

2nd AFD/EUDN conference

**Development Aid: Why and How?
Towards strategies for effectiveness**

Paris, November 25th, 2004

Location: Ministry of Economy, Finance and Industry
Centre de conférences Pierre Mendès-France
139 Rue de Bercy , 75012 Paris

9:00 Introduction : **Jan Willem Gunning** (EUDN, Free University, Amsterdam)
Pierre Jacquet (AFD)

9:10 **Jan Willem Gunning** (EUDN, Free University, Amsterdam) : *Why Give Aid?*

This paper reviews arguments for giving aid. Some of the traditional rationales for aid (e.g. to overcome a capital market imperfection or to induce policy change in aid-receiving countries) now look weaker. The paper discusses new roles for aid: e.g. to provide insurance to shock-prone economies, to finance global public goods, to improve the enabling environment for private investment, or to signal information about the investment climate in recipient countries. It reviews critically the various rationales for aid on the basis of the underlying differences in diagnosis (is the problem a borrowing constraint? an externality? an informational asymmetry? etc.) and changing perceptions on what aid modalities are (in)effective.

Chair : Pierre Jacquet (AFD)

Discussants : Patrick Guillaumont (CERDI), Jean-David Naudet (AFD), John Burton (DFID)?

10:55 Pause

11:10 **Ravi Kanbur** (Cornell University): *Aid Modalities and Incentives*

In the context of the global discourse on the MDGs, this paper develops a concrete proposal for introducing final outcome indicators in the IDA aid allocation formula. It starts with a review of the current formula and the rationale for it. It is argued that this formula implicitly relies too heavily on a particular model of what works in development policy. Even if this model was valid "on average", the variations around the average make it, or any other model, an unreliable guide to the productivity of aid in achieving the final objectives of development. Rather, it is argued that the actual outcomes on these final objectives would serve as better guides. A number of conceptual and operational objections to this position are considered and debated. The allocation rule for the new Millennium Challenge Account of the US Government is also discussed.

Chair : Odile Renaud-Basso, Assistant Secretary for International Affairs, French Treasury

Discussants : Serge Michailof (AFD), Mark McGillivray (WIDER), Nicolas van de Walle (Cornell University)

13:00 Lunch

14:30 Clive Bell (Heidelberg University) : *Aid and Health*

The paper starts with a short review of how different diseases impinge on indicators of human development and on long-run development prospects. It then examines to what extent aid policies can actually contribute to solving the health issues in developing countries and through which instruments aid actors should intervene. The following issues are addressed : Should aid be allocated to current treatments or should it be invested in R&D ? What policy coherence between aid in the health sectors and protection of patents of pharmaceutical needed in developing countries? What could be the role of donor agencies to facilitate the provision of pharmaceuticals essential to cure major diseases (such as HIV/AIDS)? How can aid policies influence R&D activities in the new WTO regime starting in 2005 ?

Chair : Jean Paul Ngoupande, ex Prime Minister of the CAR.

Discussants : Jacky Mathonnat (CERDI), Agnès Soucat (World Bank), Richard Humphries (Human Sciences Research Council of South Africa)

16:20 Pause

16:35 Esther Duflo (MIT): *Evaluating the Impact of Development Aid Programs*

This paper discusses the role that impact evaluations can play in deciding how to most effectively allocate development aid. Credible impact evaluations are needed to ensure that the most effective programs are scaled up at the national or international levels. To achieve this objective, this paper argues there is considerable scope to expand the use of randomized evaluations. For a broad class of development programs (although not all of them), randomized evaluation can be used to overcome the problems often encountered when using evaluation practices. The paper will discuss the methodology of randomized evaluation, through several concrete examples. It then discusses the potential of randomized evaluation as a basis for scaling up. Finally, it discusses current practices and the role international agencies can play in promoting and financing rigorous evaluations.

Chair: François Bourguignon (World Bank)

Discussants: Alexander Sarris (FAO), Hans-Rimbert Hemmer (KFW), Elisabeth Sadoulet (University of Berkeley)

18:45 Concluding remarks: Jean-Michel Severino, CEO (AFD)

19:00 Departure to the AfD headquarters

*Location : Agence Française de Développement
5, rue Roland Barthes
75012 Paris*

19:30 Cocktail at the AfD
