



**Governance, Accountability and Aid  
Effectiveness**

**Trocaire Policy Seminar**

**Monday 5<sup>th</sup> December 2005**

European Parliament Office, 43 Molesworth St,  
Dublin 2.

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## **Opening Comments by Justin Kilcullen, Director, Trócaire**

Mr Kilcullen introduced the seminar by stating that the seminar was timely, as the issue of governance is at once high-profile, yet little understood and poorly debated. The Irish debate about governance has been hysterical and occasionally bordering on racist. The debate has been dominated by the media, which has been happy to portray corruption as the fundamental root of all problems in the developing world, particularly Africa. Their success is apparent in the results of a survey conducted by Comic Relief in July of this year, in which 80% of all respondents in the UK felt that aid money was frequently wasted since it went to corrupt governments. There is no reason to expect that the response would be different in Ireland. At one point, this one-sided discourse threatened Ireland's commitment to the 0.7% of target, although all the agencies involved rallied to overcome the threat.

In reality, the issues of corruption and poor governance are functions of the problems of underdevelopment, and must be tackled holistically. This seminar is an attempt to raise the level of debate; as such, it is lucky to have very good and very knowledgeable speakers.

Mr Kilcullen thanked Proinsias de Rossa, MEP, for hosting the seminar in the European Parliament office in Dublin, and welcomed the speakers:

Kevin Carroll, Governance Advisor, Development Cooperation Ireland

Barbara Kalima-Phiri, Southern Africa Regional Poverty Network (SARPN)

Prof. Tony Killick, Senior Research Associate, Overseas Development Institute (ODI),  
UK

Prof. Mick Moore, Centre for the Future State, Institute for Development Studies (IDS),  
UK

Hon Jacob Oulanyah MP, Uganda

Jack Jones Zulu, Coordinator and Policy Analyst, Jubilee Zambia.

## **Introduction by Caoimhe de Barra, Policy & Advocacy Coordinator, Trócaire**

Ms de Barra outlined the background to the seminar and its objectives, which were informed by three points of departure.

### **1. Governance has become central to development discourse.**

As we all know the failure of structural adjustment and economic conditionality to achieve the results they aimed for led to a significant reshaping of the aid agenda, with ownership of policy reform becoming central. Tony Killick's work on the effectiveness of conditionality was key to this reshaping the development debate, and his current work remains equally important.

'Good governance' has become central to development discourse. Broadly, it is argued that more effective, accountable and legitimate states tend to correlate with better development results<sup>1</sup>. (Of course, there is much debate on the causality relationships between governance, economic growth and poverty reduction).

But the grand bargain between donors and recipient governments, as captured at Monterrey and reiterated frequently since, is that increased resources will be delivered if governance is improved.

But what is included in 'good governance' and who decides?

Current definitions of good governance cover a broad swathe of areas. They may include policies, such as openness to trade or fiscal decentralisation, or particular forms of institutions, such as democracy or a strong legislature etc.

Kevin Carroll will begin his presentation with an example of one definition, which is very much focused on rights, participation and accountability and which therefore resonates strongly with Trócaire, given our commitment to the Right to Participate.

However, almost every actor in development has a different definition, and the range of conditions that should be in place if 'good' governance is to exist is potentially vast and has been expanding over the past number of years.

Taking the World Bank's World Development Reports as indicative of mainstream development thinking, Merilee Grindle<sup>2</sup> pointed out that the list of what is needed for good governance increased from 45 recommendations in the 1997 WDR to 116 recommendations by 2002/03.

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<sup>1</sup> See Grindle 2005 for a critique of this assumption.

<sup>2</sup> Merilee S Grindle, *Good Enough Governance: Poverty Reduction and Reform in Developing Countries*, November 2002 (available from [www.grc-exchange.org](http://www.grc-exchange.org))

A multitude of reforms are being supported by donors at any one time, Grindle notes, with little thought to sequencing, interdependence, contributions to poverty reduction or prioritisation. This, she argues, leads to systems overload.

Meanwhile, not only are the conditions numerous but they are often deeply contested, such as those relating to economic policy in the World Bank's CPIA, or the US's Millennium Challenge Account, for example.

Civil society organizations, such as those represented by Jack Jones Zulu and Barbara Kalima, are critical voices illustrating the impact of external conditionality on the poor.

However, they do not seek to blame external actors only but are also holding national authorities to account, because the reality is that governance is changed through political processes.

But what does the presence of external actors mean in countries where over 50% of the budget may be funded by foreign donors and civil society is dominated by INGOs?

Surely this affects the political landscape, including the potential for mobilization of the poor, and scope for change, or is it true that we tend to act as if 'governance was government without politics' (to quote de Waal)? How, then, can external actors support our partners, be they in government or in civil society, in addressing critical governance issues and their causes?

I hope that our speakers, and perhaps particularly Mick Moore and Jacob Oulanyah, Barbara and Jack will be able to help unravel this with us.

## **2. Increased aid budgets –**

If donors honour their promises – global aid will increase by \$50 billion per annum over the next five years.

Ireland has committed to an aid increase which will triple aid expenditure by 2012. The development budget will dwarf the budgets of other government departments. An expenditure growth rate of 24% compared to an average for other sectors of 6% invites – and merits – increased attention from the public and legislature.

An important question is - how widely and deeply felt is support for development in Ireland? We can take assurance from the outpouring of public concern in relation to the 0.7% target, along with the fact that Ireland has the highest levels of voluntary donations per capita for development work of any country in the OECD.

However, the aid budget will triple by 2012, bringing with it a public visibility and demand for results that has not been as apparent heretofore.

## **3. Trócaire's work - the right to participate:**

There are critical, practical dimensions to this debate for Trócaire.

As mentioned above, Trócaire's work is framed within the concept of the 'right to participate'. When we were developing this concept, 'governance' as a term was not as prominent in the development lexicon as it now is. But supporting accountable, participatory governance is at the heart of what we do, and our question is, how can we do it better?

I am particularly glad that Jack Jones Zulu and Barbara Kalima-Phiri are with us, to help us address these questions. As well as Mick Moore who has noted in Signposts that 'the development community has ambitious expectations of civil society' (p 20). That is certainly true.

### **Conclusion:**

The overall purpose of this seminar is to broaden and deepen the debate on governance issues among the development community in Ireland.

A new chapter is opening here in Ireland, and in other countries which are facing the same issues.

How do we support our partners in a manner which is appropriate to the local context and which empowers the poorest and most marginalised to be the authors of social, economic and political change?

How do we keep the public on board, as we grapple with supporting processes which are not about bricks and mortar outputs, but which are about intangible processes of participation and policy change?

## **Session 1: Challenges of Governance**

### **Governance Challenges:**

**Input by Kevin Carroll, Governance Advisor, Development Cooperation Ireland.**

Mr Carroll discussed the challenges posed by the Good Governance agenda from the perspective of a bilateral donor agency, highlighting the complexity of it, and the nuanced approach required to address it.

Good governance is a complex problem and there are many definitions of “good governance”. DCI has decided upon the following draft definition: ‘Good Governance is a process where people’s rights are respected and continuously enhanced and where the principles of participation, transparency, accountability, effectiveness, the rule of law, equity and responsiveness to people’s needs are applied throughout a society.’ It is important to highlight certain elements of this definition: good governance is a process – it is not an end in itself, and it is based on a value system of rights.

Good governance is a sensitive and complex area, which is often misunderstood. There are many political issues surrounding it, and donors are not a homogenous group – there are different donor perspectives on Good Governance. Good Governance is about strengthening parliamentary processes, involving capacity building of political parties, However, this poses a challenge to donors, as they may be accused of becoming too political. It also involves legislative and constitutional reforms which is difficult as donors don’t often sing together from the same page, they do things in different ways, sending different signals to governments.

The Good Governance agenda is very broad in facilitating: checks and balances, political accountability, public sector management/service delivery, civil society participation, an effective private sector, and regulating the private sector.

DCI supports the justice sector, but this is very complex and difficult as there are a range of different legal systems. Therefore in order to make a difference, donors need a high level of expertise. When a donor gets involved, they need to understand the history of the country. Good political and historical analysis is critical.

Many of the programme countries where DCI works are challenging governance environments. Some political environments are very fragile and cyclical, for example Ethiopia, Uganda and Zambia. The recent elections in Ethiopia have changed the whole political landscape. Similar changes are happening in Zambia around constitutional reform. This illustrates the complexity of bilateral cooperation, where a country may be seen as a good partner, with a stable government, but within months, the political situation can change drastically as we have seen in Ethiopia.

Corruption is a complex governance challenge for donors. However, we must broaden the discourse on governance beyond the corruption issue. The causes of corruption are very deep, and based on the patronage system, external inducements offered to private business, poor remuneration, and the issue of restitution. Addressing corruption requires

collaboration between civil society, the private sector and governments. There are many examples of good practice, but it is a very slow moving issue, which is an international problem, for example the ratification around the UN Convention on Corruption and the various issues surrounding it.

We need to remain engaged in challenging governance environments, because that's where the poor are. The state has a responsibility to address poverty reduction. But we need a policy approach that is informed by good analysis. There has been a lot of useful work done by DFID and SIDA. DCI are starting to do a lot of analysis, but it is something that needs to be institutionalised.

The time frame for achieving progress is a long term one, but for donors/stakeholders it is shorter. We need to be patient, donors tend to want a new approach all the time, but we need to persevere. We need to avoid blue print approaches and overly technocratic solutions – many of the governance problems are not amenable to technical solutions.

We need to recognise our particular role. There will be certain things that donors just cannot do. The African Partnership Forum has highlighted the fact that a lot of governance problems have to be solved by locals. There is a need to ensure a policy approach that gets the balance right between our responsibility to raise issues and being prescriptive. We need to avoid overloading both our partners and ourselves.

We must be willing to allow local processes emerge, such as the African Peer Review Mechanism, which offers real potential in the long term. It is highly political, but donors could use the results of the review to show that local governments have not delivered on their promises.

We need to link good governance with poverty reduction, i.e. how governance impacts on a person's quality of life, the delivery of public services (education, health, water and sanitation) to the poor etc. There are implications of seeing good governance as a cross cutting issue – what kind of good governance are we talking about? To get to this point, we need to look at the problems that exist in the first place.

It is very important to learn lessons from experience and from research and feed them into policy and practice, for example, the challenge of public sector reform. A very challenging area for DCI is communicating with our own public about the governance challenges.

To summarise, the key points raised in the presentation were:

- Complexity
- Breadth of the agenda
- Environments that are cyclical
- No overly technocratic solutions
- Knowing what our role is
- Analysis and lesson learning
- Communicating our message



- Linking governance to our main goal – poverty reduction.

**The Politics of Governance – lessons for official donors and INGOs.**  
**Input by Prof. Mick Moore, Centre for the Future State, Institute for Development Studies, UK**

Prof. Moore began his input with a reflection on trends in the global aid environment. He highlighted a number of major issues, which will radically change the practice of development.

The concept of “good governance” has become fashionable over the last 15 years, with aid donors indulging in a lot of intellectual experimentation with new democracies in the developing world. There is a continuing proliferation of aid donors, although the amount of money available for aid is decreasing. Donor management is a major challenge for developing governments. Too many donors spray tiny amounts of money all around the world, when instead they should focus on large, focussed contributions which they can steward effectively. Ireland is a comparatively a good example in this respect.

An important development is the waning leverage of the IFIs. There is a much greater number of alternative donors available today than there were 15 years ago, so the IFIs are not in such a strong position to dictate policies as they once were. Crucially, new donors are set to change the aid environment entirely; in particular China, but also India. Their aid programmes tend to be closely connected with oil exploitation.

An oil scramble is to be expected in West Africa, Sudan and Central Asia; and it will be extremely unpleasant. In response to previous comments, Moore stated that Ireland should avoid Sierra Leone at all costs, it being too problematic for a small donor to deal with.

**Policy Implications of these themes:**

1. Aid coordination:

Donor dominance is not as big a concern as the presence of too many donors. There is a real danger that aid interventions will have unintended consequences, and with a large number of donors, it's too easy to shift the blame and leave nobody with full responsibility. In this context, the danger is that western donors will lose all leverage, to be replaced by funding sources such as China. The only way to tackle this real danger is to coordinate aid effectively and engage deeply with recipient governments.

In particular for small donors, aid coordination needs to be real – this is true both of official donors and NGOs. Ireland is in a good position to push internationally towards better coordination. The real need is to get specific donors to pull out of countries, or to entrust their funding to a single bilateral donor to administer and track. INGOs have the same problem, although the effect is smaller. They need to encourage and support serious “trade associations” among local NGOs; these would function as organisations with minimum standards for joining.

2. Taxation and state-citizen relations:

Donors must make a strong effort to minimise substitution politically and fiscally. Mr Moore concentrated on the area of fiscal substitution, pointing out that where 50% of a

national budget comes from aid, donors are substituting for state functions, by providing services in the place of the state, and also by providing revenue that would otherwise come from taxation.

Accountability of governments to citizens is historically dependent on taxation: substitution seriously undermines this, and erodes the contract between the government and its citizens.

Possible ways of overcoming this problem include:

- Changing the tax-exemption which applies to much aid. Ex-pat salaries and aid imports are examples of this, which results in governments losing a possible source of revenue. If the aid community is seriously committed to building ownership and capacity within developing country governments, it should forego this tax exemption.
- Donors need to be more honest about the reasons for their emphasis on accountability in expenditure: in reality, this is about protecting themselves from possible corruption charges.
- Donor governments need to be honest about the time frames of their involvement, and seek a future means of generating revenue. Developing countries should be encouraged to develop their taxation system; not necessarily to generate huge amounts of money, but certainly to ensure that it is fair, and not corrupt.

Good governance informs a positive relationship between a state and its citizens; aid can undermine this relationship. It is necessary to curb this potential damage.

## **Challenges of Governance – discussion**

The discussion around challenges of governance focused mainly on the following issues:

### **Political Economy**

Good governance is a political economy issue. There is no easy answer to state and market interaction paradigms. However, the exclusive focus on political issues avoids the realisation that it is linked to a neo-liberal understanding of a regulatory state, and that the role of the state is seen as ensuring the efficient allocation of resources by the market. This discussion has been avoided, which implies we accept it. We need to look at the relation between the state and the market; otherwise we will be merely serving the interests of the private sector.

### **Taxation**

We need to broaden the taxation base, but this is difficult, as the state has been rolled back. Tariff rates and revenues have fallen because of free trade agreements, thus the tax base has narrowed. What institutional innovations need to be put in place to improve accountability? How does it sit with the idea of democracy? Taxation is at the heart of accountability, it is about getting the citizens and the state together, and showing how important that relationship is. Some participants thought there should be a role for donors to link aid to improving tax systems.

### **Donor aid**

Donor aid is not inevitably corrupted, but it has some adverse side effects. When there are a large number of donors, it is impossible for Parliamentarians or citizens in Zambia to know what is happening. A lot of aid is still off-budget, which is something the aid community should be ashamed of. Aid donors are part of the problem, but the bigger problems have to be solved by African partners. We need to look beyond conditionality to allow growth to take place and corrupt practices to be addressed.

### **DCI's role**

Ireland is a very small donor, and there is a limit to what DCI can do therefore. DCI is facing the reality that in the long run they may have to step back a bit from close involvement with partner governments and allow more space for those governments to proceed with their programmes of work, in their own manner. The general donor culture is technocratic, but it is getting better. Political analysis is not yet carried out enough by DCI, though it is increasing. There is very little capacity for such analysis in the development sector in Ireland.

A question was raised as the relative weight given to good analysis as distinct from politically vested interests for a government agency like DCI? Which would prevail if there was a conflict between them? It was acknowledged that more investment in analysis is required, but it was also noted that when scaling up as fast as Ireland is doing, there is always going to be the risk of pressure from the political arena on aid policy (e.g. particularly in respect of bilateral programmes).

### **Human Rights**

One participant stated that ‘good governance’ has been promoted explicitly to change the language of development away from human rights. We now talk about ‘economic freedoms’ and ‘commercial justice’. We need to look at the processes and effects on human rights in the way in which we promote development. Inequalities emerge in this context of commercial freedoms and therefore there is a role for governments to keep the space for democracy, freedom and equality. open.

However, some participants thought that ‘commercial justice’ has a case - we need to avoid the dichotomy between the free market and human rights development. There is a tendency to criticise the market in and of itself. Institutions are necessary, but we should also be critical or even suspicious of them.

### **The future?**

One speaker noted that ‘good governance’ is a catchphrase, not a concept, and questioned its dominant position in current development discourse. In 5 years, the world will wake up to the fact that China did not pursue tenets of good governance to be successful. This speaker proposed that there should be two areas in which donors could impose conditions on recipient governments. The first is human rights, the second is macro-economic conditions.

## **Session 2: Supporting accountability, addressing poor governance: what role for donors and INGOs?**

### **Input by Jack Jones Zulu, Coordinator and Policy Analyst, Jubilee Zambia**

Mr Zulu discussed the issue of governance from a Zambian perspective, highlighting donor dependency and inappropriate policies, as well as looking at how to deal with the roots of the problem of poor governance.

Since 1973, Zambia has been heavily donor dependant. One of the more recent initiatives in Zambia has been the PRSP, which ended in December 2005. Now, with Medium Term Expenditure Financing (MTEF), donor funding is being incorporated into the National Development Plan (which is similar to the PRSP). It is clear that donors have a profound influence on the Zambian government and that influence is here to stay.

Governance is about 'Public Finance', which concerns accountability, transparency and openness. The question is how to open up the process to public involvement. In the last two years, the government has been opening up the budget process. The Zambian President has started questioning a lot of government expenditures, which has swung the Anti Corruption Committee into action.

However, Zambians need to hold their own government to account, but this is very difficult as the government is unwilling to fully engage and make public much of its expenditures as it "may compromise national security". There is a need for donors and also the government to strengthen institutions, as at present many institutions like the Anti Corruption Commission are incredibly understaffed.

The emergence of an independent and free media is very important, and has been very helpful in highlighting corruption. For example, the former Secretary to the Ministry of Health directed funds inappropriately, and the media highlighted the issue. The case was brought to court, but the government tried to stop the trial. However, the media pursued it and managed to get the Minister back to court.

As part of the Good Governance Framework, the PRSP initiative has given civil society space to input into official processes. However, there is concern over the role of the donors, who have dominated the space and imposed a neo-liberal agenda. Donors have a role to play in the South, but that role must be clearly defined. It is not the role of donors to tell Zambians what to do. Many of the interventions that donors initiate are inappropriate, for example the World Bank's agenda to "roll back malaria" involves the increased use of mosquito nets. But the locals don't want to sleep under them, and so instead they use them as fishing nets! Malaria breeds in stagnant water – rather than providing mosquito nets, the actual cause should be dealt with.

However, it is also important for African governments to deal with issues – fiscal discipline is important, as are good institutions. We all know this. Unfortunately a lot of governments wait to be told what to do even when they know what should be done. Therefore processes must be rooted in African society for real change to occur.

It is also important that donors provide lessons from their own countries – what are the best practices in holding governments to account?

## **Supporting accountability, addressing poor governance: what role for donors and INGOs?**

**Hon Jacob Oulanyah MP, Uganda**

Mr Oulanyah gave a first-hand account of aid-dependence in Uganda. Poverty in Uganda is rising, but the problem is not about money. Rather, it is lack of planning, endemic corruption, and a failure of donors to facilitate aid predictability.

### **Conditionality:**

Since the 1980s, there has been a shift in aid conditionality from an emphasis on justice to one on stability. Donors too often accept bad leadership once a country remains economically stable; in so doing, they become privy to economic crimes.

Donor conditions are often ad hoc or inconsistent. A number of governments have cut their aid directly to the Ugandan government, on the strength of poor implementation of political reform. Donors fail to define the exact parameters of their loan or grants in advance, so that governments aren't aware when they are about to step over the line. There need to be an agreed set of triggers which would lead to the cutting of aid.

There are a number of examples of donors insisting on conditions which have in fact worsened the situation. Uganda Post and Telecommunications was caused to cut its workforce by 60% under structural adjustment; six months later it needed to undergo an urgent programme of recruitment and training. Similarly, the enforced paring back of the army led to intensification of militia activities around the country. Donors have played a negative role in insisting on certain changes without an adequate understanding of the situation. In another case, donors insisted on the creation of a parallel judicial system for tackling corruption. This has diverted scarce resources away from the existing judicial system and weakened its overall capacity to be effective.

### **Corruption:**

Donor funds need to be very carefully managed. Project funding has led to an artificial standard of living for those availing of the impressive levels of international funds. A gap is generated between ordinary citizens and the newly created class of people. This gap is inevitably narrowed by corruption, nepotism and clientelism.

### **Donors' role:**

Relationships between donors and governments need to be based on more than just stability. It is necessary for donors to look at Africa from the perspective of enlightened self-interest: facilitating corruption isn't constructive. The priority is to empower citizens politically, and to level the playing field in terms of international structural issues; trade and debt.



## **Supporting accountability, addressing poor governance: what role for donors and INGOs? Discussion.**

The discussion around supporting accountability and addressing poor governance focused mainly on the following points:

### **Conditionality**

It is necessary to determine what conditionalities are useful. How can donors enhance the work of domestic stakeholders in holding their governments to account? It was suggested that it may be necessary to move away from the term conditionality altogether, and to think instead in terms of contractual agreements, e.g. which include a legitimate level of accountability between a donor and recipient but which do not infringe on the recipient's policy sovereignty.

Consistency is important. When Zambian civil society asked donors to intervene after the Government suspended the independent HIPC Monitoring Group which had exposed corruption at a high level of government, the donors refused, stating that Zambia was a sovereign state. This is wholly inconsistent with usual donor approaches to conditions, such as around privatisation, and suggests that many donors aren't interested in the real issues raised by civil society.

It was noted that human rights conditionality isn't necessarily a good thing, as it doesn't necessarily ensure a genuine commitment to rights. Rather, we need to make sure that every level of our activities is human rights based, including our systems and our programme cycle management.

There is a need to define the role of the state, and to revisit the macro-economic orthodoxy that informs how conditionality is applied. There is an implicit sequencing in the way that aid is allocated. Most important is stability, then economic reform, then democratisation.

### **Civil society and governance**

It was suggested that too often CSOs are included on decision-making committees in developing countries in a tokenistic manner; there is no real engagement. To address this, there is a real need for capacity building on macro-economic issues so that the engagement can be constructive.

In Zambia, CSOs and government have a generally good relationship. CSOs are substantially independent – of government and donors – and define their own agendas. They hold national evaluations with all stakeholders to account to their beneficiaries.

The question of INGO accountability was raised: INGOs are rarely accountable to their beneficiaries and are scarcely transparent in their way of doing business. There was also a suggestion that INGOs can reduce the space available for local actors through imposing their policy agendas on 'partners' and engaging directly as intermediaries in the policy space.

### **Potential of donors to do political damage**

There were many criticisms of donor activities. One speaker noted that there are records of donors giving money and bypassing parliamentary approval processes: you can't demand accountability and yet ignore due process yourself.

On the other hand, this speaker noted that governance processes in developing countries are often extremely poor. Donor discourse is often wilfully ignorant of real conditions in a country. For example, in the UK, Uganda is presented as an example of a successful, reliable African government: this is tantamount to pampering corrupt leaders. Donors should not be surprised when leaders they have pandered to treat the donors as an irrelevance (as is the case with Museveni).

It was suggested that channelling money through layers of organisations (i.e. from official donor agency to INGO to local CSO) lessens aid effectiveness; aid money should go directly (or as directly as possible) to the beneficiaries.

It was also proposed that, given the political problems rife in many developing countries, giving support to free and independent media can be a way of enhancing accountability.

### **When is it appropriate to pull aid?**

It is essential to incorporate indicators for departure from targets at the beginning of a relationship; these indicators will trigger a withdrawal. Rather than pulling out, we should consider alternative channels of aid.

### **Parliamentarians**

The quality of debate in many parliaments is poor, there is a need for capacity building.

### **Uganda**

Within Ireland, the discourse on Uganda is limited to the question of whether we should walk away, and is not very nuanced. There is a lack of understanding / awareness among Irish parliamentarians of the real and complex history of Uganda. Uganda has come a very long way in the last 20 years, given decades of oppression and civil war before then, yet this is not recognised. Museveni's statements when he visited Ireland (which indicated indifference to Irish threats to pull aid from the country) didn't help. There is a serious absence of clear Ugandan voices articulating the hierarchy of priorities for aid.

(One participant, in response): You hear what you listen for. The noise of professional development actors marginalizes the (poor) majority from the discourse and blocks free flows of information and understanding.

### **Session 3: Partnership for aid effectiveness**

#### **Can Donors incentivise better governance?**

**Prof Tony Killick, Senior Research Associate, Overseas Development Institute, UK.**

Prof. Killick examined some of the problems surrounding conditionality, and looked at the alternatives, making some practical proposals.

How do we maintain high standards of governance? Donors that try to change policies in countries are aware that this won't work if locals do not own the policies. If we look at the bigger picture, it is clear that there is no correlation between conditionality and political reform. Specific changes can sometimes be won, but recipient governments have learned to play the conditionality game.

There is a lack of research dealing with governance conditionality, but the most substantial study looked at 120 cases and found conditionality only had an effect in 3 of those cases.

Low income countries are highly aid dependant, and there seems to be a reluctance by those providing aid to punish for non compliance. Official donors and INGOs can provide support to those in favour of change and reform. However, this implies a very good knowledge of the local scene, and knowing what will make a difference in terms of what works and what doesn't.

There are both fundamental and secondary issues in relation to governance. The secondary issues are those which are not very controversial, for example providing parliament with resources and improving public financial management. However, at the core, government conditionality is about power. If things that donors want to achieve threaten the power of those already in power, it is very unlikely to be effective. For example, Kenya under Moi – he was willing to do without aid money rather than change power structures. To this effect, donors are not very powerful in the context of governance.

Ireland's budget has increased, but it is still small. Therefore, it does not have much leverage on its own.

#### **Alternatives to conditionality**

What are the alternatives to conditionality?

- Selectivity: but there are difficulties:
  - o Fragile states, and fluid, unstable institutions (ex: Ethiopia)
  - o It is very important to be clear about the criteria
  - o Suffering peoples: for example Zimbabwe – what to do about the poor who suffer from the withdrawal of aid?
  - o Geopolitical pressures
  - o Pressures to spend aid money get in the way of finding the best government and programmes to assist.

A major weakness of donors is that many of them are not willing to invest time in understanding dynamics within a local country. The DFID “Drivers for Change” study was an imaginative and valuable attempt to tap local knowledge, however there is still a tension between recognising the complexity of the problem and the pressures on donors to spend.

- Partnership and incentives:

Partnership and respect for local ownership is a better way of harnessing local political momentum. Countries could provide incentives to donors to move to a more partnership based approach, and attempt to address the unequal relationship. For example, Rwanda at present is a well-run country, in which donors want to be present. Therefore the Rwandan government has leverage. The partnership should be based on mutual accountability, which includes a willingness on the part of the recipient side to commit to take it seriously (e.g. not to fear losing aid, but to hold firm against donor pressures on occasion, and to recognise the leverage that the recipient country has).

- Peer Pressure

The Paris Declaration agreed in the beginning of 2005 gives Rwandans and others an ability to say to donors “we want you to do this here and if you don’t, we want to know why”. All donors have signed up to a set of minimum benchmarks and monitorable targets. They should be held to these and this gives recipients added leverage.

There are models of processes of partnership which are very effective, though they have been slow to spread to other countries. For example Tanzania, where the local system of donor – government co-operation, with its regular independent system, is very effective. There is a similar system in Mozambique, where donors providing budget support and the government of Mozambique have a mutually agreed framework for the aid relationship.

In sum, a partnership that offers mutual benefits may be a better way of influencing governance than conditionality.

## **Partnership, power and politics: proposals for a positive approach to partnership by official donors and INGOs**

**Barbara Kalima-Phiri, Southern African Regional Poverty Network (SARPN).**

Ms Kalima-Phiri looked at issues surrounding partnership, conditionality, power and politics, which are highlighted below.

### **Partnership**

Partnership has become a buzz word, used for example in Millennium Development Goal 8, and the PRSP frameworks. We need to unpack the terminology and question whether partnerships actually enhance participation. Although, theoretically, partnerships should be based on shared values, agreed objectives and mutual respect, the notion of the parties being on equal footing in a partnership arrangement, is normally false. Ideally, a partnership is intended to strengthen the weaker parties at the same time having shared benefits.

In giving aid to developing countries, there is an assumed form of partnership that is struck between the parties which entails desired results for the intended beneficiaries but little is questioned on the motives for giving this aid. The motives for giving development assistance differ from donor to donor: they are sometimes political, sometimes humanitarian but in most cases economic. Increasingly, partnerships have become a means of bypassing the poor, putting the emphasis instead on the donor agencies interests who in some cases are in pursuit of policy space in the recipient countries, and sometimes need to maintain access to markets in their former colonies and so on.

Donors and recipient government are like need to be more transparent on the partnerships they strike so that there is a wider involvement of players to scrutinise the costs and benefits of such a partnership. A partnership should not be a permanent arrangement, it should be reviewed and its benefits scrutinised by a wide range of players and stakeholders.

### **Conditionality**

It is necessary to differentiate between contractual obligations (which are perfectly normal and necessary) and broader conditions used to control the recipient of aid. All too often, conditionality is used in this latter way, as a means of donor control on what policies a country should pursue and so on.

In Africa, the prescribed macro economic conditions are often too stringent, and blind to the national context and realities. In most cases such conditions as achieving a single digit inflation, increased GDP, maintaining competitive exchange rates, cutting down social sector spending and devaluation of local currency cannot possibly be met. Thus, there is really no point in imposing such conditionalities unless there are other motivations by the donors, which are not written on plainly on paper. The focus of conditionality needs to shift altogether.

There need to develop a deliberate mechanism by which a community can set its own priorities, and the community defines what will be negotiable or not eg basic needs for the poor such as access to clean water, sending their children to school, accessing good health care and affordable housing and sanitation should be non-negotiable. Beneficiaries should also be involved in monitoring and evaluation of any expenditures set for them.

At another level, donors should also be held accountable for their failed policies and a review of their behaviour in country should be monitored. A system of “donor/creditor audit” should be adopted.

### **Power**

Power is being eroded at national level, and located instead with the donors. Increasingly, African governments are more accountable to the donors as opposed to their own people. As most governments continue to have their budgets with over 50% being financed externally, there is little leverage for accountability from the people. This results in a loss of ownership and accountability to the poor.

The decisions on resource allocation and management of aid should not remain in the hands of a few elites. Communities/people need to be put at the centre of any development process and they need to be empowered to be able to participate in the decision making processes. Thus, giving power back to the people.

### **Politics and the role of INGOs**

In most African countries, it is difficult for civil society groups to access policy makers and make very meaningful headways on policy change. This has been attributed mainly to lack of trust between NGOs and their governments, sometimes lack of capacity to analyse issues both at CSO level as well as government.

International NGOs on the other hand have more resources and greater leverage to influence public opinion. Therefore, their role could be twofold:

1. To listen to the poor by working very closely with the NGOs in the south were the bulk of the problems and challenges of poverty prevail, and
2. To pressure Northern governments to implement pro-poor policies. The parameters of conditionality are set in the north; this is where the fight must take place, while at the same time NGOs in the south would continue to exert pressure on their governments for policy change.

### **Partnership for aid effectiveness – Discussion**

The discussion on partnership for aid effectiveness focused mainly on the following topics:

#### **Peer Pressure**

In terms of peer pressure, donors are very reluctant not to be seen to be ‘with the rest of the bunch’. This means that recipient governments have bargaining strengths and are therefore able to withhold agreement on issues which donors would like agreement on. It is possible to think in terms of ways of making life awkward for donors. However, the relationship will always be unequal if it is based on givers and receivers.

Peer pressure is about creating local discomfort. But it can have a bigger impact on overall donor policy. Take a hugely centralised donor (for example, Japan), where reformers at capital or HQ level are being given feedback from local offices on the pressure they feel to move forward along with other donors. This can reinforce those reformers' attempts for progressive policy change at capital level.

### **Patronage System**

The patronage system in Africa has survived multi-partyism, and has undermined good governance. There is a need for a new political dynamic in Africa, which has to have reciprocal responsibilities. The patronage-based politics is an obstacle to many of the changes countries like Ghana needs, but donors are not willing to invest resources to sufficiently to understand the dynamics of the society. We need to work with future generations of society to address patronage. Therefore we need to look at the education system – what is being taught, and how it is being taught are very important.

### **Accountability**

Accountability requires information. Donors are good at pressing for more information, which could create the conditions for local accountability. But the question 'how can recipients hold donors to account?' also needs to be addressed. Political accountability has diminished. Citizens have to wait for elections to demand accountability, but that only happens every 5 years. In between elections, there is no way of challenging governments.

### **Corruption**

There is a need for consultation with small business groups, with media, in forming coalitions against corruption. We need to move away from 'governance' and look at integrity in business.

### **Funding political parties?**

The question of funding political parties was highlighted, however, some participants felt this would not make sense. If we can't solve one problem, there is a tendency to move deeper and manage at a more micro level. Funding political parties should not be considered. We should concentrate on things we can do something about for example corruption caused by Northern governments and agents, such as corruption in TNCs, and trade in military hardware and narcotics.

### **Political Economy**

There is no real politicised level of dialogue in the aid debate. There is a paradox around the discourse of governance, as it takes place at different levels. The problems of national governments are a symptom of global governance and market regulation. If the aid regime does not promote human welfare, it's not worth getting into.

## Concluding Remarks

Caoimhe DeBarra concluded by outlining some of the main points that came out of the presentations and discussions.

These included:

- ❑ The importance of situating a concept of ‘good governance’ in a rights framework, as outlined initially by Kevin Carroll.
- ❑ Recognising that solutions to complex issues of the development of effective, efficient and legitimate states are deeply political in nature. External actors can have a limited – or even negative - impact, particularly if analysis is shallow or political pressure from home dominates decision-making.
- ❑ Determining how external actors can help to foster the type of accountability that local partners are looking for is critical: e.g. accountability, transparency and inclusion which serves the people of the country rather than the interests of the external actor.
- ❑ Official donor agencies in general face critical commentary on the slow move from technocratic approaches to more political understanding of a country context.
- ❑ Official donors have also faced very critical comment on the damage done by conditionality which can undermine fragile institutions and reduce space for accountability towards domestic stakeholders.
- ❑ However, INGOs also have a case to answer and the importance of listening to Southern CSOs was highlighted, and respecting the pace at which partners want to proceed.

Finally, it was heartening to note that evidence is now strongly emerging that partnership that offers mutual benefits to both parties, and where there is clarity in assumptions and expectations, is a better way of influencing governance and achieving aid effectiveness, than conditionality.

Trocaire would like to express sincere thanks to Proinsias de Rossa MEP and his colleague Ger Gibbons, who hosted the seminar.



### Appendix A Participant List

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## Appendix B

### Governance Seminar Agenda

9:00 – 9:15 Welcome – Justin Kilcullen, Director, Trócaire

#### **I. Challenges of Governance**

*Chair:* Justin Kilcullen, Director, Trócaire

- 9:15 – 9:30 Introduction – Critical questions on Governance  
Caoimhe de Barra, Policy & Advocacy Coordinator, Trócaire
- 9:30 – 9:50 Governance: challenges from an Irish Government perspective  
Kevin Carroll, Governance Advisor, Development Cooperation Ireland
- 9:50 – 10:10 The politics of governance – lessons for official donors and INGOs  
Prof. Mick Moore, Centre for the Future State, Institute for Development Studies, UK
- 10:10 – 11:10 Discussion
- 11:10 - 11:30 *Coffee / tea break*

#### **II. Supporting accountability, addressing poor governance: what role for donors and INGOs?**

*Chair:* Justin Kilcullen, Director, Trócaire

- 11:30 – 11:55 Supporting accountability and addressing poor governance in Zambia: what role for official donors and INGOs?  
Jack Jones Zulu, Coordinator and Policy Analyst, Jubilee-Zambia
- 11:55 – 12:20 Supporting accountability and addressing poor governance in Uganda: what role for official donors and INGOs?  
Hon Jacob Oulanyah MP, Uganda
- 12:20 – 1:20 Discussion
- 1:15-2:15 *Lunch*

#### **II. Partnership for aid effectiveness**

*Chair:* Mary Sutton, Principal Development Specialist, Advisory Board to Development Cooperation Ireland

- 2:30 – 2:50 Partnership frameworks: good practice and pitfalls in partnership frameworks for aid effectiveness  
Prof. Tony Killick, Senior Research Associate, Overseas Development Institute, UK
- 2:55 – 3:15 Partnership, Power and Politics: proposals for a positive approach to partnership by official donors and INGOs  
Barbara Kalima-Phiri, Southern African Regional Poverty Network (SARPN)
- 3:15 – 4:10 Discussion
- 4:10 – 4:25 *Coffee*
- 4:25 – 4:45 Conclusions: Lessons, challenges and recommendations  
Prof. Tony Killick, ODI
- 4:45 Thanks and Close

## **Appendix C**

### **Background Note**

#### **Background to the seminar:**

Governance and aid effectiveness in developing countries has been a topic of lively public interest - and sometimes controversy - in Ireland for several years. The debate has focused on Ireland's growing aid budget, its involvement in general budget support (GBS) and poor governance in Africa. However, the debate has been relatively shallow and has been played out primarily in the media.

There have been few opportunities for substantive dialogue within the Irish development community of Government, NGOs, academics and political representatives, apart from some welcome initiatives in the consultation process for the forthcoming White Paper on Development Cooperation.

- Ireland's rapidly growing Development Cooperation sector

The Irish Government's development cooperation budget is set to triple to €1.5 billion per annum by 2012, making development cooperation one of the highest areas of expenditure among all Government Departments. Furthermore, Irish NGOs currently benefit from the highest per capita level of voluntary giving for development cooperation among all OECD countries. NGO income is likely to rise further as a result of Development Cooperation Ireland (DCI's) expansion.

We can therefore anticipate an increased need for both the Government and NGOs to illustrate the effectiveness of development spending, be it in the form of taxpayers' contributions or citizens' voluntary donations to NGOs. This is not unique to Ireland but rather is common to all countries where aid budgets are becoming more visible.<sup>3</sup>

- Challenges in supporting ownership and accountability in developing countries

The current development paradigm emphasises the need for national ownership of policy reform in developing countries and for governments to be accountable to domestic stakeholders, including civil society and parliaments. There is also a growing recognition of the fact that development needs to be shaped through national political processes if it is to have traction.

There is broad acceptance of the principles of ownership and national-level accountability among Irish development actors. However, given likely pressure for 'results' from an increasingly attentive media and legislature, development actors in Ireland – as in other donor countries - will face a challenge in articulating the rationale for and effectiveness of interventions which are not merely about service delivery, but

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<sup>3</sup> For example in the UK, where a Public Perceptions Survey for Comic Relief in July 2005 found that 80% of all respondents agreed with the statement that 'most financial aid to poor countries is wasted because their governments are corrupt'.

which for official donors may include general budget support and, for INGOs, support for human rights education and advocacy, for example.

- The challenges to official donors and NGOS are similar ... but different

For official donors, the key challenge is how to construct agreements with partner governments and other bilateral or multilateral actors which: (a) give space for national policy determination; but (b) also ensure that aid is used for the purposes for which it was intended, and that basic standards of governance for poverty reduction and human rights protection are met.

For INGOs, including Trócaire, unequal power relations between a funding and a recipient organisation influence the direction of accountability in ways similar to those between official donors and partner governments. Agendas may be imposed through availability of funding; scarce capacity is used up in reporting to multiple INGO funders; local CSO staff and governments officials are poached to work in INGOs; more sophisticated urban NGOs with weaker links to the grassroots receive more support than less donor-friendly peoples' organisations, even though the latter may be more likely to deliver the momentum for political change and domestic accountability.

Partnership and an appropriate mechanism for negotiating accountability are central to both types of development relationship.

- Trócaire's vision for the seminar

Given the context outlined above, Trócaire is keen to contribute to broadening and deepening the debate within Ireland's development community on governance, accountability and aid effectiveness in developing countries.

Our primary concern is that development interventions by external actors, including Trócaire, should support national accountability and the effective participation by the poor and marginalised in decision-making processes. In this seminar, we hope to identify and discuss some of the key elements in current development thinking on how that can be done.

Issues of relevance to official donors include:

- How can government-to-government partnerships be framed in such a way as to ensure national space for policy determination, while also recognising the need for accountability for funds received from donors?
- What are the implications of the rise in multi-donor approaches to aid relationships, e.g. harmonisation and alignment for aid effectiveness?
- What should official donors do in the face of serious governance problems that undermine the objectives of poverty reduction and promotion of human rights in a partner government where there is a budget support agreement?
- What is 'acceptable conditionality' in a partnership relationship between official donors and partner governments?

- What are the views of local stakeholders, including civil society and parliament, on these questions and how can they be gathered in times of crisis?

Issues of relevance to INGOs include:

- How can INGOs support local partners without imposing policy agendas?
- How can real partnerships be built, when funding relationships tend to skew accountability towards the donor?
- How can INGOs be more accountable to their local partners and beneficiaries?
- Do INGOs distort the potential for participatory democracy by channelling funds towards urban-based, professional NGOs, which become stronger relative to rural-based communities or people's movements?
- Should INGOs support NGOs that have an overtly political agenda, or that are quasi-state agencies due to close links with the state?

We hope that discussing these questions in a measured environment will help all of us in the development community in framing our own approaches to governance and local accountability.

We envisage the creation of a 'safe space' at this seminar, within which participants are free to share questions and experiences in this complex area, without being expected to state irrevocable positions.

### **Objectives:**

In summary therefore, Trócaire's objectives with this seminar are as follows.

#### Overall Objective:

To broaden and deepen debate in the Irish development community on governance, accountability and aid effectiveness in developing countries.

#### Specific objectives:

- ❑ To identify key elements of current thinking on governance, accountability and aid effectiveness, and highlight implications for external actors (e.g. official donors and INGOs);
- ❑ To explore the role of civil society and parliaments in creating the conditions for more effective development, and to explore how official donors and INGOs can support – and not undermine – these actors.
- ❑ To look at how partnership can be constructed between official donors and partner governments in a manner which achieves a balance between ensuring stewardship of resources and developing country leadership in their own development processes;
- ❑ To look at how INGOs can support the development of improved governance, through partnership with local civil society;

- ❑ To ask what donors should do when poor political and economic governance threatens to undermine aid effectiveness, particularly in the context of budget support, and what the role of civil society / parliament is in this context;
- ❑ To reflect on the above issues in the light of concrete experience from some of Ireland's programme countries, thereby grounding theory in reality.

## **Appendix D**

### **Speakers' Biographical Notes**

#### **Kevin Carroll**

Kevin Carroll has over twenty years experience working in development , almost nine of which were based overseas in four countries, India, Sudan, Kenya and Zambia. He has worked in civil society organisations for eleven years. He spent one year with Concern and ten years with Trócaire, three of which were in Kenya where he established Trócaire's regional office in the mid - 90s. Subsequently, he worked for DCI in Zambia from 1999 to 2001. He is currently a Governance Advisor with Development Cooperation Ireland and is involved in the preparation of DCI's Governance Strategy. Mr. Carroll is at present completing a Masters thesis on the topic of Governance and PRSPs which is due to be finalised shortly.

#### **Barbara Kalima-Phiri**

Barbara M. Kalima-Phiri, an economist and social activist, is currently the Manager of the Economic Dimensions Programme on Poverty at the Southern African Regional Poverty Network (SARPN) in South Africa. Mrs. Kalima-Phiri has extensive experience in working on debt, poverty and sustainable development issues in Africa. She has been instrumental in campaigning for debt cancellation for the third world countries, with special mobilisation efforts in Africa and beyond. Mrs Kalima-Phiri is the former Director of AFRODAD (African Forum and Network on Debt and Development) based in Harare, Zimbabwe. Prior to working with AFRODAD, she established and coordinated the Zambia Debt Project under the auspices of the Jesuit Center for Theological Reflection (JCTR) and Catholic Commission for Justice and Peace (CCJP).

Mrs. Kalima-Phiri has done research on development issues with USAID, World Bank, Ministry of Education in Zambia, University of Zambia, ESSET in South Africa, former SAPES Trust in Zimbabwe and various NGOs both in Africa and outside. Her published work includes research papers in *Globalising Hur Da* (2002) and *the Church's Search for Economic Justice* (2002). She has written and presented academic, semi-academic and Teach-In papers/articles in various fora including high level government meetings and the UN General Assembly and UN ECOSOC.

#### **Prof. Tony Killick**

Tony Killick is Senior Research Associate of the Overseas Development Institute, London, and consultant on development policy issues. He was Director of ODI in 1982-87, Senior Research Fellow there in 1987-99, Visiting Professor of the University of Surrey, 1988-2003 and President of the Development Studies Association in 1986-88. His principal work has been in the areas of economic policies in developing countries, and in the ways in which the policies of international agencies impinge upon developing countries.

Professor Killick has a special interest in the economies of Africa, and in the study of poverty. He has taught at the Universities of Ghana and Nairobi. He has acted as a consultant to a wide variety of national governments and international agencies. Professor Killick's books include studies of the economies of Ghana and Kenya; two studies of the policies of the IMF; an 'informal textbook' on adjustment policies in low-income countries; a study of the flexibility of national economies; and a study of the use by international and other aid donor agencies of policy conditionality as a means of achieving improved economic policies. Much of his most recent work has been on political-economy aspects of aid delivery and aid relationships. He has a strong on-going interest in conditionality issues and in mechanisms of mutual accountability.

**For recent projects by Tony Killick please go to:**  
**[http://www.odi.org.uk/iedg/Projects/tony\\_killick\\_projects.html](http://www.odi.org.uk/iedg/Projects/tony_killick_projects.html)**

### **Prof. Mick Moore**

Prof Mick Moore is a Professorial Fellow at the Institute of Development Studies, University of Sussex, UK. He is Director of the Centre for the Future State, which was established in 2001. Mr Moore's research interests include understanding and explaining international differences in governance across the globe; political and institutional aspects of economic policy and performance; the politics of anti-poverty policy; and the politics and administration of development.

A major report has recently been published by the Centre for the Future State, drawing on a five year research programme which asked: 'How can developing countries build more effective, accountable states that are responsive to the needs of poor people?' The report, 'Signposts to More Effective States' – Responding to Governance Challenges in Developing Countries', is available on:

(<http://www.ids.ac.uk/ids/news/SignpostsReport.html>).

Other recent publications by Mr. Moore include: 'The Development of Political Underdevelopment', in Graham Harrison (ed.) *Global Encounters: IPE, Development and Global Governance*. Palgrave Macmillan IPE Series, London; and 'Revenues, State Formation and the quality of governance in developing countries', *International Political Science Review* Vol. 25, No. 3, 2004.

### **Hon Jacob L. Oulanyah MP**

Jacob L. Oulanyah is a Member of Parliament for Omoro County in Gulu District. He is the Chairman of the Legal and Parliamentary Affairs Committee. His Committee handled the recent constitutional changes and political transition in Uganda. Last year, Oulanyah introduce a Private Member's Bill on copyright. He is a private legal practitioner with a private law firm in Kampala. Before being elected to parliament in 2001, Oulanyah was runner-up in an election in 1998 to be Chairman of Gulu District under the Local Government System. Oulanyah first trained as an agricultural economist



obtaining a BA in agricultural economics before obtaining another degree in Law. Upon joining Parliament he had to resign his appointment as a Lecturer at the Law Development Centre, where he was teaching public law, criminal law and legislative drafting. Previously, he worked for the Uganda Law Reform Commission as a Legal Officer in the Commercial Laws Reform Project. Oulanyah has drafted several laws and regulations in Uganda.

### **Jack Jones Zulu**

Jack Jones Zulu is the Coordinator and Policy Analyst of Jubilee-Zambia. He is a prominent civil society analyst on economic and social dimensions of development in Zambia. His work includes analysis, advocacy and mobilisation on the impact of debt, trade and aid policy in Zambia. He is also a regular contributor to international debates on these issues at civil society and multilateral donor fora, including at the World Bank and IMF.

Mr. Zulu has been a key civil society representative in macro-economic working groups associated with HIPC and the PRSP in Zambia, including the HIPC Monitoring Group. Currently, Mr. Zulu is involved in the preparation of Zambia's Fifth National Development Plan (2006 – 2011). He has also taught economics at the University of Zambia. Comment and analysis by Jack Jones Zulu are available on: <http://www.jctr.org.zm/jubilee-zambia.htm>

## **Appendix E**

### **Kevin Carroll Presentation**

There is no universal consensus on what we mean by good governance  
Good Governance is a sensitive and complex area  
Donors are still not a homogenous group – there are different donor perspectives on Good Governance

The Good Governance agenda is very broad in facilitating:

- Checks and balances
- Political accountability
- Public sector management/ service delivery
- Civil society participation
- An effective private sector

Donors must balance the need for vigilance and avoid unnecessarily overloading:

- Partners
- Ourselves

Many of the programme countries where DCI works are challenging governance environments. Political environments are fragile and cyclical –Ethiopia, Uganda, Zambia

Corruption is a complex governance challenge for donors  
However, we must broaden the discourse on governance beyond the corruption issue  
We need to remain engaged in challenging governance environments  
But we need a policy approach that is informed by good analysis

Time frame for achieving progress is a **long term one** but for donors/stakeholders it is shorter. The need to avoid blueprint approaches and overly technocratic solutions - many of the governance problems are not amenable to technical solutions

Recognising our particular role. There will be certain things that donors just cannot do  
The need to ensure a policy approach that gets the balance right between our responsibility to raise issues and being prescriptive

Regional/global dimensions to good governance–e.g. external interference in DRC, corruption. We must be willing to allow local processes to emerge –the African Peer Review Mechanism

Linking governance with poverty reduction – i.e. how governance impacts on a person's quality of life, the delivery of public services (education, health, water and sanitation) to the Poor etc.

The implications of seeing Good Governance as a cross cutting issue  
The importance of learning lessons from experience and from research and feeding them into policy and practice –the challenge of public sector reform  
Communicating with our own public about the governance challenges

**Appendix F**  
**Prof Mick Moore's Presentation**

**1. The politics of governance** – lessons for official donors and INGOs

Mick Moore, Dublin,  
5 December 2005]

**2. The changing global aid environment**

1. Continuing proliferation of aid channels
2. Waning leverage of IFIs
3. China (and India) as new donors
4. The oil scramble – West Africa, Sudan and Central Asia
5. Pluralist 'peacekeeping' interventions

**3. Some policy implications**

1. Worry more about unintended consequences and lack of authoritative action than about donor dominance
2. Small donors and real aid coordination, official and NGO
3. Minimise 'substitution' – politically and fiscally

**Appendix G**  
**Jacob Oulanyah MP Presentation**



**Supporting Accountability And Addressing Poor Governance  
In Uganda: What Role For Official Donors And INGOs?**

**A Presentation to a Trocaire Policy Seminar on Governance,  
Accountability and Aid Effectiveness**

**By**

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## Supporting accountability and addressing poor governance in Uganda: what role for official donors and INGOs?

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### Introduction

The inability of the Ugandan government to meet its target for poverty reduction, is not so much the lack of resources; but it has been attributed to poor governance, mismanagement, waste and massive corruption. Like Hannah More said *“To expect to reform the poor while the opulent are corrupt, is to throw odours on the stream, while the springs are poisoned”*.

Prime Minister Churchill in his address to the British people during the 2<sup>nd</sup> World War stated- *“Our problems are enormous and so are our resources”*. He could easily have been talking about African countries. The Vice President of the Republic of Kenya, H. E. Moody Awori stated- *“Our countries are endowed with enough resources. It is the responsibility of the leaders to ensure that these resources are distributed according to everybody’s need, not according to everybody’s greed.”*<sup>4</sup>

The poverty levels, the corruption levels and the resultant instability in our countries is a damning indictment on our leadership. The question is; how many other people share the blame? Have the donors been our good neighbours? Good neighbours must take reasonable care to avoid acts or omissions, which they can reasonably foresee, would be likely to injure their neighbour. Mahatma Gandhi is reputed for the following statement; *“I will give you a talisman, recall the face of the poorest and the weakest man whom you have ever seen and ask yourself if the step you contemplate is going to be of any use to him. Will he gain anything by it? Will it restore him to a control over his own life and destiny?”*

The Development Assistance Committee (DAC) guidelines on aid effectiveness acknowledge that partnership is based on clarity of assumptions, mutual accountability for commitments and shared responsibility for outcomes.<sup>5</sup> We all need to take responsibility, learn from past mistakes and correct them.

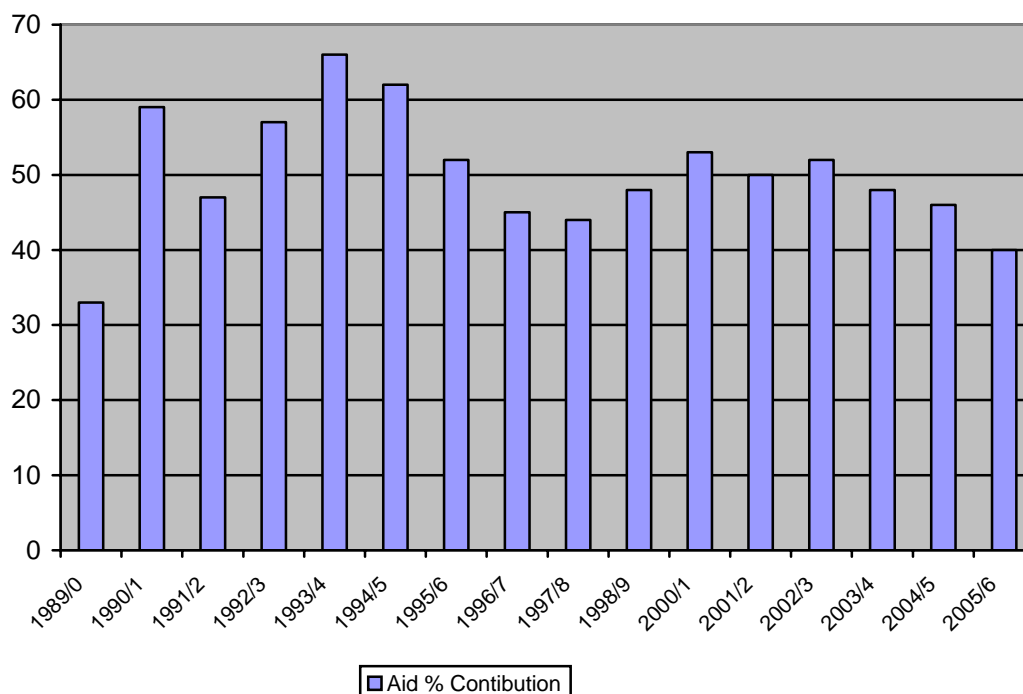
### The aid context in Uganda: Macro-economic management

President Museveni one time stated that the problem with aid in developing countries is that of vision. He said- *“That we have Aid led vision rather than a vision led Aid policy”*. Every year, and for a long time now, Uganda’s budget has been supported by our donor partners through loans and grants contributed either directly through the government systems or indirectly through technical assistance and project based interventions through INGOs. All these resources should have bolstered Uganda’s capacity to meet its development objectives of poverty reduction. The results over the years have not been very comforting.

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<sup>4</sup> Speech at the Kenya National Prayer Breakfast, May 2004.

<sup>5</sup> Trocaire Development Review, Dublin, 2005 p.107



Since 1981 there have been several adjustment programmes in Uganda. In 1981 the government instituted programmes of economic stabilization with the guidance and assistance from the IMF. The Major objectives were to halt the deterioration of the economy, revive production, restore confidence in the Uganda Shilling, eliminate price distortions, improve fiscal and monetary discipline and lay a strong foundation for sustained recovery.<sup>6</sup> In 1984, the economy started suffering reversals mainly because the programme was not fully implemented and its success depended on a continued inflow of foreign finance, which was not steadily available. The government ended abruptly in a military coup.

The NRM government of President Museveni took over government in 1986, and his government approached the economic problems with philosophies that were fundamentally different from those followed by the Obote regime. They were against the spirit of the previous IMF-sponsored programmes. The NRM was anti-IMF, anti-devaluation and anti-wholesale *laissez-faire*. They engaged in batter trade with friendly countries. They received grants from Libya outside the IMF systems. The economy was in a bad shape. Retribution when it came from the IMF was equally resounding; it forced this Neo-Marxist regime to play by the rules. The IMF reprimanded Libya.

### Uganda’s Experience with previous conditionality

From 1992 to the present, the government has played by the IMF rules and has maintained a very steady inflow of aid with conditionality. The previous World Bank and other donor conditionality apart from the structural adjustment conditionality, hinged on the issues of democracy, human rights and good governance. But very soon this shifted, as the focus became the guarantee of stability. Phrases like “benevolent dictators” or “the new breed of African leaders” became commonplace in donor circles. This was basically because they represented political stability. Most of

<sup>6</sup> E. O. Ochieng, “Economic adjustment programmes in Uganda 1985-9”.

the conditionality never took serious consideration of the conditions in Uganda. They were general conditionality to all recipients under the structural adjustment programmes. The following best illustrate the point-

- The restructuring of the Uganda Post and Telecommunications
- The demobilisation of the army
- The public service reforms
- Technical Assistance and conditions of the assistance

### **The Shift from Conditionality to Partnership**

As a result of the less than proportionate success of the interventions and the performance of aid, which were sometimes based on very unrealistic policy conditionality; major changes were made in the way we deal with aid and the method of its disbursement. A more participatory approach has been adopted in developing our development objectives. There has been a shift from the sector and specific project support approach to financing General Budget Support (GBS). This was facilitated by the move from conditionality to partnership in the delivery of poverty-focused aid. This shift, it is claimed, has led to greater control by the government over external funding. The resultant effect is that MFPED must not only first approve all donor funding, but also match donations with sector planning priorities.

This year, the Minister of Finance, Planning and Economic Development made the following statement in this year's budget speech-

*“Mr. Speaker Sir, the total amount of resources available in financial year 2005/06 are estimated at Shs 3,799 billion, representing an increase of 9.7 percent, on financial year 2004/05. Sixty percent of the budget in financial year 2005/06 is projected to be financed by domestic revenues, amounting to Shs. 2,280 billion, whilst the balance will be provided through the support of our donor partners. This represents a significant increase as compared to financial year 2004/05, when 54 percent of the budget was financed by domestic resources, and reflects our objective of gradually increasing the share of the budget that is financed by domestic resources.”*

With all this aid, improvements in its delivery systems and participation of stakeholders in development goal setting, poverty has persisted. The question still remains- why is poverty persisting in the country and yet the PRSP (PEAP) and the PRSC are all tailored to reduce poverty and Uganda has been implementing them? Last year poverty increased from 38% to 39%, statistically classified as a significant increase. So there are vital questions to be asked-

- Has the state then become more effective as a result of the shift in the strategy of delivery of aid?
- Has the state become more accountable to the citizens for results and to the donors for constructive use of their money?
- Have the donors improved on their disbursement procedures to facilitate timely and sustainable interventions?

- Have the donors improved on their capacity to enforce the partnership agreements and enforce accountability?
- How important has foreign aid been to Uganda's reform effort, growth performance and poverty reduction?
- What really is the problem?

### *Reaction of the donors to Macro-economic management*

The response of the donors to persistent macro-economic mismanagement has been mixed. Last month the Netherlands cut aid to Uganda over concerns over macro economic management.

The World Bank also announced the cuts last month over dissatisfaction with the government's over-expenditure on public administration. Over the last four financial years, the World Bank has been providing \$150 million for budgetary support under the PRSC. However, the Bank decided to reduce its support following Uganda's over-expenditure by 12.9 percent on the public administration budget. It was the first time the PRSC has shrunk since its inception.

With respect to reforms in the area of macro-economic management, the Dutch said, "We strongly align ourselves to the World Bank Poverty Reduction Strategy Credit (PRSC). The World Bank has advised that the PRSC be reduced by USD 15 million due to concerns about budgetary discipline."

### **Assessing governance in Uganda**

Prof. Apolo Nsibambi (Prime Minister of Uganda) has outlined what may be described as a working definition of Good Governance for Uganda. This definition was derived from a strategic conference of ministers and permanent secretaries entitled *'The Quest for Good Governance'* and the subsequent working group formed-

*"Good Governance is the exercise of politico-administrative and managerial authority and order which is legitimate, accountable, transparent, democratic, efficient and equitable in resource allocation and utilisation, and responsive to the critical needs of promoting human welfare and positive transformation of society. It manifests itself through benchmarks which include a constitution, pillars of the state derived from the constitution, mechanisms for checks and balances on governments, efficient mechanisms of delivery of services by government, security, good leadership, the rule of law, participation by the people, freedom of expression, transparency, accountability, legitimacy, devolution of power, informed citizenry, strong civil society, protection of basic human rights, regular free and fair elections, good international relations, political stability, protection of property and life."*<sup>7</sup>

Ugandans want good governance. They want to know that government programmes are well managed. They want greater openness and transparency in the management

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<sup>7</sup> Extracted from "Uganda- Is it a model of Good Governance for Africa" An Essay by Donna Mwonge



of their affairs. And, they want to be able to hold Parliament, their Government, and public sector officials to account for results - good, and bad.

In order to try and improve on the governance issues, government proposed a constitutional review stating that the review *“became necessary because experience had shown from operating the current Uganda Constitution since it came into force in 1995 that it had several defects and several areas of inadequacy, which needed to be addressed in the interest of proper administration of the country”*<sup>8</sup>

**The Legal and Parliamentary Affairs Committee in its Report<sup>9</sup> to Parliament on the Government White Paper stated that-**

***“The constitutional review process that we are embarking on is a major political landmark in the political history and economic development of our country. The outcome of this process will be judged on whether or not it promotes national stability, good governance, constitutionalism and economic prosperity for our country.”***

The Constitution was reviewed. Several amendments were made the most controversial of which was the removal of presidential term limits. In the same period we also embarked on the process of political transition from the movement political system to the multiparty political system. This was *“As a result of the decisions of the National Conference and the National Executive Committee of the Movement taken in March, 2003 to open the political space during the constitutional review process, it became necessary to cause a reassessment of those articles of the Constitution relating to political systems and democratic governance to accommodate the decision of opening up the political space.”*<sup>10</sup> The constitutional and legal processes required to bring about such change in the political system were carried out in accordance with the law.

The entire process suffered major setbacks at almost every stage. On the 9/2/2001 the Constitutional Review Commission (CRC) was established under the Commissions of Inquiry Act, not by an act of Parliament. Many thought this was the first mistake. The government submitted its own proposal to the CRC, many found this very strange. On the 10/12/2003 the CRC released its Report containing two minority reports, one from the Chairman himself. In September 2004, the Government White Paper was released and it contained recommendations that were never part of the review by the CRC. The debates both by the public and in Parliament revealed a deeply entrenched polarisation. Government introduced an omnibus constitutional amendment bill prompting heated reactions from the public and the Parliament. There was even a constitutional petition challenging its introduction. It was eventually withdrawn and two separate constitutional amendment bills were introduced.

On the political transition, the government motion for change of political system was not carried the first time. Our Rules say that where that happens, such a matter cannot be handled in the same session unless the decision is rescinded. Government brought

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<sup>8</sup> The Government White Paper, p. 9.

<sup>9</sup> The Report was presented to Parliament on 21<sup>st</sup> December 2004.

<sup>10</sup> *ibid*

a motion to rescind the decision and re-open the debates on the motion. It was eventually passed. The Electoral Commission set the referendum to be held on the 28<sup>th</sup> July 2005. The holding of the referendum itself was challenged in the Constitutional Court an injunction sought to stop it. It was held on schedule. This was a whole chapter of miscalculations and accidents in our political history.

The Parliament passed the Constitutional amendment bills on 18/8/2005 by the required votes. Parliament then with great diligence and speed passed all the major pieces of legislation to implement the new constitutional order and facilitate the political transition. We passed the Political Parties and Organisation Bill; The Presidential Elections Bill; The Parliamentary Elections Bill and the Local Government (Amendment) (NO. 2) Bill.

The process has been very much like building the road on which we are walking. Sometimes we have to destroy the existing bridge in order to build a stronger one. Sometimes we had to divert the traffic so that we could concretely deal with the bad part of the road. We were not lucky in that our contract was not open-ended; we had a fixed term contract, with a specific date of expiration. The election date is fixed by the Constitution and we had just amended the Constitution to hold all election on one day. Every minute counted and yet we wasted every minute. We made changes along the way, which only added to the strain on our timeframe.

The delays, the changes in policy, the mistakes and time wasting caused great anxiety among many. Parliament set up a Road Map Committee; it never made any road map. Many people started agitating against breaking the old bridge and diverting the traffic in the short run. Many believed that the government was just buying time and lacked the political will to proceed with the transition. Many just watched us behave like magicians.

### *The Reaction of the Donors to the Political Transition*

The donors were equally anxious and completely dissatisfied with the pace and substance of the political transition. They were not satisfied at all in the way the government was handling the transition. Some even withheld aid.

In March this year, the British government withheld about Shs. 17 billion in aid to Uganda citing concerns about our handling of several aspects of the country's political transition, especially "insufficient progress" towards "establishing a fair basis for a multi-party system".

In May this year, Ireland also announced it would be cutting Euro 2 million of it's annual direct aid to Uganda due to concerns over the slow pace of political reform.

In November this year, The Netherlands announced its withdrawal of Euros six million (Shs13.2 billion) in budgetary support assistance to Uganda citing concerns over the political transition and macro economic management. The embassy in Kampala said The Netherlands had cut its budgetary assistance from a planned 21.9 million euros to 15.9 million for the financial year 2005/2006. They said the decision

is based on the concern of The Netherlands that insufficient progress is being made on governance issues (especially as related to the political transition) and in the area of macro economic management. They however add that the “The Six million euros that have been withheld will not be lost to Ugandans but will be diverted to humanitarian assistance for Northern Uganda, via UN-organisations.”

It does seem that unless Uganda begins to address some of these issues and these shortcomings, it stands the risk of spoiling all that the country has achieved so far.

However, donors ought to be mindful of their actions in light of agreed performance target and not introduce new consideration midway the journey. After all the DAC guidelines on aid effectiveness state that donors should programme their aid over multi-year timeframe that is consistent with the planning framework of the partner government and be transparent about the circumstances under which aid flows may vary.

The overall result of withholding aid is that the most vulnerable and yet the most important sectors will suffer budget cuts. Projects that are midway will not be completed. Worse still it will not affect the political operations of the government.

#### *Accountability and Transparency Concerns*

Accountability is a key requirement of good governance. Not only governmental institutions but also the private sector and civil society organizations must be accountable to the public, to their institutional stakeholders and to those who will be affected by their decisions or actions. Accountability cannot be enforced without transparency and the rule of law.

The Minister of Ethics and Integrity says corruption has exacerbated poverty in the country and widened the gap between the rich and the poor. It has infiltrated all areas of government business. It spreads from vote buying, to procurement of tenders with the Government departments.

*“Further that the cancer of corruption disturbs the normal functioning of our society. People die because of corruption. We have poor roads because of corruption. In fact, corruption has interfered with the entire process of service delivery in the country.”*

Transparency means that decisions taken and their enforcement are done in a manner that follows rules and regulations. It also means that information is freely available and directly accessible to those who will be affected by such decisions and their enforcement. It also means that enough information is provided and that it is provided in easily understandable forms and media.

The following two areas of public procurement and the war in Northern Uganda will illustrate how bold some of the cases can be-

#### 1) Public Procurement

Public procurement is one of the ways in which government implements public policy. It is estimated that 70% of the Uganda Government budget is spent through the procurement of goods, services and works at central and local government levels. It is also the areas most prone to corruption in the public sector. The National Integrity Survey published in 2003 by the Inspectorate of Government revealed shocking mess in public procurement.

There is need to streamline procurement in the Uganda Peoples Defence Forces. We procured junk helicopters, immobile tanks, one-winged fighter jets, one-sided military boots and rotten food for our troops. Commissions of Inquiries have been established and some people are being prosecuted, but the money is gone.

## 2) The War in Northern Uganda

Years of insurgency in Northern Uganda have diverted national resources, and prevented progress in poverty reduction in the war torn areas. Efforts should be made to secure the villages so that the internally displaced persons can return home. While the general poverty figures have risen to 39%, poverty in Northern Uganda has reached a shameful 65% and is still increasing. This has got to change.

The war created an opportunity for some generals to make money. They created “ghost soldiers”. About 10,000 of these ghost soldiers were deployed in the North to fight the insurgency, and the war raged on. Some of them are now being prosecuted, but the money is gone.

Unfortunately, there has not been any very serious intervention by the donors based on the pervasive corruption that has put Uganda among the top most corrupt countries. Statement have been made, yes, but no action similar to those taken by the British, Irish and Dutch government on the issues of political transition and macro-economic management, has been taken. Instead, the donors have sponsored studies; have lobbied for the establishment of new institutions for the fight against corruption. No strong action, no conditions with definite performance benchmarks have been agreed with the government.

## **Experience with the International NGOs**

Sometimes we are shocked at the amounts of money that the donors send to Uganda through the INGOs and the UN agencies. The INGOs just like the local NGOs have very serious mandate and accountability problems. They are not accountable to the people they serve. They never disclose how much money they have received in their names. The people are so bitten by poverty that they are only too glad to receive charity. They could not possibly ask any questions.

In September this year, Sida gave figures showing how much money they had committed to Humanitarian Assistance to Uganda, this year. The figures are as at September-

Sida- Humanitarian Assistance, UGANDA, 2005

		2005		2006	
		MLN SEK	MLN USD	MLN SEK	MLN USD
OCHA	Coordination	4	0.5		
UNICEF	Unearmarked support	10	1.3		
FAO	Emergency distribution of input to conflict affected IDPs and coordination of emergency agriculture intervention	5	0.7		
WHO	Improving Health Care Delivery for IDPs in Northern Uganda	1.5	0.2		
WFP	Unearmarked. Multilateral fund	12	1.6		
Norwegian Refugee Council	IDP protection training, Youth education pack	5.5	0.7		
Save the Children	Emergency Education, IDPs	3	0.4		
ICRC	Unearmarked support (protection, assistance, IHL training)	7.8	1		
Svenska Kyrkan	Food security, watsan, shelter, public health	5.5	0.7	5	0.7
Oxfam GB	Food & income security, peace building, advocacy	7	0.9	9	1.2
Total 2005 (as of Sep.)		61.3	8	14	1.9

The Swedish government has therefore disbursed a total of US\$ 3.7 million through the INGOs, for the IDPs in Northern Uganda. There are a total 112 IDP camps in Northern Uganda and 13 of them are in Omoro County, which I represent. In my frequent visits to the constituency, I am unable to confirm the visibility of these interventions.

It is possible they contracted other local NGOs to do the actual implementation of the interventions. Of course this would raise the overhead and transaction costs and undermine effectiveness. How many other donors are sending aid through the same method. How do they account for this money and to whom?

### **Donor Response where there is a Threat to Aid Effectiveness**

Where the moral and legal basis for the continuation of the partnership is fundamentally affected, the whole partnership should cease. Any attempt to continue with the relationship when the circumstances have changed is to become privy to the malaise.

Donors should avoid one-track aid disbursement procedure. Our present experience with the Global Fund for AIDS, Tuberculosis and Malaria (GFATM) illustrates this point. While it is difficult to trace aid in the multi-donor budget support systems, the other methods should be used not as options, but as combined systems of disbursements. There should be budget support, SWAPs and area-based programmes. You can earmark funds without necessarily compromising flexibility.

### *Limits of legitimate donor intervention on governance issues*

The partnership agreements should be explicit enough to provide for the breadth and length of legitimate interventions. The negotiations should anticipate all possibilities except for those occurrences that may come as a complete surprise. In our case, for instance, the issues of the political transition never came suddenly. It went on for more than three years. The issue of removal of presidential term limits has been on for a long time.

As stated earlier, the DAC guidelines on aid effectiveness state that donors should programme their aid over multi-year timeframe that is consistent with the planning framework of the partner government and be transparent about the circumstances under which aid flows may vary.

Intervention is also legitimate where the donor has stated explicitly what share of their disbursements is to be linked to the specific performance criteria, with an explicit condition for partial disbursements where there are performance shortfalls. Introducing new consideration midway the journey would not be legitimate.

### **Donors' roles in ensuring aid effectiveness**

Good governance means that processes and institutions produce results that meet the needs of society while making the best use of resources at their disposal. Donors' role in ensuring aid effectiveness should include-

- Oversight, monitoring and evaluation of all funds must be a collective responsibility of all the stakeholders, including donors. There is therefore need to strengthen institutions to carryout their mandates;
- Build and strengthen the capacities of the national institutions to be able to plan, execute and enforce accountability. This should be able to remove the excuse that donors use to bypass government procedures and impose conditionality that have the effect of changing government priorities and policies.
- Build and strengthen a strong anti-corruption coalition both in the civil society and in the donor circles and support a more transparent public procurement procedure. The domestic constituencies have to have the capacity to demand and enforce accountability.
- Ensure that the government budget matches the emphasis of sectors such as agriculture, tourism, education, health, water, and roads as stated in the PRSPs with the corresponding budgetary emphasis. Donors should support country-owned, country-led poverty reduction strategies or equivalent national frameworks and base their programming on the needs and priorities identified in these.

- There is need for the donors and all the other stake holders to cause the government to review its spending objectives; to fund priority arrears and cut expenditure on non-priority sectors like public administration;<sup>11</sup>
- Government should take serious action in preventing budget overruns and supplementary expenditure since this shows budget indiscipline;
- In order to ensure that performance targets and conditions are met, donors must disburse aid in a timely manner and in accordance with national budget cycles.
- It has been proposed that donors should state explicitly what share of their disbursements is to be linked to the specific performance criteria, enabling partial disbursements if there are performance shortfalls. This would remove the ad hoc manner in which donors are forced to act sometimes.
- There is a serious need to ensure that value for money is reflected in the outputs given the levels of corruption and poor service delivery;
- There is an equally serious need to institute mechanisms for measuring the performance and impact of government programmes; and the contribution of aid in the outputs. Donors should establish triggers for noncompliance with commitments associated with country strategy principles and budget support conditions.
- Budget support-tracking system; there has to be a system of monitoring and evaluation of compliance with the negotiated terms and conditions of aid. The donors have to ensure that their money is being used for the purposes for which it was intended.
- Enforce lending condition and accountability standards that go beyond paper accountability for the moneys used in budget support. Our agreements must show that we care very deeply about establishing a serious commitment of accountability and measuring results. There should be a greater degree of oversight for resources targeted for Uganda.
- Budget support must be within the medium term expenditure framework (MTEF). Parliament should know in advance and in real terms how much money each donor is making available for budget support. This should be agreed among the donors more especially since the GBS is a multi-donor budget support arrangement. Our Parliament and citizens should know the extent of the commitment in the medium term.
- Realign the development budget portfolio to the PEAP priorities, which should provide an operational framework for monitoring and evaluation. “Donors should harmonise their interventions behind country-owned poverty

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<sup>11</sup> See World Bank action last week.

reduction strategies, to reduce the transaction costs of aid for recipients and make aid more effective”.<sup>12</sup>

- Streamline significant administrative costs; this arguably has been partially settled by the GBS. There is a serious need to review donor policy on technical assistance and aid disbursement through secondary agencies, INGOs.
- There is an urgent need to harmonise monitoring and reporting procedures. The reporting requirements are too strenuous and take all the time of the administrators.
- Enhance monitoring and evaluation; and ensure that counterpart funding is fully incorporated in the medium term expenditure framework.
- The donors this financial year have a 40% stake in our national budget. Without raising the issue of sovereignty, they must take responsibility for the percentage they contribute.
- There is need to institutionalise the consultative process so that planning and expenditure prioritisation address issues that reflect the expectations of all stakeholders, the citizens, government and the donors.

## Conclusion

Our relationship with you should be on some sounder basis, not just political stability. We turned a blind eye to the most heinous economic crimes. We did not act when we should have. President Bush has been clearer on this issue when he said, “*America cannot buy stability at the price of democracy*”. Congressman Dellums put it even better that-

*“Therefore, we must look at Africa in a more enlightened and self-interest way based on our ‘mutual vulnerabilities’. Moreover, our concern for Africa should not be based on a sense of a ‘noblesse oblige’ but more importantly seen as a moral necessity...”*

Democratisation must be strengthened by encouraging election reforms, political stability and above all politically empowering the citizenry. The donors should support the efforts of our people to achieve real democracy through government accountability in order to promote the spread of freedom, democracy and good governance.

The negotiations of the WTO and other global efforts must take cognisance of the peculiarities of our situation. We should seek out ways to level the playing field, cancel unjust debts and increase development assistance. The transition of our countries into the global marketplace without adequate safeguards and financial

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<sup>12</sup> The Monterrey Consensus- Report of the International Conference on Financing for Development, March 2002.



infrastructure is a license to economic demise. There must be a revision of commerce restrictions on our participation in global commerce.

**Uganda must improve not only its good governance performance, but it must also be supported to improve its competitiveness in the global market place so that aid may take root and foster economic development and achieve poverty reduction. There is still time and we can do it.**

Thank You

## Appendix H Prof Tony Killick Presentation

### CAN DONORS INCENTIVISE BETTER GOVERNANCE?

Tony Killick

#### 1. Conditionality as incentive

The *prime facie* case

But its limited revealed effectiveness

Governance conditionality too

Local politics dominates

The incentive structure is inadequate (especially weak sanctioning)

Except when tipping the balance – local pressures/leadership the best incentive

#### 2. Implications for governance

Fundamental v secondary governance conditions

Secondary conditionality can be fruitful (PFM)

Power-threatening stipulations unlikely to work (except when tipping balance)

Main point: *Donors are not powerful, even in aid-dependent cases, except with local allies*

Special problems of small donors & collective action

#### 3. Selectivity

An essential part of alternative to conditionality

Lots of difficulties

What criteria? Importance of clarity for incentives

Suffering peoples

The politics of it

Pressures to spend – expanding budgets

BUT – keep an exit route, avoid lock-in

#### 4. “Partnership” and incentives

Apparently weaker incentives for recipients

Obviously weak for donors: Inequality & sanctioning

But aid dependents do have bargaining chips

Providing incentives for donors

Dialogue & commitment, including governance (Rwanda)

#### 5. Using peer pressure

Not strong but the best weapon available

- The importance of Paris
- Local architecture for peer pressure
  - \* Tanzania – the local DAC
  - \* Mozambique – the PAPs PAF

Partnership as offering mutual benefits – may be better way of influencing governance