

# Ownership with Adjectives

## Donor Harmonisation: Between Effectiveness and Democratisation. Synthesis Report



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Stefan Meyer and Nils-Sjard Schulz

March 2008

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# Abbreviations

<b>AECID</b>	Spanish Agency For International Development Cooperation
<b>CSO</b>	Civil Society Organisations
<b>DAC</b>	Development Assistance Committee
<b>DCF</b>	Development Cooperation Forum
<b>DFID</b>	Department for International Development (UK)
<b>EC</b>	European Commission
<b>ECOSOC</b>	Economic and Social Council
<b>EU</b>	European Union
<b>HIPC</b>	Heavily Indebted Poor Countries
<b>IADB</b>	Interamerican Development Bank
<b>IMF</b>	International Monetary Fund
<b>MDG</b>	Millennium Development Goals
<b>NEPAD</b>	New Partnership for Africa's Development
<b>NGO</b>	Non-Governmental Organisation
<b>ODA</b>	Official Development Aid
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PD</b>	Paris Declaration
<b>PEFA</b>	Public Expenditure and Financial Accountability
<b>PFM</b>	Public Financial Management
<b>PRSP</b>	Poverty Reduction Strategy Paper
<b>SAP</b>	Structural Adjustment Programme
<b>SINASID</b>	National Follow-Up System on Development Indicators
<b>SWAp</b>	Sector Wide Approach
<b>UN</b>	United Nations
<b>WB</b>	World Bank

All case studies and the final document can be found at: [www.fride.org/section/31/](http://www.fride.org/section/31/)

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# Introduction

Over the last decade, relationships between aid donors and recipients have experienced a profound change. International summits claim a shift from conditionality and aid based on donor interests to a development cooperation system inspired by recipient leadership and a more horizontal partnership between rich and poor countries. Although it faces constraints in practice, a new aid architecture is being built upon the foundation outlined in the Paris Declaration (2005) with its far-reaching commitments aimed at ensuring aid effectiveness. Ownership of the partner countries, alignment and harmonisation of donors, alongside result-based management and mutual accountability, are nowadays axiomatic norms of the way aid should be delivered and relationships between donors and recipients reshaped.

Yet, this process also encounters huge challenges both in terms of technical implementation and with respect to the political and institutional dimensions of the reconstruction of aid relations. In September 2008, donors and recipients meet at the High Level Forum on Aid Effectiveness in Accra (Ghana) for an in-depth stock-tacking of the advances. On the road to Accra a wide range of actors is debating extensively the traffic signs indicating an unhampered journey towards technically more effective aid and politically more horizontal relationships between North and South.

With this context in mind, this synthesis paper explores one specific, yet highly sensitive, dimension of the new aid architecture: the impact of donor harmonisation in the democratisation processes of partner countries. With the aim of sensitizing aid policy-makers and planners, we explore the political and institutional implications of a closer relationship with the recipient government, especially as intensified by the new aid modalities. The increasing proximity of donors and their aid agencies to

Southern governments and bureaucracies, which goes hand in hand with the new aid modalities, may foster or hinder the participation of other domestic stakeholders in developmental decisions. In other words, we aim to analyse the awareness and preparedness of donors, once sitting at the same table with recipient governments, to participate in the domestic political economy of development processes.

The following pages summarise the findings of a research project developed between April 2007 and March 2008. This investigation is addressed to European donors and particularly aims at contributing to the current reform of Spanish development cooperation. Conducted on the basis of a common methodological framework (Meyer/Schulz 2007), the results of country studies in Mali, Nicaragua, Peru and Vietnam feed into the analysis of the interplay between effectiveness and democratisation in its diverse political and institutional configuration. Following a brief revision of the research approach and the presentation of the case studies, this paper presents the main conclusions and recommendations as to how harmonising donors can adapt and improve their understanding of and performance in the political and institutional dimensions of the new aid architecture.

Both the research process and this final paper have benefited enormously from the generous collaboration of participants and interviewees in the country studies: representatives of governments, members of parliaments, representatives of public oversight bodies, civil society activists, academic experts and independent consultants. The preliminary findings of this research have been enriched by the valuable opinions of European representatives of aid agencies, academia and civil society, expressed in several face-to-face conversations and a very well-attended international seminar held in Madrid in November 2007 (FRIDE 2007). The extensive interest and openness of the recently created New Aid Instruments Unit at Spain's AECID was crucial to the quality of the research process and its focus on

the institutional processes of donor agencies. Finally, the research partnerships with local experts in Mali (Hamidou Magassa), Nicaragua (Claudia Pineda), Peru (Enrique Alasino) and Vietnam (María Delfina Alcaide and Silvia Sanz-Ramos) were indispensable to the direct and deep understanding of the political and institutional machinery in which donor-recipient relations take place.

This synthesis paper starts by examining the context of the current changes in the international aid regime and then defines the research question on how donor harmonisation impacts on domestic processes of deepening democracy (Part 1). It then enters into a summary of the findings in each country (Part 2). The following chapter (Part 3) provides a synopsis of the experiences of each country according to the three political economy factors: access to information, participation and “voice” and accountability. The paper then develops recommendations for aid delivery in the five dimensions of political dialogue, analytical capacities, choice of instruments, institutional set-up, human resources and incentives (part 4), before offering a conclusion in the final chapter.

## Setting the context: renegotiating aid

How does aid affect local processes of deepening democracy? How does the latest commitment to donor harmonisation change this causal link? In this study, we apply a concept of citizenship and social contract that focuses on the *accountability*, *participation* and *transparency* of partner governments. We inquire into the impact of donor harmonisation on the citizen-state relationship. It could either be strengthening or weakening. We depart from an assumption that only now, in the context of the PD, have donors become more conscious of the broader effects of their actions. Whereas before the extraversion of accountability outwards to donors had been an “unintended side-effect” (Bräutigam 2000),

now, promoting a social contract by fostering downwards accountability has been added to the objectives of international cooperation. Donors have become more aware that the three goals of aid – poverty reduction, institution building and human rights – need to be balanced and that, sometimes, promoting one might harm the other. This study asks if and how this is actually happening in four countries.

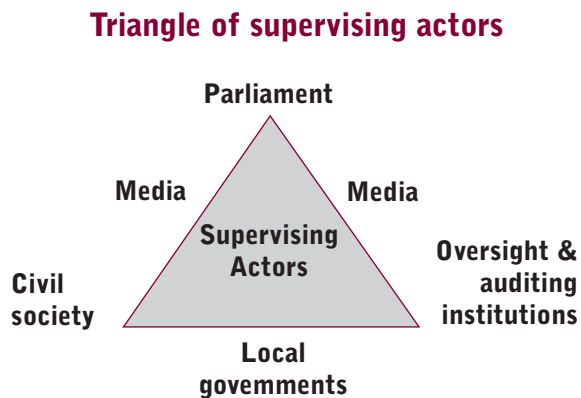
## Democratisation in the context of development

We understand democratic deepening in the context of development as indicated in Meyer/Schulz 2007: “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 socioeconomic development.”

Therefore we apply a political economy approach which disaggregates domestic accountability into the three functions:

- 1. Transparency and access to information:** Citizens need to know what they can expect and what has been delivered. Governments need to disclose information on rights and entitlements as well as to provide evidence of their actions.
- 2. Participation / “voice”:** Beyond formal political participation in elections and formal representation (while these factors are fully appreciated), spaces for deliberation on public policies and outcomes have to be provided. This means not only direct citizen-state contacts, but also opportunities for a structured dialogue with organisations representing aggregated interests of groups (see also Foresti & Sharma 2007).
- 3. Accountability:** Finally, there have to be mechanisms to detect and penalise deviation from public mandate. Accountability can be operationalised in its two dimensions of answerability and enforceability (de Renzio 2007).

Taking an actors perspective, we introduced what we dub the “oversight triangle”. There are in principle three mechanisms of restraint – administrative, political and society-based. To these, during the research process and based on the findings of the country studies, we added media and sub-national governments.



## The shaping of the new aid architecture

Official Development Aid (ODA) has come a long way. From something of an institutionally-hosted charity in the 60s, often “taking care” of post-colonial legacies, it is moving towards the global governance of social policy, regulated by internationally agreed human rights standards (Sanahuja 2007). Despite its possible convergence, the interplay between aid and human rights, however, is still inadequately explored in practice.

“Aid delivery” has experienced an explosive institutional expansion. The international aid system, nowadays dubbed “aid architecture”, is becoming more and more complex and confusing, as new layers of organisational solutions were organically laid upon others, ultimately resulting in chaotic and overlapping responsibilities. A complex and interrelated set of institutions has emerged around the efforts to promote human development. Bilateral programmes have created development ministries and agencies. Funds are assigned to multilateral agencies, be they International Financial Institutions, such as the

World Bank, or non-financial, such as the UN agencies, or regional bodies such as the European Commission or regional development banks (eg. IADB) or integration initiatives (eg. NEPAD). Some countries, such as Spain, have public entities below the national government, namely federal states or municipalities, which dedicate parts of their budgets to poorer countries. Besides these official aid flows, a large number of non-governmental organisations has emerged, in addition to those more established NGOs such as the charitable organisations of the church. Some of these organisations implement ODA. To these institutions a number of so-called “vertical funds”, that are meant to address single issues, such as AIDS and Tuberculosis, must be added. And another recent development is the emergence of private donors with significant funds for development interventions, the most visible of which is the Gates Foundation. Another important dimension is the rise of the so-called “new donors”, which include emerging economies such as Brazil, China, India and South Africa, as well as “petrodonor” countries such as Venezuela and Iran, which are hungry for geo-strategic influence in developing countries. The result for developing states is an overburdening of the administration by the transaction costs of dealing with so many actors. For citizens, serious difficulties have arisen in understanding who can best cater to their entitlements. In other words, there are too many cooks in the kitchen. (World Bank 2007, Faust / Messner 2007).

In sum, what has evolved is a complex system of multilateral norms based on a number of international agreements and standards and implemented by a breathtaking number of actors. One of the policy fields that is most appealing and subjectively least important to the average citizen in the North, might also be one of the most complex. For the citizen in the South this complex system – the proliferation of actors, legal frameworks, strategies and implementing bodies – is unavoidably confusing. Responding to these huge challenges, donors and recipient countries agreed that the construction of a new aid architecture was paramount to fostering aid

effectiveness on the basis of the reconstruction of relationships between donors and recipients. The Paris Declaration (PD), endorsed by the Development Assistance Committee (DAC) of the OECD in March 2005, calls for reinforced leadership on the part of recipient countries, now dubbed “partners”, backed by donor harmonisation and alignment, along with results-based management and mutual accountability. This reconstruction of aid relations is founded on the ashes of previous models. The preceding paradigm, which dominated until the mid-1990s, was the “Washington Consensus”, with its focus on market-oriented development and the reduction of state interventions, since the state was seen as an ineffective resource allocator. The action plan for this paradigm were the IMF/WB Structural Adjustment Programmes (SAPs). This was followed by heavy critiques of the social costs and poor results of SAPs, which led to the UN championing an alternative development paradigm, and a learning process within the World Bank and many bilateral donors, that brought renewed focus to state action and state capability. The new aid effectiveness paradigm is a reaction to empirical findings and landmark evaluations that showed development finance was not contributing significantly to poverty reduction. Only in the right policy and institutional environment, could aid could make a difference. “Governance” was thus discovered and has been the pivotal issue ever since.

The Paris agenda forms part of a wider context related to the reshaping of development and cooperation models. In other words, the Paris Declaration represents the foundation stone of the new aid architecture, which is being built upon the ashes of previous development models and approaches to donor-recipient relations. There a several important groundbreaking steps, such as the four-fold Comprehensive Development Framework of the World Bank and the HIPC initiative with its PRSPs (both of which found the basis for *ownership*) and the MDGs (in which objective eight, global partnership, is an essential step towards *mutual accountability*, and which in general, describe a

globalised social agenda for the 21st century, that requires *result-based management*). Other important developments include the Monterrey Consensus (focussing particularly on financing for development, but also on viable national systems, thereby promoting an initial conceptualisation of *alignment*) and the Rome Declaration (which outlines *harmonisation*). The graphic in the annex charts the historical development of the development field.

2008 is an important moment to reconsider objectives, structures and practices of international development cooperation, a purpose to which this paper aims to contribute. Building on these debates, a number of high-level multilateral events will take place this year.

- In July, the **Development Cooperation Forum (DCF) of ECOSOC at the UN**, set up as a new body in 2005, will debate, amongst other issues, the future of conditionality, South-South cooperation, leadership and mutual accountability. The DCF is considered as a possible platform for “recipient harmonisation” that has potential to foster more horizontal relationships between donors and recipients beyond the DAC, overcoming the conventional legitimacy problems of the international aid architecture (Burrall, Maxwell, Rocha Menocal 2006).
- In September, and as part of the DAC-led agenda within the implementation of Paris Declaration, the **Third High Level Forum on Aid Effectiveness in Accra** will carry out a stocktaking of achievements according to the Paris Declaration and its indicators, and debate additional issues such as conditionality, predictability of aid flows, involvement of civil society, division of labour, capacity development, “untying”, incentives in donor agencies, and mutual accountability frameworks at the local level.
- In November the **Doha Conference on Financing for Development** will revise the Monterrey Consensus (2002) and debate issues such as anti-corruption, taxation and international financial flows and investment.

- Parallel to these events, in 2008 a number of key moments will arise in the field of multilateralism. There is an ongoing debate on the governance of the UN development institutions as well as on the governance of the Bretton Woods institutions (WB/IMF). Last but not least, the European Union has to decide upon structures for the EU “after Lisbon”, and landmark modalities such as the MDG contract and division of labour.

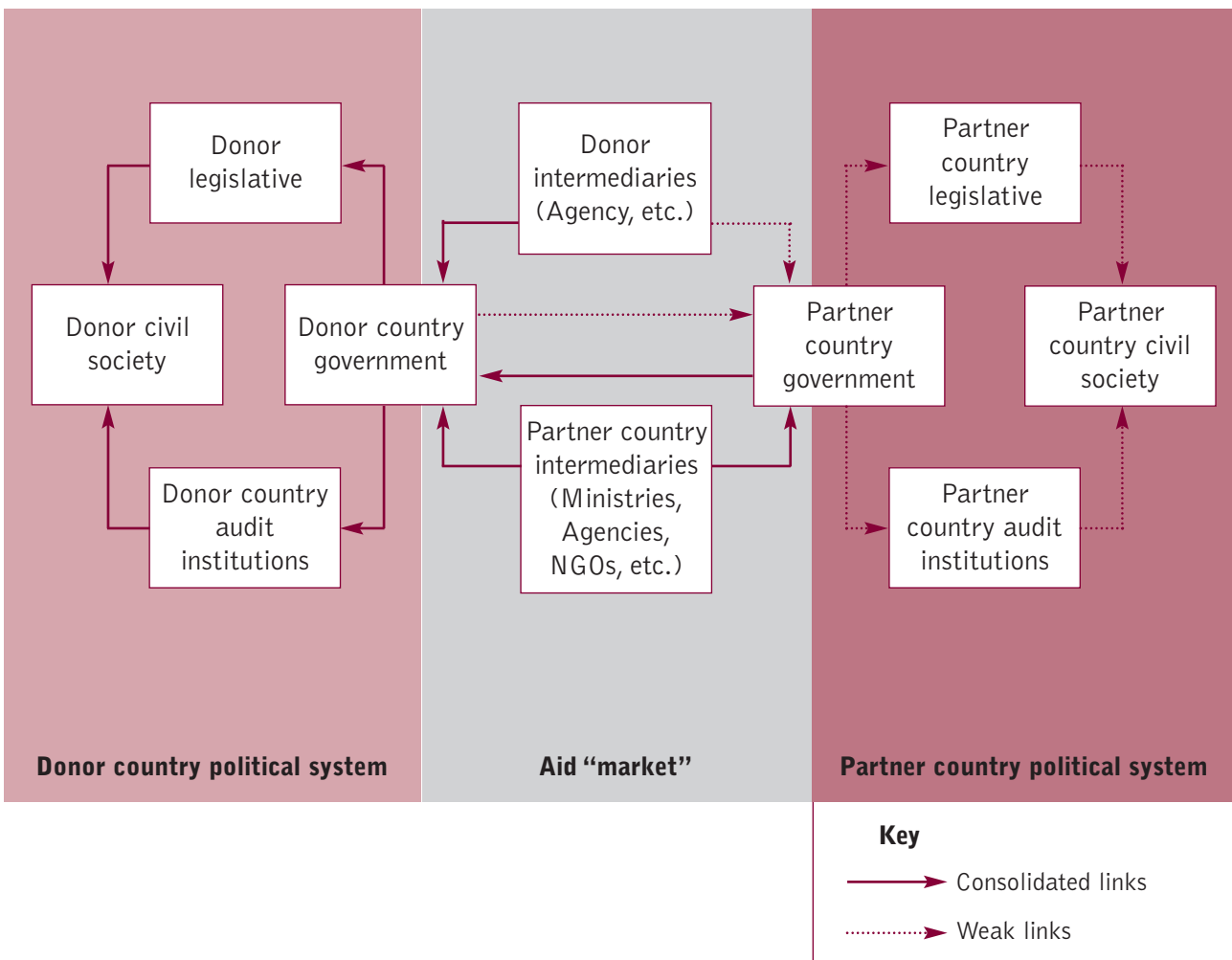
## Conceptualising the impact of harmonisation on democratisation

Whilst this describes the current context in general, this study has focussed on one causal relation - the impact of harmonised donor activities and their distinct behaviours on the citizen-state relationship in

partner countries. This question is embedded in the aforementioned developments in the global governance of aid. As outlined in the conceptual framework and methodology of this case study (Meyer/Schulz 2007), we ask how the latest changes in aid delivery, via harmonisation and new aid modalities, impact on the democratisation processes of Southern countries and the political economies that shape development. We are particularly interested to gather lessons from the various local adaptations of the Paris Agenda and their performance in terms of accountability, participation and transparency.

One of the main questions regards the accountability framework of aid relations, that is best described in the context of the “aid chain” (see for example Alonso 2007). Between the taxpayer in northern countries

### Accountability chain



and the impoverished men and women that should benefit from aid, are a significant number of intermediary organisations (see graphic below). Most of these enter into relationships that are difficult to measure, overloaded with diffuse objectives and incentives, and submerged in considerable difficulties when it comes to attributing impacts to actions. Recently, and as spelt out by the Monterrey Consensus (de Haan/Everest-Phillips 2007), attempts are being made to define more clearly the terms of engagement within the aid chain, and these efforts go so far as to speak of a long-term contract. To put it bluntly, the donor-partner compact is money and advice, traded for commitment to poverty reduction and good governance. Meanwhile, the accountability links within the recipient countries are generally still weakly consolidated, thereby maintaining the concentration of accountability on “outwards” links from the partner governments. Thus, one of the challenges of the Paris agenda is to revise the role that other domestic actors may assume in their interplay with the recipient government.

## The Paris Declaration: technical issues and political spirit

We identify two broad dimensions of the Paris agenda, one which could be dubbed the “technical aspects” and the other the “spirit”. On the technical side, all five principles of the PD have generated sophisticated, although often politically insensitive, tools to foster implementation. The ownership principle is focussed on procedural standards for consultations and a common framework for formulating the National Development Strategies, which include, among other priority-setting development plans, the Poverty Reduction Strategy Papers (PRSP). Alignment has led to matrices of donor activities, such as aid predictability, capacity building and untying aid, and quality criteria for government systems, most notably public financial management (PFM) systems, with an increasingly important assessment modality (PEFA). Harmonisation sets the agenda for donors in

rationalising aid management and using increasing programme-based approaches (PBA). As a consequence, new aid modalities have gained momentum and are becoming a central part of bilateral and multilateral aid, directly feeding budgets in enhanced national systems. Thus far, the growing use of instruments such as general and sector-wide budget support is still mostly analysed from a bureaucratic and technical perspective. Nonetheless, the role of parliaments, public expectations and domestic demand are increasingly understood as necessarily endogenous dimensions of the PFM agenda (CAPE 2007, Santiso 2005). Results-based management, although still far from being operational in most countries, has shifted the attention towards establishing evidence of performance of state actors and has aided in reinforcing statistical capacities. In a small number of countries, soft third-party assessments of adherence to mutual commitments have been established, whilst mutual accountability mechanisms have not reached consistency in most cases. It is mostly this technical dimension that is being measured by the twelve indicators (see OECD 2007a).

These elements – the technical side of the PD – are quantifiable or at least measurable against twelve negotiated targets, even though the quality of the indicators is being increasingly contested. The 2006 monitoring survey, establishing the baseline ratings, gave significant freedom to redefine locally the definitions of indicators (OECD 2007a). This has been used by donors more to appear politically correct, than to establish a critical point of departure for a push for further reforms (Booth 2008). For the current monitoring process in 2008 the OECD has tightened the definitions of four particularly contested indicators and has invited donors “to comply as rigorously as possible with the 2008 definitions” (OECD 2008), which, accurately applied, could lead to an “adjusting deterioration” of actual progress towards meeting the Paris Declaration targets.

On the other hand, beyond these technical issues there is what could be called the “spirit of Paris”, which

comes down to two pivotal points of accountability within the aid chain.

- One element of this, the “**partnership dimension**”, represents the bid for a more horizontal relationship between donors and recipient governments within the general reconstruction of the aid architecture. This refers to former WB President James Wolfensohn’s picture of the recipient government taking the “**driver’s seat**” on the road to effective development, while negotiating forms and terms of aid with donor governments supposedly sitting in the same car. An obvious tension exists between horizontal partnership and recipient leadership (Jerve, A.M./ Skovsted Hansen, A. 2008), for example with regard to question how much intrusion in sovereign affairs is marshalled by aid or, in other words, how much policy space for a finding one’s own trajectory out of poverty is left to national governments. From a donor’s perspective this issue is rephrased as the question of how political and economic reform can be triggered by smartly applying aid volume and choice of instruments together with conditionalities or selectivity criteria.
- The other dimension is embodied in the concept of “**democratic ownership**” (OECD 2007b) that makes the necessary distinction between governmental ownership and country ownership. It is argued that national development strategies should not only be decided upon and followed up by the executive, but should form part of a legitimate and consensual process that can hold those in power to account. The renegotiation of a social contract should be seen as an important political and institutional issue when analysing the political economy in which development is shaped (Meyer/Schulz 2007). This idea brings the aid debate together with the wider issue of democratisation that claims all public policies, not only those supported by foreign assistance, should be submitted to public scrutiny. With this one enters onto the slippery ground of defining the quality of ownership.

In this light, the “**spirit of Paris**” could be interpreted as a search for deeper accountability relations between donors and governments as well as between governments and citizens – along with a third possible flow of accountability between donors and citizens in partner countries. The principles of mutual accountability and ownership are paramount to these aims, but others – alignment, harmonisation and managing for results – can potentially reinforce them.

## **Towards quality of ownership**

However, in terms of putting in place mechanisms for measuring mutual accountability, donors and partner countries are still struggling to define the elements of the aid contract and make them measurable. Similarly, the PD defined no other criteria for the quality of ownership (and contributes even less landmarks for “**good ownership**”) than the existence of a national strategy, rubber-stamped by the Aid Effectiveness Report of the World Bank. There are some guidelines as to how to conduct a participatory process, but little is defined with regard to how “**participation of parliament and civil society**” should be tackled, beyond the knee-jerk “**broad-based civil society consultation**”, that is generally rather shallow (Eurodad 2008). For this, instead of exclusively focussing on development blueprints of NGO participation, a broader focus on the political economy of development should consider the roles of citizenry, parliaments and public oversight institutions. Within the wider understanding of democratisation, our research also found that intermediary organisations between citizens and the state have to be taken into account, particularly those involved in interest aggregation – such as workers’ associations, chambers of commerce, political parties, women’s organisations and social movements – and those for structuring the general public debate, such as media and research institutions. Defining common standards and targets for “**good ownership**” would obviously be difficult given the immense variety of ways in which “**social dialogue**” is institutionalised in the partner countries. Additionally, donors and governments are increasingly entering into a debate

on who actually defines what ownership is about, and whom it belongs to. It would obviously be too intrusive and confrontational if donors were to be the ones to evaluate, while leaving it to governments would probably lead to conflicts of interest. But within the debate on governance, we can already refer to a variety of mechanisms between self-assessment, peer-review and external appraisal (Rakner & Wang 2007) that could be adapted to the understanding and assessment of ownership quality.

Our research focuses on this second dimension – “quality of ownership” – taking into account how donor harmonisation, as part of the aid effectiveness paradigm, impacts upon it. In concrete, our main question is whether donors are aware of and prepared for the political dimensions of the Paris agenda, whose founding of a closer relationship between donors and recipients implies a more prominent role for donors in the political economy of development. In a broader context, the threefold objectives of aid as a foreign policy tool converge (see for example NAO 2008). According to these, aid should, first, contribute to immediate poverty reduction, second, help build institutions and systems in partner countries in order for them to help themselves in the long run, and third, ensure adherence to shared standards of political, economic and social rights. Democratic oversight of public policies is both a means and an end. It is a means for a better aid contract that, supposedly, makes governments more responsive to the poor. And it is also an end in itself, as democratic participation in public affairs constitutes a basic political and civil right.

There are, however, two important caveats.

**Opening up public administrations or ring-fencing islands of efficiency?** A more narrow agenda of “good governance” (as understood, for example, by the World Bank, see: Evans & Moore, 1998) focuses primarily on aspects of state *capability*. This stream of thought is concerned with installing a merit-based civil service, limiting corruption and increasing the effectiveness of service delivery. On the other hand,

the “political economy” agenda of democratisation – actively promoted by many bilateral donors – asks for the *accountability* of those who govern. Whilst the assumption among donors is “that all good things go together”, development practice and success stories of developmental states have raised questions as to whether strengthening institutions, on the one hand, and opening them to public oversight, on the other, can actually be reconciled in the short term. In the 90s, governance euphoria reigned, which led to long lists of indispensable, “essential” institutional changes, often supported by external pressure as they were defined as disbursement triggers in credit agreements. Nowadays, donors seem to have become more realistic and ask for “good-enough governance” (Grindle 2007). The correct entry point remains contested, however (DFID 2006, MAE France 2007). One entry point opts for strengthening state capacity, the “supply side of good governance”, often by insulating administrations from outside pressure. Another approach calls for “strengthening the demand side” which means opening administrations and elected representatives towards citizen mobilisation. These approaches might complement each other, but sometimes contradict (Leftwich 2000; Fritz/ Rocha Menocal 2007, Rocha Menocal 2008). In any case, for the assessment of the quality of ownership it may be necessary to identify the underpinning of “good enough ownership”.

**Formal institutions, informal practices and functional equivalents for restraint.** The design of institutions of restraint all too often falls into the trap of replicating institutional solutions that work in the North and prescribing blueprint solutions for southern environments. This is a key criticism in development at project level in general since the 1960s (Chambers 2005), and it re-emerges in the governance debate. In the area of democratisation, Burnell has suggested that democracies need to be “earned” (2006). In other words, democratic institutions are sediments of social struggles for greater inclusion, and are only effective when the structures are combined with the habits and expectations that are formed during historical

processes of social negotiations. On another, more critical, note various authors have warned against comparing Western democracies with their Southern counterparts, given that the very fact of being a former colony and the historical trajectories of state construction that such situations entail have not allowed for the development of a notion of citizenship (Koelble & Lipuma 2008). The terms of Populism in Latin America (Gratius 2007) and Neopatrimonialism in Africa (Erdmann & Engel 2007) demonstrate these concerns, however difficult they may be to define. We have therefore designed our research plan to distinguish between formal and informal processes and, to some extent, to look for functional equivalents of checks and balances beyond Western blueprints.

To conclude, international development aid may represent a challenge for political development and the successive deepening of democracies in partner countries. It does this, first, by aid proliferation, which overloads government administrations and confuses and deviates collective action by civil society. Secondly, it runs the risk to reducing accountability to citizens and turning it outwards towards in the form of technocratic accountability to donors. In the following pages this thesis is tested in four countries (chapter 2), and is analysed according to the three dimensions of transparency, participation and accountability (chapter 3). The following chapter reflects on implications for donors, calling on them to be more sensitive to the secondary effects of their actions on the partner countries' polity. The final chapter offers a conclusion.

## Case studies: ownership! whose ownership?

This chapter summarises the findings of the case studies. A theoretical framework and methodology was proposed for all case studies (Meyer/Schulz 2007). An exception is the study in Vietnam, which was elaborated by two Spanish development experts previous to the project (Alcaide & Sanz-Ramos 2007). Studies in Mali (Magassa & Meyer 2008) and Nicaragua (Pineda & Schulz 2008) have been conducted by mixed research teams composed of a national and a FRIDE researcher. An independent researcher and aid manager of an international NGO in Peru conducted the Peruvian study (Alasino 2008). All case studies have been published as FRIDE working papers.

The aim of this chapter is to provide a stocktaking of the various institutional constellations of harmonisation procedures and local interpretations of the Paris commitments, as well as their interaction with the "oversight triangle" - national assemblies, auditing institutions and civil society – however they are configured.

### Country cases – basic indicators

The four countries were chosen on a basis of a diverse regional sampling of three continents, for their track records as exemplary cases of adaptation of the PD to local circumstances, as well as the opportunity they offered to bring together a number of contrasts, such as low and middle incomes, significant and lower levels of aid dependence, and different degrees of democratic opening. Furthermore, all four countries are partner countries of Spanish international cooperation. The tables below provide a synopsis of the four countries with some key indicators.

## Development

	Vietnam	Nicaragua	Peru	Mali
Population	84.1m	5.2m	28.4m	13.9m
HDI	109 (0.709)	112 (0.698)	82 (0.767)	175 (0.338)
Gender related development index (GDI) as % of HDI	99.8 %	98.0 %	99.0 %	60.2%
Life expectancy (years)	70.8	70	70.2	48.1
GDP per capita (PPP \$US)	2,745	3,634	5,678	998

Sources UNDP and World Bank data

## Democracy

Freedom House	Not free	Partly free	Free	Free
EIU democracy index (rank)	Authoritarian 145	Hybrid regime 89	Flawed democracy 75	Flawed democracy 80
TI corruption index (rank)	123	123	72	118

Sources Freedom House: 2006; EIU index of democracy 2006; Transparency International 2007

## Aid

Net ODA (mUSD)	1905	740	398	691
Bilateral share	66%	66%	85%	52%
Net Aid/GNI (%)	3.7	15.2	0.7	14.1
Aid per capita	23	135	14	51

Source: OECD aid at a glance, 2005

## Governance

World Bank	Vietnam	Nicaragua	Peru	Mali
Governance indicator	Percentile rank (0-100)	Percentile rank (0-100)	Percentile rank (0-100)	Percentile rank (0-100)
Voice and accountability	8.2	42.8	51.0	57.7
Political stability	59.6	31.7	18.8	45.2
Government effectiveness	41.7	16.1	36.0	39.3
Regulatory quality	31.2	31.7	55.6	36.6
Rule of law	44.8	25.7	26.2	46.2
Control of corruption	29.1	23.8	45.1	36.4

Source: The Worldwide Governance Indicators (WGI) project <http://info.worldbank.org/governance/wgi2007/>

## Mali – subversive ownership?

Mali brings together the features necessary to trigger an influx of aid: democratic governance and high poverty rates. Mali seems to be an island of political freedom and comparative stability in a conflict ridden and largely undemocratic region. Poverty, however, is rampant. Since 1999, Mali has been a laboratory for aid harmonisation. It has been a testing ground rather than a leading actor. In the past, many coordination initiatives have failed, and now high hopes are put on the new structures arising from local adaptation of the PD.

### Implementation and actors

The country study exposes three unconnected worlds. First, the presidential discourse is both useful in attracting aid and serving electoral purposes of political marketing. It does not, however, put emphasis on the measurability of action and does not enter into the role of coordinator between implementing ministries. What is perceived as a "lack of government

leadership in policy definition", in the bureaucratic donor view of aid effectiveness, might actually be functional in a political sense. Secondly, donors are busy setting up coordination structures and programmes for service delivery and institution building. Suffering the disbursement pressure and interaction costs of coordination, they mostly work with the executive. They are deeply immersed in the core functions of statehood such as financial management, public services and decentralisation, but they shy away from domestic politics that go beyond Western blueprints of "civil society". The third arena – populations in rural villages and the urban poor – remain disconnected from the above worlds. Decentralisation has not yet reached the areas beyond Bamako and main regional cities.

Civil society is diverse. It took on a significant role in the democratic transition in the 1990s. Maintained by substantial donor funding, civil society organisations (CSO) are important providers of services particularly for remote rural communities. This duplicates the

government's mandate. Internal debate in the sector has exposed serious flaws in the quality of representation and legitimacy of internal governance. This is being debated now, and a code of conduct for the self-regulation of the civil society sector is proposed.

Parliamentary oversight has been weak. The political culture has reduced the national assembly to a resonance box for the consensual discourse of the president. Donors' presence has contributed to this by strengthening the executive.

### **Challenges**

In Mali, development policies seem to be dictated by donors. However, on a second level, when it comes to implementation, Malian actors reinterpret the guidelines, thus establishing a kind of "subversive ownership". The general break between formal definitions and informal practice contributes to this. This is exacerbated by the lack of viable data.

Government commits to political reforms (civil service reform, privatisation etc), but fails to implement. Donors keep compiling lists of "essential conditions", but are trapped by disbursement pressure when it comes to following up and reinforcing them. This unhealthy habit of non-compliance to policy-based conditionality, without triggering the promised sanctions, draws both donors and government in a dubious camaraderie.

Mali receives one of the highest levels of aid per capita and a third of the national budget is externally funded. Donors are still an enormous administrative burden to government, and the country has one of the highest concentrations of development actors. Bypassing mechanisms persist, international consultants manage government units, and no comprehensive capacity building plan exists. Although the needs of the population are vast, the Malian situation raises questions over decreasing returns for aid investment.

Entrenched corruption and impunity remain key constraints. Auditing organisations, although

supported by donors, remain inefficient and do not yet contribute to overhauling the structures.

Donor presence distorts the development of a genuine local capacity for policy formulation in various ways. The incentives to work for donors or inflated government programmes are immense. The knowledge produced still follows the project focus, thereby producing project evaluation-type documents. The shift towards critical policy impact assessments has not happened yet. This is also hindered by the slow reporting, with poor data, of government agencies. On the other hand no systematic attempt has been undertaken by Malian academics and consultants to establish strong independent research institutions for public policies. Mali's intellectual landscape seems to consist mainly of individuals. Some campaign organisations with analytical capacities are emerging lately, supported by western NGOs.

### **Opportunities**

The PD and the subsequent locally developed coordination and consultation mechanisms have generated a new concentric force for harmonisation, alignment and results orientation. All pieces of the puzzle are on the table and are waiting to be assembled. A number of initiatives – such as European-led donor mapping, a strong overall and sector focussed coordination structure, the drafting of a joint assistance strategy, the efforts to design division of labour and consented reform programmes, and capacity building in public service, public financial management and decentralisation – have kicked off a new dynamic of cooperation between donors and government that is focussed on both alleviating poverty and strengthening institutions. In order to assemble the pieces to the bigger picture, the linkages between the Paris commitments have to be made: Linking ownership to results management by making solid statistics a matter of public debate; and linking harmonisation to mutual accountability by establishing shared governance assessments.

During the 2006 monitoring exercise, the commitment to install a mechanism for measuring mutual accountability was taken. This could lead to a more structured dialogue on expectations and standards for good donorship and good governance. Mali is one of the few countries where the European governance profile is in the public domain. This is a first step towards including civil society in governance assessment, which could potentially reinforce the quality of ownership.

The current president is in his second mandate and will not serve another term. The recently elected assembly seems to host some genuine opposition parties, some of them preparing for the upcoming presidential elections that will be more contested. There are a number of democracy promotion actors that work to strengthen the national assembly's oversight capacity and the programmatic profiles and organisational structures of parties. All this could contribute to a maturing of the democracy with progressively established "rules of the games" for public debate.

Decentralisation promises to devolve decision making, budgeting and public oversight. This seems to create positive linkages with local mechanisms of accountability. In the local elections in 2004 the mandates of more than half of the representatives were not renewed, thus inaugurating an enforcement mechanism for answerability.

Civil society has critically engaged in the PD debate. A civil society consultation in October 2007 requested the replacement of the principle of "ownership" with "sovereign self-determination" and proposed alternatives to the externally driven PRSP process. Some donor-funded initiatives to strengthen civil society advocacy now focus on equipping civil society groups to take on their watchdog role.

## Nicaragua – counterproductive ownership?

As an aid dependent country (20.7 percent of GDP in 2005), Nicaragua has been a pilot case for the implementation of the Paris Declaration, to which it contributed by hosting a Joint Country Learning Evaluation Assessment, taking part in the design of the commitments, and quickly adopting a National Plan for Ownership, Harmonisation and Alignment. Historically, Nicaragua's status as a "donor darling" stems from the high levels of support it received from solidarity movements during the bloody civil war in the 1980s, the adoption of a first PRSP in 2000 and the active implementation of the HIPC process (2001-2004). As of 2007, the Paris agenda is living a rude awakening thanks to the change of government that ended the comfortable "special relationship" that existed between donors and the previous administration. As a consequence of political polarisation, deep-rooted clientelism and the weak institutional setting of the public sector, Nicaragua's political system is bedevilled by huge structural problems. Although consolidated as the only game in town, democracy has been achieved only partially and its deepening is blocked by failing channels for interest representation. Meanwhile, poverty and inequality indexes are still severely determining the living conditions of the poor majority.

### *Implementation and actors*

Nicaragua's political economy creates a challenging ground for the adaptation of the Paris agenda, since both the institutional setting and the political culture impede the achievement of social consensus in development related areas. Faced with polarisation between Sandinism and anti-Sandinism, clientelistic structures and an unstable public sector, the dynamic of donor harmonisation is focussed almost exclusively on interaction with the government. Spaces for influence and interlocution are sparsely consolidated for other domestic stakeholders. Participation has been limited to consultation processes with civil society organisations, which are mostly depending on donor's selective

interest to support the fragile National Participation System. While governmental ownership was at the centre of donors' attention, the National Assembly and the principal public oversight body, the National Comptroller's Office, are only superficially involved in the implementation process of the Paris commitments.

The country study identifies the main constraints for an effective role of the oversight triangle in the accountability, participation and transparency of development-related public policies backed by donor harmonisation.

Civil society organisations criticise the merely functional consultation during the set-up of the current National Development Plan, and there are also difficulties in safeguarding broader citizenship participation. Despite concern over the country's general democratic and institutional development, analytical capacities in face of the medium-term implications of donor harmonisation are still weak, especially regarding the increasing use of new aid modalities.

The National Assembly plays an active part in all aspects related to the Republic's general budget, loan programmes and financial legislation, but is often perceived as an obstacle to overcome for legislative changes required by the IMF, which are prerequisites for the disbursement of general and sector-wide budget support funds. Political polarisation narrows capacities not only in representing the citizenry, but also in participating actively in the construction of a national development project.

Although in charge of controlling the public administration and supervising governmental funds, the National Comptroller's Office does not directly audit the actions of donors and their contributions to different governmental programmes and budgets. Structurally still weak as a supervisory body, the institutional strengthening of the Comptroller's Office depends on somewhat fragmented support from a donor community concerned by the degree of political polarisation and corruption.

One of the main challenges for donor harmonisation is the atomised functioning of the oversight triangle. Alliances among civil society, the Assembly and the Comptroller's Office are difficult to achieve, since polarisation impedes the creation of common interests. Meanwhile, donors bid almost exclusively for interaction with the strong executive, without strategically involving other stakeholders.

### **Challenges**

As of 2007, the Paris agenda is living a rude awakening after the change of government. When the Ortega government came to power, it opted for a strong governmental ownership that imperils the deliberative spirit of the aid effectiveness agenda. The Sandinista government also abandoned spaces for political dialogue and entered into a markedly hardline discourse against Western "interventionism". Along with a worrying authoritarian inclination and the capitalisation of the presence of "new donors" (such as Venezuela and Iran), donors now face a "counterproductive ownership" (Schulz 2007). Within this more combative national leadership, the government is advancing towards a reassignment of the role of donors, which could imply a significant reduction of their influence. In addition to this, there is a possible reconstitution of the spaces and mechanisms for civil participation outside the established system, and a significant deterioration in transparency and access to information. These scarcely analysed processes have created a complex environment for this study, since the research had to take into account the progress of the effectiveness agenda over the past few years and its apparent demolition since the beginning of 2007.

In general terms, although the discourse of the donor community acknowledges the possible impact of its alignment and coordination with the government in Nicaragua's political system, the debate over its participation in the political economy is still incipient. The challenges faced by donors are fourfold. Firstly, donors show a clear tendency towards isolated strategies in their choice of instruments, especially regarding the strengthening of the capacities of

domestic stakeholders in light of the new aid modalities. Furthermore, these fragmented approaches have not succeeded in fostering alliances among oversight actors that could improve and consolidate accountability of both the government and the donor community.

Secondly, dialogue with the government has been concentrated excessively in the technical dimensions, without debating the political criteria for aid and its relevance to democratisation. Based rather on convenience than on commitment, harmonised donors have not developed stable relations with oversight actors that are seen as source of hard-to-control risks. Among donors, important frictions appear in the changing political landscape in Nicaragua, illustrating serious difficulties in reaching agreements and consensus on political issues at the framework level.

Thirdly, the institutional set-up of donor agencies is under reconstruction, adapting the overall Paris agenda, but the changes are focused mainly on joint procedures and mechanisms. Though political economy assessment is already part of the agenda in some headquarters, this has not been translated into analytical capacities in the field. In this context, devolution appears risky, since field offices could become increasingly dependent on the recipient government, especially when lacking a sound political economy analysis and strong backup from headquarters.

Finally, despite the commitment and knowledge of country office professionals, donors still fail in taking advantage of their human resources as the central pillars of coherent approaches to the specific political economy. Time constraints and rotation of expatriate staff is a major concern. On the other hand, despite their potentially very beneficial insights, the well-prepared national staff is not effectively integrated into the analysis of the political dimensions of the Paris agenda in Nicaragua.

### *Opportunities*

In spite of the apparent volatility of the rules of the game for international development cooperation, Nicaraguan is a valuable case from which to draw possible lessons. The future performance of donors in the face of challenges depends in large part on learning from the current situation and donors' capacity to look beyond effectiveness and adopt a constructive role in the political economy.

The country study recommends that donors committed to the Nicaraguan chapter of the Paris agenda consider the initiatives in four dimensions. Firstly, the choice of instruments may be improved by systematising and sharing good practices in modality menus. Consistent identification of the existing demand for institutional strengthening and specialisation of the oversight actors may improve the articulation of these players in the harmonisation process.

Secondly, analysis of the political economy and the basic ingredients of social consensus should be deepened and coordinated among donors. A jointly designed road map for governance and democratisation, backed by a code of conduct, should clarify the terms and strategies that could positively influence a deepening of democracy in Nicaragua. Horizontal political dialogue with the government should identify the political criteria for cooperation, in order to reinforce processes that already have a judicial framework and could foster social consensus.

Thirdly, the institutional set-up of donor agencies could be reconfigured to the political dimensions. It is necessary to accompany the devolution processes with a closer interaction and feedback on political economy and governance assessment between headquarter methodology units, on the hand, and field office staff, on the other. An in-country peer review mechanism could be useful for gathering lessons learnt among the different field offices.

Finally, in order to adapt human resources management, it is recommended that a specific time be assigned to the analysis of the political economy and

that officials be involved in the design and implementation of action strategies. Given the high level of internal rotation of expatriate personnel, it is vital to improve knowledge management. The complementarity between expatriate and national staff could be enhanced by more efficient design of the roles assigned, combined with deeper integration in the offices of the national professionals and better access to informal networks of national experts.

## Peru – alignment by decree?

Peru is a middle income country with an aid incidence of 0.7 percent of GNP. Nonetheless, excessive inequalities and extreme poverty – particularly along an urban-rural divide – characterise the picture. Peru has a history where institutions have been dismantled and authoritarian presidentialism has taken charge, although with some improvements in recent times.

### *Implementation and actors*

Aid delivery in Peru features a pronounced preference for delivering through NGOs, even when it is official development aid. Thus the NGO sector has become, in one view, a vibrant support structure for the excluded, and in another, an unrestrained duplication of structures and proliferation of actors. Whilst both views have some validity, the government seeks to manage NGO activities by aligning them by decree to national plans and seeking to channel more funds through government structures. The Peru case study relates concerns that alignment is requested for short-term government policies rather than long-term institutional objectives. Thus, the new control over aid funds is suspected of directing them towards electoral purposes. This gets more worrying when a legal “national emergency” construct is introduced, that could be used to crack down on NGOs working on sensitive areas like miners’ unions, indigenous groups or mobilisation against trade agreements. On the other hand, there seems to be no initiative, from donors or from NGOs, to stop the bypassing system and take “Paris” seriously.

### *Challenges*

Peru has signed the PD just as donors who operate in the country have. However, given the marginal role aid plays in terms of volume, the Paris commitments have not led to much change in donor practice. Most aid is still being channelled through non-governmental projects with little commitment to harmonisation. This is exacerbated by the recent departure of some of those donors that used to put greater emphasis on horizontal policy dialogue, alignment and programme modalities.

Peru has one of the most volatile political systems in Latin America with a one of the lowest levels of stability in the party system and little public confidence in political parties. This is combined with a highly centralised presidential system that barely allows for parliamentary oversight. Similarly, the judicial system and institutions of restraint are known to be weak and are frequently accused of corrupt practices. They still suffer the effects of the institutional dismantling and totalitarian presidentialism of the Fujimori regime. Civil society is vibrant and has started to professionalise and link up with research institutions. However, driven by erratic external funding, non-governmental organisations are fragmented and generate a multitude of unconnected project islands. Furthermore, many parliamentary representatives take on an aggressive stand towards externally funded civil society, which they perceive as intrusive in national affairs. Overall, the “oversight triangle” of parliament, horizontal control and civil society is both ineffective and poorly connected.

Peru, not being part of the HIPC initiative, has not drafted a PRSP. A comparable approach to participatory design of development objectives was taken in 2002 with the establishment of a “National Forum” which brought together government, political parties represented in parliament, non-governmental organisations and the private sector. This led to the “National Accord”, a document with a 20-year vision, which was not, however, broken down into planning, operational or budgetary guidelines. The newly elected government apparently gave up on the accord and replaced it with a top-down approach. To that end, it could build on the confrontational relationship that

exists between parliament and organised civil society. In Peru, all actors pay lip service to coordination, but few adhere to it. The recently instated government coordination body for aid policies has shown little inclination towards involving non-state actors or parliament in policy development. It had made “complementarity” – the claim that international aid should fill in where the government budget does not reach – the centrepiece of its planning strategy and now wishes to assign aid actors unilaterally to the sectors it deems necessary. Similarly, whilst all donors subscribe, on an abstract level, to the overall aid strategy, in practice they bilateralise their interaction with government with those ministries and policy frameworks that they feel are suitable. The proliferation of strategies and poor coherence within government makes this possible.

National and international NGOs have distinctive profiles within Peru. Whereas national NGOs act mostly in their advocacy and citizen oversight roles, most of the international NGOs engage in service provision in those areas where government does not reach. Regulating the sector has to distinguish between these categories. The national perception of NGOs has been that attempts by government to regulate the quality of service provision were also directed at controlling spaces of political engagement.

### **Opportunities**

The debate on the PD has reached Peru. On the one hand, government has taken the initiative to direct funds to sectors determined by them. On the other, the NGO sector fears that legitimate efforts to reduce transaction costs and better structure the proliferation of actors might be abused to limit their political independence. Thus, the government has presented its proposition for a new aid architecture within Peru, which could be criticised for its lack of broader ownership. However, a response is now due from the donor community to devise dialogue mechanisms with government and modalities that would take government concerns of an unaccountable landscape of small-scale projects seriously, and support the

government in its overall coordinating role. Therefore, donors have to revise their relations with both national and international NGOs, clearly distinguishing service provision and critical oversight functions.

Staff in field offices are often immersed in managing the numerous contracts with NGOs, and they thereby lose contact with the bigger picture. Some field offices continue to nurture by-passing structures, without being able to engage with government. Harmonisation is labour intensive and should be given greater rewards. Given that the NGO sector in Peru is a dominant actor in development policies, joint mechanisms for its accountability have to be put in place. The government attempt to legally control the sector with certification schemes, and the subsequent upheaval in NGO circles, provides an opportunity to renovate the either confrontational or avoidant relations between the political system and the non-governmental sector. In this light, NGOs should propose systems of self-governance and accountability to their constituencies, which would respond to the legitimate concerns of government in terms of financial accountability and results-focus, but would offer mechanisms of control managed by the non-governmental sector itself. Donors, being the major contributor to national and international NGO, can facilitate this process.

### **Vietnam – strong ownership?**

Vietnam heads all charts when it comes to economic growth and poverty reduction, and falls in the red zone when measured against indicators of political freedom. Despite the fact that Vietnam is one of the top ten recipients of net ODA flows in the world, it is a non aid-dependent country in the sense that, firstly, it has achieved much on its own after the start of cautious economic liberalisation in 1986, and secondly, it is the Vietnamese government that determines policy. Considered a laboratory for aid effectiveness even before the Rome and Paris Declarations, Vietnam has been working strenuously to translate ownership, alignment and harmonisation into practice, with a strong will and plenty of innovative and pilot

initiatives. Because of this, Vietnam is often considered a global leader in aid effectiveness, with important lessons for all donor agencies engaged in the Paris agenda. Though political opening and democratisation of the politically highly centralised one party state still falls behind in the priorities lists of donors in Hanoi, its historic experiences of dependency and interference from foreign actors has translated into strong ownership and self-determined leadership.

### **Implementation and actors**

Vietnam features a complex, but functional harmonisation set-up, led effectively by the Vietnamese government, mainly via its Ministry for Planning and Investment. Entrepreneurial donors lead the way with new coordination practices and are followed by the more cautious ones. General budget support is in its seventh cycle, with 13 multilateral and bilateral donors aboard and 17 different policy areas. Strong governmental ownership is a distinct feature, reflected in Hanoi's own socioeconomic development strategy that, in 2006, was widely consulted and recognised as the basis for alignment, avoiding an externally-driven, standard PRSP process (Alcaide/Sanz-Ramos 2007). Whilst political participation is tightly controlled, access to information for citizens, namely via e-government, is very advanced and represents an important experience for accountability in non-democratic environments. Aid relationships are also changing on the basis of Vietnamese engagement with the measurement of development results.

Donors are very much concentrated in the capital, owing to the mechanics of new aid modalities. Thus civil society is often confounded with urban groups, ignoring to a certain extent rural organisations, with their emerging voice. On the other hand, policy dialogue with government, through the general budget support and dialogue platforms, is open to the participation of international NGOs that currently are promoting the role of Vietnamese NGOs.

The persistent diversity of donors is crucial for democratisation from above, since pluralism in donor

approaches to policy dialogue interacts with diverse interest group dynamics in the one-party state and thus fosters political opening (Forsberg 2007). Apart from this by-product of the lack of harmonisation, it seems clear that the specific domestic political and institutional settings in Vietnam, especially the limited space for opposition, raise doubts over donors' general commitment to democratic opening.

One possible backdoor for political opening, democratisation and human rights may be opened by donors' collaboration in the fight against corruption and its prevention, to which the Government and the Party are becoming very committed. Triggered by scandals, successful donor coordination has supported these anti-corruption and judicial reform initiatives by government. Anti-corruption or public administration programmes are considered very sensitive, though, especially with regard to the political and institutional set-up and processes. As a result, constructive reform opportunities are mainly dependent on confidence based and non-confrontational aid relationships, where Sweden, seen by the Hanoi government as a "trusted friend", has had a remarkable comparative advantage over other donors (see Forsberg 2008).

### **Challenges**

Although Vietnam hosts one of the most successful chapters of the Paris agenda, donors' performance in the specific political and institutional environment faces several challenges. Two central dimensions of the impact of donor harmonisation in the democratisation in Vietnam are assessed below.

The first relates to the more technical side of the implementation of the aid effectiveness agenda. Despite the progresses achieved, the complex set-up of harmonisation keeps transaction costs high, concentrates staff in coordination activities and limits the social participation of (mostly international) NGOs. The corruption scandals in Vietnam have induced closer interest from headquarters (and donor constituencies) in country office commitments and is thus restricting further devolution. The use of national

systems and new aid modalities is still limited to some entrepreneurial donors, since for many agencies projects are still an attractive form of aid delivery. Some Vietnamese ministries and mass organisations also maintain a project culture. since projects are seen as the responsibility of donors and as a source of income to finance weak domestic systems.

The second level of assessment centres on donors' influence in the process of political opening of the one-party state without broad participation. Within the bid for strong national ownership, top-down approaches in decision-making reflect the wish of the government and the Party to maintain control over civil society. Consultations with civil society, although increasing, are still very limited. The reform process in Vietnam is highly "monopolised" by the leaders of the government and the Party, very often ignoring the opinions of lower level government officials and Vietnamese society. Donors face difficulties in participating directly in even minor changes to the political and institutional set-up, and concrete opportunities depend mainly on the degree of trust in the specific bilateral aid relationship. Within this context, it is still necessary to overcome the donor focused perspective on strong government ownership and to deepen understanding of the underlying interaction of interests and capacities of domestic stakeholders, that still represent a potential for democratisation.

### **Opportunities**

Within both dimensions mentioned above, there is still important potential for improvement among the donor community in Vietnam.

At the technical level, further division of labour on the basis of lead donor arrangements could help in reducing transaction costs. This depends largely on headquarters being willing to engage in complementarity and harmonisation at all levels, including the degree of devolution. On the other hand, both an increase of number and preparation of expatriate staff (in terms of soft skills, knowledge of public policies, etc.) are needed in order to enhance the capacities of donors to conduct

policy dialogue and evaluate and influence public policy. Capacity building for sectoral budget support operations and the introduction of new aid modalities on a pilot basis could boost, in the medium term, the use of national systems.

On the other hand, for the aid effectiveness agenda to be a catalyst for political opening, several entry points can be identified within a sensitive and non-confrontational approach. Joint analytical work among donors and staff preparedness could be reinforced, in order to facilitate a deeper understanding of the available windows of opportunity for political opening and donors' role in the existing political context. One important question to tackle is the impact of harmonisation (versus diversity) in the different interest groups and stakeholders within the one-party system, where democratisation will, in the medium term, depend on top-down decision making processes and find little in the way of a broad active response from the citizenry, which is interested above all in economic progress. Further commitment to the decentralisation process, for example via capacity building and the participation of sub-national actors in the aid effectiveness agenda, could open spaces for political and public sector reform. The anti-corruption agenda is another potential trigger for wider and broader changes, which could be explored in donor-recipient interactions, and that could advance cautiously from policy to political dialogue. In this context, the comparative advantages of donors could be considered not only by sector, but also in terms of enabling political changes, human rights and civil society participation.

## Common challenges: framing donorship in the political economy

The research process has taken four country cases, very different in terms of political systems, historical trajectories of claiming democratic inclusion and dealing with post-colonial structures, as well as basic facts such as income and inequality levels, social indicators, and aid dependency. In as much as it is difficult to extrapolate general lessons, this chapter intends to map the causal chains that link domestic political processes with the presence of foreign aid actors. The aim is to sensitise aid planners in headquarters and field offices to the explicit and implicit effects of international cooperation on the democratisation of partner countries' political systems. This chapter describes the interaction of aid and local processes of deepening democracy according to the three dimensions that we consider paramount for the political economy: transparency/access to information; participation/“voice”; and, accountability. The next chapter will then propose concrete steps on how to adapt donor agency structures and practices of aid provision to take these influences into account.

### Transparency and access to information

Citizens have to know what government proposes, what it is doing and what it delivers. Donors can support or obstruct this.

The country studies show some advances in response to the Paris commitments. Attention to budgetary processes and the new aid modalities - first and foremost budget support - has triggered support from institutional development actors to country-based information and statistic systems. In Vietnam, the vision of results-based management has been strongly

adopted by government. Building on historical experiences with planning exercises, targets are formulated and communicated to citizens. Additionally, e-government technologies have been introduced lately. In contrast, access to the quite well-established online information system in Nicaragua was restricted after the change of governmental in 2007, and in Mali any attempt to establish baselines on social or economic indicators ends up in the darkness of informality and lack of solid data. Many of these information systems will only become fully operational if donors rely on them for their own purposes as monitoring and evaluation indicators. This is not yet the case, except in countries – such as Vietnam – where budget support has kicked off a virtuous cycle of improving systems and aligning aid.

Another component is to know who does what in terms of aid provision. In the wake of the Paris Declaration, most countries have instated donor-reporting systems. In Mali an annual report, drafted by the European Commission and the technical pool of donors, provides (since 2006) detailed data on disbursements per sector, instrument, and region. This is done locally, and complements DAC reporting, as well as disclosing sharp differences between what the government thinks it gets and what donors say they do. Nicaragua has two domestic systems of aid reporting, one compulsory for official donors and one voluntary for non-governmental development cooperation. In Peru, since 2005, an agency has been charged with summarising the previously dispersed data in annual reports. In Vietnam, a development Assistance Database has been created that tracks and displays all aid flows.

While these initiatives represent a rather technical system between government and donors, their public availability, very often supported by webpages, allows for the engagement of civil society. Apart from lacking adequate internet access, few citizens in the South are actually prepared to make sense of the data provided. To that end it is necessary to disaggregate the term “civil society”. Apart from their overall accountability mandate, well-equipped and independent intermediary organisations, such as media, interest groups and

watchdog organisations, are required as transmission belts. They are needed to analyse data and from there construct consistent, publicly relevant narratives, be they measurable provisions to entitlements (“In 2010, no child shall go to bed hungry”) or corruption scandals. In some countries, donors have engaged in supporting budget-monitoring groups and media, although such capacity building is not linked strategically to the use of budget support and the support to public financial management. Furthermore, the oft-quoted distinction between service-provision and advocacy becomes difficult, because of the very fact that organisations that work in community-level provision of services are also potentially capacitated to verify and countercheck the information provided by government.

In some countries, such as Nicaragua, some of the sources for information have disappeared lately as a consequence of the change of government. In other countries, such as Vietnam, information is available, but engaging with it is more challenging due to the tight control of the public. In this respect, donors have either limited power or little inclination to stand up for basic rights such as freedom of association, freedom of speech and access to information.

Previously, institutions of restraint and auditing bodies were doing their work in relative silence. With new attention focused on government systems in the wake of the Paris Declaration commitments, some donors have propped up these institutions and have invested in their communications strategies. One example is the annual report of the “*verificateur general*” of Mali. A major challenge, however, remains in the politicisation of some of these institutions. Fearing the political risks, most donors in Nicaragua are reluctant to engage in the strengthening of the National Comptrollers Office, even though this oversight body is openly demanding both assistance and a more active role in the fiscal management of development funding to the Republic’s budget. In often highly centralised and executive-focused political systems, such as the presidential constitutions of Mali and Peru, courts of auditors and other mechanisms of horizontal control are often misused for political purposes. Although

donors push for extending their independence, their constitutional position and the leeway they are conceded depends heavily on domestic politics.

Parliaments in the four case study countries fulfil different roles. In Nicaragua, representation of the citizenry’s interests is limited by polarisation, corruption and clientelism. Immersed in a continuous struggle for power shares, the National Assembly has few incentives for transparency. Thus, it does not constitute an adequate channel for access to information, and rather seems to restrain the functioning of the overall institutional set-up. Representative democracy in Vietnam remains limited, and donors respect the basic message of the Vietnamese government not to interfere in domestic affairs. In Mali, parliamentary oversight is weak. Little control over government policies has been exercised, channelling concerns from and feeding back debates to constituencies has not been the habit of members of parliament, and developmental issues have been low on the agenda. This situation is exacerbated by the presidentialist constitution and the voting systems, which impede the development of strong parties and allow a vast number of small parties without programmatic profiles to get involved. There are signs however, that in the newly elected assembly, there is more substantial opposition. Furthermore, there are programmes within the decentralisation process that aim to work with parliamentarians to enhance downward accountability. In Peru, the main parties in parliament take an openly hostile stand against organised civil society. Continuing corruption scandals hamper the credibility of the representatives. The great volatility of the Peruvian party system is both reason and consequence of the extreme lack of trust in the political system. The executive continuously sidelines parliament. It was not involved in consultations on the National Cooperation Strategy. In general, most of these cases show political representation driven by clientelist motives rather than by the representation of electorates and programmatic choices.

The results of the country studies highlight that parliaments are poorly equipped to exercise their role

of overseers and inform constituencies. Often neglected and marginalised in aid relationships, parliaments should have a fundamental role in the general governance context and their performance is essential to all three dimensions of the political economy. Donors have traditionally focused on the executive and civil society in the national planning and monitoring process. Parliamentary performance should be strengthened as part of a focus on democratic ownership and enhanced domestic accountability, however, whilst also taking into account the social and cultural environment (see also ODI 2007).

In all case studies, access to information on government programmes was seen as being limited to the capital. And although decentralisation programmes are under way in all countries, the main debates are focused in the capital and neither local governments nor decentralised civil society groups are integrated into national debates. Often donors are concentrated in the capital, and have little contact with remoter regions.

Information and statistics are not always disaggregated by gender. Such disaggregation would allow a tracking of the gender-impact of policies and outcomes, and, thus, allow for a social mobilisation and media reporting focussed on gender inequality.

On a more general note, donors themselves distort access to information for citizens because they give too little, too much, or the wrong information to civil society. On the one hand, donors still subscribe to old habits of flagposting and have communication strategies for their projects, not for the overall engagement with government and the development of the country as a whole. This often leads to the perception that getting services is a question of good luck or having special skills that attract donors. This in turn prevents poor men and women from developing the perception that access to services is a right, which is to be fulfilled by the state as a duty-bearer and which can be demanded through social mobilisation. In Peru in particular we found the landscape littered by small-scale projects that can barely disguise their ultimately charitable character.

Donors also provide too little information. Dealings with government, both political dialogue and dialogue on policies, along with mutual agreements on conditionalities and the assessments to establish the point of departure for governance reforms, are often not shared with civil society. A notable example is the EC governance profile in Mali, which has been added as an annex to the assistance strategy.

## Participation / “voice”

Participation and voice refer to the possibility for citizens to shape government policies and demand changes and improvements in their implementation. The Paris Declaration has implicitly moved participation from default models of project participation to a level of citizen participation on national development planning, though. In many instances this move has not been fully taken on. “Participation” still generates naïve pictures of “sitting under the mango tree”. Very often, “participation” is pursued through spaces for invited consultations that are geared towards informing citizens and approving policies with the “consulted” rubber-stamp requested by the donors, rather than to subjecting government proposals to scrutiny and ultimately being able to change them. Opposed to this, there is a concept of participation that attempts to increase the society-state interface by moving them closer to each other. State institutions would move closer to citizens if complaints and social auditing mechanisms are included in institutions and service programmes. And society could move closer to the state if their capacities for claiming rights were enhanced by supporting social mobilization, interest aggregation and institutional capacity-building to engage technically with government policies. The aid industry’s default model for participation is the Comprehensive Development Framework and the corresponding poverty reduction strategy process.

In Vietnam, instead of accepting an international blueprint, the government has insisted on devising its own strategy, the Socio-Economic Development Plan 2006-2010. In this strategy, however, elements of

poverty reduction and consultations are included, in part due to donors' lobbying of government. However, consultation mechanisms remain tightly controlled by both government and local party structures. There is a common understanding between donors that pressing the Vietnamese government towards democratic opening would be counterproductive and all attention is set on improving technical elements of the state bureaucracy, service provision and private sector development.

In Mali, the situation seems to be the reverse. An open society is faced with poor developmental outcomes. Although Mali has a very active and diverse civil society, the citizen-state relationship suffers from a series of disconnections. Policy-making, planning and budgeting is disconnected from implementation and political discourse, and official representative structures such as parliament are disconnected from rural realities. The leadership meanwhile seems to be more interested in political marketing than genuine developmental vision. This allows for a proliferation of "participation" practices that do not manage to really influence decision-making, which remains concentrated in a small circle of political and technical elites and senior advisors from donor agencies. The opportunities for civil society to request more substantial involvement are limited both by their capacities to engage technically with government policies, and because it is not possible to establish evidence of the actual policy outcomes of government policies that are largely unknown due to lack of solid data.

In Nicaragua, a clear gap exists between citizenry and the weak institutions that are failing to represent interests and channel effective participation. The established National Participation System suffers from fragility and volatility. It is mainly being used in a functionalist way, aiming at consulting on national development policies. It lacks the long-term and systematic support necessary to evolve towards a mechanism that enhances the citizen-state relationship and fosters social dialogue and consensus, however. Participation of ordinary citizens remains limited, as donors and the government mainly interact with

Managua-based NGOs, led by former Sandinista activist, that manifest certain deficits in representing the poor majority. Lacking professionalisation and preoccupied with the overall political and societal development, organised civil society in Nicaragua is not yet fully prepared to effectively supervise the implementation of the Paris agenda and particularly the new aid modalities. Finally, since measuring of development outcomes is still superficial, concrete entry points for civil society advocacy and broad citizen participation are scarce.

Peru is still suffering the after-effects of the dismantling of institutions that took place during the Fujimori regime. All decisions were concentrated in the President's hands and national institutions were not opened to citizen scrutiny, nor could civil society claim spaces to influence government. The attempt of the successor government, led by Alejandro Toledo (2000-05), to establish a national consensus on development objectives – the National Accord – has not been taken up by the government of Alan Garcia. This is just one example of how permanent monitoring of social and economic objectives cannot develop because of the continuously changing institutional and strategic landscape, which seems to change every five years with a new president. As has been explained, the current government strives to align NGO action to their electoral programmes rather than to long-term state policies. This makes citizen participation difficult because both institutional capacities and development outcomes are moving targets.

It is intended that the process of establishing an operational development strategy, which leads to a PRSP, be a politically neutral exercise, taking place in parallel to the political system. The lack of synchronisation with electoral cycles should try to preserve a consensus on poverty reduction policies untouched by party politics. However, as the results in Nicaragua show, with a change in government, support for these strategies might vanish. The lack of commitment from Nicaraguan civil society, who supposedly co-owned the strategy, demonstrates that the consultation process did not succeed in creating a

broad citizenry consensus on the currently orphaned PRSP.

In general, donors very often still recur to blueprint approaches to “participation” that do not achieve serious engagement on policy, as opposed to tokenistic consultations that are all-too-often one-way in nature. In other words, donors still sit “under the mango tree” whilst the train has moved on to more institutionalised practices involving critical civil society, southern-based policy research centres, political parties, organised social movements, business representatives and others. Another general finding is that, in order to enhance participation and voice, it is as important to view this both from a sector approach perspective, in the sense of stand-alone democracy promotion, as to inscribe its logic into every other programme, by promoting institutional openings in public administrations and helping clients to claim better services.

## Accountability

Accountability within a state means that those in power disclose their objectives and actions and that they face sanctions in case they do not comply (Moore & Teskey 2006).

“Mutual Accountability”, as defined by the Paris Declaration, defines partner governments’ responsibility for downward accountability to citizens and parliaments, donors’ commitment to predictability, and the obligation of both to establish an open dialogue and measurement of this and the other Paris commitments.

The country studies provide a wide set of institutional and cultural configurations of how the ethos of “holding those in power to account” actually materialises.

In Mali, it is widely known and silently accepted that public services do not trickle down to the regions. Large holes were detected in sector budgets (the education ministry, for example, could not account for funds received for printing schoolbooks). Whilst this

indicates significant difficulties in implementing accountability at the level of integrity of national systems, the challenges on a more political level – where public managers would be held accountable for actually delivering on their goals – are even less developed. No managerial information on the performance of government departments is available (Bedi 2006, 171). In terms of horizontal oversight, there are two institutional mechanisms – the *Verificateur General* (a kind of Anti-Corruption Commission) and the *Cour de Compte* (similar to National Auditing Office). Whilst the former depends exclusively on the president, the latter is still very ineffective and poorly supported by donors. There is confusion about the respective roles of these two bodies, which are potentially overlapping. Despite being acknowledged as a high-corruption environment, few cases of embezzlement have been prosecuted in Mali so far. One mechanism that does seem to work as a sanctioning device is the local elections – in the 2004 elections, less than half of the representatives were re-elected for a second term.

Within the Nicaragua chapter of the Paris agenda, the main impulse for accountability comes from from the National Follow-Up System on Development Indicators (SINASID) and the performance matrixes of the National Development Plan, general budget support and sector-wide approaches. Nonetheless, measuring and reporting is fragmented in these still relatively new systems. The general interplay of public institutions does not facilitate sound checks and balances, since both oversight bodies (Assembly and Comptroller’s Office) lack sufficient capacities, receive little donor support and form part of the highly politicised struggle for power. Hence, institutional accountability channels are narrow, leaving little space for NGOs and citizenry to hold the government to account. Since alliances among the different oversight actors are extremely difficult to construct in the polarised political economy, most accountability mechanisms rely on donor engagement that is focussed more on functional issues than on a general support for accountability as part of the democratisation of the political system.

In Peru, the government's one-sided interpretation of the Paris Declaration as a means to demand alignment with government plans has led to an increased control over civil society organisations, as opposed to greater transparency.

In Vietnam, planning traditions could be integrated into the new results-focussed orientation. There are very strong structures for internal administrative controls, whilst the citizenry's voice and downward accountability are historically limited and are still perceived as foreign to the system. Furthermore, the control of corrupt practices has become a genuine concern of government and is supported by donors. Therefore mechanisms of horizontal control and oversight are reinforced, even though participation is still tightly restricted.

Impunity is the greatest enemy of accountability. In various countries (eg. Mali, Nicaragua and Peru) corruption has been detected and no sanctions were applied. This gives the wrong signals to government and discourages civil society. Whilst economic conditionalities are highly contested by Northern and Southern CSOs, mutually agreed political conditionalities, ie. red lines for acceptable behaviour, deserve reconsideration, in the context of both domestic accountability and a more contractual mutual accountability between donors and recipients. Thus far, it does not seem that impunity can lead to a cut in aid flows, although measures against corruption figure frequently in aid framework agreements, such as the World Bank's Poverty Reduction Support Credits or the European Commission's Governance Profile.

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## Recommendations: moving towards good practices

The above chapters have set out the context, examining the broader shifts in the aid architecture (chapter 1), they have presented the case study findings (chapter 2) and have distilled the political economy with regard to the dimensions of transparency, participation and accountability (chapter 3). This chapter turns its attention towards the implications for donors. Five levels are explored that constitute the overall set-up of aid delivery: Political dialogue, analytical capacities, choice of instruments, institutional configurations and human resources.

### Analytical capacities

Democratic deepening is intimately linked to establishing facts and narratives on the quality of the political system. Donors are getting involved in this process on three levels in partner countries. First, donors have to analyse the situation and trajectory of democratic rule in order to situate themselves. Second, donors have to enter into a dialogue with partner governments in order to establish a common understanding on what constitutes "good governance". Third, donors impact on the capacities of civil society to monitor government performance. The following paragraphs describe the options available to donors according to this structure.

**Donor analysis of partner countries:** The new aid agenda supposedly puts governments in the driver's seat. This forces donors to analyse their willingness and capacity for institutional reform and their pro-poor orientation. There are a number of tools that have been developed lately (OECD DAC, 2005b), such as the British Drivers of Change methodology (GSDRC, no date), the Swedish Power Analysis (SIDA, 2006), or more recently the Dutch Strategic Governance and

Corruption Assessment (Unsworth & CRU, 2006). These methodologies allow field staff, senior planners and diplomats who conduct political dialogue to determine strategic entry points for engaging with government. The methodology has to be flexible, but must allow for cross-country comparisons in order to facilitate organisational learning within the agency. A mixed team of in-country and headquarters staff can best provide this analysis. Involving consultants has to be assessed cautiously, as this impedes the ownership of these analyses by staff who later have to work with them. To conduct such assessments is both necessary and highly labour intensive. This, again, is another argument for focussing on fewer countries. These kind of analyses might be undisclosed and for staff use only.

**Shared analysis with government:** Given the importance of governance issues for development outcomes, a number of assessments are currently used which establish benchmarks for both capability and legitimacy. Basically, these can be divided up by the authorship of those drawing them up. They can be external assessments, negotiated benchmarks, self-assessments or peer-reviews (Rakner/Wang, 2007). This is a product that has a two-fold objective: one is to establish the state of governance, the other to generate willingness for reform. Whilst in the light of the former (establishing evidence) an external expert-based assessment might be more recommendable, in the light of the latter (fostering reform) an inclusive process is more desirable. Whilst donor proliferation and administrative over-burdening has become partially controlled at the level of programme implementation through joint programming and programme approaches etc, the proliferation of instruments is replicated at the level of governance assessments. This means that instead of overburdening governments with their programming desires, they do so with their governance assessment questionnaires. Therefore, joint, or at least coordinated, approaches are necessary.

**Analytical capacities of civil society:** Donors impact indirectly on the level of democracy by distorting the academic and intellectual landscape of partner countries. An immediate, necessary adjustment is to

devise strategies for human resource recruitment and remuneration practices that do no harm. Moreover, strategic funding for locally generated evidence should be developed. Monitoring public policies and public budgets becomes increasingly important, and civil society capacities have to be stepped up accordingly. One instrument would be structural funding for national research organisations and think-tanks. To that end it is necessary to depart from naïve concepts of participation and disaggregate “civil society”. Intermediary organisations, such as labour unions, professional organisations, parties and others, fulfil an important role in interest aggregation. Policy-oriented research does not necessarily have to be independent, but it has to adhere to rigorous academic standards. Hence, genuine and thorough knowledge production should be funded. This kind of support to the analytical capacities of civil society could be pooled between donors in order to avoid too much dispersion and focus on just a few centres of excellence. Some of our interview partners in the partner countries, who are engaged in policy research, stressed that donor diversity is an asset for democratic diversity, however.

## Menu of instruments

There are two ways in which donors strengthen the involvement of citizens. Donors either develop larger programmes for poverty reduction, that have an *inbuilt logic* facilitating governments in taking on their role effectively as regulators and service providers in a way that citizens can actively engage with. Otherwise, donors promote the responsive capacities of states and citizens directly.

**Poverty reduction programmes with inbuilt democratising logic:** The modality that has generated most debate is general budget support. The argument is that by channelling funds through government systems these become more solid, and, at the same time, citizens start claiming more coverage and quality of services as well as more inclusion in formulating policies. The evaluability of this assertion is still contested, but it can claim a certain plausibility (see IDD 2006). No donor provides its main share to this

modality - it is always backed up by other aid instruments, such as technical assistance, projects or capacity-building initiatives. We have seen in Mali that this instrument can create a very positive dynamic of stirring up expectations of civil society, state actors and donors, as well as leading to increased attention to the actors of the oversight triangle. It is a major gateway for a new dialogue on government systems and service outcomes. In Vietnam, this instrument has led to increased effectiveness of government, as well as putting the donor-government relationship on a new footing. However, in Nicaragua donors that have largely relied on this modality have found themselves ill-prepared for a change in the political context. In Peru, given the relative insignificance of aid as compared to the national budget, other modalities are better considered.

Budget support and other programme modalities often find themselves confronted with a chicken and egg problem. Budget support needs capable government, but, on the other hand, it is this particular instrument that develops government systems and capacities. Therefore, the current debate, rather than putting up some – rather high – minimal standards, focuses on identifying the trajectory of state willingness, in order to enter a virtuous cycle of mutually enhancing donor engagement and capacity development, even though this journey is embarked upon at a very low level.

**Promoting states' responsive capacities and citizens' capabilities directly:** Important lessons can be learnt from the democracy promotion community. It is important to link the "voice" component with that of accountability. Most programmes work only on one side of the citizen-state contract. It is important to strengthen both state capacity to be accountable and citizen capacity to monitor government performance and influence policies. The linkages in the oversight triangle – civil society, parliament and horizontal controls – need to be worked on.

Voice & accountability SWAp: Most programmes for strengthening civil society are piecemeal funding of certain groups, sometimes close to particular donors.

Often civil society organisations depend on project funding without having any predictable institutional support. One way to overcome this would be to set up joint funds. An example is the Nicaraguan civil society programme (*Fondo Comun de Apoyo a la Sociedad Civil para la Gobernabilidad Democrática*) that, unfortunately, still lacks a strategic approach in terms of voice.

Access to information is a key condition and therefore independent media plays an important role. Taking this into account, there are again two consequences. First, donors could set up programmes to enhance the capacities of journalists and the media in aid receiving countries. These kinds of programmes would situate themselves on the interface of democracy promotion and development aid. Then, secondly, donors have to work on their own transparency towards the domestic public. The disclosure and communications strategies of embassies and aid agencies should become default actions whenever budgeting, programming and political dialogue takes place. Therefore, the local press is a key player.<sup>1</sup>

## Institutional set-up

Whilst debates in donor headquarters increasingly establish the Paris commitments as the pivotal point, country offices are faced with the constraints of both implementing these and "getting the job done" as usual. Disbursement pressure, interaction costs generated by harmonisation, unsequenced planning and the budgeting cycles of both donors and governments, and short-term planning that does not allow for a political and constitutional development perspective are some of the contradictions that come together in field offices. In this sense, field office staff are caught between the Scylla of donor plans and the Charybdis of government leadership. To make this work, field offices have to be equipped with the right mandates and incentives to negotiate aid, disburse the funds entrusted to them, and contribute to the building of viable

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<sup>1</sup> A promising line of action is the initiative "heart of change" promoted by the London-based PANOS institute [www.panos.org.uk/heartofchange](http://www.panos.org.uk/heartofchange)

institutions, that are both effective and democratic. This is a lot to ask. Here are some elements that need to be considered:

**Cautious decentralisation and delegation to country offices:** Devolution of decision making to field offices, posting of senior staff in partner countries and more flexibility in the programming instruments are necessary conditions to make country ownership possible. Only when field offices have the mandate to adapt to the local interpretation of the Paris Declaration can they take the broader impacts on democratic accountability and the spaces for administrative, political or civil oversight into account. However, some donor agencies have witnessed a “decentralisation by omission”, meaning that wide leeway was given to country offices not regulated by any kind of guidelines or substantial support from headquarter-based policy units. In other words, field staff are left alone. Devolution needs to be supported by headquarters. A range of organisational models are currently being tested by various agencies, that include defining basic staff profiles, establish mixed task teams, combining regional with technical expertise, and facilitating the exchange of in-country knowledge and headquarters policy making. One of the most important issues is to enable institutionally (and contractually) the circulation of personnel between partner countries and headquarters.

**Cross-country learning is paramount.** One way to ensure learning is to conduct comparative studies from headquarters with participatory research techniques, including field staff. An innovative approach is to have field staff assess a neighbouring country office’s practices or facilitate their self-assessment process. In order to better respond to the contexts of partner country politics and react to political opportunities and turn-arounds, the organisational culture in agencies need to be innovation friendly and entrepreneurial. To generate this kind of vision-driven organisational culture is a major managerial challenge for aid agencies, particularly when concerns over financial accountability persist and bureaucratic procedures suffocate initiative.

**Adaptation of methodological guidelines for political economy analysis and political strategies:** Planning, implementation and evaluation guidelines need to include the political dimension of aid. Just as environmental and gender objectives have been “mainstreamed” – which has often been a mask for their disappearance – the impact of aid on local politics needs to be reflected continuously. However, rather than adding another paragraph to a planning matrix or another box to be filled out in an assessment sheet, thinking politically, analysing institutional impacts and acting with in-built logics of democratic opening should be fostered by a culture of learning. This has to be reflected in the organisational structure of aid agencies, such as the composition of task teams, open evaluation guidelines and strategies for evaluation uptake, blurring of borders between regional and functional units and others. Currently, many administrative procedures and internal competition, together with the well-known pressure for disbursement, generate a climate of fear and an approval-seeking culture rather than one of entrepreneurial openness to looking for what works and what doesn’t.

**In a globalised world, coherence issues have to be centralised:** Non-aid issues are increasingly important within international development departments in donor countries. Influencing their government colleagues to be more poverty sensitive has become part of their mandate. Country offices can monitor the impact of non-aid policies – be they cotton subsidies in Mali, restrictions to immigration and facilitation of remittances in Peru, labour standards in Vietnam, or investment in privatised public services in Nicaragua. An upwards communication from field offices to the headquarters is needed to strengthen their voices in the cabinet by providing in-country evidence and narratives. This is a new role that needs resources, political dedication and the right skills.

A main lesson from the case studies is that there is a range of local interpretations of the PD, and in recent years the debate has shifted, to some extent, from the donor headquarters to the national capitals of partner

countries. This is why donor agencies need to devolve the decisions to their field offices, but not without equipping staff with the necessary skills and back-up. Donors can “buy a seat at the table” with government when they apply new aid modalities. But then, they have to know their “table manners”, that is, knowing how to speak, how to analyse and how to influence.

## Human resources and incentives

Within agencies, in-field human resources are paramount not only to effective aid delivery, but also to the performance of donors in the political economy of partner countries. Over the last decade, most donors have invested heavily in staff quantity and quality, being conscious of the need for politically sensitive, “all-rounder” professionals in a shifting and increasingly complex development agenda. The degree of commitment to both donor policies and development of partner countries has intensified within this group of professionals that interacts directly with a wide range of actors in developing countries. Furthermore, donor agencies have substantially reinforced methodological and analytical capacities in order to face the challenges of the new aid architecture. Nowadays, expertise in public financial management, donor coordination and policy dialogue has been clearly identified as an important issue in order to prepare agency staff for the aid effectiveness agenda. Thus far, little has been done to foster donors’ adaptation to the challenges of the political economy, for example in terms of analytical capacities (see above) and knowledge management, however. There is often a lack of knowledge of political reform and democratisation, and understanding of the role of the donor community in domestic political processes is generally weak.

**Incentives for staff performance:** The case studies evince an overconcentration on procedures and mechanisms, thanks to the focus on technical dimensions of aid delivery, that leaves little space for analytical work. Disbursement pressure and approval culture are still perceived as the main incentives for expatriate staff, creating a vicious cycle in which aid seems to be managed on tight deadlines, but not

sufficiently adapted to the real world conditions of the partner countries. Contrary to the ethos of decreasing transaction costs, coordination with other donors is extremely time-consuming, at least in its early stages (in some cases, taking up to two years to draw up a sector-wide code of conduct), and meets with only limited comprehension from most headquarters, which are more interested in compliance with the indicators of the Paris agenda.

All this constrains the motivation of in-country donor staff to explore and understand in a systematic way the performance of their agency in the political economy of the partner country, and specifically, the impact of harmonisation on the democratisation process. Thus, it is necessary to revise the explicit and implicit incentives at the in-county level within a more generous investment in training, motivation systems and coaching, especially with regard to dialogue and analytical capacities. A first measure could be to assign a specific time to the analysis of the political economy. Officials should, secondly, also be involved more deeply in the design and implementation of the more political parts of country strategies, assuring a more active interplay between headquarters and field offices. Finally, the promotion of debates on specific issues relating to the political economy, in which the entire personnel of each office (and the embassy, if applicable) participate, could be useful to enhance the accumulation of lessons learnt.

**Rotation, knowledge management and partnerships:** Given the high level of internal rotation of expatriate staff in virtually all donor agencies, it is vital to improve knowledge management and ensuring continuing relationships with national stakeholders, which are being constantly undermined. Although rotation is seen as beneficial in order to facilitate continuous “refreshment”, ideally also feeding into the respective headquarters, the drain on relation building and lessons learnt is still a huge challenge. This problem is especially acute in the analysis of the political economy of a partner country, which often requires consolidated access to informal information networks, which require a long-term investment in

confidence and proximity to partners in the recipient country. Concrete options include the design of specific instruments of accumulation and systematisation of experience, such as continuous evaluations, the development of online fora focussing on the partner countries, more systematised network management and updated manuals relating to the political economy and its most relevant actors. Continued networking and sustainable relations should be ensured through a more sensitive introduction of newly arrived staff into existing contacts with national stakeholders. More generally, a revision of the rotation system, with a certain level of flexibility in relation to the extension of permanence in partner countries, would be useful.

**Integration of national staff:** In most developing countries, in-field offices employ national professionals as part of their staff or in specific medium-term consultancy roles. Developing their professional careers with consultancy contracts, from the government and the different ministries, national and international NGOs and research centres, and development cooperation agencies, many of these professionals provide a sensitive source of information and could act as a link between offices and national actors, often via informal networks. Donors generally take no advantage of this cluster of professionals, which represents an enormous opportunity for understanding the political context and developing coherent strategies for the country's political economy, however. At least two basic human resources management improvements are possible with respect to national staff. First, a more efficient design of the roles assigned, combined with deeper integration in the offices and respective tasks, could lead to important benefits in terms of learning and feedback between national and expatriate staff. Secondly, the link with informal information networks is another aspect that needs more strategic attention, especially with regards to "soft" information on the political economy. Finally, donors should generally shift from a functionalist approach ("national staff is cheaper") to a more comprehensive analysis of the strategic potentials of this group of professionals ("national staff is an entry point").

## Political dialogue

In all the case studies, the dialogue between donors and the recipient country is pursued mainly on the policy level (for example, in sector-wide approaches). In contrast, political dialogue, understood as the exchange of concepts, ideas and prospects regarding the overall political system, broader governance issues and democratisation, does not have a strategic place in the existing aid relationships. In this sense, the influence of donor harmonisation in the democratisation of partner countries is generated indirectly, by a closer relationship focussed on developmental issues, but seems to lack a broader perspective of the underlying political processes. The understanding of donors' own role in the political dimensions of partner country development is still incipient, although the increasing use of aid modalities implies very sensitive consequences in terms of participation, transparency and accountability. As we have seen in the previous chapter, these political economy factors develop in a rather spontaneous manner when compared to progress in democratisation. The fragmented support of donors to domestic institutions, systems and mechanisms reflects the failure to pursue an integral approach that could connect development aid to a deepening of democracy. Apart from sound analytical capacities (see below), donors could engage in this missing link by clarifying and debating their political agenda with the government, by improving dialogue among donors on political dimensions of aid and by fostering dialogue among domestic stakeholders.

**The political agenda of aid and aid effectiveness:** Supposedly based on purely technical commitments, the implementation of the Paris Declaration also generates political implications for donor-recipient relationships. As discussed in this paper, special attention should be given to the quality of ownership within a mutual accountability oriented relationship. Whilst the set-up of national development plans or sound procurement and medium-term expenditure frameworks is the principal indicator of the Paris Declaration, the underlying political economy in all

country studies shows that ownership develops in a very complex environment that is not always beneficial to democratisation. In this context, donors need, firstly, to become aware of the impact of harmonisation on the dynamics of the respective political system and, on this basis, define their criteria for aid to become democratisation-friendly. Fostering democratic ownership should include improving the political economy and informed consensus among governments, parliaments, public oversight bodies and civil society. To this end, it is vital that the embassies and field offices of each donor country identify possible synergies and coherences, especially in highly dependent countries, where diplomatic relations are also shaped by aid volumes and fund assignment. Different scenarios should be adapted to each national context, which are very diverse in the four country studies of this research project. Possible roadmaps for integrally enhancing governance and deepening democracy should be discussed very carefully with the partner country government, respecting partner country sovereignty and policy spaces, but also clarifying donors' interest in the development of the overall political system and a form of ownership that advances gradually towards greater participation, accountability and transparency. Ideally, this more political dialogue should take place in a coordinated way and within the top-level dialogue mechanism.

**Dialogue among donors:** Adapting different approaches to aid delivery, the donor community in all country studies tended to disperse in different groups (entrepreneurial, like-minded, Paris sceptics, etc.). Joint work on the political dimensions of aid seems very difficult to achieve, but is paramount to fostering a learning process and, in the medium-term, avoiding free rider situations when trying to reinforce democratisation friendly development aid. To this end, donors need joint spaces and processes, preferably in an adequately established scheme of observation, analysis and follow-up (see below: analytical capacities). Beyond coordination, it is necessary to carry out more joint studies of the political economy and its relevance to development processes. It is likewise necessary to identify the determining factors

and ingredients for consensus on the development of the different stakeholders. Constant dialogue on the interests, limitations and incentives of each donor is also required, especially in the context of weak institutions. A specific code of conduct could improve donors' joint actions. These initiatives could be launched by "like-minded" or entrepreneurial donors, but should, as far as possible, facilitate the gradual participation of donors that are still not involved in the Paris agenda.

**Support for dialogue among national stakeholders:**

The case studies suggest that the oversight actors face important difficulties in engaging fully in the political economy of aid and especially of new aid modalities. In general, focussing on government ownership, donors have invested rather fragmented efforts in the engagement and capacities of stakeholders with respect to accountability, participation and transparency. A more active and informed role of civil society, parliaments and public audit institutions is desirable. Apart from revising their support to participation and consultation mechanisms, the donor community could promote a better interaction among these stakeholders. In this sense, it is paramount, firstly, to identify clearly the existing demand for institutional strengthening and resources, facilitating greater autonomy and capacity to these actors. Secondly, joint donor funding for civil society activities, strengthening of parliament and support to audit bodies should be coordinated around feasible road maps for improving governance and democratisation (see above). Thirdly, stable spaces for interaction and identification of common interests could be opened by creating circles of debate that include agency officials, independent experts, academia and representatives of the oversight actors. Finally, common denominators among the different stakeholders could be effectively identified and fostered in selected sector-wide approaches, where the interaction of national stakeholders may find fertile ground to create positive experiences of enhancing the political economy.

## Conclusion

The Paris Declaration enshrines the potential for a more political perspective on the changing aid relationships. It potentially allows for a shift in focus from an often confrontational stalemate between donors and governments, to an encounter on neutral ground based on globally agreed and locally renegotiated principles. This renegotiation of aid includes organised civil society and oversight organs at both ends of the accountability chain. The Paris commitments, that potentially enable this new dialogue, have two levels – on the one hand, what we called the “spirit”, and on the other, the more technical, measurable indicators. It is important to balance the tensions between the necessary technical details and the “spirit”. If democratic practices are to deepen, it is paramount to tie the “spirit” to internationally agreed principles of social inclusion and political participation. These are ultimately defined by human rights. It is essential to bridge this gap between technical coordination structures and grandiose universal principles. Both are important, but one without the other leads to little progress.

Beyond technocratic approaches, the new aid architecture has explicitly political dimensions, especially when implementing new aid modalities (principally budget support). Donors now sit at the table with governments to negotiate and determine policies that affect the day-to-day life of men and women in the South. This new level of involvement might strengthen the executive and weaken democratic participation and effective oversight. Yet, it might also lend support to civil society control by requesting accountability, participation and transparency and a reduction in the numbers of actors and programmes. There is also an opportunity to strengthen horizontal mechanisms of oversight and control systems if donors use them to channel and audit their own funds. If a deepening of democratic practices is to happen, donors have to consider the secondary effects when designing their country strategies and programmes.

Ownership and mutual accountability must be taken as the cornerstones when tracking the impact of donors’ presence in local processes of deepening democracy. In the future, these components of the PD could become a more politically charged matter of negotiation within the aid chain. If aid delivery is to become democratisation-friendly, the Paris commitments should involve more than just rubberstamping governments as legitimate. Not only their quantity matters, but also the quality. “Mutual accountability” should first and foremost determine how much policy space is conceded to government and how much of this space is shared downwards beyond the executive. “Ownership” should meanwhile specify to what extent citizens and organised civil society are involved in policy formulation and oversight.

On the other hand, the more managerial elements of harmonisation, alignment and results-orientation provide an entry point, as well. Even in adverse scenarios, seemingly technical issues can kick-start meaningful processes of citizen engagement and effective oversight mechanisms, including parliaments and public audit bodies, and can thereby prepare the ground for democratic ownership.

This study reveals that local interpretations of the Paris commitments – which are by no means a magic bullet – are very diverse. Therefore, first and foremost, donors have to understand the local political context. Bridging Paris with Bamako, Hanoi, Managua and Lima is the challenge. In other words, whilst high level political commitment to better aid is necessary, the tedious groundwork of breaking these down into action needs to be done in the partner countries. On the fertile ground of the country studies, comprehensive and concrete options have been elaborated in this synthesis paper. They aim to guide the adaptation of donors and their agencies to the political challenges of donor harmonisation and its impact on democratisation.

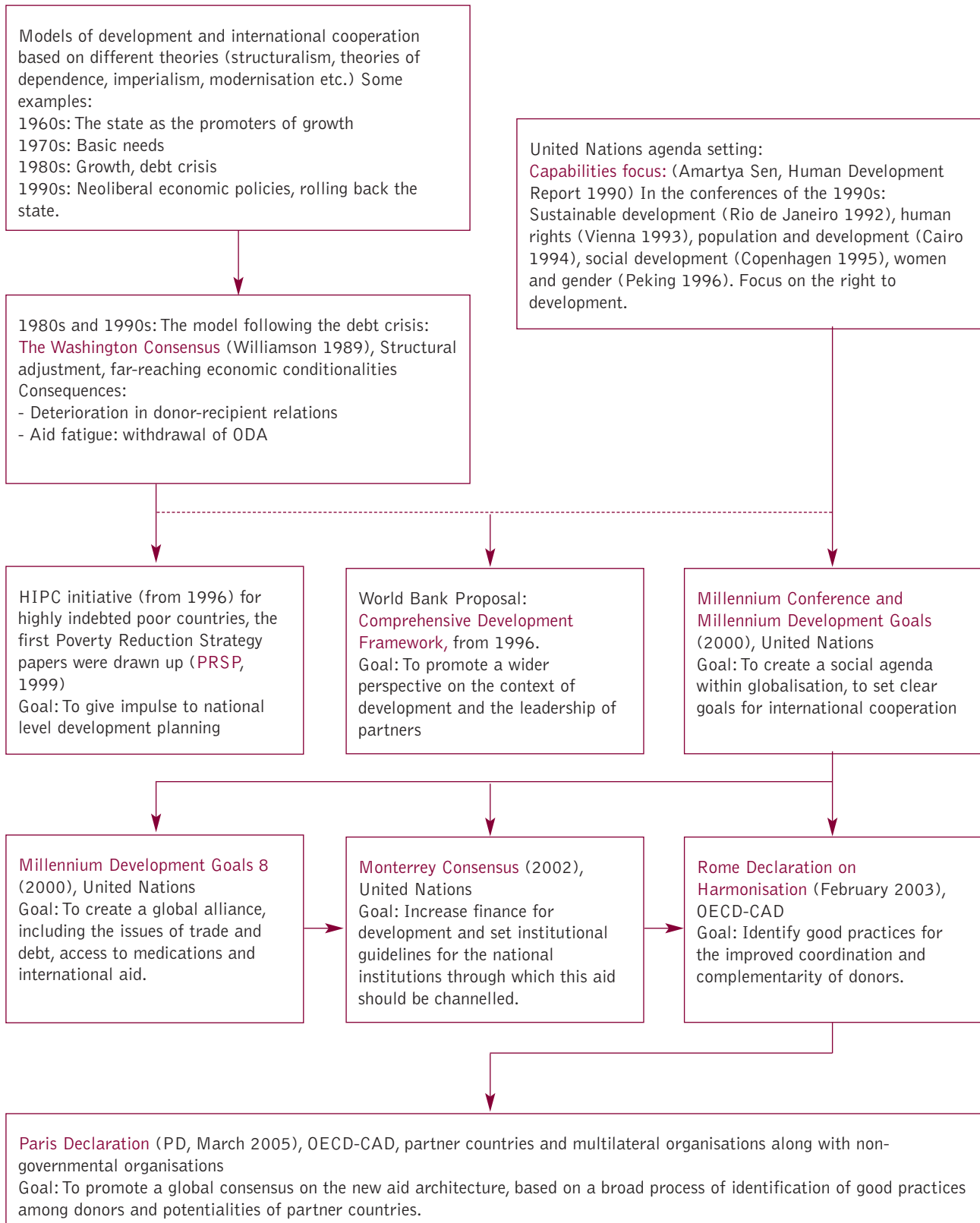
All in all, international aid has moved to a much more systemic vision of development where citizenship and democracy are moving centre-stage. The stakes for the aid effectiveness agenda are high, but deep changes are

necessary not only in recipient countries. Donor performance, awareness and preparedness – particularly in terms of organisation and behaviours, staff profiles, aid instruments and practices – have to

follow this shift, if the threefold goal of poverty reduction, institution building and ensuring human rights is to be achieved.

# Annex

## The new aid architecture



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This synthesis report looks into the impact of donor harmonisation on democratisation processes in recipient countries. It is based on four case studies and explores the political implications of the aid effectiveness agenda and particularly of the new aid modalities. While donors and governments engage in a closer relationship in defining policies, other stakeholders such as CSOs, parliaments, public oversight institutions, the media and sub-national governments (dubbed the oversight triangle in this paper) may become increasingly marginalised, which could hamper the democratic process and lead to negative “side-effects” for democratic ownership and domestic accountability. The focus is thus on donors’ performance as increasingly active actors in the domestic political economy dimensions of participation, transparency and accountability, rather than as external and neutral aid deliverers. Among the conclusions aimed at sensitizing policy-makers and planners, the study stresses the necessity to address country-specific political dimensions and the overall quality of compliance with the PD commitments, especially regarding downwards accountability and “good” ownership. Furthermore, in order to become development friendly actors, aid agencies should be institutionally adapted to political challenges, particularly in terms of organisation, behaviour, staff profiles, aid instruments and practices.

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