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ROLE OF PUBLIC ADMINISTRATION IN THE MANAGEMENT
OF DEVELOPMENT PROGRAMMES

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INTRODUCTION

1. When one speaks of a Government's development programme, one means its forward-looking plans for improving the social and economic well-being of the country and its people, particularly its plans for the next few years. Development programmes differ from country to country. Commonly, they are multisectoral and require a wide array of institutions - public, non-governmental and private - for their implementation; they address investment and infrastructural needs as well as more general issues of capacity-building and human resource development; they are articulated to provide for national, regional and local needs; they attempt to provide consistency and integration between various developmental initiatives; and they indicate the quantum and sources of funds to be used for the programme and the manner in which such funds are to be allocated to competing uses.

2. Sometimes a country's development programme is confused with its aid programme. Aid, more properly referred to as "official development assistance", is a means of financing the development programme. However, in some countries, the aid programme is so large in relation to other sources (funding over 80 per cent of development expenditure in extreme cases) that the domestically funded expenditures can be overwhelmed by the donor-funded activities. In such cases, it is easy to see how the role of the donor may dominate that of the Government. Such domination has led to accusations of the following sort: that aid projects are chosen by the donor rather than the Government; that aid is used primarily for the benefit of the donor, with that of the host country a secondary issue; that aid is a means of increasing demand for resources supplied by the donor; and that the process of giving aid leaves the recipient in a passive role, in which building stronger national capacity will always be an elusive goal.

3. Given the above assumptions and growing doubts concerning the effectiveness of aid, an urgent need has emerged to review and amend the basic relationships operating in the field of managing development. An approach is needed that will increase the participation of nationals in all aspects of the aid process: both as managers and decision makers and as participants and beneficiaries; and which at the same time will meet donors' legitimate concerns for financial and performance accountability. Moreover, in many countries, efforts are needed to affirm governmental leadership and control over the development programme.

4. Clearly, the ideal is a host-country Government with adequate capacity in all aspects of managing development: macroeconomic planning, fiscal management,
programme design, project execution, budgeting, financial control, review and evaluation, accountability reporting, and, in the substantive areas, specific technical know-how. However, in practice, countries vary greatly in their steering and implementation capacities. This has spawned an extensive literature describing implementation problems, often ascribing failures to various host-country shortcomings.

5. The extent of national capacity influences several aspects of managing development: the relative roles of donor and recipient; strategies designed to improve host-country capacity; and the possibilities for successful development.

6. The present paper examines the environment in which managing development takes place. It does so with regard, first, to the need for partnership, secondly to capacity-building and, thirdly, to aid coordination, management and accountability. A final section reviews current trends and attempts to anticipate future developments.

I. PARTNERSHIP FOR DEVELOPMENT

7. Partnership implies the idea of sharing - for instance, in economic or social relationships. We can think of partnership as a joint venture, in which each participant may have a different role and degree of participation, depending on the partnership agreement. In conversation, the phrase "an unequal partnership" is somewhat pejorative, reflecting adversely both on the weaker party and on the partnership itself. On the other hand, "an effective partnership" implies a pooling of strengths to attain a common goal.

8. More can be achieved by cooperation than by individuals acting in isolation. The same principle applied to managing development could lead to better use of resources and greater well-being for the people of recipient countries. In managing development, the two major partners are the donor and the Government of the host country. However, many other partners may exist, including other official donors and lenders (in multidonor projects), commercial lenders, consultants, contractors, enterprises, community groups, non-government organizations and so on. A central challenge of managing development is to join together these numerous and often disparate parties into an effective partnership. However, it is equally important to examine the key partnership between donor and host-country Government.

9. Within what we might call the traditional relationship between the Government and donors, each side is accused of failures. Donors are
characterized as paternalistic; activated by selfish, nationalistic motives; competitive with one another; partial in their choice of suppliers; authoritarian; unrealistic in their expectations of host-country resource contributions; demanding, even threatening when their national interests are at stake; arrogant in their low estimation of host-country capacity; insufficiently concerned with creating the capacity needed by the Government to play a larger role in managing development; and intent on maintaining a position of superiority.

10. On the other hand, recipient Governments are accused of, among other things, lack of capacity; inability to formulate proposals in a form suitable for donor requirements; inefficiency in coordinating participants and local inputs; slowness in issuing necessary approvals; unreliability in providing and accounting for funds; laxity in financial management (or worse); poor liaison with donors; more interest in securing funding than in achieving the objectives for which funds are supplied; allocating those who have been trained abroad to jobs requiring unrelated skills; failing to provide counterpart staff for internationally recruited experts; and inadequate accountability.

11. It would be wrong to exaggerate the importance of such accusations and counter-accusations: many aid relationships are free of serious problems. Nevertheless, there is a growing feeling that the effectiveness of aid could be improved if a more meaningful partnership could be created between the two key parties. The concept of sustainability implies that the desired benefits from any intervention should extend over a period of years beyond the period of investment. However, it is well documented that many aid-funded projects produce substantial benefits only while the project is in place: the follow-through after external funding ends is often inadequate. This is a problem of sustainability.

12. Sustainability is the goal; managing development is the process. Could a reformed process make it easier to reach the goal? For instance, with the traditional project format, a design phase driven by expatriates is followed by an implementation phase driven by nationals, from which sustained benefits are expected. This type of process may lead to relatively little actual capacity-building. An alternative framework might be partnership from start to finish, thereby more evenly spreading international assistance throughout the duration of the project. With this alternative approach, the relationship between donor and recipient would be more symmetrical, the quantum of external resources would be spread over a longer period and the hand-over would be less abrupt.

13. There are other compelling reasons for new thinking in this area. Applied
academic research cannot unambiguously demonstrate major benefits from the aid given in the past few decades, and important players such as the World Bank admit that many of their projects do not meet their own success criteria. At the same time, political change has transformed the aid scene. The end of the cold war makes it less necessary for bilateral donors to use aid to achieve political balance or advantage between recipient countries; and the emergence of new States after the collapse of the Soviet Union has forced a fundamental reappraisal of the geographical make-up of aid programmes. On top of this, there are signs of donor fatigue. Several major donors have reduced their commitment to official development assistance. This reduction arises from four interrelated phenomena:

(a) A growing feeling that private-sector activity and investment may be more effective in bringing about progress;

(b) Instances of ineffective and unaccountable aid-funded activities;

(c) Bureaucratic impediments arising from implementation through governmental institutions in recipient countries;

(d) Political factors internal to donor countries where taxpayers and voters have become keener for money to be spent at home rather than overseas.

14. Clearly such trends demand a response. A part of the response might well be a new partnership between donor and recipient. National execution, for example, transfers responsibilities formerly carried out by the donor (or by the donor's agents) to the Government (or to the Government's agents). The aim is to transfer "ownership" of aid resources to national institutions and thus allow the Government to allocate aid according to its own priorities and undertake its own aid management. Responsibilities may be transferred in whole or in part. Transferred responsibilities may include, for example, formulation of projects, matching of donors with projects, recruitment of international staff and consultants, responsibility for the control and disbursement of funds, review and evaluation. However, the extent of transfer varies with circumstances.

15. At one end of the spectrum is a transfer of money "en bloc", where the recipient has total management responsibility for its use; at the other extreme, the donor supplies and manages all inputs, with minimal national participation. The extent of transfer of responsibility to the recipient must depend on the donor's needs (perception of risk, need for financial and performance accountability) and the recipient's capacity to manage its development programme, including its ability to respond to donors' accountability

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requirements. (Capacity-building and issues of aid accountability are discussed in section III below.)

16. What can donors do to bring about a more equal partnership with recipients?

   (a) Provide assistance which strengthens capacity, particularly in managing development and in public administration generally;

   (b) Seek more effective ways of reducing donor competition in recipient countries via coordinated development strategies and long-term financial commitments;

   (c) Assist the Government to create the framework of policies, analytical capacity, systems, procedures and skills necessary for the Government to take greater management responsibilities for development work;

   (d) Help create the conditions for recipients to exercise greater choice over forms of assistance, methods of intervention and sources of inputs;

   (e) Achieve greater certainty in the timing and amount of donor commitments and inputs;

   (f) Simplify and harmonize donor disbursement and accountability arrangements and attain greater transparency in donor controlled actions;

   (g) Provide more cash transfers and more untied aid.

17. Some donors are already doing some or all of these things. Others are more constrained by tradition, regulation or perception of risk. For this second group a more limited experimental approach may be appropriate at first. Efforts may also be needed to persuade certain donors to tolerate more risk. The relationship between risk and return is well established in the private sector. This concept might, with advantage, be applied to managing development, where efforts to reduce risk have often been ineffective in their primary purpose and also counterproductive in terms of the developmental results achieved.

18. What can recipient countries do to promote a new relationship with donors?

   (a) Assign priority to creating the framework of policies, analytical capacity, systems, procedures and skills necessary for managing developmental tasks;
(b) Maintain levels of skilled personnel in all aspects of development administration proportionate to its importance;

(c) Seek to reduce administrative delays, bottlenecks, complications and rent-seeking behaviour in all aspects of development administration;

(d) Adopt approaches that require donor coordination;

(e) Establish clear lines of authority and responsibility for development activities;

(f) Maintain systems of control and accountability sufficient for both internal and external reporting obligations;

(g) Facilitate development initiatives involving non-governmental and private sector organizations.

19. An attempt has been made above to demonstrate the need for a new partnership between donors and recipients, the possible nature of such a partnership, and ways in which it might be brought about. We now turn to the question of capacity, which has a direct bearing on the type of partnership that can be achieved in particular circumstances.

II. CAPACITY-BUILDING

20. The term "capacity" is frequently used but rarely defined; we presume to know what it is by a process of intuition. The capacity of a container has a maximum limit. It may be full or half full and so on. The capacity of a person is less well defined. People have different capacities in a double sense: their ability to perform different tasks, and the levels of performance which they attain when performing those tasks. We also judge their capacity in relation to what may be required of them. By analogy, when judging the capacity of an economy, an administrative system or a development institution, we may be interested in at least three aspects: versatility; level of performance; and adaptability to what is required.

21. The concept of absorptive capacity is well established in the discussion of development. This discussion likens the administrative structures and processes to a container: is the governmental apparatus (including the relevant economic structures) capable of dealing with a given flow of external assistance? Will the inflow become too difficult to absorb, implying a decline in marginal...
returns from assistance? There is evidence that donors often assume an absorptive capacity greater than that which actually exists, leading to failures on the part of the recipient to provide national counterparts, local contributions, and accompanying actions necessary for the success of all developmental activities.

22. More recent discussions of capacity are linked to the concepts of sustainability and self-sufficiency: capacity is the ability of the country (or of some national institution) to perform its function satisfactorily and to do so in the foreseeable future without major outside assistance. Thus when donors talk of establishing capacity, they usually have in mind a national institution with a developmental function for which performance criteria can be determined. Capacity has been created when the institution has the ability to carry out its development function at an acceptable level of performance, using predominantly national resources.

23. We now try to list the components of capacity, as applied to a developmental institution. Such an institution would:

   (a) Provide services adequate for the needs of its clients in the development process;

   (b) Be empowered in a legal and policy sense to play a role in the developmental process, appropriate to the needs of the development management environment;

   (c) Employ adequate skills and other resources in relation to the tasks to be performed;

   (d) Be able to replace skilled staff who leave the institution, either by acquisition from outside or transfer from within government, without impairing the ability of the institution to carry out its role effectively;

   (e) Have objectives, policies, systems, procedures and controls which are known and accepted by its staff, appropriate to its environment and function, and operating effectively;

   (f) Have management of sufficient quality to generate - for example, when needed - new objectives, policies and systems in relation to changes in its environment.

24. One sees from these components that capacity is much more than just having
the right skills. Capacity implies an enabling environment for carrying out a meaningful function, at an acceptable level of performance. Thus while training is important, by itself it is unlikely to be an adequate response to lack of capacity. For an organization to operate effectively (and when necessary to re-engineer itself), the organization requires a resource base, the ability to attract and retain good staff, good management and a positive organizational culture. New organizations are rarely so well equipped; thus capacity-building is likely to take time. Also, capacity-building is likely to encounter added difficulties in resource-poor environments.

25. One would expect to find variations in capacity: a few countries would have extensive capacity to undertake the required tasks; many would have good capacity but with certain lacunae; others would have serious gaps. A means of judging capacity, in all its dimensions, would be a useful diagnostic tool in determining appropriate roles for donor and recipient in the development management process in particular countries.

26. To consider the issues confronting public administration vis-à-vis the management of development programmes, we can ask whether the Government has the capacity to:

(a) Collect, assemble, report and analyse basic information relevant to deciding on the shape and targets of a development programme;

(b) Formulate development proposals, particularly in line ministries;

(c) Create and manage a pipeline of development proposals through the various stages of formulation, examination, negotiation and approval which precede implementation;

(d) Integrate many development initiatives into a coherent and consistent development programme;

(e) Create a development plan which retains its relevance via regular updating and integration with governmental budgets;

(f) Negotiate terms and conditions with donors and lenders, prior to the signing of externally funded proposals;

(g) Coordinate the funding offers and activities of donors;

(h) Establish and implement appropriate policies regarding formulation,
approval, review and monitoring of projects; technical assistance (including the conditions applying to the employment of expatriate personnel); integration of non-project external assistance; and donor coordination;

(i) Undertake the detailed day-to-day implementation of development projects, at the level of line-ministries and other implementing agencies;

(j) Achieve adequate liaison and reporting between the many parties involved in the development partnership, to ensure smooth implementation;

(k) Establish and operate the necessary review, monitoring and evaluation systems to facilitate oversight and supervision;

(l) Set up and operate the necessary accounting systems, disbursement, reimbursement and banking arrangements, and financial controls for the proper functioning development initiatives;

(m) Ensure that reporting and auditing arrangements are adequate for the purposes of internal and external accountability.

27. By reviewing such a detailed, although not comprehensive list, one can see that a successful development programme has exacting management requirements. The capacity required stretches from policies through systems, to procedures and administrative actions. Policies need to be judicious, appropriate and practicable. Systems need to capture the relevant data and transmit messages in a timely manner to decision makers. And appropriate procedures need to be well designed, well known by those required to operate them and monitored for their integrity of operation.

28. To analyse capacity in this way is not to imply that its various parts are separate. In fact, the elements are highly interdependent and interactive, as are the skills, systems and procedures required for successful management of development. Since these inputs are a specialized sub-set of the inputs required for public administration itself, the challenges facing the development-oriented units are not very different from those facing the entire public administration apparatus. The essential character of these units is the development environment.

III. AID MANAGEMENT, COORDINATION AND ACCOUNTABILITY

29. Few developing countries have the resources to fund their entire
development needs. Calculated rates of return on selected investments may be high, but funds to finance them are lacking. Low incomes, savings rates and tax takes and imperfections in the domestic market for loanable funds mean that outside funds are needed to supplement domestic sources. There are two main external sources: non-concessional loans, and official development assistance. Since the latter is cheaper (indeed grant money is ostensibly free), it is frequently preferred.

30. In one sense, aid is free. In another sense, it is not, due to the conditions that are often attached, including any concurrent obligations of the recipient. Donors use conditionality to promote their own aims. These may be political, economic, social or administrative. Tied aid, commodity aid, technical assistance and programme aid all create different forms of conditionality. In addition, aid may be subject to procedural conditions - for instance - to satisfy donor concerns about quality, risk, accountability and local financial participation.

31. For these reasons, aid issues loom large in development management. Their actual importance varies from case to case, in relation to factors such as the recipient's dependence on aid, the nature of its partnership with donors, its capacity to manage its development programme, and donor demands for conditionality.

32. Where aid management, coordination and accountability systems function well, they are a practical demonstration of government's ability to administer its development programme, including any aided elements. Reports from such systems enable existing and potential donors to monitor implementation of the external assistance given. A level of operational transparency, once established, is the tangible foundation on which a well balanced partnership between donors and the host country can be built.

33. Aid management is complicated by the presence of many participants in development partnerships, as already noted. One of the major challenges is to bring these parties together into effective partnerships. Coordination occurs at several levels: among donors; between donors and government; within government; and between these parties and private-sector and non-government bodies. Sometimes so many parties are involved that it is a miracle that anything worthwhile is achieved. On the international level, consultative groups, round-table mechanisms and the more frequent use of lead donors in multidonor projects may be among the ways of achieving greater coordination.

34. The programme approach of the United Nations Development Programme (UNDP)
is one practical means of achieving greater international coordination. Within this framework, the programme document outlines the Government's own programme and subprogrammes. The programme support document identifies the major components of UNDP support to the Government's programme, allowing cooperating donors to assess, adopt and implement individual components of the subprogrammes and UNDP targets.

35. On the national level, more effective coordination mechanisms are needed. Managing development requires coordination of information and actions arising in four major cycles, pertaining to development planning, budgeting, programming and aid. Both development management and aid management are improved when these cycles are well integrated. Given its links with planning, budgeting and programming, a division of administrative responsibility for aid management is inevitable. Under these circumstances, success depends on the strength of linkages established between ministries, units, systems and processes. There is an ever-present danger of losing continuity as an activity passes from one jurisdiction to another. The problem is aggravated by communication problems with and between line ministries.

36. When it comes to the strengthening of aid management, much can be done by direct action on the processes themselves, including the training of staff. Thus improvement initiatives would principally concern aspects of planning, project management and financial management, which are most closely concerned with aid. However, there may be limits to this type of intervention, when public administration itself is weak. As a sub-set of the activities of public administration, improved management of development depends upon advances in the wider, public administration system, which is often a sub-optimal environment for development and greatly in need of strengthening.

37. Demands for accountability come from two main sources: the country itself, and external parties such as donors and lenders. The degree of public accountability as far as the host country is concerned depends on factors such as historical tradition, institutional structures, the freedom of the media and the extent of pluralism. Another form of accountability arises in response to those who have made external resources available and who need to report on the use of those resources, through their own institutional structures. There is thus a link between the public accountability within the host country and the accountability of the host country to the donor. Too little attention has been given to this link. An accountability failure in the host country can easily create responses in the donor country which are adverse to the host country concerned and, if the failure is serious enough, adverse to aid generally.
38. The need for accountability varies from donor to donor; some require more detailed reports and assurances than others, reflecting the domestic accountability environment in which the donors operate. All donors, however, need two broad types of information - namely, one regarding financial administration and one regarding performance. The first is designed to give assurance on the use of resources, and the second on what was achieved with the resources used. Different media are used to provide the required information: regular implementation reports, accounting reports, project reviews and evaluations, surveys and audit reports. Whatever the tools chosen by the donor, it is generally recognized that external accountability depends critically upon the capacity and willingness of the host country to provide relevant data.

39. Clearly the number of donors and their diverse requirements for accountability impose burdens, particularly on countries lacking the capacity to manage development. Whether donors or recipients or both can achieve simplification and harmonization has been investigated by the Department for Development Support and Management Services. An aid management and accountability framework has been developed as a basis for harmonization at the country level. Certainly the burden of accountability is reduced in the case of direct budgetary contribution or programme support. In such cases, donor funds are managed, budgeted and disbursed through the host-country financial management system. Financial reporting to donors and audit of results are the responsibility of the host country. For this concept to be realized, the host country must meet generally accepted standards of transparency, accounting, auditing and reporting and must have the capacity to manage resources effectively. Thus the feasibility of this approach depends on strong recipient capacity and an enabling accountability environment on the part of the donor.

40. A weak system of public financial management will nearly always signal to development partners a reduced capacity for external accountability. On the other hand, a very strong system of financial management may have a degree of rigidity which can be frustrating and unresponsive for donors. External interventions may need quite long lead times, for instance, for inclusion in the budget, for disbursements and for accounting, and for audit reports.

41. Current trends indicate that, while demands for accountability grow, external resources shrink and the number of beneficiary countries expands, donors have sought greater levels of responsiveness and comfort by implementing aided activities outside a weak system of public financial management, thereby setting up parallel systems and foregoing the opportunity to improve host-country financial management.
42. Donors are increasingly impatient with procedures which cause excessive delays and would prefer not to operate through government where accountability capabilities are evidently weak. There is therefore a growing trend to implementation by non-governmental organizations and the private sector. This trend may make it more difficult for Governments to manage their entire aid programmes. Some Governments may therefore resist these efforts, or they may attempt to improve their accountability systems. The donors' involvement with non-governmental organizations and the private sector can serve as a means to alleviate, at least partially, the overload in the pipeline of aid to government.

43. The following actions are key to efforts to enhance aid accountability:

(a) Channel donor resources to key areas of concentration in need of support;

(b) Maintain control over the public expenditures, in accordance with targets and legislative controls;

(c) Measure the impact of external assistance in terms of sustainable economic and social results; and

(d) Ensure that future external funding needs are built into Government's budget cycle in a timely way.

44. The last action is especially significant in countries lacking management capacity. External finance, if fully mobilized on a timely basis, obviates the need to use domestically generated revenues to fund the Government's development budget and also conserves foreign exchange. Where donor resources are undermobilized or mobilized late, the Government may find that it must use domestic revenues, which might require reallocation from the Government's budget.

45. Most forms of external assistance require responsive financial management systems - in particular, commodity support schemes (with a counterpart funds element that needs to be properly controlled), and facilities with ex post facto reimbursable expenditure covenants, which assume adequate host-country capacity. Both modalities tend to be associated with "accountability failures" because of the high accountability demands that they impose. Such failures may erode donor confidence. Governments and donors should therefore consider, as appropriate, alternative aid mechanisms in host countries with weak financial management systems.

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46. Accountability failures sometimes prompt inappropriate donor reactions. For instance, countries lacking capacity may find a strict regime with strong emphasis on financial compliance difficult to comply with, especially if it is introduced suddenly. Unable to respond either to their own development planning needs or to the donor's information needs, and having reliance on external support, host countries relinquish ownership of external assistance programmes in order to maintain donor community goodwill and resource flows. To reassert national ownership of externally assisted development programmes, confidence needs to be re-established in host country accountability mechanisms.

47. More credible accountability at the country level offers possibilities of a more balanced donor/host country partnership, with a higher level of national ownership of development programmes. To achieve this, both national and international efforts will be needed. Some aid modalities require a higher level of accountability than others. Thus a better match between the Government's capabilities and aid modalities used would be conducive to better aid accountability. In addition there are three essential operational components for building effective partnerships for development and sustainable capacity in this area:

   (a) The integration of the four major cycles (planning, budgeting, programming and aid);

   (b) Donor coordination and involvement in appropriate institutional structures at appropriate points in the programming cycle;

   (c) Strong institutional linkages.

IV. SUMMARY AND CONCLUSION

48. This paper has dealt with issues of managing development, partnership for development, capacity-building, and aid coordination, management and accountability. These issues are strongly interrelated: a host country's development capacity preconditions its ability to manage external resources and therefore the nature of the development partnership that may emerge. A larger role for the host country has many positive results: deeper involvement in managing development processes, greater control over the content and nature of aid-funded activities, an enhanced sense of ownership, the primacy of national over donor development goals, a more intensive participation of nationals at all levels in the development process and more sustainable results. However, a
larger role for the host country implies a different role for the donor. The extent of possible donor adaptation depends on the capacity of the host country to manage resources, both national and international. This manifests itself in its ability to satisfy donor accountability requirements. Once reliable host country accountability mechanisms are established, donors may be prepared to relinquish more of their traditional hold on the management of aid.

49. The aid environment is in transition. Political and economic changes in the former USSR and Eastern Europe not only create a new scenario for the distribution of aid but already in many countries aid has become less important than private-sector investment. For example, in many Far Eastern economies, private sources of development funds are more important than official development assistance. Countries with potentially dynamic private sectors pursuing market-based reforms are therefore likely to attach increasing importance to trade rather than aid.

50. At the same time, donor Governments face domestic electorates which are increasingly sceptical concerning foreign aid programmes. This circumstance has prompted demands for greater effectiveness and accountability, and been associated with perceptible donor fatigue. Against this background, one would expect a bifurcation, with priorities redrawn towards aiding those countries that cannot help themselves and those where aid can be used as an encouragement to political change. The need for aid would remain, but its role, nature and distribution would change fundamentally. Moreover, the need to demonstrate effectiveness and accountability would increase. For these reasons, issues of development capacity, improving development partnership and enhancing accountability need urgently to be addressed.