



Part I

Introduction



Introduction

Reports from NGOs in this *Reality of Aid* present a very diverse picture of governance and human rights in international cooperation. At one end of the scale we see donors and developing country governments focusing on the very practical questions of how aid can be better managed and coordinated. At the other end, we see how selective interpretation of ‘good governance’ may be used, consciously or unconsciously, to reinforce long-standing patterns of economic and political domination, and the new hegemony of wealth and power concentrated in the hands of a very privileged élite in a uni-polar world.

But despite this diverse picture – a few clear messages come through loud and very clear.

- the risk that aid is being diverted from the overriding necessity of eliminating poverty for the many to the narrow, and very probably illusory end, of promoting security for the few;
- the continued domination and maladministration of global political and economic mechanisms by OECD countries, especially G8 donors and very particularly, the United States;
- the Alice in Wonderland interpretation of governance and human rights by OECD donors - so that these terms mean whatever OECD countries want them to mean.

Less than five years after they were endorsed by world leaders, the Millennium Development Goals are off track. The goal of halving the proportion of people living in absolute poverty, who still number 1.3 billion people today, is being put at risk, by donor countries who again are failing to live up to their commitments on aid and policies needed to achieve a more equitable world order.

The judgement of history on those who, despite having wealth and power at their disposal, opt for narrow national interest rather than poverty elimination and the promotion of human rights of ordinary people, will be harsh.



Antonio Tujan Jr, IBON
Chair, *Reality of Aid*

Governance: reclaiming the concept from a human rights perspective

Reality of Aid Networks

'Donors are playing a dangerous game. You come with inadequate amounts that are highly conditioned and fundamentally unreliable, then you insist on negotiating as though you are a valuable partner, then you are surprised that these governments don't trust you. Put some real money on the table. Then you can start negotiating'.

This comment, from a senior aid official in a meeting on development cooperation in Addis Ababa in February 2004, captures the tone of much of the analysis in this latest edition of the *Reality of Aid*.

In Sept 2000, World Leaders at the UN General Assembly endorsed a vision of global justice for the 21st Century in the Millennium Declaration. Central to this, was a commitment to the Millennium Development Goals, which aim to halve the proportion of people living in poverty by the year 2015 (see page 164). Subsequently, donors have made much of a stronger focus on poverty and increased efforts to improve aid effectiveness and strengthen North/South partnerships in pursuit of the MDGs.

But just three years later, in October 2003, the Development Assistance Committee (DAC) of the OECD released a controversial policy statement, endorsed at the highest level by OECD aid ministers, on development cooperation and the prevention of terrorism.¹ This policy asserts that 'development cooperation ... [has] an important role to play in helping to deprive terrorists of popular support and addressing the conditions that terrorist leaders feed on and exploit'. (OECD, DAC, 11) These conditions include the poverty, marginalisation and disaffection of people whose 'frustrations and educated energy can make them useful foot soldiers and supporters for terrorism'. States with 'weak, ineffectual or non-existent governance systems' are considered 'more likely to provide the environment in which terrorists are recruited and supported' (OECD, DAC, 13, 16). In the face of profound crises of poverty, growing inequality and conflict in Asia, Latin America, the Middle East and Africa, the lens through which donors now wish to assess their priorities appears to be their own security interests and the 'war on terrorism'.

Only two years ago, in its 2002 Report, the *Reality of Aid* drew attention to the critical failure of the international community

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to meet its obligations and commit the necessary resources and policies for deep global and national reform to reach even modest Millennium Development Goals (MDGs). To achieve these goals, global leaders adopted the Monterrey Consensus at the 2002 UN Conference on Financing for Development (FFD). This promised ‘a new partnership between developed and developing countries’— albeit one that continued largely with the foundation of now clearly bankrupt donor-imposed policies of integration into a global economy (at any cost), privatisation of state capacities and a single-minded focus on economic growth as essential ingredients to addressing poverty.

But by 2003 the United States and its allies had instead unilaterally committed hundreds of billions of dollars to destructive wars and reconstruction efforts in Afghanistan and Iraq, expanding a global ‘anti-terrorism’ state and military security apparatus across many countries throughout the South. In the name of a ‘whole-of-government’ approach to global security, some donors are seeking to ‘expand’ the criteria for official development assistance (ODA) as they merge military, political and humanitarian responses to countries experiencing protracted crises, in the name of the ‘war on terrorism’.

In Australia for instance, NGOs are concerned about an overt shift to a new agenda that conflates the combating of terrorism and combating of poverty, as if they were the same thing. Australian aid now includes several initiatives for counter-terrorism capacity building, including bilateral counter-terrorism programmes with Indonesia and the Philippines, a ‘Peace and Security Fund’ for the Pacific Island Countries, and a contribution to an Asia-Pacific Economic Cooperation (APEC) fund for counter-terrorism capacity building. While it is necessary and legitimate for governments to support an effective programme to combat

terrorism, Australian NGOs have argued that the resources for these activities should come from national security budgets, not from the overstretched aid and development budget.

This trend towards the ‘securitisation’ of aid brings into sharp relief the notions of governance and the promotion of rights in international cooperation and aid, which is the theme of the *Reality of Aid 2004* report.

The current international rights framework covers a spectrum of rights embodied in various treaties, declarations and programmes of action, developed under the auspices of the United Nations, ILO and UNESCO. The two basic treaties that provide a foundation for human rights are the UN International Covenant on Civil and Political Rights (ICCPR) and the UN International Covenant on Economic, Social and Cultural Rights (ICESCR). The ICCPR covers rights that include the right to life, freedom from torture and slavery, and the right to freedom of conscience and religion. The ICESCR covers the right to work, to join a trade union, to education, to enjoy the highest attainable standard of health, the right to social security and to an adequate standard of living. The Rio Conventions and the Kyoto Protocol cover rights that affect the ownership of communities over resources, local people’s livelihoods and the role of international cooperation in protecting the environment and promoting development.

The indivisibility of rights means that no right is more fundamental than another. Rights are supposed, except in times of dire emergency, to be applicable to every person at all times.²

The obligation to respect, protect and fulfil human rights rests with the State. But the extent to which individual governments recognise and discharge human rights obligations varies widely. In principle, development cooperation could and should play a key role in enabling the international

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community to work together to promote a legally binding international human rights framework. Article 2 Paragraph 1 of the ICESCR urges States to take steps ‘individually and through international assistance and cooperation, especially economic and technical, to the maximum of available resources, with a view to achieving progressively the full realization of rights’.

The UN has also developed a conceptual framework and content for the right to development, also known as the collective rights of peoples, communities and nations, mainly through the adoption of the Declaration on the Right to Development in 1986. However, efforts to make this document a binding legal instrument have not been successful due to the lack of support and cooperation from the developed countries and international financial institutions.

The selective way that donors interpret ideas of governance and human rights is not consistent with a genuine rights approach to development and poverty. Japan for example is said to have applied its human rights criteria more harshly on small countries than on larger and more resource-rich countries such as China and Myanmar.

The United Nations human rights bodies have criticised the International Financial Institutions for not paying sufficient attention to the adverse effects that Structural Adjustment Programmes (SAPs) and other economic and trade policies can have on the realisation of economic and social rights. In some cases, developing country governments have had to balance competing obligations: to pursue the realisation of social and economic rights by undertaking necessary measures for poverty eradication *or* to comply with narrow economic conditionalities. There may be conflicts between international obligations to comply with UN treaty obligations and IFIs conditions or WTO

agreements. In such a situation, governments may be left with no choice but simply to ignore the human rights treaty obligations, as the pressure from largely donor-imposed conditionality is stronger. Countries may be punished for violating IFIs and WTO conditions, but not those of the UN.

Achieving the Millennium Development Goals within a human rights framework

At the UN General Assembly in September 2000, the international community brought a different, a more hopeful, universal vision to the challenges of the 21st century. In the Millennium Declaration, they articulated a global consensus focusing on global justice, and in particular committed to the achievement of the Millennium Development Goals by 2015. For all donors, these Goals, combined with strategies to improve aid effectiveness and renewed North/South partnership, were to become the defining paradigm of international cooperation for the next 15 years. Adopted by both developed and developing countries, the MDGs, without question, respond to clear humanitarian and ethical imperatives to end global poverty and place an unequivocal responsibility on all development actors – official donors, multilateral institutions, civil society organisations (CSOs) and the private sector – to contribute to their realisation.

The imperatives to act, and the costs of inaction, are morally shocking, with catastrophic human consequences for hundreds of millions of people around the world. One third of all human deaths – some 18 million people a year or 50,000 daily – are due to poverty-related causes (such as starvation, diarrhoea, pneumonia, tuberculosis, measles, malaria, perinatal and maternal conditions), which could be prevented or cured easily, and increasingly HIV/AIDS, which is still largely untreated among people in poverty. This death toll

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since the end of the Cold War in 1990 is about 270 million people, a majority women and children, roughly the population of the United States.³ How many more will die, as the world turns away from even modest targets in order to finance its 'war on terrorism'? The UNDP's 2003 *Human Development Report* has demonstrated that the era of globalisation has accompanied such levels of poverty with a widening inequality gap, where the richest 5% of the world's people receive 114 times the income of the poorest 5%.⁴ Nearly half the world's population lives on less than US\$2 a day and command a mere 1.25% of the world's global social product, while a third as many people in rich countries command 64 times the income and 81% of the global social product.⁵

The MDGs are clear and committed benchmarks for donor and developing country governments, as they assess their priorities in international cooperation and social development policy. Yet they are also exceptionally modest in their reach. For example, the first goal to reduce the proportion of people living on less than US\$1 a day by 2015, if it is achieved, will still leave an estimated 900 million people living in absolute poverty in 2015, a mere reduction of about 230 million or less than 20% in the *numbers* of people living in poverty between 2000 and 2015.⁶

While now adopted by the UN General Assembly, the Goals had a less than democratic birth; they were proposed and agreed in 1996 by developed country aid ministers operating within their exclusive 'donor club' at the OECD DAC, unencumbered by developing country 'partners'. Many civil society commentators at the time, including the Reality of Aid network, were highly critical of donor ministers who thereby avoided commitments to, and drew attention away from, the critical structural issues for global economic

justice. Among these were debt cancellation, fair trade and equitable participation in global institutions, which had been raised repeatedly in the 1990s global UN conferences by both developing country governments and many participating CSOs.

Despite their rhetorical expressions of support, several years later the Goals at best inform the discourse of multilateral organisations, government ministries and development specialists. Despite coordinated campaigns by the UNDP and some CSOs, ordinary citizens have little sense of ownership of the MDGs, or of their role in holding their governments accountable for national strategies to tackle social dimensions of poverty based on the MDGs.⁷ Indeed, the Goals are silent on basic issues of citizens' rights, empowerment and improved equality, and thus ignore the politics inherent in working for their achievement in many countries. Even the World Bank recognises, at least intellectually that empowerment and equality are essential social conditions for overcoming poverty.⁸

Ending poverty is inherently a political process, specific to local economic, social, cultural, ecological and gender equality circumstances in each country. As the work of Amartya Sen demonstrates, people-centred development for poverty eradication is ultimately about recognising the rights of the vulnerable and transforming the power relations, and cultural and social interests, that sustain inequality. Development is therefore a political process that engages people, particularly people who are poor and powerless, in negotiating with each other, with their governments, and with the world community for policies and rights that advance their livelihood and secure their future in their world. But as the *Reality of Aid* commentary on the Middle East points out, the focus of discussions on governance in the Arab world has been on procedures

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and has ignored political and economic forces, both internal and external.

People in poverty are not subjects to be acted upon by 'development' but rather central actors in sometimes conflictual politics seeking pro-poor development strategies. Consequently, finding avenues to address unequal power, capacity, and access to resources for those whose rights are beyond reach – due to poverty and marginalisation – is a fundamental challenge to development actors wanting to link poverty reduction to democratic governance and participation. The UN system, the Charter, and its various Declarations and Covenants on Human Rights, provides a normative framework within which these issues can be addressed.

While based on international legal codes and covenants developed over the past century, the rights framework is a dynamic one that continues to evolve through intense national and multilateral political processes. It has been the result of many decades of struggles by peoples' organisations – women's movement, indigenous nations, gay and lesbian networks, workers and labour organisations, fishers' and farmers' organisations, human rights defenders. Human rights are essentially active and should not merely be 'promoted' or 'protected', but are to be practiced and experienced. They have implications for the actions of all donors, governments, and non-state actors in development. In the words of John Foster, 'participation is central to a human rights approach to development as a right, an *entitlement guaranteed by international law, rather than an optional extra or tool for the delivery of aid*'. Nevertheless the challenge for development practitioners, civil society and official aid agencies alike, is to make the language and analysis of rights accessible to citizens and organisations working to overcome the

conditions of poverty, from community to national levels.⁹

In this context, the MDGs are *one* expression of economic, social and cultural rights, to which all governments are bound and must be accountable. Achieving these goals would be a positive though insufficient step towards the eradication of poverty. The MDGs are minimal but very useful targets, which can serve as a political framework for leveraging political commitment to poverty-focused development. This must not undermine existing broader obligations on the part of governments to international human rights law. Some members of the Reality of Aid network, particularly in the North, focus on the MDGs in their advocacy for accountability with their governments and multilateral institutions, with strong support from the UNDP leading a global campaign. Others, understanding the importance of a holistic approach to poverty, point to their limitations noted above. But irrespective of the emphasis on the Goals, all members of the Reality of Aid network stress that the MDGs can only be achieved within a rights framework whereby citizens and governments are engaged in restructuring global and national power relations in order to transform the root causes of poverty. Hence democratic governance and citizens' rights, at all levels, with full local ownership of development initiatives, are fundamental.

The Reality of Aid 2004 calls for all actors in the global aid regime (including multilateral organisations, the international financial institutions, bilateral donors and civil society organisations) to entrench the discourse of human rights, not only the in their policies, but also in their practices for international cooperation to achieve the Millennium Development Goals and the eradication of poverty. Respect for human

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rights is the foundation for effective governance to achieve these goals.

Competing Notions of Governance and Citizenship in the Aid Regime

The question of democratic governance is at the heart of effective strategies to end global poverty. Concern for governance has a long pedigree for both donors and civil society. In 1989 the World Bank explicitly identified 'a crisis of governance' behind the 'litany of Africa's development problems': it defined governance as the 'exercise of political power to manage a nation's affairs'.¹⁰ Since then the policies and interventions to promote 'good governance' have become a central preoccupation in the official donor community. But reports from NGOs in *The Reality of Aid 2004*, represent a serious critique of the way that donors are currently approaching governance. The first charge, is that donors often have strong pre-conceived notions of what constitutes 'good' governance. This often results in local traditions and accountabilities being undervalued and undermined. INFID's detailed description of Consultative Group processes in Indonesia illustrates a wider point on how de facto alliances between very powerful international institutions and local élites can leave very little room for alternative perspectives, let alone policies, despite stated commitment to participatory approaches and 'good' governance.

Linked to this criticism is the fact that donors take an 'Alice in Wonderland' approach to governance, so that the term means whatever a donor wants it to mean.¹¹ NGO reports from France highlight how a bewildering variety of interventions are explained away on the basis that they will improve governance.

But perhaps more serious is the way that some donors seem to be using good governance like a can-opener, to prise open

markets and dismantle national regulatory frameworks. When the result of changes to promote 'good' governance is poor people having to pay for privatised water, international companies extracting new profit streams from fragile southern economies and the most vulnerable people having to bear the risks of unemployment in a capricious global market, the relationship between governance policies and poverty reduction has to be questioned. The AGILE project in the Philippines and the Melamchi River diversion project in Nepal, both show how external donors' pressure and corporate interest can combine to negate genuine participation and jeopardise the long-term interests of poor countries and poor people.

According to Bank President, James Wolfensohn, a comprehensive 'bargain' was spelled out at Monterrey in 2002 whereby the 'developing countries promised to strengthen governance, create a positive investment climate, build transparent legal and financial systems, and fight corruption'. The 'developed countries agreed to support these efforts by enhancing capacity building, increase aid, and open their markets for trade'.¹² While Wolfensohn takes the developed countries to task for failing to live up to their end of this bargain, particularly evident in the breakdown in WTO trade negotiations at Cancun, what is remarkable is what is missing from Wolfensohn's discourse.

A few months earlier, Kumi Naidoo, addressing the President and officials of the World Bank, suggested that the 'old notion of governance is breaking down in an era of globalisation with the emergence of a devastating 'democratic deficit' in several local and national contexts, and certainly at the global level'. He went on to challenge the Bank 'to be willing to bring its own decision-making processes into line with those it is encouraging its [government] clients [in participatory PRSPs] to use'.¹³ For

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more than a decade the developed countries, which clearly control the operations of the Bank and the Fund, and in practice the WTO, have ignored repeated demands and proposals for reform.

The UN Financing for Development (FfD) conference brought reinvigorated attention to governance/democratic deficits in the international economic, financial and trading system.¹⁴ The Monterrey Consensus calls explicitly for 'broadening and strengthening of participation of developing countries with economies in transition in international economic decision-making and norm-setting', and in particular invites the World Bank and the IMF to respond to these concerns (para 56 and 57). These institutions have been at the forefront of major systemic crises in developing countries (for example, Argentina, Indonesia, Ghana among many others) with devastating social and economic consequences for citizens in these countries, particularly people who are poor and vulnerable. After 30 years, they have largely failed to deliver promised opportunities for poverty reduction from structural adjustment policy and loan conditionalities based on the primacy of deregulated market-led growth. Instead, as we shall demonstrate below, globalisation has undermined the policy alternatives and the capacity for effective governance for many of the poorest countries. This situation is reinforced by donor priorities such as the German good governance conditionalities, which require adherence to market friendly economic orthodoxy and preclude freedom to explore alternatives.

The fostering of a different model of global governance is of critical importance, because the current model, designed for the post-war 1945 world, is no longer relevant or sustainable for the 21st century. A strengthened coordinating and agenda-setting role for the United Nations is at the very

core of a democratic vision for the management of urgent global social, environmental and economic issues. But some major developed countries, with their controlling shares in decision making at the Bank and the IMF, are reluctant to see more democratic processes determining these issues. In assessing the results to date of the comprehensive 'bargain' of Monterrey, Roberto Bissio, founding Coordinator of Social Watch, representing NGOs at the October 2003 UN High Level Financing for Development Dialogue, put it to the delegates: 'The spirit of Monterrey that we all praise, needs to find a body to live in. Otherwise it will remain a ghost.'¹⁵

Issues of governance permeate the discourse of the official donors and the Bank, the IMF and official donors, but focus almost entirely on the need for reform in the South. There is little doubt that issues of governance in developing countries are important conditions for empowering citizens and people living in poverty. But how do official donors understand developing countries' Monterrey promise to strengthen governance? In general, 'good governance' for donors has some if not all of the following effective dimensions:

- public accountability and transparency;
- the rule of law;
- anti-corruption measures;
- decentralisation and local government reform;
- democratic performance;
- juridical reform;
- social safety nets;
- a regulatory but lean state apparatus for efficient private markets;
- civil society participation in development; and
- overall respect for human rights.

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In practice, however, donors have focused on governance largely through a much more restricted lens of ‘good governance’ in the technical management of government resources and effective implementation of (often donor-directed) macroeconomic and anti-poverty sector policies.¹⁶

Many in the South, including authors for *The Reality of Aid 2004*, are asking whether donor concerns for ‘good governance’, now referred to as the ‘Post-Washington Consensus’ are no more than repackaged structural adjustment programmes that were highly contested in many countries in which they were imposed in the 1980s and 1990s, now with a supposed human face for demonstrable ‘country ownership’?

Civil society networks in the Reality of Aid, by contrast, focus their policy and advocacy attention on issues in *democratic governance*. As such, governance is not an end in itself, to be engineered through technical assistance and policy interventions by donors. Rather it is fundamentally about politics, power and the exercise of rights in society, and is therefore an evolving and particular process that may take decades. In the words of Kavaljit Singh:

‘A good governance system is the one under which all public policy affairs are managed through broad consensus in a transparent, accountable, participatory and equitable manner. However, such an ideal system of good governance remains a far cry in the developed world, leave alone the poor and the developing world. Hence, governance cannot be an end in itself. It is an evolving process and has the potential to become a potent instrument for radical transformation provided it is

applied in all spheres of social life. Like democracy, good governance cannot be implanted or imposed by the donor community, it has to be imbibed, nurtured and cherished from within. That is why recent efforts to impose universal blueprints have not yielded positive results.’¹⁷

The Reality of Aid network shares with the UNDP the identity of ‘effective governance’ with democratic governance. In its 2002 *Human Development Report*, the UNDP defines governance as a culturally and country-specific democratic means, both process and institutions, for the exercise of peoples’ rights, which ensure equity, promote social solidarity and sustainable livelihoods. Unlike the technocratic approach of the World Bank and many donors, focusing on administrative efficiency, processes of governance within a rights framework takes account of unequal power relations within society and globally, including gender relations. For the UNDP advancing democratic governance has several implications:

- The links between democracy and equity are essential for human development, which is not automatic when a small elite dominates economic and political decisions;
- Democracy that empowers people must be built – it cannot be imported – and will take many forms in a given context;
- Establishing democratic control over security forces is an essential priority – otherwise, far from ensuring personal security and peace, security forces may actively undermine them; and
- Global interdependence also calls for more participation and accountability in global decision-making.¹⁸

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These normative issues surrounding governance are strongly contested in national and global political realms between government, socio-economic élites and CSOs representing the interests of people living in poverty. Internationally, CSOs are contributing to critical policy discussions and promoting democratic process in the Bank, the IMF, the WTO and within the United Nations, as well as regional bodies such as the Africa Union. Nationally, civil society often acts to promote citizens' rights as representative organisations that articulate different ideas and values, and serve to negotiate and peacefully accommodate various social forces. Civil society can be a space to constitute processes that encourage the conditions for democratic governance – tolerance in the context of pluralism, diversity and mediation of social and economic conflict.

Drawing on the contributions of Reality of Aid global partners, this report offers

some analysis and lessons with regard to governance and rights in the context of the urgent need to bring deep-seated democratic reform to the multilateral system. In this light, we also ask how might official donors (including northern CSOs) construct real democratic partnerships in international cooperation, in their practices for effective aid and collaboration to realize a shared goal of poverty eradication?

Governance and rights in the aid regime: reforming multilateral institutions

In this uncertain and volatile period in world history, with new threats to peace and their impact especially on poor and vulnerable people, the international community must respond, not through threats of violence and war, but by reinventing democracy for the 21st century (See Box 1, below). But this option is not apparently the one being pursued by powerful countries.

Box 1: A Challenge to the Global Community

Secretary General Kofi Annan, Addressing the General Assembly, 23 September 2003

'Three years ago, when you came here for the Millennium Summit, we shared a vision, a vision of global solidarity and collective security, expressed in the Millennium Declaration.

But recent events have called that consensus in question.

All of us know there are new threats that must be faced - or, perhaps, old threats in new and dangerous combinations: new forms of terrorism, and the proliferation of weapons of mass destruction.

But, while some consider these threats as self-evidently the main challenge to world peace and security, others feel more immediately menaced by small arms employed in civil conflict, or by so-called 'soft threats' such as the persistence of extreme poverty, the disparity of income between and within societies, and the spread of infectious diseases, or climate change and environmental degradation.

In truth, we do not have to choose. The United Nations must confront all these threats and challenges – new and old, 'hard' and 'soft'. It must be fully engaged in the struggle for development and poverty eradication, starting with the achievement of the Millennium Development Goals; in the common struggle to protect our common environment; and in the struggle for human rights, democracy and good governance....

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Excellencies, we have come to a fork in the road. This may be a moment no less decisive than 1945 itself, when the United Nations was founded.

At that time, a group of far-sighted leaders, led and inspired by President Franklin D. Roosevelt, were determined to make the second half of the twentieth century different from the first half. They saw that the human race had only one world to live in, and that unless it managed its affairs prudently, all human beings may perish.

So they drew up rules to govern international behaviour, and founded a network of institutions, with the United Nations at its centre, in which the peoples of the world could work together for the common good.

Now we must decide whether it is possible to continue on the basis agreed then, or whether radical changes are needed...'

The consolidation by the United States of a unipolar world order, dangerously based on economic and military might, with few checks and balances, has instead weakened multilateral institutions and values. NGOs in Switzerland, for instance, report growing concern that the role of the US and its allies in the fight against terrorism is increasingly influencing the World Bank's donor coordination role in PRSPs. These multilateral institutions, with a potential for building global democratic consensus on priority global public goods issues, such as fair trade or combating curable diseases, are being sidelined by the United States and several other developed countries, when they do not serve the US administration's immediate and expressed strategic interests.

At the same time, key international financial institutions (IFIs), including the WTO, while a part of the multilateral system, are largely controlled by these same powerful countries. IFIs have a long history of structuring policy choices for developing countries. In doing so, as we have seen above, these institutions have been widely challenged for their lack of democracy and their rigid defence and promotion of the interests of industrial countries in the management of global crises and the expansion of global economic opportunities,

often in the interests of unaccountable global corporations.

Recently, Kofi Annan warned that the United Nations, which is at the centre of multilateralism, was at a 'fork in the road' and called for 'radical reform' of the organisation that must consider 'the adequacy and effectiveness, of the rules and instruments at our disposal'. He urges member countries to reinvigorate the UN by 'demonstrating its ability to deal effectively with the most difficult issues, and by becoming more broadly representative of the international community as a whole, as well as the geopolitical realities of today'¹⁹ A strengthened United Nations, and particularly its Security Council and Economic and Social Council (ECOSOC), built on the foundation of a system of norms and standards arising from its Charter and Universal Declaration of Human Rights, could be a critical counter-weight to the competing normative framework of corporate and private property rights in a market economy, long promoted aggressively by the IFIs and their allies among the corporate and government élites. What are the challenges and opportunities for reform of these international financial institutions within a framework of democratic governance and human rights?

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There is little doubt that the IFIs, the Basel Committee (of the ten most powerful Central Bankers) and the WTO, along with regional development banks, are the central pillars in global economic governance. The IFIs are also the apex institutions in the international aid regime, with an almost unquestioned role to define for all donors the legitimate terms of policy discourse with developing countries and effective strategies for the delivery of aid in relation to poverty reduction. The pervasive influence of the World Bank's *Assessing Aid: What Works, What Doesn't and Why*²⁰, adopted now by almost all donor agencies for improving their aid effectiveness, is but one example. World Bank assumptions about aid effectiveness in this and subsequent reports set out the intellectual foundations and the 'right' policies in developing countries for coordinated donor initiatives in budget support and harmonised sector programming for 'effective' poverty reduction strategies (PRSPs). As a result many donors, notably the European Commission among others, now focus their aid with a high degree of country selectivity based on country 'owned' but Bank/IMF endorsed PRSPs and on Bank/IMF 'certification' of compliance with Bank/Fund policies for economic reform and 'good governance'. Governance reform makes up increasing levels of multilateral and bilateral aid packages; and some countries have been suspended based on donor perceptions of governance issues.

What reforms in the multilateral system, and particularly with the International Financial Institutions, would enhance democratic governance within a human rights framework?

1. The International Financial Institutions must no longer be the exclusive intellectual and authoritative 'gatekeeper' for policy advice on governance reform

and resource transfers in the aid regime. These institutions must take on board the substantial critique of their past and current practices, which exposes the fallacies and undermines their credibility as source for definitive development discourse and practice for the donor community.

Northern donors have become both the judge and the jury of 'good' governance in high aid-dependent poor countries, with all donors closely integrating into their own aid policies a Bank-defined 'Post-Washington Consensus'. As noted earlier, this Consensus links Bank-inspired macroeconomic policies for growth with institutional reform to assure political 'ownership' and governance capacity in the poorest countries to implement these policies. The donors have adopted this Post-Washington Consensus with the explicit working assumption, rooted intellectually in the Bank, that, on the whole, the development agenda is indisputably known and only the details need attention.²¹ By gaining a near monopoly on official donor development analysis and the extension of its assumptions to the donor community as a whole, the Bank is able to validate its ideology and essentially discount the emergence of alternatives outside its paradigm.²²

In assuming this mandate on behalf of all donors, the IFIs in effect serve to protect national donors from the political risks associated with what would be seen to be inappropriate and intrusive policy interventions in the sovereignty of recipient countries, that is, with respect to their right to choose democratically the policy options that best meet the needs of their citizens. Governments of the poorest countries, in the face of the overwhelming capacities of the Bank, the Fund and major donors acting in concert, in practice, have few options to challenge this policy advice (although even in

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the most aid-dependent countries' governing élites have often been effective in protecting their own interests and avoiding the worst impacts). The Reality of Aid networks suggest that the governance agenda for donors has more to do with the exercise of their power as aid donors to achieve a given policy agenda in the poorest countries than it has to do with their concerns for the democratic rights of citizens affected by the exercise of this power. Few donors publicly question the sometimes serious limitations of governance in China, India or Mexico, for example.

The World Bank and IMF adopted their focus on governance in the 1990s in the context of a widely recognised failure of their neoliberal economic policies to address growing poverty and inequality. In exercising their power as donors, rather than question the integrity of the policies or their own responsibility for inappropriate neo-liberal 'advice' (the earlier 'Washington Consensus'), the Bank and the Fund were quick to blame poor implementation and poor institutions in borrowing countries for this policy failure. So, for example, the Bank argued that inefficient financial systems, excessive political interference and widespread corruption required more attention as the institutional preconditions for market economies and successful reform efforts.²³ The IFIs have shown little restraint in using their designated role on behalf of all donors as a 'gatekeeper' that may choose whether to open the door to substantial resource transfers from all donors, in order to continue to push these same policies of economic liberalisation or privatisation of essential social services. Bank hegemony has also been reinforced by actions of other donors. New research by the UK NGO network BOND, suggests that EC Country Strategy Papers in Bolivia, India, Kenya and Senegal have replicated and enhanced the World Bank and IMF country analysis and

remit for development assistance.²⁴ This has resulted in World Bank macroeconomic policy prescriptions being imposed without proper consultation.

Recent focus on developing country 'ownership' of strategies to tackle poverty in Poverty Reduction Strategy Papers (PRSPs) further consolidates the power of the Bank and the Fund over development options. With intense pressures to cancel debt for the poorest countries, the Bank and the Fund were able to condition debt cancellation on the presentation of effective strategies for using these resources for poverty reduction through the PRSP. Needing ultimate approval and considerable support from the Bank and the Fund to develop PRSPs, the IFIs have been able to position themselves as *the* arbiter of the content of such strategies, thus sidelining the UNDP, which had more than a decade of experience working with developing countries on country planning frameworks.²⁵

In contrast to governance of the IFIs, the EU Cotonou Agreement opens up a formal political space for Southern governments and activists in its institutional architecture. NGO commentators argue that this moves the donor-recipient relationship towards a model of rights and obligation, rather than beneficence and paternalism. And while negotiations on trade under Cotonou have been flawed, some incremental improvements, such as the 'Everything But Arms' agreement, have been achieved.²⁶

Civil society join with donors and developing country governments who insist that aid must focus on the core elements of effective strategies to address poverty. However, as *Reality of Aid 2002* pointed out, authentic ownership of such national poverty strategies, to guide donor collaboration, depends on the quality of national efforts to consult those most affected, often with very limited capacities to participate, and to

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reach often difficult social consensus on appropriate poverty reduction goals and socio-economic policy.

While some in civil society have been able to take advantage of the often-limited 'consultations' afforded by the IFI-mandated PRSPs, it is clear that PRSPs to date have not been able to provide the independent political space in which authentic national efforts can evolve. As the Norwegian report asks, will donor promotion of PRSP processes that strengthen the role of the executive but marginalise elected representatives, strengthen or weaken a system of governance that is accountable to the people. The latter, as demonstrated by Uganda's experience developing their own poverty strategies, occurs over several years and with different degrees of government coordination of civil processes with *invited* support from outside donors. Humility is a critical ingredient on the part of donors, civil society and governments, in the face of the immense challenges of poverty eradication – from structural reform to assuring gender equality. Well-targeted and effective country-designed poverty reduction strategies will require a diversity of approaches and policy mixes that may often challenge the policy prescriptions emanating from the Bank and the Fund that currently seem to define the overarching content of PRSPs.

There is also emerging evidence that PRSPs may serve to *depoliticise* the politics of poverty eradication. As one field-based study concluded, 'the social and ideological foundations of the [Tanzania] Poverty Reduction Strategy are narrow, representing the views of a small, homogeneous 'iron triangle' of transnational professionals based in key government ministries and donor agencies in Dar es Salaam. The content and process of the PRSP thus reflects a depoliticized mode of technocratic governance'. Indeed the authors point to

'signs of domestic [civil society] advocacy groups being 'crowded out' of policy debates due to the superior resources and readiness of transnational [private] agencies, which are becoming surrogate representatives of Tanzanian civil society in the state-donor partnership.'²⁷

These reflections on the Tanzania process reinforce a more general observation on the impact of aid's technocratic and bureaucratic approaches to governance, in which 'in the guise of a neutral, technical mission to which no one can object, it depoliticizes both poverty and the state.' The process is one of 're-engineering' government to insulate, in effect, government power from popular demands and to shift power away from parliaments into an elite public service.²⁸

The Post-Washington Consensus is an overwhelming agenda for institutional reform that is premised on optimism about the relevance of northern models of governance and pessimism about local southern governance capacities and structures.²⁹ It is a model that many would argue is ill-suited to the real conditions of governance facing the poorest countries to which it is directed. These countries are being overwhelmed not only by deep institutional reforms imposed by the IFIs, but also by a host of rules and regulations arising from their compliance with the Uruguay Round GATT trade agreements. The expectations for the breadth of public sector reform within very close time horizons to make progress would tax the most committed government in the North, with far greater institutional capacities to respond.

Not unexpected, the evidence to date is of very limited success. By the Bank's own reckoning, in the late 1990s fewer than 40% of projects with institutional development goals showed 'substantial impact'. Less than a third of civil service reform projects achieved satisfactory results and many of

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these proved unsustainable. Another study suggested that juridical reform has paid exclusive attention to putting in place the institutional context for the rule of law (to strengthen a formal market economy) and has often undermined informal mechanisms to resolve disputes on which people in poverty depend. This study concluded that the IFIs have approached governance issues with 'a combination of impatience and a readiness to use borrowers as guinea pigs'.³⁰

Despite a significant critique of the governance agenda promoted by the Bank and the Fund, which is largely substantiated in independent research and participant observation by southern CSOs, the monopoly weight of this Bank agenda can have profound consequences for the eligibility of borrowing countries for all donors. Significantly, the Bank has recently determined each borrowing country's aid allocation against a 'Country Policy and Institutional Assessment' (CPIA) tool, for which there is evidence that the Bank allocated five times more resources to countries that received an 'A' rating than those that received an 'F'. An analysis of this system concluded that 'developing country governments are not given the same flexibility that industrial countries claim for themselves when determining whether or when to liberalize, privatize or exercise greater budgetary discipline. By modulating a government's access to credits, the Bank rewards or punishes governments depending on their performance relative to CPIA standards....A government will not gain access to its full allocation of credits... unless it accomplishes specific policy actions, or 'trigger' derived from the CPIA.'³¹

Currently the Bank is adjusting the CPIA to align it more closely with the views of the US government and its allies with respect to 'good policies', which is also an approach that the United States has taken to determine eligibility for its Millennium

Challenge Account, announced with great fanfare at the Monterrey Conference.

Sogge concludes that the problem with the IFIs is 'not know-it-all arrogance, but an unchecked power to define truth and falsehood. The net effect is to intimidate, cut off debate and close off alternatives.' He suggests that people living in poverty are better served by 'breaking up the aid industry monopoly practices and, above all, the closing of gaps between citizens at the receiving end and those who take aid decisions on their behalf'.³²

2. In establishing new and equitable partnerships with developing countries, the International Financial Institutions must abandon the practice of externally imposed policy conditionalities and policy undertakings, enforced through their roles in negotiation of multilateral aid loans and in their facilitation of donor coordination in the international aid regime. World Bank-led dialogue with developing countries should adopt a rights-based approach.

The *Reality of Aid 2002*, with its focus on conditionality and ownership, suggested that donors and developing country partners needed to negotiate resource transfer within a framework of *reciprocal obligations* based on shared values and a commitment to direct these resources to benefit those who are socially and economically excluded. In the words of Opa Kapijimpanga from AFRODAD, a Reality of Aid member network, 'Donors must stop dictating what they think African countries must do. Conditionalities must stop.'³³ Donors must instead give support and priority to *national political processes* for determining appropriate strategies in relation to local economic, social, cultural, ecological and gender equality circumstances for poverty reduction.

Our 2002 Report asserts that 'fundamental to determining a fair and

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equitable process for such negotiations is who decides, shifting the highly unequal power relations in current aid decision making.³⁴

Governance reform now makes up a significant and growing proportion of multilateral and bilateral aid agreements for structural adjustment loans, as well as budget support and sector programs in health or education, particularly for the aid dependent poorest countries or countries facing insurmountable economic crises. In a review of conditionalities found in IMF agreements, Kapur and Webb counted an average of 82 governance-related conditions out of a total of 114 conditions per agreement for Sub-Saharan Africa (or 72% of all conditions). In Asia and Latin America such conditions made up 58% and 53% of total conditions respectively. Moreover they point out that for aid dependent countries, some of the most important conditions do not make it into the formal agreements, but are subject to 'side letters' and 'pre-programme' conditions.³⁵ These do not include any comparable conditions and undertakings attached to World Bank loans to the same countries, which are also likely to be substantial, given a process of streamlining IFI conditions that was initiated in 2000.

The World Bank itself is quite categorical about the perverse effects of conditionality. Paul Collier, Director of Research in the World Bank, has written:

'The extension of the practice of conditionality from occasional circumstances of crisis management to the continuous process of general economic policy-making has implied a transfer of sovereignty which is not only unprecedented but is often dysfunctional'.

Joseph Stiglitz, former Chief Economist at the Bank, has argued:

*'There is increasing evidence that [conditionality] was not [effective] – good policy cannot be bought, at least in a sustainable way. Equally critically, there is a concern that the way changes were effected undermined democratic process.'*³⁶
Quoted in *Ibid.*, 7-8.

Nevertheless the practice of conditionality in the loan programmes of the Bank and the Fund persists. Southern civil society commentators in the pages of *The Reality of Aid 2004*, and in response to the impact of structural adjustment programming in their own countries, confirm the significant distortions imposed by these programmes on both democratic process and on the livelihoods for a growing number of poor people.³⁷

A great deal of research has demonstrated that governance is in fact a product of complex and inevitable political processes in which different groups in society compete and benefit differently from alternative governance agendas. Therefore, 'sorting out priorities [for governance reform] from the perspective of different interests is a political process, and one that cannot be short-circuited by technical analysis or donor [conditionality] fiat.' Grindle goes on to assert that 'an important incentive for organizations and officials alike is the capacity of citizens and groups to demand fair treatment, to have information about their rights vis-à-vis government and be able to hold officials and government accountable for their actions.'³⁸

Externally-imposed conditionality, by focusing broad-based policy dialogue in often secret negotiations between select government officials and those from the Bank and the Fund, clearly undermines democratic accountability by removing significant policy options from public processes for citizen and parliamentary oversight. A rights approach

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puts people, particularly those living in poverty, the vulnerable and the marginalized, at the centre of local and national political processes. In rejecting conditionality, The Reality of Aid proposes that the World Bank provide policy space for a rights-based approach as an alternative to policy conditionalities. In this approach, donors would work to assist developing countries to move towards the realisation of their UN treaty obligations and international human rights law. The framework for such dialogue with donors is the mutual obligations and requirements, arising from these treaties and Covenants, for all countries to progressively realise economic, social and cultural rights of their citizens.³⁹

3. The decision making processes at the World Bank, the International Monetary Fund and the WTO must be reformed and democratised and brought within a new framework led by the United Nations, with limited mandates subject to the United Nations legally binding international human rights framework and the social values embodied in the Millennium Development Goals.

As noted earlier the renewed partnership and spirit of the Monterrey Consensus included a commitment to 'broadening and strengthening of participation of developing countries with economies in transition in international economic decision-making and norm-setting' (para 56). Civil society has long challenged the legitimacy of the IFIs in terms of their impact on governance and democratic accountability in the poorest developing countries. Two decades of secret negotiations for structural reforms have removed the political locus for national decision making away from domestic political checks and balances where citizens have a potential influence on public policy. In the 1990s as the IFIs became more deeply

involved in issues of national governance, the focus on the governance of these institutions themselves has intensified.

Like Christian Aid and many other CSOs around the world, the Reality of Aid believes that better representation of the poorest countries at the IMF and the World Bank, and improved transparency and accountability in these institutions, would lead to more appropriate, and better informed, decision making and country-led ownership of strategies to combat poverty.⁴⁰ But Reality of Aid NGOs also assert that democratic reform of governance within the institutions must also go in tandem with a strengthened role for the United Nations in the social and economic areas.⁴¹ The IFIs have assumed a commanding role in the international aid regime that goes into areas far beyond their original mandate, in areas that were originally deemed the prerogative of the UN and its agencies or never before addressed on a global level.⁴²

With respect to the IFIs, changes in their systems of governance must include changes in voting structures and quotas to more effectively reflect the principle of one country one vote, with possible use of double majorities (weighted by financial contribution and by constituencies, similar to the current practices of the Global Environment Fund). They must include changes in the constituencies of Executive Directors. Currently two Directors for Africa have the daunting task of representing 44 Sub-Saharan African countries and their interests on the Board. An improved balance is needed in the composition of the Executive Board between industrialised, middle income and low income countries. Greater Board transparency and accountability to all member countries is also important.

At the October 2003 UN General Assembly special high level follow-up to the financial for development conference, CSOs sought a

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new relationship between the IMF, World Bank and the jurisdiction of the United Nations. CSOs supported proposals from the Secretary General to upgrade and reform the positioning of the ECOSOC as a forum for dynamic interactive dialogue on crucial issues relating to global economic governance. It is also proposed that an Executive or Steering Committee, representative of country groups within its membership, would provide greater direction for its work promoting policy coherence and follow-up to the Monterrey Conference, including preparations for more substantive high-level dialogue with the Bretton Woods Institutions and the WTO.⁴³

CSOs, monitoring the impact of the WTO on development options for poverty reduction in developing countries, also seek to bring current rounds of global trade and investment negotiations at the WTO and in regional forums within the overarching normative framework of the UN system. The collapse of WTO negotiations at The Ministerial Meeting in Cancun Mexico in September 2003 was seen by some as a setback to the continued extension of a Northern-driven trade and investment liberalization agenda. For others, the emergence of effective coalitions among developing countries was seen as an important accomplishment upon which to build. These countries were able for the first time in many decades to collectively raise substantial issues affecting the development agenda as a counter-weight to the authoritarian practices of the Quad⁴⁴ in the WTO.

The WTO processes have been characterised as secretive and opaque in which developing countries, particularly the poorest, have little opportunity to influence outcomes. In recent years, leading members of the WTO have organised highly undemocratic Mini-Ministerials, by invitation only, to 'advance' the negotiating agenda. In the words of a global coalition of CSOs

involved in WTO issues, 'the lack of internal transparency, participation and democracy is appalling in such an important organization whose decisions and actions have such far reaching effects on the lives of billions of people...in an organization that prides itself for being a 'rules-based organization' and for championing the 'principles of transparency, non-discrimination and procedural fairness'.⁴⁵

Governance and rights in the aid regime: reforming bilateral donor practices

The Reality of Aid networks have noted and critically welcomed over the past several years an improved focus of bilateral aid donors on poverty and social sectors that most affect those living in poverty, improved attention to issues of donor coordination and commitment to harmonisation, greater attention to programmatic mechanisms (budget support and sector wide programmes) that intend to support recipient country priorities and reduce recipient transaction costs, greater untying of aid commitments by some donors, and commitments to increase aid resources by some donors.⁴⁶ A few donors, such as DFID in the UK, have set out 'a rights-based approach' to development and the achievement of the MDGs, which includes 'incorporating the empowerment of poor people into our approach to tackling poverty' and 'making sure that citizens can hold governments to account for their human rights obligations'.⁴⁷ But what are the realities of these new donor commitments and practices? What are the implications of these practices for more effective aid delivery for improved governance and citizens' rights in the recipient countries?

1. Effective strategies for official bilateral aid that focus exclusively on ending global

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poverty, and achieving the targets contained in the MDGs, must be grounded in a rights framework, with an expanding and equitable contribution of untied financial resources to enable effective international cooperation to realise these goals.

The *Reality of Aid 2002* highlighted the centrality of ‘local ownership’ in the conceptual framework, first set out by aid ministers in the DAC’s 1996 policy statement *Shaping the 21st Century*, for donor efforts to improve the effectiveness of their aid relationships. ‘Ownership’ is not an absolute condition, but rather a definition of relationship and the power and influence of different stakeholders to negotiate the content of this relationship. Local ownership, for example, cannot be understood without understanding gender equality—do women have equal access to society’s resources and power? Are women’s experiences and capabilities an integral part of development strategies, or are they excluded? Donor commitments to ownership in the context of North/South aid relationships is not just about strengthening the state to take up its responsibilities, but it is also fundamentally about citizenship and building capacity for the exercise of people’s rights in the context of exclusion, marginalisation and poverty.

Our 2002 *Report* called on donors to move beyond a rhetorical respect for local ownership with real change, evidenced in institutional practice and donor commitments to expanding the resource base for international cooperation. *The Reality of Aid 2004* suggests that these changes can bring positive capacity for a strengthened rights approach in several key areas:

- ◆ Donors must strengthen ownership and local accountability by reducing their reliance on donor country technical assistance. Despite the rhetoric on ownership, reliance on technical assis-

tance to increase the capacity of sectoral ministries in developing countries to manage donor project relationships has not diminished. In 2002, US\$15 billion or 38% of bilateral ODA, worth US\$39 billion, was in the form of technical cooperation. From a rights perspective, technical assistance might make a positive contribution, if it were to be provided *on request* to build the capacities of governments and other constituencies of the poor to achieve rights commitments and engage in policy dialogue on rights obligations. The experience in Tanzania explained in this report shows that with commitment from developing country government and external donors, the principles embodied in the DAC Task Force on Donor Practices can be translated into ‘real benefits for the poor in terms of increased aid effectiveness’.

- ◆ The unconditional untying of aid, including food aid and technical assistance, is an acknowledged pre-condition for the contribution of aid to strengthening local productive capacities and livelihoods of poor people through small and medium scale enterprises. The Reality of Aid notes the donor commitment made at the LCD III Conference to ‘enhance the value of their development assistance by increasing the proportion of goods and services sourced in the recipient LDC or from other LDCs or developing countries to help boost poor-poor economic growth.’⁴⁸
- ◆ The unconditional cancellation of all debts of the world’s poorest countries is an acid test of donors’ commitment to the right of all people to economic justice and the elimination of poverty. Despite a promising beginning in 2000, the HIPC II programme is bogged down in delays and inadequacy and is unlikely to deliver a ‘permanent exit’ from debt rescheduling. Since 2000 only eight

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countries have received debt stock reductions, with 19 others waiting their completion point when debt stock is finally cancelled. Countries are being delayed in the HIPC initiative by conditionalities unrelated to the rationale for debt relief, including overly stringent fiscal criteria and a range of governance conditionalities that require privatisation of important sectors of their economies, resulting in 9 of 19 countries significantly off-track in reaching their completion point. HIPC countries have been highly vulnerable to external shocks from declining global commodity prices and the internal impact of HIV/AIDS.

As a group, 27 countries that have already entered into a HIPC II programme cannot afford to meet the MDGs and provide other basic services even with currently promised increases in aid. Achieving existing donor commitments to even the minimal MDGs by 2015 will require full debt cancellation for the poorest countries and consideration of international mechanisms for fair arbitration of unsustainable debts owned by middle income highly indebted countries.⁴⁹

- ◆ All donors must establish and be accountable to a realistic timetable to achieve their long-standing commitment to reach 0.7% of their GNI for Official Development Assistance.

As noted in the Trends in Aid chapter of this report, global aid increased by 7.2% in real terms between 2001 and 2002 – marginally up to reach 0.23% of donor GNI.

But whilst this may be a reversal in the decline of global aid, the increases fall far short of the additional US\$50 billion estimated by the World Bank as required each year to reach the Millennium Development Goals. These are appalling statistics when seen in the context of more than US\$565 billion requested from Congress

by the American Administration for Defense and other spending in its so-called ‘pre-emptive’ wars on terrorism.⁵⁰ The WHO Commission on Macroeconomics and Health estimate that a donor investment of US\$27 billion a year, on TB, HIV/AIDS, malaria, and other infectious diseases and nutritional deficiencies, could save up to eight million lives a year. The UNDP estimates that the additional cost of providing basic education for all is only US\$6 billion a year.⁵¹

Alternative proposals for financing the MDGs have been put forward by both NGOs and the UK government. UK Chancellor Gordon Brown is proposing an International Finance Facility that would use aid increases pledged at Monterrey to back the issue of bonds, the revenue from which would allow aid spending to be frontloaded. If all of the US\$16 billion in increased aid is devoted to the IFF, this would generate the additional US\$50 billion needed now to meet the 2015 MDGs.⁵² While clearly a creative idea which merits further study, the proposal depends on donors achieving their committed 0.7% of GNI by 2015, at which time money owed to the bond holders will come due. Otherwise, the interests of the more than 900 million people still living in absolute poverty in 2015, not to mention many more living with highly vulnerable livelihoods, will be potentially compromised by dramatically reduced aid allocations in the post-2015 years. CSOs continue to demonstrate the feasibility of a Tobin Tax on foreign exchange transactions, or a Carbon Tax as significant sources of revenue for the multilateral system, while clearly contributing to a more stable international financial system and the Kyoto Protocol. Goran Hyden proposes the creation of ‘autonomous development funds’, managed jointly by government, civil society and donors, based on global reallocation mechanisms along the lines of the European Union equalisation funds.⁵³

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While aid allocations may be increasing, we note below deepening concerns for the integrity of aid allocations., with its overarching goal ending poverty in tension with foreign policy interests of donor countries. Equally concerning is the trend among donors to select countries for concentration of aid efforts based on Bank-sanctioned notions of ‘good policies’ noted above. Pakistan has moved from being 14th on the list of aid recipient countries in 1999/2000 to being top of the in 2001 and 2002. Donors frequently talk about the need to concentrate their aid in order to make it more effective in tackling poverty; but the danger is that in practice, considerations such as security, migration and governance crowds aid into countries who are for the time being ‘popular’, whilst strategically less important, but just as poor countries are often overlooked.

As 11.11.11 point out in their report on Belgium, ‘With each new government, the list of partner countries changes, and the criteria used are not very clear’. NGOs in Belgium favour more concentration, but stress the need for continuity, and especially the need to avoid aid being diverted to priorities such as deterring asylum seekers.

The Reality of Aid strongly urges donors to avoid triage of poor people by developing inclusive, coordinated, approaches in their international assistance programmes, which support the rights of people living in poverty no matter where they may live. Such an approach requires that donors fulfil commitments to aid increases made at Monterrey, make specific commitments to reach the 0.7% target within a reasonable timeframe, and provide predictable levels of funding adequate for governments and societies to make medium term plans for sustainable progress on economic and social rights.

2. Donors are to be commended for bringing new support for strengthening government as an effective development actor and for coordinating their focus on key social sectors and poverty reduction plans through Sector Wide Approaches (SWAps) and Programme Budget Support initiatives in the poorest developing countries. These positive approaches, however, must be complemented by donor action to eliminate Bank/Fund conditionalities associated with these programmes and by efforts to strengthen domestic participation and effective accountable to CSOs and people living in poverty for their results.

Donor pooled resources and policy dialogue in support of Sector Wide Approaches for basic education or primary health programming, including a focus on HIV/AIDS, implicitly recognises the primary responsibility and obligations of government, within the Covenant on Economic, Social and Cultural Rights, to deliver universally accessible social programmes. However, as noted earlier, the World Bank often coordinates these programmes, usually directed to the poorest, most aid dependent countries in Sub-Saharan Africa. They include large numbers of governance conditionalities and a range of largely donor-imposed undertakings on recipient ministries and governments in exchange for the regular release of pooled financing.

While the product of donor dialogue with government officials, sector programmes and poverty reduction strategies often reflect what Sogge terms ‘the politics of the mirror’ – addressing potential aid donors ‘in the language that is most congenial, and crucially, most easily reinforces the belief that they (outsiders) understand what [the recipient] needs.’⁵⁴ The terms of these conditions undermine not only national accountability for effectively tackling

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poverty, they also promote approaches, such as privatisation or public/private partnerships, for the delivery of services that have had serious impact on the rights of the poor to access essential services.⁵⁵

SWApS and Budget Support are accompanied almost universally by conditionalities that insist upon a decentralised local government model for the delivery of poverty-reducing programming and essential social services. Governance at the grass-roots level is often a critical foundation for effective strategies to reduce poverty that can be inclusive of people living in poverty. However, there are a number of critical factors that determine the local politics of development for poverty reduction – the resources available to local government, the parallel roles of traditional / local economic power structures in communities, the influence of local CSOs and community associations, open avenues for participation by those living in poverty and the vulnerable in decisions that affect their lives, and the impact of gender relations on the distribution of local benefits from development. Unfortunately many donors conflate these issues within simplistic notions of decentralisation and deal exclusively with administrative capacity, budgetary and corruption issues associated with programme delivery, while strongly encouraging private/local government partnerships to overcome capacity problems. They seldom manage to engage local communities, who require substantial roles (and support) in the planning and delivery processes.⁵⁶

In both Africa and Latin America, pressures by donors for decentralisation are accompanied by profound citizen distrust at all levels as government ministries use these resources to re-establish local clientist relationships often based on corruption. Goran Hyden argues that in much of Africa a long legacy of authoritarian politics and

abuse of public positions for personal gain by politicians leave citizens deeply cynical about government and its role as guardian of the public good. He concludes pessimistically that

*'Efforts by the international community to preach and impose principles of what they perceive as good governance have left few, if any traces in everyday politics...The idea that some one elected to office should treat it as a public trust does not register in these societies. Instead, holding office is viewed as giving the incumbent the right to use it discretionally for his own interest or those of his clients/ supporters...[P]ublic accountability as understood in the context of current conceptions of good governance will be very hard, if not impossible to achieve.'*⁵⁷

While recognising the limits of many CSOs in terms of their professed roles of representation and accountability to people living in poverty, political mobilisation of poor constituencies particularly in rural and local community is essential to hold officials accountable. Often the poor organise themselves to seek influence on specific local concerns, while CSOs – NGOs, labour unions, autonomous research centres, independent media – represent by proxy differing interests of the poor in society. Despite these potential limitations, Grindle suggests that less attention on government on the part of donors and more on 'the mobilization of the poor into political parties, interest groups, unions and NGOs may be a condition under which judicial reform, civil service reform, decentralization and other kinds of change are most likely to have a significant impact on poverty and on the poor.'⁵⁸

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The sole focus of new programme approaches by donors on the mechanisms of government in SWAps and Budget Support, and their reliance on national and local government to partner with civil society, is seemingly having a deleterious impact on the capacities of local civil society to play these roles. For some donors, such as DFID and CIDA, new approaches have been accompanied by a marked decline in the support of local civil society as development actors, whether directly or through international NGOs.

Based on local interviews in Uganda, Lister and Nyamugasira demonstrate the impact of the reduction in such project funding on a narrowing of 'political space' for local and national NGOs to hold governments at all levels accountable, and to direct resources to communities they represent. As DFID, along with other donors, has moved significant funding for local civil society projects to government Budget Support and SWAps, these community-based organisations are obliged to seek funding as contracting agents from local government and thereby become tied into local clientist politics and corruption. The study concludes that such organisations, often vital to local service delivery and grass-roots accountability, are in a quandary: 'They are unsure whether to abandon long-standing activities in which they have expertise and through which they provide vital service, or become sub-contracting agents of authorities they do not trust, and thus risk losing the freedom to speak out'. They go on to find that donors, where they do support national NGO participation in development or monitoring of Uganda's poverty strategy do so on a highly selective basis, one which sees participation as an 'instrumental' value-added requirement for government management of services, rather than based on principled notions of citizens'

empowerment and the right to participate, which seemingly defines DFID's rights-based approach noted above.⁵⁹

Bilateral donor support for programme approaches through SWAps and Budget Support would be greatly strengthened if they were to pay equal attention to assuring the continued engagement of local civil society accountability structures, which should also include continued piloting of innovation in service delivery at the community level. Processes of decentralisation in the context of extreme conditions of poverty are highly complex for which there is no easy 'one-size-fits-all' approach. Donors, government ministries and CSOs must approach comprehensive strategies for poverty reduction with both humility and the dedication of resources to strengthen the advocates for poverty eradication at all levels.

Reducing direct support for CSOs by donors may also prove a significant barrier for making progress on donor pre-occupations with high levels of corruption within ill-functioning governments and political processes. Corruption (including notably high levels of private sector corruption in several developed countries) concerns everyone who seeks socio-economic justice. Donors must also accept their own responsibility for corruption that has resulted from donor-imposed demands and policy advice for rapid privatisation and downsizing of civil services. By many accounts, CSOs can be effective in putting in place 'social accountability mechanisms' to monitor government action as well as in leading significant anti-corruption campaigns. A few examples -

- Many grassroots organisations, supported by national NGOs, have developed capacities to monitor official development budgets, have developed alternative budgets based on people's

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- priorities for poverty reduction, and analysed budgets from a gender perspective or a government's respect for human rights commitments to indigenous and vulnerable populations.⁶⁰
- The development of community-based, convenient, internet centres to access basic government services, such as document retrieval and certifications, may be effective in cutting out petty corruption that affect poor people most dramatically in their dealings with government.
 - Local organisations work with local communities to expose corruption through informal vigilance committees to monitor expected delivery of services or to assess the quality of publicly funded infrastructure.
 - CSOs work to strengthen the capacities and roles of parliamentarians, as well as official auditors, as a key oversight institution, with recent examples of parliamentary action in Kenya and South Africa's Legislatures' Office for Public Participation' as outreach to those with grievances who are unable to access parliaments directly.
 - CSOs mobilise grassroots groups broadly against corruption through district level monitoring committees and dialogues, acting on specific complaints and raising public awareness through plays, songs and poetry about the impoverishment effects of corruption.⁶¹

Civil society is a critical resource to tackle corruption, but it is often weak, disorganised, and lacking in the capacity and financial resources to expand these and other interventions. Donors can help create a favourable environment not only by demonstrating transparency and accountability in their own relationships with governments concerned, but also by

supporting country-level capacities to analyse human rights claims and obligations, and the capacity of autonomous civil society to hold stakeholders accountable to these obligations in the day-to-day working of governments.

As donors assess the complex issues in moving from donor project financing to coordinated support for sector programming that strengthen the roles of government in key areas of poverty eradication, they need to urgently review the roles of civil society organisations as development actors within the context of politics at all levels to promote effective approaches to poverty reduction.⁶²

3. Bilateral donors must maintain the integrity of official development assistance (ODA) with an exclusive focus on poverty reduction. An effective contribution to improved governance through a rights-based approach will be significantly undermined by the seeming convergence of the global security agenda with priorities for international cooperation.

The promotion of the post-September 11th anti-terrorist global security agenda, whose terms and courses of action are defined by the United States government and its allies, but actively pursued by all governments, challenge the universal legal framework of human rights and the multilateral institutions established to guarantee these rights. The security agenda has profound implications for the promotion of effective structures of governance at all levels, not least being the unilateral declaration of war on countries that by-pass the authority of the (democratically-challenged) UN Security Council. Reality of Aid members have pointed to important examples of unilateral foreign militarised interventions, often lead by the United States, in countries beyond Iraq and Afghanistan, in Colombia, in military

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repression of people in Aceh (Indonesia) and the denial of the human rights of the people of West Papua, in the Democratic Republic of the Congo (DRC), in Mindanao (Philippines) and in Palestine.⁶³

Development aid and global security agendas are converging. Most clearly, the United States adopted the September 2002 National Security Strategy, giving the government the right of pre-emptive military action 'against ... terrorists, to prevent them from doing harm against our people and our country; and denying further sponsorship, support, and sanctuary to terrorists by convincing or compelling states to accept their sovereign responsibilities'. This Strategy was subsequently supported with a foreign aid policy statement, *Foreign Aid in the*

National Interest, which substantially linked national security and foreign assistance.⁶⁴

This strategic posture has also affected the independence of American NGOs working in zones of conflict. In June 2003, Andrew Natsios, Administrator of USAID, provocatively challenged US NGOs working internationally to demonstrate and link their humanitarian assistance in Afghanistan and Iraq to US foreign policy and made it clear that they are considered an 'arm of the US government'⁶⁵. InterAction, Reality of Aid's US partner, points to the increasing role of the Pentagon and private contractors in carrying out humanitarian and reconstruction missions for which they may be ill-suited, undercutting efforts to lay the foundation for long-term development.⁶⁶

Box 2: Reality of Aid Statement in support of the independence of US NGOs

Reality of Aid affirms that NGOs are a key part of the independent voice of civil society. Their role in a democratic society is to ensure that the views of all of the people, including minority and other ethnic groups and those who are marginalised for discriminatory reasons, are heard by the decision makers.

Non-government organisations are, by definition, not an arm of any government. If they receive Government funding, it should be given on the merits of the application and in recognition of the NGO's ability to work in partnership with the grassroots people in developing countries, to promote basic human rights and assist towards poverty eradication. Through funding NGOs, governments contribute to meeting their commitments to reach the Millennium Development Goals as a first step in this process.

A society where there is no freedom of speech for civil society and no right to use the media as an outlet for its concerns cannot be called democratic and free. These are the very issues on which the US and their allies said that they went to war in Iraq and Afghanistan. The US Government should practice at home that which it preaches abroad.

There is growing evidence that donors are to a greater extent shaping their development cooperation priorities through the lens of the 'war on terrorism'.

Terrorism, as random deadly violence against unprotected civilians for the purpose of creating fear and insecurity among

surrounding populations, clearly constitutes illegal criminal action. Such acts are unambiguously and morally reprehensible and devoid of any political rationale. But September 11th notwithstanding, terrorism is not a pervasive tactic undertaken by significant numbers of groups and individuals

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seeking change. Far more people and societies continue to be affected by persistent internal conflict and violence, which impact on large civilian populations and have had incalculable human and material costs over the past decade.

There can be little if any synergy between donor strategies to promote peace, prevent conflict and encourage social and political cohesion, and strategies and practices to prevent/combat terrorism.

The former emphasise the creation of viable and broadly responsive state and civil institutions, the promotion of social cohesion based on justice, and tackling the backdrop of socio-economic conditions that underlie endemic poverty and exclusion. In contrast, current actions by governments (North and South) to prevent and counter terrorism are oriented to the restriction of people's rights, deepening repression of communities in conflict with their government (whether peaceful or otherwise), strengthening within government the military /the police / agencies for covert action and the creation of a climate of fear among its citizens. These proactive anti-terrorism measures do little to nourish climates for peace and development in the interests of people living in poverty. There is a great deal of evidence that donors have compromised their attention to human rights in their 'war on terrorism' in countries such as Pakistan, seen to be on the front line with the Taliban and Al Qaeda in Afghanistan. The DAC policy insofar as it emphasises support for 'improved' security legislation and military/police capacities may further undermine an already weak focus by donors on a comprehensive approach to human rights in development cooperation

Donors acting through the OECD DAC propose to review the ODA eligibility criteria in the context of its policy statement on international cooperation and the prevention of terrorism. Opening ODA criteria will only

dilute the purpose of aid for poverty eradication, further reduce public support, and effectively divert scarce ODA resources away from its core goal. Reality of Aid members also argue that many current actions (police, security and military strengthening) to prevent terrorism, linked by some governments to a 'war on terrorism', clearly fall outside the boundaries of effective strategies for conflict prevention.

The integrity of the notion of ODA is already deeply compromised by the inclusion of financial support for refugees, as well as tied aid and the inclusion of economic and foreign policy considerations in its allocation. The DAC rules are already subject to abuse. Australia was able to count as ODA support for refugees in Australia and the costs of recent Pacific Island internment of boat people seeking refuge in Australia! The use of ODA for domestically inspired priorities, such as those noted in the Danish chapter of deterring or repatriating refugees and asylum seekers and offsetting obligations under the Kyoto Protocol, is not consistent with the DAC line that poverty reduction must be the overriding priority for aid.

A Call for Fundamental Reform:

'The poor should be considered as full citizens and not simply victims, as full citizens and not simply recipients, as full citizens and not merely beneficiaries or charity cases....Unless we put people, and particularly those that have been historically excluded, at the centre of public life, our development goals will continue to evade us.'

Kumi Naidoo, Secretary General, Civicus

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As the UN Secretary General, Kofi Annan has recently highlighted, we live at a critical juncture in world history. It is one that urgently calls for both a return to processes of multilateralism and the international legal framework of human rights, and their reform to meet the challenges of peace and international cooperation. Aid alone plays a minor role in restructuring such an effective multilateral system for the 21st century; nevertheless aid is also a critical resource through which donors have structured a relationship with developing countries for more than four decades. But will the global community, both nations and citizens' organisations, find the creativity and building blocks for dialogue on the democratisation of governance and the promotion of rights through the aid regime?

The Reality of Aid network has set out some proposals for such reforms, in both the multilateral and national realms, and is committed to pursue them vigorously. They are:

1. Donor countries must carry out their development cooperation programmes so that governance reflects their binding obligations under human rights law and the rights based approach in line with internationally agreed human rights instruments, including the right to development.

Governance has been given a wide range of interpretations, but what it must mean is a framework based on democratic governance and human rights, which leads to a national political process that is democratic and based on the principles of law and human rights.

In practice, the ill-defined governance sector provides for the most part a space for pursuing a range of donor interests with aid money.

The principles of good governance apply to the management of international

cooperation and aid institutions as much as to developing countries.

2. Imposed conditions are incompatible with democratic governance. Any terms must be fairly and transparently negotiated with participation of and accountability to people living in poverty and in line with the principles of international human rights and a rights based approach.

Good governance should not be a vehicle for imposing market based approaches.

Conditionality cannot even be justified on the basis of effectiveness.

PRSPs that simply embody International Financial Institution prescriptions, leave little room for authentic local and national debate. Where accountability is essentially to the IFIs, rather than local stakeholders, these plans are not consistent with the principles of democratic governance and human rights, which are essential preconditions for effective strategies to eradicate poverty.

3. The MDGs are an expression of commitment to economic social and cultural rights and define a set of steps to enable those rights to be realised. If MDGs are to contribute to international goal of poverty eradication, efforts to achieve them must be founded on strategies that empower and recognise the rights of all people, including all the poor no matter where they live.

Donors must comply with their obligation contained in Goal 8 specifically increasing ODA to the UN target of 0.7% of GNI, improving the quality of their aid for poverty reduction and achieving debt cancellation for the poorest countries.

The emphasis on a global partnership in Millennium Goal 8 is welcome. But in promoting 'an open, rule-based trading and financial system', envisaging cooperation with the private sector and encouraging competition in the global economy, there

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are real dangers that the poverty imperative will in practice be overwhelmed by corporate and donor national interests and that the rules adopted will be no different to current rules which reinforce unequal power relations.

4. The International Financial Institutions that are mandated to support the fight against poverty embody entrenched inequalities of power and wealth in their systems of governance. The IFIs must not remain the monopoly providers of policy advice on governance reform or the gatekeepers on resource transfers. Aid should support governments, representative institutions and legislatures, in formulating national poverty reduction strategies. Aid should not determine the process.

5. Aid should be treated as money held in trust for people in poverty. Current attempts to divert resources for poverty reduction to pay for donors' security interests are the most serious expression of the endemic problem of aid resources being hijacked to fund rich country priorities.

6. The imperatives of poverty eradication and democratic governance underline the obligations to reinvigorate multilateralism, in the current context of the adverse global impact of unilateralism, especially the practices of the US government and its allies.

The subsequent chapters take up this shared commitment to reform and its unique application in the particular contexts of Africa, the Middle East Asia, the Americas and the OECD donor countries. In pursuing governance and rights, clearly politics

matters. While we may fear that counter-terrorism measures may have subsumed the spirit of Monterrey and dashed hopes for international cooperation on financing for development⁶⁷, we must never lose the dream that continues to inspire millions of marginalised and poor people to struggle to secure their rights in their daily lives and in the politics of their particular locale. Indeed it is our obligation as citizens and governments to accompany and sustain people in their efforts to eradicate poverty.

The selective way that donors interpret ideas of governance and human rights is not consistent with a genuine rights approach to development and poverty.

There may be conflicts between international obligations to comply with UN treaty obligations and IFIs conditions or WTO agreements. In such a situation, governments may be left with no choice but simply to ignore the human rights treaty obligations, as the pressure from largely donor-imposed conditionality is stronger. Countries may be punished for violating IFIs and WTO conditions, but not those of the UN.

Civil society networks in the Reality of Aid... focus their policy and advocacy attention on issues in *democratic governance*. As such, governance is not an end in itself, to be engineered through technical assistance and policy interventions by donors. Rather it is fundamentally about politics, power and the exercise of rights in society, and is therefore an evolving and particular process that may take decades.

Two decades of secret negotiations for structural reforms have removed the political locus for national decision making away from domestic political checks and balances where citizens have a potential influence on public policy.

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Notes

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- ³ Thomas Pogge, 'The First Millennium Development Goal', first Oslo Lecture in Moral Philosophy at the University of Oslo, September 11, 2003, www.etikk.no/globaljustice/, 9
- ⁴ UNDP, *Human Development Report 2003*, New York: Oxford University Press, 2003, 38-39. The 25 million richest Americans have as much income as almost 2 billion of the world's poorest people.
- ⁵ World Bank, *World Development Report*, New York: Oxford University Press, 2003, 235 (quoted in Pogge, 2003, 11)⁶ Pogge, 2003, p. 3
- ⁷ See for example, Kumi Naidoo, 'Civil Society, Governance and Globalization', World Bank Presidential Fellows Lecture, Washington DC, February 2003, pp. 7-8, accessed from the World Bank web site, www.worldbank.org.
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- ¹¹ Lewis Carroll's children's novel *Alice in Wonderland*, has the following exchange: 'When I use a word,' Humpty Dumpty said in rather a scornful tone, 'it means just what I choose it to mean – neither more or less.' 'The question is,' said Alice, 'whether you can make words mean different things.' 'The question is,' said Humpty Dumpty, 'which is to be master – that's all.' A thorough discussion of the governance discourse can be found in a background paper prepared for the Reality of Aid International Advisory Council by Kavaljit Singh (Public Interest Research Group (India), 'Aid and Good Governance: A Discussion Paper for Reality of Aid', January 2003, accessible at www.realityofaid.org.
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- ¹³ Kumi Naidoo, 2003, 7, 10.
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Council within the structure of the UN, as originally proposed by Carlsson and Ramphal's 1995 Commission on Global Governance in its report, Our Global Neighbourhood.

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