

LONG WORKSHOP REPORT FORM

Number and title of workshop: Special Session: Regaining Citizens' Trust: The Role of International Donors

Coordinator: Dr. Olga Nazario, Casals & Associates, Inc.

Date and time: 13 November 2010 14:00 – 16:00

Moderator: Beatriz Casals, Casals & Associates, Inc., Founder

Rapporteur: Lawrence Ott, Casals & Associates, Inc.

Panellists (Name, institution, title)

Dr. Aleksander Dardeli – Casals & Associates, Inc., Director of Programs, Rule of Law

Dr. Olga Nazario – Casals & Associates, Inc., Senior Technical Advisor, (presented by Mr. Larry Ott of Casals & Associates, Inc.)

Ms. Karin Christiansen – *Publish what you Fund*, Director

Ms. Rosa Ines Ospina-Robledo, *NGOs Network for Transparency*, Colombia, (presented by

Ms. Gina Romero – OCASA, Colombia, Director)

Dr. Gerardo Berthin – UNDP, Governance Policy Advisor

Summary

The premise of this panel was that the lack of strict controls is making foreign aid vulnerable to corruption. Much assistance is falling in the wrong hands while taxpayers in donor countries see their contributions going to waste. The current situation demands that donors institute tighter internal controls and ensure greater participation for civil society in decision making and in monitoring development assistance. The selection criteria for providing funding is too often based on political and security interests rather than on real needs and effective use of funds. New research is urgently needed for making sound decisions and choices for foreign aid.

The panel looked at the results of multilateral and bilateral donors' development assistance in a few select countries, particularly poor and corrupt countries. In some places, citizens perceive international aid in relation to corruption as part of the problem, rather than part of the solution. Many oil rich countries are, in fact, the recipients of billions of dollars in ODA which is wasted through corruption and enormous inefficiencies. The panel, by presenting data on the misuse of ODA, sought to raise awareness of the negative impact of poorly monitored foreign aid; showcased some specific cases of how development assistance is fueling corruption; and suggested strategies and criteria for selecting countries for development assistance. Presenters also focused on the Paris Declaration on Aids Effectiveness to showcase the role of civil society in monitoring and overseeing development assistance at the local, regional and national level and also to provide examples of best practices used by some international donors, particularly the UNDP, in attaining the Millennium Development Goals and complying with the Paris Declaration. The audience actively participated in a series of questions and answers following on their own concerns about the misuse of ODA.

Summary of presentations

1. Aleks Dardeli opened the workshop with an overview on the perspectives of civil society in international development aid. Citizens, civil society and watchdog organizations are increasingly vocal in their distrust of development aid. Cataloguing arguments that form the basis for such distrust entails more perception than fact. A first group of arguments centers on the “micro” level of development aid: Skewed project selection and design and slipshod implementation. A second group of arguments centers on the “macro” level of development aid: Abusive budget formulation and faulty budget execution. Do donors indeed cause or condone corruption? There is increasing evidence that the answer is a qualified Yes. It is believed that aid increases corruption in settings where the population is fractionalized, while it reduces corruption in more homogeneous countries. It appears that in contexts where a multitude of distinct groups vie for the windfall that aid represents, aid appears more likely to have a detrimental effect in terms of rent-seeking and corruption. Perceptions of causing or condoning corruption contribute to a trust deficit in the work of the development aid community. However, accountability and transparency in international development assistance are themselves directly proportional to the level of accountability and transparency in the governance systems of recipient countries. An array of action items are required to address these issues. First, the international donor community needs to pay greater attention to and enhance the Accra Agenda’s actual or potential mechanisms for enforcing greater accountability across countries and across donors. Second, mistakes need to be acknowledged, analyzed, and an effective ‘lessons learned’ mechanism that genuinely incorporates civil society needs to be instituted. Third, more than mere harmonization and alignment are required in order to ensure greater accountability in aid. A greater focus on reducing corruption in recipient countries is a prerequisite of greater accountability in ODAs.

2. Olga Nazario followed with detailed information on development assistance that is going to corrupt and wealthy countries in the presentation. Recent reviews of development assistance strategies respond to concerns that targets established in 2010 for reducing poverty are falling behind, but also that the international donor community is losing credibility among the developing world’s civil societies. Citizens are judging the donors as part of the corruption problem rather than as part of the solution. This is the result, primarily, of the obvious lack of monitoring of the resources that these institutions grant to governments. Donors presently provide substantial amounts of development aid to governments and institutions perceived as highly corrupt, often in oil-exporting countries, and may be making the wrong decisions in choosing countries to assist. Perhaps this happens because the criteria used to define “poor countries” is inaccurate for distinguishing between poor countries and poorly managed countries. Meanwhile, the development assistance currently allocated to corrupt and wealthy countries is depriving nations with the commitment to development and the capacity to manage resources more responsibly, the opportunity to move ahead faster.

3. Karin Christiansen, Director of the NGO *Publish what you fund*, explained the results of recent studies on transparency among the main donors which predicate the need for more information. She explained that *Publish what you Fund* has just completed an Aid Transparency Assessment. This is the first global assessment for aid transparency and Karen and her team plan to produce more in the future. She reported that in the report the study compares the transparency of 30 major donors using eight data sources across seven weighted indicators that fall into three categories – high level commitment to transparency; transparency to recipient government; and transparency to civil society. The first major finding of the report was that there is a lack of comparable and primary data available. She reported that this meant we couldn’t do the type of bottom up assessment we wanted to and highlight the essential nature of what donors are doing in building an international standard. In fact, the indicators that were developed from the limited data available provide an interesting insight into the comparisons of current levels of donor transparency. The report found that there is a wide variation in levels of donor aid transparency and that donors showed significant weaknesses across the seven indicators. The highest performing donor (the World Bank) achieved more than double the transparency score (85.4%) of the lowest (Japan with 41.9%).

4. Rosa Ines Ospina-Robledo of *NGOs Network for Transparency* in Colombia presented on the topic of civil society's participation in monitoring and overseeing development effectiveness. She looked at the issue from three levels, global, regional and national. Her primary concerns were the open forums on the effectiveness of CSOs, initiatives among CSOs for transparency and accountability, and a look at international cooperation in her home country of Colombia. Many CSOs now work in specific fields related to anti-corruption like accountability, and the pursuit of public accountability measures. Presently, there are more than 500 NGO/CSOs in Latin America. In the past, they focused primarily on themselves and their own organizations, but this is changing. Through multi-lateral alliances of CSOs we can see how development and aid has been making headway in the region. This linkage of CSOs has also been an important aspect of development and transparency in Colombia.

5. Gerardo Berthin from the UNDP closed the panel presentation explaining what the UNDP is doing to be more transparent and accountable with its development assistance. He indicated that the key issue was one of trust for donors and recipients. He presented 5 key areas for discussion: 1. The context and dynamic of development and anti-corruption. There has been and will continue to be an increase in the number of donor actors and, simultaneously, a fragmentation of the actors. In addition, he explained that there are different modalities among the donors. All of this impacts on the efficiency of ODA as well as its transparency and accountability. One important fact is that official aid and aid policy often are utilized as a foreign policy tool; as examples he mentioned Venezuela, China and Iran. 2. Mutual accountability. Aid is not only about the recipient, but responsibility for accountability also lies with the donor. Given the growing complexity of ODA, new capacities to monitor aid effectiveness are needed, and he referred back to the work that NGOs like Karen Christiansen's are doing to expand the monitoring and measuring of aid effectiveness. 3. There are many who would like to change the premises of aid; and some who would suggest that donors return to a more traditional aid paradigm, the old development as he calls it. 4. Many international donors like UNDP, the World Bank and others have developed accountability systems; the overall trend is toward greater accountability and linking ODA to effectiveness, e.g. the U.S. Millennium Challenge Corporation. 5. Accountability is not just about what is delivered, but HOW it is delivered and how you manage the risk. Like any area related to finance and economics, the question of risk and how it is handled becomes an important part of the ODA equation.

Main Outputs

The main outputs of this panel were primarily that both donors and recipients need to re-examine the aid process. Huge amounts of aid have been wasted over the last two decades primarily through corruption and inept administration. There is a need for new criteria and for better measurement of countries' use of ODA and donors ODA transparency. Both the donor and recipient communities need new methodologies to measure the effectiveness of ODA. In addition, the multilateral banks which are significant providers of ODA need more stringent controls and monitoring of the huge sums of aid that they distribute. In a way the major donor nations need to look at ODA differently; they need not be limited so much to the political implications of their aid. In that sense, aid needs to be de-politicized. Finally, civil society and civil society organizations need to be more directly involved in the aid process; they need more direct contact with donors, and they, like the donors themselves, need more and better accountability and transparency.

Recommendations, Follow-up Actions

Perhaps the major recommendation of this panel is that donors and recipients alike need to re-examine ODA in all its forms. There was also a demand for greater transparency by donors and better measurement of the transparency and accountability of ODAs. It was agreed that better data must be collected on the commitment to aid transparency, on the transparency of aid to recipient government and the transparency of aid to civil society

organisations, and that this data be made more easily and readily available to all. One recommendation was for donors to rethink their aid to oil rich countries that utilize it as a way of making up the vast resources lost to massive corruption by state officials and corporations. It was suggested that ODA might better be directed to poorer countries with the political will to manage resources with greater accountability and transparency. Some panellists would prefer that more aid be given directly to CSOs. Finally, it was recommended that government corruption be treated in the same way as human rights violations.

Highlights

The panel's highlight was the data demonstrating that much ODA goes to countries that are wealthy but corrupt, or to poor countries that are extremely corrupt. Much of it never reaches the individuals for whom it was intended. Some comments from the panel and audience: Dardeli: "Measurement should be used as a tool for mutual accountability. It's a step in the right direction but just a step. More experimentation and risk taking is necessary..."

Rosslyn Heath TI: "But what about the new idea of accountability of the recipients and using those feedback systems to actually determine whether aid is being effective or not. My sense is that it is quite an effective tool..."

VP Women's NGO in Vanuatu: "What about the citizens that are NGOs? We know that donors give money to the government but we never see it."

Romero: "Regarding donor funding, we need to establish, is there an impact on their (recipients) lives...."

Christiansen: "Do donors actually do what they say they are going to do, no! They should all do what they say they are going to do and just do it."

Berthin: "The state parties are changing in a very dynamic way as well... We have to be prepared to deal with different dimensions of governance."

TI Kyrgyzstan rep: "Sometimes international donors have to use ready-to-use solutions; it is more effective, sometimes..."

John Sewell, Founder, Overseas Development Council "When the government isn't committed to development, a lot of aid is wasted. That is why the choice of countries is so important."

Signed and date submitted

Lawrence L. Ott, Jr., November 29, 2010

Reviewed by Beatriz Casals, Moderator November 29, 2010