

**AT THE TABLE OR IN THE KITCHEN?
CIDA'S NEW AID STRATEGIES, DEVELOPING COUNTRY OWNERSHIP
AND DONOR CONDITIONALITY**

**CANADIAN COUNCIL FOR INTERNATIONAL CO-OPERATION
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AT THE TABLE OR IN THE KITCHEN? CIDA'S NEW AID STRATEGIES, DEVELOPING COUNTRY OWNERSHIP AND DONOR CONDITIONALITY¹

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1.0 INTRODUCTION

In September 2002, CIDA published an overarching strategic statement on aid policy, *Canada making a difference in the world, a policy statement on strengthening aid effectiveness*. Among other aspects, this new policy directed CIDA to commit its aid resources to development programming planned and owned by recipient country partners, to improve its focus on poverty reduction and the Millennium Development Goals, to reduce the burden of numerous project transactions with developing country partners, and to improve coordination with like-minded donors, with a commitment to reduce the tying of Canadian aid to Canadian procurement.

CIDA was not alone in looking more critically at its aid practice. During the 1990s, donors, acting through the Development Assistance Committee (DAC) of the OECD, sought new approaches to overcome perceived failures of aid to achieve significant reductions in poverty. At the same time, major donors reached an agreement with International Financial Institutions (IFIs) to reduce the debt of the poorest highly indebted countries if the latter agreed to devote additional resources to poverty reduction efforts. As of 1999, the IFIs required these efforts to be defined in Poverty Reduction Strategy Papers (PRSPs) that are generated and "owned" by developing country governments as a condition for debt relief.

In the year 2000, all countries adopted the United Nations Millennium Declaration, and later a set of Millennium Development Goals (MDGs) focusing on a significant reduction in the conditions of extreme poverty. Since then, both bilateral and multilateral donors, including CIDA, have increasingly focused their aid programs on PRSPs as the country roadmap for achieving the MDGs. CIDA joined other major donors in its September 2002 aid policy to increase its use of program based approaches (PBAs) as a key instrument in contributing to implementing PRSPs and advancing the MDGs in the poorest countries.

For donors, program based approaches aim to address critical weaknesses affecting the effectiveness of past donor aid delivery policies. CIDA defines a PBA as

"a way of engaging in development cooperation based on the principle of coordinated support for a locally owned program of development. The approach includes four key elements: leadership by the host country or organizations; a single program and budget framework, donor coordination and harmonization of procedures, efforts to increase the use of local procedures over time with regard to program design and implementation, financial management, and monitoring and evaluation."²

¹ This paper brings together CCIC commissioned research by Pam Foster, Coordinator of the Halifax Initiative, on CIDA's relationship and role in World Bank / IMF and aid conditionality through program based approaches and research conducted by Brian Tomlinson, with the CCIC Policy Team, with CCIC members on the implementation of CIDA's new aid policies. The former benefited from several interviews with CIDA officials involved in PBAs, who provided insights and identified documents, for which we are very grateful.

² Lavergne, R., Alba, A., *CIDA Primer on Program Based Approaches*, CIDA Policy Branch, September 2003, available from CIDA's limited access extranet site on PBAs (<http://remote4.acdi-cida.gc.ca/pbas>), p. 2.

The effectiveness of traditional donor projects had been widely criticized as narrow, donor-managed initiatives with little sustained impact beyond the project's "island of excellence". Local ownership over development policies is universally seen as vital for strengthening aid effectiveness. PBAs are seen to support a developing country government's poverty reduction programs by coordinating donor support for government-directed sector programming in health, agriculture or education (SWAPs), or through allocations to a government's national budgets (Budget Support). PBAs promise greater ownership by developing country partners in the aid priorities supported by donors, as well as improved coordination on the part of donors, with predictable and increased levels of aid.

This briefing paper seeks to understand the implications of these three converging elements in CIDA's implementation of its 2002 policy – the Agency's reliance on PRSPs to define country priorities for poverty reduction, its support for program based approaches to deliver increasing aid budgets for poverty reduction, and its increased coordination with the World Bank and other major donors in these PBAs.

Do CIDA's PBAs *in practice* respond effectively to the conditions and priorities of the majority of people whose lives are circumscribed by poverty? Or have PBAs actually further deepened CIDA's complicity with donor imposed conditions, largely determined by the World Bank and the IMF, for aid transfers that substantially undermine recipient ownership over appropriate policy choices?

In order to answer this question of ownership in CIDA's aid relationships, the paper focuses on several key questions:

- ❑ What is the current scope and future extent for program based approaches in CIDA programming (section 2)?
- ❑ How is CIDA determining its priorities for affecting poverty reduction outcomes as it seeks to work with poverty reduction strategies *owned* by developing country partners (section 3)?
- ❑ In the context of improved donor dialogue with recipient country governments through PBAs, what voice and influence can CIDA and other medium size donors have on current World Bank and IMF policy conditionalities³ that limit the scope for policy choice for developing countries (section 4)?
- ❑ In what ways has CIDA worked with civil society actors⁴ (Southern and Canadian) in its country development programming where budget support and SWAPs are a significant CIDA strategy (section 5)?

Neither detailed CIDA information on PBAs or the Agency's priorities in its nine chosen priority countries⁵ nor independent analytical sources related to Canada's new aid strategies are yet available. Thus it is not possible to draw definitive answers to these questions. The paper, however, is able to draw on several CIDA country experiences, and it also sets this experience within a broader context of academic and civil society policy research literature on poverty reduction strategies, budget support and SWAPs.

The paper concludes with a number of recommendations to strengthen CIDA's current role and practices for effective poverty reduction and for more equitable aid relationships.

³ The World Bank, other donors and the IMF are increasingly requiring prior actions to qualify for aid, which are sometimes referred to as undertakings, in comparison and in addition to traditional conditionality tied to loan disbursements.

⁴ For purposes of this study, civil society organizations include all non-government organizations, constituency based organizations, such as trade unions, as well as universities, colleges and institutions governed separately from government. It includes private sector representative organizations such as the Conference Board of Canada, but not for-profit entities.

⁵ The government chose nine initial countries to concentrate new aid resources – Bolivia, Honduras, Bangladesh, Mali, Senegal, Ghana, Ethiopia, Tanzania, and Mozambique. See Appendix One for a recent history in the changes in CIDA bilateral disbursements to these nine countries.

In summary, the evidence suggests that donors as a group appear to have increased their own level of influence and control over a wider range of policy areas open to developing country governments. The World Bank and the IMF in particular seem to have increased their dominance through PBAs, most clearly in budget support programs. The World Bank, however, is subject to greater negotiation in PBAs, as the IMF continues largely to exempt itself from donor circles. Bilateral donors, if they were to work in a coordinated approach, could have increased opportunity and a rationale to contest the Bank and Fund policies. But to date there is little indication of any outcomes of inter-donor dialogue that challenge the approach sought by the Bank and the Fund, perhaps with a few qualifications. Recent progress in procedural harmonization on the part of donors is reflected more often as policy harmonization with World Bank/IMF macro-economic and sectoral policies.

One could say that PBAs are providing donors such as CIDA with a seat at the policy dialogue table, but the “policy cooks” in the kitchen, the World Bank and the IMF, remain the same. The result is a quite familiar and severely limited policy menu available to developing country partners. In the following sections, the paper elaborates on the growing direct influence of the IFIs on CIDA programming. It suggests some areas where CIDA might achieve more impact through an improved independent capacity in its collaboration with other donors and developing country partners.

2.0 PROGRAM BASED APPROACHES IN CIDA’S AID STRATEGIES

As a means to strengthen aid effectiveness, civil society critics and official donors agree on the importance of PBAs’ laudable goals: focusing on developing country ownership and capacities, lowering aid transaction costs (reducing hundreds of project oriented donor missions and unique reporting requirements for developing country governments) and improving donor coordination in ongoing dialogue with developing country partners. Projects have certainly not disappeared. Particularly SWAps often consist in practice of a series of donor projects. However, the goals and results for these projects are intended to be coherent with an agreed donor/recipient policy framework in the SWAp or PRSP, rather than internal to the individual project.⁶

Program based approaches are a leading trend in structuring CIDA’s aid relationships with the poorest countries. By December 2004, CIDA reported that 45 PBAs were operational or under development – and among these were 16 SWAps and 2 Budget Support initiatives, supporting the governments of Ghana and Tanzania in implementing their poverty reduction strategies. As well, general budget support for Ethiopia’s poverty reduction strategy was being considered and CIDA had contributed to a donor coordinated macroeconomic framework support program for Jamaica. Current multiyear commitments for these PBAs (which have expanded rapidly in 2003 and 2004) approximate \$1.4 billion from CIDA’s resources.⁷ While the focus of much attention, CIDA estimates that the new programming modalities will absorb roughly 15% of CIDA’s share of the ODA budget by 2005/06.⁸

⁶ Research by the Strategic Partnership with Africa Secretariat revealed that a survey of PBAs in Africa in 2003 found 11% of donor support was provided by donor pooled funds, 35% in the form of direct support to a country’s national budget, and 53% in the form of project support, support for NGOs or other off-budget items.

⁷ This is a CCIC calculation based on CIDA reports of commitments made to listed PBAs. Many of the commitments, while much larger than traditional projects, are for periods from the present up to 2008 or 2010. Budget support has been increasing in 2004, with \$93 million recently approved for the Ghana Poverty Reduction Strategy Budget Support Program. But SWAps continue to take most of the PBA resources, with \$85 million for the Ghana Agriculture and Food Security Program, \$50 million for the Senegal Education SWAp, and \$80 million for the Tanzania Education SWAp, for example.

⁸ Natalie Folster, “CIDA’s Experience with General Budget Support”, February 2004, posted on the CIDA PBA extranet site.

PBAs tend to be focused in Sub-Saharan Africa and in several social sectors, namely education and health and agriculture. In December 2002, the government announced that future increases in Canadian aid would be concentrated in fewer countries and sectors, with half of the promised annual increases of 8% per year to be directed to Sub-Saharan Africa. Canadian aid to sub-Saharan Africa has increased by 58% from \$217.5 million in 1999/00 to \$343.2 million in 2003/04.⁹ By 2005/06, CIDA also estimates that 60% of its aid to Sub-Saharan Africa – with six of the CIDA’s priority countries – will be in the form of PBAs. Already, by 2003/04, 48% of its funding in the sectors of health, education and transportation were in the form of budget support or SWAps. But despite substantial commitments on the part of CIDA in the education sector, Canada’s proportional share of donor pooled funds for SWAps and Budget Support usually remains quite small – for example CIDA’s contribution to the Tanzania Education SWAp was only 2% of this SWAp budget in 2003/04. Major donors involved in budget support and SWAps are the World Bank, DFID and the Netherlands providing 57%, 65% and 71% respectively of their funding in the same sectors.¹⁰

For CIDA, the new policy has placed an emphasis on strengthening programmatic relationships with government and government capacities to deliver PBAs. As we shall demonstrate below (section 5), civil society organizations, particularly those representing the interests of the poor and marginalized communities, infrequently enter into CIDA’s pre-occupations on issues of accountability, capacity and effectiveness of governments to meet poverty-reducing development expectations. CIDA’s commitment to improved recipient ownership in development cooperation for poverty eradication will be difficult to achieve in the absence of an Agency framework for engagement with CSOs. Such a framework, similar to CIDA’s 2003 framework for the role of the private sector in development, would analyze roles for CSOs in development cooperation, dealing with issues of CSO autonomy versus cooptation, ownership and accountability to constituencies of affected communities, and means for beneficiary influence resulting from participation. It would guide both appropriate program choices and effective aid delivery mechanisms.

3.0 CIDA AND POVERTY REDUCTION STRATEGY PAPERS (PRSPs)

CIDA’s country program directions for countries with significant CIDA programming are defined periodically through its Country Development Policy Frameworks (CDPFs). These Frameworks set out CIDA’s understanding of the development context of each country, the primary goals for CIDA and main program objectives given CIDA’s experience and niche contributions. The CDPF is usually developed through intensive CIDA-directed analysis and consultations, at least in the developing country concerned. The assumption, however, in all CDPFs that were reviewed in this study is that the PRSP is **the** expression of country consensus on development priorities for reducing poverty and therefore the foundation for country “ownership” of CIDA’s aid strategies for that country.

As noted earlier, since 1999, the World Bank and IMF, along with the major donors, have supported developing country governments to develop Poverty Reduction Strategy Papers (PRSPs) as a basis for multilateral debt relief. Many donors have since elevated PRSPs as a defining expression of policy ownership for the poorest aid-dependent countries of the South and the framework for their aid priorities in a given country. CIDA is no exception.

For CIDA’s program directions for Bangladesh, for example, “the Interim-PRSP provides consensus on key problems and solutions”. For Honduras, the PRSP has become “the key document to guide Canadian development programming in Honduras...that sets out clear guidelines and targets for all actors, both national and international endeavoring to work towards Honduran development”. For both Tanzania and Ghana, CIDA has made substantial contributions to donor pooled budget support (managed by the World Bank) for these respective governments to implement their PRSP.

⁹ CCIC calculation based on statistics provided by CIDA.

¹⁰ *CIDA Primer on Program-Based Approaches*, September 2003, p. 13.

But to what degree does a PRSP represent an “owned” country strategy that should be the exclusive policy for framing CIDA’s program directions in a given country? In an Agency review of program issues for 2002/03, CIDA recognized “the inherent tensions in the PRSP process that challenge the pursuit of locally-owned strategies”.¹¹ But since then, the quality and significance of a country’s PRSP for effective “locally-owned” strategies to reduce poverty is largely unchallenged in the development of a CDPF. An earlier background paper by CIDA preparing for a new Bolivia CDPF recognized “the limitations of the Bolivian PRSP”. But in the subsequent CDPF for 2003 to 2007 CIDA has an elaborate checklist to “show increasing overall coherence with the collective objectives, results, and performance indicators outlined in the PRSP”.¹² In 2003, CIDA looked forward to the revisions of Bolivia’s plan, which subsequently have been roundly criticized by the Social Commission of the Bolivian Episcopal Conference. Bolivia’s “second generation” poverty reduction strategy for 2004-07 was put by (the now dismissed) Bolivian government to the Paris Consultative Group meeting of donors in October 2003 before it had been even seen by concerned Bolivian civil society organizations, let alone debated publicly as the most appropriate strategy.

Despite evidence even of serious misgivings on the part of CIDA country programmers about the process leading to specific country PRSPs, CDPFs seldom proposed alternative program approaches or strategies to strengthen real dialogue to improve country ownership in country poverty strategies, and in the PRSPs. Donor country strategies need to take account of a wide range of developing country stakeholders, including civil society actors, who often have real and conflicting interests regarding alternatives and structural reforms (such as land re-distribution) required for sustained poverty reduction.¹³

Among donors, the Bank and the Fund have the most influence over the PRSP as it is ultimately the Boards of these institutions that must approve the PRSP as a condition of debt relief. Despite purportedly being locally owned-national development strategies, numerous studies remark on the unusual level of similarity of objectives in different PRSPs, suggesting that developing country governments cater to what they know will meet the approval of the Bank/Fund Boards. In a major 2004 review and report, the IMF’s Independent Evaluation Office concluded that the PRSP process to date falls considerably short in its potential to encourage country-owned development. The report found that IMF staff typically did not actively inform domestic stakeholders about the policy debate on macro issues during the PRS formulation process and generally failed to explore alternative macro-economic policy options. Importantly, the report highlights that in the relatively few cases where a broader debate did occur there was a positive impact on policy outcomes.¹⁴

¹¹ CCIC, “A CCIC Briefing Note: CIDA 2002/03 Estimates Part III: Report on Plans and Priorities”, page 5, accessed at http://www.ccic.ca/e/docs/002_aid_2002-03_cida_spending_estimates.pdf. During a series of “brown-bag” lunches in 2001 and 2002, CIDA officials and consultants often were quite critical of the limitations of the PRSP processes they experienced in several countries where CIDA played a role along with other donors. In some instances this role was quite positive, such as support for addressing gender equality issues in the Malawi process to develop its PRSP. See Brian Tomlinson, “Promoting Ownership and Gender Equality” in *The Reality of Aid Report 2002, Focus on Conditionality and Ownership*, IBON Foundation, Manila 2002, accessible at http://www.ccic.ca/e/docs/002_aid_roa_2002_final_gender_chapter.pdf or at www.realityofaid.org.

¹² CIDA, *Bolivia Country Development Programming Framework 2003-2007*, page 42, accessible at [http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUIImages/development/\\$file/Bolivia%20CDPF.pdf](http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUIImages/development/$file/Bolivia%20CDPF.pdf). See Annex D for the *CHECKLIST TO ALIGN CIDA PROGRAMMING WITH THE BOLIVIAN PRSP*.

¹³ See the report of the March 2003 CCIC/CIDA Dialogue on the need for a more complex understanding and approach to the question of “ownership” that goes well beyond government-approved and World Bank/IMF-endorsed PRSPs. The report on “Local ownership: Roles for Southern and Canadian civil society organizations” can be found at http://www.ccic.ca/e/docs/002_aid_2002_ccic-cida_dialogue.pdf.

¹⁴ EURODAD, “Critical Evaluation of Poverty Reduction Strategy Papers”, August 2004, accessible at <http://www.eurodad.org/articles/default.aspx?id=547>. The IMF independent evaluation can be accessed at <http://www.imf.org/External/NP/ieo/2004/prsprprgf/eng/index.htm>.

The deeply flawed political process of PRSP development has been independently documented in a series of authoritative, but highly critical, field-based studies conducted by the Institute of Development Studies, University of Helsinki, and commissioned by the Finnish government.¹⁵ Based on extensive in-country interviews and research, the Tanzania study concludes that rather than being highly consensual, in reality the PRSP “represents the views of a small, homogeneous “iron triangle” of transnational professionals, based in key government ministries and donor agencies in Dar es Salaam”. Consultations were “shallow and tendentious”. A key non-state actor such as TCTT, a Tanzanian civil society coalition was “sidelined when it raised issues that were out of step with the donor /state consensus”. The process deteriorated into an exercise of “budgetism” as against consideration of policy alternatives available to Tanzania to reduce poverty, largely neglecting structural issues affecting livelihoods for the poor and privileging social sector spending.

Nevertheless according to CIDA, in support of its contribution to implementing this PRSP:

“Tanzania’s PRSP is a major step forward in designing a more clearly focused medium term poverty reduction strategy. Within the context of sound macro economic policies, the PRSP aims to address the key causes of poverty: low growth, lack of access to essential services and infrastructure and weak governance. It represents a credible strategy for poverty reduction in Tanzania.”¹⁶

Only passing reference is made to issues of corruption and accountability, for which “donors are engaged in strengthening the main institutions, clarifying roles and responsibilities and promoting the role of civil society in pushing for increased accountability”.¹⁷ Yet there is no apparent dimension of CIDA’s support which addresses a stronger independent voice for civil society in Tanzania.

In the case of the Honduran PRS process, according to another IDS study, “the result was that the bilateral donors, the World Bank and UNDP supported and encouraged non-state actors’ participation but did not object when the IMF imposed a part of the PRSP without public consultation/participation”.¹⁸ In the wake of Hurricane Mitch and with the carrot of HIPC, the study concluded that donors have been able to open space for their own involvement in public policy formulation and “impose an agenda of poverty reduction on the Honduran government – at least on paper if not in spirit.”¹⁹ In this process, donors also played an important role in consolidating political space for selected non-state actors to exercise political influence on the Honduran government. Yet the groups selected were not representative of the civil society organizations that had been struggling for years on issues of land reform and socio-economic equality. Peasant organizations or trade unions or even women’s organizations were largely absent from the participatory process. Rather it created opportunity for a “technocratic policy NGO elite” based in Tegucigalpa, while “dismissing the voices that do not speak the technical language of the epistemic community of economists” in the PRS process, consequently “excluding the poor (and women and ethnic minorities) from poverty reduction strategy formulation”.²⁰

¹⁵ Jeremy Gould, Julia Ojanen, “Merging in the Circle: The Politics of Tanzania’s Poverty Reduction Strategy”, Institute of Development Studies, University of Helsinki, Policy Papers 2/2003, accessed at <http://www.valt.helsinki.fi/kmi/policy/merging.pdf>. See also Maari Seppanen, “Transforming the Concessional State? The Politics of Honduras’ Poverty Reduction Strategy”, Institute of Development Studies, University of Helsinki, Policy Papers 3/2003, accessed at <http://www.valt.helsinki.fi/kmi/policy/Honduras.pdf>.

¹⁶ Danuta Szachanska, “Survey Results on SWAPs and SWAP-like Initiatives in CIDA Case of Tanzania Poverty Reduction Budget Support (PRBS)”, accessed on CIDA’s PBA extranet site.

¹⁷ *Ibid.*

¹⁸ Seppanen, *op. cit.*, p. 43

¹⁹ *Ibid.*, p. 44.

²⁰ *Ibid.*, pp.65-67 She concludes that “the most important political consequence of the Honduras PRS process has been the technocratization and professionalization of a certain segment of civil society actors, the advocacy NGO elite, and their increasing integration into the general policy elite of the Honduran state.” (summary, page 2).

Despite formal donor promotion of “national ownership” on the part of developing country governments in the PRSP process, developing country partners (particularly constituencies of poor and marginalized people) have seldom been empowered in determining and implementing their priorities. So far, the consistent experience of civil society actors is that the very limited opening of political space for greater participation in developing PRSPs has provided no room for alternative approaches to poverty eradication other than the neo-liberal approach so favored by government/donor policy elites.

Without substantial attention to the complexity of these and other issues that underlie the development and implementation of PRSPs, CIDA country program strategies are likely to take on board all of their inherent weaknesses. In new CDPFs for the nine priority countries, CIDA seems not to be considering significant development interventions with local actors, particularly those representing and working with the poor and marginalized, who are tackling poverty through initiatives that may challenge as well as include government. The focus is rather almost entirely on strengthening government capacities and accountability to donors, often at the central level of the ministries concerned.

4.0 LOCAL OWNERSHIP, DONOR HARMONIZATION AND IMF/BANK CONDITIONALITIES IN PBAs

In the context of program based approaches, donors at best define “local ownership” as shared power over development policies and approaches, as exemplified by the PRSP process. This is an improvement from almost exclusive donor control. But the process remains far from true local ownership, with a range of policy alternatives on the table and the politics and impacts of these alternatives for poverty reduction fully understood by citizens of the country concerned. Whereas developing country governments may be behind the steering wheel, donors are in the passenger seat, with all the maps and a second set of brakes and gears.

Development and approval of PRSPs are only one means by which this power is exercised. Initiatives to pool resources in PBAs and improve donor harmonization of policies and practices in support of PRSPs are key instruments for sustained donor control over development processes in the poorest countries. This section examines the different ways that donors are continuing to insist upon conditionalities for their aid in SWAPs and Budget Support. These conditions, enforced through the weight of donor coordination, extend beyond traditional macro-economic policy into areas of governance and may undermine even the limited autonomy and benefits of the PRSP process.

CIDA recognizes the structural impossibility of true local ownership. In the words of CIDA’s *Primer on PBAs*, “because PBAs involve a fair to high degree of donor involvement in host-country programming and budgeting, they imply a certain loss of sovereignty for the host country at that level. As a result, the host country is unlikely to find this an acceptable approach unless it is highly aid dependent”.²¹

The *Primer* goes on to note “governments, civil society, beneficiaries, and donors are each in a position to make a claim to ownership. To advocate local ownership is not to advocate absolute rights [to set the agenda, allocate resources and implement programs] for any particular party because that would tilt the balance of power in favor of some stakeholders at the expense of others.” While CIDA affirms that PBAs “increase the claims of local partners and tilts the balance of power in their direction”²², what does recent donor practice in PBAs and harmonization tell us about this balance of power?

Donors, like CIDA, suggest that PBAs can be the most appropriate aid modality when a “consensus” exists between the recipient government and donors on policies and priorities, with regard to the budget and the broader policy environment for poverty reduction.²³ Whereas CIDA recognizes that PBAs are not without

²¹ CIDA Primer on Program Based Approaches, September 2003, p. 21.

²² CIDA Primer on Program Based Approaches, September, 2003, p. 37.

²³ Canadian International Development Agency, “Tools Samples to Operational Guidelines, Annex B” Draft. 2004.

conditionality, the conditions are thought to be mutually owned by recipients and donors, in contrast to traditional donor-imposed conditions, which they now recognize as largely ineffective.²⁴

Many civil society critics, however, suggest that PBAs, and budget support initiatives in particular, are the next stage of external donor deep interference and control in the poorest countries. The approach involves donors in a much wider range of government areas of responsibility, not only economic and social policy, but also at all levels of public administration and service delivery. For example, the Danish government identified the following conditions in a Tanzanian General Budget Support program: about 50 prior actions (policy actions in the commonly agreed Performance Assessment Framework which includes prior actions required by the World Bank). In addition, 60 results indicators selected by a Poverty Reduction Strategy monitoring system are reviewed (for policy dialogue, not release of donor funds).²⁵

The Strategic Partnership for Africa study on alignment of budget support with poverty reduction strategies made a telling conclusion:

“[T]he weight of conditionality is quite substantial across all of the types of policy measure, including political governance and sector results....[G]overnance and results are more likely than other areas to be the subject of an ‘overall assessment’, rather than a specific conditionality; yet specific conditionalities, or combinations of specific conditionalities with overall assessment, are applied by quite large numbers of donors in these areas too....[The study] confirms that we are quite far from entering the post-conditionality era in which budget support donors are prepared to reduce significantly their reliance on specific or general assessments before making disbursement decisions”.²⁶

One way in which conditionality has increased is through donor promotion of procedural and policy “harmonization” in the management of the aid relationship.²⁷ This harmonization has substantial policy content that is drawn from IMF/World Bank macro-economic negotiations, agreements to reduce debt for HIPC countries and the IMF/World Bank ultimate approval of PRSPs. Critics are concerned that donor harmonization increases donor power in the already highly unequal aid relationship. A recent paper for PSIRU and War on Want in the UK²⁸ suggests that as donors reduce the amount of their bilateral aid tied to their national interests, they are constructing a “globalized” aid regime with global conditionalities for which no one donor accepts accountability. Instead these global conditions are determined and agreed to by international financial institutions and the major donors, with the enforcing power of pooled donor resources and action (debt cancellation, budget support and SWAs) behind these conditions.

²⁴ See for example, *The Reality of Aid 2004 Report: Focus on Governance and Human Rights in International Cooperation*, IBON Foundation, Philippines, 2004. pp 17 – 19. Joseph Stiglitz, former Chief Economist for the World Bank in the 1990s for example is quoted, “There is increasing evidence that [conditionality] was not [effective] – good policies cannot be bought, at least in a sustainable way. Equally critically, there is a concern that the way changes were effected undermined democratic process.” Quoted in Kapur, D., and Webb, R., “Governance related conditionalities of the International Financial Institutions”, G-24 Discussion Paper, Series #6, UNCTAD, August 2000, pp. 7 -8.

²⁵ SPA Budget Support Working Group, “Survey of the Alignment of Budget Support and Balance of Payments Support with National PRS Processes”, Strategic Partnership with Africa (SPA), January 2004, p. 33.

²⁶ *Ibid.*, p. 45. The SPA survey’s findings “ [d]o not contradict the impression of some observers that the weight and complexity of policy conditionality has been increasing, not reducing, in the last few years.” p. 65.

²⁷ Donor High Level Forum, “Rome Declaration on Harmonization”, Rome, Italy, February 2003, accessible at <http://www1.worldbank.org/harmonization/romehlf/Documents/RomeDeclaration.pdf>. For a critique see Jeff Powell, “Harmonization and Coherence: White Knights or Trojan Horses?” Bretton Woods Project Briefing, July 2003, accessible at <http://www.brettonwoodsproject.org/article.shtml?cmd%5B126%5D=x-126-16735>.

²⁸ Hall, D and de la Motte, R., “Dogmatic Development: Privatization and Conditionality in Six Countries”, a Public Service Research Unit Report for War on Want, February 2004, accessible at <http://www.waronwant.org/?lid=7540>.

In this view, global policy conditionality “has a much wider impact than traditional project oriented “contract conditionality”: donor resources are tied to policies which change the structure of an entire sector”.²⁹ In effect, donors provide a “united front” to recipients so that the proportion of aid available without these conditions is considerably reduced”.³⁰ As a result, rather than improved national policy ownership, the governments in the poorest aid dependent countries have less opportunity to experiment with different development approaches when all donors are rallying behind a common policy framework. This latter framework, even if penned by government officials, will reflect what it is that donors, particularly powerful donors, want.³¹

Consequently, budget and sector programs, as well as poverty reduction strategies, often reflect what one analyst terms “the politics of the mirror” – addressing potential aid donors “in the language that is most congenial, and crucially, most easily reinforces the belief that they [outside donors] understand what [the recipient] needs.”³² For example, in a Burkina Faso pilot study on conditionality undertaken by the Special Program for Africa (SPA), in which CIDA also participated, the government of Burkina Faso was asked to develop an appropriate matrix of performance and implementation indicators for progress in poverty reduction. The resulting indicators were, not surprisingly, extremely close to the criteria contained in the IMF’s Policy Framework Paper and the HIPC Initiative. The study concluded that “this was slightly disappointing as the test aimed at getting the government itself to identify new methods of working rather than use ‘old’ indicators suggested by donors”.³³

4.1 PBAs, Governance Capacities and Conditionalities

Program based approaches aim to work within recipient government systems, in particular the systems of budget planning and execution, accounting, procurement and performance management. However, there is yet to be a developing country whose systems have been assessed by donors as being adequate. A key priority for donors is therefore to strengthen government ministries and governance systems through PBAs.³⁴ Budget Support and SWAs give donors an opportunity to address what they identify as factors responsible for past aid failures: poor governance and limited institutional capacity, in what they consider to be an “improved” structural adjustment economic policy environment in Africa.

As already noted, conditionalities in the context of PBAs are seen to be a departure from traditional conditionalities in that government “undertakings” and “triggers” for donor disbursements are meant to be rooted within the country’s Poverty Reduction Strategy. Donors and recipient partners are to come to agreement on resource transfers through policy dialogue. As a result PBAs allow donors to be involved

²⁹ *Ibid.*, p. 4.

³⁰ *Ibid.*, p. 3.

³¹ Some CIDA officials seem to recognize this danger. In commenting about strong donor harmonization with the government of Tanzania, the “Paradox of Rome” is noted: “since all the donors have a single voice, they might have more influence over the program’s major orientations than the Government of Tanzania....In other words, the process of harmonization could ultimately work against the objective of local ownership that is central to the new program approaches.” Rather than consider approaches that might mitigate this effect of harmonization, the official is assured that the Government of Tanzania “is still steering the program”. See CIDA, “Tanzania: A Big Step Towards Harmonization”, CIDA Magazine, mimeo, April 2004.

³² Sogge, D. *Give and Take, What’s the matter with foreign aid*, Reading: Zed Books, 2002, 48. Bilateral donors such as CIDA suggest that SWAs are more open ended opportunities for policy discussions based on government led policy development for poverty reduction. However, though the language of conditionality is less used in SWAs, and countries may indeed pen their own policy matrix, “[g]overnments will be aware that their future access to IDA resources depends on the Bank assessment of their policies, and will also be aware through policy dialogue of the particular aspects of the policy mix which most concerns the Bank”. It is not only the Bank, but other donors, to whom governments must hold up a mirror. See Brown et al., p. 20.

³³ SPA Budget Support Working Group, 2000, p. 3.

³⁴ In the words of the *CIDA Primer on Program Based Approaches*, September (2003): “There will always be capacity problems in the aid-dependent countries that are the prime candidates for budget support. ...Indeed, budget support may provide the necessary opportunity to engage in dialogue with developing country governments on ways to reduce capacity constraints” (p. 31).

in policy dialogue on a much wider range of issues than in the project approach, whether providing support for a primary health or education sector or a broader macro-economic or institutional framework for budget implementation of PRSPs.³⁵

Donors are usually clear that at best PRSPs are broad statements of intentions, with an urgent “need of being operationalized” by respective developing country governments. The World Bank and the IMF, for example, in a *Concept Note on Aligning Budget Support with the PRSP* say, “The strategies set out in the PRSPs would first have to be translated into operationally relevant policies and measures, with clearly defined performance targets and indicators. This will put considerable strain on the government’s weak institutional capacity”.³⁶ PBAs are intended to allow donors to work with governments to draw up detailed work plans, policy matrices or performance assessment frameworks on the broad range of issues covered by usually donor inspired notions of “good governance”.³⁷

How does this work in practice? CIDA’s participation in the Ghana Poverty Reduction Strategy Support Project offers one example. CIDA’s participation along with other donors in this Budget Support program is based on a “results-based management and accountability framework”. This framework spells out both “triggers” (specific requirements that must be met prior to release of a tranche contribution from donors) and “targets” (policy reforms that serve to focus dialogue between donors and the government of Ghana). Specific triggers and targets will be developed each year by the government and donors in the form of a policy matrix.

According to the framework document, the Government of Ghana must focus in the first two years of the Budget Support Program on five key reforms at the national level – integration of the Ghana Poverty Reduction Strategy into the budget, public sector reforms, public finance management, governance and decentralization. Triggers and targets are developed for each area. Only when progress has been made in these reform areas, “the focus will change to specific sector issues, in areas such as health, education, roads, energy” with key sector targets included as specific triggers starting in 2005. Progress will be judged by the donors based on “an independent assessment of progress during the previous period, based on existing reports, focusing on consolidation, verification and validation”. The framework document is explicit that “Development Partners will [also] make use of the IMF monitoring system (which is extensive and of recognized high quality)”. Disbursement of the base payment in a given year “will be determined by a positive outcome of the annual IMF/Poverty Reduction and Growth Facility (PRGF) review in the year previous to the Ghana budget execution year”. With current donor commitments, the total three years’ contributions are expected to exceed US\$800 million which will potentially represent close to 40% of total aid flows for Ghana.³⁸

In the case of Burkina Faso, donors hired a consultant to develop a PRSP work plan which included performance targets, to tie donor disbursements. The donor-led Strategic Partnership for Africa (SPA) survey on budget alignment, however, concluded that countries, such as Burkina Faso, are typically asked by donors to report on performance indicators not drawn from the PRSP, although donors argue that most indicators are at least broadly consistent with the PRSP. Rather, actual performance indicators

³⁵ CIDA officials, in interviews, noted the need for different donor staff on-the-ground capacities that go beyond traditional areas such as health or education experts, but also experts in financial management, procurement, public service reform, and decentralization, *et cetera*.

³⁶ IMF/World Bank Concept Note on Aligning Budget Support with the PRSP Process, p. 11.

³⁷ On donor discourse on “good governance”, see Kaviljit Singh, “Aid and Good Governance: A Discussion Paper for Reality of Aid”, 2003, accessible at www.realityofaid.org.

³⁸ CIDA, “Results-Based Management and Accountability Framework for the Ghana Poverty Reduction Strategy Budget Support (GPRS-BS) Project, Annex A”, November 2003, accessible on CIDA’s PBA extranet site (password required). See pages 14, 15 and 16, as well as Annex B and C for details. CIDA is committing Cdn\$93 million between 2003/04 and 2008/09, with specific allocations of Cdn\$1.5 million in 2003/04, \$15.5 million in 2004/05 and \$17 million in 2005/06.

are found in the IMF's Poverty Reduction Growth Facility, the commitments made to be eligible for HIPC debt relief, and various Bank/IMF resource facilities, including the Poverty Reduction Support Credit, Structural Adjustment Credit, Country Financial Accountability Assessment/Country Procurement and Assessment Review action plans.³⁹

4.2 PBAs and IMF/World Bank "Gatekeeper" Conditionalities

The pervasive influence of IMF/Bank on donor policy through Budget Support for PRSPs (and sometimes for SWAPs) is evident in the triggers and targets of a performance framework. These international institutions largely define for other donors the intellectual discourse, analysis and "certification" of what can be considered an appropriate development policy choice.

CIDA recognizes the strong "gatekeeper" impact of Bank/IMF conditionalities on broader policy discussions related to poverty reduction strategies. Its *Primer* notes that one approach for donors providing budget support is to adopt IMF and World Bank policy conditionalities already in place or being negotiated to promote macroeconomic stability, in addition to any sector level conditions or conditions relating to the country's PBA.⁴⁰ Some donors, such as the European Union, are seeking to replace process conditions in favor of an overall performance assessment based on outcome-oriented indicators. But like other donors the EU still relies on the IMF and sometimes the World Bank for evidence of a sound macro-economic framework. Reliance on IMF determination of satisfactory progress in the absence of convincing evidence of the efficacy of conditionality reform in IMF and Bank programs will undermine prospects for getting more open country-owned indicators negotiated with bilateral donors such as the EU.

The IMF, as gatekeeper, is often not even at the table in a multiple donor budget support program negotiations with developing country partners. But it is always preparing the menu in the kitchen. IMF presence and pressures behind the scenes of PBAs to ensure compliance with their advice is further strengthened, as to fall off-track would be to court a wider financial disaster involving other donors. An IMF credit rating base on their macro-economic policy reviews or a World Bank certification of a "weak policy environment" will affect not only levels of IFI grants and loans, but also strongly influence bilateral aid flows to that country.⁴¹ A knowledgeable civil society observer in Uganda, in a review of the new aid system, concluded,

"Conditionality is most powerful when collectively imposed. In recent years, individual bilateral donors have ceded much of their decision-making power to the IMF, which certifies that the macroeconomic management of a country is sound and deserving of support. In addition, donors have increased coordination among themselves and increasingly present a united position to the recipient countries."⁴²

This collective presence is deliberate. The World Bank and the IMF have recently established a Joint Implementation Committee (JIC) as an additional instrument to help the country teams of Bank and IMF staff reach agreement on conditionality. One of the reasons given for strengthening IMF/World Bank collaboration is to minimize "the risk of 'institution-shopping', whereby countries may prefer to seek the support of one institution...sometimes because the reform measures and conditionality associated with

³⁹ SPA Budget Support Working Group, *op. cit.*, p.14.

⁴⁰ CIDA Primer on Program Based Approaches, September 2003, p. 32.

⁴¹ See for example the important influence of the World Bank's annual Country Policy and Institutional Assessment (CPIA) which ranks developing countries according to their compliance with a wide range of Bank/IMF determined criteria of economic management, structural policies (trade, foreign exchange, private sector competitive environment), social inclusion policies and public sector management. Nancy Alexander, "Judge and Jury: the World Bank's scorecard for borrowing governments", Citizens' Network on Essential Services, April 2004, accessed at http://www.servicesforall.org/html/otherpubs/judge_jury_scorecard.shtml.

⁴² Nyamugasira, Warren, Uganda Debt Network, quoted in Hall. p. 6

that support is considered less onerous⁴³. This JIC, as well as the requirement that the IMF/Bank staff provide Joint Staff Assessments on the PRSP for their respective Boards, can be seen as enhancing coherence and progress towards donor harmonization and alignment, but can also be seen as removing choice and options in financing for developing country governments.

Having financing options is an essential ingredient for assuring local ownership of development strategies from a developing country perspective. A litmus test for “ownership” is the question of what happens to a donor harmonized budget support if a country is determined by the IFIs to be “off track” on its agreements with these institutions, particularly for a failure to implement a reform that is nationally, and even internationally controversial. The SPA study on budget support noted that “failure by the recipient government to meet disbursement conditions appeared the biggest single factor...to disbursement delays”.⁴⁴ A harmonized donor approach in PBAs will result in severe disruption in financing in areas that are intended to be critical for achieving the MDGs. But in interviews with CIDA officials, CIDA does not seem to have a plan as to what actions it would take in a PBA if a country were off-track in its IMF program, even though typically countries are off-track because they do not “own” the conditions they are being compelled to implement. The CIDA *Primer on PBAs* does not address the issue.⁴⁵

Having a diversity of aid modalities, as well as partners beyond government may be critical for effective cooperation to reduce poverty on the part of donors such as CIDA. While donor collaboration to strengthen the finances and capacities of governments to deliver services to meet the MDGs is essential, uncertainties in many countries suggest that project support that targets explicitly the rights and conditions facing people living in poverty is equally important.

4.3 Mitigating Risk for Medium-Sized Donors: Deferring to the IFIs in Policy Diagnostics

The ability of the IMF and the Bank to continue to play their gate-keeping roles for medium-sized donors like CIDA is driven by risk aversion in the latter’s approach to PBAs, with their corresponding worries about the capacities of the governments of the poorest countries. CIDA’s emphasis is on the need for “careful assessment of financial management systems, or the country’s commitment to sound policies” as the basis for deciding whether or not to engage in budget support.⁴⁶ The most important risks in PBAs according to donors are fungibility or additionality risk (donor resources replace government resources without a net increase in allocations in a given sector), fiduciary risk (donor resources are not used for the purposes they are intended and there is lack of accountability), implementation and under-achievement risk (unforeseen barriers in implementing programs for beneficiaries and not meeting pre-determined results).

Developing country governments, not to mention people living in poverty, may have very different notions of risk in the aid relationship; but these seldom are the foremost concern of donors. For CIDA, as with the network of donors involved in PBAs,⁴⁷ primary attention to date is on fungibility and fiduciary risk, that is accountability to donor interests and policies. To assess these risks, CIDA analyses relevant documents,

⁴³ IMF/Bank, *Strengthening IMF-World Bank Collaboration on Country Programs and Conditionality — Progress Report*, February 24, 2004. p. 25. accessible at <http://www.imf.org/external/np/pdr/cond/2004/eng/022404.pdf>.

⁴⁴ SPA Budget Support Working Group, *op. cit.*, p. 65. “Administrative problems” on both the donor and recipient side were also listed as significant obstacles for stay on track with regular predictable disbursements.

⁴⁵ Some donors are seeking some minor flexibility in the interest of sustained disbursements. The European Commission for example suggests that “the basic assumption here is that the program is not completely off-track with regard to both the macroeconomic and structural policies, in which case, disbursements would *naturally* be halted. (italics added). However, a delay in completing a Fund review because of a minor slippage in some macroeconomic targets or policies should not automatically induce a disruption of funding linked to structural reforms for poverty reduction programs. SPA Budget Support Working Group, *op. cit.*, p. 12.

⁴⁶ CIDA Primer on Program Based Approaches, September 2003, p. 16.

⁴⁷ CIDA has been playing an important leading role in policy discussions on PBAs through an international Learning Network on Program-Based Approaches (LENPA) which has held several conferences on these themes. CIDA Policy Branch maintains a very active extranet site on PBAs open to members of LENPA and selected others. CCIC has appreciated its access to this very rich source of information on PBAs.

many of which are World Bank or IMF documents – the World Bank’s Country Procurement Assessment Review (CPAR), the Country Financial Accountability Assessment (CFAA), the Public Expenditure Review (PER), and Public Expenditure Management Handbook, the IMF’s Manual on Fiscal Transparency and the IMF’s Report on Standards and Codes.

However, CIDA’s actual capacity to analyze these documents was recognized as low by CIDA officials involved in PBAs and requires improved Agency capacities. While more technical staff may be required, there appears to be little thought given to the opportunity, presented by the new aid modalities and donor harmonization efforts, for CIDA and other donors to question the “collective wisdom” of the IMF and World Bank on macro policy and what would be required in terms of CIDA’s capacity to do so. CIDA officials, interviewed for this study, repeatedly commented on the technical comparative advantages of the World Bank and the IMF in these areas.

OECD DAC guidelines on donor harmonization encourage donors to rely as far as possible on other donors’ diagnostic reviews to satisfy their requirements.⁴⁸ CIDA currently defers to the IMF, arguing that it needs assurances that the macro-economic framework and reform efforts are in place, particularly when involved in budget support. The Agency’s approach appears to be more a division of labor; unquestioning CIDA deferral to the IMF does not appear to be based on a conscious consensus with IMF requirements.⁴⁹ There is little evidence that CIDA takes positions on specific IMF PRGF conditionalities, for example, in countries where CIDA is involved in budget support or SWAps.

CIDA did, however, together with other donors, succeed in Mali in successfully challenging World Bank orthodoxy. The issue was national procurement of textbooks in Mali’s education SWAp arrangement. The World Bank pushed for international competitive bidding, with France the likely winner. CIDA was able to convince France, which next to the Bank was the key proponent of international procurement in this case, through the SWAps’ Malian-donor dialogue mechanism, to support local textbook production capacities through national procurement. Although CIDA did not convince the Bank, the Bank was effectively isolated on the issue. The Government of Mali was also able to use the SWAp process to ask donors to support its position and not the Bank’s. The circumstances of this success have been attributed in part to CIDA’s expertise in the sector and relationships with government and other donors.

Also in the case of Mali, CIDA staff at the Canadian Executive Director’s Office at the World Bank was contacted to apply pressure on World Bank behavior in the field. (CIDA does not have a staff representative at the IMF). The Executive Director’s office at the Bank’s headquarters in Washington can bring some pressure to bear, but it is most effective when other donors are acting similarly.

Although the Mali example shows that medium sized donors are not without voice and influence, the space to be heard and have their influence exercised in support of development alternatives is still very much defined by traditional hierarchies of power in the donor community. Donor policy diagnostics, which lay the foundations and conditions for a PBA, clearly reflect these hierarchies.

The OECD-DAC Task Force on Donor Practices has as a guiding principle that the host country should be involved in and have ownership of diagnostic reviews.⁵⁰ Interviews with CIDA officials and a literature review suggested that host countries involved in this diagnostic work is very much subsidiary to the role of the Bank and the Fund, although some donors see this as a short-term reality until capacities increase.

⁴⁸ DAC Guidelines and Reference Series “Harmonizing Donor Practices for Effective Aid Delivery”, p. 48-49 OECD 2003, as quoted in CIDA ‘Operational Guidelines for Pooled Fund and Budget Support Initiatives’, December 2004.

⁴⁹ CIDA’s capacities and attitudes are compounded by the division of labour within the Canadian Government, with the Department of Finance maintaining Canada’s overall policy relationship with the World Bank and the IMF. CIDA has responsibility for the regional development banks.

⁵⁰ As quoted in CIDA Primer on Program Based Approaches, September 2003, p. 43.

The Special Program for Africa survey commented that in almost all cases African governments had been involved in some way in the diagnostic exercise. However, the level of this involvement varied considerably between actively leading the process to being involved only in consultations on the process or in its preparations⁵¹. A World Bank Regional Financial Manager for Africa at a CIDA meeting noted that the Bank was increasingly more collaborative with development partners and involving the developing country in diagnostics, such as the Country Financial Accountability Assessments (CFAAs). In practice, however, he admitted the World Bank holds the pen. But almost all the CFAAs in Africa now involve collaboration *among donors*, sometimes to the extent that “too many cooks” were involved, as the World Bank official put it. He offered the analogy that it was desirable to have a large number of partners around the table, but that not all should seek to be in the kitchen as well.⁵²

Bilateral donor deference to the IFIs in assessing country capacity and policies raises questions about whether current diagnostic efforts work to strengthen local ownership of PRSPs or may actually undermine them. Almost all diagnostic exercises result in an action plan or set of recommendations in which citizens and even developing country governments have little influence on the nature of the reforms proposed. As the SPA study demonstrates, “in some cases, it was unclear whether recommendations and action plans were prepared with government involvement or adopted by government.”⁵³ The influence of Bank/IMF sponsored diagnostic work as “upstream conditionality” cannot be overlooked.⁵⁴ As noted earlier, recommendations or action plans from diagnostic work are typically incorporated by donors into PBA Performance Assessment Frameworks, which contain the policy matrices that serve as the basis for policy dialogue and triggers for donor disbursement. In the case of Ghana’s budget support program, referred to above, poverty and sector targets will be in a subsequent evolution of the policy matrix, only once capacity has improved in governance areas identified as weak by the Bank/IMF diagnostics.

4.4 A Donor-Imposed “Policy Consensus”?

In the context of PBAs, all participating donors tie disbursements to government actions to improve procedures or build capacity in areas such as public financial management, procurement, or decentralization of control. Whereas many changes can be seen as universal goods – transparency in procurement or budget expenditures for example, other “capacity-building” efforts can be seen as reducing ownership and choice over a particular policy to a technical bureaucratic management decision. The processes of governing and the inclusion of citizens in determining options for realizing their rights is clearly political and unique to each country. Donors de-politicize national policy making process by negotiating (often in secret) with governments standardized and seemingly technical policies over which a political consensus is assumed. The terms of these technical conditions undermine not only national accountability for effective poverty reduction policies, they also promote approaches, such as privatization or public / private partnerships, for the delivery of services that have had serious impact on the rights of the poor to access essential services.⁵⁵

⁵¹ PA Budget Support Working Group, *op. cit.*, p. 16.

⁵² CIDA. ‘Notes from meetings on PBAs and Public Sector Financial Management, February 18, March 7 and March 11, 2003’. Prepared by Réal Lavergne, March 16, 2003, mimeo, accessed on CIDA’s extranet on PBAs.

⁵³ SPA Budget Support Working Group, *op. cit.*, p. 16.

⁵⁴ See the detailed analysis of Bank/IMF diagnostics processes in the Bretton Woods Project and World Vision briefing “Blinding with Science or Encouraging Debate? How World Bank analysis determines PRSP Policies”. 2002.

⁵⁵ For an analysis of the recent World Bank *World Development Report 2004* on the delivery of essential services see Tom Kessler, “Review of the 2004 *World Development Report* (WDR), Making Services Work for Poor People”, Citizens’ Network on Essential Services, September 2003.

For example, CIDA, like other donors, presumes a consensus in regards to private sector participation in service delivery that does not in reality exist among governments, and certainly not among civil society.⁵⁶ In so doing, these donors may be advancing traditional conditionalities in the guise of capacity-building.

CIDA's *Primer on PBAs* notes that in cases of low capacity in a developing country's public sector for service delivery, CIDA should take into account whether "it might be desirable to consider the adoption of market-oriented reforms to reduce the need for capacity in the public sector, by outsourcing to the private sector or to NGOs".⁵⁷ For CIDA's determination of support for a PBA, one indicator is "the sector's policy vision of the role of government in the delivery of services in an effective and efficient manner is suitable", including "the approach to the delivery of public services [which] takes advantage of the potential efficiency gains that may be offered by contracting out government services to Non-Government Organizations (NGOs) or the private sector". One of the criteria to determine whether the institutional framework for the sector program is adequate is: "On the area of service provision there is a distinction drawn between financing and delivery, permitting the contracting out of service delivery to the private sector or NGOs".⁵⁸

Procurement is another area where donors seem to assume a consensus as to what is a "sound policy". Procurement is clearly an area that is susceptible to corrupt government officials. But, as in the Mali example above, it is also a key vehicle for governments to encourage and support local private sector development and innovation, which in turn generates local employment. But donor interest in procurement reform is typically discussed in terms of reducing corruption. At the same time, developed countries are promoting liberalized procurement rules in trade negotiations (one of the so-called WTO Singapore Issues) in order to further integrate developing countries into the global economy. In this view procurement rules that favor developing country national firms are deemed to be a barrier to trade .

Whereas CIDA officials identify procurement as a contentious area within donor harmonization efforts, CIDA's policies in this area seem to reflect the Washington Consensus and the liberalization agenda of the WTO. CIDA's guide for procurement risk assessment points out that "procurement reform is now viewed as critical to gaining donor support for effective program based approaches such as SWAps".⁵⁹ The CIDA guide argues that donor discussions for a development compact with the recipient country will focus in part on the advancement of public procurement reform. The "compact", CIDA defines as "commitments to transparency, good governance, respect for human rights and the rule of law [which] are matched by donor commitments towards policy coherence and accelerated support for good performers". Although CIDA has developed its own guide, the guide notes, "[m]ost responses to the checklist information can be found in the World Bank's Country Procurement Assessment Review (CPAR)".⁶⁰

Developing countries clearly stated in Cancun and elsewhere that they do not want the Singapore Issues, including new rules on procurement, built into current WTO negotiations. Although Canada and other developed countries argue that WTO procurement rules will ensure transparency, many government officials, researchers and CSOs in both the North and the South, see this is a stepping stone for international firms to get market access in developing countries.

Despite Southern governments strong opposition to further codifying procurement rules in the WTO, CIDA's guide to determining procurement risk in PBAs, notes that a country's lack of compatibility with key WTO agreements makes it high risk for a PBA, including treatment granted to domestic and foreign enterprises and/or suppliers. "WTO represents the agreement of choice for harmonization of

⁵⁶ In Africa, especially in post-conflict countries, NGOs play an important role in the delivery of education and health services. The presumption is that this should accelerate and include more private sector involvement, even as state capacity is being strengthened.

⁵⁷ CIDA Primer on Program Based Approaches, September 2003, p. 31.

⁵⁸ CIDA, "Copy of PBA Sub Criteria Detailed Testing" (rev 1), accessible on CIDA's PBA extranet site.

⁵⁹ World Bank. "Public procurement reform project, Bangladesh", April 2002, quoted in CIDA, "Procurement Issues and Considerations", May 2003, p. 4.

⁶⁰ Canadian International Development Agency, "Procurement Risk Assessment and Mitigation". p.4.

procurement terminology, processes, rules, competition practices and redress procedures. It does represent a globally acceptable and transparent process. All harmonization undertakings should be generally reflective of the spirit, principles and commercial practices contained in the WTO *though there is no legislative compliance mechanism at this time*".⁶¹ [emphasis added]

One CIDA official suggested that CIDA does not look exclusively for international competitive bidding requirements but only that treatment granted to foreign and domestic suppliers is clear and reasonable. Yet an internal guide for CIDA project managers clarifies, "Irrespective of the 'untied' nature of Program Based Aid, from an accountability standpoint, Africa and the Middle East Branch Program and Contract Management Officers are responsible for ensuring that procurement under SWAp Agreements ...will be conducted in such a manner so as to: promote competition and encourage maximum participation by suppliers and contractors (including Canadian) for the supply of goods, works or services to be procured".⁶² CIDA's internal guide "strongly" encourages e-procurement, in the interests of maximizing the participation of all private sector stakeholders, including Canadians⁶³.

Both Bank and CIDA diagnostic tools assume consensus in many areas of contested development policy in which "[the World Bank] has a tendency to interpret the idea of common procedures either as everyone using theirs, or a system designed to suit their needs."⁶⁴ The approach to participation of development partners in program diagnostics raises similar questions with respect to ownership. Does participation include determination of what forms of diagnostic are required, the methodology to be used, an analysis of the data and ensuring the drafting of recommendations by officials beyond the central ministries, to line ministries as well as to civil society and the public? The World Bank's failures to support public disclosure of such diagnostics as the Country Policy and Institutional Assessment would suggest a continued practice based on a very narrow definition of participation and national ownership. These questions raise concerns about the role of civil society organizations in development strategies to reduce poverty and in new aid modalities such as PBAs.

5.0 CIVIL SOCIETY ORGANIZATIONS AND OWNERSHIP IN CIDA'S PBAs

The place for civil society in the development process is an increasingly important issue as donors move to concentrate their aid resources in PBAs. The role of civil society organizations might appear to be given more importance in the new aid modalities' focus on participation in determining PRSP priorities. However, as noted earlier, although donors have rhetorically encouraged participation in PRSPs, the quality of CSO participation might easily be characterized as engagement for engagement's sake.⁶⁵ Donors have been far more interested in the numbers of CSOs at government managed events, than how their input has been taken on board.

⁶¹ *Ibid.*, p.7

⁶² CIDA's Guide for developing a Joint Framework Agreement, p. 5.

⁶³ CIDA, AMEB Branch Internal Guide, p. 10.

⁶⁴ Brown, et. al, p. 43.

⁶⁵ See for example, Susanne Possing, "Between Grassroots and Governments: Civil Society Experiences with the PRSPs, A Study of Local Civil Society Response to the PRSPs", North South Coalition PRSP Program, based at the Danish Institute for International Studies, Copenhagen, Denmark, September 2003, (<http://www.eurodad.org/articles/default.aspx?id=530>) p. iv. See also Diana Sanchez and Katherine Cash, "Reducing poverty or repeating mistakes? A civil society critique of Poverty Reduction Strategy Papers", Church of Sweden Aid, Diakonia, Save the Children Sweden and the Swedish Jubilee Network, (<http://www.eurodad.org/articles/default.aspx?id=511>), December 2003 and Walter Eberlei and Heike Henn, "Parliaments in Sub-Saharan Africa: Actors in poverty reduction?", GTZ (Germany), December 2003, (<http://www.eurodad.org/articles/default.aspx?id=521>).

DFID staff for example recognizes that “poor peoples’ representation remains weak in many countries as does the involvement of legislators”. They noted that “finding ways to engage these groups more effectively is crucial in building greater domestic accountability for PRS processes”.⁶⁶ However DFID staff seemed at a loss for how donors might legitimately account for such delicate political factors in their work in partner countries. Opening PRSP consultative processes to a broader cross section of organizations might be helpful. In a number of countries, an ActionAid study noted, governments self-censor and orient consultations to avoid conflict with the Bank/IMF. CSOs report that they were barred from participating in macro and structural policy discussions at the consultations that did take place.⁶⁷

While CSOs are proposing improvements in the consultative process for the next phase of PRSP development (see our recommendations in this paper), others remain highly skeptical. In this view,

“the PRSP is little more than the tactical answer to [donor] recognition that classical structural adjustment and stabilization policies no longer allow themselves to be imposed upon. Accordingly participation under the control of national executives is essentially concerned with anchoring the Washington Consensus in society, whereas the ‘overarching’ objective to eradicate poverty provides the orthodox economic and policy growth maxims with a trace of legitimacy.”⁶⁸

The power of the IMF and Bank has to be diminished for effective development ownership to be realized and donors need to develop policy relationships with a range of civil society actors in developing countries to enable their real participation.

CIDA, in contrast, has focused almost exclusively on strengthening its programmatic relationship with government and the effective implementation of government development strategies in coordination with other donors. Overall, in the three years between 1999 and 2002, CIDA disbursements for civil society implementing partners declined by more than 6%, with disbursements through CSOs declining 25% in the bilateral programs.⁶⁹

CIDA’s approach to PBAs in principle includes civil society and the private sector. For example, “civil society and the private sector play important roles as service providers in health and education”. Moreover, “NGOs are often involved in community-based programs using a more holistic approach, or involving innovative participatory approaches, and may be in a position to promote stronger linkages between government programs and other approaches to poverty reduction”. Finally,

“Civil society organizations are in a good position to engage in advocacy and dialogue, or in monitoring and evaluation of government-led PBAs. They can also play a role in improving accountability of both host governments and donors. *This is an important role that requires the presence of a strong and independent civil society.* [emphasis added]”⁷⁰

⁶⁶ “Update on DFID’s Engagement with the PRSP Process”, *PRSP Connections*, February 2004, p. 1 accessible at <http://www.prpsynthesis.org/connections%2010.pdf>. The survey of DFID staff can be found at <http://prpsynthesis.org.uk>.

⁶⁷ ActionAid International Uganda and USA, “Rethinking Participation: Questions for Civil Society about the Limits of Participation in PRSPs” Discussion Paper, April 2004, accessible at http://www.actionaidusa.org/images/rethinking_participation_april04.pdf. This paper contains a very useful appendix that lists key development questions that are never discussed in CSO PRSP consultations.

⁶⁸ Spanger, H-J., Wolff, J., “Poverty Reduction through Democratization? PRSP Challenges of a New Development Assistance Strategy”, PRIF Report #66, Peace Research Institute, Frankfurt, June 2003, accessible at http://www.hsfk.de/publication_detail.php?publicationid=2430&language=en. page 53.

⁶⁹ CCIC calculation based on data provided by CIDA. As a proportion of CIDA’s ODA resources, CSOs disbursed 29% in 1999/00 and 21% in 2002/03.

⁷⁰ Quotes taken from Lavergne, R., “Program Based Approaches: A New Way of Doing Business”, CIDA Development Express, December 2003, accessible at http://www.acdi-cida.gc.ca/cida_ind.nsf/vall/E7C73177F40985E885256E28004B6646?OpenDocument.

But despite these observations by CIDA's Policy Branch, civil society appears marginal to CIDA's consideration of these relationships and to the issues of accountability, capacity and effectiveness of government to meet development expectations. The information and analytical base on civil society, taking serious account of country and Canadian CSO input, in the CDPFs overall is very weak (with the notable exception of the Bolivia CDPF).⁷¹

Some CIDA bilateral country programs have had limited programming relationships with civil society organizations (Tanzania). Others continue to have extensive interaction (Mali and Mozambique), which makes it difficult to generalize. The Mali CDPF for example envisages strong roles for civil society in relation to governance programs at the local level in both the delivery of services and also the engagement of citizens in determining directions for Mali's broader development strategies. While CIDA officials working to develop the Mozambique program were reported to be open and engaged towards civil society for dialogue, collaboration and learning, there is little conceptual discussion of roles for civil society in the Concept Paper for a new country program strategy. The Paper suggests that the bilateral branch will work with civil society in its efforts to support decentralized levels of government and in areas of rural and agricultural development. However, strengthening governance seems to represent a very small part of CIDA's program allocations for Mozambique.

Where direct relationships with civil society have been strong and effective in the past, such as with BRAC and PROSHIKA in Bangladesh, CIDA is committed to continue this support. But overall its notion of the role of civil society is one of subservience and service orientation in relation to government sector programming. In participating in a donor supported education SWAp in Bangladesh, CIDA sees its role as bringing large NGO actors in the informal education sector to be more aligned with the formal government system. On the other hand, CIDA has strong reservations about its participation in a full SWAp in the health sector in Bangladesh, with its program document noting, "[C]entralized mechanisms will lack effectiveness in improving the health status of the poor majority of the population unless Bangladeshi ownership is enhanced through setting up of management and coordination arrangements in full cooperation with CSOs". The public health services are utilized by only 13% of the population "and are generally avoided even by the poor".⁷²

CIDA's 2003 Concept Paper for the new Ethiopian CDPF seems to contradict itself.⁷³ On the one hand, it suggest that "it will be important to support efforts to improve inter-ethnic tensions through peace-building and conflict resolution at the community level, with more open tolerance on the part of government to political dialogue, and debate and acceptance of the contribution of civil society organizations in the political, economic and development processes of the nation". On the other hand, it stresses that future roles for civil society in CIDA's development programs in that country will be in their reflection of "the Government of Ethiopia view that NGO programming must be more closely linked to the SDPRP [Ethiopia's PRSP], to government programs at various levels". However, CSOs in Ethiopia felt they had little influence on the PRSP process.⁷⁴ An Ethiopian CSO colleague, participating in a CCIC/CIDA

⁷¹ Canadian CSOs working with developing country CSO partners at a significant scale in responsive bilateral projects in many of the nine priority countries, often with several decades of experience, are being abandoned by CIDA in favour of program funding with government. CSOs have sometimes been told to seek contracts from the government in question as service delivery agents. In the case of Bolivia, the CDPF is explicit in suggesting that CSO proposals for the "responsive mechanism" must be supportive of the Bolivian PRSP as well as national development and sector priorities set by partners in Bolivia. But in this program, as with many others, there is limited appreciation of important contributions of civil society organizations, particularly in regional and local programs, which are sometimes in tension with nationally driven poverty reduction strategies. In several papers and in dialogue with CIDA officials, the legitimacy and southern "ownership" of Canadian CSO partnerships are questioned and sometimes just assumed without evidence to be Canadian driven.

⁷² Janik Bouchard, *Survey Response, CIDA Support to the Health Sector in Bangladesh*, February 2004, p. 20. accessible on CIDA's PBA Extranet site.

⁷³ CIDA, Ethiopia, Country Development Programming Framework, Discussion Paper for Canadian Stakeholders, April 2003.

⁷⁴ According to Christian Relief and Development Association (CRDA) an umbrella organization representing 70% of all NGOs in Ethiopia.

Dialogue on Ownership in 2003 noted that the Government of Ethiopia is effective in using the unconditional support of the donors for Ethiopia's PRSP to silence its civil society critics who seek to represent alternative points of view rooted in community and regional experiences. Sustaining CIDA funding for civil society strengthening work in Ethiopia, supported by the Canadian NGO community, has been very uncertain since Ethiopia became a country of priority for CIDA. And this is despite very positive evaluations and recognition that such work contributes effectively to local ownership.⁷⁵

CIDA's program plans for South Africa also demonstrate the tensions and contradictions in the Agency's approach to civil society programming. CIDA and the South African government jointly commissioned an independent review of CIDA's program in that country from 1994 to 2002. This review came to some important conclusions that are useful to quote at length:

"Partnering with NGOs and CBOs enabled CIDA to reach and support poor marginalized groups in ways that the government did not....

"CIDA's declining financial commitment to civil society (which was consistent with most of the donor community) only exacerbated the impact of a decline in NGO capacity (brought on by a flight of skills to the public service), and their inability to adapt effectively to the post-apartheid era.....

"Specifically, CIDA did not provide comprehensive, substantial and strategically focused support to CSOs during the period when civil society critically needed such attention. As a result, most investments were diffused across civil society with no coherent overall strategy or framework, no selected sectors of concentration, and little coordination or collaboration between projects....

"An almost exclusive focus on capacity building of the state has resulted in insufficient attention to civil society's ability to impact on socio-economic issues. The HIV/AIDS pandemic demonstrated the critical role to be played by CSOs in the absence of an adequate government response. It is fundamental that civil society be strengthened so it can become a vital and effective proponent for advancing a more comprehensive socio-economic agenda."⁷⁶

It remains to be seen whether CIDA's CDPF for South Africa will reflect these observations and concerns. But the South African lessons on civil society programmatic marginalization, while specific to a country context, could usefully also inform the overall directions for CIDA priorities that seem to be emerging in the nine countries of focus.

CIDA Partnership Branch has yet to clarify its potential, and therefore the potential of Canadian NGO involvement in PBAs. Should the Branch be encouraging Canadian NGOs to adopt a PBA in some of their own work in developing countries or vis-à-vis CIDA's relationships with CSOs in PBA countries?⁷⁷

⁷⁵ See the several case studies prepared by CCIC and members for the March 2003 CCIC/CIDA Consultation, one of which highlights the capacity development work with Ethiopian civil society, accessed at www.ccic.ca.

⁷⁶ "Building Together from Strength: Joint Review of the CIDA South Africa Program (1994 – 2002)", prepared for the National Treasury, South Africa and CIDA, May 2003, pages 13, 21 and 26.

⁷⁷ Lavergne in his overview of PBAs as a new aid modality recognizes the threat to sustaining Canadian engagement in international cooperation through Canadian NGOs. He suggests that there are two possible scenarios: "One is for Canadian partners to engage with Southern counterparts to reinforce the role that civil society can play in PBAs in their own countries. The other is for Canadian NGOs themselves to adopt PBAs with respect to their Southern counterparts." He goes on to recognize that NGOs in Canada have developed their own experience in program based approaches. Lavergne, *op. cit.*, p. 12.

While useful, this analysis avoids the difficult questions regarding the relationships and attitudes of Canadian partners in the South to their own government's poverty reduction strategies. As noted in the Honduran study of the politics of the Honduran PRSP, a key issue in Honduras for donors is that "the political elite do not see poverty as the problem of the country" and grassroots civil society organization face repression when they challenge this elite. Seppanen, *op. cit.*, p. 33.

CIDA officials involved in PBAs refer to the need for serious discussion on the implications of PBAs for donor support of CSOs, Canadian and in-country. In 2004, Canadian Partnership Branch improved its capacity to relate to program development processes in the CIDA's countries of focus.

CIDA is only beginning this complex discussion with its Canadian partners. Some Canadian CSOs report significant difficulty in sustaining long-standing responsive bilateral projects in a number of countries (Ethiopia, Ghana, Mali and Bolivia) despite positive evaluations. They are most often told that the reason for these decisions has nothing to do with the project per se, but rather result from CIDA's commitment to a program approach with government in which such projects have no role or relevance. In some instances it has been suggested that civil society partners of these projects might approach the government in question for continued support.⁷⁸

At the Learning Network on Program-Based Approaches (LENPA) meeting in November 2003, donors discussed PBAs and the role of non-state actors. The need for support for non-state actors was linked to matters of accountability and the demand for good governance. Similar to CIDA's Policy Branch above, "non-state actors" are also defined to include the private sector, suggesting a comprehensive view of non-state actors as service deliverers. Several country case studies presented at that meeting demonstrated that an important determinant in program success was the support given to civil society in parallel to support at the government level.⁷⁹

Some participants at the LENPA forum further noted, "Development agencies need to shape provisions for non-state involvement even if it means stepping down from some dogmas in the PBA context"⁸⁰, the dogma presumably being the exclusive focus on strengthening government systems. The danger here is that calls on government to further privatize will be partially justified, as "the aim [of the second generation of sector programs] is to provide an enabling framework for the involvement of wide variety of actors".⁸¹

Analysts in the UK and Uganda have drawn attention to the implications of "[s]ignificant changes [which] are occurring in donor conceptualization of the roles of CSOs and their place in development processes"⁸². They point out that these new roles focus on service delivery. CSOs under the new modalities are expected to be available as sub-contractors to government *and at the same time* be advocacy organizations holding government to account. Donors at LENPA urged peers to see the divide between service and advocacy CSOs as artificially constructed, arguing that it is service delivery CSOs that have the real life experience to bring merit to an advocacy situation.

These roles are in tension: "[t]here is a danger that the changes in funding modalities will force a new dependence on government which will restrict CSOs' ability to carry out the very role that donors are trying to enhance – that of 'holding government to account'".⁸³ At the same time, the study on CSOs in Uganda urged similarly that the distinction not be drawn between service delivery and advocacy as discrete CSO functions: "In a resource scarce environment, a donor model which separates service-delivery from advocacy organizations will further increase the tendency for advocacy to be carried out by urban groups with few links to the 'grassroots'".⁸⁴

⁷⁸ DFID has also emphasized government-to-government support for SWAps and Budget Support in its aid relationships. For a sharp critique of the impact of the capacities and autonomy of local civil society organizations who were pushed to rely on local government for service contracts, see Sarah Lister and Warren Nyamugasira, "Design Contradictions in the 'New Architecture of Aid'? Reflections from Uganda on the Roles of Civil Society Organizations" in *Development Policy Review*, 2003, 21 (1), pp. 93-106.

⁷⁹ Dietvorst, Desirée, p. vi.

⁸⁰ *Ibid.*

⁸¹ *Ibid.*

⁸² Lister, Sarah, et al. p. 95

⁸³ Lister, Sarah, et al. p. 93.

⁸⁴ Lister, Sarah, et al. p. 103.

Capacity of service delivery CSOs rooted in communities to engage effectively in advocacy, however, will be typically constrained as they increasingly become service providers for local and regional governments. Issues of independence are therefore crucially important for CSOs under the new aid modalities. One way forward would be for donors to support policy/advocacy capacities in traditionally defined service delivery CSOs, in both recipient and donor countries, and to ensure independence through more traditional aid partnerships, such as CSO-to-CSO. These issues will influence how CIDA may resolve its relationships with CSOs in PBAs. Canadian CSOs have been proposing an Agency framework for developing appropriate roles for CSOs in the development process.

6.0 A WAY FORWARD

Empowering developing countries to give priority to policies and programs that significantly reduce poverty will require substantial reforms in the current modalities of aid and governance on the part of both donors and governments in developing countries. In the words of *The Reality of Aid 2004 Report* by a global network of CSOs, “aid should be treated as money held in trust for people in poverty” and must be directed in ways that secure their rights.⁸⁵ The emphasis should be placed on extending democratic governance, which is fundamentally about politics, power and the exercise of rights in society. Equally important are the ways in which the donors are governing the aid regime itself, particularly in relation to the poorest countries. As this paper demonstrates, donors in their adoption of budget support and SWAp are continuing to impose their own far-reaching conditions in the aid relationship that remove the political locus for national decision making away from the political checks and balances where citizens should have a significant role in influencing public policy.

Below are some proposals that might accelerate progress towards the laudable goal of local ownership as a foundation for donor strategies to contribute to the reduction of poverty.

1. Creating space for ownership with a diversity of developing country partners:

Canadian international cooperation policy should work with other bilateral donors to,

- a) Ensure that the IMF and World Bank fully and unconditionally write off the debt of the poorest countries using the existing resources of the IFIs. This will enable developing country governments to have increased fiscal space to direct maximum development resources to nationally determined development policies and sector programs. Donors should also delink their commitment to budget support and its disbursements from a satisfactory assessment from the IMF Poverty Reduction and Growth Facility. This is particularly urgent when the IMF moves outside its remit and/or prevents the government from maximizing funding for poverty reduction, for example, by imposing an artificial limit on the size of fiscal deficit. The poorest developing countries will make more effective use of aid for poverty reduction if they can access a greater diversity of donor resources which do not rely on the IFIs as the policy “gatekeepers” for resource transfers.
- b) Assist developing country governments to mobilize their own domestic resources. Developed country promotion of trade and finance policies should consider their impact on capacities and sources of revenues in developing countries. Donors should assess and challenge IFI loan conditions and “advice” that push their WTO trade agenda, and which results in revenue from tariff reductions or dumping of goods and services in poor economies. Donors should also resist IFI policies that seek maximum privatization while supporting alternative reforms that may result in potential revenue gains and more equitable provision of services affecting the poor.
- c) Advocate for an end to IMF/Bank endorsement of PRSPs, thereby delinking the provision of debt cancellation from an approved PRSP. Rather than conditioning bilateral and multilateral aid on externally motivated PRSPs, donors should support and take direction from political processes within developing countries to create their own national development strategies and poverty reduction plans.

⁸⁵ *The Reality of Aid Report, 2004*, on Governance and Rights in International Cooperation, pp 29-30.

Donors can facilitate an enabling environment in which government plans are public and debated. Authentic ownership of these plans requires consistent long term support by donors to civil society and government to involve traditionally marginalized and poor populations. The latter must play effective roles in participatory poverty analysis, pilot development alternatives and increase their capacity for policy analysis and advocacy.

- d) Provide capacity-building to government and civil society to undertake research and policy analysis to determine their own menu of policy directions to support poverty reduction. Donors might also adopt indicators of different dimensions of national empowerment as distinct from their largely technical orientation to government “ownership”.⁸⁶
- e) Increase their support to internal capacities of local governments and improve their relationships with *autonomous* local and community based civil society organizations, as donors step back and allow national processes and systems to work. This might increase donor transaction costs, but would contribute to reducing inappropriate standardization resulting from procedural harmonization efforts, as well as build alternative perspectives with less emphasis on Bank/Fund diagnostic work recommendations.

2. Increasing voice and action for a diversity of policy alternatives in donor-recipient dialogue:

Canadian international cooperation policy should include,

- a) The development of greater capacity within CIDA to do inter-disciplinary work – economic, institutional, political and social development analyses: “[w]hat is required is a wider contextual analysis linked to overall objectives of poverty reduction and democratic development. One of the underpinnings of this broader picture, an economic analysis, goes beyond what in a project approach might have been solely an economic justification of the investment”.⁸⁷
- b) Taking advantage of inter-donor budget support discussions, to bring to the table critiques and challenges to the IMF/World Bank approach to core macroeconomic policy, recognizing the political nature of macro policy choices.
- c) “Swim against the tide” rejecting the notion that there is an international consensus or national consensus on development embodied in current PRS processes. Terry McKinley, Advisor on Macroeconomics and Poverty to the UNDP, puts it this way. “Beneath this apparent consensus, there are ... significant differences. ...[S]uch differences are healthy and should be encouraged, and moreover ... achieving international consensus is not a desirable goal. [Rather], a “marketplace of ideas”, in which there is competition among conflicting views, should be promoted.”⁸⁸

3. Supporting Civil Society in profiling development alternatives, reaching the poor, and in policy advocacy:

Canadian international cooperation policy should

- a) Develop a CIDA agency-wide policy framework for engaging civil society in the development process, which includes significant and timely engagement with Canadian and developing country CSOs in the development and priorities for CIDA’s Country Development Policy Frameworks (CDPFs).
- b) Provide support for civil society participation, voices and programs that bring different perspectives and voices to national poverty reduction strategies, recognizing the necessity of a “marketplace of ideas”, as well as weaknesses in existing national processes.

⁸⁶ McKinley, p. 4. Stewart and Wang, 2003.

⁸⁷ Riddell, ‘Implications of Agencies Pursuing SWAps in Education’, 2000. p.1.

⁸⁸ Mckinley, “Economic Policies for Growth and Poverty Reduction”, 2004. p.1.

- c) Provide support for policy/advocacy development within traditionally defined service delivery CSOs, in donor and recipient countries.
- d) Provide support and encouragement for niche roles by autonomous civil society organizations, from community to national levels, in all phases of sector wide approaches.

CIDA as a respected medium size donor can continue to play a leadership role in the evolution of new approaches to international cooperation through program based approaches. But as one experienced Canadian commentator notes, “good development may be compromised when they [bilateral donors] become polite members of “coalitions of the willing” in PRSPs. It would be to CIDA's advantage to retain the tactical space and challenge policies detrimental to vulnerable groups, and promote social justice through both the state and civil society”⁸⁹

⁸⁹ Edward Jackson, Associate Professor of Public Admin and International Affairs, Carleton University, quoted in Development Express, p. 17.

APPENDIX ONE

CIDA BILATERAL DISBURSEMENTS IN NINE PRIORITY COUNTRIES	99/00	03/04	PERCENTAGE GROWTH
	Millions Cdn \$		
Bangladesh	\$34.3	\$37.3	8.7%
Bolivia	\$8.8	\$13.1	48.9%
Ethiopia	\$13.2	\$29.2	121.2%
Ghana	\$24.8	\$23.3	-6.0%
Honduras	\$8.1	\$12.1	49.4%
Mali	\$18.1	\$32.6	80.1%
Mozambique	\$13.6	\$29.9	119.9%
Senegal	\$11.7	\$16.5	41.0%
Tanzania	\$12.0	\$28.5	137.5%
Total	\$144.6	\$222.5	53.9%
Percentage Total Bilateral	22.4%	29.7%	
Total Disbursed by CSOs	\$40.4	\$45.5	12.6%
Total Disbursed by Private Sector	\$47.8	\$25.6	-46.4%
Total Disbursed by Government/UN/WB	\$56.4	\$151.4	168.4%
Percentage Disbursed by CSOs/Private	61.0%	32.0%	
Percentage Disbursed by Government/UN/WB	39.0%	68.0%	
CCIC Calculations based on information from CIDA Corporate Memory			

All of the increase in total dollars disbursed by CSOs is accounted for by Bangladesh where CSOs continued to disburse just under 50% of the program.