



Invitation: ReCom – Research and Communication on Foreign Aid  
“Aid, Growth and Macroeconomic Management” Results Meeting

When: 27 January 2012, 08.30 – 12.00

Where: Chr. Hansen Auditoriet (CSS 34.0.01), Øster Farimagsgade 5, DK-1353 Copenhagen K

**08.30:** Welcome and overview, Finn Tarp, Director, UNU-WIDER

**08.45:** The Macroeconomic Impact and Management of Foreign Aid: What Do We Know?

- *What is the aggregate impact of aid on growth?:* Channing Arndt, Professor, University of Copenhagen and UNU-WIDER
- *Unpacking the impact of aid – how does aid work?:* Sam Jones, Research Associate, UNU-WIDER
- *Insights from meta-analysis:* Tseday Jemaneh Mekasha, Research Associate, UNU-WIDER
- *Time-series analysis of 36 African countries:* Katarina Juselius, Professor, University of Copenhagen
- *Development interventions, export sectors and the poor:* Henrik Nielsen, DIIS
- *Macroeconomic management of aid – key challenges:* Tony Addison, Chief Economist/Deputy Director, UNU-WIDER

**10.15:** Break

**10.30:** Open discussion and take home messages

**11.45:** Closing statement

Participation is free but please register at <http://website.wider.unu.edu/>



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## **ReCom - Research and Communication on Foreign Aid: BACKGROUND**

ReCom - Research and Communication on Foreign Aid was launched by Danida and Sida in early 2011. It is undertaken by UNU-WIDER, The Danish Institute for International Studies (DIIS) and a global network of partners in the North and the South. The aim of the programme is to research and communicate what works in development assistance, and what could work—including the potential to scale-up small but successful interventions into larger aid programmes, and transfer success in aid between countries. Through the creation and sharing of this knowledge, ReCom aims to improve aid practice and policy, consequently increasing the benefits of aid for recipient countries.

ReCom focuses on five thematic areas: Growth and Employment; Governance and Fragility; Gender Equality; Environment and Climate Change; Social Sectors. Poverty issues cut across all five themes.

A key focus in 2011 was “aid, growth and the macroeconomic management of aid” - motivated in part by the scepticism surrounding aid’s impact regularly found in the academic and public press. This includes, for example, Dambisa Moyo’s recent book entitled “Dead Aid: Why Aid is not Working”. ReCom has investigated whether such views are well founded - and the broad answer is no.

UNU-WIDER has in 2011 carried out a series of studies using different analytical methodologies, and a consistent aid-growth picture is emerging. It shows that the aggregate impact of aid on growth corresponds pretty well to the positive result one would expect from economic theory. In addition, when this aggregate impact is “unpacked” it becomes clear that that aid has a significant impact on key development outcomes such as growth and poverty reduction. There are many myths in the aid literature. One of them is the so-called micro-macro paradox. In practice results at the project and macro levels are actually consistent in showing positive impact. At the same time, modesty is called for. Aid has helped, but many challenges remain.

Existing challenges include both how best manage the inflow of aid and how to promote pro-poor growth through export sector support - a topic DIIS has studied. It suggests that aid to export sectors is more likely to lead to pro-poor growth when actors ‘downstream’ in the value chain (e.g. exporters) are involved, when rehabilitation of export sectors in fragile states through the enrolment of multinational corporations is associated with restoration of political stability, and when the support is based on a visible link between improving labour conditions and market access, e.g., through trade preferences.

No well-informed individual believes that aid has been beneficial in all places at all times. This does not, however, undermine the case for the principles underlying aid; rather it points to a need for redoubling our efforts to learn what works and could work - a central objective of ReCom, and policy makers are well advised to take a careful look at the evidence from well-designed analytical studies.

**For further information and background see**

<http://www.wider.unu.edu/recom>