



## Ownership and Foreign Aid in Latin America

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The subject of ownership has become one of the basic principles of International Cooperation policies. OECD's (Organization for Economic Cooperation and Development) manifesto 'Shaping the XXI Century' raised in 1996, a new cooperation paradigm that assigned a greater role to aid recipient countries and greater coordination of cooperating countries' activities. In Latin America, as in other regions, several pilot programs were fostered to implement the new paradigm. However, no systematic evaluation has been made of the experiences or of the obstacles encountered and in practice very limited overall progress is recorded.

The subject of ownership has a newly acquired relevance to cooperation policies since the Paris Declaration on Aid Effectiveness in 2005<sup>1</sup>. This sets out that cooperation's basic principle is ownership of Official Development Aid (ODA) by recipient countries. It is postulated that recipient countries must exercise real and effective authority on the formulation and administration of their policies and strategies, as well as the coordination of their own development actions. Ownership puts forward the promotion of strong governments, which substitutes cooperation's procedures that in certain ways have dispersed and weakened national institutions.

Additionally, the Paris Declaration commits donors to align the channeling of resources with national strategies, institutions and procedures of partner countries, which are recipients of cooperation, and to harmonize or coordinate activities, reducing the transaction costs inherent with channeling resources to a minimum. It is proposed that, instead of having several cooperation executing units with different implementation mechanisms and administrative procedures, several donors should combine efforts in joint programs. To evaluate the progress achieved in relation to the targets agreed, goals, indicators and a follow-up timetable are set.

It is worth noting that, in Latin America, the first countries to adopt the Declaration on Aid Effectiveness have been the smaller and more aid dependent ones (that is where aid is equivalent to a relatively higher percentage of the Gross National Product or national budget). In the case of bigger countries, with stronger institutions and better development planning and management capacity (as Argentina, Brazil, Chile, México), there is greater capacity to negotiate cooperation and they are also more capable of managing external aid independently; these countries have expressed less interest in the Paris Declaration.

A first assessment of progress made by the Organization for Economic Co-operation and Development (OECD) in a set of selected countries of Latin America committed to the declaration shows, however, that modest results were achieved by 2006 (as can be seen in the table below), despite the fact that in many countries, coordination processes

date back some years, even prior to the signing of the Paris agreement.<sup>2</sup>

Principle	Bolivia	Honduras	Nicaragua	Perú
Ownership	Moderate	Moderate	Moderate	Moderate
Alignment	Low	Low	Low	Low
Harmonization	Low	Moderate	Low	Low

As we can see, progress is between moderate and low. The evaluation stresses that a considerable number of plans have been formulated but many are not yet operational, and that there are many actors with competing objectives, showing little evidence of willingness of the best part of the donors to cement their commitments of alignment. For example, it is worth mentioning that North American cooperation, the biggest in the region, conditions its criteria for cooperation on the eradication of drug production and security issues whereas Spanish cooperation, which is another of the most important ones, persists in the scheme of tied aid.

At the regional level, it is interesting to take into consideration the agreements reached at the Meeting of OECD Associated Latin American and Caribbean Countries that adhere to the Paris Declaration, held on 30 and 31 August in Managua, with the participation of representatives from Bolivia, Honduras, Nicaragua, Peru and the Dominican Republic. During this, recipient countries agreed that:

- The harmonization and alignment process has been an external proposal to the countries of the region and most of the initiatives have been led by some cooperation agency. Furthermore, harmonization takes place in function of a cooperating entity's procedures and not of the nation's procedures.
- New cooperation modalities, such as budgetary support and common funds, are still incipient and, in most cases, they come together with conditionalities related to the state's approach to organization and management procedures.
- No substantial progress has taken place in important areas such as financial commitments' adaptation and disbursements for the national planning and budgetary cycle, common reporting and indicators, reduction of missions' or carrying out joint missions.
- At present, highly indebted countries of Latin America have poverty reduction strategies, but many of these strategies have been imposed as conditionalities, with criteria dictated by cooperation agencies. International financial and cooperation organisations' conditionalities and proposals have weighed heavily in several national development plans.
- Parallel administration units and hiring consultants to occupy key positions persist.

With the recent instauration of several left wing-nationalist inspired governments (Nicaragua, Bolivia, Ecuador and Venezuela) more critical proposals arise, in the sense that they state that the majority of donors has imposed neo-liberal development schemes that in the long term have perpetuated poverty and have induced a series of reforms that have weakened Government institutions and the establishment of paternalism, assistentialism and dependence.

However, difficulties to exert a greater role in conducting national development and negotiations with donors are also evident in Latin American countries. A common problem is the fact that the State institutions are weak and changes of governments after elections involves the removal of responsible officials and reducing the possibility for continuity in national policies. It is also common practice that implementation of many cooperation programs (especially the social ones) is associated with paternalistic partisan purposes and progress of the fight against corruption is limited.

Let us examine in more detail, and with concrete examples, the situation in four Latin America's countries that have signed the Paris Declaration.

## Honduras

Aid coordination initiatives date from before the Paris Declaration. Several initiatives were proposed at the time of Hurricane Mitch in 1998. A Poverty Reduction Strategy was formulated in 2001. However, its results are not evident since poverty levels are in 2007 the same as they were in 2005.

Despite some progress in strengthening the state's institutions, for example, by the implementation of a Court of Auditors and a Procurement and Acquisitions Regulatory Office (ONCAE), the state's institutions are still very weak. Persistence of corruption, political paternalism and the lack of a culture of accountability hinder results oriented management. Added to this, are the continuous changes of employees, driven by political criteria, after each electoral period, which diminishes continuity of initiatives and hinders the consolidation of technical and managerial staff<sup>3</sup>.

Given the weakness of the Honduran State, cooperation agencies still maintain their old practices. The focus remains on projects (more than 450), many of them managed in parallel with the national system. Of 112 donor missions in 2006 only 11 were joint missions. Multilateral Banks still use their own procurement and acquisition norms

However, it is worth recognizing some points of progress (such as the creation of Transparency Commissions and a Multi-donor fund (ACI-ERP) that include civil society's participation.

## Nicaragua

The OECD's 2006 Paris Declaration Monitoring Report highlights the case study on Nicaragua, and how during the regime of President Bolaños (2002–2006) there was some progress on issues of international cooperation coordination between government and cooperating agencies. A Forum of Global Coordination and six sectoral forums were established in 2003. Also, National Forums on Cooperation take place annually, and opportunities for civil society's participation are open. There is some progress in the coordination of joint

programs between different cooperation agencies in areas such as health and public administration. However, there is still a long way to go for the proposal of joint multi-donor programs. Three quarters of external aid is still managed through projects managed by independent executing units. Although donors declare that 29% of the amount executed corresponds to coordinated actions with the Government, the forms of coordination are often lax and involve some level of dialogue rather than a substantive alignment with the national agenda.

A group was formed in 2003 to coordinate proposals for budgetary support with the participation of 9 donors (UE, BM, Finland, Germany, Norway, Sweden, Switzerland, Netherlands, and DFID) and at the beginning of 2005 bilateral donors were included in the dialogue. However, the Joint Financing Agreement that was agreed apart from allowing greater flexibility in the allocation of External Aid resources meant a reinforcement of conditionality. The follow up matrix includes fulfillment of International Monetary Fund and World Bank's conditionalities, in addition to a broad list of targets and indicators<sup>4</sup>. OECD's monitoring report for Nicaragua records different perceptions on progress referred to tied-aid, while cooperating agencies feel that this type of aid is being left aside; the government considers it as mainstream behavior. A report of the Coordinating Body of Catholic Development Organizations (Coopération Internationale pour le Développement et la Solidarité – CIDSE) declared that the European Commission has been conditioning its aid on compliance, by the government, of fiscal and monetary programs agreed with the IMF, even on those points in which this contravenes G-7 mandates with regard to the destiny of resources from foreign debt relief that the country must assign to social ends. Most of these resources (equivalent to 56%, according to independent estimates) have been diverted to purposes that have not benefited the poor.

After President Ortega assumed government, coordination with international cooperation has entered a waiting period in a climate of uncertainty. The new Sandinista government has questioned the imposition by many donors of the neo-liberal model and the little efficiency demonstrated in the fight against poverty. It is noted that, despite the fact that there is a Poverty Reduction Strategy made under the inspiration of the World Bank and IMF, in practice results have proven to be no better, with no improvements in poverty indicators.

## Peru

In Peru's case, the progress made to implement the Paris Declaration is fairly limited according to the national monitoring report prepared by OECD's Development Aid Committee (DAC)

There are several limitations restricting the Peruvian Government capacity to align aid around its own strategy:

- Absence of a National System of Planning to articulate the various government's sectors and levels (national – regional-local). As a result, the country does not have a National Development Plan that clearly defines national priorities. Instead, there is a multiplicity of dispersed sectoral plans that total some 70.
- A lack of coordination of financial cooperation, managed by the Ministry of Economy and Finance, and technical

cooperation, managed by the Peruvian Agency for International Cooperation (APCI), is evident. For the rest, APCI's institutional weaknesses are considerable, and it does not have the trust of cooperating agencies.

- While the APCI has charted a cooperation program defining 12 priority areas this is very general and it is not mandatory in practice. There is much pressure from the government for cooperation to support certain projects with a political endorsement.
- Over the years 2004 and 2005 monthly meetings of a forum of cooperating agencies were organized, as mechanism for the exchange of information, but these meetings did not result in more operational agreements. These forums gradually ceased to operate after the change of government.

Apparently, there is also no longer political will to coordinate donor organizations. Each donor agency continues to use its own planning, management and evaluation formats. Most of the projects are managed by executing units parallel to the public administration and their operations are not reflected in the budget of the Republic. While there are several fora for coordination, they are not articulated and they operate more as forums for information exchange rather than as platforms for designing common programs of intervention.

Government and partners have not agreed on the scope of the harmonization process and there is no consensus for concrete steps and instruments. The tendency is to maintain the status quo. There is still great dispersion in the actions of international cooperation: 400 international donor organizations run 2.500 projects using 900 different executing institutions.

## Bolivia

The analysis of Bolivia's case is one of the most complicated due to the successive changes of government in recent years which has reduced continuity of dialogue between the Bolivian government and donor agencies.

According to monitoring of progress by the OECD in Bolivia in 2006<sup>5</sup> progress in the process of establishing ownership was moderate. The National Development Plan had not been put into operation and there was a gap between the sectoral plans and the corresponding allocation of resources. Weak capacities to monitor results based on indicators are also noted. While there is a harmonization plan, follow up mechanisms are lacking.

Regardless of the existence of several coordination mechanisms among donors, the progress in real terms of the formulation of multi-agency programs is limited. Cooperation actions are not integrated into the national public systems, and each agency persists in using their own formats and systems of administration and monitoring.

After the election of President Evo Morales in 2005, the Bolivian government has put forward a National Development Plan entitled 'Bolivia – Dignified, Sovereign, and Productive and Democratic to Live Well' and a new dialogue with donors has been opened seeking to put in operation a proposal for an action plan with specific goals. Many donors condition budgetary aid allocation on the approval of a plan to combat poverty that translates the general proposals of the national development plan into specific targets.

## Progress and limitations of the Paris Declaration from the Civil Society Organisations' perspective

It is undoubtedly the importance of the commitments made by the signatory States of the Paris Declaration in formulating the key principles, such as the strengthening of local strategies and institutions, the shift from a vision of isolated projects to a vision of programs and efforts to unify procedures. Maybe the most important is that the Declaration outlines a practical road map and includes tools and a timetable to monitor fulfillment of commitments.

There are, however, in the judgment of Latin American civil society's organizations, important limitations in the concept and its implementation<sup>6</sup>.

- Declaration is an agreement between cooperation agencies and partner governments, where Civil Society Organizations (CSOs) do not have any significant participation. Furthermore, the role of CSOs was barely considered in the Paris Declaration, despite representing an important player for donor cooperation and despite the possibilities of CSOs to contribute to monitor progress and assure greater transparency of the processes.
- The Declaration leads to understand that local ownership is determined by the existence of a single poverty reduction strategy developed by the central government, and that this strategy is the only legitimate expression of a country's needs. Discussions on policies and alternatives are closed in this way.
- The definition of National development policies' has been allocated to Southern governments without foreseeing mechanisms to reach agreement either with civil society's organizations or with regional or local entities. The risk of reinforcing a centralist statist vision is raised. Many of the problems of cooperation result from this highly centralized approach to resource management, with little attention to regional demands and with few operational mechanisms to monitor effective project implementation at the field level. Decentralization of cooperation favors more coordinated and effective management and a more effective evaluation of actual progress of projects/programs in specific regions with the participation of the main actors involved in cooperation. The best conditions to evaluate the real impact of international cooperation are found in the field. There is a lack of systematic and independent assessment of aid with greater role of local experts. If there are no mechanisms for ensuring transparency and accountability, with the effective participation of civil society organizations, there is a risk that political management of resources will be done with low levels of efficiency
- Civil society organizations further consider that the concentration of resources in favor of government programs could deprive independent actors of support and limit the expression of different points of view
- The Paris Declaration puts too much emphasis on the instruments of aid implementation and loses sight of the political content of many of the donors' decisions and neglects the processes and dynamics of such important topics as democracy. There is an operative technocratic conception that leaves aside the analysis

of the context processes and practice. Also, in the Paris Declaration's approach, central themes are excluded that were important in prior discussions of external aid strategies, such as the issue of coherence between aid and trade and investment policies.

- There is lack of updated information on the progress of programs, putting more emphasis on political manifestos and in the design of tools rather than in the actual results of programs of cooperation, in living conditions and in the opportunities for the expansion of democracy for the population.
- Despite some progress in budgetary support, it has, however, always been tied to a series of conditionalities and to the imposition of a neoliberal development model that tends to deepen poverty and inequality and the environmental crisis.
- Furthermore, it is worth questioning some of the indicators used to measure national progress related to the Paris Declaration. In this way, for example, it should be noted that the assessment of the solidity of public financial management evaluation is done on the basis of the World Bank's Country Evaluation (CPIA Country Policy and Institutional Assessment), which is quite questionable, because it is associated with the application of a Neo Liberal State model.

### The need for greater collective commitment of civil society organizations regarding ownership and greater efficacy of Aid

Latin America's civil society organizations have rightly demanded their participation in the Paris Declaration's discussion and monitoring. These organizations, as social and political actors, have a role to play in monitoring the Paris Declaration in topics such as the definition of joint development plans, demand for transparency, impact evaluation of projects, capacity building, and the empowerment of the population to exert their rights.

However, to have greater legitimacy in their claim, it is imperative that they should also assume a collective public commitment with respect to the principle of aid effectiveness in the framework of their particularities as private organizations. This is, undoubtedly, a commitment that has to arise in the very ambit of civil society, rather than within the framework of an official state inspectorate.

Many of the issues raised on Aid's Efficacy in the sphere of official aid are common to civil society organizations. The frequent imposition of agendas from the North, the dispersion and duplication of effort, the predominance of a logic of institutional projects over program based collective action, in addition to unequal progress regarding transparency and accountability, are perceptible.

There is no clear consensus as to how collectively to move forward on the issue of local actor's ownership of international aid, its commitment to strengthen national strategies, to harmonize its interventions, to simplify its procedures, and to seek to develop joint programs.

The need to implement a dialogue between Northern agencies and their Southern counterparts on issues of international aid ownership and other issues such as coordination and harmonization becomes evident. A review of relations between CSOs and social actors to whom their actions are addressed should also be carried out.

It is true that, given the numerous and heterogeneity of NGOs and CSOs, coordination is difficult, but it is worrying that no important progress can be shown, at least among organizations that share common visions. It is important that CSOs should dedicate, effort, for example, to closer coordination of their actions at a regional level for countries in which they are working and seek a greater alignment of their actions with the regional agendas.

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## Endnotes

- <sup>1</sup> Which has as background the I High Level Forum in Rome, 2003 and the II High Level Forum in Paris, 2005
- <sup>2</sup> 2006 Survey on Monitoring the Paris Declaration – Development Co-operation Directorate Organization for Economic Co-operation and Development. Paris, 2006
- <sup>3</sup> In the case of Honduras we reviewed the OECD's monitoring report and we have relied on a presentation of Sally O'Neil in the Latin America and the Caribbean regional workshop "Challenges for civil society in face of the challenge of development aid's effectiveness"
- <sup>4</sup> We were guided by the presentation Alfonso Acevedo made in the aforementioned workshop in Managua, which is based in a broader study on the topic, which results have restricted circulation until its coming publication by CAFOD Trocaire consortium. See also "Evaluación Conjunta del Apoyo Presupuestario General 1994–2004 Burkina Faso, Malawi, Mozambique, Nicaragua, Ruanda, Uganda, Vietnam. Informe de País Nicaragua", Mayo de 2006). Short time after the signature of the budgetary support agreement, donors suspended support because the government had not fulfilled the approval of a series of norms, agreed within the conditionalities framework established by the IMF.
- <sup>5</sup> 2006 Survey on Monitoring the Paris Declaration – Development Co-operation Directorate Organization for Economic Co-operation and Development. Paris, 2006, Volume 2, Chapter on Bolivia
- <sup>6</sup> In a recent Latin America and the Caribbean regional workshop on "Challenges for civil society in face of the challenge of development aid's effectiveness", held in Managua, Nicaragua, 29th and 30th October, a series of critical proposals emerged in face of the Paris Declaration on Aid Efficiency and the way this aid is being implemented in Latin America, and reports of preparatory national workshops carried out in Bolivia, Honduras and Nicaragua were collected together with different Latin American countries experts' presentations.