

Aid is power - The challenge for CSOs and democratic ownership

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Introduction

Aid relationships are relationships of power and have become an issue of global power politics. In such power relations, inequality and to a certain extent injustice can become principal characteristics. It has been revealed by various sets of research and the testimonies of key actors over the years that injustice has been systematically and structurally created and maintained in development policies by certain world political and economic powers.

Who gives aid holds power, at least over what aid is used for. Additionally, various conditionalities linked to other policy areas that favour donors are imposed on aid recipients, who, in many cases, are then trapped in a situation where they have to accept further conditions, even where these are harmful for their citizens.

It is clear from the data that foreign aid has impacted upon the citizens of recipient countries. Some have received positive impacts or benefits from the aid, but the majority of citizens are affected in more negative ways. Citizens have to bear the burdens of debt repayments, whilst the benefits are mostly felt by the repressive and irresponsible regimes supported by technocrats in the country that act

as the prolongation of the hands of the international donors. In many cases, people have had to accept that they must concede all their ancestrally inherited property rights on natural resources to transnational corporations and that they must pay for expensive public services.

Indonesia has historically been a clear live case.¹ The mainstream development philosophy since the late 1960s was dominated by the technocratic and top-down approaches implemented by the repressive military power. Growth-oriented economic policies were introduced, mainly representing the interests of the donors. The technocrats in the Indonesian administration were trained to serve the interests of the donor countries and the international financial institutions. The military and the technocrats were the two sides of the same coin in the state-led economic development projects and programs.

The occupation of East Timor by the Indonesian military was also a consequence of the policies of world political and economic powers. Despite pressure from global citizens and the United Nations against the violation of human rights in East Timor - and several regions in Indonesia during the military repressive regime - the donors continued to support the repressive regime.

¹ John Pilger, *The New Rulers of the World*. London & New York: Verso, 2002.

Aid is power - The challenge for CSOs and democratic ownership

Despite the poverty, violence and denial of the rights of the people, the donors were well coordinated in supporting the military dictatorship of General Suharto through the IGGI (Inter-Governmental Group on Indonesia). Every year, before the government approved the annual budget, the development plan had to be submitted to an IGGI Meeting for approval. This was replaced by the CGI (Consultative Group on Indonesia) in 2002, until early 2007, when it was terminated by President Susilo Bambang Yudoyono.

Even when democracy is established, the government cannot easily get rid of the power attached to past foreign aid. Injustice continues and the people continue to have to pay the high rates of tax necessary to repay the foreign debts that were not even beneficial to them but were taken by the repressive regime for the benefit of the regime and the donors.

Democratic ownership

Given the importance of aid relations to people's lives and their links to power relations, how should aid mechanisms be managed? It may seem to make sense to look at achieving equal relations between the aid providers and the aid recipients. However, in reality, such a goal seems implausible; how can aid be determined by the recipient while the aid belongs to the provider or donor?

Aid has become a commodity exchanged in a market. For that market to work effectively, buyers and sellers (recipients

and donors) need to have equal positions. Notably, recipients should have the freedom to make choices based on their own utility preferences. However, since the (repressive and technocratic) regimes in developing countries have been puppets of the donors, it has been impossible to have equal positions in the transactions. This has been particularly true where economic policies were designed such that the economy became dependent on foreign debts.

Since both providers and recipients are public institutions that represent their countries, their freedoms in the aid market transactions should be limited by the mandates of their citizens. Where the citizens have little or no control over the actions of their government the democratic ownership breaks down. In the Indonesian case, the senior bureaucrats who are the main actors in the aid negotiations are still from the previous regime and were recruited not based on merit but on collusion and nepotism. These technocrats are the prolongation of the interests of the multilateral financial institutions and transnational corporations rather than the citizens. In such cases, it is clear that it is against the spirit of democracy when ownership of aid is limited to government ownership.

The Paris Declaration (PD) has provided fresh momentum for changing aid mechanisms to allow recipient countries to have a more equal position with donors. Use of the term "partner" in the PD instead of "recipient" is promising. The PD puts

Aid is power - The challenge for CSOs and democratic ownership

“ownership” as the first principle, implying that the partner country should have the ownership of the aid and the aid-supported projects and programs. What is key here is that this means country ownership and not government ownership. This implies that all sectors of the country should be involved in determining whether the aid is needed or not, how it is used and in monitoring the implementation of the projects and programs supported by the aid (grants or loans). Although governments represent partner countries, they can no longer act independently, but have to be accountable to the country as a whole, comprising the citizens, parliament, business sectors and civil society.

Democratic ownership also implies the participation of the people from the very first design stages of any project or program to be funded by foreign aid. The project and program implementation should similarly be transparent and directly or indirectly accountable to the people through democratic procedures at national and sub-national levels.

Donors Club: Against the spirit of democratic ownership?

If democratic ownership can change aid mechanisms at the conceptual level, can it be implemented in practice at partner country level? The realization of ownership at country level is not as easy as it might be hoped. There is a push-and-pull between the partner country and the donors and among

the donors based in the country. It seems it is not easy for the donors, particularly the multilateral institutions such as the World Bank and Asian Development Bank, to just allow country ownership to function.

Whilst ownership is respected more in theory, there is a tendency for the donors to try to manipulate this ownership. The World Bank in Indonesia has established several agencies that act as donors’ consortia, each with its own scope of work and area of coverage. These include the Decentralization Support Facility (DSF), Multi-Donors Trust Fund (MDTF), SOfEI (*Decentralization Support Facility for Eastern Indonesia*) and SPADA (*Support for Poor and Disadvantaged Areas*). The rationale given for the establishment of these agencies is to facilitate harmonization among the donors, but in practice it seems to be more about manipulating the country ownership.

Concerns have been increasing about the presence of these agencies. The donors pool their funds in the agencies, which either implement their own projects or distribute funds to other agents whether international or local NGOs, national ministries or local governments. Given this more centralized control of the aid flow, it is then of major concern that these agencies are independent of government and other democratic institutions, but are designed, managed and controlled by the World Bank. Some Indonesian academics and politicians sit on the Boards of the Agencies, but these only have ceremonial functions in practice.

Aid is power - The challenge for CSOs and democratic ownership

Since these agencies act as the new donors in the country with their own program priorities, the NGOs and sub-national authorities who need funds have to reorient their activities to be in line with these. These agencies are small in number but, given their control of the aid flow, they are able to determine the agenda for development projects of the sub-national governments and NGOs that receive funds from them. The agencies can thus be seen as the conductor for the orchestra of the NGOs and local governments. This impedes the genuine initiatives of the local NGOs, local communities and sub-national governments.

Furthermore, in certain provinces in the East of Indonesia, the staff members of SOfEI are integrated within the structure of the government.² Nevertheless, they remain free from its procedures and obligations. The staff are given special authority to advise the governors directly on policy choices and in many cases the SOfEI staff have made the policies issued by the governors.

These World-Bank-controlled agencies representing the donors thus intrude into the government system at sub-national level from where they risk deviating discussions on bottom-up development planning. The development plans seem to be people-oriented through bottom-up procedures and processes, but in fact they are made and designed by the consultants of these World Bank agencies. The available data reveals that the sub-national governments

where these World Bank agencies are working submit proposals for loans from the World Bank. The question then arises as to whether these loans are really taken in the interests of the people in the region or for securing the jobs of the World Bank staff (through on-lending loans)? Does their presence and intervention not manipulate the democratic ownership of the aid and betray the basic spirit of democracy that is emerging in the country?

The role of CSOs in the democratization of aid

Development programs, economic policies and the repressive military power were the effective devices for securing the interests of the donors and suppressing democratic movements in Indonesia. Civil society organizations, particularly NGOs, emerged to challenge these mainstream development policies and the repressive measures of the regime and try to protect the interests of the citizens.

The national and local NGOs, supported by their counterparts in the North, developed alternative development policies and practices through participatory and bottom-up approaches. The results of this work are obvious from the fact that although the foreign aid-funded projects displaced people and took their property without compensation, local communities were able to survive and sustain their livelihood. With small support from the NGOs, the social solidarity that has become the main capital of the local communities has kept them going.

² Information from the staff of the World Bank in Jakarta during the consultation meeting between World Bank and CSOs on 19th March, 2008.

Aid is power - The challenge for CSOs and democratic ownership

The presence of NGOs close to the local communities – rural communities and urban poor communities – provides special advantages for the implementation of bottom-up and participatory approaches. The local communities have easy access to information and the NGOs are able to receive first-hand information right on-site. This enables both the NGOs and the local communities to develop democratic processes in designing community development projects and action plans for advocacy to protect their rights, particularly in the face of the top-down projects of the government and donors.

The support of Northern CSOs was crucial strategically and practically at the time when everything was made uniform and controlled by the regime. Indonesia's NGOs benefited in various ways from the support of Northern CSOs. Firstly, without the funding support of Northern NGOs, many Indonesian NGOs would have found it impossible to survive. Secondly, the northern NGOs were the only source of important information and knowledge for Indonesian NGOs. During the military regime, there was strong control over the flow of information, including about development. All correspondence was controlled and checked by the military; even post offices were controlled.

Visits from Northern CSOs were used to bring in new books and materials to be distributed among NGOs in Indonesia. Trainings, conferences and workshops held outside the country and supported by Northern CSOs provided substantial support

for the capacity building of Indonesian CSOs. This helped develop the ability of the NGOs to deal directly in development debates with government officials at all levels, contributing alternative technical solutions in development activities.

The possibilities for the participation of CSOs in development planning were improved when the government of Indonesia issued regulation No. 39/2006. The Regulation outlines the procedures and processes of participatory and bottom-up control and monitoring of development planning and implementation through annual district, provincial and national development plans. CSOs have more spaces and opportunities to participate in the processes starting from the village level up to national level, allowing them to monitor whether the interests of the people are accommodated in the district, provincial and national development plans. To a certain extent this participation is substantially meaningful for communities; however, in other cases the processes are unfortunately intercepted by the rent-seeking groups, including the World Bank agencies.

Another case where CSOs and community groups participated and showed their strong ownership was actually the Poverty Reduction Strategy Paper (PRSP) that was made in multi-stakeholders processes in 2003 and has been taken as the National Poverty Reduction Strategy Document (NPRSD, or better known as SNPK – *Strategi Nasional Penanggulangan Kemiskinan*). The SNPK was integrated in the Medium Term Development Plan 2004 – 2009

Aid is power - The challenge for CSOs and democratic ownership

that was made into Law No. 25/2004. The SNPK was made in participatory ways and included a rights-based approach and had clear gender perspectives. For the implementation of the SNPK, the government has developed a National Program on People's Empowerment (known as PNPM) that sets out the details of operational plans for poverty reduction through promoting capacities of the local communities and providing funds for development.

The participation of CSOs in providing capacity building support for local communities to identify and formulate their interests in the participatory planning with the government and other stakeholders is strategic for ensuring the democratic ownership of the district, provincial and national development plans. Importantly, the process will determine whether the development projects and programs should be funded by foreign aid, by the government budget or by the self-sufficiency of the local communities.

Challenges to CSOs

The poverty reduction program brings opportunities, but also certain challenges for NGOs. The main challenges for Indonesian NGOs relate to the funding sources, which, as we have seen, become sources of power. The official donors prefer to channel their funds to the World-Bank-managed agencies rather than to UN agencies or International NGOs. This means that the International NGOs have to

bid to the World Bank agencies, or at least co-operate with them to obtain funds. Although the agencies are challenged by Indonesian NGOs, some international NGOs based in the country keep working with the World Bank agencies just because of desperate need of funding without being aware of all the involved risks.

A first risk is the uniformization of the development agenda with communities and local governments becoming convinced that the international market, particularly the presence of transnational corporations, is the best institution for the economy and for the people. Already, transnational corporations (TNCs) have been integrated and accepted as part of Indonesian development. People are proud of having investment from these corporations in their regions, even though the TNCs do not respect the rights of the local communities and ignore participation in local development.

Secondly, projects supported directly by loans and grants from the World Bank-managed agencies risk undermining the processes that have been developed by the NGOs over the past three decades, as was the case with the PNPM. Whilst there is the regular bottom-up process of the national development planning, the planning for the poverty alleviation program is conducted in separate procedures.

A third risk is duplication of effort and consequent inefficient use of resources. Several big NGOs have established training centers with national and local coverage

Aid is power - The challenge for CSOs and democratic ownership

and have trained thousands of community animators, facilitators and development managers. At present the government and the World Bank agencies conduct the same trainings; this can be a waste of resources for both the government and the donors.

A further risk is that the flow of funds to the communities can break up the social capital that has been strengthened by the community organizing processes developed by the community groups and the NGOs.

Conclusions

It would be against the spirit of democratic ownership if aid was aimed at undermining the interests of the people, causing evictions, displacements, the loss of property and the loss of access to better lives for people. Yet, these have been the characteristics of aid and aid-funded projects and programs in the past. The government of Indonesia has been under strong pressure from donor conditionalities on market liberalization and legal reform that favor the transnational corporations. Official funding and the development agenda is dominated by the World Bank agencies.

In the face of this, northern NGOs and Indonesian NGOs could respond by strengthening their cooperation again as they did when they jointly faced the dictatorship regime in the past. Unfortunately, it seems this will not happen since many International NGOs also join the donors club established and coordinated by the World Bank agencies and which practices collusion and nepotism – which have long been the enemies of civil society.³ Certain international NGOs prefer to promote the agenda of their own governments rather than the agenda of the poor people in the developing country.

There are still opportunities for Indonesian CSOs and community groups since the local movements spread throughout the country and the awareness of being self-sufficient and self-reliant is growing. These community and social movements have also started engaging with political parties that will raise and promote their interests at policy levels. Even if the local and national NGOs are no longer supported by their counterparts in the North, these movements will continue their agenda of democratizing development and democratizing aid.

³ Government officials and CSOs in Jakarta have complained that the World Bank campaigns for good governance while the institution is itself practicing collusion and nepotism.