

Activity Brief
17-19 June 2008

FRIDE
FUNDACION
PARA LAS RELACIONES INTERNACIONALES
Y EL DIÁLOGO EXTERIOR

Democratic Ownership and Mutual Accountability

About FRIDE

FRIDE is an independent think-tank based in Madrid, focused on issues related to democracy and human rights; peace and security; and humanitarian action and development. FRIDE attempts to influence policy-making and inform public opinion, through its research in these areas.

From 17th to 19th June 2008, FRIDE organised a trip through Spain by three distinguished experts on the politics of aid relations. **Madrid, Barcelona, and Bilbao** were the staging posts for discussions with a Spanish audience, which covered some of the most burning issues in international development cooperation in 2008, as well as Spain's role in the events of this crucial year for redefining aid effectiveness. During three closed-door expert seminars, which also included aid planners, and two well-attended conferences for the wider public, an academic, a civil society activist and an expert from a multilateral research institute thus put forward their analyses of the **power relation between donors and recipients of aid and its repercussions in southern domestic politics**. They then entered into a debate on the attributes and challenges of the Spanish aid system, within the complex and changing circumstances of new aid relationships.

In 2008, donors and recipient countries are to meet intermittently, in order to reassess the international agenda of poverty reduction and aid. These meetings will also involve increased participation and supervision by civil society networks. Amongst the most important meetings are the UN Development Forum in June, the G8 summit in Toyako (Japan)

in July, the Accra High-Level Forum on Aid Effectiveness in September, the MDG mid-point summit in September, and the Doha Meeting on Financing for Development in November and December. Each of these meetings is expected to be a keystone in the redefinition of the global governance of aid, and – more importantly – in the examination of the balance between the promises made by the West and the actions it will take - in trade, debt and international financial regulation.

The three experts invited by FRIDE focussed their presentations on the following issues:

Paolo de Renzio, ODI research fellow and Oxford University Research Associate, elaborated the preconditions for a commitment to mutual accountability. He also stressed the need for establishing common criteria, measurement mechanisms and, above all, incentives and sanctions for good or bad performance. He was, however, pessimistic about whether donors' genuine commitment to a more equal relationship would be able to prevail over economic and political interests and institutional inertia.

Lucy Hayes, Policy and Advocacy Officer at EURODAD, presented the findings of recent seven-country research on aid and power relations. Based on country-level evidence, she questioned the willingness of donors to leave the 'driving seat' to recipient governments and quoted examples of continued policy conditionality, donor-driven and uncoordinated technical assistance, the co-opting of civil society by westerners - be they governments or NGOs - and the gaps between the Paris discourse and country-level implementation. In sum, in spite of their declarations donors continue to limit the political space through which recipient governments might find their own way out of poverty.

Felix Zimmermann, Coordinator of the Global Development Forum of the OECD Development Centre, reported on the negotiation process before the Accra High-Level Forum on "ownership" criteria. Whilst

northern and civil society voices press for "democratic ownership", which might permit greater supervision and diversity, some Southern governments have called for "inclusive ownership", that is, aligning action on the part of civil society with policies designed to enhance states' capacities for poverty reduction. Mr. Zimmerman particularly stressed the distortion of policy development capacities between North and South, since donors invest only negligible parts of development aid in the research capacities of the South.

The debates then moved on to the challenges facing Spanish aid programmes (even though the discussions did not always manage to tap into the global issue of how to manage power relations between donors and recipients):

- A feeling of 'hang-over' was noted. Following the clear-cut reformist stance embodied in the new Spanish aid policies and related institutions, it seems clear that some sections have accommodated themselves too easily to international discourse and best-practices, thereby leaving behind the 'real life' experience of institutional change and in-country implementation. Some policy-makers even urged a slowing-down of the reform agenda, in order to achieve at least *some* results - as opposed to failing gloriously.
- The rapid increase of aid – a near tripling in the space of four years – has left the audience with mixed feelings. Whilst some civil society actors have lauded the initiative and stressed the moral imperative of assisting the poor in the South, some academic voices warn of a possible erosion of capacity if money is thrown at institutions (including aid agencies) that have still not fulfilled their potential in terms of organisational strategy, human resources and even in their culture of aid provision.
- A critical self-assessment would state that although Spanish aid has become more secure in the last few years, the actual implementation still continues to be very "personalistic", in the sense that it is up to the office managers for each country to decide whether they will take action that conforms to international

best practice. At the same time, they tend to receive insufficient support from their superiors. Similarly, and despite the fact that some important innovations have been introduced in the area of decentralised cooperation, some disbursements follow clientelistic criteria, rather than a criterion of quality.

- Whilst official Spanish discourse - having sailed a singular, even solitary, course over many years - has now joined the mainstream, it has not yet developed the capacity to set the agenda in any of the **multilateral fora**. This is particularly true in the case of the UN, in whose aid system the Spanish government invests large amounts of money, yet without having any strategic influence or impact. Similarly, Spain's attitude in the European Union and the OECD/DAC has not been amongst the most proactive, in terms of promoting cutting-edge solutions to global problems.
- **Decentralised cooperation** was identified as a main feature of the "Spanish model", yet the speakers also criticised this approach, for causing further fragmentation and leading to unnecessary administration on the part of the overburdened governments of the South. On the other hand, decentralised cooperation actors claimed that the comparative advantage of this aid model lies not so much in geographical or sectorial specialisation but in the highly participative way in which decentralised cooperation is implemented - it being close to the people, both in the North and the South. Nevertheless, a certain divergence from international discourse emerged at this point, with some participants claiming that a "public appropriation" should take place by the decentralised public bodies who have for a long time been handing over all policy and implementation responsibilities to the non-governmental sector.

Spain, with its recent shifts towards a more modern development policy and a more long-term understanding of international relations based on enlightened self-interest, was described as an important factor in tipping the balance between more progressive and more traditionalist donor stances and practices. An emerging "*Nordic plus más*" group

(Scandinavia *plus* UK, NL, CAN *más* Spain) could potentially exercise its influence, particularly in the European context, in order to promote greater accountability of donors to their Southern partners, as well as to foster democratic and inclusive ownership and to make clear the necessity of consistency between trade and domestic policies and global poverty reduction goals.

Further information:

Event details and background documentation

<http://www.fride.org/event/34/>

FRIDE work on aid architecture and democratization:

<http://www.fride.org/section/31/harmonisation-democratisation>

Current debates on Spanish Aid

<http://foroaod.org/>

Towards A More Broad-Based View Of Ownership

Felix Zimmermann

Coordinator, OECD Global Forum on Development

When senior policy makers come together in Accra to review progress in implementing the 2005 Paris Declaration on Aid Effectiveness, things will get technical. Participants will examine indicators that measure improvements in donor coordination and recipient-country budgets.

These are important questions. But the true value of the Accra Forum may lie beyond technical discussions about indicators. This is because Accra will also leave room for participants to reflect on aid effectiveness principles that have not been fully explored.

Take "ownership", the first of the Paris Declaration's five principles. Ownership, in the Declaration, occurs when partner countries "exercise effective leadership

over their development policies” and “coordinate development actions”. Their progress in doing so is measured by looking at the quality of their poverty reduction strategy papers (PRSPs), documents penned by governments and subsequently assessed by donors. PRSPs are widely recognised to have helped focus policies on the achievement of the Millennium Development Goals. And the fact that governments at least hold the pen in their hands signifies a major shift from past donor-dominated aid relationships. But can a government-to-government document, or any single document for that matter, capture the diverse development needs of a country?

Measuring true ownership means looking beyond government documents at the local processes that underlie development policies. To what extent do local governments, arguably more attuned to the needs of citizens, “own” the policies they implement? Are governments transparent enough to help NGOs monitor policies? And finally, do parliaments have the capacity – and the will – to oversee the development process, ensuring greater ownership by the citizens they represent?

It is not surprising that the 100+ governments who signed the Paris Declaration chose a government-biased document on the measurement of ownership in 2005. In Accra, I hope they agree on the importance of the questions above, and come to a more complex, but also a more broad-based view of ownership.

Mutual Accountability: Issues and Challenges

Paolo de Renzio

University of Oxford and ODI

Mutual accountability is the last and probably the least recognised of the five focus areas in the Paris Declaration on Aid Effectiveness. Its history is a short one, and stems from a recognition that if aid relationships are to be transformed into ‘partnerships’, as is often stated, reciprocal commitments between donor and recipient governments, and mechanisms to monitor those commitments, need to be put in place. The statement of these reciprocal commitments has been a common feature of many recent international initiatives, from the Monterrey Consensus on Financing for Development, to the Paris Declaration, and to the Africa Partnership Forum. On the one side, donor countries commit to giving more and better aid. On the other, developing countries commit to improved governance standards and a focus on development results, with the Millennium Development Goals as a background.

But what does ‘mutual accountability’ mean in practice, and how do we know if and when it exists? Mutual accountability is commonly understood as an agreement between two (or more) parties under which each can hold the other responsible for delivering on its commitments. There are four key characteristics of functioning mutual accountability mechanisms: (a) the existence of a shared agenda that defines reciprocal commitments and objectives; (b) the availability and use of information to assess the performance of the parties; (c) the existence of mechanisms for monitoring such performance; and (d) the existence of adequate incentives for compliance and/or for learning and changes in behaviour. In the aid system, different kinds of mutual accountability mechanisms have been put in place both at the international and at the country level.

At the international level, the Paris Declaration and its related monitoring process is of course one such mechanism, probably the most formalised one. It states clear objectives and targets for each party. Others include the United Nations Development Cooperation Forum, the Mutual Review of Development Effectiveness linked to the Africa Partnership Forum, and the High-Level Dialogue on Financing for Development. Most of these are less formalised, and rely on commitments expressed in a more generalised manner, which are therefore more difficult to monitor. These mechanisms are complemented by increasing civil society efforts at global level, to externally monitor the performance of both donors and recipient governments with respect to their commitments, for example on aid levels or on governance standards.

At the country level, there are also many examples of mutual accountability mechanisms, even though only one third of the countries that were monitored by the OECD/DAC had such a mechanism in place by 2006. While donors have always been monitoring (and sanctioning) recipient government performance, new mechanisms are characterised by efforts by recipient countries to hold donors to account. Locally-tailored versions of the Paris Declaration, with more specific action plans, have been drawn up in a number of countries such as Vietnam. In other countries, such as Rwanda and Afghanistan, governments have adopted aid policies that detail ways to monitor donor performance. A yearly donor performance assessment exercise is carried out in Mozambique for donors providing budget support. In Tanzania, an Independent Monitoring Group has been providing a neutral forum for assessing progress with regard to reciprocal commitments.

While the existence of so many different mechanisms seems to augur well for the future of aid relationships, a number of fundamental challenges remain:

- None of them possesses all the four key factors in a functioning mutual accountability mechanism, as defined above. Some simply consist of a shared agenda with general commitments, whilst others add

varying degrees of information and monitoring, but effective sanctions (especially for donor performance) still do not exist.

- Both donor and recipient governments are accountable not only to each other, but most of all to their parliaments and citizens, and need to balance the needs of the aid relationship with a number of competing priorities. For example, so far most of the promises by donor countries for more and better aid have not materialised, given the tight public finances in many donor countries, and particularistic pressures on the aid budget. Similarly, governance improvements in recipient countries may not be compatible with domestic political agendas.
- There continues to be a clear asymmetry of power in aid relationships at country level. Donors still determine the quantity and quality of their development assistance, monitoring closely the performance of recipient governments. Recipient countries, for their part, have little influence over donor policies, and few and weak mechanisms for monitoring donor performance. In countries that have been dependent on aid for a long time, few are willing to challenge the status quo.
- Recipient countries still have a very weak voice and representation in international level mechanisms. While the creation of the UNDCF is an attempt at addressing this issue, its future effectiveness still needs to be proven.
- While civil society-led independent monitoring has a strong record in providing transparent, independent evidence, it lacks the 'ownership' of the governments whose behaviour it tries to affect. The reverse is also true. While official mechanisms have legitimacy, they struggle to deliver performance information with sufficient frankness and forcefulness.

Given these challenges, only gradual improvements can be expected in the mutual accountability landscape in the near future. The main possible avenues for change lie in three parallel processes: (a) continued peer pressure from a group of 'lead' donors trying to influence aid policies and practices throughout the aid system; (b) sustained civil society engagement and advocacy, especially in countries where governments

are not very active or responsive; and (c) increased recipient country assertiveness in negotiating with donors.

Policy space and democratic development challenges for the Paris Declaration in Accra

Lucy Hayes

Eurodad, June 2008

The Paris Declaration is primarily about relations between aid-donors and aid-recipient countries. Recipient countries under the Paris Declaration have been re-baptised “partner governments” or simply “partners”. This should not to be confused with “development partners” – the name used to describe the donors. Is this just shifting semantics or has there been a revolution in the relationships between donor and recipient?

Probably the truth lies somewhere in between. Donor commitments to “ownership” and “mutual accountability” – two key principles of the Paris Declaration – do mean that donors face a continuous challenge: to change their well established top-down aid processes to ones based on horizontal discussions and decisions, which might thereby introduce a more level playing field. But the agreement in principle is only slowly being translated into practice.

These commitments to ownership and mutual accountability are built on the consensus that successful development needs home-grown “owned” proposals and actions. Rather than deciding matters from the perspective of Madrid, Brussels or Washington, developing countries need the policy space to direct their own development. Civil society

organisations have also argued that this policy space is vital if more democratic societies are to emerge. Citizens need to be able to engage in debates with governments if they are to advocate policies that reflect local experiences and perspectives, and to hold governments to account for policy implementation.

Undermining the democratic space and distorting domestic accountability

Policies and agendas set by donor countries undermine domestic democratic development. Eurodad’s research report “*Turning the tables: aid and accountability under the Paris framework*”,¹ based on seven-country case studies, shows that although southern governments may be sitting in the driver’s seat, the donors are still reading the map. There are a number of ways in which this is happening.

The first way is a subtle form of intrusiveness that is occurring in the context of newer “Paris-friendly” harmonised aid modalities, such as sector wide approaches and basket funds. Mali is a case in point. In Mali today, the donors are much more coordinated, and they have organised themselves in relation to the country’s education strategy. Thus they agree the objectives of the plan, whilst bringing to the table their own views on how these objectives should be reached – resulting in the plan being pulled in different directions.

The second aspect of aid in which donors influence local agendas is technical assistance. The reporting of technical assistance figures is notoriously weak, but it is estimated at anything between 30% and 50% of all aid. Much of this aid is spent on expensive consultants that parachute in and out of a country without leaving any sustained capacity and without supporting the development of local and regional expertise. In Sierra Leone, the European Commission has been paying for

¹ EURODAD “Turning the tables: aid and accountability under the Paris framework, Brussels <http://www.eurodad.org/whatsnew/reports.aspx?id=2166>

a technical assistant in the Ministry of Trade, who is supportive of Economic Partnership agreements – an idea which is being heavily pushed by the European Commission but is extremely controversial in most African countries. Also, much of the technical assistance of course comes from the donor country, and therefore supports researchers and consultants from the latter, rather than building capacity in the developing country. Spain still has a long way to go if it is to untie its aid in general, and not just its technical assistance.

The third way in which policies are being directed by donors is the use of policy conditionalities. The debate around conditionality – or the policy prescriptions that donors attach to their aid is not new. Campaigns to end donor policy prescriptions for developing-country economies were perhaps hottest in the eighties and nineties. Conditionality at this time was seen largely as a problem related to the World Bank and the IMF. But paradoxically, shifting modalities of aid (such as a move towards budget support), which were meant to encourage more government ownership, are being undermined by increasing conditionality, as more donors come together under joint budget-support groups. Each donor comes to the negotiating table with his own priorities.

Policy conditionality renders governments unaccountable to their citizens and their parliaments. Donors often undermine democratic accountability through secret policy dialogues with governments on aid and debt conditions. The use of aid as a tool to impose policy conditions has no place in an aid paradigm rooted in a commitment to ownership. Civil society groups are not calling donors to sign blank cheques with no conditions. Conditions for governments to be accountable for the use of funds are of course crucial. And one incremental way of proceeding has been to focus conditions on mutually agreed outcomes rather than on the specific policy path a government should take.² If donors agreed to replace policy

conditions with mutually agreed outcomes, negotiated in a transparent way, this would be an important step forwards in the Accra High Level Forum, which in September 2008 will come together to discuss progress in aid effectiveness.

The final way in which donors are setting agendas in developing countries is simply by bypassing government systems altogether. Much of Spanish aid, for example, is implemented through parallel project implementation units which operate in isolation of government systems and often are totally disconnected from government development strategies. This makes aid very fragmented, often results in duplication, and does nothing to support the development of national systems. As more and more actors come into the picture – new bilateral donors, decentralised donors, global/vertical funds etc – the picture fragments further. New actors need seriously to question what added value they can offer to developing countries, and whether they would be better channelling their money through multilateral agencies or pooling funds with others.

Accra 2008 and beyond

In September 2008, then, aid donor and aid recipient countries will meet in Accra, Ghana to review progress made against the 2005 Paris Declaration on Aid Effectiveness. Issues of ownership, technical assistance, conditionality and alignment are high on the agenda. The Accra Forum will likely come to an agreement about using country systems and making technical assistance more demand driven, but risks shying away from real commitments. Some European donors (particularly the Nordic+ group) are pushing for quite progressive and concrete actions to be agreed, in order that they might respond to the many blockages that have already been identified. These include ending policy conditions, as well as improving donor transparency and accountability. Spain is increasing its quantity of aid, but it also needs to move faster on improving its quality, and should join progressive voices in this debate. The credibility of donors will be hit hard if the agreement in Accra does not seriously challenge the status quo.

² See Eurodad 2008: *Outcome-based conditionality: Too good to be true?*, Brussels <http://www.eurodad.org/aid/report.aspx?id=130&item=02084>

Many of the challenges to subsequent aid will have to do with creating genuine partnerships, which will in turn require changes in the way donor governments operate. This includes administrative and structural reforms within aid agencies and reform of staff incentives that encourage the implementation of the

Paris principles and support the rolling out in practice of the principles agreed over three years ago. The quality of Spanish aid in the field will ultimately depend on the ability of the government to implement reforms at the centre, that cover the way aid is administered and managed.

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