

# Chapter 2

## Participatory Institutions of Democratic Ownership

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### INTRODUCTION

This chapter shows that donors frequently fail to understand the complex dynamics of national institutions. This can lead them to undermine grassroots engagement and consolidate government power. National governments must also accept responsibility for opening channels for community engagement, whether about projects or policies. Only when they do so will it be possible to achieve development effectiveness.

**William Chilufya** argues that donor good will and increased aid has not reduced poverty in Zambia. Many citizens are excluded from the benefits of development because Zambia still struggles with patronage politics and other exclusive governance practices. The government has failed to deliver services to the majority of citizens and especially to the poor in rural areas.

Citizens need access to information on aid so that they can hold decision-makers accountable for their decisions. However citizens are often denied the information they need to intervene in the various phases of aid negotiations and implementation. Conditionalities that donors imposed on the government have led people to mistrust donor motivations. This mistrust now extends to the aid effectiveness agenda.

Some progress has been made in harmonisation, however, with donors producing a Joint Assistance Strategy for Zambia in alignment with the country's National Development Plan. This joint strategy has streamlined some dialogue and information-sharing processes, for example in the agriculture sector, although there is no direct linkage with poverty reduction results. The government should develop specific channels of participation for disadvantaged and underprivileged segments of Zambian society.

**Rosemary McGee and Irma García Heredia**, in their article on Colombia's attitudes to the Paris Declaration (PD), point out that aid has to be understood against the broader backdrop of international relations. The Colombian government saw the adoption of the Paris Declaration as a way to pursue its own interests.

In Colombia, PD principles of ownership, alignment and harmonisation may conflict with donor and civil society efforts to pressure the Colombian government on human rights and conflict issues. Donors are now supposed

to align with government policies. Instead of exchanging views on Colombia's internal conflict, donors are engaged in a technical dialogue about aid ownership, harmonisation and alignment. The government has increased its legitimacy and rebutted accusations that it lacks a focus on poverty and spurns democratic dialogue and dissent. Aid officials do not expect that Colombia's adherence to the Paris Declaration will lead to significant improvements in transparency, financial management or other features of good aid governance.

Civil society groups have been squeezed out of discussions on aid effectiveness but hope the Accra Agenda for Action's legitimisation of civil society involvement in aid and policy dialogue may provide space to raise human rights. The authors urge donors to pay more attention to political analysis when applying the Paris Declaration, and adapt its principles to particular contexts.

**Toni Sandell**, in an article on Nicaragua, similarly accuses donors of naivety in dealing with the government there. Donors recorded an apparent aid effectiveness success story under the Bolaños government when several new dialogue and planning processes were initiated. However these were approved without proper national debate and, for example, parliament was bypassed. This lack of due process meant that donors inhabited a pseudo-reality, a reality that was shattered with the advent of a new government in 2007.

The overly technocratic approach, lack of democratic ownership, and dependence on international financial institution (IFI) conditions made it too easy for the subsequent Sandinista government to abandon aid effectiveness processes which had shallow roots in the country. Sector roundtables and other donor-government coordination mechanisms were ended by the new government. The government cracked down on independent civil society groups and obtained a large amount of aid from Venezuela that is not channelled through the government budget. The IFIs however turned a blind eye to these issues inasmuch as the government fulfilled their macroeconomic objectives.

The Nicaraguan experience indicates that donors should not demand and monitor detailed plans but should instead adopt a more holistic and long-term approach which addresses national politics more openly. Donors should support dialogue between the government, parliament and civil society, and demand more public guarantees on basic human rights.

**Anil K. Singh** details India's experience with foreign aid and national planning. He argues that donors need to improve the way they deliver aid, but aid recipient countries are also responsible for the limited and inequitable impact of aid on development outcomes. He explains that the array of institutions and constitutional safeguards aiming to achieve development goals does not add

up to a functioning system. There are no significant consequences for non-compliance with financial rules, regulations and procedures.

Partly because of dysfunctions in its systems, India has failed to use US\$17 billion of the external assistance that international donors allocated to it. In June 2003, the Indian government announced that India would stop receiving grant aid from most countries and would repay all outstanding bilateral creditors. This was partly because the government was exasperated by the strong terms and conditions on utilisation of funds which donors tended to set out for it.

The remaining donors to India are increasingly directing aid to India's relatively developed areas in keeping with the results orientation of aid effectiveness. This discriminates against impoverished people living in other states. In India, aid allocation and disbursement is shielded by opaque processes. The allocation of foreign funds across sectors is determined by the finance ministry rather than according to any economic reasoning or parliamentary deliberation. Much more transparency is also required around India's increasing roles as an aid donor that allocates substantial sums to African and South Asian countries.

**Suranjan Kudithuwakku**, writing about Sri Lanka, addresses flaws in the model of development. He points out that small farmers, fishermen and pastoralists form the majority of the world's population and depend directly on the balance of nature. Thus the environment must be at the crux of any effective development model. Official agencies often fail to demonstrate sensitivity to the environment or local communities. Communities and non-government organisations (NGOs) need to work with the government to change core policy on agriculture, fisheries, and disaster management.

The Green Movement of Sri Lanka implemented grassroots reconstruction efforts after the tsunami. When communities take ownership of their own development futures they can have better results than action driven by external agendas. The government has accepted the principle that community strengths in preparing for and recovering from disasters should be mainstreamed.

The government has refused some loans from IFIs, turning instead to bilateral loans from emerging donors such as Iran, India and China to fund development activities. This raises a new set of challenges.

**Arnold Padilla**, from the Philippines, analyses the example of the San Roque dam, a controversial mega-infrastructure project funded by the Japan Bank for International Cooperation (JBIC). During a typhoon in October 2009 the dam released excess water that forced more than 30,000 people from their homes, killed at least 64 people, and destroyed crops and properties.

The San Roque dam project illustrates the weakness of accountability in aid relations which prioritise the relationship between the foreign aid agency and the government. The Philippine government circumvented domestic environmental and social safeguards that set out its “domestic accountability” to its own people. Legally required environmental and social impact assessments were not conducted before the project was implemented. Peoples’ organisations were ignored during project planning and the limited consultations conducted took place only when the project was already underway. Many people were not compensated for their displacement.

JBIC has no clear procedures or reliable grievance mechanisms for affected communities to use. Safeguards – both at national level, in countries such as the Philippines, and at the donor level – need to be strengthened and implemented, notably environmental and social impact assessments. However strong popular mobilisation will always be needed to ensure that local peoples’ interests are not undermined in foreign donor-funded projects.

These contributions all show the difficulties of international interventions not meshing well with national and local institutions. Introducing official aid effectiveness practices may consolidate government power, or may enable greater democratisation of decision-making. Planning and consultation mechanisms which involve ordinary people are vital if funds are to be well-spent. Donors can help facilitate interactions between government bodies and communities and ensure that due process is followed in decision-making so that weaker stakeholders can also have their say.

# Development Aid: Is There Space for the Poor to Participate in Zambia?

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## Introduction

African countries, Zambia in particular, have been advocating for increased aid to mitigate their development challenges based on the common sense idea that more aid will produce the best development outcomes. It is a moral obligation for those who have more to give to those who have less. This is one underlying motivation behind aid. However, aid has also been advanced by countries to enhance international relations, or for business purposes.

Aid may also allow recipient countries to increase consumption and also investment. Kofi Annan, former Secretary General of the United Nations (UN), has said that “Less Developed Countries have neither the surplus of exportable products nor the production capacity to take immediate advantage of new trade opportunities. They will need substantial investment and technical assistance in order to expand their production.”<sup>1</sup>

On March 2, 2005, over 100 ministers, heads of agencies and other senior officials met in Paris to sign a declaration on aid effectiveness. This meeting reflected a realisation that their work to help aid recipient countries was disjointed, led to duplication of effort and sometimes even to conflict. Ultimately, it was clear that aid in many countries had minimal impact on development objectives. They questioned the shortcomings in the way the international aid system operated.

Evidence in Zambia has consistently shown that donor goodwill and increased aid has not led to sufficient change in outcomes. Poverty has continued to deepen and still remains the biggest challenge to Zambia today. An estimated 68% of the population are still termed poor and about 43% are said to be extremely poor implying that they cannot even afford adequate food.

Many citizens have been excluded from participating in the benefits of development. Zambia’s institutional set-up, and political and economic conditions do not favour an inclusive system of governance involving all citizens, including the poorest. Zambia still experiences patronage politics and other exclusive governance practices.

These weaknesses – which constitute a failure to deliver democratic governance – have contributed to the high levels of inequality and a lack of ownership in the development process. Most public resources are targeted to the needs of the privileged few. The government has failed to deliver services to the majority of citizens and especially to the poor in rural areas. It is no wonder poverty levels continue to be high in Zambia.<sup>2</sup>

## Participation through information

Governments must embrace citizen participation – especially by those living in poverty – to make aid and development programmes a success. Information is cardinal. Citizens’ access to

information related to aid is mandated by a host of human rights instruments, including the Universal Declaration of Human Rights (UDHR) as well as the International Covenant on Civil and Political Rights (ICCPR) and the Africa Commission on Human and Peoples Rights. Likewise, the right of people to freely participate in government decision-making, such as the preparation of the budget or any development programmes, is guaranteed by UDHR Article 21(2) and ICCPR Article 25. Freedom to access aid-related information and to participate in budget formulation allows citizens to contribute meaningfully to government policies affecting their lives.

Access to information and citizen's participation are important to ensure accountability throughout the aid cycle. With the right information, citizens are empowered to participate in the right policies that have an influence on their livelihoods including monitoring of expenditures, monitoring of aid, and evaluation of the final audit. However, in Zambia, citizens are often denied the information they need to play a meaningful role in the various phases of aid negotiations and implementation. The Zambian government has not yet enacted access to information legislation.

## **Democratic governance as a human rights issue**

Genuine participation of the poor is a right in itself, but also necessary to realise other rights. The input of poor people is a prerequisite to the effective formulation of policies that reduce poverty and advance their basic entitlements such as adequate education, health, food and clean water. The poor are experts in their own lives and know what resources they have and what they need.

A rights discourse has enormous potential to mobilise communities and popularise the national development process.<sup>3</sup> Communities are more likely to participate in development planning if development is correctly framed as an issue of rights, rather than an issue of charity.<sup>4</sup>

The parameters of public involvement in development decision-making should be clearly defined by government and included in any development plan. Development consultations should allow stakeholders to agree upon minimum standards for participation and establish accountability mechanisms to ensure they are met. The entire development process should be transparent and well-publicised, incorporating relevant human rights principles and terminology, such as the right to access information and the freedoms of opinion, expression and assembly.<sup>5</sup>

## **Towards real ownership: Empowering poorer people**

The majority of impoverished individuals living in rural and high-density urban areas have limited substantive knowledge about their human rights, much less the policies that government has put in place to achieve them. Without such knowledge, individuals are ill-equipped to hold government accountable in implementing programmes that adequately respond to their particular challenges.

A lack of participation by impoverished individuals in planning, implementing and monitoring national or local development activities indicates that government has violated its legal obligations to provide a forum for public participation in major government decisions and access to information. Unfortunately, as observed by the Office of the High Commissioner for Human

Rights, “too often participatory processes are cosmetic, reduced to mere consultation”.<sup>6</sup>

The lack of participation on aid issues stems from the conditionalities that have been imposed on the government. These have created an atmosphere of mistrust about donor motivations and a loss of local ownership over the country’s development agenda. This mistrust extends to the aid effectiveness agenda even though this agenda has been negotiated with the participation of several leading civil society groups. Aid in most cases has been framed in terms of foreign donor political, economic and social agendas.

The local ownership principle is very important for aid to be effective. Local people and the governments need to have ownership over how the aid is being used, and to be involved in the project or programme that is being implemented. Even if local ownership is mentioned in the Paris Declaration, its definition and the targets to achieve this are not explicitly stated and can therefore be misinterpreted. Donors continue to create difficulties for local ownership in Zambia because they continue to dominate policy-making policies indirectly through conditionalities.

## **Development planning in Zambia**

Zambia’s Fifth National Development Plan 2006-2010 (FNDP) is the first medium-term development plan designed by the Zambian government since the structural adjustment era. Structural Adjustment Programmes (SAPs) were a set of free market economic policy reforms imposed on Zambia and many other developing countries by the World Bank (WB) and the International Monetary Fund (IMF).<sup>7</sup> SAPs imposed harsh economic measures which deepened poverty, undermined food security and self-reliance, and

led to unsustainable resource exploitation as well as population dislocation and displacement.

The FNDP was meant to accelerate development, reduce poverty and improve the social welfare of Zambian people.<sup>8</sup> The official FNDP theme of “Broad-Based Wealth and Job Creation through Citizenry Participation and Technological Advancement” trumpets the principle of participation.

However, despite the government’s symbolic inclusion of civil society in FNDP processes, it has treated citizen participation in development as a privilege rather than a right. The FNDP establishes no clear strategy for citizen participation in development and levels of participation therefore remain cosmetic, with national development processes concentrated in central government, far out of reach of the average Zambian.

There is only limited civil society organisation (CSO) representation in national and local coordination and monitoring venues, led by the Ministry of Finance and National Planning. These include Sector Advisory Groups (SAGs), comprised of government officials, donors, and CSO representatives, and Development Coordinating Committees at provincial (PDCCs) and district (DDCCs) levels.<sup>9</sup> In theory these provide good opportunities to present the views of communities to national development architects.<sup>10</sup>

In practice, however, these groups tend to be poorly managed. For instance, many PDCCs and DDCCs fail to hold quarterly meetings to discuss local development policy. At the national level, SAGs meet infrequently and fail to address important issues such as sector budgets and Key Performance Indicators. As a result, these

bodies have not fully contributed to national development policy. PDCCs, DDCCs and SAGs are the primary vehicles through which civil society actors can interact with the government in the development process so their dysfunction is cause for serious concern.

Civil society aims to bring the FNDDP closer to Zambians. CSOs have educated the public about the FNDDP's content, a responsibility which the government has evaded.<sup>11</sup> The groups active on this include Civil Society for Poverty Reduction (CSPR, a network of over 100 organisations contributing to pro-poor development in Zambia), Caritas Zambia, and the Zambia Association for Research and Development.<sup>12</sup>

A major factor that hinders grassroots contributions in Zambia is the government's failure to implement its decentralisation policy. The FNDDP describes decentralisation of development planning, budgeting, monitoring and evaluation as a "top priority" and the central means to "bring the government closer to the people by providing citizens with greater control over the decision-making process and allowing their direct participation in public service delivery".<sup>13</sup> However the Decentralisation Implementation Plan was only approved by government in late 2009 and meaningful decentralisation has yet to occur.<sup>14</sup>

Democratic ownership still has a long way to go in Zambia. Civil society working on rights-based advocacy is under strong political pressure, and Parliament is even currently debating a new law giving the government strong regulatory powers over CSOs. The government has recently passed the Non-government Organisation (NGO) Act which gives the government significant regulatory powers over charities and NGOs. In theory, the law promotes self-regulation by Zambian NGOs.

In practice, however, the government has the final word on every decision by the regulatory body. The government argues that NGOs must be properly regulated and accountable for their funds.

## **Aid effectiveness in Zambia**

The Zambian government, in its Aid Policy and Strategy for Zambia, sets out the view that aid must be beneficial and based on National Development Plans and strategies. The Paris Declaration on aid effectiveness requires donor countries to direct aid to the national priorities of developing countries and to use recipient countries' procurement and financial management systems.

Some donors have not aligned with Zambia's national strategies and tailored their programmes to support Zambia's Poverty Reduction Strategy priorities. Donors like the WB are still micro-managing the country's development agenda. The Paris Declaration does not state the implication of a donor not adhering to this principle so donors are slow in implementing these important matters.

Some progress has been made in harmonisation. Donors have agreed on a Joint Assistance Strategy for Zambia (JASZ). Cooperating Partners (CPs) working in the country developed the JASZ to provide a medium-term framework to manage their development cooperation with the Zambian government and align these with the National Development Plan (NDP). The JASZ contains principles, commitments and proposed actions for the CPs to undertake across the five pillars of the Paris Declaration.<sup>15</sup>

The JASZ has streamlined some dialogue and information-sharing processes. For example, the JASZ evaluation showed an instance in

the agriculture sector where better sharing of information led to the identification of a funding gap for a major project which one donor stepped up to fill. Nonetheless, support to government in agriculture still takes the form of a long list of projects with little coordination. There has been no development of joint approaches since the development of the JASZ either amongst CPs or with government.

There is little evidence that the JASZ has promoted greater country ownership at the national level. Pooled funding has increased government ownership. And while the health sector has also made considerable progress on harmonisation and alignment in the JASZ period, which is the period of the FNDP implementation, this has remained inconsistent.<sup>16</sup>

In Zambia we have had situations where a donor has other priorities from the government's. During this FNDP period the government spelt out its priorities as agriculture, education, health and mining. But during this same period there were also donors like Finland whose main areas of interest included climate change and forestry management, which were not top government priorities in the FNDP.

Donors still make decisions independently on certain matters. One example was in 2009 when the Netherlands, Sweden, European Commission (EC) and the United Kingdom (UK), among others, withdrew funding to the Ministry of Health following the revelation of a 27 billion Kwacha embezzlement of funds by Ministry of Health officials. This withdrawal was not a collective decision by the donors but rather decisions made by individual donors at different times.

The government said that donor withdrawal of funding to the health sector affected many health

developmental projects in the country. Health Minister Kapembwa Simbao said the ministry failed to implement all its activities due to lack of adequate funding. The lack of funds also affected Child Health Week, one of the most important and successful initiatives in the health sector. This campaign offers free vaccination, weight monitoring and vitamin supplements and reaches two million children every year. In the end, the United States Agency for International Development (USAID) contributed funds to the campaign which made some people wonder about the risk of aligned and harmonised donors.<sup>17</sup>

Civil society groups in Zambia have expressed their concerns that donors will be able to gang up on the government if the Paris Declaration is implemented. This is because, with all aid pooled in one basket, they will have greater leverage and the government will be less able to play off one donor against another. Harmonisation could mean one-size-fits-all solutions and lead to 'cartelisation', constraining governments from shopping around between donors.<sup>18</sup>

In Zambia, aid effectiveness is likely to contribute to the efficiency of aid processes, but there is no direct linkage with development results including poverty reduction. There is a hot debate, therefore, on the extent to which aid effectiveness contributes to poverty reduction. A Paris Declaration Country Level Evaluation-Phase 2 is being conducted in 2010 to find to the extent to which the PD contributes to development results in Zambia. Furthermore, JASZ Phase 2 will be launched to align with the NDP. CSOs are participating in this process which should be used to develop a framework of cooperation that will yield results. There is still room to improve ownership, harmonisation and alignment as well as managing for results and mutual accountability.

## Conclusions

Aid has a critical role to play in the attainment of the Millennium Development Goals (MDGs) in many developing countries especially when it is deployed effectively and in an accountable manner as part of a wider development strategy. It can make a lasting difference in helping people lift themselves out of poverty. Accountability and policy dialogue are vital for good aid delivery and management.

The questions of accountability ‘to whom?’, and ‘for what?’ remain unanswered in the Paris Declaration. Zambia faces challenges of corruption, economic governance and corporate governance. When accountability works, citizens will be able to make demands on donor agencies and ensure that these demands are met. Government policies and donor support must be designed to prevent the reinforcement of existing social hierarchies and power relations that exclude the poor, women and other marginalised groups such as people living with HIV/AIDS.<sup>19</sup>

However, the government of Zambia is stalling the implementation of the Decentralisation Implementation Plan. It has failed to institutionalise a path for the poor to communicate their views and concerns about local development up to local, regional and national decision-makers. This also amounts to a violation of the government’s duty to ensure that the right to information is enjoyed equally by all Zambians without discrimination

on any basis, including linguistic and ethnic group differences.

To be human rights-compliant and create ownership, the government should develop specific channels of participation for disadvantaged and underprivileged segments of Zambian society. Plans should be accessible for the many Zambians who have no formal education, lack functional literacy, and have limited English proficiency.

Government should ensure that its participation strategy integrates human rights awareness through, for example, widely disseminating local language versions of the seven core human rights treaties ratified by Zambia and the recommendations made by human rights treaty committees. Government should also move quickly to pass a Freedom of Information Bill to allow citizens full access to the information they need to claim their rights and hold the government accountable for pro-poor development.

Donors and international financial institutions should be accountable to ordinary citizens. Recipient countries should be able to contribute to determining the policies of these important institutions. Any aid given to Zambia should be people-centered and should strive to empower the government and the citizenry through ownership and participation. The relationship between a donor and the recipient country should be of partnership, not of stewardship.

## Endnotes

- 1 Quoted in Financial Times, 5 March 2001, in the context of Annan's response to the European Union's "Everything But Arms" initiative.
- 2 Philip Alston, *A Human Rights Perspective on the Millennium Development Goals* (2004), available at [http://hurilink.org/tools/HRsPerspectives\\_on\\_the\\_MDGs--Alston.pdf](http://hurilink.org/tools/HRsPerspectives_on_the_MDGs--Alston.pdf) pages 48-53.
- 3 Ibid.
- 4 The rights to receive information and participate in public affairs are enshrined in Article 19 and Article 25 of the International Covenant on Civil and Political Rights (ICCPR), respectively.
- 5 Alston (2004).
- 6 Office of the High Commissioner for Human Rights, *Draft Guidelines: A Human Rights Approach to Poverty Reduction Strategies* (Sept. 2002) at paras. 75-87, at: [www.fao.org/righttofood/kc/downloads/vl/docs/Human%20rights%20approach%20to%20poverty%20reduction%20strategies\\_draft%20guidelines.pdf](http://www.fao.org/righttofood/kc/downloads/vl/docs/Human%20rights%20approach%20to%20poverty%20reduction%20strategies_draft%20guidelines.pdf). See also *Human Rights and MDGs in Practice: A review of country strategies and reporting*, Office of the High Commissioner for Human Rights, undated. At: [www.ohchr.org/Documents/Issues/MDGs/Human\\_rights\\_and\\_MDGs\\_in\\_practice\\_ML.pdf](http://www.ohchr.org/Documents/Issues/MDGs/Human_rights_and_MDGs_in_practice_ML.pdf).
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- 15 Civil Society for Poverty Reduction, *National ownership of NDP key to effective poverty reduction and attainment of MDGs*, 28 July 2006, available at <http://www.cspr.org.zm/press28-07-06.html>.
- 16 Ibid.
- 17 Zambia Aid Effectiveness in the Health Sector, *Action for Global Health*, September 2009. At: [www.actionforglobalhealth.eu/fileadmin/user\\_upload/doc\\_library/AE\\_Zambia\\_Case\\_Study\\_Final\\_version.pdf](http://www.actionforglobalhealth.eu/fileadmin/user_upload/doc_library/AE_Zambia_Case_Study_Final_version.pdf).
- 18 Wood, A. (May 2005). *Current Topics on Conditionality- A CIDSE-Caritas Internationalis Background Paper*. Caritas International, CIDSE.
- 19 For instance, Civil Society for Poverty Reduction simplified the FNDP in its publication, *An Easy Look at Zambia's Fifth National Development Plan 2006-2010* (Sept. 2007), available at <http://www.cspr.org.zm/Reports&Updates/SIMPLIFIEDVERSIONFNDP.pdf>. In July 2009, Caritas Zambia published *Questions and Answers on the Fifth National Development Plan*. From May 2009 through August 2009, Zambia Association for Research and Development conducted trainings of fifteen women's clubs on human rights and development, including the FNDP.

# Paris in Bogotá: The Aid Effectiveness Agenda and Aid Relations in Colombia

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## Introduction

The Paris Declaration on Aid Effectiveness (PD) needs to be appraised in the light of the political and social realities of the diverse contexts in which it is applied. This article stems from a conviction that the application of the PD in Colombia is generating problematic and unanticipated consequences.

It argues that Colombia's adhesion to the PD has pushed aid donors into a purely technical role and threatened social actors' advocacy outcomes. Both are worrying and undesirable developments in this middle-income country's complex political context of high institutional capacity, a protracted human rights crisis and internal armed conflict.

Colombia is a country where the PD principles of ownership, alignment and harmonisation seem to conflict with donors' and civil society efforts to exert leverage on the Colombian government around human rights and conflict issues. The examination of how and why the PD has been implemented and in whose interests therefore makes an interesting case study.

This article is based on a review of published and grey literature and interviews in Bogotá with twenty-five identified key informants in the Colombian government, aid agencies, embassies and social organisations in early 2009.<sup>1</sup>

A growing body of research on aid emphasises the need to understand that it is about power

relations played out by political actors in political contexts. Moreover, aid has to be understood against the broader backdrop of international relations. The 'realist' approach to international relations assumes that countries each pursue their own interests where aid is integral to that pursuit. A country adopting the PD thus acts in its own interests within the wider context of its 'web' of aid relationships. A wider range of interests is at play on both donor and recipient sides in aid relations of middle-income countries (MICs) compared to lower-income countries, and aid behaviour is therefore more complex. All aid actors' behaviour responds to both overt and less readily expressed motivations, as well as to financial/technical and political/ideological considerations.<sup>2</sup>

The universalist, technical Paris principles are challenged by complex and diverse country realities. The PD itself recognises that fragile and conflict-affected situations pose particular challenges. Awareness of these challenges has increased recently, especially with the High Level Forum on Aid Effectiveness held in Accra in September 2008.

## The context of Colombia signing the Paris Declaration

Colombia is characterised by low aid dependency – aid accounts for 0.4% of gross national income (GNI), in contrast with 37.8% for Afghanistan and 54.1% for Liberia or, nearer home, 6.5% for Bolivia and 15.4% for Nicaragua.<sup>3</sup> The relatively

small donor presence owes more to political and humanitarian concerns about the conflict, human rights and drugs control than to the classic aid motivation of widespread and extreme poverty.

‘Civil society’<sup>4</sup> in Colombia has historically lacked spaces for legitimate political debate, dissent or influence on public policy given right-wing elites’ intolerance and violent suppression of left-wing political organising. Civil society organizations (CSOs) have long lobbied governments on human rights abuses, peace-building and alternative development models. They have worked with official and non-governmental aid actors to address these via aid programmes.

The Colombian government announced its adherence to the PD in November 2007 in the context of three distinct but interrelated strands of activity and debate: the London-Cartagena-Bogotá (LCB) process, the National Aid System, and the PD process itself.

### The London-Cartagena-Bogotá process

The London-Cartagena-Bogotá (LCB) process started with a roundtable convened by right-wing President Uribe Velez, with United Kingdom (UK) government support, in London in 2003. It responded to donors’ concerns to improve the strategic direction of aid given Colombia’s humanitarian and human rights crisis, internal armed conflict, severe inequality and pockets of poverty.

A group of civil society organisations set out to convert the London roundtable into a space for dialogue over the role of aid in Colombia. They argued that: “Colombia urgently needs the defence and strengthening of the social and democratic rule of law, a political solution to the internal armed conflict and full respect for human

rights and International Humanitarian Law (IHL), as imperatives for securing peace and democracy. Consequently, international aid to Colombia must be directed at supporting initiatives that lie within these parameters and do not contravene human rights and IHL norms, nor promote the dismantling of the rule of law or otherwise exacerbate our terrible humanitarian crisis.”<sup>5</sup>

The London meeting established a tripartite dialogue space involving social actors, the government of Colombia and the international community. Twenty-four foreign government and intergovernmental organisation representatives organised themselves into the ‘G24’ donor group to participate. This has no decision-making power but nonetheless still has some influence over government and state institutions. Civil society actors are represented mainly by the Alliance<sup>6</sup>, a social movement networked with other actors including the Catholic Church and some business associations. Government is represented by the Presidential Agency for Social Action and International Aid (*Acción Social*) and the Aid Directorate of the Ministry of Foreign Affairs.

Further roundtable meetings have carried on this tripartite dialogue in Cartagena (2005) and Bogotá (2007). At each roundtable, donors issued declarations, co-signed by the Colombian government, constituting the foundations of an aid policy and the LCB agenda.

The LCB process now consists of an annual agenda of tripartite working meetings, dialogues and seminars, punctuated by a roundtable every two years, preceded by preparatory events convened by the social actors. Its membership and thematic focuses make it an unusual aid dialogue space especially in a country lacking a tradition of constructive dialogue between government and civil society.

## The National Aid System

Over the years 2002 to 2004, the Colombian government created a National Aid System led by *Acción Social* and formulated an aid strategy for the period 2002-2006. The draft was discussed with social actors in LCB meetings with the G24 as onlookers. The government of Colombia began to engage with global aid coordination and effectiveness processes via the Monterrey Conference (2002) and Rome High Level Forum (2003), events which spurred the development of the National Aid System.

The government later surprised the G24 and social actors by unilaterally formulating a new, significantly different, draft aid strategy for 2007-2010. The new strategy prioritised the Millennium Development Goals (MDGs), the 'war on drugs' and the environment while reducing the emphasis on democratic governance, rule of law and human rights. It recast civil society groups as aid-monitoring watchdogs. This appeared to undermine the London and Cartagena Declarations and relegate core LCB issues to the margins. Despite pressure to do so, the government refused to make substantial changes or countenance the idea that civil society could debate public policy.

## The PD process

The government initially doubted the appropriateness or utility of subscribing to the PD. However, Colombia noted increasing donor interest in the PD to which several Latin American countries had already signed up. At a seminar convened by government in 2007 to deliberate PD adoption, Latin America and the Caribbean (LAC) government representatives revealed their prevailing perception of the PD as a lever for increasing aid rather than for aid partners to hold each other to account for aid effectiveness.<sup>7</sup>

A study commissioned on the pros and cons of the PD strongly advocated its adoption, citing the need to align donor interventions with government policies and to improve donor-government relations.<sup>8</sup> An added bonus would be the legitimisation of government-donor-civil society relations built up through the LCB process. The authors pinpointed a tendency for the LCB spaces, intended for *political* debate about aid, to be used to address *technical* aid coordination issues.

Just before Accra, *Acción Social* set itself the challenge of "exerting an influence in the spaces provided by the Development Assistance Committee (DAC) and the Organisation for Economic Cooperation and Development (OECD) to get international instruments adapted, broadened and adjusted to reflect the realities of MICs, and highlight their role and perspectives in the new international aid architecture".<sup>9</sup> The government therefore continued to see the PD as a way to reposition MICs amid the environment of declining aid to these countries.

On the other hand, Colombia also framed itself as a country "in transition to being predominantly an aid provider". It emphasised the need for due recognition of South-South aid and triangular aid – development assistance from traditional donors executed by Southern donors often in the form of technical cooperation – in PD and Accra spaces.

The Colombian government announced its signing the PD at the LCB Bogotá roundtable in 2007. Interviewees invoked three main government agendas for doing this. Firstly, the government wanted to control aid to support its politico-military strategy. To succeed in "running a right-wing agenda in a difficult neighbourhood", the Uribe government needed to align donors' policies and funds with its own strategy.<sup>10</sup> By providing a much narrower conception of

development through the MDGs, they hoped to force donors to re-direct aid resources from humanitarian response, human rights and victims' defence.

Secondly, the government saw the PD as a way to increase aid flows since signing up would show it to be getting its aid house in order. This was linked to a bid for legitimacy by a government with a negative international reputation on human rights and humanitarian issues. The government sought to boost its international standing to overcome perceptions linked to official denial of the longest internal armed conflict on the planet, repeated clashes with key United Nations (UN) agencies and a historical reputation for corruption. A clear advantage of using PD spaces was that the Uribe government's main detractors – largely human rights groups – were not familiar with aid policy circles and issues.

Thirdly, the Colombian government was attracted by the scope the PD offered for holding wayward donors to account. Government officials saw the mutuality embodied in the PD as a unique opportunity to do this. It is understandable that a government repeatedly called to account by donors over human rights issues would relish the opportunity to turn the accountability tables, moreover within a framework of the donors' own creation.

Aid effectiveness was not often cited as a core motivation for adopting the PD. Government arguments about efficiency and accountability gains by donors implementing aid via *Acción Social* can perhaps be better understood in the context of increasing government control. By their own admission, measures to organise aid and systematically assess its quality, orientation and relation to public policy were mainly put in place before Colombian officials had ever heard of

international aid effectiveness debates. This suggests that a key motivation for signing up was to obtain credit for PD-type measures already adopted.

## **The PD empowering the Colombian government**

### **Improved international reputation**

After adopting the PD the government moved swiftly to prepare for active involvement in the September 2008 High Level Forum on Aid Effectiveness in Accra. It hosted a regional consultation for LAC countries in Santa Marta, June 2008<sup>11</sup> and participated in the 2008 OECD PD monitoring survey.

At Accra, Colombia: belonged to the Working Group on Aid Effectiveness and represented LAC countries in drafting the Accra Agenda for Action (AAA); co-presided, with Switzerland, the Ownership Round Table; participated in the Round Table on Civil Society and Aid Effectiveness; and offered to host the Fourth High Level Forum in 2011.

Colombia consistently advanced three issues: the PD's failure to take into account other actors beyond national governments, such as parliaments, local governments and civil society; the excessively North-South and low-income country (LIC)-oriented framing; and the absence of any mention of South-South and triangular aid. It subsequently claimed credit for positioning these on the PD and Accra agendas in an unpublished back-to-office report.<sup>12</sup>

Colombia's presentation of itself as both an important recipient and giver of aid has been very strategic. Colombian leadership in relation to MICs and South-South and triangular aid

before, at and since Accra – for example through leadership of the LAC MICs group in PD circles – has certainly given it international recognition and improved its legitimacy in the region.

### Empowering the government vis-à-vis donors

The government's post-Accra implementation plan reflected two aspirations. These were expressed succinctly by *Acción Social* during the research interviews: firstly, "Colombia must be an actor in aid debates in future"; and secondly, "rather than us having to adjust to the Paris Declaration principles, the Declaration needed to adjust to the political realities of countries like Colombia".

The government of Colombia has tried to use the PD strategically as a lever for donors to "orient their aid more and more in keeping with the government sector... in the interests of articulating aid flows with national priorities defined through a process of consensus involving the international community, regional government and representatives of civil society."<sup>13</sup> Ownership was advanced as the way to "complement our own development planning... with the contributions forthcoming from international aid"<sup>14</sup>

This ownership is far from democratic. The National Aid System initially proposed to introduce a requirement that the government approve every single official and international NGO aid project. The Uribe government's development vision entails a military solution to deep-rooted social, political and economic conflicts and correspondingly large military spending and underspending on social sectors. From 2001-2007, 4.7% of gross domestic product (GDP) was spent on defence which was well above the average of 1.6% for the Americas

and the 2005 average of 2.9% for 27 countries in conflict. In 2008, defence spending equalled health, education and environmental health spending put together.<sup>15</sup>

Closer relations have been established, notably with Spain, Colombia's second largest bilateral donor after the United States of America (USA). There has been more alignment, thematically and in terms of aid distribution across regions. Sectoral support and basket-funding mechanisms have been initiated by some donors, either because they had confidence in the Uribe administration or because their agencies' policies committed them to these modalities.

A notable step was the transfer of the management of European Commission humanitarian aid to *Acción Social*. This move alienated humanitarian NGOs which refuse to accept funds channelled through the government (and especially by an office of the Presidency) as it would compromise their autonomy and political neutrality in the eyes of other parties to the conflict.

*Acción Social* claimed that adopting the PD caused a rise in aid flows – by as much as 90% in 2004 – over a period when aid to MICs was projected to fall.<sup>16</sup> This increase and the attribution were refuted by others and by the timing of PD adoption in 2007, while the OECD survey and our fieldwork also cast doubt on it. Increased reporting of aid flows is a more likely explanation.

One government view during the research interviews was that public policy shifts on redress for human rights violations and other areas dear to donors has made alignment more palatable to donors. However, this is not attributable to PD adoption but rather to the LCB process where decisive dialogue occurred between government and human rights activists, with donors as referees.

Yet, overall, the government seems to be clearly disappointed with how little donors systematically reflected its priorities in their aid programmes, and how little they used national systems to channel, implement and account for aid. Sectoral support moves were timid, not broadly endorsed by the G24, and focused on less controversial sectors such as the environment, or on state-control organs such as the Human Rights Ombudsman's Office.

The 2008 PD monitoring survey revealed very low starting points in these areas. Donors did not intend to channel more aid through national auditing systems or through *Acción Social* as an implementing agency. Some were promoting decentralised aid to regional and departmental governments counter to the government's centralising impulse. Donors expressed particular reservations about the lack of parliamentary oversight of *Acción Social* and serious flaws in Congress which undermine its accountability role.

Government officials considered it paradoxical that "countries with weak institutions... already have much higher percentages [of aid] channelled through government than Colombia".<sup>17</sup> That this situation endured despite the PD implies that donors carefully guard the right to determine the nature and destination of their aid, and consider the Colombian government's interpretation of ownership and alignment to be too literal.

Thus, donors work in the spirit of the PD rather than being bound by it. The PD can be seen as a formalised framework for doing what was already being done – such as signing Memoranda of Understanding with individual donors and providing indicators to track progress. Nevertheless, many government and embassy interviewees felt that joining the PD club has definitely improved relations with certain donors, increased aid, and recognised good aid management.

Participating in the PD monitoring survey also permitted the government to gather substantial aid inflow data. Previously, the government considered donors evasive on this issue while donors in turn complained that the government's data categories conflicted with their own. Donors and their NGO partners suspected that the government's repeated requests for aid data masked control mania or security-related intelligence-gathering that could compromise their partners' and programmes' integrity.

### Empowering government vis-à-vis social actors

The government and donors have long complained about too many meetings. Yet at the time of our research two aid policy dialogue processes – PD and LCB – were running in parallel and involving virtually the same institutions and many of the same individuals. The former Presidential Advisor for Social Action and chief architect of Colombia's new aid architecture defined the PD as offering further "technical improvements", and the LCB process as "a convergence between government and civil society", both necessary but quite distinct.<sup>18</sup>

*Acción Social's* director, recognising the role of the international community in Colombia as primarily political, affirms that in contrast to the LCB process, "Paris is not about politics. [...] As we move forward, things will be done more technically. Politics will carry less weight."<sup>19</sup>

Through 2008-2009, the LCB process had to adapt to accommodate the PD process while preserving its distinct identity. LCB social actors constructed and politicised points of convergence with the PD agenda, such as a critical appraisal of the MDGs from an equality perspective and an analysis of the aims and impacts of the 2007-2010

aid strategy. They insisted on the international community contributing to peace-building, on respect for human rights, and on strengthening the rule of law as the bedrock of aid, enshrining all these in LCB Declarations.

Donor governments and international institutions in the G24 generally identified positively with this insistence, but had a difficult equilibrium to maintain. This was revealed by the frictions generated when the government unilaterally produced a new aid strategy for 2007-2010. That government move exemplified how PD principles (alignment, harmonisation and ownership) can narrow donors' room for manoeuvre, and restrict space for political dialogue involving social actors. Describing his role in Colombia as "combin[ing] aid and diplomacy", one donor actor reflected: "*Acción Social* always wants everything done through it. [My country] tries to explain why it works as it does. It's about applying the Paris principles *in a context of conflict and polarization*."<sup>20</sup>

Most donors welcomed the government's efforts to technically improve aid but considered that the PD had made no difference to them. Further, they recognised that PD adoption was a useful opportunity for Colombia to reframe aid as a technical issue. In the 2007-2010 Aid Strategy, the related positioning of the MDGs and marginalising of the language of rights, conflict and peace was a skillful manoeuvre by government to shift the international community's attention from uncomfortable issues like human rights.

Many government and a few donor interviewees interpreted the PD process as enhancing and reinforcing the LCB process. Key government figures have even publicly called for subsuming important elements of the LCB within the PD process. Some interviewees speculated that the LCB had initially enhanced social organisations'

domestic legitimacy at government's expense. Adopting the PD enabled the government to tip the balance of aid policy dialogue back towards the technical terrain where social actors are less qualified and where it could conduct interactions bilaterally between aid officials and government officials.

Social actors argue that the government outwardly showcases a democracy-enhancing partnership with social actors while actually seeking to undermine the LCB process, as evidenced by the severely diluted Bogotá Declaration. The principle of ownership seems to have been applied by Colombia taking ownership of the aid effectiveness concern that led the UK government to propose the London roundtable in 2003.

Accra has deepened the ownership principle to mean democratic rather than government ownership, positioning social actors as legitimate co-owners and interlocutors. However, by early 2009 the Colombian PD process continued to exclude civil society. Some interviewees foresee that the government will have to accept civil society groups as legitimate actors in political and technical aid, development and public policy debates. Social actors are determined that human rights issues will not get marginalised, but most of them are disadvantaged in their efforts by their limited knowledge of the PD and aid debates in general.

Many have insisted on the continued need for an LCB process which, if anything, should absorb the PD process rather than vice-versa. PODEC has argued that: "The [LCB Process is] the ideal policy space for adapting and taking forward the [most relevant] recommendations of the Accra Agenda for Action." However, by early 2009, despite Accra's promotion of the role of civil society, there was still no tripartite space for the PD process.

## Conclusions

In adopting the PD in November 2007, the Colombian government was pursuing its own interests to promote its regional and international legitimacy. Within Colombia the PD has brought to the fore a technical dialogue about the ownership, harmonisation and alignment of official aid in which governments are the protagonists. The mutual accountability and management for results principles have limited profile.

The requirement for donors to align with government policies, at a time when the Government officially denied the existence of an internal armed conflict, obliged donors and international NGOs to tie themselves in knots when discussing their aid programmes. Diplomatic missions and aid officials do not expect Colombia's membership of the PD to lead to significant improvements in national systems, transparency, the elimination of corruption or other features of good aid governance. The Uribe government meanwhile has managed to increase its legitimacy and rebut accusations that it lacks a focus on poverty, rejects international mechanisms of state accountability, and spurns democratic dialogue and dissent.

Many donors may have thought that the government's decision to join the PD would free up LCB spaces for influencing policy on issues of peace, conflict and root causes of conflict such as inequality. However, several recognise

the problems of implementing the PD in a country like Colombia characterised by internal conflict and with middle-income status. In fact, some supported PD adoption only by default to be consistent with their governments' pro-PD positions.

That the PD has undermined LCB processes may not be a great concern for most donors – their influence is protected by their commercial and defence relationships, as well as by the Government's political need to maintain functional relations with them. But it is much more of a problem for civil society actors who can find themselves squeezed out of technical discussions on aid effectiveness. Colombian social actors are increasingly hoping that the AAA's legitimisation of civil society involvement in aid and policy dialogue will provide them the space to promote human rights issues.

Donors should learn from cases like Colombia and pay more attention to political analysis in PD application, and to adapting its principles to particular aid-recipient contexts. As the global aid agenda focuses more on state fragility and conflict issues, these will prove increasingly difficult to keep off the Colombian agenda, however hard the government may try. Themes of human rights, international humanitarian law, conflict and peace will not quietly disappear from donors' relationships and priorities in Colombia. They are likely to endure or rise in prominence in Colombian aid policy debates, PD or no PD.

## Endnotes

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# Nicaragua: A Testing Ground for Aid Effectiveness Principles

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During the presidency of Enrique Bolaños in 2002-2006, the Nicaraguan government for a time led the way for the rest of the world in development cooperation harmonisation and alignment processes. However, everything changed a couple of years after the signing of the Paris Declaration when the Sandinista government came back to power and abandoned aid effectiveness processes.

This article explains the main donor shortcomings during the rule of the Bolaños government during which donors inhabited a pseudo-reality where everything seemed to be going well. It presents the principal flaws in the international aid effectiveness agenda in Nicaragua: the implementation of an overly technocratic approach; lack of democratic ownership; and dependence on the conditions imposed by the international financial institutions (IFIs). These flaws made it too easy for the Sandinista government to abandon the aid effectiveness process.

The article argues that no sustainable advances have been made to end impoverishment, and that development effectiveness should be placed at the heart of donor-government discussions in Nicaragua.

## Nicaragua, the “donor darling”

Nicaragua ousted one of the most cruel dictators in Latin America, Anastasio Somoza Debayle, in the popular Sandinista uprising in 1979. The

international solidarity movement then began to support the impoverished country which faced a 10-year civil war against the counter-revolutionaries supported by the United States (US).

The Sandinista revolution ended with free and transparent elections in 1990 when the right-wing candidate Violeta Chamorro defeated Sandinista president Daniel Ortega. This marked the beginning of neo-liberal and US-friendly policies. The aid continued, but in the form of official bilateral and multilateral aid instead of solidarity support. With these elections, Nicaragua consolidated its status as a “donor darling”.

Dependence on foreign aid and the agenda of neo-liberal governments was soon to give the IFIs considerable powers over Nicaraguan policies.<sup>2</sup> Requests and suggestions by the IFIs were heard carefully; as a result, many public services such as electricity and the financial system were privatised and state functions dismantled to a minimum.

## Nicaragua, a pioneer in aid effectiveness

In 2002, the government of President Enrique Bolaños took the initiative to gain some control over channelling international aid according to its own priorities. Suddenly, Nicaragua became one of the most active countries piloting enhanced donor harmonisation, alignment and ownership. Three years later these concepts were adopted as principles of the Paris Declaration.

The process led the Nicaraguan government to create a permanent dialogue structure among the key development actors: government, donors and civil society. The first International Development Cooperation Coordination Forum was organised in 2002 and repeated annually until 2006, with good results.

The government formed sector-wide roundtables and coordinated dialogues around public issues such as health, education, infrastructure, governance, production and competitiveness. Heads of Missions met at donor roundtables to agree joint positions for the dialogues.

The most important alignment tool was the National Development Plan (NDP), 2005-2009, which set government priorities for five years and included all the sector-wide approaches. The whole package was oriented by results-based public management. The main element was elaborating and filling out matrices with performance indicators.<sup>3</sup>

The NDP was a continuation of the Poverty Reduction Strategy Papers (PRSP) which had been the condition for entering the World Bank's (WB) Heavily Indebted Poor Countries (HIPC) initiative and the International Monetary Fund's (IMF) low-income country facility. During the presidency of Arnoldo Alemán (1997-2001), the PRSP was "elaborated by technocrats according to donor directives", as Geske Dijkstra points out in her critical article on the experiences with PRSPs in three Latin American countries.<sup>4</sup> Unfortunately this also occurred with the NDP of President Bolaños despite the high expectations arising from the prominence of Bolaños in promoting the aid effectiveness agenda.

## What went wrong, 2002-2006

A closer look shows many factors in the apparent success story under Bolaños that reduce or are even counterproductive to development and aid effectiveness.

The close relationship between donors and the Bolaños government led donors to live in a virtual reality where everything seemed fine despite the severe political crisis facing the country. After being elected, President Bolaños began to investigate and prosecute the previous government including his party colleague Arnoldo Alemán, suspected of money laundering. This move left Bolaños politically isolated because Alemán continued to be the real leader of the Liberal Party and thus directed parliamentarians to boycott government proposals. Furthermore, Alemán had made a pact with the Sandinista party so Bolaños had insufficient support within the National Assembly to govern effectively.

This situation led to everyone forgetting the key actors needed for building a social contract around the NDP. Due to the political rivalries, the NDP was never even presented to the National Assembly. Civil society only participated in the NDP process in a token way. "They called us to the meeting at CONPES (National Council for Economic and Social Planning), informed us about the plan and the next day they told us that the consultancy rounds had been carried out," explains Adolfo Acevedo from the Economic Commission of the Coordinadora Civil.<sup>5</sup>

Even bilateral donors claim they did not have much to do with the plan. Donor support for participatory and consulting mechanisms was

limited to very specific sectors and themes. Stern Ström of the Swedish embassy commented: “I think there was not much consulting. Because not even us donors had a chance to discuss the last version. It was presented in March 2005 and approved by the World Bank and IMF in January 2006. During that time there was silence. There were negotiations only between the government and those two. Regarding the people, I think, the plan wasn’t discussed at all.”<sup>6</sup>

The strict deadlines imposed by the IFIs meant that a proper consulting process was not even possible. As was the case with the PRSP under the Alemán period, the NDP was elaborated mainly by technocrats with close technical assistance by the IFIs. “90 percent of the Ministers I interviewed after approving the PND didn’t have knowledge about the plan, even about the parts that refer to their corresponding sector,” mentions a Nicaraguan consultant who followed the PND process closely during the Bolaños government. Thus ownership, even by the whole government, remained quite limited.

Even if the NPD had been discussed properly and elaborated together with all the relevant stakeholders, it could still be considered a weak paper because it fails to discuss macroeconomic targets, land rights, privatisation, access to natural resources or trade agreements. Technocratic approaches adopted by the IFIs and donors led to the omission of these political themes that have major impacts on poverty.<sup>7</sup>

The other big problem has been the continuing conditions imposed by donors. Mauricio Gómez, former Vice Minister of External Cooperation, commented that “[Everyone] wanted to enter with their conditions. The World Bank wanted its conditions, then others like the European Commission entered and wanted other things with their criteria.”<sup>8</sup>

Governments have to sign agreements with the IMF before receiving budget support or loans from the World Bank or Inter-American Development Bank (IADB). This brings macroeconomic conditions into the aid process. These conditions are complemented by special policy matrices that contain large numbers of indicators for measuring impacts and outcomes, as well as specific priority actions demanded of the government such as laws on Access to Information or Financial Administration.<sup>9</sup>

The donors also required conditions on good governance, although these were not demanded too vigorously given that the Bolaños government received special treatment because of his interest in fighting corruption.

Conditions applied to the sectoral programmes and budget support were added to old-style conditions attached to project cooperation. In 2006, there were 42 sources of international cooperation with 421 separate projects which were not necessarily in line with the NDP. As a result the Public Investment Programme tended to become an extensive list of projects rather than a strategic allocation of funds for the processes highlighted in the NDP.<sup>10</sup>

This is counterproductive – the rule of law weakens when there is no real will to implement the laws because these were imposed. People in Nicaragua often say that the country has the best laws in the world but the problem is that they are not implemented. In short, despite Nicaragua’s pioneering role in the aid effectiveness agenda, there was no ownership over the government’s plans, conditions applied to aid were maintained or even increased, and donors kept imposing their preferences.

## Aid effectiveness in crisis

Sandinista leader Daniel Ortega returned to the presidential seat in 2007. The new government expressed its will to continue with the “alignment and harmonisation” process but the concrete actions have been incoherent with the approach started by the Bolaños government.<sup>11</sup> The government has been reluctant and even hostile to dialogue with the donors. As a result the sector-wide roundtables have been dismantled.

The government has also been hostile towards critical, autonomous civil society. In October 2008, state prosecutors and policemen raided the offices of several civil society organisations – such as the Center of Research for Communication and the Autonomous Women’s Movement, as well as Oxfam (UK) and Forum Syd (Sweden) – and confiscated all the files, computers, and bookkeeping. The official reasons involved embezzlement and money laundering but all the charges, which were merely invented, were dropped a few months later due to lack of evidence.<sup>12</sup>

In 2009, the government tried to limit the space of civil society by preparing a manual for regulating and controlling development cooperation. The aggressive attitude has also led to violent attacks on civil society leaders. The Office of the High Commissioner for Human Rights has expressed its concern over the harassment of journalists and human rights defenders in Nicaragua, as well as on the total ban on abortion approved in 2007.

Transparency has also suffered. Civil society has presented serious concerns, for example about the large amount of Venezuelan aid, estimated to be US\$457 million in 2008, which is not channelled through the General Budget.<sup>13</sup> There is no public information or democratic control of how this money – around half of which is in the form of loans – is being used.

## Donors going their own way

Donors had a tremendous shock with this rapid change in their development partner. Sweden and the United Kingdom (UK) withdrew from Nicaragua. Especially after fraudulent municipal elections in 2008, several other donors reduced their support to the government. All bilateral donors froze or cancelled their budget support. Likewise, the US froze its US\$60 million Millennium Development Fund for Nicaragua.

Most of the former Budget Support Group members continued to cooperate with the government through other modalities such as sectoral programmes and traditional projects, while others directed more support to the civil society or to the private sector. Denmark redirected practically all its aid to civil society and the private sector. The Danish Development Cooperation Minister explained the reasons for this in January 2010: “I don't want to utilize Danish cooperation for supporting the Nicaraguan government and thus supporting negative development.”<sup>14</sup>

Yet financing from the IFIs has continued with the government fulfilling their macroeconomic conditions. The IFIs gave additional support in 2009, partly due to the economic crisis that severely affected Nicaragua. The IMF also gave Nicaragua US\$38 million under its Poverty Reduction and Growth Facility (PRGF) and, instead of earmarking the loan for strengthening the international reserves of the Nicaraguan Central Bank, released the money as general budget support for the first time in history. The World Bank and Inter-American Development Bank likewise released additional loans.

As a result, aid to the government of Nicaragua in 2009 was almost US\$30 million more than originally planned, even if all bilateral and EU budget support totalling US\$64 million was

frozen.<sup>15</sup> This situation clearly shows poor coordination between IFIs and bilateral donors. While one hand withdraws aid, the other offers additional loans. There were no efforts to coordinate the decisions or explain them openly, including how judgements on human rights were reached.

The government ended up substituting loan finance for grants. As a result, Nicaragua continues to live under the conditions imposed by the IFIs even as future governments will have to repay these debts.

## Conclusions

The Bolaños government was a pioneer in leading the dialogue process with donors. Unfortunately there were no real advances in unifying and reducing conditions applied to aid. Thus the dialogue did not succeed in its most important aspect – to guarantee that the national government really has the power to decide on its own development.

Furthermore, there was no democratic ownership in the process of drafting the NDP. Since it was actually the IFIs who led the way in the discussions with the government – with neither the National Assembly nor civil society playing any particular role – it was easy for Ortega’s incoming government to later disregard the NDP.

The Nicaraguan case is in line with general criticisms of the aid effectiveness agenda by CSOs. So far, donors and recipient governments have adopted a narrow agenda focused on the management and delivery of aid instead of being concerned about development and human rights. In Nicaragua, the aid effectiveness agenda was

considered successful with some progress being made in delivering aid more efficiently. Yet, at the same time, the democratic ownership and impact of aid needed for long-term success were forgotten.

The Nicaraguan experience indicates that donors should abandon technical approaches in countries where the political culture is fragile, complex and constantly changing.<sup>16</sup> Instead of demanding and monitoring detailed plans, a more holistic and long-term approach is needed and national politics should more openly be taken into account.

The importance of democratic ownership and a broader long-term approach is captured by moving to the concept of development effectiveness which places human rights, social justice, gender equality and ecological sustainability at the core of aid relations and the development process. The point of departure should be obtaining results in ending impoverishment through coordination between all development actors: donors, governments, parliaments, CSOs and communities.<sup>17</sup>

In practice, in Nicaragua, this could mean donors actively finding ways to support dialogue between the government, parliament and civil society, as well as demanding more public guarantees of basic human rights. Development effectiveness means democratic discussions on fundamental themes in fighting poverty which are not currently discussed in the context of development plans. Such issues include trade agreements, land reform, privatisation or the use of natural resources. Finally, this approach would also mean utilisation of existing concrete plans at local, regional or national levels, instead of relying on technocratic documents whose ownership is mainly in the hands of consultants contracted by the IFIs.

## Endnotes

- 1 KEPA is a service base for Finnish NGOs interested in development work and global issues.
- 2 Nicaragua has, however, made some progress in reducing aid dependence. According to the Nicaraguan Central Bank the foreign aid represented 20.4% of the public investments in 1994, while in 2009 the percentage had reduced to 9.3.
- 3 See also "The Nicaragua Challenge Donor Harmonisation: Between Effectiveness and Democratization. Case Study II." Claudia Pineda, Nils-Sjard Schulz, 2008.
- 4 The PRSP Approach and the Illusion of Improved Aid Effectiveness: Lessons from Bolivia, Honduras and Nicaragua. Geske Dijkstra. Development Policy Review 2005, 23 (4): 443-464.
- 5 Interview with Adolfo Acevedo, 12.2.2010.
- 6 Consideraciones sobre la efectividad de la Cooperación Externa Oficial en Nicaragua y la implementación de los compromisos asumidos en la Declaración de París. Trocaire and Cafod, 2008.
- 7 The PRSP Approach and the Illusion of Improved Aid Effectiveness: Lessons from Bolivia, Honduras and Nicaragua. Geske Dijkstra. Development Policy Review 2005, 23 (4): 460.
- 8 Consideraciones sobre la efectividad de la Cooperación Externa Oficial en Nicaragua y la implementación de los compromisos asumidos en la Declaración de París. Trocaire and Cafod, 2008.
- 9 The PRSP Approach and the Illusion of Improved Aid Effectiveness: Lessons from Bolivia, Honduras and Nicaragua. Geske Dijkstra. Development Policy Review 2005, 23 (4): 457-458.
- 10 Consideraciones sobre la efectividad de la Cooperación Externa Oficial en Nicaragua y la implementación de los compromisos asumidos en la Declaración de París. Trocaire and Cafod, 2008.
- 11 Compare also with "Nicaragua: Un duro despertar en el laboratorio de la eficacia de la ayuda". Nils-Sjard Schulz, FRIDE, 2007.
- 12 For detailed analysis on the events see: *Civil Society's Crime Against the State of Nicaragua. Should the Civil Society be Guaranteed from Above, the Outside, or from Within?*, Segnestam Larsson, Ola (2010). Paper presented at the conference Power to the People? (Con-)Tested Civil Society in Search of Democracy. Uppsala, Sweden.
- 13 Notas sobre la cooperación de la Republica Bolivariana de Venezuela y breve compendio acerca de lo que hemos logrado conocer sobre ella, Adolfo Acevedo, 2010.
- 14 "No quiero apoyar un desarrollo antidemocratico en Nicaragua". La Prensa, 19.1.2010.
- 15 Adolfo Acevedo, 2010: "Que ocurrió realmente con los desembolsos de la cooperación externa en 2009?"
- 16 On the political context and caudillismo in Nicaragua, consult for example "La democracia a la deriva: la política caudillista de Nicaragua. David R. Dye. Managua : Editarte, 2004.
- 17 On the criticism of the aid effectiveness agenda and definition of the development effectiveness, see for example IBON Primer on ODA and Development Effectiveness - Can aid be a key contribution to genuine development? IBON International, 2009.

# Good Governance for Development Effectiveness in India

Anil K Singh, South Asian Network for Social and Agricultural Development

## Introduction

Prior to 2002, India was among the top recipients of aid and received the most food aid. Foreign aid played a significant role in financing government expenditure on infrastructure and the social sector, specifically in health, water and sanitation, and education. However, as the Indian economy gathered momentum and became able to mobilise financial resources, external aid became negligible for government budgets. In the new era of massive inflows of private foreign capital and burgeoning foreign exchange reserves, foreign aid has lost much of its charm in India.

In June 2003 the Indian government announced that India would stop receiving grant aid from most countries and would repay all outstanding bilateral creditors. The Government of India decided to dispense with grant aid from countries except the European Community, Japan, the United States of America (USA), the United Kingdom (UK) and Russia. The extent to which civil society organisations (CSOs) could obtain support from foreign governments was also limited.

The decision has been seen by many as an act of flamboyance, especially with India still in need of more resources for human development. This article looks at the challenges still facing India in reaching development goals, the impact of foreign assistance, and the necessary role for civil society and poor communities in achieving development results.

## Institutions in India: A brief overview

India has a vast network of institutions and constitutional safeguards aiming to achieve development goals. (See Box 1)

Despite being a vibrant democratic state with a whole range of delivery systems and institutions, the people of India face serious development challenges spanning from ensuring basic education for all, provision of primary health care services, ensuring and sustaining livelihood security, and providing basic amenities of life to each and every citizen of the country.

While the multiple institutions and procedures of democracy are increasingly in place, the critical challenge is how to deepen their inclusiveness and substance. Citizens must be able to engage in democratic spaces to create more just and equitable states and societies. The role of CSOs in these institutions are minimal and restricted to filing complaints or sending their comments or inputs. India has democratic deficits in every possible dimension.

The quality of services delivered to the public in India is pathetic. States have not delivered the desired developmental outcomes even after 60 years of independence. India's performance on indicators on health, nutrition and hunger are comparable to those of Sub-Saharan African countries.

A key reason for the poor quality of services is that monitoring and evaluation agencies fail to enforce

**Box 1:**

**Legislation and Policy-making:** Legislative bodies at various tiers of the federal system spanning Parliament (at the national level), State Legislative Assemblies, and village level Gram Panchyats (self-governance institutions).

**Planning and Programme Formulation:** State and national level Planning Commissions are advisory institutions that formulate plans and programmes for social sectors, supported by State Planning Boards and district Planning Committees.

**Allocation of Financial Resources:** The Union Finance Commission is a constitutionally mandated institution with authority to recommend allocations of financial resources to States and to divide Central Government tax revenue between Central Government and State Governments to ensure regional parity in financing for development.

**The Executive:** Various departments of the National and State Governments implement the devised laws, plans and programmes.

**Monitoring and Evaluation:** Various Commissions and Parliamentary Standing Committees with independent authorities, constituted by the government, are responsible for ensuring that plans and programmes are implemented effectively.

**Financial Monitoring:** Comptroller & Auditor General is the apex authority to monitor proper utilisation of funds allocated to different Ministries/ Departments. They are supported by State-level Accountants General.

**Judicial Review:** Justice matters are covered through the various courts: from the Supreme Court at the highest level, through High Courts & District Courts, to Gram Nyayalaya (Village Court) at the local level.

**Elections:** An Election Commission at national and state level oversees elections at different tiers of government.

**Fundamental Rights:** The Indian Constitution mentions a range of fundamental rights and prescribes the “Fundamental Principles of States’ Policy” to guide government policies in conforming to fundamental rights.

**Transparency and Accountability:** The Right to Information Act has far-reaching implications towards imposing accountability of the government system to the people and delivery of various public services in the country.

**Central Vigilance Commission and Lokpal:** The Central Vigilance Commission and Lokpal has the power to enquire into financial and other kinds of fraud to strengthen checks and balances in the administrative and legislature system. Lokpal is for political authority such as ministers and Governors.

the functioning of the system. The agencies submit their reports and recommendations to the government which has the responsibility of initiating corrective and penal measures to implement the recommendations. However the government's response has been indifferent. There are no significant consequences for non-compliance with financial rules, regulations and procedures. There are also serious deficiencies in the existing internal audit system. The capacity of staff is inadequate and supervision is weak. There is lack of response to internal audit reports; no effective action is taken to rectify the deficiencies and hence the identified irregularities and deficiencies persist.

### **Failing to use the funds available**

Since the start of planned development in India, policy documents have reiterated the need for external assistance to bridge the gap between domestic savings and investment requirements. Multilateral and bilateral agencies have provided both loans and grants. The World Bank (WB) extends assistance through its concessional lending window, the International Development Agency (IDA), as well as semi-concessional lending through the International Bank for Reconstruction and Development (IBRD). Assistance from the Asian Development Bank (ADB) is also semi-concessional. These form the principal sources of multilateral external assistance to India. The significant bilateral sources include Japan, Germany and the UK.

Pressure on the government for additional support for developmental programmes is frequently met with the response that there are not enough funds. However, the recent report by Comptroller & Auditor General (CAG) provides a startling picture of the non-commitment and lethargy of the government.<sup>1</sup> On 31 March

2008, unutilised committed external assistance amounted to US\$17,295 million. The government failed to spend this money that international donors allocated to it.

Over 35% of unutilised external assistance was for urban development. Sectors such as agriculture, the environment and forestry, power, water supply and sanitation, and water resources have unused external aid amounting to US\$5,192 million. The health sector has not been able to utilise US\$1,067 million that donors have committed for various projects. This is in spite of the need for large funds to provide minimum health facilities especially in rural areas.<sup>2</sup>

The government has to pay donors commitment charges on the undrawn sums. In 2007-08 the Indian government paid US\$27.5 million in commitment charges. These charges are intended to incentivise governments to use their foreign assistance as specified in the donor-government contract. This points to continued inadequate planning by the government.

### **Failing to meet development goals**

The Directive Principles of States' Policy – the 'conscience' of the Constitution – explicitly says that the State shall endeavour to: provide adequate means of livelihood; reorganise the economic system to avoid concentration of wealth in a few hands; make effective provisions for securing the right to work, education and public assistance in case of unemployment, old age, sickness and disablement; and promote the education and economic interests of working people.

However, Parliament and the State legislative assemblies have failed to generate enough resources to finance the programmes needed to achieve development goals. Public spending on

**Table:** Unutilised Committed External Assistance and Commitment Charges

Year	Unutilised Committed External Assistance (Million USD)	Commitment Charges ('000 USD)				
		ADB	France	Germany	IBRD	Total
2000-01	12,615	664,100	13,262	9,332	1,289,396	1,976,092
2001-02	13,866	630,699	10,806	37,331	1,701,512	2,380,348
2002-03	14,929	1,299,220	9,333	46,664	1,945,146	3,300,363
2003-04	14,298	1,877,852	982	441,588	2,255,093	4,575,515
2004-05	15,166	2,215,306	0	101,678	5,793,196	8,110,180
2005-06	13,977	2,623,983	0	91,363	4,562,744	7,278,089
2006-07	16,829	2,925,579	0	94,801	3,881,451	6,901,831
2007-08	17,295	3,072,447	0	84,486	2,960,454	6,117,387

Note: Conversion rate from Indian Rupees to US\$: 1 Rupee = .02216 US\$ (as on 12.05.2010)  
 Source: CAG Report (2008-09, Union Audit, Civil)

health and education in India, as a proportion of gross domestic product (GDP), is less than the levels in other Asian countries. The Kothari Commission of 1968 recommended that India spend at least 6% of GDP on education. However, public spending on education has been less than 3% of GDP. This, in itself, shows the gap between rhetoric and reality in so far as the commitment of the government towards implementing constitutional directives is concerned.

One of the most disturbing features of external aid in recent years has been the inclusion of strong terms and conditions regarding utilisation of funds which limits the autonomy of the authority entrusted with the responsibility to deliver services. According to Kapur and Webb, “even if conditionality is interpreted narrowly, its burden on borrowers has grown significantly. The average number of criteria for a sample of 25 countries having a program with the International Monetary Fund (IMF) in 1999, with programs initiated between 1997 and 1999, is 26. This compares to about six in the 1970s and ten

in the 1980s.” A study by Mosley, et al on the WB’s policy lending demonstrated that there is no discernible relation between the intensity of conditionality and success in implementation of promised reforms. Development assistance is most effective if it is managed, coordinated and used in the context of national priorities.

Many externally-aided social sector programmes have absolutely no relation with the needs of the region. This leads to indifferent government behaviour on effective implementation, monitoring and evaluation. Further, donors often call for the creation of alternative mechanisms for project implementation which leads to duplication of tasks and waste of resources. For example, under “Education for All” (Sarva Siksha Abhiyan), two bodies were created for monitoring and evaluation of performance that duplicate the activities of the existing system of school inspectors. Avoiding parallel administrative arrangements including donor-created autonomous project units and dual budgeting systems is essential for effective use of aid.

## Skewing aid allocation

Another problem is the concentration of aided projects in relatively developed areas. In keeping with current notions of “effective aid”, developed country donors are increasingly directing aid to only a few ‘reform-minded’ Indian states, neglecting the poorest states with weak economic management. This virtually amounts to punishing the poor for the failures of their rulers.<sup>3</sup> The shift of resources to a few reform-oriented states like Andhra Pradesh, Karnataka, Orissa and Gujarat may open up considerable business opportunities for corporations from the donor countries. Both Andhra Pradesh and Orissa, in particular, have ambitious plans to privatise the power sector and the UK’s Department for International Development (DFID) has already committed some US\$130 million to power sector reforms in both states.

Aid is also often made available for objectives which have nothing to do with development. India has obtained aid for defence equipment from countries like the US, UK, France and Germany which want to support their own defence industry. It is ironic that global peace is a stated objective of all countries yet aid is offered to poorer countries for the purchase of weapons.

Different ministries often compete for the approved grants, resulting in inefficient allocation of scarce financial resources. Given the lack of resources to finance the massive needs, there should be a prioritisation of expenditure plans to maximise developmental outcomes. However politicians, to increase their chances of re-election, indulge in rent-seeking and lobbying for more funds to finance popular schemes. The Ministry of Railways provides an apt case – the Railway Minister in India tends to announce more trains for their own state so as to garner votes and win in the next assembly elections.

There are no clear guidelines and mechanisms to scrutinise the disbursed funds. A major proportion of the funds are routed directly to programme implementing agencies, bypassing the legislature. Since the government changed its policy on external aid in 2003, it has permitted donor agencies to give grants to NGOs if needed. Utilisation of funds is also not scrutinised by the legislature. Inter-ministerial competition of resources as well as proliferation of projects and public service posts must be avoided if aid is to lead to development effectiveness. To make external aid more effective, entire grants should be channelled to government budgets (the consolidated fund) which in turn should be allocated to different ministries on the basis of their demand for grants which will be scrutinised in the legislature. This would ensure proper monitoring of fund utilisation.

## The need for good governance and participation in India

Lack of ownership of external aid operations by the government and top-down planning with very limited stakeholder involvement are detrimental to development effectiveness. For development to be sustainable over the long term, recipient governments must exercise effective ownership over the development process, including over aid. It is fundamental that they do this in full consultation with and with full accountability to their citizens, including the poor. In particular they must draw up national development strategies with wide participation of citizens through broad consultation.

The Directive Principles of States’ Policy reflect the consensus on the necessity for state action to facilitate the transfer and distribution of power to the citizens, stating that: “democracy will become real when in practice there is sharing of power and responsibility by all sections of the people.”<sup>4</sup>

Yet peoples' participation is lacking in various stages of policy and programme formulation, implementation, auditing, and evaluation.

Civil society represents and shapes the aspiration of the people. Civil society organisations play an active role in setting priorities and making known the needs of the most vulnerable people. Hence the scope for participation of civil society in public discussions and programmes is key. Yet civil society organisations have only had a limited role in policy formulation and implementation in India.

CSOs have a definite and distinct role to play in ensuring government accountability to the people and financial transparency. To do this, they must be able to scrutinise budget reports and independently review them. They must be able to debate and influence budget policy and be able to hold the government to account. The media must also engage in this. Citizens must be in a position to influence public policy and to hold the government to account.

All these elements work together. The scrutiny of public information (including fiscal and financial) by the legislature and by civil society can only take place if there is transparency. Released information is only of value if it is effectively scrutinised by the people and by civil society organisations. The legislature and civil society have a very similar function – one is responsible for shaping public policy and for holding government directly to account, while the other performs this role indirectly.

## Endnotes

1 Union Audit, Civil, 2008-09.

2 CAG Report; 2008-09, Union Audit, Civil.

## Conclusions

Many variables influence aid effectiveness including macroeconomic policy, institutional frameworks and political stability. However good governance is essential. Intra-government as well as intra-donor coordination and coordination among government, donors and civil society are vital to ensure good governance and to produce optimal results from external assistance. Governance supports a society in which people can expand their choices, promotes freedom from poverty, deprivation, fear and violence, and sustains the environment and women's advancement.

In India there is a fairly opaque mechanism for the allocation and disbursement of aid. The allocation of foreign funds across sectors is determined on the political whims of the finance ministry rather than any economic reasoning or deliberation in the parliament. Neither the expenditure from external accounts nor disbursement of funds to foreign countries is even discussed in parliament. India is now also itself becoming an aid donor – allocating substantial sums to African and South Asian countries without any proper debate.

The government of India is paying financial penalties for not using approved external aid. This shows that the government is not committed to uplift the poor people for whom the funds are intended. Donors need to improve the way they deliver aid, but aid recipient countries are also equally responsible for the sparse and inequitable impact of aid on development outcomes.

3 Binu, 1999.

4 See: [www.lawmin.nic.in/ncrcw/finalreport/v1ch3](http://www.lawmin.nic.in/ncrcw/finalreport/v1ch3).

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# Positioning Environmental Equity at the Heart of Development Effectiveness

Suranjan Kudithuwakku, Green Movement of Sri Lanka

## Introduction

All life forms try to find safer, more stable and more comfortable environments. Human attempts to do so are often described as “development”. Thus development is intrinsically bound up with the environment. Unfortunately when individuals communities, villages, towns, cities, nations or organisations all try to find better ways of living, clashes of perspective and interest occur between groups and also between the economy and nature.

Over the last 400 years, the greedy few have ruthlessly leveraged the sciences for exploitation, integrated greed into the very idea of civilisation, and used the powers of finance and government to legitimise efforts to break the fine balance of nature. A very small group of richer individuals and nations are destroying a majority of the world’s human and natural resources. However, the importance of the natural environment to the sustainable development of all people is increasingly recognised. The environment is now mentioned in every policy forum and every business stratagem. There have been hundreds of conferences held, thousands of documents published, millions of dollars spent and billions of kilograms of carbon emitted in a scramble to find ways out of the food, energy, climate and financial crises. However, policy makers are still in a quandary.

To those impoverished and marginalised by development aggression, the efforts to solve these

problems within existing development paradigms is irrelevant or a cause for anger. The small farmers, small-scale fishermen and pastoralists who form the majority of the world’s population depend directly on the balance of nature. Thus, for the world’s majority, the environment must be at the crux of any effective development model, and vice versa.

## Successful actions of the Green Movement of Sri Lanka Inc.

The Green Movement of Sri Lanka Inc (GMSL) sees a way to reverse this trend of overexploiting the natural environment. However, it is unrealistic to expect a complete balance between the social, economic and environmental aspects of life on earth. What we can achieve is a broad awareness of the interplay of these factors and how they affect long-term stability. The Green Movement works for universal recognition that preserving and enhancing the inter-relationships between economic, community and environmental development will lead to sustainability and harmony as an outcome. Its work starts with the conservation and management of natural resources. GMSL has developed systems of regenerative development and pushed for environmental equity to be factored into effective development paradigms. Our efforts have sometimes succeeded and sometimes failed depending on the strength and aggression of opposing forces and outside dependencies.

The Green Movement has focused on:

- Grassroots support based on the true environmental, conservation and regeneration requirements of communities as identified in their own plans;
- Promoting alternative systems for environmentally sensitive, community-centred planning and implementation;
- Leveraging communities and the media advocacy to government to resist, slow or neutralise development aggression; and
- Monitoring aid partnerships and the overall aid architecture.

These issues are examined in turn.

## **Grassroots support as identified in citizens' own plans**

The GMSL has provided grassroots support to communities based on their own plans. This has addressed communities' true environmental, conservation and regeneration requirements. GMSL has not sought solutions to communities' difficulties from textbook theories on sustainable development or the expertise of consultants with dollar signs in their eyes. Rather it has sought the truth, to paraphrase a Sri Lankan philosopher, "where people are tilling the earth, where they are building an irrigation canal; under the terrible effects of the burning midday sun, the torrential downpour and the destructive power of a wave".

An example is the rebuilding of the village of Kalametiya following the tsunami in 2004. At Kalametiya, GMSL worked to bring a shattered fishing community back to its feet and to strengthen livelihoods in the face of climate instability. It aimed to revamp the entire Hathagala

area to be better and stronger than it was in the pre-tsunami era. It worked for weeks with the communities to determine exactly what they required and continued to work within process-control systems where the community could, and often did, outvote the GMSL, the donors and other external agencies.

The GMSL engaged in a multi-sector, multi-party intervention that included emergency relief, village dwelling construction, water and sanitation work, agriculture and livestock enhancement for host and target communities. It also addressed recovery and enhancement of villagers' fishing livelihoods and the empowerment of women and youth through skills development. Efforts also targeted conservation of an adjacent bird sanctuary, sustainable tourism, education for children and conservation of environments.

One might expect such a complete intervention to cost millions. However, because ownership of the development was vested in the communities, many internal synergies were leveraged and made the whole exercise a triumph in the effective use of aid for development. The total expenditure was just 1% of the money that was thrown into this area by various donor agencies. A substantial percentage of the required funds came from a fishing community in Maine, United States of America (USA) which engaged in micro-scale fund raising activities like selling lemonade and toffee.

These grassroots support efforts prove that communities taking ownership of their own development futures can have astonishingly better results than agenda-driven external action. The GMSL intervention at Kalametiya was hailed by the Disaster Management Centre and the then Minister for Disaster Management and Human Rights as the best post-tsunami rehabilitation effort undertaken in Sri Lanka.

## **Alternative systems for environmentally sensitive, community-centred planning and implementation**

In the aftermath of the tsunami, the gross mismanagement of disaster situations and the urgency with which disaster management should be prioritized has become clear. GMSL embarked on a strategy to completely revamp the disaster management policy and infrastructure in Sri Lanka. It pushed for reform of the system from a top-heavy, official-driven, immovable behemoth to a system that mainstreams community strengths in preparing for and recovering from disasters. This community-centric system should fit within a national framework geared for long-term preparedness and adaptation, with the infrastructure required for quick response.

Between 2006 and 2008, GMSL embarked on a process of preparing community-centric, gendered disaster-preparedness plans which were tested to provide grassroots proofing of efficacy. They worked with the people and key players to identify weaknesses in the existing laws on disaster management and to formulate a set of reasons and recommendations for policy and legislative change. They succeeded in building up a groundswell that forced the government to approve the recommendations.

The new bill will be a first in providing policy that adequately reflects community needs while ensuring that post-disaster assistance is owned by these communities, is adequate for their own development futures, and is relevant to their long-term health and well-being. Crucial for this exercise is that the policy includes the form in which external assistance is to be provided, who can provide it, and who will be the recipient. GMSL will continue to lobby the government to implement the proposed changes.

## **Leveraging the media and advocacy to government against development aggression**

The Green Movement has frequently mobilised grassroots resistance to development aggression and lobbied for high quality environment and community safeguards. This work has, for example, pushed for environment and community safeguards on large-scale international financial institution (IFI) projects. GMSL worked for ten years to ensure that IFI projects are properly planned and preceded by true community participation. It fought to make sure the IFIs and their contractors are constantly aware of watchdog action and monitoring by GMSL, and that communities and individuals are brought together by the movement.

Strategies included increasing the awareness and capacity of affected or victimised communities on how to stand up for their rights by engaging government bodies, the IFIs and the legal system. GMSL conducted district, provincial and national campaigns to strengthen policies against aggressive development. It leveraged media coverage to highlight core concerns such as the privatisation of natural resources.

GMSL also engaged in large-scale networking to influence the IFIs. It worked to create a groundswell of support at local, regional and international levels for establishing firm safeguards and quick grievance handling procedures for the protection of the environment and the rights of affected communities.

The World Bank (WB) and other IFIs are signatories to the Paris Declaration (PD) and so should reflect real country needs in their plans for Sri Lanka. GMSL ensured that water privatisation was prevented no less than 12 times in the past 19

years. Its campaigns also stopped the Protected Area Management Project, obtained adequate compensation for development victims of the Southern Transport Development Project, and pushed officials to take great care in the Upper Watershed Management Project. An outcome of these actions was that the WB, in planning its new Forest Management Project, included a genuine engagement of CSOs in the formulation stages. The IFIs now recognise in principle that conditionality-driven and tied aid are bad ways to provide development assistance.

## **Monitoring aid partnerships and the aid architecture**

The IFIs' moves to work in the PD framework have resulted in the government balking at taking loans from them. Sri Lanka has increasingly turned to bilateral loans from emerging economies such as Iran, India and China to fund development activities. These donors want to increase their influence and the government is happy that citizens do not know the details of the debt being taken on. This may undermine many of the safeguards that CSOs have fought for. With no transparency requirements, individuals or governments may use these funds with impunity. One government minister, speaking at the South Asia Colloquium on CSO involvement in Development, said: "The World Bank gives us 50 million dollars and a one hour lecture while Iran gives us 500 million dollars and asks no questions."

There is a lack of safeguards on the environmental and cultural impacts of these loans. They also increase national debt which ordinary citizens will end up paying for through increased costs of living and taxes. These loans are obtained outside the Paris Declaration framework and render concepts such as "the role of CSOs in development" or "development effectiveness" rather meaningless.

GMSL is currently working locally and internationally to rein in these donors. However the countries providing these loans are themselves in the throes of political and social turmoil and thus their long-term negative impact could be lower than currently seems likely.

## **Challenges and considerations for the future**

After 400 years of colonisation, traditional Sri Lankan culture has been greatly muddled by strong, concerted and planned external influence and the advent of mass-marketing media and globalisation. This has resulted in a people unable to reconcile external emotional and social inputs with traditional sensibilities. There has been a rapid deterioration of community bonding and culture with a negative impact on the traditional livelihoods and culture of a large segment of the population. A quarter of a century of development aggression has broken the fabric of Sri Lanka's agro-cultural and fisheries-based society. Large-scale hydropower schemes, highways and other large-scale transportation and energy projects have resulted in a huge percentage of farmers going below the poverty line, the breaking up of communities, increasing crime, disempowering of women and young people, and driving some victims to commit suicide.

In addition, the protracted war that spanned roughly the same quarter century has resulted in: a massive drop in foreign investment; international compromise for short-term political gain; large-scale destruction of livelihood infrastructure; and loss of income. Additionally, global food, oil and financial crises have had a negative effect on development. Over the past two years a determined push by the government to eradicate terrorism has brought results although there are concerns about human rights violations and

about dictatorial actions by the government. Riding on a wave of massive public support due to the successful military action, there is a grave danger that the government will resist efforts to ensure equity.

Action for better foreign assistance will need to be adjusted to factor in the current threats and dangers. These strategies will include non-threatening dialogue and engagement of government officials and institutions, high quality diplomacy, multi-party action across sectors and facilitation of links between all parties. In early 2010, G20 governments and aid agencies approached Sri Lanka and offered large-scale post-conflict rehabilitation. If their interventions follow established patterns of previous (bad) aid delivery it may result in the sort of post-disaster “development disaster” that occurred after the Asian tsunami of 2004.

For the Northern and Eastern region of Sri Lanka that has experienced the worst of the war, there are the following significant threats:

1. Large-scale land grabbing for mega-projects, since many tracts have been abandoned by those who lived there;
2. High-speed “development” that aims to increase profit of donors at the expense of community lives and needs;
3. Destruction of cultural systems;
4. Enforced fracture and breaking apart of communities;
5. High risk for core community members such as women, youth and children;
6. New donor partners entering without understanding the realities of communities on the ground; and

7. No macro-model for the environmentally sensitive re-establishment of infrastructure to enable communities to mainstream their socioeconomic activities into national priorities.

The role of CSOs as watchdogs of development therefore needs to become even more significant in the next few years. Strong advocacy will be needed with governments and aid agencies based on global principles such as the PD and related approaches on development effectiveness as suggested by civil society groups.

## **Opportunities for the future**

The Green Movement has a great advantage is its ability to work with all sectors within creative frameworks that constantly bend and change given the new realities that present themselves. In a world increasingly suspicious of ideology and dogma, few activists, thinkers and public figures have been able to remove themselves from their own firmly held views to expand their horizons and change their views on issues such as aid. The movement’s next push must be based on bringing together multiple thought processes, world views and realities. Its action is based on ensuring mutual respect and regard for many different points of view. Its existence will be determined, and its presence as a development player vindicated, by the extent to which it is able to integrate diversity over the next decade.

In this context, the movement sees opportunities to:

- Work with policy makers to re-define the parameters by which “development” and “growth” are measured. The government wants to change official measures of success, growth and development to better reflect

peoples' satisfaction, while playing down economic production and growth.

- Provoke a paradigm shift amongst development actors to recognise the high quality of traditional livelihoods and ensure safety and equity for those who practice them.
- Provide, through grassroots mobilisation, alternative systems of developing the North and East of the country that are based on environmental sensitivity, while lobbying the government to resist external aid partnerships that have little regard for the environment.
- Work with the government to change core policy on agriculture, fisheries, disaster

management, health and energy towards non-exploitative, regenerative, minimal resource utilisation.

Much of the damage done by the greedy few in the developed world to environments and livelihoods in the global South is irreversible. Current efforts to tackle environmental challenges are inadequate because they remain within the existing development paradigm. It will never be possible to achieve full equity between people and between conflicting economic, environmental and social concerns. However, there is significant scope, as demonstrated by the work of the Green Movement of Sri Lanka, to use community-centric policies and a genuine prioritisation of environmental regeneration as an alternative development model.

# Environmental and Social Impact of the San Roque Dam

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## Introduction

In October 2009, during a major typhoon, the San Roque dam released excess water that submerged 90% of the province of Pangasinan in northern Philippines. The flooding forced more than 30,000 people from their homes, killed at least 64 people, and destroyed around PhP4.9 billion (US\$102.9 million<sup>1</sup>) worth of crops and properties.<sup>2</sup> It devastated the livelihoods and ancestral domains of indigenous communities and farmers, expropriating 4,000 hectares of land from 2,500 families and displacing 3,000 gold-panners.

The dam is a controversial mega-infrastructure project funded by the Japan Bank for International Cooperation (JBIC). Peasant and indigenous communities, local and international non-government organisations (NGOs), and some local government officials raised warnings about massive floods from the San Roque dam more than a decade ago. Their warnings were disregarded.

The San Roque dam project illustrates the fundamental weakness of “aid effectiveness” as articulated in the Paris Declaration (PD). Under the PD, “mutual accountability” is reserved for the relationship between JBIC and the Philippine government. However the Philippine government circumvented domestic environmental and social safeguards, violating its “domestic accountability”. People’s organisations (POs) and NGOs tried to supply JBIC with more accurate information and feedback from the affected communities.

However, even as JBIC fulfilled its commitment to the Philippine government the many issues raised by communities were set aside.

Now the people are demanding accountability.<sup>3</sup> The provincial government of Pangasinan is filing a class action suit against the dam’s operators – the state-owned National Power Corporation (Napocor) and the Japanese consortium San Roque Power Corporation (SRPC).<sup>4</sup> It also wants the San Roque dam decommissioned. As the funder, JBIC should be jointly responsible for the disastrous consequences of the project and yet it has been let off the hook.

## Construction of the dam<sup>5</sup>

The SRPC built the dam under a build-operate-transfer agreement with Napocor. The project, including the power and irrigation components, cost more than US\$1.1 billion. JBIC provided US\$400 million in official development assistance (ODA) loans to Napocor and, together with Japanese private banks, loaned a further US\$500 million to SRPC.

Construction of the dam and installation of its power facilities started in May 1998 and was completed in May 2003. JBIC, the national government, and private companies continued despite the serious warnings from local communities. By January 2005 the financing for the dam’s construction and its power facilities had been fully disbursed. JBIC however did not fulfill its pledge to finance the San Roque dam’s

irrigation component. This work is ongoing and now called the Agno River Integrated Irrigation Project (ARIIP). Financing for ARIIP, projected to cost PHP11.2 billion (around US\$235.1 million), is now expected to come from a US\$88 million China Export-Import Bank loan and from the national government.

The dam stands about 200 meters tall, 1.13 km long and impounds a reservoir of about 12.8 km<sup>2</sup> in the province of Pangasinan, nearly 200 kilometres north of Manila. The dam is used for: electricity generation (345 megawatts, producing approximately 1,000 gigawatt hours per year); irrigation for 12,000 hectares of farmlands in Pangasinan; flood control; and water quality improvements.

Napocor and SRPC signed a 25-year Power Purchase Agreement (PPA) in 2003. Under this agreement Napocor pays a fixed monthly amount of about US\$10 million to SRPC for capacity and operating fees even when no power is produced. This controversial deal made both electricity rates more expensive and SRPC the most profitable power company in the Philippines.<sup>6</sup> The project added US\$400 million, plus interest payments, to the country's debt burden. Furthermore, quarrying activity for dam materials destroyed communal irrigation systems along the Agno River banks, reducing crop production, and construction was surrounded in controversy when village official and farmer-leader Jose Doton, a chief figure in the anti-dam campaign, was assassinated in 2006.

## Guidelines and safeguards

At the time of the San Roque dam construction, JBIC did not have explicit guidelines for the social and environmental considerations of the projects it funds.<sup>7</sup> However Japan had national laws to guide the conduct of JBIC-funded projects in recipient countries. These include

a basic environmental law, enacted in 1993, as well as an environmental impact assessment law, passed in 1997. The basic environmental law specified the “necessity of conserving the environment in Southern countries” while the environmental impact assessment law stipulated “the importance of conducting an environmental impact assessment in advance of projects”.<sup>8</sup>

Consistent with these policies, when the Philippine government, through Napocor, secured the US\$400 million loan from JBIC in 1999, the Japanese funding institution set out four major preconditions<sup>9</sup>:

1. To confirm the number of people to be displaced in the reservoir area and secure their consent;
2. To conduct surveys to confirm the number of project-affected people and carry out consultations with them;
3. To secure remedies for all affected people (including the proper consideration for the indigenous people); and
4. To establish a monitoring system for the environmental and social issues.

Legislation in the Philippines also requires the proper conduct of an environmental and social impact assessment before any project can be implemented. Infrastructure projects, especially those as large as the San Roque dam, are required to undergo an environmental impact assessment (EIA). Section 11 of the 1996 Official Development Act<sup>10</sup> clearly states that ODA projects in the country are not exempt from the need to receive an Environmental Compliance Certificate, or other such certificates and clearances.<sup>11</sup> Project proponents are asked to produce a scientific assessment of the social impact and recommend concrete measures to mitigate any harsh social effects of their project.

According to Republic Act 8371 (2006)<sup>12</sup> and the Indigenous People's Right Act (IPRA) of 1997, proponents of projects affecting ancestral lands of indigenous peoples are required to get their free prior informed consent (FPIC). FPIC, as defined by the IPRA, means that the consensus of all members of the indigenous community must be "determined in accordance with their customary laws and practices, free from any external manipulation, interference and coercion, and obtained after fully disclosing the intent and scope of the activity, in a language and process understandable to the community".

The IPRA further adds that indigenous peoples have the right to stay in their territory and shall not be relocated without their free and prior informed consent, even in cases when relocation is considered necessary as an exceptional measure. It also states that indigenous peoples have the right to participate fully at all levels of decision-making in matters which may affect their rights, lives, and destinies through procedures determined by them. This provision aims to ensure that the indigenous people can exercise their right to determine and decide their own priorities for development.

## **Violations galore**

As soon as the indigenous Ibaloi people learned of the San Roque project in 1995, they immediately raised their concerns with the government. They pressed their case through consultations, legal appeals, and petition letters – but JBIC, the SRPC, and Napocor ignored these concerns. Napocor implied that farmers had no choice but to be relocated because San Roque was a national project. The affected people were made to sign forms written in English stating their agreement to be relocated; this process is questionable because most of them do not understand English.<sup>13</sup>

The country's Department of Environment and Natural Resources (DENR) issued an Environmental Compliance Certificate despite the fact that the FPIC of the indigenous people and consent of the affected farmers were not secured by the project proponents. The Cordillera People's Alliance (CPA), an alliance of indigenous groups in northern Philippines, and its allied organisations also contend that the findings of the EIA and an Environmental Feasibility Study for the San Roque dam were never rigorously cross-checked by the DENR. Similarly, the CPA found that the process of seeking local councils' approval started only after dam construction began, in violation of the Philippines Local Government Code.

Local authority approvals were never obtained by Napocor and SRPC as required by law. Indeed, amid allegations of bribes and political favours, endorsements came instead from provincial governors of Pangasinan and Benguet and the municipal mayor and vice-mayor of Itogon, none of whom have the authority to approve such projects. The DENR has justified its actions by pointing to the "flagship project" status of the San Roque dam.

Throughout the construction of the San Roque dam project (1995-2002), people's organisations in the Cordillera region and the province of Pangasinan, with the support of Friends of the Earth Japan and the United Church of Japan, actively engaged the JBIC, SRPC, Napocor, and the Philippine government. JBIC representatives in the Philippines were aware of the social and environmental issues being raised by the people's organisations and the NGOs but claimed they could no longer stop the project because JBIC had already committed their finance.<sup>14</sup>

The SRPC and Napocor promised affected communities: (1) fair compensation for lost or

damaged properties and livelihood resources; (2) resettlement for those displaced from the project site; (3) restoration or even improvement of livelihood conditions; and (4) social and economic development.<sup>15</sup> These promises represent obligations in accordance with national laws and JBIC's guidelines.

However, later independent studies and evaluation of the social conditions of the dam-affected communities showed that these obligations were not being fulfilled. Hozue Hatae of Friends of the Earth Japan noted that the social conditions of the affected people have deteriorated. The livelihood programs initiated by Napocor in 1997 and later continued by the SRPC have failed to restore the livelihoods that the people had from agriculture and gold-panning before the San Roque dam was built. In one resettlement site, for instance, Hatae reported that more than a quarter of the resettled families have either sold or rented their houses, just seven years after being relocated, due to the lack of reliable economic opportunities.<sup>16</sup>

A 2001 report by the Office of the Presidential Assistant on Indigenous People's Affairs confirmed that the FPIC of the Ibaloi people was not observed and secured for the San Roque dam. This report found that consultations were conducted only after the project was already underway.<sup>17</sup> For instance the survey to determine the number of affected gold panners, a JBIC precondition for its US\$400 million loan to Napocor, was conducted only in 1999 and 2001 or well after construction of the dam started. As a result, many gold panners had already moved away and Napocor's delayed survey listed only 319 gold panners entitled to compensation. About 3,000 gold panners in the area then protested to demand just and immediate compensation.<sup>18</sup>

## **No accountability without democratic participation**

The democratic participation of all stakeholders at all stages of planning, execution and follow-up is key to the development effectiveness of aid. The democratic participation of marginalised people is premised on the principle that political, economic, social, and cultural human rights must determine the direction of the ODA program or project. Democratic participation helps ensure the accountability of donors to the people affected by their funding.

Antonio Tujan, chairperson of the Reality of Aid network (ROA), has said: "In the end, development effectiveness is about achieving democratic development, which is also premised on human rights. International aid partners will only be able to sustainably reduce poverty through the process of democratic development where the poor themselves are active in claiming their civil and political rights and becoming the subjects of their development."

The case of the San Roque dam is the opposite of this democratic process. It was forced upon the people, and implemented by the proponents without clear consent from the affected communities. Project proponents have tried to reduce the number of people entitled to compensation and have continually contended that the project was not covered by the IPRA because the contract was signed before the law came into effect.<sup>19</sup>

The lack of democratic participation and accountability makes the San Roque dam an illegitimate project, made more deplorable by its social and environmental consequences. For those directly displaced and impoverished by its

construction, and those who were displaced by the subsequent flooding, the San Roque dam was a needless, destructive infrastructure project. Communities in the area did not even benefit from the electricity produced by the dam. The town of San Manuel in Pangasinan, which hosts the San Roque dam, for instance, has been using solar power to energise public areas and vital installations since 2006 because the electricity SRPC produces is too expensive.<sup>20</sup>

Indeed, only SRPC and JBIC as well as the construction firms clearly gained from it – SRPC from the profits it has been reaping from the dam’s hydropower facilities, United States (US)-based contractor Raytheon Engineers & Constructors from payments received for constructing the dam, and JBIC from the debt and interest payments that it has been collecting from the Filipino people.

JBIC cannot claim that it did not know that serious issues such as the lack of consent from affected communities affected the San Roque dam project. At the minimum, it could have suspended funding until all issues had been resolved but it never set up mechanisms to make its own safeguards operational on the ground. For instance, it relied only on the reports of the SRPC and Napocor. It did not provide channels for independent reports and feedback from affected communities nor from national and international NGOs monitoring the project. Indeed, there are no clear-cut procedures or reliable grievance mechanisms within the JBIC bureaucracy that affected communities can turn to.

JBIC officials exhibited a “willingness” to engage the stakeholders in dialogue and receive their complaints, but JBIC argued that it was merely a

“loan provider” and as such it is not its duty but the proponents’ to conduct an environmental and social impact assessment. After the San Roque project was completed, JBIC abandoned the affected communities it had displaced. JBIC is supposed to conduct regular monitoring of the resettled people but has merely relied on information and reports from the SRPC and Napocor.<sup>21</sup>

### **Conclusions: Making democratic ownership and accountability work for development effectiveness**

Campaigners for aid reform argue that it must be set within the broad framework of “development effectiveness”. This means ensuring “full accountability, ownership by the poor and their countries and aligned to their priorities”.<sup>22</sup> Aid must be equitable and focused on social and economic justice for people living in poverty. It must respect, protect and fulfill international human rights standards and affirm the role of impoverished and marginalised populations as central actors and owners of the development process.

Local ownership and mutual accountability, for instance, must include non-state actors like POs and NGOs in discussions and decision-making. This is starting to be recognised officially, for example in the Accra Agenda for Action (AAA). Non-state actors can enrich and deepen the dialogue between donors and recipient governments by providing additional information and perspectives. At the same time, they can also reinforce domestic accountability – the accountability of the government to its people. Communities should be empowered to influence funders’ decisions or even stop project implementation.

The Philippine government and donors such as JBIC must practice more social responsibility and greater accountability in the projects they undertake. Safeguards – both at national level, in countries such as the Philippines, and at the donor level – need to be strengthened and implemented to avoid a repeat of disastrous projects such as the San Roque dam. Environmental and social impact assessments must become functional mechanisms to help democratise the ODA regime.

Environmental and social impact assessments must involve the meaningful participation of all key stakeholders, especially affected communities. This should start with a participatory needs assessment that takes into consideration national development goals and local context. The full range of policy, program or project options that address those needs -- along with social and environmental implications and safeguard measures – should be presented to all stakeholders for consideration and negotiation.

Only options agreed through such a democratic process should be pursued. Before project implementation there must also be independent verification of the plan's compliance with safeguards and agreements. The Philippines' ODA Act, for instance, may be amended to explicitly require such independent verification by civil society groups and representatives of affected communities before any compliance certificate can be issued to project proponents. Finally, a participatory review process must be set up to monitor project operation together with mechanisms for the redress of stakeholders' grievances.

To make this possible, donors must play a proactive role and deepen engagement with non-government actors, especially affected communities. The reason for this is because, in a country such as the Philippines, the government has its own interests that are not always shared by the affected people. In the case of the San Roque dam, the Ramos, Estrada, and Arroyo administrations pushed the project in the context of programs promoting foreign investments and energy sector privatisation – an agenda that did not match the development needs of the small farmers in Pangasinan and the Ibaloi in Itogon, Benguet, or the majority of the Filipino people for that matter.

It is, of course, too naïve to assume that donors such as JBIC are neutral and can be expected to act judiciously on their own. JBIC, for instance, promotes the interests of Japan and Japanese corporations first and foremost. Strong and uncompromising popular mobilisation is needed to ensure that local peoples' interests are not undermined in foreign donor-funded projects. Protracted and laborious processes can yield victories. The struggle of the Cordillera people against the San Roque dam, for instance, contributed to the introduction of explicit JBIC guidelines on environmental and social issues in 2003. These guidelines are far from ideal and violations still occur.<sup>23</sup> They nevertheless represent concrete gains in the people's continuing struggle to make ODA funders and implementers accountable and ODA resources truly beneficial. The people must build on such achievements and go further to push for the full democratisation of the ODA regime.

Endnotes

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