



Original research article

The politics of energy and development: Aid diversification in the Philippines



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ABSTRACT

Energy-related development aid has diversified significantly over time. With insights from eight donor-driven renewable energy projects in the Philippines, this qualitative study highlights the effects of a diversified development aid landscape on renewable energy development. The comparison reveals both positive and negative results. On the one hand, the Philippine government can benefit from competition among donors for national policy advice. On the other hand, small-scale solar power demonstration projects suffer from obstacles that should have been known already from previous donor-driven interventions. The article recommends stronger forms of donor coordination. A differentiation between national and local level projects turns out to be beneficiary for the broader debate on aid diversification. This study is based on field trips and semi-structured interviews with development cooperation experts, their counterparts and other stakeholders of the Philippine energy sector.

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1. Introduction

Development cooperation has changed dramatically. Since 1960, aid flows have multiplied, the number of projects increased, new donors emerged. Today, aid is more fragmented than ever before [13]. In the 1960s, donors disbursed aid to fewer than 50 countries, compared to more than 100 in 2006. Whereas each developing country received aid from two donors on average in 1960 the number increased to more than 28 in 2009 [52].

In parallel, sustainable development and environmental protection have become two major fields in development aid [29]. Promoting renewable energy is embedded in overarching programs for green development or climate protection. The United Nations *Sustainable Energy for All* [61] initiative outlines the agenda for future activities. Although the number of donors promoting renewables and the number of projects in the energy sector have diversified significantly, specific effects of aid diversification on renewable energy support gained only little attention so far. Given the vibrant debate on the assets and drawbacks of fragmented development aid in general, surprisingly little is known about how donor activities promoting renewables are affected by diversified aid. This qualitative study links major arguments in the debate about aid fragmentation to the field of renewable energy devel-

opment in the Philippines. It contributes to a general debate that often lacks empirical insights from the field.

Ambitious plans for renewables, a comprehensive *Renewable Energy Act* (RE Act) and a long history of donor-driven support for renewables with an increasing number of activities from more and more bi- and multilateral donors make the Philippines a highly relevant case for discussing the role of aid diversification. How does a diversified donor landscape affect renewable energy support? Can we see evidence for negative fragmentation (e.g. duplication of projects) or positive pluralism (e.g. competition among donors)? This paper links renewable energy projects in the Philippines to the broader context of development aid diversification in order to discuss positive and negative effects. The findings outlined here matter beyond the Philippine case. They show how diversification in development aid can affect national policy advice for renewables and local solar power projects. In the light of a vibrant discussion among practitioners and the academe, the reasons for aid fragmentation might be well known, but they often lack empirical evidence and insights from specific cases. Practitioners are encouraged to reflect on how renewable energy projects can contribute to collective efforts for sustainable energy systems.

Sovacool [57] rightly points out that energy-related social science research pays too little attention to emerging economies that “are the very places in the world where future growth in energy demand will likely be the greatest, [but] where capacity to acquire capital and technology will be the most limited” ([57]p. 22). Better understanding how sustainable energy delivery systems can be sustained in countries like the Philippines today will help to avoid

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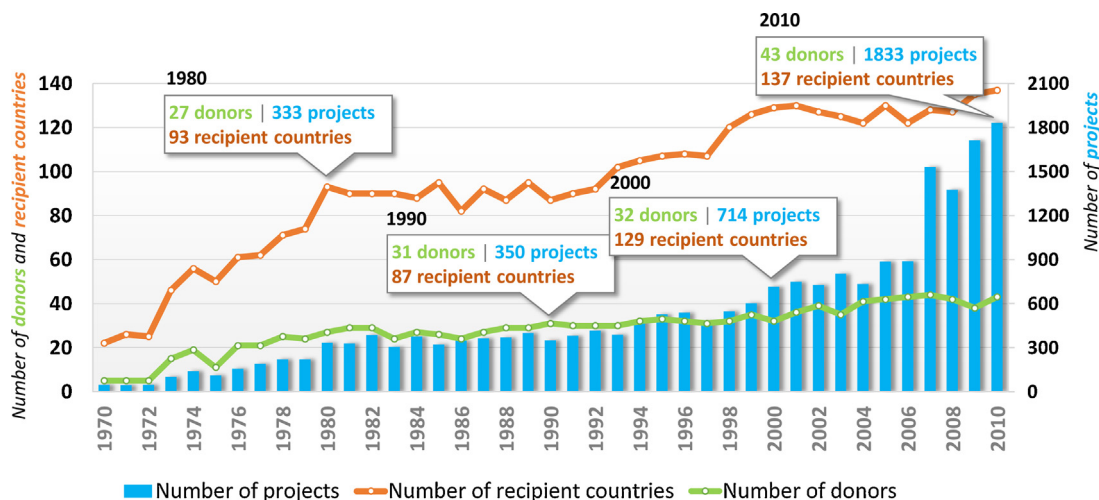


Fig. 1. The graphs show the number of development aid projects, donor organizations and recipient countries in the energy sector over time (data from AidData, [3] for sector *Energy Generation and Supply*).

fossil-intensive lock-ins with increasing greenhouse gas emissions in the future. This article also links itself to the role of international institutions in energy governance [22] by enlightening how effective bi- and multilateral donors are in promoting renewables and thus achieving their goals.

This study introduces a multi-level perspective into development aid diversification. Shaped by the distinction between local and national level interventions, the following two hypotheses guide this research:

1. On the local level, diversification results in negative fragmentation in terms of project duplication and similar project design failure, because donors have not established a strong system for collective learning, knowledge management and coordination.
2. On the national level, diversification results in positive pluralism, because donor organizations support the Philippines with different approaches from which the national government can choose the most appropriate instrument for its country-specific context.

This paper provides specific empirical evidence that mainly confirm a broader discussion for the context of renewable energy support. It adds the distinction between local and national level projects as an analytical differentiation for specifying effects of aid diversification.

2. Diversification in development aid

With an increase in project numbers, aid receiving countries and donor organizations, development aid has diversified over time. In terms of aid flows the field of *energy generation and supply* is one of the most important aid sectors and affected by diversification [3].

2.1. How development aid has diversified over time

Since its evolution in the 1960s, post World War II development aid has changed enormously. At its early time, only a small number of donors granted money to very few countries. Since then, the donor landscape has changed. “New donors emerged, and developed countries created increasing numbers of aid partnerships” [52]. Official development aid (ODA) has diversified or became *fragmented* [13]. The average number of donors that are active in a country almost tripled over the last 50 years, rising from about twelve in the 1960s to 33 between 2001 and 2005 [54]. In

the 1960s, less than 50 countries received official development aid. Every developing country received aid from about two donors. In 2006, the number of aid receiving countries has more than doubled with an average of 28 donors per recipient country [52].

Donor diversification has become a global phenomenon. In 2009, 64 countries each received aid from 25 or more donors. The average number of donors that were present in a developing country was 21, but with substantial variations across regions. The highest degree of fragmentation can be found in Asia and Africa ([44]p. 7).

With more than USD \$536 billion of commitments since 1970 [3] *energy generation and supply* is one of the most important aid sectors in terms of aid flows (only *general budget support* and *transport and storage* show higher commitments). Although a number of evaluations for large scale renewable energy as well as small scale rural electrification projects exist [49], sector-specific studies on the effects of aid diversification are rare. Fig. 1 presents diversification for energy-related development aid. It shows the development of aid projects, donor organizations and recipient countries in the energy sector over time. Whereas in 1970 only five donors implemented 32 energy-related projects in 22 countries, 2056 projects were implemented by 44 donors in 137 countries in 2010.

2.2. Positive and negative effects of diversified aid

The general effects of development aid diversification, proliferation [1,35] or fragmentation [6,37,39] are widely discussed especially in the light of aid effectiveness [42] and the Paris reform agenda [51]. Research concentrates on cross-country or cross-sector analyses, that either discusses how to measure diversified aid [38] or outlines its general effects on the recipient countries’ bureaucratic quality [37], economic growth [35] or financial costs [6]. Aid diversification is embedded into more fundamental criticism towards the “aid industry” [12] behind development cooperation. Easterly and Pfutze [20] criticize that aid agencies are less accountable to their intended beneficiaries, aid flows become non-transparent and channels for aid ineffective in a more diversified development aid landscape. Competition among aid agencies does not necessarily lead to better results due to the non- or quasi-market system of aid [28]. Aid diversification entails both positive [46] and negative [34] effects.

Negative effects are often referred to *fragmentation* that occurs “when there are too many donors giving too little aid to too many countries” [45]. Fragmentation can erode bureaucratic qual-

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