This is a joint NGO report written by the European Network on Debt and Development (Eurodad), based on analysis of aid effectiveness using factual data and interviews conducted in seven countries: Cambodia, Honduras, Mali, Mozambique, Nicaragua, Niger and Sierra Leone. Each case study brought evidence and opinions to help generate understanding and debate ahead of the official aid effectiveness processes taking place in 2008. This report is endorsed by ten African and European organisations. These are: ActionAid International, CAFOD, Campaign for Good Governance, Centre National de Coopération au Développement, Fédération des Collectifs d’ONG du Mali, Ibis, Oxfam International, Réseau des Ong de Développement et Associations de Défense des Droits de l’Homme et de la Promotion de la Démocratie, Trócaire and the UK Aid Network.

The report has been written by Lucy Hayes and Javier Pereira. Many others have contributed. We would like to thank all of the individuals from Eurodad members and southern organisations involved in producing country case studies and who also provided comments and corrections on this draft. They include: Christian Lawrence, Valnora Edwin, Caoimhe de Barra, Tanya Kleibl, Etienne du Vachat, Mamadou Traoré, Carlos Pacheco, Julia Metcalfe, Sally O’Neill, Joanne McGarry and Gaspard Denis. Thanks in addition to Hetty Kovach, Jesse Griffiths, Nils Sjand-Schulz, Stefan Meyer, Nancy Alexander, Katja Jobes and Romilly Greenhill for their helpful comments. Particular thanks are due to Alex Wilks (Eurodad) and Sarah Mulley (UK Aid Network) for their extensive editorial input.

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## Disclaimer

This report is a Eurodad paper, but the analysis presented does not necessarily reflect the views of all Eurodad member organisations. The report was financed by the UK Department for International Development, which provided funding while giving Eurodad complete freedom to determine its research approach and editorial line. DFID funded this research in order to increase the contribution of the perspectives of southern civil society and southern governments to the aid effectiveness process.
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<td>Central American Bank for Economic Integration</td>
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<td>CDCF</td>
<td>Cambodia Development Cooperation Forum</td>
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<td>CIDA</td>
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Executive summary

2008 is a critical year for evaluating how aid is helping tackle global poverty and inequality. Three years ago aid donors and recipients signed up to the Paris Declaration on Aid Effectiveness — an historic agreement to improve aid quality. It is time to review progress. Have donors performed on their pledges? And is aid becoming more effective and accountable for impoverished people?

This report is the result of research in seven aid recipient countries, conducted by southern and northern civil society organisations, coordinated by the European Network on Debt and Development. This report focuses on progress against two principles of the Paris Declaration — ownership and accountability. These principles are the bedrock of aid reform but the area where least attention has been paid. While both donors and recipients have responsibilities to make aid more effective, this report concentrates on the responsibilities of donors to make sure aid contributes to address the many challenges faced by developing countries.

The country case studies show that some welcome steps are being taken by donor and recipient governments, but this progress is patchy and partial. A broad understanding of democracy and development is largely absent in the current aid context. Donors are not doing enough to respect or support recipient country ownership over the development process. Too often national development strategies are devised by donor consultants or staff with insufficient regard for national political realities. Donors still find ways to fund their priorities, selecting their favoured issues from national strategies or attaching conditions that push their policy priorities. Although donors are beginning to coordinate better, particularly in their provision of budget support, they are undermining government ownership by loading budget support with too many conditions.

Donors need to do more to support meaningful participation by parliaments and civil society in policy debates. Changes in the way aid is delivered have opened up new spaces for dialogue about public policies. However our research found that the complex array of policy dialogue fora did not necessarily mean more or better public debate about policy-making. Citizens are marginalised from important decisions. They need much better information and opportunities to feed into and monitor decisions and implementation.

There is too much focus on technical “expert” discussions between the executive branch of government and donors which risk diverting attention from the public arena, where parliaments, citizens and the media can more easily engage. Civil society groups should always be offered a seat at the table and policy dialogues need to feed into political processes. Donors must step back from trying to manage policies to create space for genuinely democratic ownership. There are some innovative examples of donors funding CSOs to hold their governments to account, for example a multi-donor CSO fund in Honduras, however, most donors clearly need to improve the ways they support CSOs.

Too little donor aid is provided through national systems, with parallel management and financial arrangements being used. There has been some progress in using more programme-based approaches to deliver aid, notably in Mozambique, but overall donors continue to spend the majority of their money on discrete projects. Even in Mozambique, where the proportion of aid being spent on projects has decreased, the actual number of projects has increased, worsening fragmentation.

Technical assistance continues to be the black hole of aid, with scepticism from developing country governments and civil society organisations alike about whether it builds sustained capacity, and little evidence that it has become more responsive to needs as a result of the Paris Declaration commitments. A significant amount of aid is spent in this way — nearly half of aid to Cambodia was technical assistance, and more than a third of aid to Honduras.
Some donors are spending an increasing share of their aid as sector and budget support. However, overall, general budget support has remained stable at around 5% of global flows. The amounts being spent through budget support vary significantly across our case study countries. Six countries received just one tenth or less of their aid in this way; Mozambique received nearly half. Recipient governments need to improve their public accountability and clamp down on corruption as more money is channelled through their systems. Donors are frustrating the potential of budget support by tying it to multiple detailed performance conditions that the recipient government must comply with.

Aid payments are still unpredictable, disrupting development planning and implementation by recipient governments. In 2006, the World Bank only disbursed half of its committed aid to Cambodia, and in the same year only half of all donor aid committed to Sierra Leone was disbursed.

An accountable aid system is still a distant prospect, but some positive actions are being taken. The Cambodian government has begun publishing its own report on donor performance. A donor database and annual review of donor performance in Mozambique are another positive example of what donors and recipient governments can do jointly to increase donor accountability. But the Paris Declaration pledge that donors and recipients should become “mutually accountable” is still aspirational. Donors remain reluctant to make pledges which limit the control they enjoy through holding the purse-strings of aid payments. There are still very few examples of contractual arrangements for aid which correspond with the goal of mutual accountability between donors and recipients.

Accountability to citizens is thwarted by insufficient donor and recipient government transparency, a lack of mechanisms for citizens and parliaments to hold donors and their governments to account, and weak civil society capacity. Civil society organisations are taking some steps to make aid more accountable, but in many countries they still need support from outside. They must continue to organise at national levels, and link across borders to compare information and determine how they can exchange skills and strengthen links to monitor aid and increase its effectiveness.

Donors are progressing in some areas, but all can improve their operations.

Some donors have implemented initiatives to improve aid implementation and open space for recipients’ influence. For example Irish Aid provides support to citizens’ audits in Honduras, the World Bank has opened up its country assistance strategy to discussions with civil society and the French government has maintained a small funding line for community initiatives in Mali. The report shows many examples of improving predictability — the EC and DFID have made commitments over longer time frames, greater openness — such as through the Mozambique donor database — and increased flexibility.

However, the French government is particularly inflexible in the programme support it provides to the Niger government and there is a lack of transparency about the real amounts of money provided to Mali through the different French agencies. USAID imposes its own unilateral rules and procedures in Mozambique, Mali and Honduras. The European Commission’s attempts to support civil society in Sierra Leone have yielded few results because of its difficult procedures. The World Bank and Inter-American Development Bank are not using the national procurement system they helped establish in Honduras. DFID and the World Bank are funding implementation secretariats in key areas of Sierra Leonean policy making, bypassing government ministries. Predictable aid is still not forthcoming from many donors, with the World Bank determining its spending on a yearly basis.
The official Paris Declaration review process is welcome, yet insufficient to create the major changes required if aid is to fulfil its potential to transform lives across the world. This report will complement official analysis and contribute to the debates before, during and after the High Level Forum in Accra on aid effectiveness in September 2008. This should lead to further pledges to raise the performance of donors, recipients and civil society groups in making aid more accountable and effective.

**Recommendations**

- Donors must respect recipient country ownership of the development process;
- Donors must greatly improve the predictability of their aid and deliver it in ways that help build national systems;
- Donors and governments should agree binding and transparent contracts for aid. Aid terms must be fairly and transparently negotiated with participation of and accountability to poor people;
- Donors and recipient governments must radically improve the accountability of aid;
- Recipient governments should strengthen oversight institutions and improve public financial management and accountability systems.
### Case study profiles and findings

#### Cambodia
- **Total aid:** US$ 529 million
- **Aid per capita:** US$ 37
- **GNI per capita:** US$ 480
- **Aid as % of GNI:** 8%
- **HDI Ranking:** 131/177
- **Top 5 donors:** Japan, AfDB, USA, WB, France
- **Top 5 donors to government sector:** Japan, ADB, UN, WB, USA

**Main research findings**
- The Cambodian government is asserting more leadership on aid. It has elaborated a multi-year financing framework and has influenced donors by publishing an Aid Effectiveness report. Budget support remains marginal and the government financial management systems are infrequently used.
- Transparency and accountability are low. Donors do not provide accurate information on aid flows, the parliament is completely sidelined and the role of CSOs is still very weak in monitoring aid flows.

#### Honduras
- **Total aid:** US$ 587 million
- **Aid per capita:** US$ 80
- **GNI per capita:** US$ 1,200
- **Aid as % of GNI:** 7%
- **HDI Ranking:** 115/177
- **Top 5 donors:** Japan, WB, Spain, IDB, US
- **Top 5 donors to government sector:** WB, IDB, EC, UN, CABEI

**Main research findings**
- The Honduran government has not assumed much leadership on aid. A very small and decreasing amount of aid is channelled through government systems and budget support represents a very small share of aid. Aid predictability is low as a consequence of high conditionality.
- Donors provide little information on development aid and both donor and government evaluations are hard for civil society groups to obtain. The government is accountable mainly to donors and the parliament plays only a minimal role in managing development aid.

#### Mali
- **Total aid:** US$ 825 million
- **Aid per capita:** US$ 59
- **GNI per capita:** US$ 380
- **Aid as % of GNI:** 13%
- **HDI Ranking:** 173/177
- **Top 5 donors:** EC, WB, France, Netherlands, US
- **Top 5 donors to government sector:** WB, EC, France, ADB, Netherlands

**Main research findings**
- The Mali aid picture shows a country in transition. The amounts of aid on budget have increased up to 33% and, although project support still accounts for 83% of total aid, budget support is growing. CSOs are also playing an increasingly important role although no consultation process accompanied the elaboration of the PRSP.
- There is limited interaction between Malian CSOs and the government or donors. In addition the work of CSOs is jeopardised by difficulties accessing information from both donors and government.
**Mozambique**

**Total aid:** US$ 1,611million  
**Aid per capita:** US$ 80  
**GNI per capita:** US$ 310  
**Aid as % of GNI:** 23%  
**HDI Ranking:** 172/177  
**Top 5 donors:** WB, EC, USA, AfDB, Sweden  
**Main research findings**  
Aid to Mozambique has increased and budget support is now at 33.7%. The government is playing a more active role in dialogues with donors. Despite this the government still lacks technical capacity to influence outcomes and doubts persist about whether this aid dependent government can assert itself effectively.  
There is a lack of communication between government, parliament and citizens on aid issues so CSOs find it difficult to scrutinize the budget and to access information on aid flows from both the government and donors.

**Nicaragua**

**Total aid:** US$ 733million  
**Aid per capita:** US$ 140  
**GNI per capita:** US$ 950  
**Aid as % of GNI:** 14%  
**HDI Ranking:** 110/177  
**Top 5 donors:** Germany, Spain, IDB, WB, Japan  
**Top 5 donors to government sector:** IDB, WB, EC, Japan, Sweden  
**Main research findings**  
This report shows improvements in CSO involvement in aid. CSOs have played an important role for some time, although they are marginalised from some processes. Government ownership of aid is low and very little aid is provided as budget support. Conditions are widely applied and large numbers of project and technical assistance missions represent a significant administrative burden. The report also highlights that the new administration which came to power in January 2007 has not continued to implement a promising aid management policy introduced by its predecessor.

**Niger**

**Total aid:** US$ 401million  
**Aid per capita:** US$ 28  
**GNI per capita:** US$ 240  
**Aid as % of GNI:** 11%  
**HDI Ranking:** 174/177  
**Top 5 donors:** France, WB, EC, Japan, USA  
**Top 5 donors to government sector:** WB, EC, France, UN, Japan  
**Main research findings**  
Very little progress has been made on any of the concepts put forward by the Paris Declaration and both donors and government have shown little willingness to fulfil their Paris Declaration commitments. Democratic national ownership is still an aspiration and the government is more accountable to donors than to its own citizens, meanwhile donor accountability is still focused outside the country. CSO participation in the aid system is very low and it is difficult for them to find funding, especially for those who do not work jointly with international CSOs.
### Sierra Leone

**Total aid:** US$ 364 million  
**Aid per capita:** US$ 65  
**GNI per capita:** US$ 220  
**Aid as % of GNI:** 26%  
**HDI Ranking:** 177/177  
**Top 5 donors (2006):** UK, EC, WB, AfDB, US  
**Top 5 donors to government sector:** N/A

### Main research findings

Ownership of development aid is very low in Sierra Leone. Government capacity is very weak and its weight in aid negotiation processes very low. Several spaces for dialogue exist, but the government lacks enough expertise to participate actively in all of them.

Donor aid is very unpredictable which has caused major problems for the government, especially when combined with the conditionality burden. CSOs’ roles are very limited and information flows primarily between donors and the government, excluding citizens.
1. Introduction

“There is still a large gap between the virtual universal acceptance of the Paris Declaration principles and translating this into practice.” Honduran case study

Donor countries have repeatedly committed to increase the amount of their aid to poorer countries. Most governments are proceeding only very slowly to meet these commitments. Donors and recipients have also made a series of pledges to improve how aid is delivered and to ensure more reaches the people that need it most. 2008 is a key year for monitoring the effectiveness of aid, with a series of official reviews taking place, leading to a major conference in Ghana in September.

In 2005 aid donors (richer country governments and multilateral agencies) and aid recipients (poorer country governments) signed a historic set of commitments – the Paris Declaration on Aid Effectiveness. Three years after these commitments were made; it is time to ask some questions. Have donors performed on their pledges? And are the declaration’s principles and targets the right ones to make a difference for the people in poor countries in whose name aid money is raised and spent?

Box 1 - The Paris Declaration commitments for effective aid

The March 2005 Paris Declaration sets out five main principles for improving aid delivery. These are:

Ownership: Developing countries should take the lead in deciding their own policies and donors should respect that and give them the space to do so.

Alignment: Donors should stop creating parallel systems for delivering aid and should work through national budgetary, procurement and accountability procedures.

Harmonisation: Donors should reduce the aid transaction costs for recipient governments by doing joint analysis, reducing the number of visits they pay to the country, do more programming jointly and jointly reduce the reporting requirements they put on developing country governments.

Management for results: Both donors and developing country governments should put in monitoring and data collection systems to ensure that aid contributes to concrete results on the ground.

Mutual Accountability: Donors can hold developing countries to account for their performance but developing country governments should also be able to hold donors to account for whether they have delivered on their commitments.

This global commitment signed by 35 donor countries and agencies, 26 multilateral agencies and 78 countries that receive aid, codifies practices that were already being tested by a number of donors and developing countries. The Paris Declaration includes 12 monitorable targets which parties have agreed to meet by 2010.
The Paris Declaration: progressive but limited

The Paris Declaration aspires to make aid better at contributing to the development of poor countries. According to the OECD "the Paris Declaration lays down a practical, action-orientated roadmap to improve the quality of aid and its impact on development".4

The Paris Declaration is welcome, and is an important step towards establishing a progressive international consensus on aid. However, the Declaration is not sufficient to make aid work in the long term — both donors and recipients need to go further. CSOs and some governments are concerned that the Paris Declaration targets omit certain key issues such as conditionality and are too vague on others such as tied aid. Furthermore, some of the targets, such as the one on ownership, are too narrowly defined. The focus on targets risks depoliticising aid, trying to solve largely political problems with technical tools.

Citizens groups and parliamentarians are largely excluded both from the Paris Declaration framework and its implementation. But the provision of aid does not happen in a vacuum – it is not possible to isolate the donor-recipient relationship from the people the aid money is supposed to assist. The complex processes in the aid business interact with (often nascent) democratic processes in developing countries. Ideally aid will have a positive effect on those democratic processes, but delivered in the wrong ways, aid can do harm as well as good. As donors participate more actively in the political economy of developing countries, for example negotiating policies with government representatives, they risk displacing parliaments and citizens in policy-making processes.5

Beyond official views: this report’s contribution

This independent report brings people and politics back into the discussion. Using the voices of civil society groups and government officials in aid recipient countries it examines the relationships between donors and aid recipient governments and between developing country governments and their citizens. The report asks whether the Paris Declaration has helped correct the imbalance of power between donors and recipients and to what extent recipient governments’ relationships with citizens and civil society organisations have improved.

The report is based on core research using a common terms of reference carried out in 7 countries (Nicaragua, Honduras, Cambodia, Mozambique, Sierra Leone, Mali, and Niger). In addition it draws on other case study research carried out by the African Network on Debt and Development,6 Oxfam (Mali and Malawi), Ibis (Ghana) and Cordaid (Ghana, Zambia and Uganda) which asked similar questions. The research prioritises the voices of civil society and government representatives from developing countries. This puts the focus back on the people who are affected by aid, to ensure that their perspectives are heard, not just those of donors.

It is beyond the scope of this research to judge precisely whether the Paris Declaration targets are being met or whether aid is becoming more effective at reducing poverty and inequality. This report does, however, set out evidence on the challenges donors face in adhering to Paris principles and commitments on ownership and accountability, and gives examples of progressive steps being taken by some donor agencies.
Limitations of the Paris Monitoring Survey

This year there will be a number of official reports produced by the OECD Development Assistance Committee (DAC) and its membership. One key product is the Paris Monitoring survey which focuses on the progress of donors and developing countries towards the twelve targets of the Paris Declaration.7

The official process for monitoring compliance is limited, and does not provide a full picture of donor behaviour. CSOs are sceptical of the current set of indicators and monitoring data. Some indicators are constructed in ways which make it difficult to assess donor and government performance, and there are strong indications that some donors and governments have provided inaccurate data. The official monitoring system makes it difficult to judge the performance of individual donors.8 The current monitoring process for the Paris Declaration is asymmetric – donors monitor themselves, while recipients are monitored by the World Bank and others.9 World Bank assessments are used to measure the targets on ownership, public financial management and results.

The impact of the Paris Monitoring survey10 will be limited by the fact that the 2006 baseline suffers from having been politically negotiated at country level. Interviews with donor officials in Cambodia for this study confirmed that donors are able to flatter their own performance. One donor official observed for example, that donors are able to claim that they are undertaking joint research simply by adding other donors’ logos to their own reports, with no reduction in transactions costs for the recipient government. And the Nicaragua country report produced as an input to this study reveals that “the government would prefer to adopt a more restrictive definition [on coordinated technical assistance] than the one agreed by the donors. If the rigorous definition provided by the survey guidance were to be applied, no current programmes in Nicaragua would qualify as co-ordinated under government leadership.”11

Accountability and ownership: the vital foundations

This report focuses on the Paris Declaration principles of ownership and accountability. These two principles are the foundation of relations between donors and recipients and for domestic power relations. They are also areas where civil society has a unique perspective and a distinct contribution to make. And although these principles are the foundation of the current aid paradigm they are also the areas where there has been least attention and measurement of progress.

The civil society organisations behind this report start from the premises that:

- Aid is not a gift that rich countries give to poor countries. It comes bundled with donor priorities, advice, conditions, and knowledge – this creates ‘ownership’ obstacles as donor influence can undermine democratic processes. This paper focuses on the impacts of aid on democratic processes and the space available for southern civil society groups to engage with policy making, implementation and monitoring.

- The concept of mutual accountability between donors and recipient governments as seen in the Paris process avoids the fundamental inequality in power between the two parties. Donors are rarely held accountable for whether aid helps people in poverty. There is no way for developing country governments to seek redress against a donor who gives poor quality aid. Citizens in poor countries have even less recourse to holding donors to account. Aid that is not transparent and accountable also places barriers in the way of domestic accountability of governments to their citizens.

Accountability is essential for aid effectiveness and equitable development. Strong accountability mechanisms are vital to enable poorer people, the intended beneficiaries of aid, to hold donors and their own governments to account for
fighting poverty and inequality and delivering results on the ground. When donors are unaccountable, aid is likely to be less effective. And when donors impose their priorities and policies on recipient countries, they undermine the democratic accountability of governments.

Reductions in poverty and inequality are most likely to be sustained in the long term if governments in developing countries are accountable to their citizens, but aid can often skew domestic accountability towards donors, crowding out local accountability between states and their citizens. To be accountable to their citizens, governments must have the space to make their own policy decisions – donors must not dictate policy. They also need to be able to make informed decisions about aid, and to hold donors to account for their commitments.

Donors can support democratic accountability both by changing their own behaviour (for example through improving transparency) and by supporting local accountability mechanisms including parliaments, independent public oversight institutions and CSOs. CSOs have a crucial role to play in holding both governments and donors to account for the effectiveness of aid. Accountability at all levels requires accurate information about donor behaviour and decision-making, and about the impact and effectiveness of aid.

This report provides up-to-date evidence and analysis on the extent to which current aid effectiveness commitments have changed official practices and helped redress the unbalanced relationships between donors and recipients.

**Mutual responsibilities**

Under the Paris Declaration both developing country governments and donors have committed to improve aid effectiveness. But it is important to recognise that donors hold the purse strings and have disproportionate power. With power comes responsibility, and in this report we focus primarily on donors’ responsibilities to make sure aid addresses the challenges faced by developing countries.

Civil society organisations in developing countries have broad concerns about democracy and transparency that go far beyond aid. Indeed our case studies highlight several areas where developing country governments are doing too little to enable citizens to claim their rights. Lack of political commitment to reducing poverty, clientelistic politics and corruption, weak and divided administrations with little capacity to implement poverty reduction programmes, poor budgeting and accountability procedures and poor relations with civil society are among the points raised by case study researchers.

The Paris Declaration is, however, primarily about aid – a field where the aid donors take the major decisions. The changes that donors need to undertake to meet their commitments can be made by the government agencies that deal with aid. In the case of recipient governments, the changes that are required go to the heart of everything that they do. These are deep political challenges that will not be solved just by aid, and the aid-focused fora of the OECD DAC are not the right place to resolve them. The likelihood of these challenges being met by governments can however be affected – either negatively or positively – by aid.

The focus on donors in this report does not deny the responsibility of developing country governments to fulfil the commitments that they have made and in this report we highlight specific areas where more needs to be done. All of the CSOs involved in this study continue to promote democracy, good governance and transparency in southern countries, and to hold their own governments to account.
2. Delegating policy decisions, opening ownership

This section discusses the Paris Declaration definition of ownership and examines to what extent it is being fulfilled. In the Paris Declaration model of aid, recipient countries are meant to take the lead in determining and implementing policies to reduce poverty and promote sustainable development. This is expressed as claiming ownership over the development process.

In the Paris Declaration ownership is seen largely as a recipient government responsibility, but donors can undermine this by imposing their own priorities and policies. Our research shows that piecemeal progress has been made but that donors are still prescribing solutions for poorer countries.

Interpreting ownership: The Paris Declaration’s limited definition

Ownership is a core principle of the Paris agenda, and requires action by donors, governments and civil society. In the Paris Declaration donors have said that they will “respect partner country leadership and help strengthen their capacity to exercise it.” In turn, developing country governments will take the lead to develop operational national development strategies which are linked to medium-term financial plans. They also pledge to coordinate aid at all levels “in dialogue with donors and encouraging the participation of civil society and the private sector.”

These commitments by donors and recipients are meant to give developing country governments more control over how aid is used as well as over policy making and implementation. CSOs do not always support current government policies and priorities and need to be able to engage in debates with governments to advocate policies that reflect local experiences and perspectives, and hold governments to account for policy implementation. Governments’ policy space is vital to the model of democratic accountability that CSOs promote. When donors fail to take ownership seriously they also undermine CSOs’ ability to play their role in development. For national ownership to become a reality, donors must stop imposing their own policies and priorities in order to open space for recipient governments to make their own decisions in dialogue with their citizens.

The Paris Declaration indicator used to measure ownership is the presence of a good quality and operational national development strategy (as judged by the World Bank). This focuses entirely on the recipient government’s responsibilities and fails to recognise the steps donors must take to create space for recipient governments to fulfil these responsibilities. The Paris Declaration indicator, by focussing on the Poverty Reduction Strategy Paper (PRSP) and associated processes, also reduces ownership to a technical matter which does not recognise the contested interests and negotiated trade-offs in domestic political decisions. The PRSP process often seems to be about consultation to generate agreement on externally driven agendas, rather than about political leadership from recipient country governments based on genuine engagement with citizens.

Interpretation of ownership is currently donor-driven and is centred on developing country governments. The concept must be broadened to include the concept of “democratic ownership” whereby parliaments, civil society and citizens are key drivers of public policies. Civil society representatives interviewed in many of the case studies echoed the need for ownership over policy-making to be embedded in national democratic processes. One CSO representative in Sierra Leone complained that “there are so many policies in Sierra Leone that are not envisioned locally, that are externally driven by donors and development partners.”
Donors fund their own priorities

In all the case studies we examined, the PRSP or similar national development strategy is a focal point for donors’ delivery of aid and their discussions with the government about poverty plans. Developing countries had to develop PRSPs as a condition to access debt relief under the Heavily Indebted Poor Countries (HIPC) initiative. These have been overwhelmingly donor driven, and drafted in some cases by donor-paid consultants. The remarkable similarity of PRSPs and the processes surrounding them from Honduras to Mali to Cambodia illustrates the dominance of donors in their evolution.

The recent elaboration of Niger’s second PRSP is an illustrative example. In March 2007, following a request from the Niger PRSP secretariat for help from donors, fifteen Niger government representatives flew to Washington DC where they met World Bank, UNDP, EC, Belgian and IMF officials for a working session to draft their second PRSP. This was considered a cheaper option than flying World Bank consultants to Niamey. Following this, the World Bank contacted a Senegalese consultant who had worked on his country’s PRSP to support the Nigeriens to complete their strategy document. This consultant was brought to Niger, financed by UNDP to finish drafting the strategy. Despite their level of involvement, donors then criticised the document for being “unrealistic,” “not operational” and for not having enough “long-term vision”.

A frequent donor complaint in all the case studies was that PRSPs amount to shopping lists of actions to address poverty and that there is little or no prioritisation. Our case studies suggest that this tendency may be driven by both donors and governments. Donors may not promote prioritisation because ‘shopping lists’ allow them to fund their priorities while also claiming to respect country ownership. Governments face similar incentives to avoid a real debate about its policy programmes with either donors or citizens.

In Sierra Leone, all aid is classified in the Government Development Assistance Report as being under one of the three pillars of the PRSP. It only has to be named as falling within one of the broad definitions. In Cambodia, one donor official commented sardonically that their PRSP is so broad that only if donors built “hotels on the moon” would they struggle to find a PRSP hook to align to. 15

The lack of a clear development strategy in Honduras means that donors can define in their capitals the sectors they will work on, and the projects thus “respond more to these orientations than to the needs for the country”.16 In 2006, the World Bank and the European Commission determined their aid priorities and strategies by sending external consultants and staff from headquarters on short missions to the country. In this difficult situation, donors could carry out more needs analysis with different stakeholders to make their programmes more responsive.

In Niger the French government has begun tying its aid to very specific budget lines as a means of prioritising its spending. One government representative argued that the “very targeted French budget support eliminates our room for manoeuvre – we have no latitude at all.” 17 For example in 2007, the French government selected specific lines of the health budget that their finance was directly tied to.

Donor priorities can also skew spending at the country level. Special targeted health funds for example, whilst effective at raising money for specific diseases, do not necessarily address the variety of health needs. For example, our research from Mozambique shows that The United States President’s Emergency Plan for AIDS Relief (PEPFAR) dwarfs spending on other health priorities. PEPFAR spending on HIV/AIDS in Mozambique in 2006 was nearly US$70 million18 or 125% of the total government health budget for that year.
Box 2 - Donor – driven ownership in Mali

“The donors do not support one plan – they keep bringing their own innovations which drag the planners and implementers in all different directions. If you look at PRODEC (Decade for Development of Education), which all donors pledged to support, you can easily see that the content and execution keep changing to suit these donor projects. . . . The government needs to choose one path and stick to it: whatever donors come should follow that path.”

Malian CSO Representative

In theory, nearly all the donors in the education sector have aligned their programmes around the Malian government’s ten year national education plan (PRODEC: 2000-2010) and its joint expenditure program which has been divided into three phases and is financed by the central government, municipalities and about fifteen donors. The reality is very different. Donors say they have aligned the objectives of their funding to those outlined in the Malian plan, but they have very different ideas of how to reach these objectives. Donors bring their own plans for how to achieve these objectives, which they want to see prioritised, pulling the government in multiple directions and undermining government leadership. This is despite the establishment of a joint education donor group, currently headed by the French to ensure greater alignment and harmonisation by donors.19

Donors hold upper hand in aid negotiations

“We have become aid economies; we no longer know how to reflect on the solutions we need to put in place in our countries.”

Mahaman Sani Adamou, Niger

Recipient governments rarely take the lead in determining the types of aid that they would like. There are a number of reasons why this is happening. Lack of recipient government capacity, poverty and dependency on aid are all factors. Findings from the case studies illustrate that recipient governments are only negotiating around the edges, if at all, when it comes to improving the quality of the resources on offer.

In both Honduras and Niger, the lack of government administrative capacity reduces the ability to negotiate with donors. If the government does not bring proposals to the table, it is all too easy for the donors to decide on how to proceed. The Honduras case study argues that the lack of communication between the different government departments that deal with aid, make coordination amongst donors very difficult. 20

Poverty and dependency on aid is one reason why developing countries feel they cannot negotiate more strongly. In Sierra Leone, the government has never turned down aid because it did not like the terms. Most interviewees there reacted incredulously when asked if the government had ever refused aid. One civil society representative said that “we feel that we are so poor that if we question the conditions, we will lose the money, ( . . . ) we have so emphasised the fact that we are poor that we do not ask them simple questions”. 21 Another even claimed that citizens would be outraged and would not understand such a strategy given the level of need in the country.
In a few countries, recipient governments have tried to be more assertive. Although the Cambodian government is not known to have refused aid from any official donor, it has substantially modified projects in certain instances. The Mozambique study identifies one recent case where one donor wanted to follow its own rules and procedures for disbursing funds and tried to get out of an aid delivery agreement in the health sector. The Ministry of Health refused and insisted it fulfil the multi-donor agreement. The donor then sought support from the Department for International Cooperation which put pressure on the Health Ministry to capitulate, despite protests from other donors.

The Nicaragua study presents a different picture. The current Sandinista government wants to set its own priorities and therefore renegotiate many projects that were agreed with the previous administration. The government is assuming a leadership role, but relations between donors and the government are poor. Concerns about corruption and increased clientelistic politics contribute to a lack of trust. As Nicaragua looks to Venezuela as an alternative source of financing, it can afford to disregard other donors’ concerns. Many civil society organisations are extremely critical of the direction the Sandinista government is taking. Funding from Venezuela will not be registered on the budget despite the legal obligation for this to happen, making it particularly difficult to track and monitor. One donor representative argued, however, that there is a positive angle to the government’s change in attitude, saying, “it is good that this is happening, because in the previous government we did and undid things as we wished. Now it is not the case, now we have a partner. The partner, the government, may be wrong, but it is a real partner”.

**Continuing conditionality**

Conditionality has been the subject of a contentious debate between donors and recipient countries. The World Bank recognised in 2004 that “conditionality is not necessary if there is true country ownership, and that it is not likely to be effective in the absence of ownership”. However our case studies suggest that conditionality is still widely used.
Donors committed in the Paris Declaration to "draw conditions, whenever possible, from a partner's national development strategy or its annual review of progress [...]." This commitment does not clarify when it should be possible to do so and is not backed up with indicators or targets. And even if the policy area which the condition addresses is reflected in the national development strategy, donors still prioritise which conditions to include in aid agreements (see also section 2.2 above).

The increase in use of budget support — aid channelled directly to government budgets (see section 4 for more discussion of aid modalities) — is often cited as a key means to facilitate greater government ownership. Yet conditionality continues, shrinking the political space that budget support should provide. Budget support has come hand in hand with more intrusion by donors in government policy making through ever more detailed matrices of policy conditions and performance indicators. These are usually laid out in the Performance Assessment Framework (PAF) — the conditionality matrix attached to budget support. Recent Eurodad research shows that donors come together with their own "conditionality shopping list" and the result is often that rather than a matrix with fewer and clearer conditions, the PAF is the sum of all donors' wish lists. The result is a jumble of different types of conditions. Despite the importance that PAFs are assuming, citizens and parliaments are generally excluded from their formulation.

The case studies show that power imbalances and weak capacity limit governments' ability to negotiate reductions in conditions. A high-level representative from the Niger Treasury said: "we discuss the nature of the indicators with partners but these are unequal discussions: we do not have a real margin for decision." The high aid dependency of some recipient countries shifts the balance of power to donors. As one Niger official argued "we need the money; therefore we accept performance indicators even if we don't think we will be able to meet them. These negotiations are by their nature unequal as we need the money".

In Sierra Leone, the Performance Assessment Framework linked to budget support is first negotiated amongst the donors, with national representatives not invited to the table. Commenting on the process, DFID's Head of Operations stated that "initially the donors do a draft to agree on the conditions, and then these are taken to the government and discussed". The Ministry of Finance is able to negotiate in terms of timing but not of substance. This document is not made public in Sierra Leone, so parliamentarians and civil society groups are unaware of its content and the range of conditions it includes for receiving aid.

**Box 3 - Malawi: donor coordination, but not around conditionality**

In Malawi DFID, the European Commission, Norway, Sweden and the World Bank combined their conditions under a Performance Assessment Framework. The indicators in this document reflect the different preferences of the various donors involved and contain conditions related to both specific desired poverty reduction outcomes — particularly from the EC — and to policies that supposedly should lead to those desired outcomes — notably from the World Bank.

The proposed World Bank Poverty Reduction Support Credit (PRSC) has a number of conditions that include controversial economic policy conditions like privatisation of part of the state marketing board, ADMARC. Research revealed that there was quite intense government negotiation on the indicators that the World Bank was seeking to make part of the Performance Assessment Framework, with some being substantially watered down from their...
original proposal, notably private sector involvement in the distribution of subsidised fertiliser. Disagreement over this at one point led the World Bank to threaten to withdraw.

The introduction of a joint Performance Assessment Framework has not streamlined the overall number of conditions. There are 29 official indicators but this translates into a much larger number of actions that the government must take. The first indicator, for example, requires Malawi to be on track with the IMF PRGF meaning that the multiple quantitative and structural conditions of the IMF programme are all subsumed under one indicator.

Donors also continue to link budget support to IMF conditions, which contradicts even the weak commitment made in Paris to draw conditions from national development strategies. A recent evaluation of budget support cautioned against imposing a large number of conditions, and against tying budget support conditions to IMF benchmarks. However our case study research shows little progress in this regard.

- In Honduras, for instance, budget support funding is linked to conditions from the IMF’s PRGF, the World Bank’s PRSC as well as other donors’ conditions.
- The tendency to load budget support with conditions has also been observed in Nicaragua, Niger and Sierra Leone. A recent evaluation by SIDA in Nicaragua found that “conditionalties make budget support similar to an IMF programme (…) conditioning this new modality of financial assistance directly to the approval of the IMF puts donations for social expenditure and public sector programmes (…) at risk”.
- In Mozambique and Ghana, there has been some progress in reducing the number of conditions linked to budget support.

**Box 4 - Budget support and increasing conditions in Nicaragua**

“In the two years that we have received budget support what has been created is a ‘collage’ of conditionality that we do not manage to reduce or minimise, to really convert them into government commitments. Each one came in with their own conditions. The World Bank wanted their conditions, then others such as the European Commission arrived with its own criteria. Then suddenly it became a difficult negotiation. Sometimes the need for income is also so great that it causes problems for your ability to negotiate.”

Mauricio Gomez, Ex Secretary for External Cooperation, Nicaragua

One incremental step forwards would be to link disbursements to progress towards particular poverty outcomes as opposed to policy inputs. Disbursing aid against development outcomes encompasses both the potential to increase government ownership and to establish clearer relations between development programmes and their impact on poverty reduction. This is, for instance, the principle underlying the new outcome based conditionality employed by the European Commission. In Mali for example, the EC is tying its budget support to outcome based indicators around health and education. This incremental approach would only help if it replaces rather than adds to existing policy conditions, otherwise it risks worsening the cumulative impact on government policy making. There are also some implementation challenges associated with outcome based conditions such as measuring attribution and including qualitative as well as quantitative outcomes.

Policy conditionality, as distinct from fiduciary accountability, can reduces government accountability to their citizens and their parliaments. Citizens and parliamentarians are often in the dark about conditions being negotiated behind closed

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ii) Policy conditions tell governments what to spend their money on, or how to manage their economic affairs. These are decisions over which there are legitimate political debates to be had, and these should take place through national or local democratic processes, not between donors and governments. In contrast, fiduciary accountability measures seek to ensure that aid funds are not misdirected, and that appropriate oversight mechanisms are in place at the country level to support accountability for how funds are used.
doors, political debates over policies are not public and the government can easily take refuge behind donor demands if it faces criticism. This undermines the potential for more responsible recipient government leadership and greater democratic ownership.

Donors should phase out policy conditions that they attach to their aid and move towards agreeing with governments and civil society a few shared and mutually-agreed objectives for donor aid. Phasing out policy conditions would not mean unaccountable aid. The developing country government must transparently account for how both aid and other public monies are spent, and transparency and accountability obligations of recipient governments should be clearly laid out in aid contracts. Citizens in both aid-providing and aid recipient countries have a right to expect that governments implement certain norms, such as the publication of budgets, monitoring and reporting of government expenditure, independent audits.35

Donors should assist recipient governments to implement their responsibilities under the UN Convention against Corruption and to progressively realise their obligations under other international treaties they have signed. Aid contracts should set out clearly the steps that donors will take if there is a breach of agreed underlying principles such as respect of human rights and integrity, accountability and proper management of public affairs and public property.

Box 5 - Vicious cycles: IMF conditions and budget support in Sierra Leone and Malawi

Donors link their aid disbursements to IMF conditions in Sierra Leone. It is a vicious circle. The IMF says that it is worried about macro-economic stability and Sierra Leone must set limits on public spending. This is, in principle, reasonable advice but the IMF set fiscal deficit and inflation targets that many observers believe are unrealistic. Bilateral and multilateral donors refuse to disburse funding to Sierra Leone unless the government gets a favourable review from the IMF. When donors hold back their pledged aid the fiscal deficit grows taking Sierra Leone further ‘off track’ with the IMF.

In 2007, when the IMF sounded alarms about their targets not being met, the EC, World Bank and DFID froze their budget support payments. The Sierra Leonean government put itself on a cash budget and funding for poverty reduction was reduced sharply. The budget support donors recognise the contradictions in their approach. A “Joint Aide Memoire” between the Government of Sierra Leone and the four budget support partners says that the “joint budget support partners remain concerned that expenditures may need to be compressed beyond the level required for adequate delivery of services and maintenance of security in a fragile period prior to the elections. In this context, it may be prudent to revisit, together with the IMF, the feasibility of agreed IMF targets”.36

Lessons should have been learned from a similar situation in Malawi in 2001. Malawi went off track with the IMF in 2001 due to the government’s lack of fiscal indiscipline. This led to a suspension of a significant portion of budget support, which in turn “set up a vicious cycle of greater recourse to domestic borrowing, rising interest rates and widening fiscal deficits”. These trends were exacerbated in 2002 by a food crisis that required the importation of maize and fertilisers that added some 4.5% of GDP to government spending and halved external reserves. By the end of 2003/4 interest payments on domestic debt took up one quarter of the government budget.”37
Donors still need to do more to release control of the policy process. While they can claim a place at the decision-making table, they should not choose the menu. Recipient governments at the same time need to increase their capacity to challenge donor prioritisations and conditions. A demonstrated commitment to poverty reduction and clear published plans would strengthen that challenge.
3. **Citizen participation in policy decisions**

Achieving more stable functioning democracies in developing countries requires a stronger social contract between citizens and the state. Yet the greater the focus on accountability upwards to the donor the more this social contract is threatened.

Current approaches to promoting ownership contradict donors’ commitment to democracy. Donors are principally concerned about the government (primarily the executive) implementing particular policies. All of our seven case studies highlighted the lack of parliamentary engagement in aid decisions. Although some contributors expressed scepticism about the ability of weak, “rubber-stamp” parliaments to engage effectively in debating and approving aid, bypassing parliaments undermines the democratic process and the possibility of improved parliamentary oversight of aid.

A vibrant civil society representing different interest groups is also vital for a healthy democracy. Donors can do more to open space for democratic engagement to flourish. CSOs believe that donors can, through careful and limited interventions, support and encourage the range of voices which are essential to healthy democracies.

This section examines the policy spaces that have been created in recent years, the degree of citizen participation in them, and donor support to CSOs to engage in policy debates.

**Policy dialogue: high costs, what gain?**

“There is a multiplication of actors and insufficient clarity about their roles in aid coordination processes.”

*Government of Niger, Aid effectiveness study* 38

A complex array of structures have grown up around the PRSP process where donors and government representatives come together to discuss policies and programmes for all sectors. As donors increase the amount of aid they give either through direct budget support, or to sector (e.g. agriculture, health, education) ministries, they also want to have a say on government policy in that sector. There is a risk that the demands of donors for constant and detailed dialogue with government reduce government time to engage with parliament and civil society.

Consultative groups are the main top-level meetings where donors and the government discuss aid commitments. These fora have improved — for example they now tend to take place in developing country capitals as opposed to London, Paris or Washington. However several interviewees still questioned the nature of the discussions. One Sierra Leonean official spoke for many when he said the government “goes there to listen to what they (the donors) have to say. We give an update on the PRSP and then we receive comments. It is a question of ‘this is what we have done, what do you think’”?39 And in Honduras the consultative group is still chaired by the Inter-American Development Bank.

Up until 2006 Cambodia held semi-annual Consultative Groups — these were chaired by the World Bank until 2002 and co-chaired by the government and the World Bank after that. However, in 2007, the consultative group was replaced with a Government-chaired Cambodia Development Cooperation Forum (CDCF), which from now on will take place every 1–2 years. 40

At first glance the number and complexity of the policy discussions is very striking. The following table makes an attempt to summarise some of them:
### Table 1 - Aid-related policy dialogue structures

<table>
<thead>
<tr>
<th>Country</th>
<th>Regular meeting spaces (number)</th>
<th>Frequency/chair</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>Government – Donor Coordination Committee (1)</td>
<td>Four-monthly/ Chaired by government with donor co-facilitators</td>
</tr>
<tr>
<td></td>
<td>Technical working groups (19)</td>
<td></td>
</tr>
<tr>
<td>Honduras</td>
<td>Consultative group</td>
<td>Chaired by the Interamerican Development Bank (2004, 2005 and nothing since then)</td>
</tr>
<tr>
<td></td>
<td>G-16 – Donors</td>
<td>Regular meetings</td>
</tr>
<tr>
<td></td>
<td>i) ambassadors and head of mission</td>
<td>Rotating chair every six months</td>
</tr>
<tr>
<td></td>
<td>ii) Technical monitoring group</td>
<td></td>
</tr>
<tr>
<td></td>
<td>iii) Sector working group</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Advisory Committee PRSP (CLERP)</td>
<td>Meets 4 to 6 times per year</td>
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<tr>
<td></td>
<td>6 line ministries</td>
<td></td>
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<tr>
<td></td>
<td>12 CSO representatives</td>
<td></td>
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<tr>
<td></td>
<td>2 donors as observers</td>
<td></td>
</tr>
<tr>
<td>Mali</td>
<td>Commission Mixte Mali/</td>
<td>Co-chaired by the Ministry of Finance and head of donors’ group</td>
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<tr>
<td></td>
<td>Donor group</td>
<td>Rotating chair, monthly meetings</td>
</tr>
<tr>
<td></td>
<td>Sector Groups (18)</td>
<td></td>
</tr>
<tr>
<td>Mozambique</td>
<td>Processes with all donors: Development Partners Group</td>
<td>Monthly. Chaired by World Bank / UNDP</td>
</tr>
<tr>
<td></td>
<td>Processes with budget support donors: Joint Review (March – April) and Mid-year Review (August – September)</td>
<td>Every six months</td>
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<tr>
<td></td>
<td>Joint Steering Committee</td>
<td>Co-chaired by government/donors, monthly meetings</td>
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<tr>
<td></td>
<td>PAF coordination Group</td>
<td></td>
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<tr>
<td></td>
<td>Economist working group</td>
<td>Monthly meetings. Chaired by donors</td>
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<tr>
<td></td>
<td>Sector working groups (also open to non–GBS donors) (22)</td>
<td>Fortnightly</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Regular meetings (varies by group)</td>
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<tr>
<td></td>
<td></td>
<td>Most chaired by government</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>Global committee</td>
<td>Rotating donor chair: currently chaired by Canada</td>
</tr>
<tr>
<td></td>
<td>Five sector committees of which some have up to four sub-committee</td>
<td>Each sector committee defines its operational structure. Meetings are usually chaired by government bodies</td>
</tr>
<tr>
<td></td>
<td>One Territorial committee</td>
<td>Twice a year</td>
</tr>
<tr>
<td></td>
<td>Budget Support Group</td>
<td>Twice a year</td>
</tr>
<tr>
<td>Niger</td>
<td>Joint Government–Financial and Technical Partners National Committee of the PRSP from implementation institutional framework</td>
<td>Chaired by the Finance Ministry</td>
</tr>
<tr>
<td></td>
<td>Joint Government–donor sectoral Committees in Education, Health, Rural Development</td>
<td>No meeting since 2003, even though a new decree government reactivated it in 2005</td>
</tr>
<tr>
<td></td>
<td>Among donors: OECD/DAC donor group, gathering all donors from OECD countries</td>
<td>Co-chaired by high level civil servants from sectoral ministries and head of donor sectoral groups</td>
</tr>
<tr>
<td></td>
<td>Sectoral coordination frameworks</td>
<td>Not meeting regularly</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chaired by donor sectoral “chefs de file”</td>
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<td></td>
<td></td>
<td>Meet regularly</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>Consultative group</td>
<td>Annual/ co-chaired by government, WB and UN</td>
</tr>
<tr>
<td></td>
<td>DEPAC (1)</td>
<td>Three-monthly/chaired by government</td>
</tr>
<tr>
<td></td>
<td>Pillar working groups (3)</td>
<td>At least monthly</td>
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<tr>
<td></td>
<td>Sub-pillar working groups (6-8)</td>
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Donors’ constant presence and discussions with governments in an increasing number of sectors puts demands on already stretched administrations. In some places these working groups discuss and direct particular policies. In others they report on the myriad of PRSP benchmarks (record 214 in Honduras) with policy discussions taking place at a more informal level between donor officials and high-level bureaucrats or even Ministers. These groups also enable donors to get increasingly involved in the details of policy making. Even in cases where donors and recipients agree on the thrust of the policy, enormous discussion is taking place about the timing, sequence and prioritisations of particular policies.

The number of different fora should be significantly reduced and donors need to streamline their participation in them. There are examples of donors withdrawing from some working group discussions as a way to partially reduce the burden put on government administrations. In Ghana for example, the British government provides resources to the health sector by channelling funds through the Dutch and therefore does not need a health sector advisor in its country team. And in Mali, Norway channels its budget support through Sweden. Such arrangements, however, are still the exception rather than the norm.

**Policy dialogue: limited scope for participation**

PRSPs created some more space for citizens to participate in discussions about their countries’ policies and the case study countries show a variety of policy dialogue fora in place. Civil society participation in policy discussions varies across our case study countries, but overall it is still weak. And parliamentarians continue to be marginalised. Our research reveals two related problems – insufficient space at the table and concerns about the quality of the dialogue.

Parliaments are consistently ignored or squeezed out from decision-making. In Niger the first PRSP was presented to the parliament for “observations” only after it had been approved by the World Bank and the IMF. The second PRSP fared no better, being presented to the National Assembly for “information” after approval. There are very few examples where legislatures have the right to approve development loans taken on by a government and even fewer where parliaments have any say over what aid comes into their country. Nicaragua is the only one of our case studies where a law exists that requires all grants and loans should be registered in the general budget. Where aid commitments are on-budget, aid revenue can be discussed in the context of approving the budget.

There are examples of civil society participation in aid related policy dialogues. In Cambodia some CSOs participate in the Technical Working Groups which seem to be most effective in the health and education sectors. And in Ghana, CSOs have been actively involved in the dialogues and deliberations of the Consultative Group meetings, where previously they had only been invited as observers. In Mozambique, CSOs such as G20, the Mozambican Debt Group, the National Peasants Union, Cruzeiro do Sul, Centre of Public Integrity and the Confederation of Business Associations have achieved some influence on government and donor policies.
In Sierra Leone, the process surrounding the initial elaboration of the PRSP in 2005 opened up some opportunities for citizen engagement in discussions about addressing poverty. It was accompanied by a relatively extensive consultation process, opening up discussions about investment priorities to many citizens’ organisations. However, since this time civil society participation in government-donor discussions has been very limited. No civil society representatives have participated in any of the 32 meetings that have been held since 2006 by the nominally multi-stakeholder “pillar working groups” linked to the PRSP. The one institution — seen by some donors as a representative of CSOs — that does participate is ENCISS (Enhancing the interaction and interface between civil society and the state to improve poor people’s lives). ENCISS, by its own definition, is not a CSO and therefore cannot represent the interests of other CSOs in official dialogues. Although ENCISS looks like an autonomous organisation, it is a DFID-funded project which has been managed by CARE since its inception in 2005. According to its director it “lies between the state and CSOs”. It acts as a broker between CSOs and government and provides small grants to CSOs. The fact that donors interviewed view the presence of this donor-created project as participation of civil society shows a lack of understanding of the role and nature of civil society.

Quality of participation still an issue
The quality of the participatory spaces on offer for CSOs was also raised. Some interviewees indicated that participation was merely a box-ticking exercise and some civil society organisations doubted the value of participation arguing that the structures of the groups did not encourage debate, and sometimes actively discouraged it. A Malian NGO representative said: “there’s participation and participation: if you are invited, and informed, and asked to sign an attendance list – that is not real participation. Participation means making a contribution, so that the final product is a shared product.” Some CSO and private sector representatives also argued that this body had no deliberative power and primarily helped ease the conscience of the government of Mozambique and the donors.

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Honduran CSOs have withdrawn from the sector roundtables given the lack of concrete results. In Mozambique, civil society interviewees said there was not enough opportunity to input into the agenda and not enough time to prepare for the meetings as they were always notified very late. Demands by CSOs for their concerns to be heard have largely fallen on deaf ears in Niger. The government produced a study *Aid effectiveness in Niger; balance and perspectives* but it did not consider the views of a single civil society representative. CSOs’ requests to participate in the donor-government group to finalise the action plan for implementing the Paris Declaration have to date received no response. 50

Many government representatives are not accustomed to substantive engagement with civil society or have no real interest in it. And donors are in some cases more interested in formal rather than substantive engagement with civil society – a box-ticking exercise. Donors risk taking the place of civil society and citizens in policy debate, leaving little room for them and preventing them from developing competencies and experience.

Marginalisation of citizens makes it much easier for new government administrations to sweep aside previous development strategies and agreements and declare them redundant, as is argued in the Nicaragua case study. Many Nicaraguan CSOs have become frustrated with the lack of willingness of the Sandinista government to build on what are seen as some positive advances in terms of donor coordination and alignment of aid in the country. The current administration is also undermining civil society participation. The Nicaraguan case says that the government is “excluding critical voices from civil society” and that “the current government does not only exclude civil society that are not in line with it, it is also ignorant of the existing system for citizen participation.” 51

A common perspective from CSOs interviewed in the case studies was that the complex array of policy dialogue fora surrounding the PRSP did not necessarily mean more or better public debate about policy-making. Indeed there is a risk that the PRSP-related discussions happen in a parallel and disconnected manner. This focus on technical “expert” discussions between the executive branch of government and donors risks diverting attention from the public arena, where parliaments, citizens and the media can more easily engage. Donors must step back from trying to manage policies to create space for genuinely democratic ownership. Civil society groups should always have a seat and the quality of policy dialogue forums needs to be improved so as to enable feedback into political processes.
Supporting citizens’ groups to enhance accountability

“We should be able to count on the support of aid, particularly for the strengthening of organisations, so that civil society can be an organised, competent and transparent force.”

Jamilett Bonilla, Nicaraguan Parliamentarian

Many CSOs fear the Paris Declaration will marginalise them further from national policy processes. The section above illustrates how the aid architecture can displace citizens from policy discussion. CSOs are also concerned that as donors align their aid to government objectives, issues that are not government priorities — such as gender equality in some countries — will get further sidelined.

Another concern is that as more money is channelled through budget support, the funding base for CSOs may be threatened. This research did not look in depth at amounts of funding for CSOs, but we did not find any evidence to suggest that funding volumes for CSOs are decreasing. These findings are consistent with a recent study of UK aid which concludes that: “overall DFID expenditure on civil society organisations has been rising although as a percentage of expenditure it has declined slighting from 9.8 to 8.5%”. 52

The research examined the access that southern CSOs have to official donor funds and how donors are supporting civil society. In general, we found it is very difficult for southern CSOs to access official funds directly.

- In Niger, for instance, funding is mostly available to international CSOs and local CSOs in general have to become partners of these organisations in order to have access to funds.
- In Sierra Leone, donors provide very little funding to national organisations. For example, USAID channels most of its money through international organisations such as CARE, Management Systems International and the National Democratic Institute which implement projects directly. Irish Aid channels nearly half of its funds through international NGOs — many of which fund Sierra Leonean civil society organisations (e.g. Christian Aid, Trocaire), others of which implement projects themselves (e.g. Goal, MSF).
- The European Commission attempted to support Sierra Leonean CSOs through a micro-project fund. However it was unable to support a single grant as none of the applicants were able to fulfil the EC’s procedural requirements.
- The Honduran case argues that the “levels of bureaucracy associated with sourcing funding from bilaterals is so time-consuming that CSOs prefer not to access funds in this way”. 53

Although in some cases it still seems easier for service-providing CSOs to access funding (e.g. in Niger) there are some innovative examples of donors experimenting with ways of supporting advocacy focused CSOs.

- The Ghana Research and Advocacy Programme gives 3-year core funding to Ghanaian research and advocacy organisations aiming to “cement their autonomy, strengthen their institutional capacity and create more political space for them to engage in the policy process”. It is financed by the Netherlands, the UK, Canada and Denmark. This initiative’s benefits include “more reliable and timely delivery of finance” and “less demanding and more harmonised reporting requirements”. 54
- In Honduras and Nicaragua, Ireland provides direct support to CSOs for social auditing. Ireland has also committed to provide multi-annual funding for a CSO basket fund for engaging with PRSP process in Honduras.
In Sierra Leone, DFID channels almost all of its in-country civil society related funding through ENCISS. As well as being a broker between the state and CSOs the idea is that ENCISS will also provide smaller grants to local organisations. This innovative programme has experienced some challenges — including cumbersome application procedures — that have meant that very little small grant funding has been provided to date. The European Commission has recently agreed to join forces with DFID and is also putting most of its funding for support of civil society into ENCISS in Sierra Leone.

There is little evidence that recent changes in aid modalities are having a negative impact on CSO funding, but it is clear that most donors need to improve the ways they support CSOs. Donors attempting to support CSOs need to adapt their procedures and avoid transferring excessive administration costs onto civil society organisations. As they increase their budget support to governments, they should at the same time provide more money as institutional support to help strengthen civil society groups rather than projectising their funding. Donors also need to build on positive experiences of supporting southern CSOs, and in particular those organisations focused on advocacy and institutional support. They should avoid using money to direct or control the activities of CSOs.

**Box 7 - Innovative donor/INGO fund for local CSOs in Honduras**

The UK and Canada have created a multi-donor fund to strengthen the participation of Honduran civil society in the implementation of the PRSP. This fund is now financed by 5 bilateral donors (DFID, CIDA, DANIDA, Irish Aid and the EC) and eight international NGOs (Ibis, HIVOS, MS Denmark, Forum Syd, Plan International, Oxfam, Trocaire and DED — the German Development Service). It is a relatively new departure for official donors to directly support Honduran civil society groups. The fund is co-managed by international and national NGOs and has mobilised US$4 million to support 132 projects for local civil society organisations. Programme officials from DFID, CIDA and DANIDA have also acted as spokespeople for the fund with the main donor grouping and with the Honduran government.
Summary

Donors still largely set the agenda on aid and find ways to fund their own priorities. Continued use of conditions undermines efforts to transfer power to recipient governments. Performance assessment frameworks attached to joint budget support have resulted in a melting pot of different donor priorities and objectives.

Some recipient governments – e.g. Cambodia – have taken a stronger leadership role in aid negotiations. Many recipient governments however either lack the capacity or the political will to do so.

There has been an increase in dialogue between donors and recipient governments, but citizens and parliaments are largely marginalised from the debate. Some donors have been supporting civil society organisations to play a more active role in policy processes.

Some donor examples

✗ In Mali, the World Bank includes conditions on privatisation of public sector (telephone, electricity, cotton, railway) which in turn influence the other donors.

✗ The UK and the World Bank tie their budget support to IMF conditions in Sierra Leone.

✗ France’s strategy for Mali was conceived in Paris, not shared with the Malian government and signed before Malian or French NGOs could react.

✗ The European Commission’s aid to Honduras is highly conditioned.

✓ Ireland is providing direct support to CSOs for social auditing in Honduras and Nicaragua.
4. Falling in line: Do donors back national priorities?

This section examines to what extent “aid modalities” are shifting to create more effective alignment. Has change happened because of the Paris Declaration? And do the changes amount to a transfer of responsibility for administering aid spending?

The idea of ownership is to grant more control over aid flows and development policy to recipient country governments. If aid money is channelled through country systems, rather than through parallel governance structures, developing country governments will have more power to determine how those resources are spent and how they fit with other spending.

In the Paris Declaration both donors and recipient countries made a number of commitments in this area. Donors committed to support government priorities by matching their aid programmes to what the government had prioritised, and to spend their aid through government budgetary and procurement systems rather than through donor-created parallel structures. Recipient country governments, meanwhile, committed to introduce enabling, transparent and reliable strategies and frameworks for development aid as a basis for donor collaboration.

The Paris Declaration does not specify which specific aid modality donors should use to achieve these goals — although it does favour “programme based approaches” over projects. Programme-based approaches include budget support (both general budget support (money paid directly to government coffers) and sector budget support (money which is earmarked for a particular sector) as well as donor basket funds (donors pooling their funds for specific projects). In principle budget support is widely seen as the most effective way to align to government strategies and systems.

Using country systems: donors still reluctant

Using existing institutions and systems rather than setting up a myriad of duplicating ones would seem logical. But lack of trust in the capacity and accountability of many developing country institutions has caused donors to set up their own institutions, and use their own procedures for procurement, monitoring and evaluation. According to the Paris Declaration, donors must do more to use country systems including using national procedures for public financial management, accounting, auditing, procurement and monitoring of results. Recipient governments in turn commit to improve their public financial management systems.

Our case studies show that progress in using national systems has been very slow. Donors only channelled 10% of their aid through government budget systems and only 6% of aid used national procurement systems in Cambodia. Similarly in Honduras only 26% of aid used the government financial systems and only 5% used national procurement systems.

In Honduras donors have invested in improving national accountability mechanisms such as a system to manage information about procurement, an information system to track the implementation of poverty programmes and Honducompras, a new reformed national procurement system. The latter has been funded by both the World Bank and the Inter-American Development Bank; nonetheless neither of them currently use this procurement system because of what they see as high levels of corruption. Other donors expressed doubts that the Honducompras reform will result in sufficient transparency.
Mozambique fares slightly better with just over half of aid flows included in the Treasury payment system. The Mozambique case study highlights, however, that “there are donors and cooperation agencies such as USAID and the World Bank that continue imposing unilateral rules, their own procedures, their own monitoring and evaluation matrices”.

All actors interviewed in Mozambique said donors were constrained from using the government systems by their own restrictive procedures (often imposed from donor headquarters). Meanwhile civil society representatives and donors both cited corruption as one of the obstacles on the government’s side. 59

Parallel systems were clearly in evidence in Sierra Leone. One striking example is the Decentralisation Secretariat. This secretariat is primarily funded by the World Bank, is charged with all aspects of government decentralisation and is more accountable to the World Bank than to its host, the Ministry of Local Governance. The Decentralisation Secretariat is an oasis of technology and resources within a poorly resourced Ministry of Local Governance. Other similar institutions include the Governance Reform Secretariat (primarily funded by DFID) and the HIV/AIDS Secretariat. There are clear efficiency arguments for setting up such structures to ‘get the job done’ (or as some CSO representatives argued to “get the donor prioritised job done”). These arguments must be weighed against the harm it can do to the relevant Ministry, the weakness of which was the argument for setting up the parallel structure in the first place.

**Budget support: on the rise?**

This section examines the extent to which donors are increasing their use of general budget support. This is only one “programme-based approach” that donors can use. General budget support is aid channelled directly to the national treasury. It can be an effective way to align aid to a country’s systems and should in theory mean that a government has more control over spending. There are several reasons why so much emphasis has been put on budget support. The most optimistic advocates for budget support suggest that the five principles of the Paris Declaration - ‘ownership’, ‘alignment’, ‘harmonisation’, ‘managing for results’, ‘mutual accountability’— underpin this aid modality. 60 Others recognise that even though budget support may entail some risks in the short-term it is the most effective way to transfer responsibility and power and to strengthen recipient government capacities on a long-term basis.

Comparable data on budget support are hard to obtain — there are inconsistencies in the OECD/DAC reporting on this issue. The OECD creditor reporting system shows that overall figures are still low, only amounting to 5% of all aid in 2006.

There has been a fairly constant amount of general budget support between 2002 and 2006, with a peak in 2003. The most reliable information comes however from the 2005 Joint Evaluation on General Budget Support, 51 which shows that budget support was already on the rise by 2004.

Given that the Paris Declaration favours programme-based approaches, it is plausible to assume that project aid would decrease in favour of more budget support. Based on our case studies, we explored whether there is any evidence of this and to assess recipient country experiences with budget support and project aid.
Incremental progress, partial gains

Our case studies show considerable variation in the percentage of aid disbursed as general budget support. The following chart (figure 2) shows the average percentage of total aid provided as general budget support in the last three years in our seven case study countries. Some countries like Mozambique, receive considerable amounts of budget support (average of 42% over last three years) whilst others such as Cambodia, Nicaragua, Mali and Honduras receive very small amounts.

**Fig. 2 % of Total Aid provided as general budget support in the last three years**

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**Box 8 - Why donors need to give more budget support: Malawi’s missing doctors and teachers**

Malawi has just 266 doctors for 13 million people. Teachers are paid $70 dollars a month, and often teach classes in excess of 100 children. This human resource crisis must be tackled if HIV/AIDS and other illnesses are to be tackled, and education for all achieved. Sector and budget support are one of the most effective ways of using aid money to pay for recurrent costs like teachers’ and doctors’ salaries and give them higher salaries to retain them in the job.

A nurse in a rural facility in Southern Malawi commented:

“For the last three years, I have never known on which day I would receive my monthly pay — sometimes it would be up to 3 months between payments. The amount I receive can last me for 10 days. To make ends meet I grow and sell some tobacco, and I try to attend workshops so that I can be paid per diems. I completed my training at Trinity hospital in 1983 and was so proud to be a nurse. I would definitely not recommend this job to my daughter.”

There has been some improvement in the last couple of years. 62% of donor funds are now on budget within the health sector. Within this the UK, Norway, SIDA, UNFPA, the Global Fund and the World Bank have gone further, to pool their funds. Pool donors share the same plan, financial reports, annual operational plan, progress reviews and use government systems. Some of these funds have been used to implement an emergency human resources plan, which saw key health workers get a 52% salary increase. Plans are also in place to train 4,000 new nurses by 2010. At the same time increased general budget support has enabled the Government of Malawi to give all civil servants at 20% pay increase, vital for other key workers such as teachers.
One reason some donors are reluctant to use more general budget support is because they perceive a higher risk of money going missing. Corruption is a reason why both donors and some government officials prefer to devote higher efforts to a limited modality of budget support: sector budget support. Nonetheless there is no evidence that sectoral budget support or projects are less susceptible to corruption.

A recent report by the auditor general in Mali revealed problems with government finances and with project aid. A recent audit of a joint donor-funded education sector programme in Niger illustrates that programme funding is also vulnerable to corruption. As a result, donors froze their funding, which dramatically reduced the ability of the government to invest in education. Two ministers, some ministry staff and several businessmen were brought to court. The accused are awaiting their sentences. Had this been a donor-controlled project, any reform would have been limited to the project but one potential benefit of this case is that its discovery could lead to better accountability in government systems more broadly. At the very least the serious auditing procedures that accompanied the donor programme have highlighted the areas where most reform is needed.

Donors appear to base their decisions on budget support on different criteria in our case study countries. If the quality of governance were the main factor to determine whether donors gave budget support or not, we might expect to see a correlation between the percentage of aid provided as budget support and recipient government scores on the World Bank’s Country Performance Rating. The Bank’s rating is highly weighted towards the Bank’s assessment of the quality of governance. But Figure 3 shows that this relationship is weak. Mali, for instance has the highest CPR scores, but project aid still represents 83% of the total while budget support only amounts to 11%. This suggests that the use of different modalities in different countries may not be driven by well-founded assessments of country circumstance, but rather by donors’ own preferences and systems.

Budget support is not a magic potion for development aid, but can bring important benefits to recipient countries. In Rwanda, for instance, it helped to reconstruct a public financial management system destroyed by the war. Budget support has also resulted in significant positive impacts in Ghana, where it has helped to increase accountability and ownership, while significantly increasing access to education.

Mozambique is the largest recipient of budget support in our case studies and has been receiving aid in this way throughout this decade. Its experience shows issues that donors should consider carefully when considering increases in
budget support. Donors should examine government progress on human rights and accountability in the use of public resources. The Mozambique case also suggests donors should pay more attention to internal accountability mechanisms such as public audit institutions and public accounts committees.

In general, donors should aim to increase the amount of their aid channelled as budget support. At the same time it is reasonable for them to expect progressive improvements in recipient governments’ public accountability. Our case studies show Mozambique with an already significant amount of budget support, averaging 42% over the last three years. In other countries the amount of money provided as budget support is one tenth or less of total aid — there is room for donors to increase budget support in these countries.

The success of aid should be measured not just by tangible short-term outputs but also by strengthening of government systems, crucial for implementation of nation-wide programmes in the medium term. For this to happen, donors should move an increasing proportion of their aid upstream from projects through programmatic aid and sector support to general budget support.

Donors should announce how they will increase their use of programme approaches in each country they work in, detailing the reasons for doing so and how they will judge country performance. Recipient governments must take active steps to improve their public accountability if they are to continue to obtain an increasing share of aid as sector and budget support.

**Project aid: a constant presence**

Despite the Paris Declaration commitments, donors still channel the majority of their aid through projects. It is the dominant modality in Nicaragua, comprising 75% of all aid and it is very prominent in countries like Cambodia and Mozambique where it amounts to 45% of total aid.

Project aid takes different forms. In some cases donors set up parallel project units through which they directly administer and manage the aid. In others the donors fund specific projects through specific government agencies or ministries. In the latter, although the project may be more integrated into the government system, the agency is still primarily accountable to the donor. Project aid has been criticised for creating parallel governance structures and increasing the transaction costs of aid, hence decreasing aid effectiveness.

Project aid remains a high percentage of total aid for those case studies where data is available: 47% in both Cambodia and Mozambique and 75% in Nicaragua. In the case of Mozambique, where budget support is relatively more prominent, the amount of project aid as a percentage of total aid has decreased from around 70% at the beginning of the decade to around 50% in most recent years. 67

Not only has the volume of aid that flows via projects remained high, the actual number of projects has also risen dramatically in most of our case study countries — causing aid fragmentation. Multiple projects from multiple donors have several negative consequences. These include high administrative and transaction costs, coordination and harmonisation problems and frequent brain drain of officials from the government to donor projects, where employment conditions are often better. For example one NGO-run programme in Malawi that provides anti retroviral treatment to some 20,000 patients has three times the budget of the entire district health authority and its nurse technicians are paid three times the salary of their public sector counterparts. 68
Cambodia and Mozambique show a clear growth in the actual numbers of projects (Figure 4). Current active projects total 704 in the case of Cambodia and 1194 in Mozambique. In 2006 our case study countries on average had over 550 projects. Three years after the Paris Declaration there is no discernable reduction in the burden on recipients of managing multiple aid projects.

**Fig. 4 New aid project approvals in Cambodia and Mozambique**

Parallel implementation units
Some projects are implemented through recipient countries’ structures, but independent Project Implementation Units (PIUs) are often created. Data from the Paris Monitoring Survey (Figure 5) show a huge number of such units in our case study countries. There is also significant variation across countries. Mali for example received half the amount of aid that Mozambique did but had 60% more PIUs. These units create parallel governance structures which by their nature cannot contribute to better government–citizen accountability.

**Fig. 5 Total number of parallel PIUs per country**

Elaborated by Eurodad with data from the case studies of Cambodia, Honduras, Mozambique, Nicaragua and Sierra Leone.
To evaluate donors’ general performance on PIUs, we have used data from the Paris Declaration Monitoring Survey to obtain the ratio between total number of PIUs and total disbursed aid in US$100m (Figure 6). In this way we can make a fairer comparison by compensating for differences in size of aid budgets.

Fig. 6 Donor Ratio of Project Implementation Units/Total Disbursed Aid

Although having donors with similar aid budgets working in a different number of countries might partly explain some of the observed differences, the fact that most of the donors work in a similar number of countries suggests that the influence is minimal. A comparison between Spain (US$104m aid budget in 11 countries, operating 63 PIUs) and Ireland (US$147m in 6 countries, operating 4 PIUs) helps to illustrate this point.

With 63 PIUs per US$100m in aid, Spain’s extremely poor performance stands out. Among the other donors, two groups can clearly be observed. On the one hand, there is a group of poor performers represented by the US, Denmark and France. The second group, Germany, Ireland, the UK and the World Bank perform significantly better, with ratios below one third of those of the former group. Finally, the European Commission falls in between both groups. These findings are also supported by evidence from the country level; in Malawi for instance, donors have set up 69 project units parallel to government systems, according to Paris Declaration data and 30 of these are run by USAID.

Predictably precarious aid

Without donors disbursing aid when they say they will, the budget process and subsequent ability for citizens and parliamentarians to hold their government to account for that budget will never be effective. Without predictable aid flows governments will continue to struggle to make long-term investments in the institutions, infrastructure and individuals needed to tackle poverty. Well-staffed hospitals and schools require much advance planning, training and organisation, which can be easily undermined by on-off donor financing.

In the Paris Declaration, donors committed to provide reliable aid commitments over a multi-year framework, and to disburse their aid on schedule. In addition they pledged to “provide timely, transparent and comprehensive information on aid flows so as to enable partner authorities to present comprehensive budget reports to their legislatures and citizens”.

Elaborated by Eurodad with data from the Paris Declaration Monitoring Survey
Our country studies repeatedly highlighted the need to improve donor predictability and transparency. As a government official from Niger explains: “respecting the budget calendar is a big problem with aid. If this calendar is not respected, all of our predictions are different and it is impossible to put them right. If the money does not arrive on time, either we are not able to make the planned investments in the time given, and the programmes are disrupted, or we accumulate arrears.”

The negative effects of unpredictable aid flows are amplified in recipient counties by the fact that aid often adds up to significant shares of their Gross National Income. In the cases of Mozambique and Sierra Leone, aid for the period 2000-2007 averages 28% and 33% of the GNI respectively. For Honduras and Cambodia the figure is around 7 per cent. The higher the share, the bigger the impact, but in all our cases the amount of aid is high enough to generate serious disturbances when aid is not disbursed as agreed.

Predictability: a mixed picture

The responsibility for providing predictable aid lies primarily with donors. The Paris Declaration reforms aimed to put recipient governments in the driver’s seat. But donors retain control of the car’s petrol supply. The performance of different donors is presented here using data from the 2006 Paris Declaration Survey. The results are presented as percentage of deviation from scheduled aid within a given year (Figure 7). There is a large range. The better performing countries are the UK, Japan and Denmark with deviations lower than 4%. The worst are the US and Germany with deviations of 23% and 31% respectively. Spain, France, the World Bank and Ireland are all between 12% and 15%.

Our case studies reinforce the picture of inconsistent donor disbursements. Less than 50% of committed aid was disbursed in Sierra Leone in 2006 while Ghana only had to deal with deviations that ranged from 7.5% to 1.2% in the period 2003-2006. When we look at donor countries individually their predictability also varies from one case study to the other. In 2006 in Mozambique, Germany, Ireland, UK and the World Bank delivered on their commitments, whilst Denmark did not. The same year the World Bank was 50% short of its commitments in Cambodia, whereas the UK, the US and Germany missed their targets by 22%, 17% and 8% respectively.
Predictability is not only about providing reliable figures, but also about providing them in sufficient time. Effective long-term planning requires reliable information and predictions on aid flows to be provided early in the budget process. Donors’ uncertain commitments to the budget make financial management very difficult. A government official in Niger commented: “you have to take into account the virtual nature of the budget adopted by the Parliament”.

Donors’ performance on long term commitments differs from country to country. Germany, for instance only makes commitments for less than three years in Mozambique and Niger, but in Sierra Leone it currently funds a five-year programme. Ireland has three-year agreements in those countries where information is available. The World Bank, despite having some multi-annual agreements as in Mozambique, only decides the amount of aid it will disburse on an annual basis. Best performers are the European Commission — with programmes up to six years — and the UK, which has committed to a ten-year programme in Sierra Leone.

**Reasons for low predictability**

Despite their pledges, donors often fail to disburse what they have committed on time. This is due to two different but related problems. Firstly, donors’ agreements and commitments are not legally binding and donors may not have systems in place to guarantee disbursements. Secondly, disbursements depend on the recipient’s compliance with a number of agreed conditions.

In order to deal with the first of the problems and harmonise donors’ behaviour, some governments have independently sought a higher commitment from donors. Although not legally binding, Cambodia has introduced the Multi Year Financing Framework, providing three-year aid flow projections. All donors except Japan and the US have been willing to provide such projections. The Nicaraguan government has introduced a law compelling donors to provide aid projections one year in advance so they can be incorporated into the budget before it is passed in parliament. Some donors will need to review their legal frameworks to enable them to make real multi-annual commitments.

The second reason for low predictability is related to the high number of conditions associated with budget support. Disbursements are conditioned on compliance with benchmarks and indicators introduced by different donors, who bring their different objectives and economic forecasts with them to the negotiating table.

This can lead to conflicting conditions within budget support agreements which leave the government with little room to manoeuvre. A good example of this is Sierra Leone, where budget support has been tied to both donors’ poverty reduction objectives and to IMF conditions. The first group of conditions is achieved by increasing public spending, the second by keeping the economy ‘healthy’ according to IMF assumptions. On the basis of the IMF’s judgement DFID and the EC froze 2007 budget support disbursements until the latter part of the year, seriously affecting funding for poverty reduction. And the World Bank did not disburse any budget support at all in 2007 because it did not consider that enough budget support indicators had been reached.

To solve these predictability problems donors should streamline their procedures and address current conditionality practices. Figure 8 shows the amount of aid disbursed as general budget support in the last three years in our seven country cases. The chart clearly reflects the predictability problems in Sierra Leone and helps to identify similar cases of unstable aid flows in Mali, Mozambique, Nicaragua and Niger. When unplanned, these changes in aid flows cause budget uncertainty, making it difficult to meet predetermined benchmarks attached to budget support and undermine planning.
Recipient’s roles: a tale of shared responsibility

Recipient countries also share the blame for unpredictable aid. Given donors’ fiduciary concerns, recipient countries must produce accurate and reliable budgets if they want to receive donor money as budget support. More precise financial planning is also needed.

Governments sometimes fail to mobilise the projected amount of money, causing shortfalls in available domestic resources. This explains, for instance, most of the 29% deviation from Ghana’s 2006 budget. Aid flows are also sometimes over-estimated, as in Niger’s 2008 budget. Governments may do this in order to exert pressure to raise donors’ commitments or to give them space to make decisions on how resources should be spent.

Even with their capacity constraints and their powerlessness on aid inflow levels it is sensible for all governments to introduce and implement a public budget cycle and day-to-day management practices. When recipient governments are unable to comply with basic administrative requirements or their own regulations, it is not enough to blame donors, even if these regulations form part of budget support conditionality. Recipient governments should redouble efforts to improve the accuracy and transparency of budgets. Improper behaviour undermines citizens’ opportunities to scrutinise decision-making and erodes the confidence of taxpayers and external donors.

At the same time external donors need to set out clearly in advance the situations in which they will review or cut funding, for example in cases of proven grand corruption or major breaches of human rights agreements. Where donors do not deliver the aid committed, on time and in a given year, they should publish an explanation in the recipient country clearly explaining the reasons why they were not able to do so.

Technical assistance still supply driven

Technical assistance refers to donors paying for consultants, training or research for developing countries. Although there is a clear need for building capacity, the value of much technical assistance is increasingly contested. It is estimated that one half of all aid is spent on technical assistance, but much of this money is not effective enough. According to the OECD’s figures, technical assistance makes up 35% of aid in Cambodia, 27% in Niger and averages around 15% for the rest of the case studies (Figure 9). However, technical assistance is often embedded in specific projects and thus quite difficult to quantify properly. Evidence from our case studies in fact suggests that these figures could actually be much higher for Cambodia (45%), Honduras (34%) and Nicaragua (23%).
Despite consistent complaints from developing country governments, NGOs and donors about poor technical assistance, the Paris Declaration commitments to improve this “black hole” of aid are very modest. Donors pledged to make their technical assistance demand rather than supply driven and to coordinate their efforts with other donors to avoid duplication and wastage. Their modest target is that half of their technical assistance should be demand-driven and coordinated by 2010. Our case study research shows continued scepticism from developing country governments and civil society organisations alike about technical assistance and little evidence of improvements as a result of the Paris Declaration commitments.

**Ineffective and unsustainable assistance**

A frequently stated aim of technical assistance is the effective and sustainable transfer of knowledge and skills to recipient countries. Within this wider goal, technical assistance missions often concentrate on building institutional capacity and training senior officials. The degree of success is very difficult to measure since there are no standard methods to evaluate how much knowledge has been effectively transferred. In general, recipient countries acknowledge that “technical assistance can be useful if it comes and builds enough capacity and leaves people trained” the problem is that “there seems to be no exit, the consultants just keep on coming.”77 Technical assistance in practice is heavily tied to the donor country and it is exempted from donors’ commitment to untie aid to the least developed countries.78 This makes it more expensive and creates incentives for donors to continue determining its content.

According to the Cambodia study, “a great deal of past resources spent directly by external development partners have been devoted to technical assistance…while these have no doubt had their use, it is time now to ensure that resources are redirected to make available additional funds for concrete and tangible actions to accelerate progress in the lives of Cambodian people.”79 Moreover, consultants usually earn much higher salaries than the civil servants they work with. This often poisons working relations and can lead to an internal ‘brain drain’ as people leave government jobs to become consultants for donors.

Similar opinions echo through the case studies of Mozambique, Honduras, Niger and more significantly a report made by
Turning the Tables: Aid and accountability under the Paris framework

the European Court of Auditors on European Commission technical assistance. This report finds that only “one-third of the [European Commission’s] projects have been, or are likely to be successful in reaching their objectives.” In Cambodia, where the levels of technical assistance are the highest, the PRSP calls on donors to “drastically reduce the share of funds received for technical assistance.” Looking at this picture it is not surprising that technical assistance is considered the “key aid effectiveness challenge.”

Differing donor and government opinions about the quality of technical assistance were evident in Nicaragua. As part of the 2006 Paris Monitoring Survey on Aid effectiveness, donors claimed that nearly one third (29%) of their TA was coordinated and aligned to the Nicaraguan government’s needs. The Nicaraguan government however considered that “no current programmes in Nicaragua would qualify as co-ordinated under government leadership.” A similar picture of TA is offered by the Niger case study, where in 2005 only 15% of TA was coordinated with national programs.

Donor incentives for continuing consultancies

Although technical assistance is meant to be primarily about building up capacity of developing country institutions and skills transfer, in reality such exit strategies are rarely in place. It appears that technical assistance is more about fixing today’s problem than avoiding tomorrow’s. One Niger civil society representative went further, claiming that “after more than 40 years, technical assistance is more part of the problem than the solution.”

- The Niger case explains some of the reasons why this element of aid is so slow to be improved. The Niger government is extremely weak. There is serious poverty in the country, with limited administrative capability to act. Donors want to spend their money, and there are institutional pressures on staff to disburse their budget on time. It will be quicker and more expensive to employ a foreign consultant to do the job they want to get done. The Niger case says that “undoubtedly, technical assistance serves to compensate for the weaknesses of the administration but it does not contribute to resolving these in the medium term.”

- In Honduras, government officials complained about the “quality of technical assistance, the high salaries paid to consultants and its limited usefulness”, but donors see it as the only way to compensate for the country’s weak bureaucratic and technical capacity. A World Bank representative in Honduras said “the only way to work is through missions and technical assistance”, if money is to be allocated within a certain period.

Technical assistance is commonly imposed by donors as collateral for financial contributions and is not adapted to recipients’ necessities. Technical assistance often comes hand in hand with tied aid, linking aid to purchases from the donor countries (see Box 9). Technical assistance can perhaps be summed up overall as high costs for low results.

Box 9 - Debt cancellation for poverty reduction or Spanish profit?

Spain cancelled Honduras’ debt under the condition that the government of Honduras deposited US$55 million in the Honduras—Spain Fund with an agreement running until 2010. The projects from the fund had to be “implemented by Spanish companies, institutions or development organisations with approved technical and financial capacity”. In addition the agreement states that if the projects financed by the Fund produced any “certified emission reductions generated under the clean development mechanism of the Kyoto agreement”, that these would belong to Spain.

This practice however is due to change given that the Spanish parliament passed an external debt law at the end of 2006 that establishes that debt swaps will prioritise local companies and organisations.
### Summary

Significant attention has been paid to alignment of aid to recipient government strategies and systems. Progress is mixed but overall it is slow.

Donors continue to bypass country financial systems. In some cases this is because of concerns of unreliable systems or corruption.

Some donors in some countries give significant amounts of aid as budget and other programme support. Overall however, projects are still the dominant modality.

Aid is still very unpredictable and donors rarely make real multi-year commitments. Conditions attached to budget support, unclear commitments and donor and recipient administrative blockages all contribute to the problem.

There is not enough information about technical assistance, there is continued scepticism about how useful it is, and much is still tied to the donor country.

### Some donor examples

- **USAID** does not provide aid through country systems in Mozambique or Mali.

- Only one quarter of the **World Bank’s** aid to Mozambique is given as programme aid and only one quarter uses government systems.

- **Spain** has tied all its debt relief to Spanish companies and organisations in Honduras.

- Bureaucratic blockages have meant frequent delays of **European Commission** budget and project support in Sierra Leone.

- **France** finances GBS to Mozambique by recycling Mozambique debt service.

- In Honduras the **US Millennium Challenge Account** is using national procurement systems more than other donors.

- 100% of the **UK’s** aid is on-budget in Mozambique.
5. Mutual accountability requires citizens’ engagement

This section will look at how the commitments to mutual accountability under the Paris Declaration are being interpreted and implemented, and to what extent these commitments are likely to contribute to a more accountable aid system.

The OECD states that one of the reasons that the Paris Declaration will make a difference is because it recognises that “for aid to become truly effective, stronger and more balanced, accountability mechanisms are required at different levels.” Currently there are very few mechanisms in place to make this happen.

The Paris Declaration introduces the concept of “mutual accountability” between donors and recipients. Both parties are referred to as partners. This language is aspirational as it supposes an equal standing that does not exist. While a donor can turn off the tap if the recipient government does not respect conditions for aid, the recipient has little recourse to action if the donor fails to deliver on its commitments. Aid policies can be one way to move towards more contractual relations between the two parties.

Accountability of aid downwards from governments to citizens is paramount, yet the Paris Declaration does not take this into account. Nor does it consider accountability of donors to citizens. As donors still directly control and/or implement large percentages of aid as outlined above, they must also be accountable to citizens in the developing country.

Transparency, both from donors and recipient governments, is insufficient. More transparency would enable citizens to hold their governments to account, strengthen dialogue and democratic decision-making and help improve the effectiveness of aid. Yet citizens and even parliamentarians are often in the dark about the amounts types of aid coming into the country and have little or no recourse to action if the money is not invested in addressing their needs, or is ineffective at doing so. Yet citizens and even parliamentarians are often in the dark about the amounts or types of aid coming into the country.

Civil society organisations are taking some steps themselves to make aid more accountable but they still need support from outside. Finally, for mutual accountability to become a reality, international reform is needed.

Country level actions

Both donors and developing country government have said that “mutual accountability” in the use of aid is a “major priority”. Under the Paris Declaration, donors and developing country governments have committed to “jointly assess through existing and increasingly objective country level mechanisms mutual progress in implementing agreed commitments on aid effectiveness”.

For donors to be both accountable and answerable, the developing country government needs a means to enforce commitments. But there is no way that developing countries can hold donors to account under the current system. Donors meanwhile can threaten or implement a halt to aid flows if they think that a developing country has not complied with what they said they would do.
This uneven relationship is clear at the country level. The one example of “mutual accountability” cited by the Director of the Development Aid Coordination office in Sierra Leone was the “Improved Governance and Accountability Pact” signed in July 2006 between the government of Sierra Leone and the four budget support donors. The aim of this agreement was to “to take forward ten critical governance and accountability reforms over the coming year until July 2007” and “in the spirit of mutual accountability, the Pact also includes commitments from development partners to improve aid effectiveness”.

The four budget support donors agreed to ten principles to match the ten governance reforms agreed to by the government. The contrast, however, between the ten commitments on each side, is striking. The donor agencies signed up to ten principles, which are a re-statement of their general commitments under the Paris Declaration, but with no targets or indicators attached. The government, on the other hand, signed up to ten in-depth governance reforms, some of them structural and highly political, with no less than 35 specific and time-bound targets.

**Box 10 - Mutual accountability in Mozambique**

Mozambique has progressed furthest in implementing a mutual accountability system. In 2004 they set up the Performance Assessment Framework to evaluate donor performance. This mirrors the Government of Mozambique’s Performance Assessment Framework, making it a two-way process. There are some useful elements to this framework such as the peer pressure created by scoring donors. In 2006, Germany and France came last and second last out of eighteen donors, scoring only 44% and 50% respectively with DFID and the Netherlands leading the field with 100%. USAID and Japan do not participate in this evaluation as they do not provide budget support.

This innovative system is not without its challenges. One problem identified by a recent evaluator is that the choice of who gets measured on what is not standardised. Donors get to choose their own indicators out of international agreements and through local negotiation amongst donors. In addition each donor chooses its own target for each indicator, while the recipient is told which trigger indicators from the PRSP and Economic and Social Plan they must use. 92

**Policy mechanisms for mutual accountability**

Section 4 above outlines some of the problems which poor quality aid can present to recipient governments. The Paris Declaration should mean that recipient country governments can hold donors to account to provide quality aid resources that are useful for development. This is an essential element of mutual accountability.

Recipient government aid policies lay out the framework and type of aid desired by the recipient government, and can be useful in moving towards a more contractual relationship between the donor and recipient. Clear legal contracts between the two parties, based on strategies outlined by recipients would recognise the mutual benefit of aid and help address some of the current imbalances.

Some countries have put aid policies in place. Cambodia for example has a “Strategic Framework for Development Cooperation” which is meant to clarify the policies and procedures that donors should follow. But according to our case study interviews, it is viewed by many as cumbersome and it is not being implemented. In response, the Cambodian Government is using its new annual “Aid Effectiveness Report” (see box 11) to draw up more realistic guidelines for donors. The guidelines for aid management will respond to the main findings of the Cambodian government report.
The Council for the Development of Cambodia (CDC), the Government body responsible for coordinating aid, has developed a new “Aid Effectiveness Report” based on a new aid database. This report uses empirical analysis to present a snapshot of current aid flows and to identify problems with how aid is being provided.

The Aid Effectiveness Report has generally been well received by donors and it has also created some impetus towards reform particularly at the EU level. Some interviewees suggested that donors are starting to feel nervous because the CDC has shown that they now have the technical capacity to do this kind of analysis.

The growing government assertiveness is encouraging donors to respond. However there are questions about the extent to which this can be attributed to the Paris Declaration. Many interviewees cited increasing aid from China and the discovery of oil and gas reserves as much more important factors. Some felt that the Cambodian government is also feeling more confident due to the fact that failure to meet previous conditionalities have not led to any reduction in aid flows.

Lack of a clear aid policy in Honduras is identified as a key obstacle in improving effectiveness. A new Code of Conduct was being drawn up however as of October 2007. The Nicaragua case demonstrates that government commitment is needed, not just a policy. In Nicaragua a Plan for Harmonisation and Alignment exists but is now not being implemented. The Sandinista government, elected in late 2006, has not “continued in a constructive coordination with donors” and has effectively stalled this plan which was instigated by the preceding government.

### Table 2 - Government aid policies

<table>
<thead>
<tr>
<th>Country</th>
<th>Framework for aid</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>Strategic Framework for Development Cooperation Management</td>
<td>Not being implemented as too complicated and burdensome. But more realistic guidelines being developed by government</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>No</td>
<td>Aid policy planned and being pushed by donors but has not been seen as a government priority</td>
</tr>
<tr>
<td>Niger</td>
<td>Action plan for the implementation of the Paris Declaration in Niger</td>
<td>Not finalised yet though being pushed by donors (a Government-Donor Joint Code of Conduct has been recently adopted but likely to have no impact without action plan)</td>
</tr>
<tr>
<td>Mozambique</td>
<td>No</td>
<td>Aid policy is being pushed by donors</td>
</tr>
<tr>
<td></td>
<td>Law 550</td>
<td>Donors are compelled to disclose aid flows in a timely manner so as to be incorporated into the budget</td>
</tr>
<tr>
<td>Honduras</td>
<td>No</td>
<td>Code of Conduct being negotiated as of October 2007</td>
</tr>
<tr>
<td>Mali</td>
<td>National Action Plan on Development Aid Effectiveness</td>
<td>Donors have elaborated a roadmap to implement this plan</td>
</tr>
</tbody>
</table>
The initiative taken by the Cambodian government in leading on its own Aid Effectiveness Report and the consequent effect of creating pressure on donors to reform illustrates the benefits for recipient governments to take proactive steps to guide discussions about aid between governments and donors.

**Insufficient donor transparency**

“How can you handle local accountability which is so important – if it (aid) is not even visible to the organisations of scrutiny in the country?”

Richard Manning

Accountability cannot exist without transparency about policy discussions, policy decisions and policy implementation. Under the Paris Declaration, donors and developing country governments have agreed that transparency in the use of development resources is a “major priority”. Donors have said that they will “provide timely, transparent and comprehensive information on aid flows so as to enable partner authorities to present comprehensive budget reports to their legislatures and citizens”. Yet inaccessible donor information was a key issue arising in all of the case studies, raised by both civil society and government interviewees.

Several southern government interviewees expressed frustration about the lack of information available from donors. This problem was evident in the Cambodia, Sierra Leone, Mali, Mozambique and Niger case studies. The Cambodian government Aid Effectiveness Review notes in a number of places the lack of data or unreliability of data provided by donors, with one interviewee saying writing the review was substantially complicated by donors’ failure to provide sufficient information on time.

In Sierra Leone, donors do not provide sufficient information to the health ministry regarding their investments in the sector. As one government representative said “we want to know what comes into the country. If we have that information, we would be able to rationalise and plan better rather than duplicating things.” The Sierra Leone aid coordination office said

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**Box 12 - Towards transparency: the Mozambican donor database**

The most comprehensive information on aid flows available online from the case studies is from Mozambique. The ODAMoz database (www.odamoz.org.mz) was created in response to the Paris Declaration to collate all information on commitments and disbursements from donors to the country including relevant information on joint funds. It is funded by the European Commission, the United Nations and the Royal Embassy of the Netherlands in Mozambique.

Information is available by Sector, Donor, Province, MDGs and funding criteria (grant/loan, aid on/off-budget and aid modality). The database is user-friendly and data quality is good. Information is updated on a quarterly basis, following Mozambique’s official budget cycle.

This initiative still has challenges to overcome: the database relies on donors providing accurate figures, only includes members of the Development Partners Group (therefore excluding Chinese aid, for instance) and there are problems of double counting when donors implement projects through UN agencies. The government says the information is still inadequate for their macro-economic and budgetary analysis, and most CSOs are unaware of its existence.
that it was often a challenge to get information from donors. USAID was cited as particularly problematic in this regard. In Mozambique there are continued problems with classifying aid that is off-budget, particularly technical assistance. Nonetheless, some progress has been made with most donors providing quarterly information on aid in a more standardised form to the Ministry of Foreign Affairs and Cooperation since 2004. And more donor reports — particularly research and analysis — are now being made available in Portuguese.

If governments find it difficult to get up to date information on donor activity in their country, their citizens find it almost impossible. Under the Paris Declaration donors have not made explicit commitments to be more accountable or transparent to citizens in developing countries. This is, however, a necessary pre-condition to promote more demand-side governance.

The majority of CSOs interviewed for this research had scant or no knowledge about the Paris Declaration. On the whole, CSOs were ill-informed about how much aid money was being spent in their country, and about the ways money is channelled. Civil society representatives interviewed repeatedly demanded better transparency from both donors and their government.

All the case studies referred to problems in accessing information about donor aid and donor activities. Donors rarely communicate disaggregated information about what they are doing. Sometimes people can access the information but they need to know who to ask. As one Sierra Leonean citizen said “donors would tell you the information if you went and knocked on their door, but you have to be in their world in order to get access in the first place.”

The Honduran case argues that “the lack of up-to-date information on disbursements and expenditures makes it very difficult for civil society to follow up on these commitments” and that “neither the donors nor the government publish the results of the evaluations of their interventions in the country — with the exception of some multilaterals that present information on specific projects”. The latest information available on aid disbursements on the website of the Honduran government Technical Aid Secretariat is from September 2004.

**Governments can do more to inform their citizens**

Recipient governments have made many commitments under the Paris Declaration to improve the transparency of their budgeting processes and financial management systems. This has the potential to improve transparency and accountability to citizens but most still have a long way to go. However, the logic of their efforts is still focused upwards. For example, budgetary information is geared towards the demands of IMF reviews rather than those of parliaments and citizens.

Accessible information is a precondition for citizens to be able to engage in policy discussions and to monitor public expenditure. As one civil society interviewee said “If the information were disseminated for even the literate population to know, they might find new ways of asking questions”. Poor access to government information makes it difficult for CSOs to track government revenue and expenditure. Civil society organisations complained about the opacity of the budget process in most case study countries. Where aid flow information is available, it is often hard to relate this to the budget process. In Cambodia key budget documents such as monthly budget implementation reports, mid year reviews, and National Audit Authority reports are kept confidential.
In Niger, the absence of an access to information law was identified as a major obstacle and officials are rarely prepared to meet CSOs. This problem was echoed by a Sierra Leonean civil society representative who said: “most government offices have not set up any mechanisms to provide information. You have to know someone, you have to beg someone, you have to lobby to get information.” The Sierra Leone budget however is available online — since 2007. This includes three year projections including details of what is expected in donor budget support and resources freed up from debt relief each year. Further progress would be made if the figures were presented in a way that would make comparisons easier between the donor-funded projects as listed in the budget and the disbursements recorded by the government’s Department for Aid Coordination. The situation in Mali is worse and the government does not even have an official department in charge of collecting data on aid flows.

In Sierra Leone, several interviewees were positive about the role that the Public Expenditure Tracking Surveys (PETS) had played in improving the flow of resources to their intended destination and in involving CSO representative in the survey process. This process illustrates however that transparency may come too late. The PETS survey uncovered huge corruption, with 95% of resources for health centres not arriving at their destination. But the information was only made public nearly two years after the event. As one CSO representative said “it is no use only involving people at the time of doing the PETS when the expenditure has already taken place. We need to know from the outset how this money will be allocated.”

Parliamentarians can find themselves equally in the dark. At the end of January 2008, the Honduran government still had not presented the budget to the Congress despite their legal obligation to have done so by September 2007.

Recipient governments may not think it is a priority or even in their interest to communicate information about aid flows. But donors, by not being transparent themselves, simply make it easier for recipients to hide behind them.

**CSOs push country level accountability**

Citizens must be able to hold their governments to account for how they manage aid as part of the budget, and as long as donors continue to implement projects and programmes directly, citizens must be able to hold them accountable for their success or failure. CSO representatives interviewed in case study countries repeatedly identified a need for more opportunities to compel donors and recipient governments to account for how aid is spent. CSOs in some countries are also demonstrating how this can be achieved.

- In both Ghana and Honduras, CSOs are actively tracking the allocation or expenditure of resources that have been freed up as a result of debt cancellation. In both countries the money has been spent through a specific fund which makes it easier for CSOs to monitor. In Ghana, SEND Foundation has extensive experience of monitoring expenditure at the district level.
- In Honduras, a number of CSOs were involved in defining how the resources from debt cancellation would be allocated across different regions and sectors in the country. A significant step for CSOs in Honduras has been more municipal auditing of public accounts. Municipal transparency commissions have been formally established, independent from the local councils. Transparency Commissioners are now present in 173 (60%) of the municipalities with active commissions in 45.
- In March 2007, the Cambodian NGO Forum organised a “CSO Forum on Aid” to which they invited seven donors to come and be scrutinised by civil society on their aid programme. Several interviewees — both CSOs and donors — agreed it would be useful to have more such opportunities. But some NGOs are nervous about challenging donors as
...they also depend on them as a source of funding or as a means of influencing the government.

- Malian CSOs are slowly opening some space for consultation. According to the FECONG case study, some CSOs have started to monitor aid flows and, more importantly, consultation processes with the government have started and, in the future, meetings will also be held with donors. 103

Capacity issues for CSOs were consistently cited as an obstacle to their effectiveness. Weak collective organising, representation, competition for resources, poor organisational infrastructure and access to information all hamper fulfilment of their tasks. Some of these challenges have to be addressed directly by the national NGOs. Others can be helped by government or donor action. It is beyond the scope of this report to make detailed recommendations in this area, but donors should be more open and transparent with civil society groups, and can support their development by funding institutional core costs, and by supporting – but not running – networks and communication between CSOs. This must be done sensitively, as donor support for CSOs can sometimes weaken the latter’s position vis-à-vis the government and citizens in the country.

Box 13 - Successful CSO budget tracking in Malawi 104

Budget tracking activity by civil society has been going on since 2001. This work evolved from concerns about the implementation of PRSP and the budget under the previous government. The CSOs found that budget allocations were largely fictional, with money going missing during the year or not being spent on what it should have been. To guard against this, civil society networks called for the government to identify Priority Poverty Expenditures in each sector, and then to publish regular reports during the year of spending under each of these.

At the same time the networks carried out nationwide surveys of clinics, schools and agricultural extension activity to establish whether key items such as textbooks or essential drugs were reaching the school and clinic level. The results were publicised to embarrass the government to take action. Actions by civil society helped ensure that government continued spending on priority expenditures even during a fiscal crisis. More work is now being done to expand the scope and capacity of budget tracking by civil society to continue to hold the government to account over the coming years.

International actions also required

Some of the accountability problems identified by our research can be overcome at the country level. Others require reform of the international mechanisms through which aid is monitored and policies are established. The current international system undermines the potential for mutual accountability. The OECD Development Assistance Committee (DAC) is an illegitimate institution in the eyes of many stakeholders. It is a rich country club in which developing countries have no representation and little voice. The only mechanism through which developing countries can exercise voice is through the Working Party on Aid Effectiveness which has equal representation of developing and donor countries, but southern governments often do not have the capacity to engage with this Paris-based process effectively.
The Steering committee for Accra also has representation from developing and donor countries. Nonetheless, repeated concerns have been expressed about the fact that this committee is largely driven by the donors. We should not be surprised by this when the executive committee that effectively is paid to do the work for this committee is comprised of OECD/DAC and World Bank staff members.

The International Civil Society policy statement to Accra argues that this “flawed ad hoc governance of the aid system renders the most aid dependant countries unable to hold strong positions in negotiations” [105] Some proposals have been tabled to increase the role of the newly formed UN Development Cooperation Forum as a body that would be responsible for defining and monitoring aid.

Currently a number of proposals for better accountability at the international level are being discussed by a DAC sub-working group on Managing for Development Results indicating some appetite for reform. Nonetheless, there is clear resistance from some donor governments to changing the status quo. Their resistance may come up against a stronger force however. The changing nature of global development finance and the rise in stature of a number of emerging economies will continue to put pressure on the members of the DAC club to democratise the system.

### Summary

Accountability is one of the weakest areas of progress of the Paris Declaration.

The Mozambique donor performance assessment is one of few donor accountability mechanisms. Mutual accountability is hampered by unequal power relations and lack of means of sanctioning donors.

Some countries have put aid policies in place as a step towards more contractual relations between donors and recipients.

Lack of transparency by donors and recipients to citizens is making it very difficult for citizens or even parliamentarians to hold them to account.

Donors have done little to think how their behaviour could impact on domestic accountability relations.

### Some donor examples

- Lack of transparency about the real amount of aid that the different French agencies provide to Mali.
- Difficult to access information on USAID to Sierra Leone.
- The European Commission was receptive to the Cambodian government effort to make donors more accountable through their Aid Effectiveness Report.
- The Dutch government encourages the Malian government to account to citizens.
6. Conclusion and recommendations

All stakeholders agree that the aid system is not working well enough. The agreements reached in Paris in March 2005 lay down principles which cover many, although not all, of the major areas which need to be changed. The specific targets are more limited, however, and the official monitoring mechanisms that have been established to check progress against them for the 2008 and 2010 meetings lack independence and depth.

This report goes beyond the official picture, with detailed up to date insights from civil society and government representatives in seven developing countries. There is some visible progress by several donors and governments and the new international aid agenda offers hope for real change in some areas. This report takes seriously the consensus that in order to be effective aid must be based on ownership and accountability. But donors have not gone far enough to live up to even the overly narrow definition of these principles in the Paris Declaration. Progress so far is patchy — there is significant variation by issue, by donor and by country. Ownership, alignment, accountability and transparency are still major challenges.

Donors still impose too many of their own priorities, limiting the space for country leadership. And democratic ownership requires recognition of the vital role that civil society has in the policy process. Real public debates (including in parliament) are required on policy choices and financial decisions. Donors should recognise that heavy-handed engagement by them may undermine fragile democratic development and deter the creation of new institutions.

Donors have been present in many countries for so long that both they and their recipient counterparts have developed entrenched habits. Vicious circles operate at several levels. Donors’ lack of trust in developing country governments means donors often set up parallel governance systems to administer and channel their money. This further undermines already weak government institutions, as does the unpredictability of aid disbursements, a problem that is still very prevalent.

Power imbalances, lack of transparency and limited aid accountability mechanisms mean that the idea of donors and recipients governments being mutually accountable to each other is still aspirational. And accountability to citizens, the people in whose name aid is being provided, is out of the picture. It is time to turn the tables, and put the focus on accountability downwards to citizens and recipient governments rather than upwards to donors.

The civil society organisations that back this report are working towards medium-term objectives of transforming the aid system. Aid commitments should become part of long-term contracts spelling out the roles and responsibilities of donors and recipients. Independent systems for monitoring compliance and assessing likely and actual impacts of aid will be required.

Rich country governments have set the terms of aid for many years. The Paris Declaration targets can be rapidly implemented as a minimum to improve some aspects of the way aid is delivered and give confidence that further change is possible. Donors have the power and the major responsibility to take the first steps to making their aid money work better for poor people. Our recommendations are primarily addressed to them.

Recommendations

Donors must respect recipient country ownership of the development process, and therefore need to:

- Phase out policy conditions that they attach to their aid and move towards agreeing with governments and civil society a few shared and mutually-agreed objectives for donor aid.
- Ensure remaining requirements such as fiduciary obligations are made public and communicated clearly to citizens, parliament and oversight agencies.
- Work with governments to reduce the number of fora for government and donor dialogue around national policy, streamline the number of donor participants, and ensure meaningful civil society participation.
Donors must greatly improve the predictability of their aid and deliver it in ways that help build national systems by:

- Greatly increasing their use of country financial, procurement and decision-making systems, and dismantling the parallel ones that have grown up to supplant them.
- Reducing the numbers of projects to the government sector and, where appropriate, moving an increasing proportion of their aid upstream from projects through sector support to general budget support. At the same time it is reasonable for them to expect progressive improvements in recipient governments’ public accountability.
- De-linking budget support from IMF programmes, reduce conditions and support civil society to monitor and hold recipient governments to account for their spending.
- Committing their aid at least on a rolling three-year basis and dramatically improving the timeliness of their disbursements. Also disbursing more funds early in the recipient country’s financial year.
- Dramatically improving the quality of their technical assistance. It should be demand-driven, untied and aligned to national strategies. Donors should respect the right of recipient governments to contract according to their needs.

Donors and governments should agree binding and transparent contracts for aid. Aid terms must be fairly and transparently negotiated with participation of and accountability to poor people. These contracts should set out clearly:

- The steps that donors will take if there is a breach of agreed underlying principles such as respect of human rights or integrity in use of public resources which may have implications for the flow of budget or other programme support.
- The mechanisms that are available to recipients to ensure donors deliver aid as promised, on time. Where donors do not deliver the aid committed, on time and in a given year they should publish an explanation in the recipient country clearly stating the reasons why they were not able to do so.

Donors and recipient governments must radically improve the accountability of aid by:

- Setting up multi-stakeholder mechanisms in developing countries such as forums or committees for holding governments and donors to account for the use of aid. These should be open, regular and transparent with real room for citizens of developing countries to hold their governments and donors to account.
- Ensuring far greater transparency of all aid, including technical assistance, at the country level. This means donors providing accessible information to governments, parliamentarians and civil society.
- Establishing a more independent monitoring system and a more robust means of enforcing aid effectiveness commitments between now and 2010. Donors should resource this and the system should include inputs from civil society groups.
- Support civil society and parliamentarians in holding their government and donors to account. Donors should support civil society and parliament in their efforts to monitor and scrutinise aid.

Recipient governments should strengthen oversight institutions and improve public financial management and accountability systems by:

- Investing in oversight institutions such as the Auditor General’s offices, Parliamentary Public Accounts Committees etc. They should seek donor support for this where necessary.
- Ensuring that the above-mentioned bodies are free from political influence and that laws surrounding abuse of public resources are rigorously applied.
- Ensuring plans and budgets at national and sub-national level are subject to parliamentary or local council debate and approval;
- Ensuring timely and accessible publication of both national and local plans and budgets so that the government can be held to account by its own citizens.
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Interview with MSF project manager, Chirsdzulu, September 2007 in endnote 28, p. 27


Interview with Dr. Clifford Kamara, Ministry of Health. In endnote 14, p. 18

Despite donors having access to many financial documents, the Open Budget Index shows few are actually public. See: http://www.openbudgetindex.org/

Interview with Dr. Samuel Braima, Lecturer Department of Economics, Fourah Bay University. In endnote 14, p. 32

Kadi Jumu, Policy Advocacy & Civil Society Coordinator, Christian Aid. In endnote 14, p. 34

Tennyson Williams, Director of ActionAid Sierra Leone. In endnote 14, p. 36

See endnote 30

The Paris Declaration on aid Effectiveness, March 2005

See endnote 15, p. 6
EURODAD (European Network on Debt and Development) is a network of 54 non-governmental organisations (NGOs) from 17 European countries working on issues related to debt, development finance and poverty reduction.

Eurodad’s aims are to:

- push for development policies that support pro-poor and democratically-defined sustainable development strategies.
- support the empowerment of Southern people to chart their own path towards development and ending poverty.
- seek a lasting and sustainable solution to the debt crisis, appropriate development financing, and a stable international financial system conducive to development.

Eurodad coordinates the work of non-governmental organisations working on these issues, and collaborates actively with civil society in the North and South to attain these goals.

More information and recent briefings are at: www.eurodad.org