

**AID EFFECTIVENESS AND  
NON-STATE PARTNERSHIPS:  
ANALYTICAL CONSIDERATIONS**

**Working Paper**

- Comments welcome -

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## LIST OF ACRONYMS

ACCC	Association of Community Colleges in Canada
AE	Aid Effectiveness
CCIC	Canadian Council for International Cooperation
CDF	Comprehensive Development Framework
CEA	Canadian Executing Agency
CECI	Centre canadien d'études et de coopération internationale
CIDA	Canadian International Development Agency
CPB	Canadian Partnership Branch
CS	Civil Society
CSO	Civil Society Organization
DAC	Development Assistance Committee
DFID	Department for International Development
GHD	Good Humanitarian Donorship
HIPC	Highly Indebted Poor Countries
IFI	International Financial Institution
IMF	International Monetary Fund
IPS	International Policy Statement
IUCN	The World Conservation Union
LENPA	Learning Network on Program-Based Approaches
MDGs	Millennium Development Goals
NGO	Non-Governmental Organization
NSA	Non-State Actor
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
ORAP	Organization of Rural Associations for Progress
PBA	Program-Based Approach
PRSP	Poverty Reduction Strategy Paper
SAE	Strengthening Aid Effectiveness
SWAp	Sector-Wide Approach
UN	United Nations
UNDP	United Nations Development Program
WB	World Bank
WUSC	World University Services Canada

## **EXECUTIVE SUMMARY**

This paper investigates a number of aid effectiveness issues associated with the role of donor partnerships with non-state actors from civil society and the private sector in development cooperation. Although inspired by the Canadian experience, we consider the analysis to be generally applicable. Aside from the Introduction and Conclusion, the paper is divided into three main parts, as follows:

- A review of the origins and features of the prevailing international aid effectiveness agenda and its strengths and limitations from the perspective of non-state actors (section II)
- A discussion of additional considerations that might help to enrich that agenda with respect to the role of non-state actors (section III)
- An applications section, in which we test the use of such aid effectiveness considerations against a number of issue areas related to aid programming involving non-state actors (section IV).

### **Strengths and Limitations of the Prevailing Aid Effectiveness Agenda**

In trying to understand the strengths and limitations of the prevailing international aid effectiveness agenda for addressing the role of non-state actors in development, we have found it useful to distinguish among the following:

- The general notion of aid effectiveness, understood as the search for sustainable results in the fight against poverty and underdevelopment in low income countries
- More specific aid effectiveness “principles” that incorporate shared lessons of experience, based on empirical evidence and research
- The prevailing international aid effectiveness “agenda” that goes beyond statements of principle, to include specific commitments, intended to promote enhanced aid effectiveness, based on a consensus negotiated among states and the institutions that represent them, as represented in the Paris Declaration of March 2005.

The general notion of aid effectiveness is important, because it serves to remind all concerned of the fundamental mandate of aid agencies, in the face of competing pressures and interests. This is particularly important when dealing with partnership issues, where concerns arise about entitlement-based approaches or supply-based approaches to decision-making. The value of the aid effectiveness principles and agenda are that they incorporate hard-learned lessons emerging from decades of experience and research, and international agreements about what needs to be done. These are valuable assets, not to be squandered.

At the same time, these should be treated neither as a unique set of aid effectiveness principles, nor as a unique agenda of what needs to be done. It is a premise of this paper that the prevailing international aid effectiveness agenda has emerged at a particular historical juncture to address a particular set of issues. Although the agenda is generally applicable and not intended to exclude non-state actors, we see its primary aim as being to address the weakness of the state as a development issue.

This choice of emphasis is not to be belittled. Empirical research shows that institutional weaknesses related to the ineffectiveness or exploitative character of the state are at the root of underdevelopment. To the extent that the international aid effectiveness agenda helps the international community to address this issue, in a focused way, the Paris Declaration is likely to emerge as a watershed in the history of development cooperation.

Furthermore, one should not understate the general applicability of the international aid effectiveness agenda. Indeed, the drafters of the Paris Declaration were quite careful to express the commitments in the Declaration in general terms, so that they apply to all development actors, not just the state. Key principles embedded in the Paris Declaration, such as the need to respect and promote local ownership, to align with Southern-driven priorities, to make use of local systems, to harmonize donor efforts, to focus on results and for partners to be held mutually accountable, are relevant to a wide range of development actors and activities.

Likewise, the aid effectiveness critique that has been made of stand-alone projects is of general applicability. It is now widely acknowledged that the success of projects may not translate into development impact if systemic considerations are not adequately taken into account. There are, therefore, considerable lessons to be found for non-state partnerships in the prevailing aid effectiveness principles and agenda.

At the same time, there is nothing necessarily static or unique about the international agenda. This paper argues against the mechanistic application of this agenda, which, by itself, is insufficient to guide all aspects of donor behaviour. This becomes obvious when questions are asked about the roles that non-state actors might play in furthering aid effectiveness. In answering such questions, the current aid effectiveness agenda seems to be at once an asset and a handicap.

It is an asset for the reasons described above – because of the attention it draws to some general lessons of experience, such as the importance of more comprehensive approaches, of working through country systems, and of working together in a partnership mode. However, the implicit focus on government-to-government approaches, the explicit attention that is given to certain government functions such as planning and programming, public financial management and procurement, and the abstraction of the agenda from local political realities and human rights issues, tends to draw attention away from areas that could benefit from a division of labour involving non-state actors. As a result, non-state actors are often ambivalent about the international aid effectiveness agenda. They recognize its importance, and accept the need to focus on aid effectiveness as a general objective, but have some trouble finding themselves in the existing agenda.

### **Considerations for an Enriched Agenda**

Our aim in this paper was thus to explore ways of enriching the aid effectiveness agenda, in order to better address aid effectiveness issues involving donor partnerships with non-state actors. We propose four general considerations to enrich our understanding of factors contributing to aid effectiveness:

### *Recognize non-state actors*

First of these is the need to recognize more explicitly and clearly the need for balance in the roles that government, the private sector and civil society can play in development. The prevailing international aid effectiveness agenda is focused primarily on the state. While there is little danger of the private sector being forgotten in development discourse, there is a need for greater attention to the various roles that civil society can play, including the following:

- A political role involving representation, advocacy, empowerment of the poor and protection of human rights
- Innovation and knowledge sharing
- Building social capital
- Filling gaps by working in activities or geographical areas and populations ignored by governments due to limited capacity or political will
- Bridge building between donors, governments, and the ultimate beneficiaries of aid
- Resource mobilization through fundraising or volunteerism
- Service delivery, which civil society organizations can often combine advantageously with other roles.

An enriched agenda for aid effectiveness should include stronger recognition of the need for balance in the different roles that government, the private sector, and civil society can play in development.

### *Develop a better understanding of donor partnerships with non-state actors*

The current tendency is to think of aid effectiveness in terms of enhanced partnerships between donors and recipient governments, while relationships with non-state actors are conceived primarily as buyer-supplier relationships. There is a need for greater attention to partnerships involving donors and non-state actors on other than a buyer-seller relationship. Specifically, this has three implications:

- It suggests the need for a greater distinction to be made between the notions of partnership and of tied aid. Indeed, partnerships with donor-country-based non-state actors need not necessarily involve the tying of aid beyond the original partnership agreement, and are not intended to procure commercial advantage. Partnerships should not necessarily be tarred with the brush of tied aid.
- Secondly, explicit recognition should be given to the objective of mobilizing additional resources for development through partnerships (leveraging), and designing partnership programs accordingly. Efforts should be made to monitor and measure the effectiveness of this approach.
- Thirdly, more attention is required to the ability of different agents to deliver results. Different agents of development, including donors, developing-country governments, and non-state actors, each have their own strengths and weaknesses, the latter of which can interfere with aid effectiveness. Insights into the interests, power relationships, values, knowledge, and access to information of each are required to understand the relative appropriateness of each as vehicles to pursue different objectives under different circumstances.

### *Recognize the political side of development*

Currently missing from the international aid effectiveness agenda is clearer recognition that change is political in nature, and requires active, diverse and vibrant non-state actors to ensure good governance, domestic accountability and respect for human rights. Although improved governance is at the core of the international aid effectiveness agenda, much more needs to be done to operationalize this aspect of the agenda.

### *Revisit the limits of planning*

Also requiring more explicit attention, finally, is recognition that the choice of partnership and delivery models depends to a large extent on the nature of activities being pursued. Not all activities are best pursued in a centralized, joined-up fashion. The complexity of development and the ambitiousness of development goals require some division of labour among different actors depending on whether the activities are programmable and amenable to centralized planning, or are better implemented in ways that are decentralized, participatory, and iterative and might thus include a greater role for decentralized levels of government and non-state actors.

## **Applications**

The enriched aid effectiveness agenda proposed here can be used to address any number of issues. In the last part of the paper, we have tried to address some of these, with reference to issues of particular Canadian interest:

- The merits of engaging Canadians
- The choice of partnering with Canadian organizations vs directly with host-country organizations
- The value of responsive approaches
- The participation of non-state actors in program-based approaches
- The issue of sector concentration and diversity
- The use of “non-competitive” approaches
- The division of labour between Partnership Branch and other programming branches in CIDA.

We have expressed some views on each of these issues. Others might arrive at different conclusions, by pointing to errors or omissions in our analysis. In general however, we find this test of the enriched aid effectiveness model to be extremely useful in addressing a number of difficult policy issues. Clearly, aid effectiveness can only be achieved if the options are thoroughly and strategically considered with due regard for the political economic complexity of change processes, and for the place of donor interventions in the greater scheme of things.

## **Conclusions**

Our intention in writing this paper has not been to encourage backtracking on the aid effectiveness agenda. Quite to the contrary, we consider that backtracking needs to be avoided. We are aware that the dangers of backtracking may be especially severe when dealing with partnerships involving donor-country actors, where the spectres of aid tying, entitlement-based decision making, or supply-led approaches all need to be resisted if the

effectiveness and sustainability of poverty reduction efforts are to remain the undisputed priorities of foreign aid programs.

However, it should be clear from the analysis that the current aid effectiveness agenda is insufficient to deal adequately with non-state partnership issues. Although the current aid effectiveness agenda provides a solid foundation upon which to build, there is a need for an enriched, more sophisticated understanding of aid effectiveness, that recognizes value added wherever it can be found.

## I. Introduction

The concept of aid effectiveness has acquired growing importance in international discussions. The expression serves to promote accountability in the use of aid resources for the achievement of sustainable development results for poor people in low-income countries. In international circles, the emphasis on aid effectiveness acts as a peer group mechanism to ensure that the international aid system as a whole remains true to its primary purpose, as compared to political or bureaucratic interests, foreign policy goals, or commercial objectives.

The concept itself is straightforward, but fundamental. It means being effective at what aid is primarily supposed to do – reducing world poverty and promoting development in a sustainable way. More concretely, one can also speak of aid effectiveness “principles” that incorporate shared lessons of experience, based on empirical evidence and research, and of the prevailing aid effectiveness “agenda” that goes beyond principles and includes specific commitments intended to promote enhanced aid effectiveness, based on international negotiations and dialogue.

Organizations like the OECD-DAC (the Development Assistance Committee of the Organization of Economic Cooperation and Development) have endeavoured for years to draw systematic lessons learned from development cooperation efforts. This has been complemented by the considerable work of the World Bank, of academics, and of various bilateral donors and multilateral organizations, which has accelerated in recent years. This work has led to a vast literature, and to a growing consensus regarding the elements of success. Increasingly, it is possible to speak of an “international aid effectiveness agenda,” the origins and principal elements of which are described below.

Our aim in this paper is to investigate aid effectiveness issues associated with the role of donor partnerships with non-state actors from civil society and the private sector in development cooperation. Such partnerships are an issue in many countries, and the paper should thus be of international interest. However, the issue is particularly live in Canada due to perceptions that the Canadian International Development Agency (CIDA) has moved away from non-state partnerships towards increased use of other channels, including multilateral channels and government-to-government partnerships with developing countries. This trend has led to concerns about the “decanadianization” of Canadian aid, and to questions about whether it really does lead to increased aid effectiveness (Aid Effectiveness Discussion Forum, 2005). Related concerns have been raised about the current focus of the international aid effectiveness agenda on the role of the state in developing countries, and the need for greater attention to the roles of civil society and the private sector. This paper aims to address such concerns from an analytical perspective.

We make a distinction between partnerships and contractual, or buyer-seller relationships, because the analysis is much more complicated where true partnerships are involved. In a buyer-seller relationship involving the straightforward purchase of goods and services, effectiveness can usually be achieved through sound procurement and contracting procedures. In the aid effectiveness agenda, this is covered under the heading

of aid tying and untying, and it is hard to argue for anything other than the maximum level of competition possible.

Partnerships are more complicated types of relationships. We understand a partnership to be a collaborative arrangement between two or more parties to work toward shared objectives, involving a sharing of responsibilities, co-investment of resources, joint accountability, and sharing of risks (Demerjian, 2002). In delivering its aid program, an official donor may partner with various types of organizations, including multilateral organizations, such as the World Bank or UN organizations, governments in developing countries, or non-state organizations in the donor country or in developing countries.<sup>1</sup>

Our original intent was to focus specifically on partnerships with *Canadian* non-state actors. However, this has not proved to be very practicable, because Canadian non-state actors usually enter into partnerships of their own with developing country counterparts. As a result, the choice is often between a direct partnership between CIDA and a developing country partner or a three-way partnership involving CIDA, a Canadian partner and a developing country partner. Although the current debate in Canada is focused on the role of Canadian partnerships, the three-way character of Canadian partnerships has led us to focus on non-state partnerships in general as a way to deal more fully with the subject matter.

A premise of this paper is that the international aid effectiveness agenda, as represented by the Paris Declaration and other documents, was designed with particular attention to government-to-government relationships. Although the international aid effectiveness principles carry over to non-state partnerships and are fully relevant, non-state actors operate in a different organizational sphere, which raises questions about the possible need to adapt or enrich the agenda when dealing with non-state partnerships.

This position has in fact been argued in certain parts of the NGO community, whose representatives recognize the value of the Paris Declaration but who consider it an incomplete perspective on the overall issue of aid effectiveness (see, for example, Cooperation SUD, 2005). Similarly, CIDA's Canadian partners have expressed concerns that the aid effectiveness agenda undervalues their contribution to development to date (see Aid Effectiveness Discussion Forum, 2005 and CCIC, 2005a,b). Internationally, civil society is questioning whether the new aid relationship between donors and host country governments is eroding their voice, position and independence (Rocha Menocal and Rogerson, 2005).

The issue is an important one for CIDA, because aid effectiveness, broadly understood, is CIDA's fundamental accountability. Assuming that CIDA's non-state partners share CIDA's aid effectiveness objectives, an aid effectiveness "agenda" provides an appropriate framework for dialogue about how to work together to best effect. This can only happen productively if CIDA's partners do not feel that the agenda is loaded against them, and if CIDA is open to exploring different facets of aid effectiveness. CIDA is, in any case, committed to engaging Canadians in development through effective

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<sup>1</sup> Strictly speaking, one should distinguish a partnership relationship from a donor-recipient relationship, as there are limits to how much a donor organization like CIDA can truly behave as a partner in its relationships with recipient organizations. However, we shall not dwell on this distinction here.

partnerships (CIDA, 2005a). How it chooses to do this requires an understanding of the features characterizing an effective partnership and how these relate to the current international aid effectiveness agenda.

We recognize that there are other reasons than aid effectiveness for engaging donor-country based organizations and members of the public in a country's aid effort. However, our aim in this paper is to contribute to an enhanced understanding specifically of aid effectiveness considerations. Where tradeoffs have to be made, these will hopefully be done in such a way as to minimize any negative impact on aid effectiveness.

## **II. Origins and Features of the International Aid Effectiveness Agenda**

### **A. Origins**

The Paris Declaration on Aid Effectiveness of March 2, 2005, testifies to the growing importance of the aid effectiveness agenda internationally. Representation at the Paris High Level Forum on Harmonization, where the Paris Declaration was pronounced, included all of the major bilateral and multilateral donors and 64 developing country governments. A number of umbrella civil society organizations, including the Canadian Council for International Cooperation (CCIC) also participated as observers. The Declaration itself contains 56 commitments that combine to articulate a coherent model of development cooperation aligned with developing country priorities and systems. It also identifies a number of indicators intended to ensure mutual accountability among signatories for the pursuit and achievement of these commitments.

The concept of aid effectiveness (AE) has increasingly been a part of the discourse on foreign aid over the last 10 to 15, years, both in Canada and internationally. This trend reflects a concern for results, and a growing consensus that aid should be judged in terms of its direct or indirect contribution to reducing poverty in developing countries, to improved governance, and accelerated economic growth.

It further reflects the desire to move away from supply-driven approaches to development cooperation. The issue of Canadian partnerships needs to be managed carefully in this context. While there are many good reasons for supporting Canadian engagement in development cooperation, some of those reasons could interfere with the aid effectiveness agenda. A clear understanding of aid effectiveness issues associated with partnership programming is thus of fundamental importance.

That concern with aid effectiveness should have grown over time is remarkable, because governments and states pursue their own agendas, and the poverty-reduction objectives of foreign aid have not always received the same level of attention as they do today. Different countries pursue different mixes of objectives, but in Canada, the poverty-orientation of foreign aid is particularly strong, and is supported by strong and unwavering public sentiment to that effect as evidenced in the swell of public support for the ongoing Make Poverty History campaign.

What bolsters the aid effectiveness agenda internationally is the growing importance and ever-more-effective peer pressure and consensus building mechanisms among

participating governments and multilateral institutions. Key among these is the OECD-DAC, but to the DAC-led agenda can be added the UN Millennium summit which gave birth to the Millennium Development Goals (MDGs) (2000), the Monterrey Summit (2002), recent G8 meetings, and both the Rome (2003) and Paris (2005) high level forums on harmonization and aid effectiveness.

These various processes have served to define international targets in the form of the MDGs, encouraged the scaling up of aid levels (including the HIPC initiative and the .7 campaign), and promoted improved performance by both aid donors and country partners. Indeed, one can see a shift in both the Monterrey and Paris Declaration away from focusing exclusively on aid to a focus on broader determinants of development effectiveness, meaning to say concern with the effectiveness of the entire complex of resources dedicated to development, including both aid and domestic resources.

The other major shift that can be observed over time is a shift from a general discussion of principles, to the identification of good practices, and finally to holding each other mutually accountable for pursuing such practices, under the Paris Declaration. Key documents that have helped to define the aid effectiveness principles over the years have included the DAC's *Shaping the 21<sup>st</sup> Century* (1996), the World Bank's *Comprehensive Development Framework* (CDF) (1999) and for CIDA, *Canada Making a Difference in the World: A Policy Statement on Strengthening Aid Effectiveness (SAE)* (2002). These sources have been complemented more recently with the *Good Humanitarian Donorship Principles and Good Practices* (2003) and by the *Principles for Good International Engagement in Fragile States* (2005).

At a more operational level, the DAC's work goes back to the 1980s, culminating in 1992 with the publication of a collection of guidelines called *DAC Principles for Effective Aid*. There was a resurgence of such work just before and after the Rome Declaration on Harmonization in Feb. 2003, which led to a flurry of good practice papers and declarations, including:

- A first collection of six papers prepared by the DAC Task Force on Harmonization (2003)
- The Rome Declaration itself (2003)
- The Marrakech Declaration on Managing for Development Results (2004)
- A number of good practice papers produced after the Rome Declaration on subjects such as public budget support, SWAps, public financial management, procurement (all in 2005), and capacity development (2006).

The Paris Declaration marks a further shift, by emphasizing mutual accountability. It is, indeed, this shift towards mutual accountability that is so radically different about the Paris Declaration, which establishes concrete commitments to pursue certain practices; and marries this with 12 indicators and 21 targets, progress towards which will be monitored. Currently, there is only one country, Tanzania, in which comprehensive mutual accountability processes have been established. With the Paris Declaration, this process is being extended to all signatories. Baseline levels of the targets are being established for the year 2005, and the next High Level forum, in 2008, will review progress on the various targets.

All of this work and consensus building was based on increased understanding of the conditions for effective aid, some of it going back to the 1980s, under the auspices of the OECD-DAC (see references in the 1992 document cited earlier). Other strands included Elliot Berg's work on technical cooperation in 1993, and the considerable work on aid effectiveness sponsored by the World Bank in the late 1990s (Burnside and Dollar, 1997, 2004; Dollar and Pritchett, 1998, Collier, 2002).

Supply-led approaches and tied aid have been increasingly questioned in favour of demand-led approaches and greater attention to cost-effective procurement of goods and services. Doubts were raised, as well, about conventional approaches to aid delivery, including stand-alone training and technical assistance, conditionality-based lending, and stand-alone projects as an aid modality.<sup>2</sup> Along with this has come improved understanding of the complexity of development, and increasing appeal to more holistic approaches such as one finds represented in the World Bank's CDF, Poverty Reduction Strategy Papers (PRSPs), and Program-Based Approaches (PBAs).

A parallel stream of analysis encourages concentration of aid in countries displaying a relatively sound policy environment, or a strong commitment to improved performance, although this has led to considerable debate about what to do in fragile and post-conflict states or in countries falling in between, which often end up as aid "orphans." This approach has derived much of its inspiration from the World Bank-sponsored research on aid effectiveness mentioned above. Although that work has sparked some debate (see for example, Hansen and Tarp, 2000; or Clemens et al., 2004), the general approach of concentrating greater financial resources where they are most likely to make a positive difference is an appealing and convincing one. As Dollar and Pritchett recognize, the geographical allocation of aid has historically been determined with scant attention to the institutional and policy environment of the countries receiving aid (1998, p. 23). Recently, Djankov (2005) has opened up a whole new chapter by drawing attention to the corrosive effect that aid can have on good governance and institutional development. This suggests the importance of very careful analysis to determine the conditions under which aid may have a negative or salutary effect on institutional development.

To some extent, the international consensus in favour of more joined-up, program-based approaches, has emerged simply because some things are possible today that were not possible in the past. Taking a more comprehensive, more collaborative approach to development is obviously desirable, but it requires a considerable investment of time and effort to build up the knowledge required to make this work, and to arrive at a consensus. As communications costs have declined due to improved information and communications services, what may not have been possible as recently as 15 years ago, has now become so. It is this technological basis of the new approaches that makes them much more than a passing fad. It is what defines the new parameters of what is both feasible and desirable.

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<sup>2</sup> On some of the limitations of project-based approaches, see Collier (2002); CIDA (2002) and Lavergne (2003).

## B. What It Means

The principles of aid effectiveness that have been put forward as an expression of international consensus among donor and recipient governments are expressed in slightly different ways in different places. Although most expressions of these principles derive from the OECD-DAC's *Shaping the 21<sup>st</sup> Century*, more recent expressions organize these principles in their own ways. For instance the World Bank's Comprehensive Development Framework (CDF), launched in 1999, expressed the new vision of aid effectiveness in terms of four cardinal principles:

- A long-term, holistic development framework
- A results orientation
- Country ownership
- Country-led partnership.

In 2002, CIDA's *Canada Making a Difference in the World* similarly identified five aid effectiveness principles. These were:

- “*Local ownership*, which means that development strategies, if they are to be sustainable, must be developed by recipient countries—their governments and people—and they must reflect their priorities, rather than the priorities of donors
- *Improved donor coordination*, with recipient countries bearing the main responsibility for coordinating their development cooperation with other countries and institutions
- *Stronger partnerships*, through the development of compacts that would identify the responsibilities of developing countries and their external partners, as well as those shared by all
- *A results-based approach*, with improved monitoring and evaluation of development programs
- *Greater coherence* in those "non-aid" policies of industrialized countries that can have profound effects on the developing world—for example, policies on trade, investment and technology transfer.”

CIDA's statement also refers to the need for more comprehensive approaches and adds a number of “other factors,” namely good governance, building capacity, and engaging civil society that could easily be expressed as principles of their own. *Canada Making a Difference in the World* also advocates increased untying and increased country concentration along lines advocated in the Burnside-Dollar literature, calling for “enhanced partnerships” in such countries.

CIDA's concept of aid effectiveness has been further enriched by the Paris Declaration and other statements such as the *Good Humanitarian Donorship Principles and Good Practices* (2003) and the DAC's *Principles for Good International Engagement in Fragile States* (2005). The Paris Declaration does not include a statement of principles as such, but the five general areas in which the commitments are grouped are in fact principles. These are:

- Country ownership (which includes implicit references to the comprehensiveness agenda with reference to national poverty reduction strategies)

- Alignment (which includes references to the predictability of aid and the use of local systems)
- Coordination/harmonization (which includes untying)
- Results
- Mutual Accountability.

Compared to the five principles in *Canada Making a Difference in the World*, the main additions here include specific references to the use of country systems and donor harmonization (not just donor coordination), and the strong emphasis on mutual accountability.

The Good Humanitarian Donorship (GHD) principles and the principles on Fragile States serve to further enrich the principles with reference to specific sets of circumstances.

The GHD principles echo aid effectiveness principles found elsewhere, such as local ownership, predictability of funding, and donor coordination and harmonization. However they also include explicit reference to partnership with civil society and private sector actors involved in humanitarian response. A number of the principles thus address the relationship with these partners, calling for increased flexibility and predictability of funding, and longer-term funding commitments.

The *Principles for Good International Engagement in Fragile States* stem from a DAC Senior Level Forum on Development Effectiveness in Fragile States. These principles reinforce those of the Paris Declaration, but also caution against excessive concentration of aid in good performing countries, as this is creating pockets of exclusion, or “aid orphans” where few donors are engaged and aid volumes are low despite the absence of political barriers for donor investment. Other *Fragile States* principles not seen in Paris or its precedents stress the need to take context as a starting point, particularly issues of capacity, political will and differing needs, and to mix and sequence aid instruments to fit different and changing contexts accordingly.

What clearly emerges from the above is the richness of the existing menu of aid effectiveness principles. This suggests the need for some care to avoid limiting one’s self to any particular categorization that may give an incomplete picture. Also clear is the international character of the AE agenda.

### **C. Why It Matters**

There are two important aid agendas in working towards achievement of the MDGs: scaling up and improved performance. Aid effectiveness is about the latter – improved donor performance, but also host partner performance, over time. The aid effectiveness agenda is important for a number of reasons alluded to earlier.

On the one hand, it provides a concise way of gathering together the lessons of experience regarding what works and does not work in development cooperation, concerning, for example, the fundamental importance of local ownership and building up of country systems. On the other, it provides an important counterbalance to the tendency of nation states to use aid flows for other purposes than the altruistic ones for which they are putatively intended. It is, in other words, an important part of the peer pressure

mechanism that keeps individual countries in line with the shared international agenda of reducing world poverty.

The aid effectiveness agenda also provides a macro perspective on aid that may be forgotten in the day-to-day operations of donor agencies. They allow us to see beyond the effects and successes of individual projects to ask questions about their cumulative impact. We know, now, that projects can ultimately undermine government institutions by drawing talent out of the government, and by distracting attention from strategic concerns. Using the forest and the trees analogy, the aid effectiveness agenda draws our attention back to the forest, i.e. the country systems that require concerted attention. This encourages donors and their partners to avoid practices that might make sense from a micro perspective but that may actually be counterproductive from a broader perspective.

Finally, the aid effectiveness principles promote increased accountability for development results by all concerned, in particular under the Paris Declaration, which formalizes the process of mutual accountability, at least with regard to the various indicators identified.

Altogether, the international aid effectiveness consensus constitutes a powerful and ambitious agenda for doing things differently, and for operating a culture change in the way donors and their non-state partners do business, for example with regard to the use of local systems. Not so long ago, most donors were averse to making use of local systems, and preferred to rely on the use of “project implementation units” or, in CIDA’s case, Canadian Executing Agencies. The transition to using local systems is not a transition that individual donors would have been in a position to implement single-handedly, since it implies a different approach requiring the reinforcement of local systems that can only be addressed by joining forces.

Similarly, the idea that development cooperation is best done as part of a collective endeavour requires a change in perception about how an aid agency like CIDA makes the case for aid. It suggests that citizens should derive national satisfaction from playing a role in a collective endeavour, rather than seeking to have a visible, discernibly Canadian, impact. Canada has a long tradition of being a good team player, internationally, and Canadians do in fact take pride in such an approach. But like other donors, Canada also has a tradition of pointing to specific projects and achievements to demonstrate the case for its effectiveness as an aid donor. The international aid effectiveness agenda provides Canada with a different model, and with a different way of making the case – one that emphasizes the collective impact of aid on poverty reduction and on institutional development in countries where the new approaches are being utilized.

#### **D. Lessons for Non-State Partners**

There should be no presumption that the international aid effectiveness agenda changes nothing for non-state development partners. Principles such as the need for local ownership, alignment with country priorities, donor coordination and harmonization, more comprehensive approaches, focus on results and mutual accountability incorporate lessons of experience that apply to non-state partners as much as to other partnerships. They also mirror lessons gathered by partners themselves in their work with their

developing country counterparts, such as the need to enhance ownership through participatory approaches.

Consider the criticisms that have been levelled against stand-alone projects. Aid effectiveness considerations suggest that careful attention should be paid to transactions costs issues, to the identification and design of projects with due regard to context and to the special opportunities it presents, and to opportunities for collaboration and scaling up. Such considerations have clear implications for the way that non-state partners engage in development. This, in turn, should affect the criteria that donors use when deciding upon what initiatives or partners to support.

As we will argue in subsequent sections, individual projects still have a role to play in filling gaps, in introducing innovative approaches, or for promoting human rights and the empowerment of specific constituencies. However, they should be informed by the sort of knowledge that only close involvement in the field can provide. Large NGOs with an international character like Oxfam, Plan International, World Vision or IUCN are well placed to engage in support of grassroots development, because they are in effect international agencies with host-country chapters that are locally staffed and are as well informed about host-country realities as any domestic NGO. Faith-based organizations may enjoy similar advantages by tapping into the knowledge base of international networks of missionaries or other religious or development workers who are not only well informed, but also highly motivated to help the poor. In such cases the value of the Canadian organization is likely to be primarily to act as a vehicle for identifying opportunities for high impact, and for resource mobilization in Canada.

Small non-state actors may still choose to support isolated projects of a one-off character, because they do not have the resources to do things differently. Such actors include small NGOs, or any number of organizations whose primary mandate is not development cooperation (a community college, a small business, a rotary club...). This does not make such projects unworthy, and such projects may be a viable way to mobilize additional resources for development and to favour citizen engagement. However, in the context of the aid effectiveness agenda, such projects, unsupported by a strong strategic rationale situating the initiative in context, should probably be supported by CIDA only where strong countervailing arguments can be made, such as the ability to leverage additional Canadian resources. Support for volunteers, for shipments of surplus goods, or for academic exchanges might qualify for this category of support.

Recall that donors such as CIDA have historically engaged in project-based approaches because donors paid scant attention to the need for systems change, and were intent on making a discernible mark identifiable with particular aid contributions (Collier, 2002). The search for attribution was an important part of this, and it has taken the aid effectiveness agenda to create both the incentives and the mechanisms for doing things differently. Non-state actors are not immune from this sort of institutional imperative. Indeed, the pressures they are under to make their mark are compounded by the accountability and reporting requirements of their donors, and the need to compete with each other for resources. The application of the aid effectiveness agenda to non-state actors is thus of particular importance.

What changes when the international aid effectiveness agenda is taken into account, is that there are additional pressures for project proposals to consider the larger context and to emphasize their strategic value in that context. Similarly, one would expect official donors to increasingly challenge stand-alone projects in favour of larger, joined up initiatives, and to put in place support mechanisms for putting together such initiatives. Additional emphasis on the need for strong partnerships between donor-country-based non-state actors and their developing country counterparts would also be expected, with counterparts' priorities driving the initiatives.

### **III. Enriching the Aid Effectiveness Agenda**

The international questioning of traditional aid delivery models has challenged donors and led to a rethinking of how best to engage in development cooperation. The Paris Declaration has moved CIDA and other DAC members, towards a relatively coherent model of development cooperation emphasizing a more comprehensive approach, program leadership by developing country governments, donor coordination and harmonization, and the use of developing country systems.

Over time, this model of development cooperation has become increasingly well understood, and accepted internationally. However, as this has happened, so too has the tendency to speak of “the” aid effectiveness principles or of “the” aid effectiveness agenda, as though this constituted a limited set. This requires a reminder that aid effectiveness as a goal is a complex endeavour requiring a range of approaches depending on circumstances and socio-political conditions and affecting all aspects of development cooperation from the choice of priorities and partners through to program design and implementation. No single model of aid effectiveness can pretend to address all situations. From this perspective, the aid effectiveness agenda represented by the Paris Declaration and in other international forums can be seen to constitute an integrated and coherent set of principles to address some of the burning aid effectiveness issues of the day, but should not be considered a unique and comprehensive recipe for aid effectiveness.

Although the prevailing international agenda on aid effectiveness contains a number of elements, it is in fact a relatively coherent model, the parts of which fit together to form a whole. The choice of elements included in this agenda was inspired by a desire to focus attention on issues and approaches that emerged in the last 10-15 years and achieved increased saliency over time. Other “principles” that one might identify have been left out of the consensus agenda because they have not been so topical at this juncture or have gone unnoticed by the people charged with defining the features of the international agenda. There are in fact other agendas than alignment to country priorities and donor harmonization as emphasized in the Paris Declaration. These include, for example, the promotion of human rights, the empowerment of the poor, democratization, and the mobilization of efforts at the grassroots level.

The current approach offers an important corrective to earlier approaches of bypassing governments through parallel projects that in many ways undermined the potential for long-term, sustainable poverty reduction. Explicitly or implicitly, the focus of the international aid effectiveness agenda rests squarely on governments – DAC member

states, the multilateral bodies that represent them, and developing country governments – and on how these various bodies can better cooperate in a joined-up effort to promote sustainable development. That this is an important and indispensable corrective is universally accepted.

However, it is also commonly accepted today that any country’s path of growth, good governance and poverty reduction requires the active involvement of all three sectors of society: the public sector, the private sector, and civil society. While the prevailing aid effectiveness paradigm does not argue to the contrary, its emphasis to date leaves ample room for clarification on the role of non-state actors, and of civil society in particular.

Taking a broad aid effectiveness perspective, we propose here a number of considerations organized in four broad categories that we feel merit further discussion in the context of the dialogue on the role of civil society, and partnerships with civil society organizations (CSOs) in particular. In so doing, we hope to encourage a broader interpretation of what constitutes aid effectiveness, and a perhaps less mechanical approach in the choice of aid modalities and approaches.

## **A. Recognize Non-State Actors**

The forums in which aid effectiveness issues are discussed – the high level forums, the DAC, the UN, the International Financial Institutions – all involve governments, and within governments, high level officials involved in policy shops and planning and finance ministries. The world of high-level aid discussions is thus a government-to-government world dominated by planners and economists. The result is a tendency to focus on what governments do, and to emphasize policy-based or program-based approaches to development.

This approach is particularly relevant in the pursuit of the MDGs, which requires massive scaling up of government services in primary education and health and commensurately large and rapid increases in aid flows. Such pursuits are most efficiently achieved through government channels, provided that those channels themselves are managed in effective, accountable ways. The focus of the aid effectiveness agenda on government and on government programs is in such cases neither a mystery, nor inappropriate.

However, with PBAs focused almost exclusively on government programs, and with increasing flows of resources going directly to central governments in partner countries, there are concerns that the role of non-state actors in development may not be getting the attention it deserves. The question that arises is whether the underlying model of the aid effectiveness agenda is sufficiently broad. It is customary to recognize the importance of three types of organizations – government, the private sector, and civil society – as pillars of a strong and effective society. Is this sufficiently recognized in the current discourse on aid effectiveness?

Whether the right balance is being struck between these three pillars depends in part on what is included in the national poverty reduction strategies that the new aid effectiveness agenda purports to support. There is no reason to believe that the private sector is being ignored. For example, all Poverty Reduction Strategies include a strong economic growth dimension, and by extension, a central role for the private sector. This is, indeed, a part of the standard recipe for PRSPs. Poverty Reduction Strategies are, after all, a condition for

World Bank and IMF support, and the preferred policy package of these institutions is well known (see for example World Bank, 2005, p. 49). Consensus today on the private sector's critical role as the driver of economic growth is, furthermore, almost universal. It would be difficult to argue that the current aid agenda is biased against the private sector.

However, the same cannot readily be said of the role of civil society. One does not want to overstate the case, because to say that the role of civil society goes unrecognized in today's aid community would be unfair. For instance, all four of the conferences held to date by the Learning Network on Program-Based Approaches (LENPA) have stressed the role of civil society, most notably the Berlin Conference (LENPA, 2003). In the Paris Declaration, the roles of non-state actors are recognized in three places:

- In commitment 14, in which partner countries commit to encourage the participation of civil society and the private sector in the coordination of aid efforts
- In commitment 39, which refers to non-government systems as alternative aid delivery channels in fragile states where it is not possible to align donor efforts behind central government-led strategies
- In commitment 48, which calls for more participatory approaches "by systematically involving a broad range of development partners when formulating and assessing progress in implementing national development strategies

Overall, however, the picture that emerges from the Paris Declaration is one strongly focused on the interface between donors and the central government of partner countries. References to civil society in the international discourse on aid effectiveness seem to reflect a fairly narrow interpretation of the roles for civil society actors, either as substitutes for the state in fragile states, as contractors to implement government programs, or as a way to garner participation in national development planning. Lister and Nyamugasira criticize the tendency to box civil society organizations into roles as either service providers or advocacy groups. They argue that such a categorization "inhibits the exploitation of synergies between different roles and fails to recognise other civil society roles, or the potential tensions between different types of activities (2003, p. 103).

A richer perspective would allow that civil society organizations are social, political and economic actors in their own right, involved in variety of inter-related roles. Such organizations may engage with government or not, and may enter into a range of relationships with government involving cooperation or confrontation, complementarity or competition (adapted from Najam, 2000). From this perspective, there can be no single expression of a country's priorities, as these might be summarized, for example, in its Poverty Reduction Strategy.

Although we make this only as a general and widely recognized point here, later sections of this paper provide more elaborate insights into the roles that civil society can play in strengthening aid effectiveness. These include:

- A political role involving representation, advocacy, empowerment of the poor and protection of human rights
- Innovation and knowledge sharing

- Building social capital, by helping to establish and maintain social relationships of trust, sharing, and confidence that are essential to long term social peace, well-being, and prosperity
- Filling gaps by working in activities or geographical areas or populations ignored by governments due to limited capacity or political will
- Bridge building between donors, governments, and the ultimate beneficiaries of aid
- Resource mobilization through fundraising or volunteerism
- Service delivery, which civil society organizations can often combine with other roles in an advantageous way.

An enriched agenda for aid effectiveness should include stronger and more explicit recognition of the need for balance in the different roles that government, the private sector, and civil society can play in development.

## **B. Develop A Better Understanding of Donor Partnerships with Non-State Actors**

The concept of partnership is a fundamental one in the international aid effectiveness agenda. In CIDA's *Canada Making a Difference in the World*, it is one of the five SAE principles identified. In practice, however, the notion of partnership is primarily conceived in intergovernmental terms, involving the host-country government and the donor community. Limited attention has been paid to partnerships involving a donor and non-state actors.

Much of the literature on aid effectiveness seems to assume that relationships involving non-state actors are commercial relationships, ideally involving procurement models based on competitive selection processes and untying of aid (see for example Williams et al, 2003). However, the notion of partnership involves a different model for bringing development actors together on the basis of shared objectives, shared resources and shared accountability. According to Demerjian (2002), partnership refers to "an agreed-upon arrangement between two or more parties to work collaboratively toward shared objectives - an arrangement in which there is (i) sharing of work, responsibility and accountability; (ii) joint investment of resources; (iii) shared risk-taking; and (iv) mutual benefits." Although one can imagine competitive mechanisms for allocating resources among possible partners, such mechanisms involve a different sort of thinking than that guiding standard procurement competitions. Consideration of partnerships as something different from contractual buyer-seller relationships has a number of implications. We study three of them below.

### *Differentiating partnerships and aid tying*

Effective and efficient procurement clearly warrants against tied aid, and there is a virtually universal consensus today that tied procurement is a costly impediment to aid effectiveness. The Paris Declaration commits donors to further reduce the tying of aid. However, the definition of tied aid currently used by the DAC does not distinguish between commercial and partnership relationships. Both types of relationships are thus tarred with the same brush. There is some logic to this, as it puts the onus on the donor to justify the use of an intermediate partner in the disbursement of aid funds.

However, the logic fails to the extent that one interprets tying as mechanism for gaining commercial advantage in the export of goods and services. That is not the primary purpose of partnership arrangements, and donor partnerships with national non-state actors need not involve tying of aid beyond the original partnership arrangement. To put such partnerships on the same level as tying specifically designed for commercial advantage is a gross and misleading oversimplification.

In the Canadian case, we know of Canadian organizations that spend very little of their funds in Canada. Most of CIDA's Canadian partners work in partnership with their developing country counterparts with which they share resources in the pursuit of shared objectives. CCIC has, in fact, developed a Code of Ethics, which includes an elaboration of partnership principles that are very much in line with the understanding of effective aid that one finds in the Paris Declaration, the difference being that the partnerships involve non-state actors rather than governments and donors (CCIC, 2005e).

Some Canadian partners do channel the bulk of their funds to Canadians, and some CIDA partnering arrangements with Canadian higher education institutions and others are specifically designed as mechanisms for providing Canadian expertise abroad. In this case, the resemblance to tied aid seems more apparent. However, one must delve further even in these cases to enquire into the motives of these arrangements. Is the objective to push Canadian goods and services in the commercial sense, or is it to provide opportunities for Canadians to engage in development processes in ways that increase the value of Canadian aid?

### *Recognize Leveraging*

This brings us to a second topic – the use of partnership mechanisms to leverage additional resources and contributions to development. All donor initiatives involving partnerships seek to leverage additional resources for development. Leveraging yields two types of benefits: additional resources for the purposes being developed, and increased ownership on the part of those contributing. This suggests an aid effectiveness consideration that to date has not been explicitly recognized: its effectiveness in leveraging additional resources.

There are two dimensions to this. The first one is leveraging associated with the efforts of those who are being assisted. All donors encourage recipients to engage in “self-help” whether this involves grassroots development initiatives, or a country's national poverty reduction strategy.

However, our concern here is primarily with partnerships involving donors and non-state actors. The question is whether such partnerships can be used to increase the total amount of resources brought to bear on development, while promoting a higher degree of ownership on the part of the partners involved.

This subject merits careful consideration, because such leveraging is not something that happens automatically. Indeed, the effect can be in either direction. An important concept in this regard from the recipient's perspective is the “Samaritan's dilemma” (Ostrom et al, 2002), according to which it may be in recipients' interests to *reduce* their own efforts in particular areas, in response to an increase in donor flows, by dedicating their own efforts to other priorities. Indeed it is a major theme of the aid and growth literature that

foreign aid could lead to reduced domestic efforts, not just in financial terms, but also by reducing pressures to reform government institutions (see Djankov, 2005, “The Curse of Aid”).

Applying such thinking to the issue of leveraging in the donor country itself, one can envisage a situation in which private donations in a donor country might decline when citizens see government stepping in to fill the breach. For example, private citizens may be less inclined to contribute privately through NGOs if they feel they are already contributing through taxes and are thus doing their share. This may also apply to particular projects or mechanisms supported by a donor through partnership mechanisms. This suggests that the leveraging potential of partnerships should not be taken for granted.

However, donors can influence the outcome by taking complementary measures. In CIDA, this is achieved by adopting cost-sharing arrangements that actively promote Canadian private contributions by making these a condition of CIDA involvement. Such measures, coupled with Canadian tax provisions that provide tax relief for Canadian contributions, have the effect of reducing the cost of altruistic behaviour and help to promote the desired leveraging effect.<sup>3</sup>

Another way that donor funding can help to leverage additional resources is by filling gaps for certain types of expenses for which private fundraising is more difficult. By way of example, for volunteer-sending organizations, or more generally with respect to organizations involving a volunteer element, one can argue that volunteers might be willing to donate their time, but that government or other sources of funding are likely to be required to fund their expenses.

Figures from Canada show that civil society actors involved primarily in international activities raised over \$700M CDN for these activities from non-governmental sources in 2003, an amount equivalent to 38% of CIDA’s ODA disbursements in fiscal year 2003-2004.<sup>4</sup> While CIDA cannot legitimately claim to have “leveraged” these amounts, there is a credible case to be made for some leveraging effect and for designing programs in ways that attempt to maximize that effect.

### *Choice of Agents*

Let us turn now to the dimension of aid effectiveness relating to partnerships that is probably the most intuitively obvious for most people. Ask any citizen to whom they would voluntarily contribute funds for development purposes, and we predict that very few would respond, “to a government funding agency” or “to a developing country government.” Many would respond, “to a non-government organization,” or “to a missionary.”

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<sup>3</sup> Canada applies a 29% tax credit to charitable donations. Econometric results provided by Roodman and Standley (2006) suggest that the added incentive that this provides would be expected to yield a 19% increase in private giving.

<sup>4</sup> Based on data from Statistics Canada’s national survey for (2004) *Cornerstones of Community: Highlights of the National Survey of Non-profit and Voluntary Organizations*, Ministry of Industry as compiled in the “*Civil Society Landscape Study – Canadian Partnership Branch and Canadian Civil Society Organizations*,” unpublished draft of June 2005.

There are many reasons for this. One is that individual citizens are not in a position to engage with governments in a PBA mode, and thus unable to secure the benefits of PBAs that involve the promotion of institutional development at the system level in the recipient country. However, there are also much more basic and obvious reasons. Citizens trust NGOs to deliver on poverty reduction, and consider that they are closer to the people. Expressed more academically, they believe that NGOs or faith-based organizations are better “agents” for addressing poverty than governments. Why they might be, and how this might vary from agent to agent, boils down to two major considerations: incentives and information.

Recent literature (e.g. Martens, 2005; Ostrom et al, 2002; Masud and Yontcheva, 2005) draw attention to what we are calling here “agency” issues. By this is meant recognition that interests, preferences, values and access to information affect the appropriateness of different mechanisms to ensure that aid flows promote intended objectives to the maximum extent possible. In this case the “principal” (the one whose interest are paramount) consists at once of the Canadian taxpayer (whose objectives we take to be the reduction of poverty) and poor people in developing countries.

The “agents” are all of the organizations, managers and officers in between. Ostrom et al (2002), provide an excellent analysis of the large number of intermediaries involved in providing aid. In the Canadian case, these might include CIDA itself, a Canadian executing agency retained by CIDA, a government ministry in a developing country, and geographically decentralized service delivery agents in the host country, to name just a few. Within each organization operate individual managers and officers at different levels of the hierarchy. All of these agents have their own interests and incentives, as well as different levels and types of access to information that enables them to pursue or manipulate outcomes. Incentives and available information – including in CIDA’s case the incentive to disburse, or limited understanding of institutional realities in the field – can interfere with aid effectiveness just as fundamentally as more superficial issues such as “transactions costs.”

Institutional economics provides a number of theoretical tools for assessing agency issues and how activities can most effectively be organized. One important distinction that has been made is that made in Ronald Coase’s work on the theory of the firm (1937, cited in Martens, 2005), which distinguishes among activities for which the open market can readily be tapped, and those which are better provided in-house (or “intra-firm”) because of the considerable uncertainties involved. Current AE trends in favour of competitive international procurement apply well to the first kind of activity – infrastructure projects, say, but much less well to the sorts of activities involving soft or qualitative results, such as improved capacity or institutional reforms. In such cases, a non-market or “partnership” model has a great deal of appeal, and this raises important questions about the best sorts of agents and arrangements to deliver such results.

Partnerships involve long-term relationships based on established performance records, shared preferences, and trust. In the case of foreign aid, this would normally involve shared preferences for effectiveness in reducing poverty; and the appropriate “agent” with which a public or private donor would want to partner would be one manifesting particular organizational and cultural values. One also needs to ask about different agents’ access to information. Which agents are in the best position to understand the

needs to the intended beneficiaries and the best ways to address those needs? From this perspective, Martens (2005, p. 649) identifies “the missionary” as the archetypically perfect agent for addressing poverty. Non-government organizations (NGOs) are seen as a reasonable proxy in many cases (Martens, 2005; Masud and Yontcheva, 2005).<sup>5</sup>

There is of course no presumption that any particular category of organization is always going to be a better agent than another, but the question must be asked in each case, and not only about various potential partners. It must also be asked of donor agencies themselves. Ostrom et al ask a number of telling questions about Sweden’s aid agency, SIDA, and whether there are institutional barriers to SIDA’s ability to act as an agent of aid effectiveness and sustainability (2002 Summary Report, Chapter 6; Main Report, Chapter 7). Among the barriers they identify are high levels of staff turnover, the separation that exists between career advancement and past performance in promoting sustainable development, the widespread use of temporary staff, disbursement pressures, and a relative decline in resources for personnel and administration. If barriers such as these and others are endemic to government aid bureaucracies, the first step must be to undertake a serious analysis of these weaknesses, and of whether they can or cannot be addressed from within. Where such barriers are not easily overcome from within, there may be a strong case for partnering with organizations that do not face the same obstacles.

However, it is the whole of the agent chain that must be assessed in this way. To the extent that aid initiatives engage governments of developing countries whose capacities are weak, and whose incentive and accountability structures are often even weaker, the principal-agent issues that arise at this level are obviously serious. This is nothing new, although it is a measure of progress that we have learned to look beyond these problems and to address them in a sustainable way rather than circumventing them, for instance by reinforcing fiduciary mechanisms and adopting results-based approaches and reinforced systems of accountability as called for under the Paris Declaration. Unfortunately, we tend to forget just how deep the problems are, and just how sophisticated and far reaching the solutions must be.

Issues relating to the choice of agents arise at all levels. At the field level, what is the most promising balance to be sought in channelling aid through government or through non-state actors? We know, now, that simply circumventing host-country governments can undermine development just as surely as it may yield short-run results, and there are sustainability issues to be addressed in the case of non-profit organizations that have no independent source of revenue and no tax base to draw upon.

But there is still a balance to be struck, and even a long-term role for non-state actors if Canada’s own pluralist experience is anything to go by. Such issues should be discussed as part of the policy dialogue. A good example of the sorts of choices involved arose recently in the case of CIDA’s Bangladesh program, which was called upon to arbitrate between the amount of support it provided to BRAC, an NGO of proven effectiveness, and the government of Bangladesh, in the primary education sector. The desk’s

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<sup>5</sup> Some empirical evidence for this is suggested by a recent study of the aid allocations of European NGOs which found that targeting of the poor was indeed the most significant determinant of NGO decision-making (Nancy and Yontcheva, 2006).

conclusion was that both had to be supported, and that efforts should be made over time to ensure greater synergies between the two approaches.

To sum up, aid effectiveness is ultimately dependent on the performance of agents responsible for the management of aid flows and initiatives. To be effective, donor agencies need to understand their own limitations, as well as those of their partners, and need to adjust their use of partnerships to strike an appropriate strategic balance.

### *Illustrations*

The choice of agents leads to questions about the circumstances in which partnerships of various types might be desirable, and about what sorts of arrangements are most likely to deliver desired results for reasons having to do with institutional culture and values, access to information at the field level, access to specialized expertise, or other institutional reasons. The following subsections expound on some of the roles that non-state partners can play as agents of development in delivering services to the poor.

### *Knowledge, Expertise, Innovation*

A first role that can be mentioned has to do with the specialized knowledge and expertise that non-state actors can bring to the table. The extent of knowledge, expertise and innovative methods that non-states actors offer to development cooperation varies considerably; but there can be no question that no government, be it donor or host country government, holds a monopoly on the skills, expertise and innovation required for development.

Non-state actors are bearers of knowledge gained from research or simply from their interaction with the ultimate beneficiaries of aid investments. Some non-state actors often hold niche expertise and bring innovative ideas or technology to specific sectors. In Bangladesh, for example, BRAC's education methodologies have proven so successful they have been scaled-up, with government support, across the country. In Tanzania, the International Development Research Centre's Essential Health Initiatives Program had a similar impact, identifying a methodology for more targeting use of health funds that is now being extended country-wide. Similarly, the evolution of gender equality as a priority on the development stage over the past decades has come about with impetus from CSOs such as Inter Pares, which is considered a leader and innovator in gender-based analysis and a feminist approach to development.

### *Filling Gaps*

Non-state actors are adept at stepping in respond to needs, in countries and across countries, that governments or donors cannot or will not fill. In Canada, the 2001 *Accord between the Government of Canada And the Voluntary Sector* (Voluntary Sector Task Force, 2001) recognizes that there are circumstances where non-state actors may differ from governments in the issues they choose to tackle, in how they tackle them, and in their ability to do so.

In some countries governments are challenged to reach citizens when distances are vast and resources meagre, or where political will may be lacking. Accommodating marginalized and hard-to-reach groups with special needs may be better achieved in such circumstances by non-state actors. In Bolivia, for example, Save the Children, in partnership with local civil society organizations, developed child-friendly, gender-

sensitive primary education curriculum geared to the previously under-served rural Andean population.

Alternatively, donors sometimes need non-state partners to operate where they may have an interest in poverty reduction but need an arms-length intermediary. Through the 1990s, when political turmoil kept CIDA in only an intermittent bilateral relationship with Haiti, the Agency was able to continue investing in poverty reduction via Société de Développement International Desjardins' work in cooperative development. Non-state actors' role in failed, fragile and other states is of growing importance with the pursuit of aid effectiveness and the increasing donor selectivity that has accompanied it. They can help the international community to avoid "aid orphans" as called for in the DAC's *Principles for Good International Engagement in Fragile States*, by offering donors a way to contribute to poverty reduction in these countries, and to maintain some investment in these countries at arms-length.

#### *A Bridge to the Ultimate Beneficiaries*

Civil society organizations have also been described as an "indispensable bridge" between development plans for poverty reduction and the lives lived by the people that aid efforts ultimately target (CCIC 2005a, p. 3). By supporting CSOs in this role, donor agencies are able to explore alternative ways of supporting the poor. In an empirical study of the effectiveness of aid delivery through bilateral versus NGO channels, Masud and Yontcheva (2005) suggest that NGOs are efficient in reducing poverty due to their direct links to the ultimate beneficiaries – the poor and vulnerable.

Direct interaction with non-state actors also allows donors to inform their programming and policy negotiations with host governments based on local realities. It can provide donors with a solid and real-time connection to what is actually going on in the lives of the poor, and can enrich a donor's contribution to policy dialogue.

### **C. Recognize the Political Side of Development**

Another remarkable feature of the Paris Declaration is the implicit assumption of a national consensus on a country's needs and priorities. The sense that one gets from the Paris Declaration is that local ownership is defined by the existence of a single national development strategy owned by the central government, and that this is the only legitimate expression of country needs. Only in limited ways is there any sense of political debate, that civil society might legitimately represent alternative points of view, or that it should be supported in its ability to express such alternatives. Improved governance and government accountability are both acknowledged in the Paris Declaration, but there is little in the document to suggest how these objectives might be achieved, beyond the establishment of "results-oriented frameworks."

This is understandable in a consensus-based document such as the Paris Declaration, but it is a serious weakness, considering that poor governance and weak institutions are increasingly seen as *the* fundamental obstacle to development in a large number of stagnant aid-dependent countries (Van de Walle, 2005; Fukuyama, 2004; Dollar and Pritchett, 1998). As Van de Walle explains with regard to a group of low growth countries that he analyses, these countries have become more democratic in recent years, but power remains concentrated in the presidency, and clientelism remains pervasive (pp.

13-18). This is true not just in fragile states, but also in more stable countries, including CIDA partner countries, many of which are included in Van de Walle's sample (Van de Walle, pp. 9-10).

Van de Walle argues that patronage (or favouritism) exists everywhere and can exist without fundamentally undermining development. However, patronage-based clientelism needs to be distinguished from what he calls prebendalism. Prebendalism involves the management of power via the handing out of *prebends* or public offices that allow the holders of those offices to exploit them for personal gain. This form of clientelism seriously undermines the capacity of the state to perform, and acts as a tax on the private sector, discouraging investment and initiative. Under such systems (p. 34),

...a political elite in power derives benefits from the existing political status quo, and there is no reason to believe that it will be willing to give up the advantages it derives from power. Development is unlikely to take place without external change agents, given the absence of a domestic political coalition that supports rapid development.

He argues further (p. 35), there may be little scope for technocratic approaches to capacity development in such contexts. Although foreign aid should work to expand the capacity of state institutions to promote development, this is problematic in prebendalist regimes, which thrive on low state capacity and clientelist politics. He concludes that governments in such stagnant low-income states are typically ambivalent about strengthening their own capacity.

Although conditions vary considerably from country to country, this sort of analysis makes it clear that the role of donors in promoting change is much more political than the Paris agenda seems to imply or to recognize (see also Centre for the Future State, 2005). Denying this reality leads to one of the deepest and most disconcerting contradictions of current approaches to foreign aid, whereby donors can end up propping up weak states, ultimately contributing to the maintenance of regimes responsible for stifling development in the first place (Van de Walle, chapter 3; Djankov, 2005; Centre for the Future State, 2005)!

Parties signing on to the Paris Declaration are no doubt all aware of this, even though some things cannot readily be said in diplomatic circles. Euphemistically, the expression "policy dialogue" is increasingly used in reference to the pull and tug that occurs as donors and national governments engage on development issues. However the choice of this expression is itself problematic, either because it implies a specific policy agenda on the part of donors, or a relatively limited perspective of the instruments of change available to external agents. As agents of change, donors are not limited to policy dialogue. They can also target funds for change-oriented processes, direct aid to non-state actors, help to bring stakeholders together, and support democratic processes in a number of ways.

At the core of the Paris Declaration is the hard-nosed reality that sustainable development will not occur without local ownership. It will not occur, because the changes introduced by foreign aid will not be effective in the absence of local knowledge and insights, and will not be sustained in the absence of local investments of effort, initiative and resources. The central challenge for donors thus becomes how to promote difficult

change processes, while also respecting and promoting local ownership. This requires a much more sophisticated view of local ownership than the one found in the Paris Declaration.

In the politically sanitized environment of the international aid effectiveness agenda, there is in fact very little attention to what makes for effective local ownership. Indeed, the expression often used is “country ownership” (although this term is avoided in the Paris Declaration), an ill-defined expression that seems to identify local ownership with ownership by the central government. However, as Ostrom et al. convincingly argue, for local ownership to contribute to aid effectiveness, it should in fact, be as close to the ultimate beneficiaries as possible, for it is ownership by beneficiaries that leads to sustainability. As they put it (p. 243),

“...The difference between a *recipient* and a *beneficiary* of development cooperation highlights the difficulty of parceling ownership. In some cases, recipients of aid are the targeted beneficiaries; in other cases, the beneficiaries have little or no voice. The official owner is the national government that may in fact have little knowledge about or interest in the problems facing the targeted beneficiaries. The responsibility and accountability that an owner has, in the conventional meaning of the word, is transformed to nearly unrecognizable forms by the system of development assistance. When the owner is not one of the beneficiaries, endowing a distant government's agent with ownership may do little to change the perverse incentives ...in traditional development assistance. Nor does it affect the flow and accuracy of information from beneficiaries to the official owner.”

What these observations suggest is that effective development cooperation requires explicit attention to the political nature of development and of local ownership. In the context of discussions on non-state actors, this highlights the role of civil society organizations as vehicles for citizen voice in democratic governance, and raises questions on the role of donors in providing support directly to civil society. The role that civil society can play in democratic governance is recognized in a recent World Bank publication, which considers that “social actors” including the press, professional associations, civil society organizations, and parliaments, have an important role to play in demanding positive change and pushing for the effective performance of state functions (World Bank, 2005).

It is a small step from this uncontroversial point to suggesting that outside support for civil society makes sense in less developed countries, where civil society is weak, where governments often mistrust civil society, and where alternative sources of support do not exist.

One reason for supporting non-state actors is to help citizens fulfill their right to organize and to demand promotion and protection of their rights. Governments can play a facilitative role, but they cannot always act on behalf of citizens, and are often hesitant to address rights-based causes of poverty. This hesitancy is reflected internationally, as in the Paris Declaration itself, or in the way that the MDGs are formulated, without any reference to fundamental causes of poverty such as issues of human rights, inequality and conflict (NSI/WFUNA, 2005; Alston, 2004).

The Canadian Council for International Cooperation (2005a) highlights the fundamental role of non-state actors in mobilizing citizens to claim their rights for poverty reduction and democratic development, recognizing that the struggle for equality is fundamentally a political process that will not necessarily involve harmony among all actors. Non-state actors play a wide range of roles in this regard, including: capacity development of grassroots organizations, mobilizing volunteers and resources, pioneering innovative participatory processes, advancing the rights of women, bringing communities together, providing an organized voice for the expression of the human rights and interests of poor and powerless people, and supporting learning experiences across countries and regions.

Central to the sustainability of development investments is the role of non-state actors in holding governments to account, because this accountability relationship has the potential to outlast the one between recipient governments and donors. Concerted efforts are required to build capacity, incentives, and attitudes to broaden and deepen accountability between governments and citizens. While donors can prod host governments to be more responsive to citizens' needs, non-state actors themselves must have the means and wherewithal to demand accountability from their governments. This is all the more important in highly aid-dependent countries, where the aid relationship itself tends to skew government accountability outwards to donors rather than inwards towards domestic constituencies (de Renzio, 2005b p. 2).

How donors can best promote the role of non-state actors in building effective states will depend on local circumstances, including historical and cultural realities and informal structures of power. For instance, the Centre for the Future State cautions against facile assumptions that only independent civil society organizations are effective. Their research, in fact, suggests the opposite – that the state plays a critical role in the constitution of civil society itself, and that more often than not, it is organizations with connections to government or to political parties that are successfully giving the poor a voice (2005, p. 21). This does not mean that providing support directly to civil society organizations is ineffective. However it suggests a need to take a more comprehensive perspective that includes attention to the nature of negotiations between state and non-state actors. As they summarize it (p. 5):

If building more effective and accountable states and public authority is seen not as a technocratic exercise in transferring formal institutions, but as a political process involving interaction between the state and a range of very diverse interest groups in society, then certain things follow. These include the need for external actors to have the best possible understanding of social, political and institutional context; to avoid 'hogging' the political space; to be much more consistent and less cavalier about advancing new policies without regard to local capacity to implement them; to be aware of their impact on local relationships and incentives, including the risks of aid dependency; and to be much less naïve about politics.

To wrap up, it should be clear from this analysis that there is a need to move beyond the technocratic perspective of the Paris Declaration, to recognize explicitly the political nature of development, and the various roles that non-state actors can play in holding governments to account and promoting human rights. Donors can contribute in various

ways, but to do so effectively will require a much more sophisticated approach than has tended to be the case in the past or is implied in the Paris Declaration.

#### **D. Revisit the Limits of Programming**

An implicit assumption of the international AE agenda, as reflected in program-based approaches, is that investments in development are “programmable.” This is a planners’ model of development. Such a model is sound as far as it goes, and it is an appropriate model for the times. It is particularly appropriate in areas where scaling up of proven investments (more schools, more bednets, elimination of school fees) could lead to important advances in the war against world poverty. The work of Jeffrey Sachs under the UN Millennium Project (2005), and as part of the World Bank-led summit on Scaling Up Poverty Reduction in Shanghai in May 2004 are examples of this sort of thinking. Program-based approaches are most appropriately applied in such areas, where known recipes that can readily be scaled up are available. It is not a coincidence that most Sector-Wide Approaches (SWAs) for example are in sectors such as education and health, where scaling up efforts are most readily undertaken.

However, questions do arise about the choice of different partnership and service delivery models in different circumstances. The AE literature has drawn considerable attention to issues of “transactions costs”. The Paris Declaration identifies several ways for managing transactions costs, by working together and avoiding duplication of efforts. However, working together itself involves costs of coordination and consensus building (de Renzio 2005a, OECD 2004 in de Renzio and Mulley 2006). The optimum formula for managing transactions costs is liable to depend upon the features of the investment or service in question. For public services that need to be replicated on a large scale, transactions costs may be minimized by pooling resources and centralizing decision-making. Efforts that require adaptation to different circumstances and needs may be better provided in ways involving more participatory, and decentralized approaches.

Pritchett and Woolcock (2002) make a very useful distinction in this regard among three categories of activities:

- “Policies,” which they regard as primarily technocratic (determined by “ten smart people”)
- “Programs,” which are primarily bureaucratic (implemented by “ten thousand sincere bureaucrats”)
- “Practices,” which are primarily idiosyncratic, which is to say that they are specific to the needs and circumstances of specific situations and clients, and which cannot be standardized.

Pritchett and Woolcock argue that policies, programs and practices are different domains of intervention that require different institutional responses. According to this way of thinking, some activities – building more schools, hiring and training more teachers, providing more textbooks, building rural roads – can be defined as “programmable.” Under PBAs, considerable attention is paid to programmable activities, where there are obvious economies of scale to increased collaboration and harmonization of efforts and the need for standardization. Joint funding arrangements such as pooled funding and

budget support, and joint monitoring and review processes, are logical elements of the collaborative model associated with this type of effort.

Increasingly, such programming efforts are married with policy efforts. Here too, there are major gains to be had in terms of improved policy coherence across the board from working together more closely. Since a major aim of PBAs is to simultaneously use and reinforce partner systems, the policy dialogue turns to a large extent upon the quality of partner systems such as public financial management, procurement, and budgeting. However, because policy issues are often the work of experts, one sees considerable division of labour, with some of the larger donors, such as the World Bank or DFID taking the lead in certain areas. CIDA too, is increasingly taking the lead, or playing an active role, in certain areas. When it does so, this may involve the use of parallel funding using the project mode, earmarking of funds for certain activities, or even the recruitment of a Canadian partner to play an accompaniment role.

Consider, finally, the category that Pritchett and Woolcock call “practices,” which involves activities that cannot readily be “programmed” according to set formulas and which involve large numbers of participants, not just “ten smart people” to implement. Examples of such activities would include community development, the actual delivery of education and health services at the patient or classroom level, capacity development at a decentralized level, technology transfer, agricultural extension services and any sort of research or innovative activity.

Such activities require a different approach that encourages diversity, experimentation, and learning, and a particular type of relationship between service providers and beneficiaries. This requires the adoption of:

- Delivery models that are more likely to rely on professionalism than on rules and procedures
- Decentralized, participatory approaches more than top-down planning
- Division of labour more than joint efforts
- The pursuit of simultaneous efforts on multiple fronts, as opposed to the scaling up of known formulas.

This is not to say that the aid effectiveness principles do not apply in these areas. However, they need to be applied with some discretion, and enriched by a deeper understanding of the limits both of government and of the planner’s model of programming. In terms of development cooperation, this does not mean that one should go back to stand-alone projects and hope for the best. However, it may involve a search for looser forms of cooperation that include more scope for innovation, and more concentration of effort on micro or meso-level activities and greater division of labour.

A “PBA” in this context, would not necessarily involve detailed programming of activities, but might involve establishing a framework for ensuring that “decentralized cooperation” takes place in a context that allows for priorities to be established and for enhanced sharing of information. Cuba’s Program for Human Development at the Local Level (Gagné and Filiatrault, 2004) provides an interesting example of such an approach. This is a case of a PBA whose explicit purpose is to encourage the creation of partnerships at a decentralized level, in a more coherent way.

Another example of a joined-up effort that primarily addresses “practices” as understood in Pritchett and Woolcock is the Youth and HIV/AIDS coalition of four Canadian partners (Save the Children, Foster Parents Plan, World Vision, CARE Canada) operating in four African countries. Coalition members collaborate with their local counterparts and community groups to identify and implement ways that communities can deal with the web of social issues brought on by the AIDs crisis including children’s education, youth labour and changing family structures. Coalition members and their partners coordinate their geographic and program coverage, share expertise and lessons learned in their niche areas, and engage in joint capacity development to find local solutions to local problems.

It is also possible to imagine a division of labour that does not involve a joined-up, PBA, approach but instead builds on an institution’s professional niche and relationships with counterparts. For instance, the Canadian Nurses Association aims to strengthen the nursing profession and nursing associations in a number of developing countries.

The point is not that one approach is necessarily better than the other, but to identify the appropriate balance among “policies,” “programs” and “practices,” while recognizing that different actors are better suited to different activities. Uphoff’s depiction of the “two fallacies” – the top-down, planner’s approach and the bottom-up, grass-roots one – reminds us that categorical positions on either side are unlikely to serve the purpose of aid effectiveness.

The first [fallacy] is the paternalistic fallacy: the belief that planners, technicians and experts possess all of the knowledge, wisdom and virtues needed to achieve development, and that the poor should be responsive and grateful beneficiaries. Similarly mistaken is the populist fallacy that the poor themselves possess all that is needed for their own advancement – that they can do entirely without ‘bureaucrats’ and ‘technocrats’. While there are some impressive self-help examples and enclaves, those regional and national programs that benefit the poor on a significant scale have been concurrent mutual endeavors from above and bottom. (1988, p. 48)

Easterly (2006) makes a similar distinction between “Planners” and “Searchers” in foreign aid. Planners, he says, lead the aid agenda in pursuing infeasible, grand-scale fixes. A Planner sees poverty as a “technical engineering problem” for which he or she has the solutions (p. 2). On the other hand, entrepreneurs, politicians, NGO and aid agency staff, are more likely to be Searchers but for whom the “Big Plans” work to divert attention and resources from the “doable actions” they might uncover. Searchers, he states, realize that “poverty is a complicated tangle of political, social, historical, institutional and technological factors” (pp. 3-4).

The international AE agenda does not distinguish among different types of activities and efforts. Greater awareness of different realities will help those concerned with aid effectiveness to consider what models of partnership and of division of labour best suits the circumstances. This would allow for a greater range of models of collaboration and cooperation than may be implied in some of the discussion of aid effectiveness to date.

## IV. Applications to Canadian Partnerships

This last section draws upon the above analysis of aid effectiveness principles and considerations to comment upon a number of Canadian partnership issues. The aim here is not to exhaustively address these issues, so much as to explore the usefulness of the enriched aid effectiveness agenda proposed in this paper by applying them to some of the difficult issues currently under discussion in CIDA and elsewhere. We share the following thoughts and insights in that spirit, fully recognizing the limitations of a paper such as this one to fully assess all aspects of the issues addressed.

### A. Engaging Canadians

Much of the dialogue around Canadian partnerships speaks to the issue of engaging Canadians in development cooperation. Part of our aim in writing this paper has been to encourage careful attention to aid effectiveness criteria when considering different options for Canadian engagement. Under this approach, for example, tying Canadian aid to the purchase of Canadian goods and services, as was done in the past, would probably not pass muster as a way of engaging Canadians in development.

An aid effectiveness perspective encourages CIDA to carefully consider different ways of engaging Canadians, and the advantages to be derived from each. To the extent that leveraging additional resources is recognized as a legitimate consideration, as suggested earlier, there is a general case to be made for Canadian engagement as a way of:

- Mobilizing additional efforts and resources
- Maintaining support for CIDA's development program over time
- Promoting a pro-development stance in Canadian policy government-wide (for example on the trade and development agenda).

The value of public engagement is widely acknowledged, for instance by the OECD-DAC, in its 2002 peer review of the Canadian aid program, which recognized that the ability of any DAC member to sustain domestic public support requires investment in engaging and enlarging a domestic constituency (OECD-DAC, 2003a).

Although a good communications program may help to maintain support for Canada's development efforts, such support is likely to be superficial, and is not likely to influence Canadian policy, or to enhance Canada's capacity to intervene effectively on the world scene. The concept of "engagement" implies something more, namely active involvement of citizens, whether this means making an effort to become more informed, getting engaged in advocacy work, or actively contributing money, time and effort (adapted from CIDA, 2005b, p. 3). We take it as a given that making a contribution leads to an increased sense of ownership on the part of those who are contributing. Such citizens are also in a position to provide informed and critical support to "foster more vigorous, more efficient and coherent development co-operation policies" that will help to pursue development effectiveness in the long run (OECD-DAC, 2003b, p. 10).

Recognition that the best form of engagement comes from making a personal contribution goes a long way towards reconciling the aid effectiveness agenda with that of engaging Canadians, since CIDA's role, in this context is not so much to buy services that might not be competitive as *to facilitate the efforts of Canadians to make a*

*contribution.* This yields a model of Canadian engagement that has little to do with the notion of tying aid, but that goes well beyond public education and communications as mechanisms for promoting engagement. The obvious advantage of this approach is that CIDA's efforts to engage Canadians can be reconciled with its aid effectiveness objectives due to the leveraging effect that is involved.

Canadian contributions can take many forms, and careful attention must be given to the advantages and costs of each. In some cases, such as for youth engagement programs that CIDA manages, the activities may be funded with non-aid funding allocated specifically for that purpose, thus eliminating any potential conflict. Whether the cost of an activity is considered worthwhile will depend on CIDA's long-term strategy for building up a constituency of committed and well-informed Canadians who are in a position to make a difference over the course of their longer-term professional careers.

A strategic approach to engagement requires that an effort be made to identify which public engagement activities are most effective in mobilizing different forms of involvement by Canadians in development cooperation. An important consideration in this regard will be the identification of key target populations. Examples of such populations include present and future educators, post-secondary students and youth, opinion leaders in the media and elsewhere, foreign policy decision-makers, parliamentarians, and key members in the diaspora (CIDA, 2005b, p. 6). Promoting the engagement of such populations requires a combination of mechanisms from public education to the promotion of citizens' engagement as volunteers, advocates, or financial contributors to development.

We are not in a position to discuss the effectiveness of different engagement mechanisms in this paper, but would like to mention a review of the Volunteer Cooperation Program in 2005, whose results support a view of volunteerism as an example of a mechanism that is effective both in delivering results and engaging Canadians in development in ways that have had profound impacts on volunteers themselves. According to the evaluation, developing country organizations making use of Canadian volunteers were "overwhelmingly positive in their assessment of the impact that volunteers and the [voluntary cooperation agencies] have had on their organizations' motivation, capacities and performance." Regarding the impact on the volunteers themselves, the evaluation concludes that there were profound impacts on "their values and beliefs, as global citizens, their skill levels, the career and education decisions they have made on their return, and their involvement and support to local community or international development." The evaluation's analysis of the "power of volunteering" emphasizes motivations and values and the fact that volunteers come from a different background than their counterparts in developing countries as crucial factors in achieving development impact (CIDA, 2005c, pp. 2 and 4),

This discussion suggests that there is no necessary conflict between Canada's aid effectiveness objectives and Canadian engagement, particularly if one takes a long-term perspective of the issue, and if one accepts, as postulated here, that the most effective form of engagement is one where Canadians bring a contribution of their own to the table, where CIDA's role is interpreted as one of facilitating that contribution. Where potential tensions do exist, care must be accorded to issues of cost-effectiveness. In some

cases, such as for youth programming or general education, there may be a case for avoiding a conflict of objectives by using funds from outside the aid budget.

## **B. Canadian Partners vs. Host Country Partners**

A closely related issue to that of Canadian engagement is that concerning the use of Canadian partners as channels for Canadian aid. Although the promotion of Canadian engagement implies that some part of CIDA funding would flow through Canadians or Canadian organizations, it does not follow that the bulk of CIDA funds for development projects and programs should flow through Canadian partners. Indeed, if one accepts the importance of host-partner leadership, of local ownership, and of emphasis on the use of local systems, it is to be expected that CIDA would choose increasingly to channel aid resources directly to developing country partners – whether these are government agencies or non-governmental ones.

Various mechanisms exist for channelling funds directly to non-state actors in developing countries. These include the use of local funds, institutional support for host-country organizations, or direct funding of projects and programs. Such efforts might be undertaken by CIDA alone or by a consortium of donors, as is the case of donor support for large Bangladeshi NGOs such as BRAC and Proshika. As seen in a recent options paper for support to civil society in Tanzania, donors are choosing to invest in a diversity of approaches that may or may not involve their domestic partners (Wood, 2004). The best strategy for channelling resources most effectively to host country partners or for delivering services is liable to involve a mix of approaches. It is also likely to vary considerably from case to case and to change over time as new options are explored, or as institutional realities evolve.

Why, and under what conditions, should CIDA channel funds to or through Canadian partners rather than directly to host-country partners or institutions? Four reasons come to mind for pursuing such an approach in part or in full:

- To secure Canadian partners' collaboration as preferred intermediaries between CIDA and local organizations
- To secure certain services directly useful for meeting an initiative's objectives
- To leverage additional resources, while engaging Canadians in development processes
- To help establish sustainable longer-term relationships between host country and Canadian partners.

Underpinning the first two reasons are “agency issues” that, in the real world, often prevent CIDA from simply providing a blank cheque to host country non-state actors that it does not know or trust to its satisfaction, due to the absence of long-standing relationships. Aid Effectiveness requires considerable investments in relationship building, in policy dialogue, in understanding what changes are possible and strategically desirable, and in negotiating accountability requirements for the results of aid dollars. One of the questions that CIDA must ask in deciding whether to engage in Canadian partnerships, is whether it is itself in the best position to interact directly with local partners in playing these roles or whether these are best filled by Canadian partner organizations. The weaker the institutional base in the recipient country, the more

advantageous it is likely to be for CIDA to pursue options involving Canadian partners or other agents satisfying the necessary conditions (international NGOs or multilateral organizations, for example).

In general, if CIDA decides to channel funding through a Canadian partner, the objective will be to satisfy all four of the functions defined above. The Canadian partner then becomes much more than just a channel for CIDA funds. It will also be a source of expertise and services, a source of supplementary resources, a way of engaging Canadians, and possibly a portal for the establishment of long-term institutional partnerships capable of generating benefits long beyond the termination of any particular initiative.

Such long-term relationships between Canadian and host-country partners emphasize people-to-people ties that are valued by both parties, because of their long-term potential for horizontal learning, capacity development, and access to global networks. Such ties are likely to be increasingly important considerations for civil society in a rapidly globalizing world where solidarity over issues of policy coherence, good governance and accountability are increasingly important.

As suggested in section II A, it is over simplistic to treat CIDA's choice about how to engage with Canadian and host-country partners as though it were a simple aid-tying issue. Partnerships involve the pursuit of advantages that go beyond those that are amenable to simple contractual procedures. Finding the best formula or formulas in such circumstances requires an understanding of complex relationships and institutional realities, including CIDA's own capabilities at the field level, that are shifting over time, and are extremely context specific.

A major consideration will be the extent to which Canadian partners are expected to work with their Southern counterparts based on shared preferences and incentives, while bringing additional knowledge and experience to the table. The advantages of involving Canadian partners may include tapping into a wider market for skills, knowledge and experience than is available internally in CIDA. What matters here is not just the generic knowledge that CIDA specialists might have, but knowledge that relates specifically to the needs, capacities and potential of particular Southern realities. Such knowledge most often results from the establishment of long-term relationships that CIDA itself may find difficult to maintain with specific Southern partners, due to high levels of staff turnover, or to political considerations.

As CIDA and Canadian partners strive to adapt to a changing world and to changing perceptions of what constitutes effective aid, it is likely that a greater share of CIDA funding will go directly to Southern partners. In Americas Branch for example, increasing use is being made of local development funds, managed to a significant extent by locally-engaged staff, using collaborative approaches involving input from host-country governments and other stakeholders. Officers reporting on these local funds in Peru, Bolivia and Haiti at a meeting of Americas Branch field representatives on March 8, 2006 described these funds in very positive terms, in terms of their ability to respond quickly and flexibly to emerging opportunities, in a cost-effective way. They also pointed out the consistency between how these funds were being managed and the aid effectiveness principles embodied in the Paris Declaration and elsewhere. As reported by

Americas Branch, such funds presently account for approximately 30% of bilateral funding by Americas Branch.

The successful operation of such funds suggests that CIDA has succeeded in overcoming some of the handicaps it faces as a centralized organization by harnessing locally-engaged staff who turn over less frequently and have a deeper understanding of local realities and teaming up with host-country organizations.<sup>6</sup> Mechanisms such as local funds that CIDA can manage directly to channel funds to local partners offer what appears to be a viable and efficient alternative to working through Canadian partners. Other donors have also made considerable use of such funds, all over the world, and in the future, it may be possible for donors to pool funding for local funds, and to involve host country umbrella government or non-government organizations in a leadership capacity.

That international best practice is changing is obvious, and further innovations can be expected. The challenge at this stage is to find formulas of collaboration and partnership that capture the benefits of engagement with Canadian partners while also pursuing principles and lessons of aid effectiveness.

As we have noted, since the aid effectiveness agenda advocates alignment with Southern priorities and systems, there is a *prima facie* case for CIDA to support Southern non-state actors directly to the extent that this is feasible and desirable. However, this does not exclude support for Canadian partnerships. Canadian partners can often add value by virtue of the skills, knowledge, experience, and commitment that they are able to bring to the table in their relationships with like-minded Southern non-state actors, by bringing additional resources to bear, or because of the potential for establishing lasting relationships between Canadian and host-country partners.

### **C. The Value of Responsive Approaches**

The emphasis on program-based approaches to development cooperation and criticisms of projects contained in the aid effectiveness agenda has led to suspicions about the usefulness of responsive mechanisms. As we have emphasized, however, not all activities can or should be planned, and not all knowledge can be captured in centralized programming efforts.

Responsive mechanisms serve to identify opportunities for the strategic use of funds that otherwise would escape attention. In this respect, they operate as a sort of *market mechanism for ideas*. In contrast to activities that can be programmed and replicated on a large scale, responsive funds often involve support for one-off, or niche activities that have a particular strategic value.

Often such initiatives are well suited for testing, developing or piloting new or innovative approaches. For example, responsive approaches are often used (as by IDRC or by the research councils) to fund research projects. More generally, there is a case to be made for what might be called “social entrepreneurship.” Responsive mechanisms offer flexible opportunities for a diversity of perspectives to be articulated, thus promoting the

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<sup>6</sup> Andrew Natsios, the outgoing administrator of USAID, had similar arguments to make with regard to USAID, reputed as one of the most decentralized donor agencies (Natsios, 2006).

vibrancy and diversity of viewpoints that gives richness to a society and that drives change.

Responsive funds are also a way of channelling small amounts of funds for development purposes encouraging recipients to make do with limited resources in effective ways. This is appropriate in areas of activity where resources are particularly scarce or where CIDA funds can be used as a lever to mobilize complementary funds or resources at the community level.

Finally, responsive partnerships also allow CIDA and the Government of Canada to maintain a Canadian presence in countries where there is a foreign policy interest in doing so but limited bilateral presence, such as when the country is of strategic interest to Canada or to its own region.

There thus remains a considerable case to be made for the use of responsive mechanisms. Options for supporting such mechanisms for CIDA might involve participation in some of the local development funds that have been created in numerous developing countries, or support channelled through Canadian partner organizations, where these are seen to add value by playing an accompaniment role with Southern civil society or other organizations.

#### **D. PBAs and Non-State Actors**

The place of non-state actors in program-based approaches is often one of the first issues to be raised in discussions of aid effectiveness and partnerships. The preoccupation of non-state actors with PBAs is an understandable one, considering the increasing role that PBAs play in international cooperation, the increasing role that they are expected to play under the Paris Declaration, and the emphasis of most PBAs on government leadership. In CIDA, PBAs have accounted for approximately 30% of new bilateral geographical branch commitments in the last three years.

However, there is a place for non-state actors in program-based approaches. Non-state actors can play a role even in government-led PBAs, either as part of the country policy dialogue, as implementing agents of PBAs, or in helping to hold governments accountable for delivering results on the ground. It is also quite possible to conceive of PBAs involving non-state actors as program leaders. Indeed, the rationale for adoption of this concept in CIDA was inspired by CIDA's already well-established support in a PBA mode for the large Bangladeshi NGOs, BRAC and Proshika. The aim was to arrive at a concept that would describe a way of engaging in development cooperation with other partners that would not be limited to government participation.

One can also envisage PBA-like initiatives involving a multidonor, multistakeholder approach to reinforcing civil society in a whole country. Although civil society is not a "sector" in the same vein as education or health, it can benefit from a more comprehensive and harmonized approach, and can include both a pooled approach to funding and policy dialogue aimed at improving the enabling environment in which a diversified civil society is able to operate and flourish.

Although existing examples of CIDA support for NGO-based PBAs such as the BRAC and Proshika cases mainly involve a direct transfer of funds from CIDA to these NGOs,

there is no reason to prevent Canadian partners from participating in PBA or PBA-like initiatives with non-state actors in developing countries. Examples with which we are familiar include the following:

- The provision of PBA-like support for many years to a Zimbabwe NGO called ORAP by a consortium of donors consisting primarily of NGOs (Nkomo and Saxby, 2003)<sup>7</sup>
- The involvement of World Vision in the Chagas eradication program in Honduras (Nakagawa, 2005) and in similar campaigns against tuberculosis in the Philippines
- The involvement of the Canadian Federation of Municipalities in a PBA-like capacity in Ghana (Carlton, 2005)
- The development of a PBA-like initiative in Senegal by the Association of Community Colleges in Canada (ACCC).

There are examples also of increased collaboration and harmonization of efforts by Canadian NGOs. Earlier, we cited also the case of a consortium of Canadian NGOs working together with host-country partners to address HIV/AIDs at the community level in Africa. Similarly, we are witnessing a number of interesting innovations by volunteer-sending organizations, including increased collaboration, a more programmatic approach in the use of resources, and an agreement by two of these agencies (CECI and WUSC) to run joint overseas programming under one shared CIDA agreement.

These cases illustrate that it is quite possible for Canadian non-state actors to engage as partners in PBAs or to work more closely with other partners in PBA-like, or at least more harmonized, approaches, particularly if the organizations involved have an international character (e.g. World Vision) or are umbrella organizations, such as the Federation of Canadian Municipalities or the ACCC.

There are also some cases of Canadian NGOs playing a facilitative role in engaging their local partners in policy dialogue related to PBAs. For instance, CARE's CIDA-funded Civil Society Engagement Fund is developing capacity with Tanzanian community-based organizations to understand PRSP and sector commitments and to monitor their implementation at local levels. IDRC, which operates much like an international NGO, has provided considerable support over the years, to help build up research capacity for policy analysis in numerous developing countries all over the world, sometimes with CIDA funding. There are also cases, finally, of Canadian non-state actors securing contracts under PBAs under international bidding rules. However, it must be recognized that the bulk of financing under PBAs is for local procurement, in which Canadian partners would not be involved.

To sum up, PBAs need not exclude non-state actors. Non-state actors in developing countries clearly have a role to play, and one could envisage PBAs or PBA-like initiatives specifically designed to support non-state actors in developing countries. Canadian or international non-state actors may have somewhat more difficulty finding their niche, but could find a role helping local non-state actors engage effectively in

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<sup>7</sup> That NGO has unfortunately run into difficulties due to the political situation in that country, but it remains an interesting example of the sort of thing that can be done.

PBAs. CIDA could play a supportive role in this regard and could encourage Canadian non-state actors to support their Southern counterparts using PBA or PBA-like approaches.

## **E. Sector Concentration vs. Diversity**

Another area where policy choices have to be made is with regard to the degree of planning and coherence that CIDA would like to ensure with regard to the interventions it supports, either in general or in particular countries. Particularly thorny is the issue of sector concentration in partner countries and whether sector choices should be made that apply to the whole of CIDA programming in a country.

There are good arguments to be made for sector concentration. One of them is simply to permit a certain division of labour among donors by concentrating on certain sectors and letting other donors concentrate on others. Sector concentration allows CIDA to build up a certain level of field expertise in certain areas, and a critical mass for engaging in policy dialogue.

However, there are general arguments to be made also for more holistic approaches. For instance some of CIDA's country desks are now beginning to invest in general budget support, in order to win a seat at the table where important macro-level reforms and issues are discussed, that have important consequences for the success of sector efforts. Similarly, work at the government-to-government level may need to be supplemented by efforts to reinforce civil society, or to more directly support poverty reduction at the grassroots level. Arguments have been made that it is useful for CIDA to be present both at the macro level and at the grassroots level, in order to have a fuller understanding of the strategic issues confronting a country.

This paper has emphasized the importance of tapping into the commitment and knowledge base of potential partners from civil society – country-based or Canadian – and has recognized the varied roles that these partners can play such as in innovation or in filling gaps. To mechanically exclude investment in such partnerships on the grounds of sector concentration would be to cut off opportunities for strategic interventions.

Partners may have their own concentration strategies that may differ from CIDA's for historical reasons (presence on the ground in certain countries and sectors) or because the specialized resources they are able to leverage fall outside CIDA sectors of concentration. Consideration should be given to supporting partners that are able to demonstrate their ability to marshal resources and influence change effectively.

Such considerations suggest the need for caution in promoting sector concentration when engaging in non-state partnerships. What would seem to matter more than formulistic limits on sectors of intervention would be the need for a strategy of concentration and diversification that takes into account the areas where CIDA and its partners have accumulated knowledge required for effectiveness, in which the various interventions are strategically situated to make a difference not just as part of CIDA's intervention, but as part of the efforts undertaken by the whole community of partners in a country.

## **F. Competitive vs. “Non-competitive” Approaches**

Questions arise about the sorts of competitive mechanisms that can be used as rationing mechanisms for partnership funds. Because clear distinctions have not always been made between contractual and partnership arrangements, there has been a tendency to want to apply similar language and rules in each case. The expression “sole sourcing” for example, comes from the contractual world, but is inappropriately used in discussions of partnership arrangements as well.

In any case, the distinctions between contractual and partnership arrangements are not always as clear-cut as one might think. Purely contractual arrangements are easy to define when the services or goods to be provided are easily observed or measurable. Where they are not, as in the case of capacity development projects, where the levels of uncertainty and built in flexibility are extraordinarily high, the nature of the relationship is necessarily built on relationships of trust, shared institutional culture and values, and shared objectives as previously discussed, rather than control and contractual accountability for delivering a particular product or service. Competitions for partnership arrangements cannot be performed in the same way as competitions for commercial services, because there is often no satisfactory way of enforcing such “contracts.” What matters most, under such circumstances, is the sharing of objectives, and the institutional ability of the partner to pursue such objectives.

Furthermore, the single most important determinant of the partner’s ability to pursue development objectives is probably continuity of involvement. The reason for this is that we are dealing in these cases with what we have called “practices” where the main controls over quality are the professionalism of service providers, and the relationships of trust and service that they have established with their “clients.” In a review of “model” capacity development projects undertaken by CIDA’s Policy Branch, one of the interesting findings in this respect was that the most successful projects were inevitably phase II or phase III projects, a finding that corroborates the importance on continuous engagement over a reasonably long period of time (Lavergne et al., 2004).

CCIC has suggested that competitive processes may not be appropriate for partnership relationships due to the potential negative implications of such processes for long-term, sustained partnerships between Canadian and developing country CSOs (CCIC, 2005c). However, some form of competition is inevitably involved, either in establishing a partnership relationship in the first place, or in renewing such relationships, based on performance in previous phases.

What may be required, however, are more explicit recognition of the reasons why partnership relationships are different, and a clearer understanding of the criteria for identifying particular partners to work with. Certain competitive processes, for instance those which explicitly reject past performance as a criterion, may be appropriate for contractual relationships, where bids can be assessed on the basis of price and quality, but quite inappropriate for partnership arrangements.

An alternative approach now being adopted by CIDA’s Voluntary Sector Programs division in Partnership Branch is to adopt an iterative model that allows CIDA to phase out and phase in partners depending on past experience and performance, while encouraging a long-term perspective. This is being complemented by a Voluntary Sector

Fund that allows potential partners to gain experience that may render them eligible for program funding over time. More effort may be required in future to identify ways of encouraging mergers, collaboration, or the formation of consortia, as a way to enlarge participation from a diversity of actors.

## **G. Roles for Partnership Branch and Other CIDA Programming Branches**

A final issue for CIDA is how best to organize itself to support Canadian partnership efforts in developing countries. CIDA's geographic branches, Partnership Branch and Multilateral Programs Branch all provide considerable funding through Canadian non-state actors, most of it under a responsive mode of operating. This division of labour allows the geographical branches to organize the allocations of funds around country realities and needs, while Partnership Branch deals with mechanisms targeting the work of different categories of Canadian partners. Multilateral Programs Branch is tasked principally with humanitarian assistance.

Since the prevailing aid effectiveness agenda is country focused, and calls for increased donor coordination and harmonization, there is a certain tendency to want to allocate aid resources geographically. PBAs, for example, are best organized in country, and country desks are in the best position to allocate resources to PBAs. Similarly, the aid effectiveness agenda pushes us in the direction of more government planning, and more comprehensive approaches, as opposed to more decentralized, pluralistic approaches.

Partnership Branch has thus been under increasing pressure to align its programming with CIDA's country programming. However, if this country-focused approach is pushed to its logical conclusion, it raises fundamental questions about the very existence of Partnership Branch as a funding body. One can ask if all funding decisions should not in fact be the responsibility of the geographical branches, which are in the best position to adjudicate among competing demands at the country level.

To understand the role of Partnership Branch from an aid effectiveness perspective – in particular its role as a source of funding – requires us to exploit the enriched model of aid effectiveness explored in this paper. In our understanding, Partnership Branch exists primarily to facilitate the engagement of Canadians, in the sense of providing Canadians with an opportunity to contribute to development in partnership with their Southern counterparts. The organizational model required to do this is by and large not geographical in character. It requires an understanding of how Canadians themselves are organized to support development, and a structure that allows for the different types of contributions that Canadians might wish to make. If CIDA is to support the existence of such a structure, it cannot readily do so through the geographical branches.

The Canadian model has involved the provision of support to an extensive pool of civil society organizations - NGOs, professional associations, and volunteer-sending agencies to name a few - that have emerged thanks largely to CIDA funding from all programming branches. Over a period of decades, what has emerged is a network of organizations into which Canadians wishing to engage in development can find a niche. They can do this, furthermore in a multitude of ways, corresponding to their own particular understanding, ways of contributing or types of expertise. While some rationalization of this machinery

can be envisaged and is being encouraged, the very richness of this apparatus helps to provide an opportunity for the widest possible range of Canadians, from school children interested in sponsoring a foster child to retired senior executives wishing to share their expertise.

The existence this pool of non-state actors, which CIDA itself has helped to create over the years, can be considered as an asset that allows all of the programming branches to be more effective. Whether this happens in practice is subject to an important proviso, however. It requires that choices should not be excessively biased in favour of certain needs and priorities for reasons of “supply push.” This proviso is an important one. Canadian partners have a strong voice in CIDA, and their very presence is capable of influencing CIDA’s priorities in ways that may not be the most effective.

There is of course no way to know how best to balance funding through CIDA’s various branches; no way of knowing, either, how much should flow through responsive mechanisms or responsive projects. It is at best a delicate balancing act, achieved by putting in place structures such as the ones that actually exist in CIDA, which allow the Agency to exploit a range of opportunities. That this structure makes basic sense has long been appreciated, but this seems to have been lost from view in some quarters due to an aid effectiveness agenda that was somewhat narrowly defined, and based upon a particular model of programming.

## **V. Conclusions**

As noted, our point in going through these various applications has been to illustrate how the international aid effectiveness agenda, enriched with the various considerations we have proposed, can be used to more rigorously address a number of difficult partnership issues. We have found the existing set of aid effectiveness principles and the prevailing international aid effectiveness agenda in themselves to be clearly insufficient to address many of these issues. In some cases, they lead us absolutely astray, as they do for example when partnerships are treated as merely another form of tied aid. Our hope is that expanding or enriching our understanding of what makes for effective aid will help to facilitate dialogue among parties that are equally committed to aid effectiveness generally understood.

This paper illustrates the need to avoid mechanistic interpretations of what constitutes aid effectiveness. What we have called the current “international aid effectiveness agenda” refers to a particular model of how to improve aid effectiveness, designed to address particular historical circumstances. The principles and approaches proposed as part of that agenda express valuable lessons of experience, and have become part of the international consensus of what needs to be done.

This consensus comes at a particular time when coordinated efforts are needed to scale up development efforts and to help reinforce country systems and governance, in many parts of the world. It is a valuable achievement, and represents a necessary, if not sufficient, part of the agenda for enhanced aid effectiveness. The danger resides in the excessively mechanistic application of that consensus, which, by itself, is insufficient to guide all aspects of donor behaviour.

## VI. Bibliography

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