

# Theoretical Framework and Methodology for Country Case Studies

## Donor Harmonisation: Between Effectiveness and Democratisation



Stefan Meyer  
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## Donor Harmonisation: Between Effectiveness and Democratisation

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La Suma de Todos

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# Contents

Foreword	VII
Introduction	1
Research contents and conceptual definitions	2
Is Paris the new consensus of international development cooperation?	2
Harmonisation and its relationship with democratisation	3
Deepening democracy	4
Hypotheses	5
Context and analytical framework	5
Harmonisation and democratisation	6
Democracy and poverty	7
Shadow states versus governance states	9
Effectiveness and inclusiveness	9
Accountability and international cooperation	10
Transparency, information, and participation	11
Research methodology and key questions	11
Proposed table of contents for country case studies	12
Methodological tool-kit for country case studies	15
A set of methodologies: options for the analysis	18
Planned processes for country case studies	18
SIGLAS	20
Bibliography	21
General bibliography on harmonisation and democratisation within the development context	21
Some sources for governance indicators	23
Country case studies (others)	23
Documents for the study of Nicaragua	24
Documents for the study of Mali	25



## Foreword

Does aid foster freedom? Does democracy help in reducing poverty and inequality? Is good governance a necessary condition for aid to be effective? These are some of the pertinent questions that have been in the background of most of the recent debates on how Northern countries should manage their relations with developing countries. Although it becomes increasingly clear that issues “beyond aid” have more impact on the lives of those living in poverty, high hopes are placed on aid and those who are charged with programming it. It is to these people this study is addressed.

This research project – entitled: *Donor Harmonisation: Between Effectiveness and Democratisation* – aims to explore only one dimension of the vast theoretical debate that stems from the above questions: What are the potential collateral damages that the growing coordination and harmonisation of aid donors inflicts on the social contract in developing countries? And what are the implications for aid agencies, in their practice of political dialogue, their policies, their institutional set-up and their human resources strategy?

We depart from the position that a new aid architecture has been built over the last decade. The state as development actor has been revived after a decade in which public services were eroded thanks to the Washington consensus. Today, a new consensus is emerging. Landmark events have been the Millennium Development Declaration in 2000, that defined objectives, the Monterrey Conference in 2002, that accordingly defined resources and the mutual obligations between North and South, and finally the Paris Declaration of 2005, that set about defining the modes and institutions of delivery. In the meantime, new initiatives are fine-tuning the consensus. Amongst these are better complementarity, as described in the EU Code of Conduct on the division of labour, initiatives to connect regional integration with institution building and development outcomes at the

national level, and the continuing debate on new roles for multilateral organisations.

Accordingly, the relationship between recipient countries, recently renamed “partner countries”, and donors, is changing. Since the 1980s conditionality reigned – either in the crude form of economic conditionality demanding liberal market principles or in the second-generation form of demands for political openness and accountability in public office. Mutual accountability between donors shall replace this unfruitful situation, which has accomplished little. We foresee a “post-conditionality regime” that departs from confrontational approaches and bypassing structures, and moves towards new modes of government-donor cooperation, that are, however, no less intrusive.

In the background of this research lies the assumption that not only state capacities, but also a social contract between citizens and the state, forms the base of successful and just development. There is a wide range of institutional configurations that can potentially enshrine this contract. For our research on the interplay between aid harmonisation and democratisation, we use a political economy approach that calls for citizens to be informed, to participate and to hold those in power to account. What we are interested to find out is what are the local definitions of these configurations in countries of the South – in Vietnam, Nicaragua, Mali and Peru in particular. Consequently, we ask what is the influence Western countries, in their role as donors, have over these situations. Is there a trend towards harmonising interaction with partner governments, but perhaps less so with other relevant local actors, such as parliaments, civil society or public oversight institutions?

This research project aims to inform donors, taking a participative approach that incorporates the opinions of a wide range of actors. It may be helpful for the future of the Spanish aid system in particular. It was conceived during a previous project (foroad) that aimed to take a snapshot of the rapid reform of the

policies and institutions of Spanish development cooperation. It is also meant to facilitate dialogue between European donors on their practices and lessons learned. We hope to thereby work towards a common European development policy.

The project has three phases. This document represents the first phase, in which we present an analytical framework and methodology for the country case studies. It introduces the hypothesis and establishes the methodology for in-country research.

The case studies, which are being drafted up in partnership with researchers from the southern countries, are conducted in the second phase. The third phase is the conclusion and the design of an applicable instrument of analysis. The objective is to facilitate aid planners and implementers in taking the findings into account in their daily work. Alongside the publication of working papers, we attempt to involve practitioners, policy makers and academics as much as possible by offering them work-in-progress presentations.

# Introduction

This document represents the first part of a three-phase process: (1) Analytical framework and methodology, (2) country case studies, and (3) operational conclusions and implications for aid agencies.

The following graph outlines the research process:

**Figure 1: Research stages**

1. Conceptual framework: donor harmonisation and democratisation processes in partner countries	2. Case study: Vietnam	6. Institutional and policy significance for aid agencies	7. Assessment tool
	3. Case study: Mali		
	4. Case study: Nicaragua		
	5. Case study: Peru		

The objective of the research project is to detect the collateral damages of aid to domestic policies and to connect the aid agenda with the agendas of governance (state effectiveness) and democratisation (effective and inclusive participation).

The specific goals of the research are:

1. To take stock of the current discourse on aid harmonisation and democratisation, in order to feed and structure the country case studies;
2. To assess results and compare practices of European donors;
3. To design an applied instrument for institutional adjustment of donors to the new challenges of aid delivery (choice of instruments, human resource planning and development, institutional capacities and incentives at headquarters and country offices, skills in political dialogue, and donor coordination).

The country studies are of foremost importance and aim to:

1. Analyse in detail the impact of donor harmonisation on the political system of the recipient country and

the specific donor performance in that respect, thereby recurring to a triangulation of distinct information sources;

2. Based on the specific country context, lay out the lessons learned and reform options for donors, thereby feeding into the next phase and contributing to the third objective (above);

FRIDE conducts this research with a focus on European development policies, but is also committed to an adaptation of its conclusions to the Spanish context. As such, this research is of particular importance to the following institutions and ongoing processes:

- SECI / DGPOLDE / AECI (particularly the new aid instruments' unit), given the increase as well as the "normalisation" of Spanish Development Cooperation;
- The Action Plan for the implementation of the Paris Declaration (Annual International Cooperation Plan 2007);
- The reform process of the AECI – analytical capacities, decision-making and delegation between Madrid and country offices, flow of monitoring,

evaluation and organisational learning, as well as staff incentives;

- DGPOLDE in its planning processes – Master Plan 2009-12, country strategy papers (DEP, PAES), sector strategies, crosscutting commitments to “Paris”;
- Learning and experience-sharing with other European donors and actors from the South;
- Joint country programming and joint evaluations (see EC COM 2006/88).

The research process is designed to be as inclusive as possible in order to ensure the participation of Spanish and other European aid actors in each stage of the project.

## Research contents and conceptual definitions

This chapter defines our understanding of the “new aid architecture” as defined by the Paris Declaration; gives a pragmatic working definition of “harmonisation” and “democratisation”; and then frames the research question.

### “Paris” – a new consensus?

In March 2005 over one hundred countries – donor countries and developing countries – signed the Paris Declaration. This brought several strands of thought on development and international development tight together in a new consensus. The paradigm of poverty reduction enshrined in the Millennium Development Goals (MDGs) and the Monterrey compact, linking governance in recipient countries with predictable volumes of support from donor countries, facilitated the rediscovery of the state as an enabler of social-economic development. Although the Paris Declaration

has five distinct elements that could potentially come into tension with each other, the overall spirit is unified, as it reflects a shift towards a new role for the developing state. This is why the idea of aid “architecture” has been stressed. Coordination between donors (harmonisation), national structures and procedures and the execution of donor actions within these (alignment), as well as the leadership role of governments (ownership) have been combined with a new deal between partner countries and donors (mutual accountability) and a broader concern about impact (managing for results).

Whereas this is a consensus, the institutional and operational translation in each country is very different. Although indicators have been clearly set out, many of the *elements* of the Paris agenda still need to be defined in their procedures. A current revision has shown that even the baseline in 2005 is not clearly defined (OECD, 2006). Alignment with partner systems, definition of project implementation units (PIUs) and “programme versus project” approaches, along with measurement of government systems (PFM/PCIA PEFA) are all contested. Coordination mechanisms vary. Budgeted policies (PRSPs with MTEF) differ in their power to predict actual implementation. Thus, it is a work in progress. Most importantly, the concepts of ownership and mutual accountability are gaining more weight while simultaneously becoming more contested. Whereas ownership previously referred to the national leadership using aid flows, it is now being extended to a broader concept of citizen involvement in the formulation, execution and reception of all public policies. This move from the beneficiary to the citizen has been coined “good ownership”. Similarly, the definition of “mutual accountability” is only taking shape. Some attempts are being made to submit donors as well as governments to independent scrutiny. For now, there are few instruments that would be effective in detecting and exposing deviant behaviour.

Hence, our working definition on what “Paris” entails is as follows:

- The five elements are clearly defined visions that need to be translated into operations and institutions according to country contexts;
- Some of the elements might appear contradictory, most notably, donor harmonisation with ownership (donors ganging up against government), but also mutual accountability with results management (“attribution gap”);
- In particular, mutual accountability and ownership, supported by technical elements such as processes of budgeting and budgetary oversight and outcome-reporting of social indicators, go beyond the mere aid relationship and are meant to trigger a process of political development, in which state actors are held accountable by their citizens;
- Therefore, the “Paris Declaration” departs from a Westphalian approach to aid with its elements of conditionality and mechanisms to bypass the state. It opens an arena both above and below the state. Above, because partner countries and donors refer to consensual frameworks of global aid governance, established in multilateral fora<sup>1</sup>, and below, because citizens are linked up with the processes of policy formulation and service provision. This new configuration of donorship in relation to statehood and citizenship in developing

states has been labelled *the post-conditionality aid regime*.

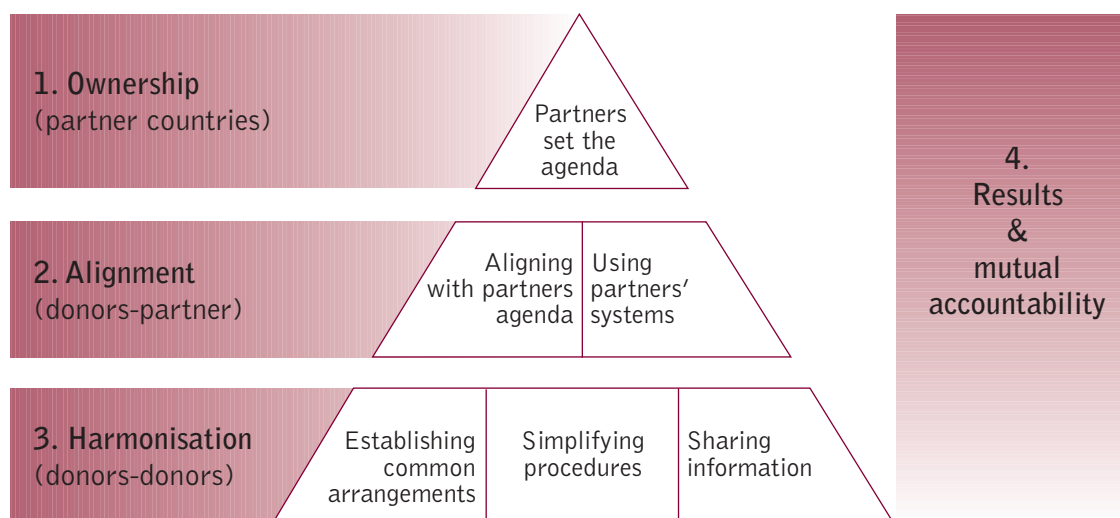
## Harmonisation and its relationship with democratisation

This research focuses particularly on the dimension of *harmonisation*. The Paris Declaration calls for donors’ actions to be “more harmonised, transparent and collectively effective”. Thus, “harmonisation” has a twin dynamic in which donors move “upwards” from direct project implementation towards policy dialogue, and also move “together” through joint assessments, programming and evaluation along with new modes of delegated cooperation.

Hence, the following research centres on *harmonisation* as a donor-donor relationship. This aspect is, however, linked within the architecture with the other elements of alignment and ownership. Instead of simply examining donor-donor relations, we aim to reflect the impact of this new dynamic on the aid relationship and the social contract as a whole.

The following chart displays the totality of the elements of the Paris Declaration:

**Figure 2: Aid effectiveness pyramid**



Source: OCDE 2006

<sup>1</sup> See for example: ECOSOC Declaration Adopted After Protracted Negotiations, <http://www.futureofaid.net/node/306>

As a working definition, we define harmonisation as:

*A process that consists of better coordination and complementarity between donors with respect to comprehensive development frameworks and policies of a partner country. It is geared towards acting with greater cohesion and operationalised by instruments such as pooled funding and joint political dialogue. This has the potential to be translated into greater political influence in the policies of the partner country and more impact on the political system and the politics of the partner country.*

## Deepening democracy

Democracy is a very controversial concept, and an in-depth debate on its meaning is beyond the scope of this paper. Here, a pragmatic option for a working definition of the deepening of the democratic process is the *permanent renegotiation of the social contract*.

In this sense, this research shall use a broader and more extensive definition of democracy than the formal process of periodical suffrage. Moreover, as concepts such as representation, voice, accountability, and response capacity are implemented in a diverse manner within the distinct industrialised societies, this study recognises that the challenges posed by the relationship between civil society and governance may have context-specific solutions. Therefore, the question is not whether developing countries are on the correct path to replicating the Spanish Parliament, or Whitehall, or even the Reichstag. Rather, this paper proposes to analyse their specific functional

equivalents in developing states, which in a homologous manner afford formal and informal communication of interests, representation, and dialogue amongst government, state and civil society.

Ideally, public administration is a political platform led by a democratically elected government, which is responsible for the provision of public services and regulation. Financed by the state, these services generally follow the chronological sequence of regulation and provision of services illustrated at the bottom of the page.

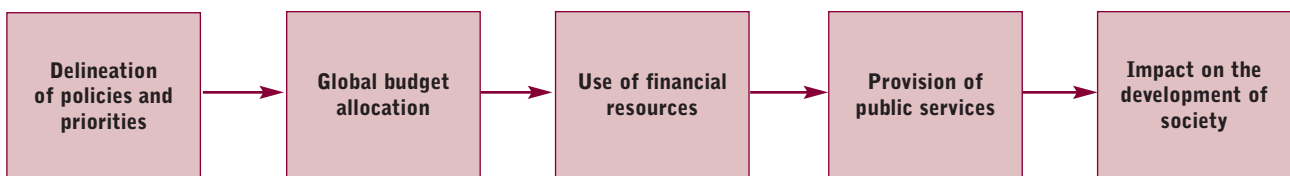
An (at least formally) democratic system assures interaction at each of these stages between the political sphere and civil society. These interactions may occur within a framework of rules and formal institutions or they might develop through informal channels, be it through lobbying, clientelism or the interplay of political interests. In all states, both forms are closely interconnected. For the purposes of this study, this process is called "political economy".

These formal and informal institutions are closely related to the nature of the political system and its democratic quality. The democratisation of the relationship between the political system and civil society with regards to the development processes is defined in this study as follows:

*A process which facilitates the increasing institutionalisation of substantial, inclusive and rights-based participation of citizens within the state's decision-making processes and, in general, in the country's political project and socio-economic development.*

**Figure 3**

### Sequence of public service provision by democratically elected governments



## Hypotheses

This work is based on the following hypotheses:

- Official development assistance – and, in particular the harmonisation of donors – is more than a merely technical process consisting of capacities and instruments. Rather, it exists within a complex political economy, one with fragile institutions and an incomplete social contract, in which donors become actors that relate with other actors;
- The new aid architecture, under construction since the Paris Declaration, requires a broad and deep participation from the involved domestic actors, which must go beyond direct dialogue with governments of partner countries. Donor support should not only seek to improve participation and access to information, but also to stimulate states and societies of the South to debate, share, create and assume development policies as an integral part of their national agendas within a social contract based on the rights and obligations of the state and its citizens;
- The two foregoing hypotheses imply the necessity to continue the development of the new aid architecture, both with respect to the selection of its instruments and with regards to the institutional configuration of agencies and personnel incentives. In other words, agencies not only have to adapt their policies but also their institutional set-up and their capacities to be fit for the new architecture.

Therefore, the principal focus of this paper is the relationship between harmonisation and democratisation. The central question, which bears influence on the need to reform development cooperation agencies, is:

*What is the impact of the new aid regime consensus of ex post-conditionality on the processes of democratisation? To what extent do the practices of the new aid architecture foster or impede the processes of democratic opening in developing countries?*

## Context and analytical framework

This chapter examines the current discourse on governance and developmental states. Both of these concepts are commonly held to be preconditions to economic growth and the reduction of poverty. Current thinking suggests that “aid” has rather impeded the development of valid institutions in developing countries and looks for diverse measures to bring politics back into aid programming.

- The aid institution paradox describes how public institutions, perceived as the one factor for take-off towards sustainable development, are undermined by well-intentioned provision of international development cooperation. Mostly referring to state effectiveness, we extend the question towards institutional qualities of voice and accountability. (Moss et al., 2006; Alonso, 2007; Sanahuja, 2007)
- In line with the foregoing definition, democracy is herein understood as a process of enhancing participation, access to information and political voice. Special emphasis is placed upon hybrid regimes, which are in a state of incomplete democratisation. (Merkel, 2004; Diamond, 2004; O’Donnell, 1998; Gaventa, 2006)
- The “Paris agenda” provides a new framework for the relationship between donors and partner countries. In terms of its impact on the social contract between government/state and citizens there are contradictory predictions. While some argue that “good ownership” (Foresti, 2005) will increase participation and openness to citizens’ voices and oversight, others argue that technocratic approaches to aid provision make newly emerging donor-government clubs inaccessible to both democratic oversight of parliaments and organised citizenry (de Renzio, 2005; Fritz & Rocha Menocal, 2006).

The following sections relay some of the vast literature available on democratisation of developing countries.

We do not intend to cover the entire field. We do want, however, to sensitise on some key concepts – such as “good ownership”, “post-conditionality regime” and “deepening democracy”. These are some landmark concepts that shall inform the country studies.

## Harmonisation and democratisation

As explained in chapter 3, this study focuses on the impact of donor harmonisation on the democratisation processes of partner countries. On the one hand, the new aid architecture promotes a more efficient coordination among donors, oriented towards partner countries’ objectives and policies. On the other, it advances a new type of relationship, ideally more horizontal, between donors and partner country governments. Within this context, the implementation of new instruments (such as general budget support, sector wide approaches, etc.) opens new areas for the articulation of medium and long-term interests, policies and strategies, thereby creating a close link with the political system and the state as actor and advocate of institutional and human development.

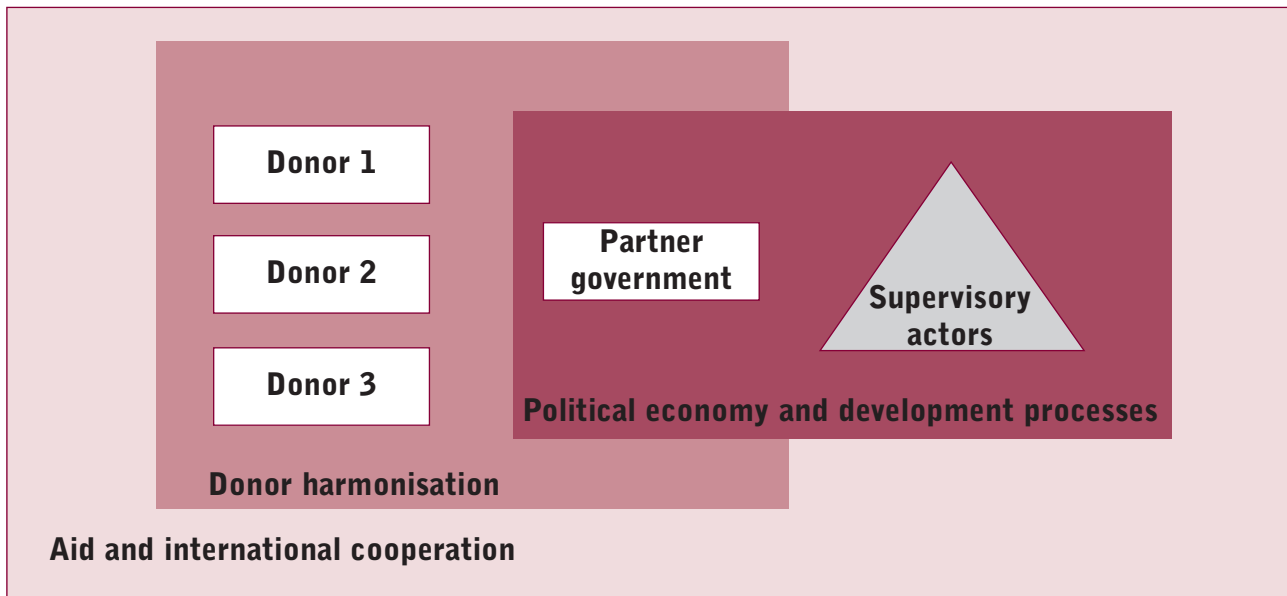
However, the spirit of the Paris Declaration, which supports a new regime of ex post-conditionality, has yet to define a clear approach with respect to democracy and participation beyond the realm of governance. Far from being simply a technocratic process, the implementation of the Paris Declaration is closely linked to the political and institutional concept of ownership. Donors participate more actively in the political economy of partner countries, especially in cases of dependence on external aid, within the process of harmonisation, and in closer partnership with national governments and state budgets. For example, with the implementation of new modalities, national governments and donors discuss policy formulation together, a process which is often and otherwise scantily discussed in parliamentary fora, frequently without civil participation. In this case, policy ownership pertains to the government, but not the country. That is, even within the advocacy of governance as an integral

part of the new aid architecture, profound contradictions may appear between explicit tactics (enhancement of the state in the short-term) and implicit implications (impairment of the degree of participation in the medium-term).

As shall be explained in subsequent sections, the donor community’s capacity for further involvement – facilitated by new instruments, and closer and more horizontal relations with partner country governments – is not matched by the capabilities of donor agencies in their analysis of and response to the challenges of the political economies of development. Beyond technical considerations, it seems clear that the new aid architecture also shelters risks, in the sense that external actors may in equal measure strengthen or weaken the democratisation process. In the light of such potential collateral damages, this paper aims to identify precisely those factors and mechanisms that might help mitigate negative impacts and push forward democracy in partner countries.

The figure overleaf illustrates in a concise manner the political economy processes relevant to donor harmonisation:

**Figure 4**  
**Political economy in donor harmonisation**



## Democracy and poverty

"Pro-poor democracy" or the "democratic developmental state": Democracy, although an end in itself, does not necessarily ensure pro-poor outcomes. Donors have to analyse the political context in which they act and where they themselves are political actors, beyond the façade of technical neutrality. Pro-poor results are often achieved when political elites take on the cause of the poor. (Moore/Putzel 1999). Thus, amongst the most important questions to be asked are how to promote, ensure and consolidate a pro-poor orientation of the government and the elites of developing states, and to what extent democracy – and deep participation – are necessary conditions to ensure a pro-poor orientation of public policies.

There is a widespread consensus that "democracy" goes beyond the mere holding of elections every four or five years. This – electoral democracy – is, however, an easily measurable indicator. It is not without risks, as demonstrated in the debate about electoral authoritarianism (Schedler, 2006), though.

During the last decade, following what has been described as the third wave of democratisation (Huntington, 1991), there have been various attempts

to extend the meaning of democracy as much as possible. Notable examples include making the structural democratisation of society, for example capital-labour relations (eg: German "*mitbestimmung*") a condition for a society to qualify as "democratic". Others include certain preconditions and institutions in gender relations. An important discourse is the inclusion of *outcomes* into the definition of democracy. The most important of these, in the context of this study, are outcomes of reduced poverty or inequality. A democratic regime is, according to these definitions, only democratic if it leads to ensuring minimal social standards or redistribution. For the purposes of this study, we do not subscribe to this definition, because we assume that the democratic game may represent a political and social value that is independent of its economic fruits.

Within modernisation theory, economic development and a certain degree of redistributive justice, as a basis for a broad middle class that can become an important actor on the political scene, are considered necessary preconditions for democracy. A certain level of welfare and equality are a necessary, but not sufficient, condition for democracy and its consolidation, depending on further factors (which include, for example, the so-called "snow-ball effect" according to

Huntington). This vision has particular importance for developing countries given that structural inequalities, weak middle classes, and a significant concentration of wealth in the hands of a few can potentially represent a menace for democracy in the long-run. Hence, modernisation theory claims that a certain level of wealth and equity would be a necessary but not sufficient precondition for democratisation. Although statistically this understanding might be supported, there are examples that contradict it. An important variation of this argument is presented by Mushtaq Khan (Khan, 2005), who asserts that the very structure of the economy in developing countries, being largely informal, supports the persistence of neo-patrimonial networks that turn all democratic policies into clientelistic policies. In the context of our research, we assume the possibility of a democratisation that is independent of the degree of economic development.

Guillermo O'Donnell (O'Donnell, 1998) distinguishes between three different and potentially contradictory traditions of democracy: liberalism, democracy and republicanism. Whilst liberalism insists on the defensive rights of citizens to live without the state entering into their private affairs, the republican tradition values public goods higher and insists on a mechanism of horizontal accountability. In contrast, the democratic tradition puts emphasis on vertical accountability, through elections and other forms of participation and deliberation.

Similarly, Larry Diamond (Diamond, 2004) establishes the institutional preconditions for democracy as:

*1) free and fair elections; 2) democratic political parties; 3) independent and effective judicial systems; 4) comprehensive systems of horizontal accountability; and 5) pluralistic, open, and resourceful civil societies. (p.12)*

Following O'Donnell's dimensions of political and civil rights and horizontal accountability, Diamond constructs a scale of political systems, ranging from liberal accountable democracies to totalitarian

regimes. These are the criteria used to formulate the Freedom House Index, which was designed in 1972.

Thus, much of the current thinking on democracy uses a framework of concentric circles. In its core is the electoral process that is, on a second layer, controlled and enabled by certain political rights and horizontal oversight functions and restraints. Another final layer of certain civil society qualities is then added to this. Societal organisation along lines of interest groups, as opposed to clientelistic fellowships and rackets, is also included in the latter. Beyond the mere electoral process and institutional preconditions for a functioning democracy, one particular stream of research – dubbed “deepening democracy” – looks specifically at the interfaces between state and society and the openings for societal participation in state policy making.

According to this line of thinking, there are various degrees of democratic deepening in the context of international development aid, which can be described as follows (Gaventa, 2006):

**Table 1:  
Degrees of democratic deepening**

Degree of democratic deepening	Brief description
Civil society democracy	There is an active and autonomous civil society, which serves as an additional balance to government control (“against the state”)
Participatory democracy	Direct and substantial civil participation through various channels, especially at the local level (“with the state”)
Deliberative democracy	Constant negotiation between civil society and state, based on dialogue and consensus (“shared sense”)
Empowered participatory governance	Linkage between debate and the implementation of decisions (about concrete problems) thanks to participative institutions (“public spaces”)

The classifications indicated above do not represent a linear sequence of democratic deepening. Rather, they represent potential different states, reflecting specific aspects pertaining to civil society participation and organisation. Within the context of this study, these concepts will allow for the distinction between different shapes and forms of democratic participation (see also the definition of democracy in chapter 3), as well as to determine the feasibility, extent and necessity of their presence in the harmonisation agenda.

## Shadow states versus governance states

Beyond these rather technical issues, two intimately linked concerns are being voiced in the light of experiences with new aid modalities in model countries.

- First, the improvement of capacities in state administration and services provision often gets blocked because of the political economy of reforms. Too often, donors hide behind a technical stance and do not want to get involved in the field of reform coalitions and become spoilers for change. Clientelistic politics and patrimonial dependency networks are perennial under the façade of a rational state. This is particularly worrying within the new aid modalities, as larger quantities of funds are being managed by the public entities of the recipient countries. This phenomenon has been dubbed the "shadow-state".
- Secondly, the new mode of aid provision has been accused of creating "governance states" in which local elites, most often trained in Western universities, form an epistemic community and power coalition with senior advisors from aid agencies that are being seconded into government departments. These blended elites draw up national strategies that are ring-fenced against any influence by domestic actors. Although consultation with civil society and parliaments forms an element of the new aid architecture, it is claimed that fiercely negotiated donor-government agreements actually limit the democratic space for participation

and de-politicise the public arena. The donor-recipient relations have thereby changed significantly from the arms-length conditionality approach of the days of structural adjustment into what has been called a "post-conditionality regime". (World Bank, 2007; Harrison, 2004)

This research project aims to take account of these latter *political* dimensions rather than the aforementioned *technical* ones. Its concerns lie in the side-effects of the new aid modalities on democratisation. We understand democratisation as a long-term process that goes beyond the formal holding of elections and includes government accountability, engagement by and with citizens and the successive replacement of clientelistic relations with interest-based political mobilisation and a societal negotiation of a social contract (Khan, 2004). Although new aid modalities might actually improve immediate welfare outcomes, they could – in the long-run – undermine the deepening of democratisation and, thus, not only damage the polity but impede the ability of social reforms to "stick". (Burnell, 2006)

## Effectiveness and inclusiveness

There is a debate about how much autonomy from civil society a state – or more specifically, its civil service – should have to be able to engage in long-term developmental policies avoiding state capture, whilst also being embedded enough in society to be responsive (Fritz & Rocha Menocal, 2006). Our research focuses more on the latter – openness towards societal mobilisation – than on the effectiveness of core state functions or the development of a meritocratic civil service. Development assistance impacts on state capacity in its various dimensions – technically and directly by capacity building, and politically and indirectly by amplifying or interrupting mechanisms of horizontal accountability, but these issues are not the focus of this paper. Leaving state capacity and the effectiveness of public service aside, this study aims to focus instead on the interface between state and society, where it is

supposed that a virtuous cycle of citizen mobilisation and state responsiveness could potentially be derailed or accelerated by donors.

## Accountability and international cooperation

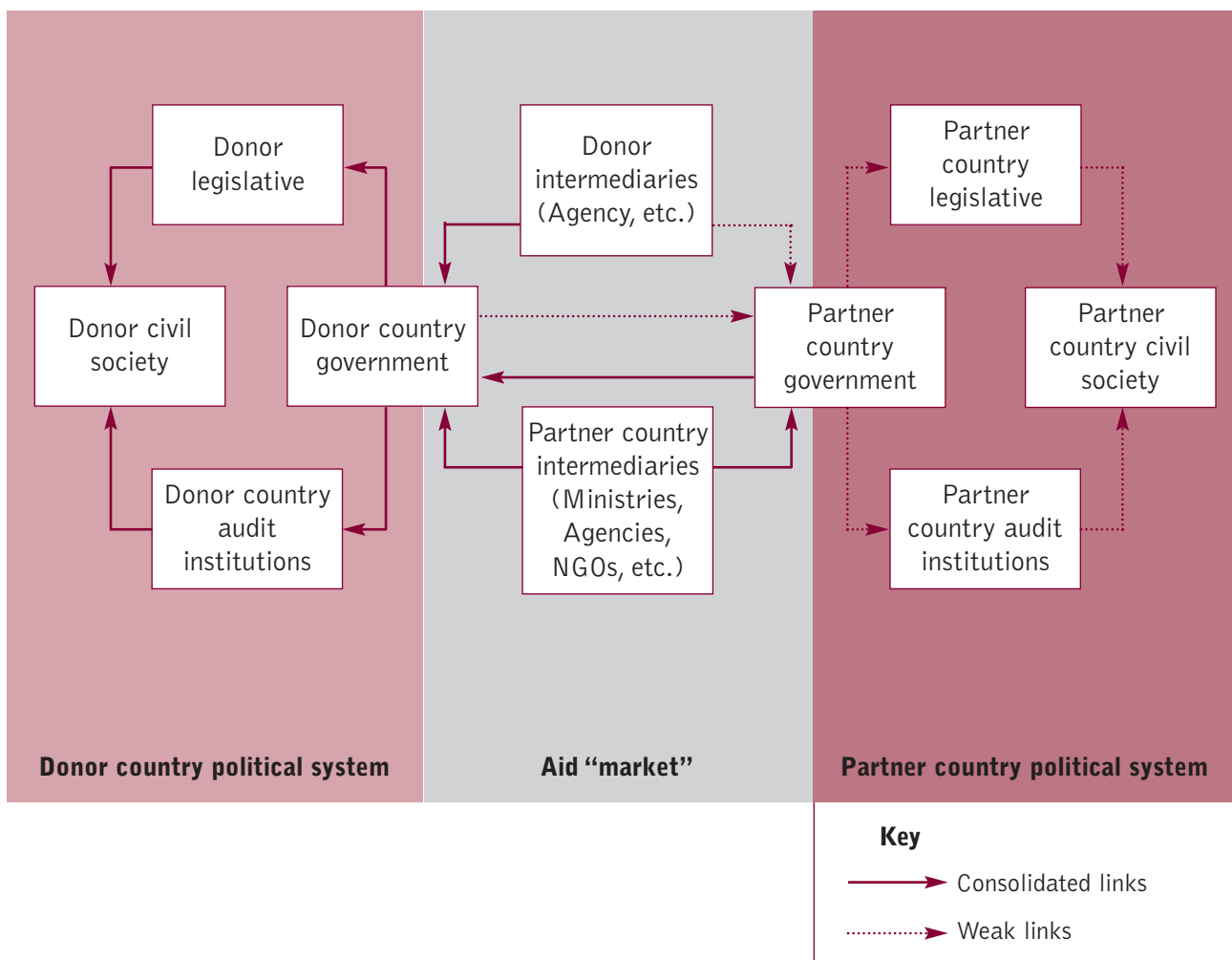
For the purposes of this study, it is considered that there are various types of accountability relations in the aid chain, such as those illustrated in the following flowchart.

In this sense, a more significant fragility is observed in the links towards and especially within the political system of the partner country.

Accountability may be affected at different levels (it may also be partial or absent) – that is, horizontal (due to government actions influencing legislative bodies, for example), or vertical (government actions affecting organised civil society and citizens in general). Moreover, in the context of development policies, accountability is affected at different times – ex, ante (the outlining of priorities, PRSP, CSP); simultaneous (quality of implementation); and ex post (impact and results in terms of development) – in the chain of provision of services (see Figure 2). Other aspects besides the PEFA methods and PFM analysis are:

- Existence and effectiveness of information duties;
- Entities and analytical instruments; and
- Sanction mechanisms and systems.

**Figure 5:  
Accountability links in the aid chain**

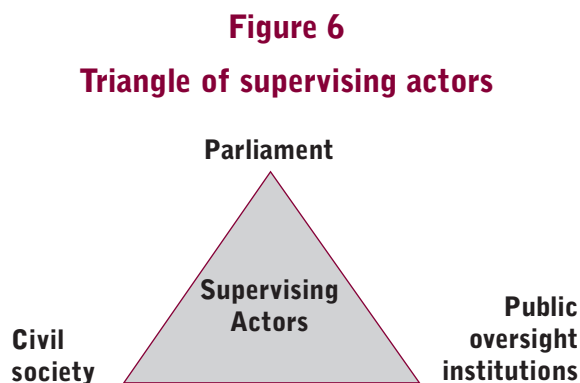


This study shall focus its analysis on the influence of donor harmonisation on the accountability of political systems in partner countries, as well as the activities of the donor community in its relations with national governments.

## Transparency, information and participation

At the partner country level, a series of aspects relating to transparency, information, and participation will be analysed, especially the accessibility of budgetary data and relevant policies, legislation on access to information, transparency mechanisms, and the fiscal, budgetary and legal “education” of all those involved in the process (above all congressmen and civil society).

This study considers donor, government and a group of three supervising actors (see Figure 6) as the principal actors:



With respect to the participation of supervising actors in the processes of harmonisation, the following levels of participation exist (Gaventa, 2006):

- Information;
- Consultation (or voice);
- Integration in planning (PRSP, CSP, JAS, etc.);
- Integration in implementation and follow up (PRSP, CSP, JAS, etc.);
- Institutionalisation of participation (constant and regulated planning, implementation, follow up, and evaluation); (“rights” versus “voice”)

## Research methodology and key questions

This chapter intends to map out the research process for country case studies. It lays out orientative questions for the applied research and the steps for the drafting, triangulating and validation of the results. Furthermore, it proposes a structure for the components of the case study. It is important to stress that in the following pages a series of methodological propositions are made, whose usage as a whole is not considered compulsory, but is recommended. Given that the political contexts are diverse, the case studies have a certain amount of flexibility when analysing and presenting the country cases in a concise narrative. The case studies shall offer a precise perspective on the adaptation of the Paris Declaration, particularly with regards to harmonisation, the interaction of this new agenda with the domestic political economy and its consequences regarding the hypothesis and objectives of this research. Rather than covering all the dimensions indicated in the tables and lists of this chapter, the suggestion is to develop and validate a concise description of the political economy of aid. This shall be useful in contributing insights to a critical and constructive debate with aid agencies, particularly in Spain, on how best to take into consideration the side effects of the harmonisation agenda on the political systems of aid recipient countries.

Hence, the following pages present, based on the concepts developed in the earlier chapter, an intended research process for the identification, drafting, validation and triangulation of the findings together with a series of instruments.

## Proposed table of contents for the country case studies

The case studies shall follow a sequence that begins with the description of the harmonisation process, the political and institutional

environment and the political economy of aid and development. Based on this, concrete options for donors are identified showing how to adapt aid agencies, their institutional set-ups and practices. The following table suggests the structure for each case study:

**Table 2: Suggested table of contents for the case studies**

Chapter	Description	Approx. number of pages
1. Harmonisation between donors in country of study	<p>Gives a short summary of the implementation of the Paris Declaration in the country. Without entering into too much detail, it is intended to briefly contextualise the achievements in harmonisation in its particular context and to understand to what extent the country being studied represents an interesting case for the new aid architecture, its instruments and structures. Some international comparisons and contrasts might be applied.</p> <p><b>Recommended sources:</b> secondary sources (comparative studies); knowledge of the counterpart researcher and FRIDE team; interviews with key informants knowledgeable about contrasting countries and the global context.</p>	3
2. Existing structures: programmes, processes and platforms	<p>This chapter will develop a description and analysis of the current, formal procedures of donor harmonisation, political dialogue and ownership in the recipient country.</p> <p>As an illustration, in this chapter, government declarations and strategies, common spaces between donors and government, the coordination mechanisms of the donor community, the civil society platforms related to coordination and harmonisation, the various plans for coordination, harmonisation, alignment and poverty reduction will be explained. The formal (sometimes declaratory) mechanisms are also briefly analysed, in order to illustrate official achievements.</p> <p><b>Recommended sources:</b> secondary sources; knowledge of the counterpart researcher; verification with key informant interviews.</p>	4
3. Political system of the country being studied	<p>Brief study and analysis of the specific characteristics of the political system in its democratisation process.</p> <p>This chapter should contribute an in-depth knowledge on the quality of the democratic institutions, political processes and the roles of the various actors. Finally, the degree of deepening of democracy will be assessed and outstanding reform issues will be mentioned. Thereby, the country situation will be contextualised and the degree of democratisation evaluated.</p> <p><b>Recommended sources:</b> secondary sources; knowledge of the counterpart researcher; preferable governance indicators; verification with key informant interviews.</p> <p><b>Recommended tools:</b> table "degree of deepening of democracy", listing "levels of participation".</p>	4

<p>4. Actors and institutions: the political economy of harmonisation and ownership</p>	<p>This chapter is the centrepiece of the study. It analyses in detail the characteristics, roles and forms of interaction between the government, donors and the “oversight triangle” (civil society, parliament, and oversight organs). Based on the previous chapter, the political context gets linked to the processes of international development cooperation, in general, and harmonisation, in particular. Political economy dimensions are considered, in particular, with accountability functions. On the other hand, the specific roles of donors will be examined as intervening actors in the recipient country. This is, therefore, the chapter that centres on the actors that, according to their characteristics, interests and capacities, move within the structures previously described. The suggestion is to scrutinise the arena in which the interaction between government and donors takes place, in order to get to know the most sensitive points of impact of the harmonisation agenda on the political system of the recipient state.</p> <p><b>Recommended sources:</b> secondary sources; knowledge of the counterpart researcher; verification with key informant interviews; workshop.</p> <p><b>Recommended tools:</b> table “motivations of actors implied in harmonisation”; table “impeding and fostering factors for democratic oversight”.</p> <p><b>Visual aids:</b> graphic “political economy in the harmonisation process”; graphic “linkages in the aid chain”; graphic “oversight triangle”.</p>	7
<p>5. Main challenges and outstanding tasks</p>	<p>With special regard to the opportunities and challenges facing donors, the key issues for donor harmonisation as they refer to the democratisation and political economy in the country being studied, will be revised. This analysis can be undertaken at various levels, for example intra-donor, inter-donor, donor-government, and donor-political system.</p> <p><b>Recommended sources:</b> secondary sources; knowledge of the counterpart researcher (based on previous chapters); verification with key informant interviews; workshop.</p> <p><b>Recommended tools:</b> listing “assessment of donor performance”.</p>	3
<p>6. Lessons learned: donor options</p>	<p>This chapter develops concrete reform options and action guidelines for donors, in order to consider and to adjust to the effects of the harmonisation agenda on the political system and ownership by all actors involved in the country.</p> <p>This section shall feed into the subsequent stages of research (political and institutional implications and the assessment tool for donors). Therefore, detailed recommendations are developed based on the entirety of the analysis brought forward in the case study.</p> <p><b>Recommended sources:</b> knowledge of the counterpart researcher (based on previous chapters); verification with key informant interviews; workshop.</p> <p><b>Recommended tools:</b> listing “assessment of donor performance”.</p>	3
<p>Annexes:</p>	<ul style="list-style-type: none"> <li>• Table “motivations of actors implicated in harmonisation”.</li> <li>• Table “factors impeding and fostering democratic oversight”.</li> </ul> <p>Others:</p> <ul style="list-style-type: none"> <li>• list of persons interviewed</li> <li>• workshop programme and participant list</li> <li>• workshop report</li> </ul>	

The following table is intended to serve as an orientative guide and checklist for the core content of each chapter. The proposed questions are not

exhaustive; neither will it be necessary to answer all of them. It is, however, recommended to consider them during the research process.

**Table 3: Key questions for each chapter**

Chapters	Key question
1. Harmonisation between donors in each country being studied	<ul style="list-style-type: none"> <li>• What is the volume of aid the country receives? Aid dependence? Key donors? Choice of instruments? Percentage channelled through state programmes, through national systems and on-budget? What are the priority sectors?</li> <li>• To what extent does the country represent a relevant example at regional or global level?</li> <li>• Are there particular reasons why the country should be given particular attention regarding the promotion of the Paris Agenda?</li> <li>• Does the country take a leading role in international fora for aid harmonisation?</li> <li>• What are the main advantages of aid harmonisation for the donors in that country, in political or technical terms or in terms of prestige? (ie: beyond matters of efficiency)</li> <li>• What type of dissemination and public debate has been given to the content, the technicalities and the spirit of the Paris Declaration?</li> </ul>
2. Existing structures: programmes, processes and platforms	<ul style="list-style-type: none"> <li>• What are the existing spaces, schemes, platforms?</li> <li>• What is the relevance of the declarations, strategies, working documents within the agenda for harmonisation, alignment and ownership?</li> <li>• What has been the path or sequence in the development of the coordination schemes? Has there been a break-off or take-off point? Has it been incremental?</li> <li>• Is there any kind of control by national policies over these structures and processes and their development?</li> <li>• Based on formal mechanisms, how is the national leadership to be evaluated?</li> <li>• What impact does the national poverty reduction strategy have?</li> <li>• How are these schemes being translated into sub-national schemes? And towards other public and private sectors?</li> <li>• Is there a link between these schemes and civil society?</li> <li>• What kind of follow-up and evaluation systems exist and what actors are involved?</li> </ul>
3. Political system of the country being studied	<ul style="list-style-type: none"> <li>• How did the political system develop during the last 10-20 years?</li> <li>• What are the basic determinants of political and institutional development?</li> <li>• Who are the main actors – national and international – involved in the democratisation of the country?</li> <li>• At what stage (table 1) of democratisation could the country be situated? What are the medium-term prospects?</li> <li>• How is the democratisation process linked to regional processes, for example regarding neighbouring countries, regional integration processes and international assistance?</li> <li>• To what extent does the government foster the development of a professional independent state apparatus, such as public service, oversight bodies, and structures ensuring the rule of law, amongst others?</li> <li>• What degree of effective participation in national policy making exists in general?</li> <li>• What spaces for public consultation exist for the formulation, implementation and evaluation of public policies?</li> <li>• To what extent are the political elites committed to poverty reduction? To what extent is it being institutionalised beyond charity and clientelistic politics?</li> <li>• Is democracy and quality of democracy a matter of public debate and concern? For example in the media?</li> </ul>
4. Actors and institutions: the political economy of harmonisation and ownership	<ul style="list-style-type: none"> <li>• Who are the actors involved in the political economy of harmonisation? (based on the tools proposed, see table "motivations of actors involved in the harmonisation"; table "factors impeding and fostering democratic oversight".</li> <li>• What are the main interests, declared or implicit, pursued by the actors with regards to the harmonisation agenda?</li> </ul>

	<ul style="list-style-type: none"> <li>• In terms of national development strategies, is there a concept of ownership that goes beyond the governmental dimension?</li> <li>• How is the capacity, strength and impact of oversight organs to be evaluated regarding the three main dimensions of the political economy (information, participation, accountability – see table 5), particularly with respect to budgetary processes?</li> <li>• What types of services are provided by civil society organisations? How does civil society impact in its advocacy and oversight role with respect to public service delivery and donors?</li> <li>• To what extent does civil society try to relate directly with donors, without mediation by government? For what reasons? Are donors being held accountable by civil society?</li> <li>• To what extent does the presence of donors influence or distort the public debate, for example by amplifying certain voices?</li> <li>• What are the factors fostering and impeding greater aid effectiveness?</li> <li>• In what instances and at what levels do mechanisms for accountability function in the political system of the country?</li> <li>• What spaces and margins for consultation, deliberation and consensus exist for national actors and donors as a whole? How do domestic actors evaluate these spaces?</li> <li>• Who leads the consultation processes?</li> <li>• What type of participation exists and what factors influence the quality of participation?</li> <li>• What type of results do these participatory spaces have and what potential could they have in the future?</li> <li>• How is government effectiveness influenced by these processes of participation?</li> <li>• How do donors interact with this political economy?</li> <li>• What groups of donors exist and how do they influence the political economy?</li> <li>• Is there a common position or are influences fragmented?</li> <li>• To what extent does donor behaviour facilitate or restrict the participation of oversight organs, be they formal or informal?</li> <li>• What are the collaboration mechanisms of donors towards civil society?</li> <li>• What are the mechanisms used by donors to increase ownership beyond government?</li> <li>• Is there consideration by donors of their impact on domestic processes of democratisation beyond strengthening state capacity?</li> </ul>
5. Prime challenges and outstanding tasks	<ul style="list-style-type: none"> <li>• Is there knowledge and awareness on the part of the donor community regarding their impact on the political system?</li> <li>• What strategies are pursued to ensure wider ownership?</li> <li>• How and to what realistic extent do donors evaluate the political economy and the behaviour of the actors in the dimensions of information, participation and accountability? (Further questions shall be derived from table 6 “assessment of donor performance”)</li> </ul>
6. C	Questions shall be derived from the table 6: “assessment of donor performance”

## Methodological tool-kit for country case studies

Before drafting the report, it is advisable to first consider the recommended secondary literature. It is also suggested to prepare and structure the analytical work according to the following tools:

- **Actors and their interests**

The following table shall reflect the most relevant actors, in the political space, related to aid harmoni-

sation. It is important to stress that their interests may be explicit or implicit, in other words, publicly proclaimed or secretly pursued. Interests are defined as those aims related to the donor harmonisation process and the implementation of poverty reduction strategies.

Actors include the various state institutions, donors, and the “oversight triangle”.

**Table 4: Interests of actors involved in the harmonisation process**

Actors	Explicit interests	Implicit interests ("undisclosed")
eg: Presidential office*		
Budgetary Accounts Commission (parliament)*		
National Audit Office*		
AECI*		
DFID/AFC*		
World Bank/BAD/IADB*		
Civil society platform*		
Private actors*		
* These are only examples that are to be developed according to the research process.		

- **Political economy analysis**

The following table aims to support the detection and analysis of factors that influence the political economy of development and aid harmonisation. A comparative study on the dynamics of impeding and fostering factors of aid harmonisation and democratisation thereby becomes possible.

The table below indicates three key categories of the political economy process (transparency and information, participation, and accountability). It names some possible sub-dimensions. Their specific identification in each case study shall emerge from the research process and should lead to around 5–15 categories in each sub-dimension.

- **Political economy factors**

For the political economy analysis, some of the following political and institutional factors might be considered:

a. Degree of organisation and institutionalisation of the participating organisms (oversight triangle);

**Table 5: Impeding and fostering factors for democratic oversight**

Formal dimension	Dynamics, processes and informal pressures	
	Fostering factors	Impeding factors
<b>Transparency and information</b>		
eg: Dissemination of strategies		
eg: Access to budgetary information in GBS programmes, etc.		
<b>Participation</b>		
eg: Civil society participation in PRS process		
eg: Parliamentary contribution to policy design and budget priorities		
<b>Accountability</b>		
eg: Parliamentary accounts committee eg: Civil society budgetary groups		
eg: National auditing office		

- b. Capacity level (eg: fiscal literacy);
- c. Degree of economic and political independence (particularly civil society groups);
- d. Legitimacy of participating actors (civil society is accountable to whom?);
- e. Degree and depth of institutionalisation of participation processes;
- f. Public media and public opinion: dissemination and debate;
- g. Politicisation vs. results-orientation of development process;
- h. Reform alliances, change agents and drivers of change, for example between civil society groups and parliament (capacity building, information exchange, etc), and
- i. Incentive and enforcement systems.

- Analysis of donor performance

The following aspects are considered essential for the analysis of the scope of donor actions when assessing their impact on the political system in the partner country. As a first step, these criteria are applied in order to get to know the current situation of donors (this is relevant for chapter 5 – “Prime challenges and outstanding tasks”). Thereby, perceived shortcomings and good practices will be described. This detailed analysis shall lead into developing options for donor action. Of particular interest are the analytical capacities of donors and the choice of aid instruments, as these issues should throw some light on how the political system and dynamics of the partner country are affected (this is relevant for chapter 6). These aspects are of vital importance for the development of the analytical tool that this research will develop in its

third stage, with the aim of improving the donors' analytical capacity and scope of action. Therefore, attention should be given to tangible aspects so as to understand the situation in the country and thereby permit a “bottom-up perspective”. This point of view will be enriched by interviews with key donors that are contrasted with the views of other actors with insight into donor practices and their daily proceedings.

On a conceptual level, the following dimensions of donor actions shall be assessed, considering both institutions and policies. In order to develop recommendations for the improved adaptation of aid agencies to the challenges of the political economies of partner countries, this tool will evaluate the current situation on which the lessons learned will be based. This table is to be completed and added as an annex to the report.

**Table 6: Assessment of donor performance: Levels and criteria for the assessment of donor performance in harmonisation with regards to democratisation processes (This table is completed with examples, for orientation purposes)**

Level	Current situation (for chapter 5)	Desirable situation (for chapter 6)
Selection of instruments	Strategy of “all or nothing”; lacking efforts to combine various instruments strategically; for example interfacing GBS with civil society support in fiscal literacy.*	Interfacing and complementarity of diverse options (dialogue, new instruments, sector support, GBS, piloting projects, planning and capacity building, technical assistance, institution building, civil service reform – in combination with civil society strengthening); flexible system of incentives as opposed to “stop-and-go”.*
Political dialogue with the partner country and other donors (bilateral and multilateral / IFIs)	Fragmented approaches, poor commitment; no sharing of strategies; declarative postures without results.*	Commitment and mutually binding benchmarks; support to successful sectors; policy mix of development instruments and diplomatic practice; * Also: Better predictability of donors and definition of eligibility criteria.
Institutional capacity and organisation of aid agencies	Lack of knowledge transfer and institutional learning; poor support from headquarters; high staff turnover;*	Decentralisation from headquarters to country offices; clear institutional mandates; organisational and development strategy; coherent strategic guidance from headquarters but flexible application at country level (with technical guidance); learning mechanisms from country experiences; capacity for adaptation to

		changing political contexts and opportunities; mandate to cooperate and negotiate strategies and priorities with other donors; M&E system of the change management process.*
Investment in human resource development of aid agencies	Technical staff and coordinators are poorly equipped for the context analysis; sometimes lack guidelines and technical support from headquarters; infrequent communication between country offices and headquarters; irrelevance of policies and strategies in the country context; no integration of mandates between technical and diplomatic staff;*	Improved analytical capacities; flexible and criteria-driven planning; evaluation and learning as integrated tasks; inclusion of political elements (democratisation, participation and human rights); staff incentives for learning, analysis and coordination;*
* Given as example, for orientative purposes only		

## A set of methodologies: options for the analysis

The research process aims to integrate a series of complementary methodological tools:

- This conceptual framework defines the key terminology and introduces the reader to the current debate on aid regimes, harmonisation and democratisation;
- In the bibliography (see annex), a number of approaches and concepts are gathered that allow for a deepening of the debate;
- Specific secondary literature on the case study countries enriches the debate;
- Interviews in European donor headquarters conducted by FRIDE staff, among which are AECI and DGPOLDE, contributes key information on real life experiences and the reform efforts of the agencies at headquarters and their country offices;
- In-depth knowledge and analytical insights from the counterpart researchers in the various countries open an important space for mutual learning and the inclusion of Southern viewpoints;
- The bibliography will document the various local adaptations of the harmonisation and democratisation processes;
- The key interviews (representatives from donors, government, civil society, oversight bodies,

parliamentarians and, if appropriate, the private sector) will allow for direct testimonies and the triangulation of the preliminary findings based on the literature, while also giving greater applicability to the findings and recommendations;

- The in-country workshops, together with the in-depth interviews, will foster a joint reflection process between the national and international actors and validate the preliminary results;
- The workshops in Madrid (November 2008 with European donors and January 2008 with Spanish development cooperation actors) will facilitate the exchange of experiences and viewpoints between European donors and representatives from the case study countries (first workshop) and evaluate the potential adaptation of new analytical tools into the practices of the Spanish aid system (second workshop).

## Planned process for the country case studies

The country case studies form part of a larger analytical and study process, that will unfold in the following stages:

- a. An analytical framework that also provides the methodological approach, elaborated by the FRIDE team;

- b. Three country case studies on Vietnam, Mali and Nicaragua. Whereas the Vietnam study is already available, the other two (Mali and Nicaragua) are being elaborated by research counterparts in collaboration with FRIDE researchers;
- c. A summary document based on the analytical framework and the country studies, geared towards informing donors and aid agencies about analytical procedures and institutional adaptations. A draft instrument for analysing country contexts and adjusting aid provision structures is foreseen.

The country case studies are based on the methodological framework and follow the analytical approach in order to establish common criteria. In this document the respective bibliographies will be reviewed.

The following dynamics are foreseen: The research counterpart elaborates a draft country study, based on the analytical framework and its methodological approach. This can be revised and adapted to the respective context. The format of the country strategies will follow the annexed structure. The first set of findings will be based on literature and the in-depth knowledge of the counterpart researchers. They are encouraged to enrich this stage of the process with informal interviews. Close cooperation between the counterpart researcher and the FRIDE research team in this stage will also be conducive to the answering of any questions that come up and the harmonisation of criteria.

While the first draft is being elaborated, a schedule for the visit of the FRIDE researcher will also be

prepared. Around ten to fifteen interviews with key informants (between 45 and 90 minutes) and a one-day seminar with 15-20 people will be prepared. In this seminar, a representative selection of actors (from the government, donors, civil society and "oversight actors") will participate. The methodology for the interview and the seminar will be guided by the conceptual framework elaborated by FRIDE, although its content and procedures will be adapted to the context of the country being studied. Logistically, these activities will be led by the counterpart researcher in close communication with the FRIDE researcher.

It will be left to the discretion and the criteria of the counterpart researcher to identify and select the individuals and institutions to participate. However, close coordination with the FRIDE researcher is foreseen in order to agree on selection criteria. FRIDE could propose additional participants and interviewees. A balanced representation of all relevant actors (government, donors and "oversight triangle") is recommended. Adequate female participation shall also be ensured.

The objective of the seminar is to validate the preliminary results of the country case studies. Findings should be supported by interviews and the debates that take place during the seminar. After the country visit of the FRIDE researcher, a brief activity report will be elaborated by the counterpart researcher. Afterwards, the final draft of the country case study will be presented by the counterpart researcher.

# ABBREVIATIONS

<b>AECI</b>	Spanish International Cooperation Agency
<b>GBS</b>	General Budget support
<b>CSP</b>	Country Strategy Paper
<b>DfID</b>	Department for International Development
<b>DGPOLDE</b>	Dirección General de Planificación y Evaluación de Políticas para el Desarrollo (Development Policy Planning and Evaluation Authority)
<b>PRS</b>	Poverty Reduction Strategy
<b>PRSP</b>	Poverty Reduction Strategy Paper
<b>FRIDE</b>	Fundación para las Relaciones Internacionales y el Diálogo Exterior
<b>MDGs</b>	Millennium Development Goals
<b>NGO</b>	Non-Governmental Organisation
<b>PEFA</b>	Public Expenditure and Financial Accountability
<b>PFM</b>	Public Financial Management
<b>SECI</b>	Secretary Of State for International Cooperation (Spain)

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# FRIDE

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The following pages provide the basis for the analytical and conceptual framework of the FRIDE research project: “Donor Harmonisation: Between Effectiveness and Democratisation”. This concise paper analyses the context of the new aid architecture, defines concepts and key issues, proposes methodology for country case studies, and provides us with a specialised bibliography. Its objective is not solely to unify criteria, methodology and language. It also seeks to explain the process of reflection and debate initiated by FRIDE regarding the link between harmonisation and democratisation, in order to invite local coordinators of country case studies to collaborate with the adaptation of concepts and methodology, and to resume field work.

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