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# Democratic Ownership beyond Busan:
## Building Inclusive Partnerships for Development

Photo credit: 2007, Florian Kopp / Welthungerhilfe: democratic voting process of the farmers' Association in the village of Kraing Sbek, Takeo Province, Cambodia.

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# Democratic Ownership beyond Busan:
## Building Inclusive Partnerships for Development

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**About this report**
This document is the final outcome of a research and monitoring project on Democratic Ownership conducted by Alliance2015 in preparation for the 4th High Level Forum on Aid Effectiveness, to be held in Busan in 2011.

It is based on five country briefs analysing progress towards democratic ownership in Cambodia, Ghana, Mozambique, Nicaragua and Tanzania. The objective of the briefs is to assess the implementation of the Accra Agenda for Action and the contribution this has made to increasing civil society engagement in and ownership of development processes.

The five country briefs can be found at www.alliance2015.org and their titles are:
- Democratic Ownership in Cambodia: Progress and Challenges
- Towards Democratic Ownership in Ghana: Strong Progress in Civil Society Engagement
- Democratic Ownership in Nicaragua: Steps in the Wrong Direction
- Slow Progress towards Democratic Ownership in Mozambique
- Fulfilling Democratic Ownership: the Case of Tanzania

## Introduction and main conclusions

The Accra Agenda for Action (AAA) was drawn up in 2008 in order to spur on the implementation of the Paris Declaration. It comprised a number of clear and comprehensive commitments by donor and recipient countries.  These commitments were made in order to advance the implementation of the five mutually reinforcing principles of the aid effectiveness agenda: ownership, alignment, harmonisation, managing for results and mutual accountability.

One of the most significant features of the AAA was its recognition of the need for other development stakeholders - notably civil society and parliaments - to be involved in the formulation and implementation of development policies.  This recognition responded to the call from civil society to move towards a more inclusive concept of ownership: democratic ownership. The idea behind this concept is simple: only when donors, recipient countries, civil society and parliaments are able to participate and work in partnership to design and implement development policies is it possible to ensure the best and most sustainable outcomes possible. The key factors enabling democratic ownership are described in figure 1.

### Factors promoting Democratic Ownership
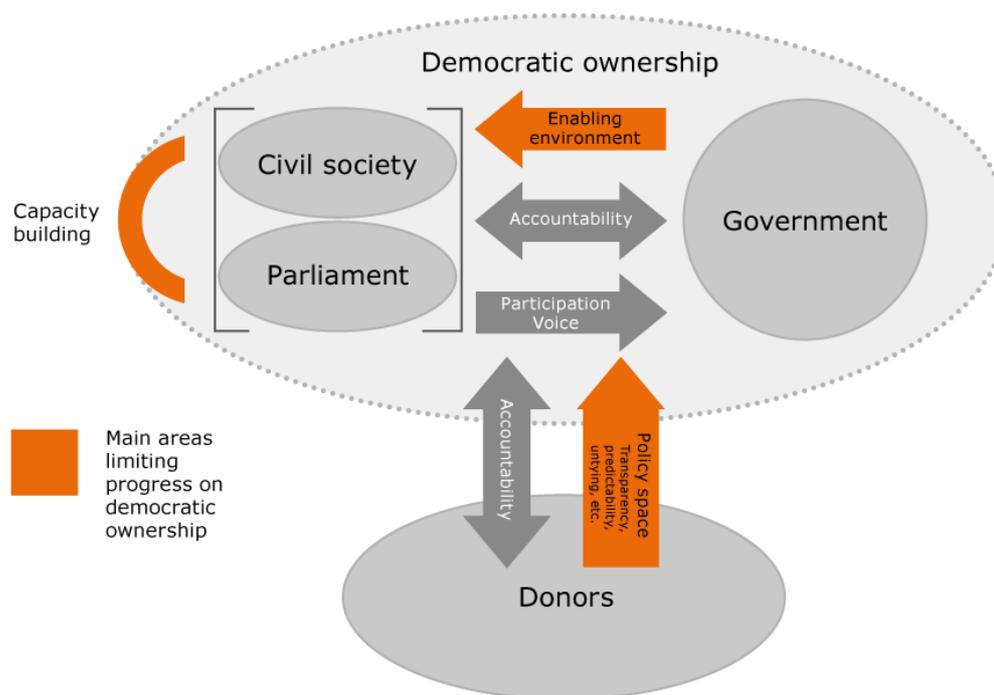


Historically, civil society and parliaments have been only tangentially involved in the formulation and implementation of development policies in developing countries. The commitments made in the AAA were therefore very welcome. As the 4th High Level Forum approaches, it is important to assess the impact of those commitments made in 2008.

This report focuses on the participation of civil society and parliaments in development processes in five countries, paying particular attention to civil society. The key assumption behind this report is that the inclusion and acknowledgement of civil society is key to increasing aid effectiveness and achieving better development results, because it can ensure that the poorest, those who are supposed to benefit from aid, have a voice in development processes. The objective of the country briefs and this synthesis report is to learn about the initiatives and practices which have enabled or obstructed progress and to determine what remains to be done in order to realise true democratic ownership.  They do so by examining the following issues:

- the existence of an enabling environment for civil society;

- progress in relation to the implementation of ownership, accountability and the promotion of inclusive participation in development processes;

- transparency of aid disbursements and financial management;

- the existence of harmful economic policy conditionality that may threaten democratic ownership and;

- progress in relation to untying of aid, streamlining technical assistance and using country procurement systems.

The main conclusion is that democratic ownership is at a crossroads. Despite significant effort, challenges remain on the path towards democratic ownership:

- **Donors** are not making enough effort to provide developing countries with the **political space** they require to choose their own road to development through genuinely democratic processes.

- Many **governments** in developing countries have never fully endorsed the principle of democratic ownership or taken serious steps to provide an **enabling environment**. Governments are not giving civil society and parliaments proper recognition as independent development actors.

- In the cases when they are invited to participate, **civil society** organisations and parliaments often **lack the capacity** to make a meaningful contribution to development processes.

Addressing and overcoming these specific problems through more concerted efforts by all development partners – donors, governments, civil society and parliaments – would represent an enormous step forward. This report also shows that further and bolder steps are needed. Ghana is a good example of what can be achieved when all development partners work together and in line with the principle of democratic ownership to implement the aid effectiveness agenda.

## 1. An enabling environment for civil society

Creating an enabling environment for civil society is essential to achieve democratic ownership. This is the reason why donors and developing countries made the commitment in the Accra Agenda for Action to "work with CSOs to provide an enabling environment that maximises their contributions to development."[1]

Civil society requires legal, economic and political space to be able to organise into Civil Society Organisations (CSOs) and effectively engage in policy making and consultation processes. An enabling environment increases civil society representation and allows people's voices to be heard. In the particular case of development, this means that development policies are truly owned by those who are supposed to benefit from them.  This contributes to ensuring that aid reaches those who really need it and helps to increase its impact and value for money.

### A) The role of civil society is not always clear to recipient governments

The Accra Agenda for Action recognises that CSOs are "independent development actors in their own right." [2] They "enable people to express their aspirations and they help improve the conditions for diverse, poor and marginalised groups in society.  CSOs are 'bridge builders'. They are an essential feature of democracy, seeking to express peoples' organised action in the public sphere for public benefit and change."[3] They are non-partisan and do not represent political parties.

While the importance, value and necessity of CSOs were clearly acknowledged in Accra, the absence of political space is a substantial obstacle to CSO participation in many countries across the globe. In **Tanzania,** for example, the Government considers advocacy CSOs as part of the opposition and seeks to keep them out of political processes. In **Nicaragua** the situation is even worse. The Ortega administration has denounced Nicaraguan CSOs as "puppets of foreign powers".[4] At a local level, the Government has also replaced existing dialogue structures with party-dominated spaces where only 'select' CSOs are able to participate. The situation differs from country to country but the evidence shows that the statements made in Accra about the role and value of CSOs are neither universally accepted nor sufficiently supported.

### B) Legal status of CSOs impeded by inadequate legislation and administrative hurdles

The existence of outdated or inadequate legislation places a heavy administrative burden on CSOs seeking legal status and generates an environment of uncertainty for these organizations. This is the case in **Mozambique** and **Tanzania**, where CSOs are frequently

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[1] See Accra Agenda for Action, para. 20
[2] See Accra Agenda for Action, para. 20
[3] CIVICUS. What role do CSOs play on international aid? Available online at: http://www.civicus.org/development-cooperation-/688-cso-role-on-int-aid
[4] See the following article: Ortega acusa a la oposición y a Washington de conspirar contra su gobierno. Available at: http://iblnews.com/story.php?id=27516

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forced to circumvent this obstacle by registering under other legal forms. The problem is that this often forces CSOs to adopt corporate-like management and accountancy functions which are ill-fitted to the needs and role of CSOs. While this is an obstacle which larger CSOs can overcome, it effectively prevents smaller local CSOs from achieving formal legal status. Also concerning is the situation of **Cambodia**, where a new law regulating not-for-profit organisations is being discussed. In its original form, it would impose on CSOs new registration and operational requirements similar to those prevalent in Tanzania and Mozambique. Cambodian CSOs were only allowed a two-week consultation window and at the time of writing are concerned that their feedback may not being taken into account in the final legislation.

## C) External funding often eludes local NGOs and creates legitimacy problems

Funding is an essential requirement for CSOs working in developing countries. Although some organisations may levy small contributions from their members or generate income by performing service activities, advocacy CSOs are very limited in terms of funding. It is unrealistic to assume that organisations from developing countries can effectively engage in development processes with the small amount of money they may be able to raise through donations. Many organisations are also heavily reliant on grants from donor countries. A study conducted in **Mozambique** showed that 70% of CSOs' funding comes from donors while 30% is provided by the Government.[5]

However, these figures do not accurately describe the situation of all organisations as they include both service delivery CSOs, which are dominant in developing countries, and advocacy CSOs. The reports from **Cambodia**, **Ghana** and **Tanzania** show that most funding goes to service delivery CSOs, while advocacy receives only a small share of the total, most of which comes from donor countries. While donor funding allows CSOs to engage in democratic processes, it is not ideal because it creates problems of legitimacy. In **Tanzania**, for instance, the Government has voiced concerns that CSOs are "following a foreign agenda". Such controversy hampers both the level and value of civil society participation.

Another problem arises when donor funding is directed towards a small number of comparatively larger CSOs based in the capital, while regional or local CSOs are hampered both by distance and capacity. The role of local and regional CSOs is important because in many cases they can voice the concerns of different sectors of the population which may not be well represented in bigger cities, especially in ethnically diverse countries. In some countries, donors have started to introduce programmes with a strong focus on reinforcing local CSOs such as STAR-Ghana or Programme Agir in Mozambique, but further efforts are needed to reach out to local and community-based organisations.

## D) Conclusions and recommendations

In spite of the existing limitations, with the exception of **Nicaragua**, the situation has improved in most of the countries examined. In **Cambodia**, for instance, CSOs have grown in number and are now more involved. In order to make further progress, efforts must go

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[5] Reference to the study

beyond the removal of obstacles, towards proactively taking steps to ensure that changes are made to empower CSOs. Donors have played an instrumental role by funding and supporting CSOs in many of the countries explored, but as the example of **Tanzania** shows, this is not enough if recipient governments are not willing to match these efforts. In **Nicaragua**, many donors are pulling out after more than two years of frustration trying to convince the Government to change its attitude towards CSOs. The experience in **Ghana**, on the other hand, shows that creating an enabling environment is a long-term project requiring sustained political commitment and cooperation from all stakeholders.

Progress, however, is fragile. The problems in Nicaragua and the new law being discussed in Cambodia show that situations can change quickly, that spaces created with time and effort can easily be shut down or limited and that any progress made along the way must be protected and preserved on an ongoing basis.

Recommendations:

Governments in recipient countries can create a better environment for further CSO engagement by ensuring that they:

- recognise CSOs -especially advocacy CSOs-  as independent development actors;

- remove regulatory barriers that undermine or make it difficult for CSOs to perform their role in- development processes; and

- increase government funding to CSOs, including advocacy CSOs. This would also contribute to increasing the legitimacy of national organisations.

Donors can contribute to creating an enabling environment by ensuring that they:

- engage in long-term financial and technical support for advocacy CSOs; and

- create mechanisms, following the example of those introduced in Ghana and Mozambique, to ensure that local and regional CSOs can be heard.

## 2. Ownership, accountability and participation

Creating an enabling environment is only the first step in the path towards democratic ownership. Once the right conditions are in place to empower civil society and parliament, it is important to involve them in development processes. Government and donors have to open spaces for dialogue where CSOs and other development stakeholders can participate in a relevant and meaningful manner.

As recognised in the Accra Agenda for Action, donors and developing countries need to take the initiative and "deepen [their] engagement with CSOs as independent development actors." In addition, it is important that developing countries "work more closely with parliaments and local authorities in preparing, implementing and monitoring national development policies and plans [and] engage with civil society organisations (CSOs)."[6]

### A) Very often civil society participation is insufficient or not meaningful

In most of the countries explored, spaces for dialogue and civil society participation have expanded over the last couple of years. The exception to this is **Nicaragua**, where the Sandinista Government has diminished the existent dialogue processes and replaced some of them with structures under the control of the ruling party. In the absence of multi-stakeholder spaces for dialogue -including government, donors, CSOs and other national representatives- it is very difficult to increase the level of democratic ownership.

Even when CSOs are allowed to participate, little progress can be expected if CSOs cannot play an active role. In **Mozambique** an ambitious plan was implemented to increase consultation around the development strategy by creating multi-stakeholder spaces called Development Observatories. Despite their potential, the Observatories are perceived by both the Government and donors as a purely consultative mechanism without regular monitoring and feedback channels.  As a consequence, the Observatories are only successful in sharing information; their actual input in the formulation and implementation of development policies is minimal. The case of the Development Observatories in Mozambique shows that effective CSO participation cannot be achieved unless structures for dialogue include clear accountability mechanisms. Similar concerns were voiced in **Cambodia** and **Tanzania**. In the latter country, CSOs are at times invited to comment when decisions have already been taken. It is felt on occasion that the presence of CSOs is "window dressing" in order to meet donors' calls for greater civil society participation.

The absence of local and regional organisations within established structures for dialogue is another area of concern. Though precarious, dialogue in **Tanzania** is formally articulated as part of an initiative in the national development strategy.  Unfortunately, there is no clear strategy within this initiative to involve local and regional organisations. This limits progress towards genuine democratic ownership as the main beneficiaries of aid and development policies are involved neither in the planning nor in the implementation stages. Consultation

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[6] See Accra Agenda for Action, para. 20

processes can only be meaningful and legitimate, if they include all the necessary stakeholders.

**Ghana** is an example of how much can be achieved when national governments, donors and CSOs are willing to collaborate and work together to eradicate poverty and inequality. Both donors and Government have created spaces for meaningful civil society participation and CSOs have seized the opportunity with responsibility and hard work, which in turn has helped to build trust and deepen engagement. Though some of the initiatives still have to be formalised, CSOs are currently actively involved in the budget support group monthly meetings and have participated and contributed to key development policies including the Ghana Joint Assistance Strategy (J-GAS), the Ghana aid policy and the Performance Assessment Framework.

## B) CSO capacity-building is essential to improve development results

It is clear that without a bottom-up approach to development which ensures that poor people's voices are heard, it is not possible to maximize development results. CSOs are an essential part of this process, but they can only perform their role if they have enough capacity. As mentioned in the previous section, donors and governments need to support CSOs in developing countries and help to increase their capacity. CSOs themselves also need to ensure that they strengthen their governance and accountability mechanisms to increase their credibility and legitimacy.

In **Ghana**, CSOs are showing how they can improve coordination and ensure country-wide representation in policy consultations. The Ghana Civil Society Aid Effectiveness Forum has made constant efforts over the last few years to reshape its structure so that it includes representation and expertise from CSOs across the country. This has helped to increase CSOs' capacity, but more importantly, it has provided them with the recognition and legitimacy to discuss development policies with donor and government representatives, particularly at the sector level. Another good example can be found in **Cambodia**, where the NGO Good Governance Project (GPP) was launched in 2004 with the objective of strengthening the NGO sector, building trust among citizens and reinforcing accountability to stakeholders.

At the international level, there have also been some CSO initiatives aimed at making their work more effective. The best known initiative is the Open Forum on CSO Development Effectiveness, which in September 2010 approved the Istanbul CSO Development Effectiveness Principles. These principles should guide CSOs in order to maximize their development impact.

## C) The role of parliaments in development consultations needs to be strengthened

Parliaments can face problems which are similar to those of civil society when it comes to engaging more effectively in development processes. This may be as a result of low capacity or a lack of opportunity. In many of the five countries examined, parliament is barely involved in aid processes despite its role as an essential democratic institution. That said, some developments have been recorded. In **Cambodia**, while input from the Parliament on development issues has been limited due to capacity constraints, the Inter-Parliamentary

Union is working to inform Members of Parliament on issues related to improving accountability and reinforcing their role in the budget process and aid management. In **Ghana**, a specific platform has been set up to increase the flow of information between the Government, donors and the Parliament in order to enhance the parliamentary oversight of aid flows.

On this issue, **Nicaragua** is once more the exception. Since the current Government assumed power in 2006, the national Parliament has become highly polarized and its activity has been suspended at various times over the years.  The polarization and tension within the chamber have turned development into a secondary issue and its role in this field has been limited to approving various development loans.

Parliaments are one of the pillars of democratic ownership because they are rooted in local constituencies. This should empower local communities and allow them to have a say in national policies. Unfortunately, in some cases, the link between parliaments and the local constituencies is weak. In **Tanzania**, for instance, there is no mechanism for local constituencies to demand feedback from their elected Members of Parliament. This closes off a key channel for citizen participation in democratic processes and limits ownership of development polices at the local level.

## D) Conclusions and recommendations

Some donors have made major contributions to broadening the space for dialogue and increasing civil society participation. In **Cambodia**, donors have encouraged the greater engagement of civil society and the Parliament in the formulation and monitoring of development policies.  Specific initiatives include inviting CSO representatives to meetings and sharing information with them about the implementation of development plans and strategies.

However, there is a limit to the actions donors can take without undermining ownership or democratic processes. On the one hand, for these processes to be sustainable, they need to be country-driven and reflect the commitment of all national stakeholders. The example of **Ghana** shows that creating meaningful and accountable spaces for dialogue requires all actors to work together. On the other hand, too much donor pressure to increase the participation of CSOs may fuel government distrust of advocacy organisations, which is already a problem in some countries.  In **Nicaragua**, donors suspended budget support in response to the Government's actions during the municipal elections, but the measure did not have a significant impact and many donors are now cancelling development operations in the country.

**Recommendations**:

Governments in recipient countries can contribute to increasing democratic ownership, accountability and participation of CSOs in development processes by taking steps to ensure that they:

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- create formal spaces for dialogue where CSOs can play an active role and take measures to ensure that regional and local CSOs are adequately represented; and

- work with and support parliaments in fulfilling its budget oversight and regional representation role.

Donors can support and encourage greater accountability and participation of democratic actors in development processes by ensuring that they:

- help to build capacity among national and local CSOs through training and encouraging the sharing of best practices at both the national and international level; and

- work with parliaments in developing countries to increase their capacity

CSOs can optimise their contribution to development by ensuring that they:

- are transparent and accountable to their stakeholders;

- work to increase their capacity and coordination in order to maximize their development effectiveness.

Parliaments can increase democratic ownership by ensuring that they:

- reinforce and encourage links with local and regional constituencies; and

- work at the national and international level (e.g. with the Inter-Parliamentary Union) to increase their capacity to engage in and contribute to development and aid management processes.

## 3. Transparency in aid disbursement and financial management

The Accra Agenda for Action acknowledges that "transparency and accountability are essential elements for development results. They lie at the heart of the Paris Declaration, in which we agreed that countries and donors would become more accountable to each other and to their citizens."[7] Transparency empowers citizens and parliament and enables them to hold government and donors to account. It is essential in order to foster democratic processes and ensure the ownership of development policies. As argued in the country brief conducted in **Mozambique**, lack of transparency about aid flows and budget planning limits possibilities for the Parliament and for civil society to scrutinise the government budget.

### A) Some progress on transparency, but short of what is needed

With the exception of **Nicaragua**, where the Government uses a complex network of private companies to channel aid received from Venezuela, overall transparency has increased in the countries examined. In **Cambodia** and **Mozambique**, for instance, comprehensive databases have been created to monitor aid flows. They represent an important step forward, but data recording is inconsistent among donors and they do not reflect aid flows from non-OECD donors such as China or Brazil. In addition, the databases are not usually connected to the Government's financial management systems, though Mozambique is a notable exception in this regard. In **Tanzania**, CSOs are calling for access to timely on-line information on aid commitments, flows and utilization. This will only be possible if such information is regularly updated and uploaded onto a website which is managed by a responsible institution.

In spite of the progress recorded, it is clear that budgets need to be more transparent, but more importantly, CSOs and parliaments need to play a more relevant role in their formulation and monitoring. The Open Budget Survey offers a clear opportunity to address all these issues at once. It not only monitors budget transparency and the budget process, but also offers advice to government on how to improve their performance. It also gives CSOs an important opportunity to engage in budget issues.[8]

### B) Donors are failing to fully implement their commitments on aid transparency and predictability

In the Accra Agenda for Action, donors committed to providing "full and timely information on annual commitments and actual disbursements", as well as "regular and timely information on their rolling three-to five-year forward expenditure and/or implementation plans" in order that developing countries could improve their medium term expenditure and macroeconomic framework.[9]

In the country briefs underpinning this report, donors have supported efforts in the right direction. In addition to those described in the previous section, they have pushed to increase

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[7] See Accra Agenda for Action, para. 24
[8] IBP (2010) The Open Budget Survey 2010. International Budget Partnership, Washington DC
[9] See Accra Agenda for Action, para. 26

transparency in countries such as **Cambodia** by asking the Government to improve budget planning and audit systems.

Nonetheless, donors could do more to improve the quality of the information they disclose. In **Ghana**, for instance, CSOs report that even the Ministry of Finance does not have a full record of aid flows. In addition, most of the briefs show that even if donors provide some information, their aid flows are unpredictable. The absence of predictability prevents long-term expenditure and planning and may cause additional costs and delays when funds do not arrive in a timely manner.

In general, information on aid flows and predictability is better when funds are disbursed as budget support or through a country's own financial systems. In Accra, donors and governments committed to strengthening country systems and use of programmatic aid modalities precisely to avoid problems associated with unpredictable aid flows. Unfortunately, budget support in **Tanzania** represented just 32% of aid flows in 2009 and the share is much lower in **Mozambique** (23%) and **Ghana** (23%). In **Nicaragua,** the share was of 5%, but it has been indefinitely suspended and in **Cambodia** there is no budget support.[10] In practice, this means that information about the largest share of aid funds is usually partial and insufficient.

## C) The International Aid Transparency Initiative (IATI) could help to increase information flows

Aid transparency needs to be improved and donors have a major responsibility in this regard, not only in terms of providing information, but in ensuring that it is comparable across all development stakeholders and user-friendly. In Accra, a number of donors, recipient governments and non-governmental organisations established the International Aid Transparency Initiative (IATI) with the aim of fulfilling the AAA's commitments on aid transparency. Work is still ongoing, but the standards have been approved and the UK has begun using them. Some time is still needed to assess the impact of IATI, but it could deliver a significant boost to donor transparency by addressing the weaknesses of the current OECD reporting systems, especially in the areas of conditionality, country-by-country reporting and multi-year commitments.

## D) Conclusions and recommendations

Despite some advances, there is a long journey ahead to increase transparency and make aid more predictable. These findings are consistent with the preliminary results of the 2011 Paris Monitoring Survey. According to existing information, the increase in aid predictability is slow while progress on transparency lags 'far behind'.[11] The IATI is helping signatories to increase transparency and deliver on the commitments made in Paris and Accra, but it has yet to be endorsed by all donors.

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[10] Calculations based on gross disbursement figures available in the OECD's Creditor Reporting System online database: http://stats.oecd.org

[11] Presentation on preliminary results 2011 Paris Survey by Niels Dabelstein, Paris Declaration Evaluation Secretariat

Recommendations:

Donors can make additional efforts to fulfil their commitments to increase aid transparency and predictability, by ensuring that they:

- join the IATI and release comprehensive and timely information about aid flows in a user-friendly and comparable format.

- deliver on the Accra commitment to improve aid predictability by providing recipient countries with, and delivering on, predictable three- to five-year funding tranches, particularly to countries with the adequate political and technical infrastructure.

Governments in recipient countries can increase aid transparency and accountability by ensuring that they:

- work with all donors, including non-OECD countries, to disclose information in ways that can feed into financial management systems and contribute to improving budget planning. It is also important that they undertake pro-active steps to ensure that the information reaches civil society organisations at all levels.

CSOs can play a vital role by ensuring that they:

- promote and involve themselves in initiatives such as the Open Budget Survey  which is an independent, comparative, regular measure of budget transparency and accountability.

## 4. Conditionality

Conditionality has always been a controversial issue in the development arena. For many years international financial institutions imposed structural and economic policy conditions which did not help to foster development or growth, but did undermine the sovereignty of developing countries. The World Bank and the International Monetary Fund changed policy direction in the early 2000s and issued guidelines to reduce structural and economic policy conditionality.

However, there are still doubts about the extent of progress. In the Paris Declaration and the Accra Agenda for Action donors committed to "draw conditions, whenever possible, from a partner's national development strategy"; "link funding to a single framework of conditions and/or a manageable set of indicators"; and "regularly make public all conditions linked to disbursements".[12]

### A) Donors are not meeting their commitments on conditionality

Alliance2015's country briefs show that these commitments are not being met. Economic policy conditionality still exists in the countries where this issue has been explored. A study on conditionality of the World Bank crisis-lending to **Ghana** conducted by Eurodad in July 2010 indicates that the Bank continues to influence Ghana's economic policies through conditions imposed on loan agreements and technical assistance programmes. In **Tanzania**, the Performance Assessment Framework, the tool used by budget support donors to monitor government performance prior to approving new disbursements, also contains references to the IMF and WB's country programmes. In **Nicaragua**, the National Development Plan was heavily influenced by the World Bank and the IMF and includes a significant number of conditions and benchmarks extracted from previous programmes.

The number of economic policy conditions appears to have decreased, but since many conditions, such as those in Tanzania's Performance Assessment Framework, refer to other documents, this claim is difficult to confirm. Furthermore, both Eurodad's research and the brief from **Tanzania** show that economic policy conditions are very difficult to track as they are not only included in the loan agreements, but also in other documents and letters. Documents such as Tanzania's Performance Assessment Framework only apply to budget support disbursements. Other aid modalities and activities lack this type of assessment framework and conditions linked to disbursements are not usually available to the public. It is interesting to note that in **Cambodia**, both the *Phase Two Evaluation of the Paris Declaration*, conducted as part of the OECD's wider effort to monitor the implementation of the Paris Declaration, and the Cambodian Government's *2010 Aid Effectiveness Report,* fail to address the issue of conditionality, although it is one of the "beginning now" commitments in the AAA.[13] In its own assessment, the Government rated the aid database information on conditionality as low, giving it a score of 2 out of 5. On the positive side, there are reasons to

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[12] See Paris Declaration para. 18 and Accra Agenda for Action para. 25

[13] Royal Government of Cambodia (2010) The Cambodia Aid Effectiveness Report 2010; and the National Strategic Development Plan 2009-2013; and
RBMG (October 2010), Cambodia Country Study Report, Phase Two Evaluation of the Paris Declaration.

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believe that in **Cambodia**, conditionality is no longer applied as strictly as in the past. Unfortunately, the lack of information in the other countries makes it hard to confirm whether or not this is indicative of a broader trend.

## B) Conclusions and recommendations

Based on the five country briefs, it appears that progress on the issue of conditionality has been limited to budget support donors in specific countries, who usually use a streamlined set of conditions included in a single framework. Yet, specific conditions and benchmarks are still difficult to track, especially those referring to WB and IMF's programmes. Outside this restricted group, no clear progress has been recorded and most donors have yet to fulfil their commitment to disclose all conditions and include them in a "single framework of conditions and/or a manageable set of indicators".[14]

Recommendations:

Donor countries can fulfil their aid effectiveness commitments on conditionality by ensuring that they:

- phase out economic policy conditions (as opposed to fiduciary and process conditions) attached to aid negotiations and disbursements, including implicit and indirect policy conditions set down by International Financial Institutions;

- disclose all conditions, including those agreed in bilateral agreements, and make them available in a single or limited number of documents. Conditions should be clearly stated and should not refer to other documents.

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[14] See Paris Declaration para. 16

## 5. Aid untying, technical assistance and procurement

There are many donor practices which undermine democratic ownership and threaten advances towards aid effectiveness. Those discussed below relate to how donors spend aid money and include: tied aid, the inappropriate use of technical assistance and procurement.

### A) Aid is still tied to donors' goods and services

Tied aid links aid disbursements to the purchase of goods and/or services in donor countries, where it effectively subsidises companies from donor countries and prevents the development of local capacity and markets. The OECD has called on several occasions for the untying of aid, and this is also a commitment in the Paris Declaration and the Accra Agenda for Action.[15] Officially, many donors have untied their aid, but it is still a problem in some countries, including **Cambodia**, where more than one third of all aid remains fully or partially tied (in 2010 29% was fully tied and 13% was partially tied). The majority of aid from the USA, Japan and South Korea was partially or fully tied, while 100% of aid from China was fully tied. In addition, the OECD claims that despite progress on untying aid, in reality more than 60% of aid could be de facto tied as a consequence of procurement systems, legal requirements, access to information, availability of financial services, etc. [16]

### B) Technical assistance influences developing countries' policies

A significant share of tied aid and de facto tied aid comes in the form of technical assistance: technical advice and knowledge provided by missions of experts in developing countries. As technical assistance is provided by foreign experts and driven by donors it raises serious concerns about its ability to increase democratic ownership. The lack of government control over technical assistance projects has led to donor-driven projects and programmes and the fragmentation of development interventions.[17] For instance, the reform of the procurement system in **Ghana** was heavily influenced by World Bank consultants, resulting in a model consistent with donor best practice, instead of maximizing the developmental impact of aid.[18] In addition, technical assistance is more costly as a result of the extremely high costs of using foreign experts. One may believe that technical assistance is only a small share of aid flows and that its influence is therefore limited, but it is not. In **Cambodia** total aggregate technical assistance represented 33% of ODA disbursements in 2009.

### C) Links between donor commitments and the liberalisation of procurement systems

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[15] See Paris Declaration, para. 31 and Accra Agenda for Action para. 18

[16] De facto tied aid refers to aid which is not tied by donors through specific conditions or contract clauses, but which ends up in the hands of companies in donor countries due to other reasons such as access to and language of the tender documents and processes, contract size, specific legal requirements, etc.
This figure and further information can be found in: Clay, E.J.; Geddes, M. and Natali, L. (2009) Untying Aid: Is it working? An Evaluation of the Implementation of the Paris Declaration and of the 2001 DAC Recommendation of Untying ODA to the LDCs. Copenhagen

[17] Land, A. and Morgan, P. (2008) Technical Cooperation for Capacity Development in Cambodia, Making the system work better.

[18] Eurodad (2010) For whose gain? Procurement, tied aid and the use of country systems in Ghana. A case study summary from the European Network on Debt and Development (Eurodad), Brussels

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In order to increase ownership and tackle many of the problems of de facto tied aid and technical assistance, the Paris Declaration and Accra Agenda for Action advocate for increasing the use of country procurement systems. By allowing developing countries to manage the procurement of goods and services it is possible not only to increase ownership, but also to improve the alignment and harmonization of development efforts.

Under the Aid Effectiveness Agenda, donors made the use of country procurement systems conditional on positive evaluations of such systems. Existing evaluation tools, such as the OECD's Methodology for Assessing Procurement Systems (MAPS), have been developed by donors and are based on what they consider best practice. As a consequence, evaluation tools tend to favour highly liberalised country systems, which in developed countries may help to increase efficiency.

When recipient countries want donors to channel more money through their country systems, they have to ensure the evaluations are positive, and this means aligning their country systems with those of donors –i.e. liberalization. This process has been documented in Nicaragua, where pressure has been put on the Government to liberalise procurement systems.[19] Arguably these reforms are unlikely to maximise the outcomes for developing countries, where more protectionist approaches may be needed to encourage the development of local businesses. In reality, the liberalization of procurement systems is more likely to benefit companies in donor countries, which have better access to technology, goods and finance, and are more competitive at international level, particularly for larger contracts.

## D) Conclusions and recommendations

Performance is significantly different among countries and donors, but in general, aid is not being delivered in ways that maximize its developmental impact. The existence of tied and de facto tied aid shows that development activities are not as effective as they could be. The way in which donors use technical assistance and their influence on the reform of country systems sits alongside this analysis.

All these practices go against the spirit and the commitments of the aid effectiveness agenda. More importantly, they severely reduce the policy space available for developing countries and, as a consequence, undermine efforts to support greater democratic ownership.

Recommendations:

Donors can ensure aid is delivered in ways that maximize their impact on poverty reduction and open up policy space for democratic ownership by taking steps to:

- end all formal and informal tying of aid and give preference to local and regional procurement;

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[19] Acevedo-Vogl, A. J. (2011) Nicaragua: contrataciones públicas, alineación y armonización de la cooperación internacional. Avances de Investigación 50, Fundación Carolina.

- ensure that technical assistance is demand driven, responsive to country needs and it is sourced through transparent and inclusive processes so that it does not undermine democratic ownership;

- put into practice the Accra commitment to increase the use of country systems as the first option; and allow developing countries to adopt the country systems best suited to achieve the objectives set down in their national development plans.

Governments in recipient countries can increase the value of aid received by ensuring that they:

- work to eradicate corruption and strengthen their country systems.

- clarify their needs for technical assistance and prepare capacity development plans.

## 6. CONCLUSIONS

This document has shown progress towards democratic ownership, though it has been uneven across countries. Evidence reveals that the pace of change has been generally slow and some countries have taken steps away from democratic ownership. In general, all development stakeholders face challenges of their own and need to step up individual and collective efforts in order to achieve greater democratic ownership. The main findings of this report are summarised below.

**Donors** have been very keen to create and support an enabling environment for civil society, but they have yet to deliver some of the most important commitments agreed to in Accra. Aid is only slowly becoming more transparent while serious concerns remain about its predictability. Moreover, donors have barely made progress on those commitments requiring a revision of or changes in the way aid is delivered. For example, they continue to tie their aid and influence recipient countries' policies and procurement systems through practices such as conditionality. A key conclusion is that donors are not providing sufficient political space for developing countries to be the owners of their own development processes.

**New donors** are rapidly increasing their weight in the development arena. While new approaches are welcomed and needed, emerging donors also pose a risk to the aid effectiveness agenda in general and to the democratic ownership principle in particular. **Venezuela** (in the case of **Nicaragua)** and **China** (in **Cambodia)** are donors who are not governed by the principles of the Paris Declaration and the Accra Agenda for Action, nor do they have any concerns about using obscure mechanisms or tying all their aid. It is important that future efforts to increase aid effectiveness include as many development actors as possible, including emerging donors.

**Recipient country governments** are essential to ensuring progress in democratic ownership. They have the ability to create an enabling environment for civil society, but even if many governments are committed to the concept of ownership, support for greater democratic ownership is weak. Many governments understand the concept of ownership put forward in the Aid Effectiveness Agenda as 'government ownership', a concept welcomed by many governments unwilling to engage in dialogue or listen to the poor. **Tanzania** and **Nicaragua** are clear examples of the fact that some governments in developing countries are openly sceptical about the role of civil society, and resist any steps towards empowerment. In general, governments in recipient countries have a long way to go in terms of exploring the benefits of engaging actively with civil society and parliaments in their development efforts. A truly inclusive partnership in which CSOs are recognised as independent development actors is needed.

**Civil society organisations** need to work at all levels -local, regional and national- to improve coordination and strengthen their capacity to engage qualitatively and constructively in development processes. Many important lessons can be drawn from the **Ghanaian** experience, including the importance of funding, particularly for advocacy and research activities, and the value of empowering local CSOs to ensure aid reaches those most in need. Similarly, the role and capacity of **parliaments** in development processes, as well as their

links to local constituencies, needs to be strengthened.  CSOs have an important role to play by engaging and working with parliamentarians and strengthening their endeavours.

**Democratic ownership is at a crossroads.** Despite the fact that some progress has clearly been made since Accra, significant challenges remain on the path towards democratic ownership. Donors are not fully implementing the Paris and Accra agenda; several governments in developing countries have never really endorsed the broader democratic ownership principle; and even when they have enough political space, CSOs and parliaments often lack the capacity to make a meaningful contribution to development processes. Addressing and overcoming these specific problems would represent an enormous step forward, but this report also shows that this is not enough. **Ghana** is a good example of what can be achieved when all development partners work together and in line with the principle of democratic ownership to implement the aid effectiveness agenda. In Busan, at the forthcoming Fourth High Level Forum on Aid Effectiveness, donors, governments, CSOs and parliaments have the opportunity to increase the impact of aid by embracing the principle of democratic ownership and building an inclusive partnership for development both at the global and national level.