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Donor Harmonisation and Democratisation: Are donors fit for politics?

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.

On 23rd November 2007, FRIDE hosted a seminar in Madrid to discuss the results of the research project "Donor harmonisation: Between effectiveness and democratisation". The findings of four case studies were shared with 30 representatives of aid agencies, think-tanks, civil society and international consultants from a number of European countries, together with the local counterpart researchers of the case study countries. The debate aimed to identify strategies for donors to act in a more politically sensitive manner.

Starting point

Against the background of the new consensus after the Paris Declaration (PD), this FRIDE project explores the impact of aid on the processes of democratic deepening in recipient countries. The research question, put simply, asks what are the potential “collateral damages” that aid – particularly in its new harmonised form – does to partner countries’ political economies. The objective of this research is to search for a configuration of aid and its delivery channels that reorientates government accountability to donors towards a state-citizenry contract. More historically and politically informed donors could deploy aid that ensures both poverty reduction and effective checks and balances. To that end, it is important to understand the local configuration of the political dimensions of “Paris”. Whilst at the headquarters level there is relief to have a new consensus, the case studies show that it is translating into very different realities at the field office level, both in terms of the technical mechanisms of aid harmonisation and the political factors of ownership and mutual accountability.

researcher. The Peruvian study was conducted by an aid manager from an international NGO in Peru. The following paragraphs reflect the debate on the country case studies.

Vietnam – strong ownership? Vietnam heads all charts when it comes to economic growth and poverty reduction but falls into the red zone when measured according to indicators of political freedom. The presentation stressed the strong ownership of the government, that in 2006 had its own socioeconomic development strategy widely consulted and recognised as the basis for alignment, thereby avoiding an externally-driven, standard PRSP process. Vietnam features a complex, but functional harmonisation set-up, led by the Vietnamese government. Entrepreneurial donors employ new coordination practices that are then replicated. The general budget support is in its seventh cycle, with 13 multilateral and bilateral donors on board in 17 different policy areas. The Government and the Party are committed to the fight against corruption and its prevention. Triggered by scandals, successful donor coordination has supported these anti-corruption initiatives. Donors are very much concentrated in the capital, thanks to the mechanics of new aid modalities. The presentation claimed that policy dialogue with government, through the general budget support and dialogue platforms, is open to the participation of international and Vietnamese NGOs. Other participants argued that political participation still remains tightly controlled.

Presentation of key messages

A theoretical framework and methodology had been proposed for all case studies. An exception is the study in Vietnam, which had been completed prior to the project. It was conducted by a team of in-country staff of a governmental agency and an international NGO. Studies in Mali and Nicaragua have been conducted by a research team composed of a national and a FRIDE

Nicaragua – counterproductive ownership? Nicaragua has been a leader and test case in donor harmonisation. Since the change of government earlier this year, the Paris agenda has been experiencing a rude awakening, however. When the Ortega government came to power, it opted for strong governmental

ownership that threw doubt on 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” based on political conditionalities. In this context, the 2006–2010 development plan was marked by poor ownership, as no civil society organisations stood up to defend it. In the polarised political landscape of Nicaragua, state institutions are being dismantled and recreated with political clients. In general, there are worrying signs of a mounting authoritarianism, with power being concentrated in the hands of a few people, increasingly limiting access to information and the setting up of a parallel “movement” of popular councils. Stunned by the rapid decay of their former darling and having lost the comfortable “special relationship” with the previous administration, donors seem helpless. One of the main lessons from the Nicaraguan case is that, in order to foster sustainability of aid effectiveness, donors need to improve their understanding of the political and institutional context in which aid is deployed.

Peru – alignment by decree? Peru is a middle-income country with an aid dependence of 0.7 % of GNP. Nonetheless, excessive inequalities and extreme poverty – particularly along the urban-rural divide – characterise the country. Peru has a history of authoritarian presidentialism and institutions being dismantled, although there have been some recent improvements. Aid delivery in Peru features a particular preference for delivering through NGOs, even in the case of official development aid. Thus the NGO sector has become, from one perspective, a lively support structure for the excluded, and from another, an unrestrained duplication of structures and the source of a proliferation of actors. Whilst both views

probably have some validity, the government seeks to get a hold on NGO activities by aligning them to national plans and seeking to channel more funds through government structures. Concern was expressed that alignment to short-term policies is sought, rather than to long-term institutional objectives. Thus, there are suspicions that aid funds are being controlled in a misguided fashion for the sake of electoral purposes. On the other hand, there seems to be no initiative, either from donors or from NGOs, to stop the bypass system and take “Paris” seriously.

Mali – subversive ownership? Since 1999, Mali has been a laboratory for aid harmonisation. It has been more a testing ground than a leading actor. Many coordination initiatives have failed, and high hopes are put on the new structures arising from the local adaptation of the PD. Mali assembles the formal features that might trigger an influx of aid: democratic governance and high poverty rates. The presentation exposed three unconnected worlds, labelling them “theatre”, “bureaucracy” and “village”. The presidential discourse – “the theatre” – is both useful in attracting aid and serving electoral purposes of political marketing. It does not, however, concern itself with the measurability of action and does not take on the role of coordinator between implementing ministries. The donors – “the bureaucracy” – are busy inventing coordination structures and programmes for service delivery and institution building. Bearing the pressure of disbursement and the costs of coordination, they mostly work with the executive and are deeply immersed in the core functions of statehood, such as financial management, public services and decentralisation. They remain rather shy when it comes to domestic politics that go beyond Western blueprints of “civil society”, however. The third arena – “the village” – remains disconnected from the

above worlds. Decentralisation has not yet reached the areas beyond Bamako and the main regional cities. The 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”.

Discussion

“Donors don’t like politics!”

“Donors do like politics. Maybe they don’t like politicians...”

A lively debate unfolded after the presentations and over the course of the afternoon. This paragraph captures some of the more general concerns, while the following section examines the implications for donors. *Politics matter.* In all countries, there seemed to be a choice between either referring technically to the elements of Paris or looking beyond and trying to renegotiate the aid relationship according to the “spirit of Paris”. This raised the question of whether the PD as a whole is more than the sum of its five elements. First, there are obvious contradictions between harmonisation of donors (“ganging-up”) and ownership. Similarly, a tension exists between mutual accountability and results orientation, when it comes to attributing responsibilities for poverty outcomes at the macro level. Secondly, the case studies showed that each partner country government had a particular local adaptation of the Paris Declaration’s elements and would stress either one or the other. So Nicaragua would insist on ownership over a donor-led process, Peru on alignment to government systems over delivery via NGOs, whilst Vietnam had advanced significantly in

terms of results measurement. On the other hand, a partial application of *some* PD elements – for example harmonisation via multi-donor funds – was argued for as an option for donors, especially in cases where there was a lack of government leadership. Focussing solely on the elements – and particularly on individual indicators – could easily lead to a limited technical interpretation, thereby avoiding the political implications that are described in the PD introduction. On the contrary, claiming the PD to be a new consensus and searching for the “spirit of Paris” would lead towards a more political take and, potentially, new negotiations at the country level.

There was a debate on the need to define *ownership with adjectives*, ie: good ownership. Some argued that “democratic ownership” should include, first, a certain level of deliberative practice between citizenry and the state, and second, apply not only to donor-funded policies but also extend to all public policies. The concept of “democratic ownership” thus provides a potential backdoor to political rights. This concept, however, raised the question of who should be the judge deciding if ownership was “good enough”. Participants stressed that – despite all the talk of mutual accountability – first generation conditionalities on macro-economic policies, generated by the HIPC processes, still prevail. Whereas second generation conditionalities on governance standards and democratic procedures seemed to be more acceptable, participants stressed that these should be transparent in order to predict aid flows. All in all, mutual accountability lacks operational definition and measurement. Participants discussed the involvement of a third independent party, maybe some UN organ, as a referee, rather than leaving monitoring to the DAC. Accountability of donors is often limited to accountability to the executive. Contrasting the

Vietnamese “strong ownership”, that benefits from a capable state bureaucracy, with the Latin-American perspective of weak institutions under strong but volatile executives, the issue of state effectiveness was examined against democratic legitimacy. Should donors support short-term government programmes of an electoral flavour (“*políticas del gobierno*”, in Spanish), when a long-term, institutional poverty orientation (“*políticas de Estado*”, in Spanish) supported by independent civil service capacities is lacking? In some situations, there might be a trade-off between accountability and effectiveness. Opening spaces for civil society participation and parliamentary oversight might lead to short-term, populist responses by the executive, that ultimately hinder the development of stable policies for poverty reduction that are driven by the state rather than by changing governments.

Is the PD relevant or applicable to middle-income countries? Above all, the case of Peru highlighted the limitation of the PD in middle-income countries with low aid dependency. First of all, they have no incentive for a comprehensive development framework as requested in the HIPC countries. Furthermore, aid does not penetrate the core functions of the state and service delivery. The added value of aid in middle-income countries needs to be defined. Modalities might differ from the consensus on least-developed countries. This becomes particularly relevant as aid in middle-income countries is more related to fostering debate on inequality, social cohesion and democratic opening – all of which are highly contested on the domestic front.

Is “democracy” what donors mean when they speak about “participation”? Participants mentioned that donors very often come with blueprint notions of civil society and overlook local mechanisms of checks and balances that could potentially be functional

equivalents. With this in mind, donors were criticised for equating civil society with NGOs.

How is local knowledge distorted by donors and what room for failure is given to governments? Whilst aid programming is moving from projects to programmes and policies, this shift has not taken place on the level of the production of knowledge. Donor-funded knowledge is very often limited to project evaluation and does not contribute to an open discourse on public policies. The profession of international consultants, their strategic placement in government departments and the lack of trust in domestic alternatives contributes to a standardisation of approaches that is limiting. Whilst historical cases of successful economic take-off have often applied non-orthodox policies, the room to experiment and “failure-friendliness” in aid-dependent countries is often restricted by this donor dominance in the “production of truth”.

Challenges and implication for donors

The debate was structured to share experiences from different donors and Western civil society in their relations with the South. The debate circled around the questions of how donors could improve their performance in the dimensions of analytical capacities, political dialogue, choice of instruments, institutional reform, and human resources.

In general, a consensus prevailed that, beyond indicator-based cross-country comparison, more knowledge of the “soft, cultural factors” is needed by donors. Some participants stressed the requirement

that analyses be designed to inform donor action. These analyses are documents that should not be shared and are carried out prior to country assistance strategies. National staff in field offices are largely underused with regard to analyses of the political context of partner countries. Because the very form of knowledge production and the framing of the public sphere is distorted by donors, alternative, less prescriptive forms of engagement – such as institutional civil society support and multi-donor funds to foster independent domestic research capacities – were recommended. On political dialogue, some participants argued that the current set-up between ministries and agencies is not useful anymore, as the new aid modalities put the donor in the back seat when it comes to implementation but request more engagement at the policy level. With regard to dialogue skills, one participant mentioned that they had excellent manuals for public financial management and political country analyses, but little to refer to when it came to conducting political dialogue. Intergenerational and intercultural learning plays a very important role. Dialogue was seen as more art than science, which makes it even more important to invest thought in how to build (or nurture?) these capacities.

Harmonisation and the responsive application of transformative aid requires the delegation of responsibilities to offices in the South. Increasingly, however, there are new issues such as coherence or the security development nexus that need to be facilitated by and centralised in headquarters. For some agencies it is necessary to concentrate before they deconcentrate to the offices in the partner countries. Particularly in some younger agencies, there seems to exist a “deconcentration by omission”, leaving field staff with wide leeway in an unregulated space. In other agencies, deconcentration has led to a situation

where the head of the field office becomes the gatekeeper for taking up issues from headquarters – so he or she might or might not be interested in, for example, gender issues.

Harmonisation has huge transaction costs for in-country staff. Up to half of their time is spent in the numerous coordination meetings. The very reality of the new instruments – namely budget support – meanwhile leads to a complete disconnection of country office staff from the realities of the poor. As a tool, “immersions” – a two week direct exposure to poor peoples’ livelihood strategies – was recommended. Thus a reality check would be ensured.

Related documents

- Stefan Meyer & Nils-Sjard Schulz: *Donor harmonisation: Between effectiveness and democratisation. Theoretical framework and methodology for country case studies*, Madrid [FRIDE working paper 41], September 2007
- Donor harmonization and democratisation: New challenges for the development agenda – a research update*, Madrid [Spanish only - FRIDE activity report], September 2007
- Nils-Sjard Schulz: *Nicaragua: a Rude Awakening for the Paris Declaration* [FRIDE comment], Madrid, October 2007
- María Delfina Alcaide & Silvia Sanz-Ramos: *Vietnam’s Laboratory on Donor Harmonisation*, Hanoi/Madrid [FRIDE working paper 42], September 2007
- Le Thanh Forsberg: *Country Ownership and Donor Harmonisation: The Vietnamese Experience*, Hanoi / Madrid [FRIDE comment] November 2007

Claudia Pineda & Nils-Sjard Schulz: *Nicaragua
The Nicaraguan challenge: How to sustain the
Paris agenda on a wobbly table* [FRIDE
working paper , forthcoming]

Enrique Alasino: Peru – *The Kingdom of NGO*,
[FRIDE working paper , forthcoming]

Hamidou Magassa & Stefan Meyer: *Mali - Worlds
apart*, [FRIDE working paper , forthcoming]

All documents are available at
www.fride.org/seccion/31/armonizacion-y-democratizacion

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