tend to be higher in small states and income distribution more uneven, in comparison to larger states. These characteristics define the special development challenges facing small states.

HIGH-INCOME VOLATILITY

Indeed, it is the vulnerability of small states that underline the arguments that they need adequate time for adjustments as well as for resources to support domestic efforts to adjust to the New World market conditions and accommodate the associated transitional costs of globalization. In other words, vulnerability suggests the need for more rather than less aid to support the transition process even when per capita income levels suggest otherwise.

GAPS IN EFFECTIVENESS

The majority of aid funds are used to finance specific projects. On the surface it would seem logical that one way to improve aid effectiveness, is to ensure that the projects financed are effectively implemented and meet the development objectives. But the conditionalities often ignore social indicators eg Consultants and procurement from donor countries

OTHER GAPS



- * Lack of consideration for near subsistence economies, political instability, vulnerabilities to natural disasters or mismanagement;
- * Bureaucracy and delayed implementation
- * Lack of and insufficient consideration for gender equality approaches and targets

OTHER GAPS Con't

- Lack of institutional capacity (public/private sector and in NGO community) leading to significantly high aid transaction costs.
- A cursory review of the aid environment in the four Windward Islands revealed that there were some 33 separate bilateral and multilateral institutions providing aid resources. This results in a plethora of highly disparate aid delivery systems which places overwhelming demands on the already overburdened administrative capacity and is hardly conducive to aid effectiveness.
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CONCLUSION

The changing political context of development assistance, as manifested in the end of the cold fiscal difficulties and the significant increase of private capital flows to developing countries, has resulted in a significant decline in aid flows to the Caribbean. The need to increase the effectiveness of aid in the Region is thus even more critical. But the majority of empirical studies on aid effectiveness have not been able to identify a statistically significant relationship between aid and economic growth

CONCLUSION CONT'D

.The complexity of the aid impact issue suggests that enhancing aid effectiveness is not straightforward. The importance of the policy environment means that effectiveness can be improved if aid is used to support the required policy reforms and both economic and social policies which result in gender equality must be taken into account. A coordinated approach to the development process with all donors working in partnership with each other and with the recipient country is a critical requirement for aid effectiveness but, to date, effective coordination has been elusive