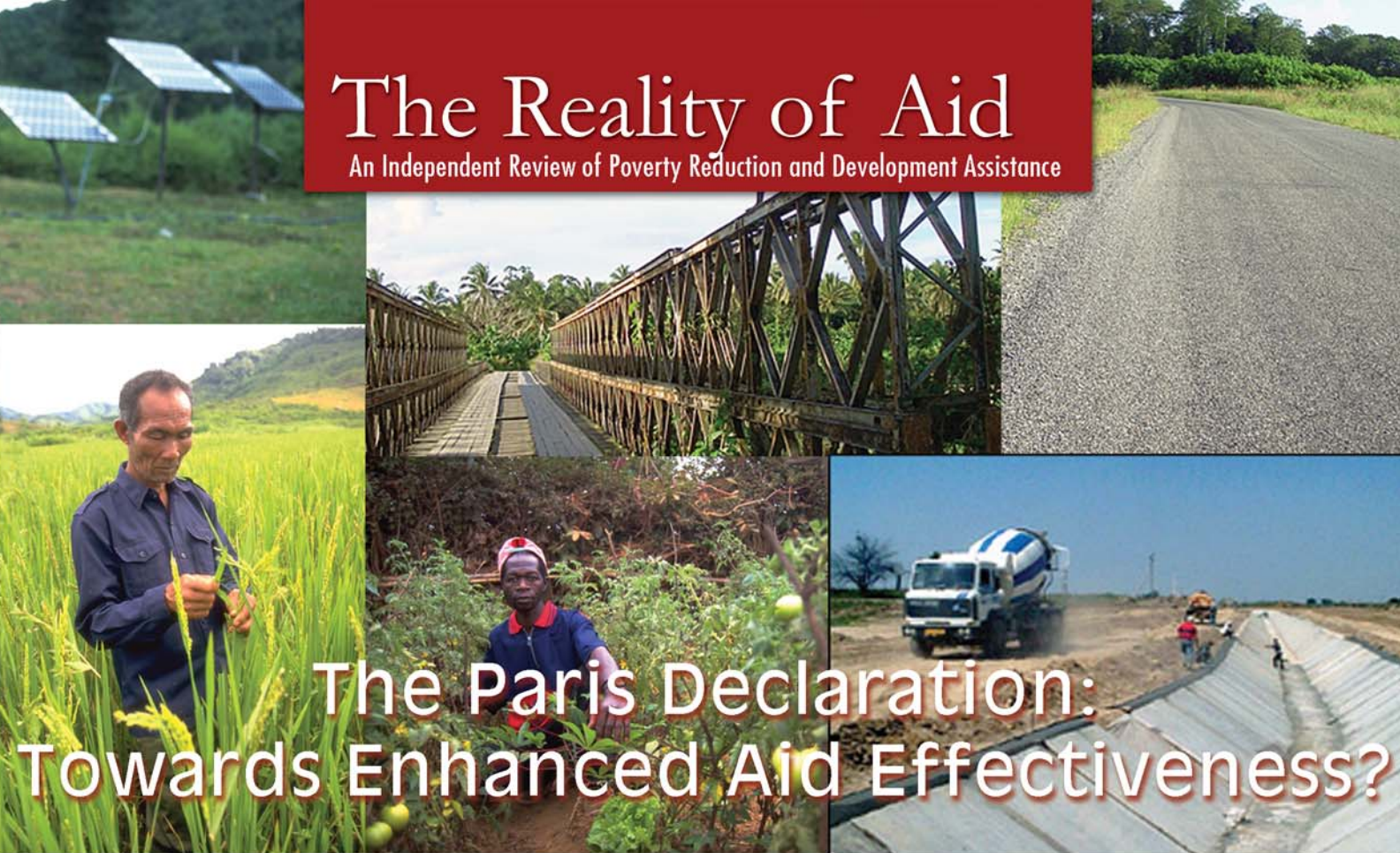


# The Reality of Aid

An Independent Review of Poverty Reduction and Development Assistance



The Paris Declaration:  
Towards Enhanced Aid Effectiveness?

# RealityCheck

JANUARY 2007





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## about this issue

*This Reality Check provides an overview of the Paris Declaration and highlights donor commitments that purport to improve aid effectiveness. The papers present critiques to the Declaration and pose challenges to donor countries, local and national governments as well as civil society organizations working towards aid effectiveness.*

This issue is prepared by



## The Reality of Aid

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# The Reality of Aid: Key Messages on *The Paris Declaration*

## Achieving Global Justice and Poverty Eradication through Reforming Aid Architecture

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**T**he *Paris Declaration*, with the agreement of 22 donors and 57 partner country governments, marks a significant set of donor commitments to improve the effectiveness of aid for the stated purposes of accelerating the achievement of the 2015 Millennium Development Goals and reducing poverty and inequality. Civil society organizations (CSOs) have welcomed the *Declaration's* intention to put donor and partner country words into action through specific reforms to which they will be accountable.

The *Declaration* clearly acknowledges the primary importance of “country ownership”, with effective developing country leadership over their development policies. Developing country partners agree to develop effective national development strategies to which donors will respond. To achieve these overarching goals, the *Declaration* sets some specific objectives, with measurable indicators, including greater alignment with country strategies, improved harmonization of donor procedures, and a commitment to mutual accountability for development results.

These reforms have long been called for by CSOs. Nevertheless, the *Declaration* fails to go far enough in tackling some deep-seated obstacles that have stood in the way of aid as an effective resource that addresses the acute conditions facing poor and marginalized people. Further reform is urgently needed.

**1. Donor/government policy dialogue on national development plans, so central to the *Paris Declaration*, should be guided and informed by international human rights standards.** *The Paris Declaration's* commitment to “country ownership” relies on donor alignment with partner governments’ national development strategies. This alignment is usually the result of highly unequal and donor-directed policy dialogue, focusing on implementing World Bank/IMF-mandated Poverty Reduction Strategy Papers (PRSPs). While improving in some countries, PRSPs have been proven to be artificial and weak expressions of democratic country ownership that is premised on democratic engagement of citizens. Real “country ownership” is the result of strong participation of organizations representing citizens, and particularly women and marginalized groups, who are most affected by poverty, as well as effective parliamentary scrutiny, and is not a limited dialogue between donor officials and government officials. Efforts for poverty reduction must include the space for organized efforts of poor people and organizations to claim and promote their rights.

Both donors and country partner governments have largely endorsed international human rights standards elaborated in various United Nations Covenants. These oblige both donor and recipient

governments to maximize their efforts to *progressively* realize citizens' civil, political, economic, social and cultural rights, taking into account key principles of participation, non-discrimination and special attention to vulnerable groups. Alignment to this framework requires processes of donor engagement and government practice that prioritize accountability to citizens over accountability only to donor interests and priorities. Such a framework would link reform in the operational aid practices of donors and governments, the subject of the *Paris Declaration*, to the creation of national development plans. These plans, unlike current PRSPs, should be comprehensive and specific to country situations, elaborated with full transparency and with the full participation of citizens and parliamentarians. Respect and support for accountable domestic institutions, for citizens' organizations and mobilization, and for the dynamics of local politics, are necessary foundations for "country ownership", so important for aid effectiveness and the *Paris Declaration*.

**2. The effectiveness of the *Paris Declaration* reforms should be measured in terms of aid's exclusive and intended purpose, the reduction of poverty and inequality.** The true measure of aid effectiveness is a sustained reduction of poverty and inequality in the poorest countries, where aid is a key resource. The *Declaration* assumes that its reforms in the delivery and management of aid will improve aid's effectiveness in reaching poor people and mobilizing them to address their rights. Reform of current aid practices is vitally important. However, the *Declaration* establishes no commitment to clear targets or mutually accountable assessments of whether these specific reforms will result in sustained progress in reducing poverty.

**3. The commitments of partner governments arising from the *Paris Declaration* should be carried out with full transparency and**

**The *Declaration* fails to go far enough in tackling some deep-seated obstacles that have stood in the way of aid as an effective resource that addresses the acute conditions facing poor and marginalized people.**

**engagement with citizens in each country.** National development plans and strategies should be considered "public goods". Partner governments therefore have an obligation to create maximum opportunities for their citizens to fully participate in the development of appropriate country development plans for reducing poverty and inequality. Developing country leadership over policy directions must be accompanied by a commitment to full transparency in government engagement with its citizens as well as with donors and other international development actors. These policies, in their accountability to citizens and parliamentarians, must arise from the specific domestic needs and concerns of poor and vulnerable citizens.

**4. Mutual accountability in the context of highly unequal power between donors and aid-dependent developing countries requires a commitment to fundamental reform of International Financial Institutions. Donors must also expressly reform their aid institutions in ways that enable mutual accountability.** The World Bank plays a leading role in setting the terms of "development partnerships". The harmonization of donor practices, called for in *The Paris Declaration*, accentuates the power of

multilateral institutions, in which developing countries, and particularly the poorest, have little say on IMF/World Bank priorities and their development policy blueprints for developing countries. Mutual accountability requires transparent participation of citizens in assessing the success or failures of reform to produce poverty reduction results. Without greater democratic participation of developing countries in the IMF and the World Bank, and without a reduction of these institutions' current influence on the policy choices available to developing country governments, donor "harmonization" of policy prescriptions in their engagement with recipient governments only accentuates the absence of democratic accountability of these governments to their citizens. Without significant reform of the World Bank and the IMF, donors will fail to take into account the critical importance of local knowledge and of locally-determined appropriate policies that may contradict current "wisdom" in these institutions.



Furthermore, the commitment to mutual accountability will only be rhetorical without democratic reform of bilateral donor aid institutions and practices. Mutual accountability requires real change in current donor practices. Donors must fulfill their commitments to improve

aid effectiveness, including the complete untying of their aid programs, greater predictability of aid flows, reform of technical assistance, full transparency in aid program priorities and strategies, and the delivery of sufficient financial resources to make the necessary progress in eradicating poverty. Mutual accountability also requires changes in donor behaviour that respects and promotes equitable partnerships, including addressing the often informal influences over developing country partners resulting from donors' financing power.

**5. Donors must address the failure of *The Paris Declaration* to set goals to eliminate donor-imposed policy conditions and benchmarks, which are the most important barriers to ownership because they undermine the space for locally-determined policy options for development and poverty reduction in the poorest countries.** While there is a strong consensus among all development actors that imposed conditions are both ineffective and unjust to the rights of citizens in poor countries, the *Declaration* fails to address this critical issue. Governments can never be truly accountable to their citizens, and their parliaments, when policy prescriptions continue to be imposed, by donors, as conditions for both debt cancellation and aid. Both donor policy dialogue with government and harmonization of aid practices in program-based approaches have tended to accentuate the impact of donor conditions with numerous additional "benchmarks" that must be achieved for the release of aid monies. Within highly unequal aid relationships, the governments of the poorest countries are very vulnerable to such conditions. They face an international environment that permits few options to stray from development policy "consensus", which is largely a donor consensus. While fulfilling obligations to fiduciary responsibility and accountability mechanisms for aid expenditures, donors must eliminate donor-imposed economic and political conditionality and benchmarks in their aid programming. As noted above, policy dialogue



and choices should be based on shared human rights obligations to progressively realize citizens' human rights.

**6. In establishing aid effectiveness policies that support roles for civil society in democratic development for poverty reduction, donors must take into account the principles and operational needs of CSOs to enable their effective response to priorities set by beneficiary populations.** Civil society organizations create bridges between local civil actions and national/global civil society aspirations that are responsive to the realities where poor and marginalized people live. While CSOs do not replace the responsibilities of government to their citizens, CSOs, as expressions of active citizenship, should not be considered subsidiary to government national development plans. The goals for civil society are closely aligned with the principles of democratic culture which requires respect and encouragement of pluralities of views, policy and development alternatives. CSOs have been making effective contributions to national and local development efforts, often in partnerships with donors and governments. However, donor, government and CSO approaches to effective development cooperation may sometimes be in tension. In fostering democratic culture in the poorest countries, as a foundation for poverty-focused development, local and international CSO development actors would be seriously constrained if they were compelled to harmonize their development priorities with PRSPs which they had little say in shaping.

**7. Monitoring existing *Paris Declaration* commitments must include a sustained process of engagement at national and international level with full transparency and with the participation of all stakeholders in development, including CSOs at country level.** The OECD Development Assistance Committee

(DAC) has been coordinating, through its Working Party on Aid Effectiveness, the monitoring of objectives and indicators arising from the *Declaration*. The DAC is also expanding its engagement with civil society actors in its various forums. However, this commitment to engagement should be a regular component of DAC processes. In this regard, the DAC should ensure that there is sustained engagement and spaces for dialogue with CSOs on all issues related to aid effectiveness (not only those included in the *Declaration*) in the lead-up to the third High Level Forum in Ghana in 2008, which is to review the *Declaration*.

With regard to the transparent monitoring of the *Declaration* itself, partner country CSOs should be included in all aspects of this monitoring. In doing so, donors and partner governments should pay equal attention to both process and indicators, with space for both partner governments and CSOs to raise issues beyond current *Declaration* commitments that clearly affect aid effectiveness. It is also important to note that the current review assesses indicators for partner government performance through instruments located solely within the World Bank, while donor performance is assessed by both donors and recipients, based on donor provided data. Assessment of "country ownership" should be strongly rooted within partner countries involving the participation of all stakeholders and country development actors.

**The goals for civil society are closely aligned with the principles of democratic culture which requires respect and encouragement of pluralities of views, policy and development alternatives.**

## THE PARIS DECLARATION:

### What are the Donor Commitments to Improve Aid Effectiveness?

**T**he *Paris Declaration on Aid Effectiveness* is the culmination of ten years of donor discussion on ways to improve aid effectiveness. It was adopted in March 2005 at the High Level Ministerial Forum organized by the Development Assistance Committee (DAC) of the OECD. This High Level Forum was attended by Aid Ministers from the 22 donor countries, as well as representatives of international organizations, recipient developing countries and several civil society organizations.<sup>1</sup>

The *Paris Declaration* is commonly described by official donors as “an unprecedented global consensus” for reforming the delivery and management of aid to improve its effectiveness. These reforms are intended to “increase the impact of aid ... in reducing poverty and inequality, increasing growth, building capacity and accelerating achievement of the MDGs”. (1)<sup>2</sup> All donors have agreed to be evaluated against the commitments in the *Declaration* and the indicators of progress set out by the DAC and the World Bank. Consequently it will have a decisive influence on how donors will program in the future.

*The Paris Declaration* has at least a ten-year pedigree, whose origins lie in declining aid levels and

increasing disillusionment, among donors, with the impact of aid in the 1990s. Important milestones along the way to the *Paris Declaration* in 2005 included the DAC’s 1996 *Shaping the 21<sup>st</sup> Century*, which established a narrow set of donor goals from commitments made at the UN Global Summits of the 1990s, the elaboration by the World Bank of its Comprehensive Development Framework in the late 1990s to better coordinate its policies and country-level programs, and the enhanced agreement for debt cancellation (HIPC) in 1999, linking debt relief to a country-specific Poverty Reduction Strategy Paper (PRSP). Renewed interest in effective aid accelerated in the first part of the 21<sup>st</sup> century with the adoption by the members of the United Nations of the Millennium Declaration on development partnerships and the elaboration of the Millennium Development Goals (which turned out to be quite similar to the narrow set of goals in the DAC’s *Shaping the 21<sup>st</sup> Century*) and donor commitments to increase aid, particularly for Sub-Saharan Africa, at the 2002 UN Financing for Development Conference and subsequent G8 meetings.

*The Declaration* is an action-oriented roadmap for aid reform built around five main

<sup>1</sup> The text of the Paris Declaration can be found at <http://www.oecd.org/dataoecd/11/41/34428351.pdf>. It should be noted that, while a number of CSOs, including CCIC and The Reality of Aid are listed in the Appendix of the Paris Declaration as “participating” CSOs, neither CCIC nor the Reality of Aid have endorsed the Declaration. They, along with other CSOs present, provided critical feedback on several issues being debated at the High Level Forum. Similarly developing country representatives present provided (often critical) commentary during the discussions. The Declaration itself was set out by the DAC as an expression of consensus at the meeting but was never brought to a vote or sign-on process.

The key commitments and related indicators can be found in Appendix A.

<sup>2</sup> All numbers in brackets following quotes refer to corresponding pages in the *Paris Declaration*.

themes<sup>3</sup>, with corresponding objectives:

1) Ownership – Partner countries exercise effective leadership over their development policies, and strategies and coordinate development action (3).

Objective: Partners have operational development strategies.

2) Alignment – Donors base their overall support on partner countries' national development strategies, institutions and procedures (4).

Objectives:

- Reliable country procurement and financial management systems are in place;
- Aid flows are aligned on national priorities;
- Donor capacity development support is coordinated;
- Donors use country procurement systems;
- Donors use country financial management systems;
- Donors avoid their own project management implementation units;
- Aid is more predictable; and
- Aid is untied.

3) Harmonization – Donors' actions are more harmonized and transparent (6).

Objectives:

- Donors use common arrangements (with 66% of aid in program-based approaches); and
- Donors jointly develop and share country analysis.

4) Managing for Results – Managing resources and improving decision-making for results (7).

Objective: Countries have transparent and

monitorable performance assessment frameworks for national development strategies.

5) Mutual Accountability – Donors and partners are accountable for development results (8).

Objective: Mutual assessment of commitments is undertaken on aid effectiveness.

The foundation for the *Paris Declaration* is the notion that “partnership” has now replaced the traditional donor/recipient relationship. Donors and aid recipients make a total of 56 specific “partnership commitments” across all five areas. In doing so, it is presumed that individual donors will reform their aid practices accordingly. The intent is to measure concrete progress. A few months after the High Level Meeting, in July 2005, the DAC, working with the World Bank, agreed on 12 indicators (*see Appendix A*) and measurable targets to be achieved by 2010.<sup>4</sup> The DAC is currently coordinating baseline research so that periodic joint donor/recipient assessment of reforms can take place. The first joint assessment is scheduled for a High Level Meeting to be held in Ghana in 2008.

The *Paris Declaration* implies that its principles and objectives are applicable to all country-level development actors, including civil society organizations. Nevertheless, to date, the aid effectiveness agenda is largely focused on the need for institutional reforms by donors and developing country governments for a more effective and efficient aid system. Their aim is to improve the operations of a system that continues to deliver increased financial and human resources from official donors to southern government, for policy and program objectives, through a “dialogue” between government officials and donors, with the latter coordinating their policy advice to speak as “one voice”.

Donors have been increasingly critical of the

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<sup>3</sup> An excellent overview of the Paris Declaration from a donor official point of view can be found in a presentation by Real Lavergne from CIDA Policy Branch to CCIC. See “Civil Society and the Paris Declaration and Aid Effectiveness” at <http://ccic.ca/e/002/aid.shtml>

<sup>4</sup> See DAC/World Bank, “Baseline and suggested targets for the 12 indicators of progress – Paris Declaration on Aid Effectiveness” available at <http://www.oecd.org/dataoecd/45/46/35230756.pdf>. See Appendix A.



“project” as an effective aid delivery mechanism for achieving sustainable poverty reduction and achieving the MDGs. In its place, particularly in the poorest countries of Sub-Saharan Africa, donors and governments are negotiating “program-based approaches” (PBAs), in which a number of donors pool development resources in support of a defined government program. PBAs take two main forms – sector-wide programs (SWAs) which focus on a program coordinated by a sector ministry of the government such as health or education, and budget support which provides donor resources in support of the central budget of the government to implement its Poverty Reduction Strategy. In both cases it is presumed that leadership is being exercised by the government in question and that the specific strategies are “country owned”. Over time, donors involved in PBAs gain confidence in recipient governments’ internal management systems and agree to harmonize financial management, reporting and evaluation with domestic systems. Donors usually rely on a joint funding mechanism, under the control of a lead donor such as the World Bank, with agreed policy performance triggers and timeline for the release of pooled funds to the government counterpart. While donors understand that the move towards fully harmonized and pooled budget support will take time on their part, it is presumed that such an approach to aid delivery will improve domestic



accountability in developing countries, create incentives for improved performance by developing country government counterparts, and encourage a more holistic approach to sector and poverty reduction strategies for both donors and recipient governments.

While CSOs have certainly welcomed many aspects of the donor commitments to improve the effectiveness of aid, it is also important to acknowledge that there can be different measurements of aid effectiveness. CSOs support for the *Paris Declaration* is guarded in that the

*Declaration* has little to say on three essential questions – aid effectiveness for what purpose, for whom, and as measured by whom? The *Declaration* states almost rhetorically that the purpose of reform of the aid system is to better meet goals for poverty reduction, including the MDGs. But CSOs question “how much aid actually reaches

the poor and mobilizes them to address their own problems”, and propose that this is the true measure of effectiveness.<sup>5</sup> The indicators and criteria elaborated by the World Bank and the DAC to assess the donor commitments in the *Declaration* do not address this question. This *Reality Check* explores in more detail such CSO concerns about the “reality” of donor commitments and their implications for the goal of poverty reduction with justice and greater equality.<sup>6</sup>

<sup>5</sup> Antonio Tujan, “Which Way the Future of Aid”, Southern Voices Project, Overseas Development Institute, 2005, accessible at [http://www.odi.org.uk/ffa/workshop\\_nov05/Comments-Scoping%20paper/ATujan.pdf](http://www.odi.org.uk/ffa/workshop_nov05/Comments-Scoping%20paper/ATujan.pdf)

<sup>6</sup> A recent excellent overview of many of these same issues can also be found in CARE International & Actionaid International. “Where to now? Implications of changing relations between DFID, recipient governments and NGOs in Malawi, Tanzania and Uganda”. August 2006, accessible at <http://www.careinternational.org.uk/Where+to+now+Implications+of+Changing+Relations+between+DFID,+Recipient+Governments+and+NGOs+in+Malawi,+Tanzania+and+Uganda+7240.twl>

## APPENDIX A\*

### The Paris Declaration: Indicators of Progress To be measured nationally and monitored internationally

OWNERSHIP	TARGET FOR 2010
1. Partners have operational development strategies — Number of countries with national development strategies (including PRSs) that have clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets.	At least 75% of partner countries have operational development strategies.
ALIGNMENT	TARGET FOR 2010
2. Reliable country systems — Number of partner countries that have procurement and public financial management systems that either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	(a) Public financial management — Half of partner countries move up at least one measure (i.e., 0.5 points) on the PFM/ CPIA (Country Policy and Institutional Assessment) scale of performance.  (b) Procurement — One-third of partner countries move up at least one measure (i.e., from D to C, C to B or B to A) on the four-point scale used to assess performance for this indicator.
3. Aid flows are aligned on national priorities — Percent of aid flows to the government sector that is reported on partners' national budgets.	Halve the gap — halve the proportion of aid flows to government sector not reported on government's budget(s) (with at least 85% reported on budget).
4. Strengthen capacity by co-ordinated support — Percent of donor capacity-development support provided through coordinated programmes consistent with partners' national development strategies.	50% of technical co-operation flows are implemented through co-ordinated programmes consistent with national development strategies.
5a. Use of country public financial management systems — Percent of donors and of aid flows that use public financial management systems in partner countries, which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	<b>PERCENT OF DONORS</b> All donors use partner countries' PFM systems. (Score A) 90% of donors use partner countries' PFM systems. (Score B) <b>PERCENT OF AID FLOWS</b> A two-thirds reduction in the % of aid to the public sector not using partner countries' PFM systems. (Score A) A one-third reduction in the % of aid to the public sector not using partner countries' PFM systems. (Score B)
5b. Use of country procurement systems — Percent of donors and of aid flows that use partner country procurement systems which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	<b>PERCENT OF DONORS</b> All donors use partner countries' procurement systems. (Score 5+) 90% of donors use partner countries' procurement systems. (Score 3.5 –4.5) <b>PERCENT OF AID FLOWS</b> A two-thirds reduction in the % of aid to the public sector not using partner countries' procurement systems. (Score 5+) A one-third reduction in the % of aid to the public sector not using partner countries' procurement systems. (Score 3.5 – 4.5)

6. Strengthen capacity by avoiding parallel implementation structures — Number of parallel project implementation units (PIUs) country.	<b>Reduce by two-thirds</b> the stock of parallel project implementation units (PIUs).
7. Aid is more predictable — Percent of aid disbursements released according to agreed schedules in annual or multiyear frameworks.	Halve the gap — halve the proportion of aid not disbursed within the fiscal year for which it was scheduled.
8. Aid is untied — Percent of bilateral aid that is untied.	<b>Continued progress over time.</b>
<b>HARMONIZATION</b>	<b>TARGET FOR 2010</b>
9. Use of common arrangements or procedures — Percent of aid provided as programme-based approaches.	66% of aid flows are provided in the context of programme based approaches.
10. Encourage shared analysis — Percent of (a) field missions and/or (b) country analytic work, including diagnostic reviews that are joint.	(a) 40% of donor missions to the field are joint. (b) 66% of country analytic work is joint.
<b>MANAGING FOR RESULTS</b>	<b>TARGET FOR 2010</b>
11. Results-oriented frameworks — Number of countries with transparent and monitorable performance assessment frameworks to assess progress against (a) the national development strategies and (b) sector programmes.	<b>Reduce the gap by one-third</b> — Reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third.
<b>MUTUAL ACCOUNTABILITY</b>	<b>TARGET FOR 2010</b>
12. Mutual accountability — Number of partner countries that undertake mutual assessments of progress in implementing agreed commitments on aid effectiveness including those in this Declaration.	<b>All partner countries</b> have mutual assessment reviews in place.

\* **Appendix A** is culled from pages 9-10 of the *Paris Declaration*.

**Important Note:** In accordance with paragraph 9 of the Declaration, the partnership of donors and partner countries hosted by the DAC (Working Party on Aid Effectiveness) comprising OECD/DAC members, partner countries and multilateral institutions, met twice, on 30-31 May 2005 and on 7-8 July 2005 to adopt, and review where appropriate, the targets for the twelve Indicators of Progress. At these meetings an agreement was reached on the targets presented under Section III of the present Declaration. This agreement is subject to reservations by one donor on (a) the methodology for assessing the quality of locally-managed procurement systems (relating to targets 2b and 5b) and (b) the acceptable quality of public financial management reform programmes (relating to target 5a.ii). Further discussions are underway to address these issues. The targets, including the reservation, have been notified to the Chairs of the High-level Plenary Meeting of the 59th General Assembly of the United Nations in a letter of 9 September 2005 by Mr. Richard Manning, Chair of the OECD Development Assistance Committee (DAC).

**\*\*Note on Indicator 5:** Scores for Indicator 5 are determined by the methodology used to measure quality of procurement and public financial management systems under Indicator 2 above.



# The Paris Declaration on Aid Effectiveness: Donor Commitments and Civil Society Critiques

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May 2006

Civil Society Organizations (CSOs) involved in international cooperation welcomed efforts by the donor community to improve the effectiveness of aid in the wake of commitments to increase levels of aid by 2015. But at the same time, CSOs have warned that the impact of commitments made in the *Paris Declaration* on reducing poverty will be limited if the reforms ignore the political process of development in which citizens organize themselves to claim their rights. Civil society organizations are crucial actors in democratic governance; the *Paris Declaration* marginalizes CSOs as development actors in the own societies. Change is required therefore in the four further areas to achieve real impact on poverty with aid resources:

- Understanding the role of civil society as development actors related to efforts by poor and marginalized peoples to claim their rights;
- Resolving the tension between local ownership and donor conditionalities;
- Aligning donor approaches with a more complex understanding of aid modalities to support the priorities for the poor; and
- Assuring independent assessments of progress for improved development results

## 1. Understanding Civil Society as Development



### Actors

As a vehicle for aid effectiveness, the *Paris Declaration* sets out an unfinished and narrow agenda for reform. In focusing largely on improving the capacities of the state in the poorest countries, the *Declaration* reforms ignore the role of citizens and CSOs as development actors in their own right who have a long history in organizing economic, social and political initiatives with and on behalf of the poor.

Donors should complement the *Paris Declaration* with an explicit recognition of distinct principles and their implications for donor actions aimed to improve the

**Civil society organizations are crucial actors in democratic governance; the *Paris Declaration* marginalizes CSOs as development actors in the own societies.**

## **effectiveness of civil society as development actors for poverty reduction, justice and rights.**

Northern and Southern CSOs have long called for reforms of the aid system so that it is a more effective catalyst for poverty reduction. Aid can contribute to opportunities for democratic participation and organization by citizens, particularly people living in poverty and the marginalized, for their priorities for development actions that reduce poverty. Civil society networks in projects such as *The Reality of Aid* have been monitoring donor practices for the past decade making many recommendations, similar to some of the areas covered by the *Declaration*.<sup>7</sup>

But as a vehicle for effective aid to reduce poverty, the *Paris Declaration* sets out an agenda for aid reform limited to government actions and narrowly focused on donor and government operational efficiencies. In a summary statement before the 2005 High Level Forum leading to the *Declaration*, CSOs suggested that the principles in the *Declaration* “cannot really be put in practice without a profound reform of the aid regime”, including focusing aid more directly on the needs of the poor, ending harmful economic policy conditions currently attached to aid and ensuring

democratic governance of international financial institutions.

At the time of the *Paris Declaration*, CSOs proposed that donors strengthen “national ownership based on strong civil society participation as a preliminary condition for all donor harmonization and alignment activity”.<sup>8</sup> Unfortunately, current ways in which donors are addressing local ownership, such as uncritical alignment with Southern government’s poverty reduction strategies (PRSPs), as reflected in the *Declaration*, present significant challenges for effective and appropriate measures to reduce poverty.

While strengthening the state in the poorest countries is essential, many CSOs underline that effective country-specific action to reduce poverty must also be based on recognition of the rights of the vulnerable and the poor. Empowerment for poor people occurs in the face of highly unequal cultural, social, economic and political relations – at the local, national and global levels. This politics of development is not reflected in the *Paris Declaration*.

In their aid reforms, donors have largely focused on improving the capacities of the state, with the assumption that the policies agreed between Southern government officials and donors reflect a consensus with citizens affected by these policies. The reality is that building such a consensus requires engagement between citizens and their government, which is both ongoing and multifaceted. The *Paris Declaration* ignores the roles of CSOs and citizens as development actors in their own right, who have a long and rich history in organizing economic, social and political initiatives at all levels of society, with and on behalf of communities of poor people. Citizens’ views may not always be the same as

<sup>7</sup> See various reports at [www.realityofaid.org](http://www.realityofaid.org). The analysis which follows has also benefited from civil society participants in “Southern civil society voices” on reforming aid architecture, a project hosted by the Overseas Development Institute in the UK at <http://www.futureofaid.net/taxonomy/term/18>. Also relevant is INTRAC’s Newsletter, *Ontrac*, #33, May 2006 on “Aid Harmonization: Challenges for CSOs” at <http://www.futureofaid.net/taxonomy/term/21>.

<sup>8</sup> Tony Tujan, “Input for Implementation Forum of HLF II” February 30, 2005, accessed at [www.realityofaid.org](http://www.realityofaid.org).

government views and a process of “ownership” must reflect internal democratic debate on policy directions.

CSOs, donors and citizens in developing countries want aid to be more effective. But a key question is “effective for whom”, and on the basis of whose assessment. For CSOs involved in *The Reality of Aid* network, for example, “effective aid” has been measured by how much aid actually reaches the poor and mobilizes them to address their own problems and claim their rights. These, however, are not the measurements in the *Paris Declaration* indicators for achieving progress. The *Paris Declaration* indicators measure the degree of government compliance with donor norms for effective state operational structures and practices, largely judged through the prism of World Bank country assessments.<sup>9</sup>

Donors’ proposals for aid reform are also isolated from other policy contexts. Southern CSOs criticize donor promotion of market-oriented trade and investment policies at the WTO and through the World Bank that have impoverished many parts of the South. These donor policies conflict with the purpose of aid – ending poverty.

### 2. Ownership and Conditionality in Tension

The *Paris Declaration* contains no targets or indicators relating to a reduction of conditionality or benchmark triggers for the release of donor funds. Donors often undermine democratic accountability through secret policy dialogue with developing country government officials on aid and debt conditions, in which their citizens are largely unaware and have no role.

The use of aid as a policy tool to *impose* economic policy and other conditions has no place in an aid paradigm rooted in a commitment to local ownership. Donors should establish monitorable targets in the review of the Paris Declaration in 2008 for reducing, and then



eliminating, policy conditions and similar benchmarks in their aid relationships. In preparation for this review, donors should prepare a report on their current use of conditions.

The *Paris Declaration* asserts that “in determining the most effective modalities of aid delivery, [donors] will be guided by development strategies and priorities established by partner countries”. (2) Donor rhetoric on the importance of “local ownership” of development policies and priorities, unfortunately, remains in tension with the dozens of conditions and “undertakings” that these same donors attach to their aid programs. The *Declaration* contains no targets or indicators relating to a reduction of conditionalities and benchmark triggers for the release of donor funds. In Paris at the High Level Forum, CSOs called for annual reports on donor progress in reducing conditionalities and trigger benchmarks, but to no avail.

The *Paris Declaration* discourse on aid effectiveness has not materialized in a vacuum. The *Declaration* is rooted, in part, in the widely acknowledged failure of aid conditionality associated with Structural Adjustment Programs

<sup>9</sup> Development Assistance Committee (DAC) (2005). “Baselines and suggested targets for the 12 Indicators of Progress– Paris Declaration on Aid Effectiveness”, accessible at <http://www.oecd.org/dataoecd/45/46/35230756.pdf>.



(SAPs) in the 1990s. While early attempts at aid conditionality may have failed, the macro-economic policies associated with SAPs remain a strong consensus among the major bilateral donors, the World Bank and the IMF. Many of these same conditions have re-emerged for debt cancellation and PRSPs as well as in coordinated donor program-based approaches (Budget Support and Sector Wide Approaches) with developing country governments. PRSPs and program-based approaches are strongly promoted in the *Paris Declaration*, with little critical reflection on the policy prescriptions that often accompany them.

In fact, the numbers and scope of donor-imposed conditions and undertaking are expanding.<sup>10</sup>

Governance conditions now reach deep into the details of the political and administrative processes of government in developing countries. Such governance conditions now make up a significant proportion of multilateral and bilateral aid conditions, despite having little demonstrated capacity to improve democratic governance. One study counted 82 governance-related conditions out of an average total of 114 conditions for each IMF/Bank agreement in Sub-Saharan Africa.<sup>11</sup> Some CSOs argue that donors are no longer “external actors” in the poorest countries, but rather are closely integrated through aid conditionalities into the functioning of the state itself.

Democratic governance is essential to allow citizens to hold their governments accountable, but it cannot be imposed from the outside. Donors

often undermine democratic accountability through policy dialogue with developing country government officials on aid and debt conditions, in which their citizens are largely unaware and without a role. This secrecy undermines democratic governance by hiding the trail of how policy changes are made. Donor-led policy dialogue for sector programs in education or health and budget support, with an exclusive focus on state officials, may further undermine democratic process in important social and economic sectors critical to the interests of poor people. The *Paris Declaration* calls for two thirds of donor bilateral programs to be organized through such program-based approaches by 2010.

The *Paris Declaration* does affirm that donor/recipient partnerships must “enhance donors and partner countries’ respective accountability to their citizens and parliaments for their development policies, strategies and performance”. But this stated intent is largely ignored in the 12 areas for aid reform and the monitoring of indicators, in several key areas, is dependent on World Bank analysis, not in-country analysis, and the former is subject to little or no consultation at the country level.

There is no single path for achieving country ownership of development strategies for reducing poverty. Donors need to see these strategies as inherently conflictual and to be sensitive to complexity and contingency if they truly seek country-specific development results for poverty reduction goals. This approach implies that aid

<sup>10</sup> Christian Aid, *Challenging Conditions: A New Strategy for Reform at the World Bank and IMF*, July 2006, accessible at <http://www.christianaid.org.uk/indepth/6071f1s/challengingconditions.pdf>. Actionaid International, *What Progress? A Shadow Review of World Bank Conditionality*, August 2006, accessible at [http://www.actionaid.org.uk/doc\\_lib/what\\_progress.pdf](http://www.actionaid.org.uk/doc_lib/what_progress.pdf).

EURODAD, *World Bank and IMF Conditionality: A Development Injustice*, June 2006, accessible at [http://www.eurodad.org/uploadstore/cms/docs/Microsoft\\_Word\\_Eurodad\\_World\\_Bank\\_and\\_IMF\\_Conditionality\\_Report\\_Final\\_Version.pdf](http://www.eurodad.org/uploadstore/cms/docs/Microsoft_Word_Eurodad_World_Bank_and_IMF_Conditionality_Report_Final_Version.pdf)

<sup>11</sup> Kapur and Web, “Governance related conditionalities of the International Financial Institutions”, G-24 Discussion Paper Series #6, UNTAD, August 2000, p. 3, accessible at <http://ksghome.harvard.edu/~drodrik/g24-kapurwebb.pdf>. Led by the World Bank, donors consistently make assumptions and impose policies based on their own assumptions about strategies to reduce poverty – such as the promotion of an export oriented trade strategy, the need for more privatization of government services, and assuming a strong relationship between economic growth and poverty reduction.

<sup>12</sup> Accessible on DFID’s web site at <http://www.dfid.gov.uk/pubs/files/conditionality.pdf>.

modalities should continue to support diverse development actors, including southern CSOs.

The use of aid as a policy tool to *impose* economic policy and other conditions has no place in an aid paradigm rooted in a commitment to local ownership. This basic principle is now recognized by the UK government in its 2005 policy statement on conditionality.<sup>12</sup> The CSO call for a cessation of imposed conditions for aid does not imply that there should be no policy discussions or contractual terms for transparency and accountability in the transfer of aid resources. Rather, many CSOs emphasize the importance of efforts to reform the nature of donor/recipient policy discussions to be more inclusive of all development actors in society and to be structured in relation to mutually-agreed international human rights obligations. The *Paris Declaration*, unfortunately, makes no commitments for reform along these lines.

### 3. Alignment and Harmonization: In whose interests?

**Reform of donor practices – to harmonize institutional requirements for planning, reporting and auditing and to coordinate their support for state priorities in education or health – is welcomed. But some of these reforms rest on the untenable assumption that a limited donor/recipient partnership made up of state/senior officials can represent the consensus interests of all major development actors in any society. Donor procedures for harmonization may ignore or undermine the need for independent civil society actors to represent constituencies of the poor.**

**Donors should continue to support responsive aid modalities, including project and program support for CSOs, which strengthen autonomous civil society development actors, as a key strategy for achieving the MDGs.**

Most donors now recognize the harmful effects of policies in the 1980s and early 1990s that

undermined key development capacities of developing country states, particularly in Africa. After decades of decline, the *Paris Declaration* is a significant acknowledgement by the donors of the central importance of strengthening these capacities. This emphasis on state strengthening is needed all the more as donors focus on mutual North/South commitments to achieve the Millennium Development Goals (MDGs), many of which relate to social sectors (health and education) where the

**Today, many Southern CSOs are capable and have the independence to challenge their local and national governments for state programs that enable benefits for poor people.**

state must play a central role. In this context, reform of donor practices – to harmonize institutional requirements for planning, reporting and auditing and to coordinate support to state priorities in education or health, is welcomed.

But civil society actors are concerned that the overwhelming emphasis on alignment with state policy *alone* and reliance on corresponding administrative harmonization may be fatal to achieving the MDGs. The reforms rest on the untenable assumption that a limited donor/recipient partnership made up of state/senior officials can respond to the convergence of interests from all major development actors in any society.

In the *Paris Declaration*, the primary benchmark to measure whether “aid flows [are] aligned on national priorities” is whether, by 2010, 85 percent of donor bilateral aid is directed to activities related to government sector budgets, primarily through “program based approaches”

(which in turn are to make up two-thirds of bilateral resource transfers). However, there is no measure of the social and political legitimacy of these priorities outside of a commitment to consider the highly flawed consultative processes for Poverty Reduction Strategy Papers (PRSPs).

In a few developing countries, PRSPs have created political space for societal discussions of development priorities. But in many others, consultations are superficial and PRSPs remain artificial reflections of state/donor notions of strategies and priorities to reduce poverty. Donors will admit that PRSPs are “a-work-in-progress”. Yet it seems that whatever the quality of debate that led to the PRSP, once in place (i.e. approved by the donors), the PRSP is *the* blueprint for making progress in a given sector. It is a blueprint that usually corresponds closely with donor “knowledge” about what is required.

What we have now is a static state-centred approach that has ignored and devalued the critical importance of communities of poor and marginalized people, and their role in organizing local knowledge, and articulating local demands to respond to unique local conditions. Civil society efforts complement, but also sometimes challenge the directions of state policy. For the poor, North/South collaboration of civil society actors has played a crucial role to strengthen this role, which in the past was supported by donors such as CIDA. If *Paris Declaration* aid modalities undermine autonomous and responsive aid support to civil society development actors, the Declaration will *reduce* the chances of achieving the MDGs.

National and local civil society organizations also play crucial development roles in organizing cooperatives, trade unions, women’s organizations, or local health and education facilities that respond to local needs – needs that are still largely missed by state programs. Despite the strengthening of state programs they nevertheless continue to operate in the context of scarce resources and weak governance that often ignore

the interests and rights of the poor. Southern civil society has grown in numbers and capacities, in part through a long history of partnerships with Northern civil society.

Today, many Southern CSOs are capable and have the independence to challenge their local and national governments for state programs that enable benefits for poor people. Much more needs to be done to improve knowledge, democratic organization, and respectful North/South partnerships in civil society. But this will not happen if resource transfers for these organizations are locked into donor-approved development “blueprints” designed and managed through government offices. If civil society organizations become only sub-contractors to their own governments in order to access donor resources, these organizations will be ill-placed to hold these same governments accountable for results.

In effect, the *Paris Declaration* locks donors’ bilateral programs into a centralized and exclusive relationship with Southern state actors – state actors that often represent the interest of only the wealthy and the elite. This “locking – in” may make it difficult for donors who also want to “align” their programs with civil society organizations that in turn will want to hold these same governments to account. Program-based approaches, which in practice have been exclusively with government, can centralize resources in the hands of ruling parties and elites who, in the context of very scarce resources on the ground, will tend to direct these funds through their particular supporters, to the exclusion of other interest groups. Aid effectiveness requires a more balanced donor approach in which a donor looks for niche roles areas to direct their support, while continuing to participate in donor-coordinated measures to improve the operations of government in key sectors. One such niche area is strengthening partnerships with a wide range of development actors within a particular sector. This could include supporting local-level development alternatives and capacities in civil society to improve the



accountability of state programs to those who should be the beneficiaries of poverty reducing efforts.

The limitations of the new aid paradigm, and the need for a more balanced approach, are evident in recent analysis of the mainstreaming gender issues in development practices.<sup>13</sup> Donors, in principle, recognize the centrality of gender equality to making progress on poverty reduction. Nevertheless, national development strategies, including PRSPs, rarely mainstream gender benchmarks. Alignment with national strategies will mean that donor budget support and sector programs will not adequately address gender equality priorities. Equally, the difficulties inherent in harmonizing diverse donor practices for program-based approaches will likely result in gender “policy evaporation”. Women’s organizations, which have been instrumental in developing tools for gender-sensitive analysis of budgets, will potentially be marginalized by strategies that ignore funding mechanisms for such civil society contributions. UNI-FEM argues for a balanced approach, one where “bringing women at all levels – in capitals and communities, from government ministries and from civil society groups – into the discussion is critical to ensure that the goal of full national ownership and alignment with widely-shared



national policies can be secured”.<sup>14</sup>

#### 4. Mutual Accountability

**Effective independent assessment of aid must accompany a democratization of the aid regime, with particular emphasis on governance reform in the International Financial Institutions. The *Paris Declaration* says little about strengthening the independent capacities of developing country partners to assess progress on the part of donor partners in achieving the *Declaration’s* goals.**

Donor aid policies do not exist in a vacuum of other policy impacts on those affected by poverty. Assessments of progress for developing country

partners should therefore include the influence of non-aid policies on the capacities of counterparts in the South to realize the goals established through mutual dialogue in the aid relationship.

The *Paris Declaration* acknowledges the importance of *mutual* accountability in committing to “jointly assess through existing and increasingly objective country level mechanisms mutual progress in implementing agreed commitments on aid effectiveness...”. (8) But, the *Declaration* merely calls for country level assessments to be in place by 2010 without suggesting parameters for these assessments to increase both equality in the aid relationship and

<sup>13</sup> See for example, UNIFEM, “Promoting Gender Equality in New Aid Modalities and Partnerships”, UNIFEM Discussion Paper, March 2006, accessed at [http://www.idrc.ca/uploads/user-S/11429447581PromotingGenderEqualityInNewAidModalities\\_eng.pdf](http://www.idrc.ca/uploads/user-S/11429447581PromotingGenderEqualityInNewAidModalities_eng.pdf). See also the Gender Responsive Budget Initiatives web site supported by IDRC, UNIFEM and the Commonwealth Secretariat at [http://www.idrc.ca/gender-budgets/ev-64152-201-1-DO\\_TOPIC.html](http://www.idrc.ca/gender-budgets/ev-64152-201-1-DO_TOPIC.html). See also Brian Tomlinson, “Promoting ownership and gender equality”, Reality of Aid Report 2002, accessible at <http://www.realityofaid.org/roareport.php?table=roa2002&id=16>.

<sup>14</sup> UNIFEM, *op.cit.*, p. 10.

<sup>15</sup> See the April 13<sup>th</sup>, 2006 letter to Richard Manning, Chairperson of the DAC by the UK Aid Network on DAC proposals for a survey on monitoring the Paris Declaration.

a more comprehensive inclusion of country level development actors.

Strengthening the *independent* capacities of developing country partners to assess their own progress in achieving the *Paris Declaration* goals, not to mention donor commitments, is given no attention in the *Declaration*, or in subsequent suggested processes for monitoring progress.<sup>15</sup> Rather, the current assessment framework for the *Declaration* relies heavily on the World Bank's own assessment of progress in its Comprehensive Development Framework (CDF), its Policy and Institutional Assessment (CPIA) and donors' own assessments of procurement policies. This lack of recipient input into assessments by the CDF and the CPIA has been noted with concern by several donors.<sup>16</sup>

CSOs are calling for a more comprehensive approach to mutual accountability and transparency in aid spending. Accountability, for CSOs, is not just about technical, contractual relationships in aid spending, but also about addressing the political inequalities in donor/recipient relationships. Strengthening independent institutional monitoring of donors against clear and enforceable benchmarks for donor performance is essential. There have been some recent examples of recipient-led independent monitoring of donor performance in Mozambique and Tanzania (by the Tanzania Independent Monitoring Group), with some limited but positive improvements in donor practice. Unfortunately, there has been little effort to adopt this practice elsewhere. Effective independent

assessment must accompany a democratization of the aid regime, with particular emphasis on governance reform in the International Financial Institutions, where donors still exert too much control over policies and practices to enable good development processes.

## 6. Conclusion

The *Paris Declaration* is an important initiative to reform aid practices, which if implemented will contribute to more effective aid delivery to partner governments in the South. However, reform will be incomplete and limited in its impact on poverty if the crucial roles of civil society actors in development processes are ignored. Donors should commit to improved aid relationships within the framework of international human rights law, which requires attention to the impact of their efforts on the ability of the poor to claim their rights. Many of the reforms suggested by the *Paris Declaration on their own* may in fact further undermine these rights and the promotion of democratic processes, the rule of law and parliamentary processes, in the poorest countries. A more balanced approach is essential. It would combine partnerships with state actors and efforts to strengthen civil society organizations in their expanding roles not only to improve the livelihoods of the poor, but also to represent these diverse interests in holding government to account. This is a challenge for official donors, but also for Northern civil society as the latter adapt their own practices and hold their own donors to account for commitments to reform.

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<sup>16</sup> See reference to these concerns in DAC, "Baselines and suggested targets for the 12 Indicators of Progress — Paris Declaration on Aid Effectiveness", September 2005, page 9.

# Civil Society Comments to the High Level Forum, Joint Progress towards Enhanced Aid Effectiveness\*

Paris, February 28<sup>th</sup> – March 2, 2005

Antonio Tujan, Jr.  
Chairperson, Reality of Aid Network

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Chairman Mr. Koos Richelle and Mr. Ralph Oberhauser, distinguished participants to this Forum,

Allow me first, on behalf of CSOs, to express our gratitude to the organizers of this High Level Forum on Aid Effectiveness for providing a process for Civil Society participation through a series of consultations and finally participation in the Implementation Forum and the Ministerial itself. This is a distinct advance in terms of governance and participation in the aid system for CSOs who contribute to development cooperation in terms of strengthening people-to-people cooperation and in directly supporting various aspects of official development partnerships.

At a consultation earlier in February, there were more than 15 recommendations that were developed by participating civil society organizations. These have since been put into an NGO Statement that is being circulated and available for your perusal. Since I have limited time, let me present just a few of these views and recommendations.

Our organizations believe that this Forum and the *Paris Declaration* are important and much needed to achieve maximum results from relatively limited development financing. However, in the view of civil society, the current draft of the *Paris Declaration on Aid Effectiveness*<sup>17</sup> fails to go far enough in tackling the fundamental obstacles that prevent aid from reaching those people who need it most. The *Declaration* fails to address such issues as priority to the most needy in aid allocations, meaningful stakeholder participation in Poverty Reduction Strategy Paper (PRSP) processes, donor imposition of policy conditionality, and fully untying aid.

Representatives of donor and partner countries must be bolder both in vision and commitments if there is to be any hope of creating a new aid architecture that will help us achieve the United Nation's Millennium Development Goals by 2015. NGOs consider that the good principles in the draft *Declaration* cannot really be put into practice without a profound reform of the aid regime.

Among others, this *Declaration* must therefore include:

- a) More democratic governance of the International Financial Institutions.

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\* This input was made by Reality of Aid Chairperson, Antonio Tujan, Jr. on behalf of approximately 15 civil society organizations during the High Level Forum on Aid Effectiveness in Paris.

<sup>17</sup> OECD DAC, *Third Consultative Draft of the Paris Declaration on Aid Effectiveness, 2005*



- b) A commitment by all donors to increase the current amount of aid that goes to Least Developed Countries and ensure that at least 20% of aid is allocated to the improvement of basic social services like education, health care, water supplies and sanitation.

**The *Declaration* fails to address such issues as priority to the most needy in aid allocations, meaningful stakeholder participation in Poverty Reduction Strategy Paper (PRSP) processes, donor imposition of policy conditionality, and fully untying aid.**

- c) A commitment by all donors to fully untie all aid, including food aid and technical assistance, to all developing countries in the next five years.
- d) Strengthening national ownership based on strong civil society participation as a preliminary condition for all donor harmonization and alignment activities.
- e) Donor responsibility to create the conditions for Poverty Reduction Strategy Paper processes to be more inclusive and country-led, transforming funding systems and modalities to support country Poverty Reduction Strategy processes and systems, rather than respond to donor conditions, which has too often been the case up until now.
- f) End all harmful economic policy conditionality; set ambitious targets for reducing the overall number of donor imposed conditions on developing countries; and produce an annual report charting their progress on reducing conditionality.
- g) Meeting all donor aid pledges in full and within a defined timeframe and assuring that funding is sufficiently adaptable to partner country needs. A target should be set for 100% on-schedule disbursements of planned aid by 2010.
- h) A new framework of mutual accountability needs to be established, both at the country and international level. At the country level there is a real need for a set of country targets to be agreed upon between donors, governments and civil society with the aim of improving the quality of aid and accelerating its disbursement. This matrix should be regularly monitored and effective sanctions imposed on donors who fail to meet their commitments.
- i) At the international level, there is a critical need for an independent international structure, which enables developing countries to hold donors to account. This should be based on internationally agreed time-specific targets, which are regularly monitored with civil society participation and publicly reported upon.

These recommendations must be included in the final version of the *Declaration*. We believe that these steps are essential to make aid truly effective and focused on reducing poverty, meeting the needs of the poor as genuine participants in the process of building their lives and their democratic societies.

For our part, civil society organizations, including The Reality of Aid, a global network of platforms of development organizations in more than 50 countries, resolve to increase our roles in monitoring aid spending and encouraging public debate about aid performance and impact.

# Implementing the Paris Declaration: A Southern Civil Society Experience

An Address by L. Muthoni Wanyeki, FEMNET, Kenya,  
A Workshop Sponsored by the Canadian Council for International Cooperation,  
Ottawa, May 25<sup>th</sup>, 2006

I want to talk about what the new aid agenda, exemplified in the principles of the Paris Declaration, means in practice or how it is being experienced on the ground in Kenya. I want to focus on two of the principles for aid effectiveness and raise some questions and concerns. The first principle is “local ownership” and the second is “accountability”.

First, concerning the notion of “local ownership”. Obviously, this is a principle that has arisen in response to years of actual experience of aid failures, to critiques of donor conditionalities and to the fact that the development agenda has been, for the most part, externally driven. I want to highlight how understandings and operationalisation of this principle is a key problem in the implementation of the aid effectiveness agenda.

We are fooling ourselves if we do not recognize and address the intense levels of mistrust about donor motivations, shifts in donor priorities and actual trends. This mistrust necessarily includes the aid effectiveness agenda, even when this agenda has seemingly been negotiated with the participation of several key leading states in the South.

In this atmosphere of mistrust, donors are seen by many in the South as a necessary evil. That perception complicates in many ways what actually



happens when aid gets to the ground. We know there are many competent and committed people within the donor community. But, depending on the donor country involved and on the political context at the time, we also know that aid is often framed in terms of overall foreign policy political agendas. And, of course, our governments in the South are very aware of this fact as well. Unless this context and the motive for aid in the donor countries can be openly unpacked and discussed, it is unlikely that this mistrust will dissipate.

This overall environment of mistrust clearly affects the question of “ownership”. In practice, donors project local ownership most easily into the poverty reduction strategy paper (PRSP) process. These are national strategies setting expenditure priorities through processes that are intended to engage citizens, but which have been more or less participatory, depending on the countries involved. The most important question, however, is whether or not, from a national perspective, these processes are *actually* seen to be nationally owned. In fact, in many cases, they are not.

We know that the PRSP process is one that has been extolled by the International Monetary Fund and the World Bank, again in response to years of critique of their lending policies in terms of their

impact on poverty. This fact alone, in many cases, has made it difficult for CSOs in the South to see these strategies as nationally owned. Nationally, PRSPs have for the most part been driven by the Executive level of government, namely by Ministries of Finance or the President's Office. In some cases, we have witnessed protests from national parliaments for what they perceived as their exclusion from the process. This sceptical reaction by CSOs has been strengthened due to their actual experience of participation. Even when the process for developing the PRSP has listened to critique from civil society about the impact on poverty of donor policy conditionalities, the resulting PRSP did not reference actual policy conditionalities that were attached to either prior lending agreements or future lending agreements with the Fund and the Bank.

So, even where participation was deemed to be successful in terms of the range of groups and stakeholders that did contribute to the PRSPs, the acceptance of their input into strategies for different sectors was limited, and discussions on the macro-economic framework that affect the viability of these strategies remained off-limits.

What this means essentially is that the PRSP process was assumed both by the IFIs and by our Ministries of Finance to help better target government expenditure, but not necessarily to offer any new insights into macroeconomic policy, particularly monetary and fiscal policy. However, many of the recommendations for expenditure priorities made by the women's movement, for example, did have monetary and fiscal implications. This conclusion is supported clearly by two studies that were done by FEMNET in Kenya. One focused on how women participated within the poverty reduction strategy process and what they asked for and what actually resulted in Kenya's PRSP. The second is a study that was commissioned by FEMNET from the Kenyan government's own economic research institution on the monetary and fiscal implications of expenditure types of demands in the PRSP.

Implementation of the PRSPs was expected to be through the national budgeting process. While PRSPs are in their second stage in many countries, there remain many problems with implementation of the first-generation PRSPs in terms of sustained participation and in terms of maintaining a true commitment to what was actually achieved (in a limited way) in the papers themselves.

First of all, public capacity for continued budgetary input by citizens or local CSOs on a year-to-year basis remains low. Budgetary processes that are open or consultative processes tend to be dominated by large and mainly foreign private sector interests, even if those interests are represented by nationals, rather than by small local private sector interests or citizens' interests. So government Ministries tends to listen to the concerns of large-scale manufacturing lobbies rather than to the concerns of informal sector groups that are weak and unorganized.

Gender budgeting and transparency initiatives that have originated within civil society, even if they have drawn in support of different ministerial or sector government arms, continue to be weak. They have limited capacity to follow through in terms of monitoring and tracking what is achieved. They often miss changes brought about by the supplementary budgetary estimates process (about six months after the main budget is agreed upon). They are constrained by the absence of freedom of information standards, particularly with respect to military and security expenditures. Freedom of information and improved capacities





for budget monitoring have been among the demands that have not necessarily come through when donors discuss improved and transparent budgetary processes related to PRSPs.

In short, with respect to “local ownership,” there are real problems from the donor side in terms of envisaging what this is intended to mean beyond the PRSP process. Within the PRSP process itself, there are real problems for civil society and government in terms of follow through and implementation.

With regard to the accountability principle, which is central to what is envisaged in the Paris Declaration, I want to talk about how to track accountability with respect to the new aid modalities in the aid effectiveness agenda. The modalities for aid delivery are seen now through country-level budgetary and sectoral support – or programme based approaches (PBAs). With respect to general budgetary support, it is our experience that it is much harder to track government commitment to specific PRSP expenditure demands, for example, around the environment or gender, when donors are putting their money into a financial pool. This is especially so when what is often agreed to in a national annual budget can be fundamentally shifted six months later by governments responding to different demands that are in the end supported by supplementary budget estimates.



Secondly, African countries have different levels of needs for budgetary support from donors. Kenya’s recurrent expenditures, for example, are 90% funded by the Kenyan taxpayer. Its programme expenditures are 50% funded by donors. That puts Kenya in a different position than its neighbour Tanzania, where only 60% of its recurrent expenditures are supported by Tanzanian taxpayers. This then poses really difficult questions for “accountability”. Accountability to whom, and for what? Kenya remains more easily brought to account by donors, despite the fact that with 90% of its recurrent expenditures coming from its citizens, it should be primarily accountable to these citizens.

While fundamentally undemocratic, this is not a question that donors necessarily can easily address. It is primarily a question of building and supporting the kind of demands from citizens for ways to hold government to account for how it chooses to spend their money.

These budgetary realities pose a different set of questions for countries such as Uganda or Tanzania where larger questions of support from donors are at play. What does it mean where governments are more accountable for their expenditures to foreigners than to their own people?

These are difficult, complicated, political questions that the aid effectiveness agenda can’t really address beyond thinking through ways of supporting capacity for strong national means of holding governments to account.

On sectoral support programmes, I want to give the example of one of the biggest sector-wide programmes in Kenya, which is the Governance, Justice, Law and Order Sector-wide reform program (GJLOS). GJLOS came into being after the new government came into power in 2002. It was extolled as one of the biggest experiments in programme-based approaches. Donors happily came together to express their interest in GJLOS as a means of supporting the new government. Civil society was also positive

as, at the time, CSOs were trying to rapidly rethink positions that had defined their relation to the previous Kenyan government on issues of human rights and so on. GJLOS was seen by civil society as way to move away from an oppositional and aggressive reactive approach to government, to one where they might actually be able to implement some of the reform proposals that they had been putting forward for years on issues of governance, justice, law and order.

But, within a year of the government coming into power, it was clear that all was not well. A new large corruption issue had come to light, linked to the new government. The government tried to push the issue under the carpet by assuring the country that the money for a security tender, which had been problematically negotiated, had been returned. The statement from the then Minister of Justice and Constitutional Affairs was in effect “the money was returned and so it didn’t happen”. Seen from within the GJLOS framework, this, of course, raised questions from civil society as well as from more independent sections of government such as Kenya’s statutory human rights body. If one of the fundamental assumptions or criteria for success of the GJLOS program is political will to change past practices, how could the government do something like this and ignore its implications? At what point do donors and civil society determine that the political commitment to reform is actually missing or has been lost? Or that the opportunity window for reform has been closed?

Clearly donors had put a lot of time, good will and effort into their coming together and pooling resources for GJLOS. Having made such a large investment to such a large scale sector-wide reform programme, it turned out to be difficult to make the point that donors might have to consider how to disinvest. It is hard to disinvest, even when all indications are clear that things are not going as planned.

GJLOS, as a sector-wide programme poses some important questions:

**... if we are talking about national ownership and accountability, it is essential that we begin to talk about the possibilities of opening up our macro-economic frameworks to public scrutiny.**

- First, when such a large and multiple donor investment has been made, at what point do donors determine that the political commitment needed to get these reform programmes underway is deemed to be lacking? At what point do donors listen to what local civil society is saying about what a particular situation portends for the future.
- Secondly, the civil society organizations that had been sitting at the table with government negotiating changes regarding transparency, human rights and so on, **the same ones that were in the streets demanding accountability from the President for the handling of corruption and for the resignation of the President’s Advisor on Good Governance and Ethics, who fled into exile as a result of the situation.**

Funds were to come to two of the largest legal organizations involved in this programme from the World Bank via the government. This was an experiment in Kenya. This was the first time that funding was going to come from government directly to NGOs. In the circumstances, both NGOs were threatened by the government with having those funds withdrawn. This led to a frenzy of negotiations between donors and civil society on expectations in a context where there had been no

history of autonomous public funding for civil society. How could NGOs be expected, on the one hand, to participate in this programme and, on the other hand, maintain their autonomy in the face of threats of this nature from the government?

To the donors' credit, discussions eventually led to some of the money being channelled into a special fund for civil society organizations that wished to remain engaged in the GJLOS.

This then is the second question for us: where there has been no history of public support for civil society organizations, is it advisable to assume that governments can change and act as disinterested mediators in complex political processes in which they are directly complicit, without discussions on how to do so.

- A third issue raised by GJLOS is the government's understanding of what aspects of the programme with which civil society organizations could become involved. The government certainly saw the value of organizations providing legal aid being involved in the discussions on setting up systems and services for public legal aid. Once civil society returned to the streets with civil protest, all of a sudden there were questions about NGOs whose primary work was research, human rights

documentation and monitoring for accountability. And this posed a third question for us – can the value of civil society be reduced to only service provision when reform is first and foremost a matter of political commitment evidenced through new norm setting and changing laws, policies and practices, consistently, across the board?

There are real difficulties in implementing either budgetary support or sector-wide reform programmes without addressing some of these questions.

Returning to the question of “mutual accountability”. At the national level, it is hard for civil society to keep their eye on the accountability of donors for their own roles in setting terms for development financing and private sector interests in development, because these organizations are overwhelmed in dealing with national level issues. These issues have sometimes come through in northern and southern civil society discussions about the new aid agenda, whether in the context of NEPAD or the Africa G8 Partnership.

This issue is apparent in the Kenyan example I just raised. What was the donors' responsibility regarding anti-corruption in that instance? Of course, on the ground in Kenya, they kicked up a fuss and made the requisite statements. But it turned out to be incredibly difficult to get the anti-corruption authorities to track the international accounts. Not as much help was offered from the UK and France as needed to be. So there is the whole other side of the anti-corruption debate – the responsibility of donors in their own countries.

Also, to give a Canadian example, what is the responsibility of a country like Canada, when at the





same time this was going on, Tiomin, a Canadian mining company that has come in to mine titanium in Kenya, was in the middle of a heated debate with local communities in the mining location, around environmental assessment and the compensation offered to those local communities. Not much was said or heard from representatives of the Canadian government in this regard.

In conclusion, if we extrapolate from these examples and others, I think that the aid effectiveness agenda poses many dilemmas for both African civil society and civil society in the North.

First of all, there is the obvious contradiction or complexity posed by the question of conditionality. On the one hand, we have lobbied consistently against political and economic conditionalities. On the other hand, when one of our governments in the South gets off the track, especially when we expected it to be on track, we seek to make use of conditionalities, and continue to suggest conditionalities to draw donor support for our own national agendas.

Secondly, there is the whole question of our own instrumentalisation as civil society organizations in the new aid agenda, by donors with state complicity, as service providers. At another level, donors contribute to the resentment of our governments towards civil society: when as donors they are not prepared to withdraw their support for a programme, civil society are seen to be a means for donors to say what they cannot or do not say through their actions. In the GJLOS example above, this of course decreases the possibility for constructive engagement between government and civil society in a programme they had intended to build together.

Third, is the fact that we have, as African civil society, advocated consistently for the return to the developmental state, capable of delivering on human rights. New aid modalities seem to promise this possibility, but they have not delivered in practice.

Civil society then has been critical about this shift.

A fourth dilemma is that civil society organizations have advocated for a return to core institutional support for ourselves as NGOs. For instance, FEMNET has a long term core institutional support agreement with Swedish SIDA in return for which FEMNET provides their embassies and offices with a set number of days of advisory services a year. This is seen as one of the ways of contributing to FEMNET's sustainability and movement away from project-based funding. So we advocate this institutional support for ourselves. But when we see the realities of what such forms of support means in terms of our states, we are not so happy.

In short, these are four complicated political questions that we need to pose for ourselves. The question is, if these aid modalities are not working in terms of the kinds of developmental state that we seek, could they work? Should these be considered only problems of implementation, experience and practice that could be addressed? Or does the experience and practice so far of the modalities of aid effectiveness, actually undermine the aims and principles (ownership and accountability) of aid effectiveness? This is a difficult question.

Clearly, some of the problems can be addressed by donors, government and CSOs, as they were in the cases that I have outlined. But more is actually needed. First of all, if we are talking about national ownership and accountability, it is essential that we begin to talk about the possibilities of opening up our macro-economic frameworks to public scrutiny. We have to talk about the need to return responsibility for economic decision-making to parliament, offering real choice around our economic possibilities to citizens. All other weaknesses could be explored and addressed, but this is fundamental and in today's world and under this aid effectiveness framework seemingly impossible.

# Reality Check

JANUARY 2007

The Reality of Aid Project exists to promote national and international policies that will contribute to a new and effective strategy for poverty eradication, built on solidarity and equity.

Established in 1993, The Reality of Aid is a collaborative, not-for-profit initiative, involving non-governmental organisations from North and South.

The Reality of Aid publishes regular and reliable reports on international development cooperation and the extent to which governments in the North and South, address the extreme inequalities of income and the structural, social and political injustices that entrench people in poverty.

The Reality of Aid Management Committee is chaired by Antonio Tujan, Jr. of IBON Foundation, Inc.

The International Management Committee is composed of representatives from Ibon Foundation, Canadian Council for International Cooperation (CCIC), Nepal Policy Institute (NPI), African Forum and Network on Debt and Development (AFRODAD), Asocacion Latinoamericana de Organizaciones de Promocion (ALOP) and the British Overseas NGOs for Development (BOND).

The Reality Check is the official newsletter of the Reality of Aid. It is designed to highlight current issues in aid regime written from a regional perspective but with global significance, edited in rotation by the leading networks in the following regions:

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