Accountability, Participation and Foreign Aid Effectiveness

MATTHEW S. WINTERS
University of Illinois, Urbana-Champaign

Foreign aid involves a chain of accountability relationships stretching from international donors through national governments and implementing agencies to a set of ultimate end users of the goods and services financed by the aid. In this paper, I review five different accountability relationships that exist in foreign aid projects among donors, governments, implementing agencies and end users. Then I summarize existing empirical evidence demonstrating that foreign aid functions better—both at the macro-level of aid flows and at the micro-level of individual aid projects—when there is more government and implementing agency accountability. Specifying several mechanisms that facilitate accountability, I emphasize that participation is a tool often used to produce accountability within aid projects. However, in terms of donor accountability to aid-receiving countries and the end users in them, recent pushes for increased participation have not resulted in more accountability in the design of aid programs. Ultimately, although enthusiasm for participatory models of aid design and delivery is warranted, participation is not a panacea for all the accountability problems in foreign aid programs.

In July 2007, members of the Calcutta University Teachers’ Association took to the streets in protest because a university committee appeared to have embezzled money from a World Bank-financed higher education project meant to benefit the university. A state-level committee was refusing to disburse additional funds to the university, yet teachers had not seen the improvements to the academic and research infrastructure that they had been promised. The teachers demanded more transparency and better coordination of the project.¹

That World Bank funding is not reaching its ultimate intended destination is not surprising. Significant allegations of corruption and the misuse of funds in World Bank projects and other internationally-financed development projects are widespread.² And these problems are one of the reasons why foreign aid might not have reached its intended goals of catalyzing economic growth and poverty alleviation. One of the responses to advocates like Jeffrey Sachs (2005) who call for a massive increase in foreign aid is that doing so is just throwing money down the rat’s hole of corruption and waste—that there is no sense in giving additional money to developing countries if donors cannot even be sure where the money is going (Easterly 2006).

²For a recent account of the alleged extensive corruption in World Bank projects, see Berkman (2008). See also Hancock (1989), Klitgaard (1990), Maren (1997) and Guess (2005).
Incidents like the one described above—where implementing agencies are called to account by the ultimate end users of aid—are not very common, yet in terms of guaranteeing aid effectiveness, they are perhaps quite desirable. Studies suggest that positive relationships exist between national governance quality and both individual aid project performance (Isham, Kaufmann, and Pritchett 1997; Dollar and Levin 2005) and the overall extent to which foreign aid produces economic growth (Burnside and Dollar 2004; Clemens, Radelet, and Bhavnani 2004): where citizens can hold their governments accountable, there are more benefits to aid. In addition, development projects with participatory accountability mechanisms also perform better (Isham, Narayan, and Pritchett 1995; Sara and Katz 1998; Isham and Kähkönen 2002a,b).

From an efficiency perspective, one of the best ways for an international donor to oversee a development project is for the donor to create incentives for and mechanisms by which the end users themselves can effectively monitor the implementation of the project.3 Given that development projects aim to provide assistance to individuals who frequently have little voice and little credible threat of exit, this can be a difficult situation to bring about. And some recent experimental evidence suggests that non-participatory monitoring might be more effective (Olken 2007).

In addition to accountability within projects, there is an accountability issue at the level of designing a country’s overall foreign aid portfolio. In this case, it is international donors that should be accountable to aid-receiving countries and their citizens in terms of providing a useful and responsive schedule of foreign aid. Recent international development initiatives—in particular, the Poverty Reduction Strategy process—have emphasized citizen participation. However, analyses of these initiatives have not produced evidence of significant changes in aid-giving practices, pointing out the difficulty of creating true accountability of donors in the foreign aid process.

In this paper, I review current understandings of accountability relationships in foreign aid, both within aid-receiving countries and between those countries and international donors. I summarize empirical evidence suggesting that foreign aid flows and foreign aid projects accomplish more where there is more accountability. Then I look at different mechanisms—participatory and non-participatory—that might lead to accountability in development projects. Finally I question the extent to which attempts to hold donors accountable for the aid portfolios that they provide to countries have been successful and find that they generally are lacking, despite donors’ new emphasis on citizen participation at the level of design. Ultimately, although participation can be useful for the implementation of foreign aid projects, it is not a panacea for all of the problems of foreign aid.

**Accountability Relationships in International Development**

According to Ruth Grant and Robert Keohane, accountability “implies that some actors have the right to hold other actors to a set of standards, to judge whether they have fulfilled their responsibilities in light of these standards, and to impose sanctions if they determine that these responsibilities have not been met” (2005: 29). Actors that are accountable are those that can be forced to show whether or not they have accomplished the tasks for which they are responsible and that can be punished for failing to accomplish those tasks (Schedler 1999; Wenar 2006). That is, accountability has dimensions of answerability and enforceability (O’Neil, Foresti, and Hudson 2007).

---

3On the need to design correct incentives in aid programs, see Easterly (2002, 2006).
Where accountability exists, it has at least five benefits: (i) it crafts correct incentives for agents to fulfill their responsibilities; (ii) it provides assurance to principals that their agents will fulfill their responsibilities, allowing for planning and decision making in this context; (iii) it aids the study of whether policies work or not; (iv) it generally facilitates transparency with regard to agents’ actions; and (v) it helps principals provide correct rewards to agents (Wenar 2006:7–8). With regard to foreign aid, each of these five benefits might make aid more effective, either in the short-term or in the long-term.

The chain of accountability relationships in an international development program can be long and complex. Who do end users—the impoverished population that is supposed to benefit from foreign aid through poverty alleviation or economic development—hold accountable for the design of development projects and the ultimate delivery of goods and services? As depicted in Figure 1, responsibility might lie with project implementing agencies (which could be local or international NGOs, national government line ministries or sub-national government ministries), the national government that has entered into the foreign aid relationship or perhaps the donor itself. In the following subsections, I review five accountability relationships that may impact the overall success of foreign aid for international development: those of implementing agencies to end users; implementing agencies to governments; governments to end users; governments to donors; and donors to governments and end users.

Fig. 1. Accountability Relationships in International Development Aid

---

4This paper focuses on accountability as instrumental—as leading to better service delivery in international development projects. However, a lack of ability to exercise accountability might more broadly be thought of as constitutive of poverty, and therefore trying to build accountability mechanisms for end users into foreign aid projects may have intrinsic value as well (O’Neill et al. 2007). This coheres with Amartya Sen’s (2000) notion of development as freedom and is a view substantiated in the Voices of the Poor research (Narayan, Chambers, Kaul Shah, and Petesch 2000b; Narayan, Patel, Schafft, Rademacher, and Koch-Schulte 2000a).

5John Hoddinott (2002) discusses foreign aid relationships in terms of the links among financiers, providers and beneficiaries. See also Adato, Hoddinott, and Haddad (2003).
Implementing Agency Accountability to End Users

Most proximate to end users, implementing agencies—whether they are government bureaucracies or non-governmental organizations (NGOs)—have a responsibility to provide certain goods and services to particular groups of citizens. In most cases, citizens have not selected the implementing agency; the government has. This means that citizens do not have a typical principal-agent relationship with the implementing agency such that they can directly sanction it for poor performance.

What then are the ways in which citizens can hold implementing agencies accountable for the delivery of goods and services? Borrowing from Albert Hirschman (1970), Samuel Paul argues that this type of accountability depends on (i) “the extent to which the public has access to alternative suppliers of a given public service,” which is the threat of exit, and (ii) “the degree to which they can influence the final outcome of a service through some form of participation or articulation of protest/feedback,” which is the use of voice (Paul 1992:1047–8).

If citizens can exercise exit, then implementing agencies will face the pressures of the market, needing to compete for customers and having to respond to what end users are demanding. Voice might arise because citizens themselves participate in project implementation, and for this reason, participation has become a popular design element of international development projects. If citizens can exercise voice, then implementing agencies will have to respond to end user demands, provided that some sort of sanctioning mechanism is available, either directly in the local community or, as I discuss in the next two subsections, through the activation of a superior principal-agent relationship.6

In general, exit options are rare: development programs, after all, are usually responding to market failures, implying a lack of alternative options.7 This means that it is critical to think about the ways in which voice can be developed among citizens. Research on the topic suggests that the mechanisms by which citizen voice can be incorporated into development projects are highly context-dependent, and there has been significant innovation in some places (for example, Tendler 1997; Ackerman 2004). Frequently, participation is thought about ex ante: citizens can help choose the particular use to which aid funds will be put. But it also is possible to have end users participate in monitoring project implementation, auditing project accounts and evaluating project success. More so than selecting particular infrastructure projects or entrepreneurial schemes to fund, this implementation monitoring and evaluation can provide an opportunity for end users to speak directly to implementing agencies or to their government overseers—to hold them accountable.

After reviewing several mechanisms for this type of participation, John Ackerman (2004) recommends that participation be as broad as possible and clearly and explicitly institutionalized. In his view, the poor are ready to participate in design, monitoring and evaluation, but they need clear institutional structures to facilitate this. Evidence that I present in the next section suggests that this participation in turn yields superior developmental outcomes.

6O’Neil et al. (2007) make the important point that voice alone is not sufficient for accountability. The extent to which voice brings about accountability will depend on the institutional and cultural context and the sanctions available in those contexts.

7Although it has yet to be studied systematically, there may be an increasing exit option with aid proliferation. As one commentator writes, “There is anecdotal evidence that in some sub-Saharan African states, the saturation of aid agencies on the ground is great enough that community leaders do have some power to choose among the various projects that different agencies offer” (Wenar 2006:17, n49).
Implementing Agency Accountability to National Governments

Given the lack of institutionalized opportunities for voice and the difficulties of directly sanctioning local implementing agencies, citizens might try to exercise accountability over such agencies through the national government, threatening electoral sanction of the government if it does not work to ensure the delivery of goods and services.\(^8\) Even without citizen pressure, insofar as the government is oriented toward development, it has an interest in seeing subordinate entities carry out, according to their design, development projects that are being financed with scarce resources, avoiding problems with misimplementation or corruption. On the other side of the equation, the implementing agencies themselves have an interest in making sure that they actually receive the aid funds and other forms of support necessary for implementing a project from the relevant government agencies.

Implementing agencies might be either governmental or non-governmental organizations. There long has been an emphasis among development practitioners on creating a bureaucracy in developing countries capable of delivering key social services to citizens. Insights from institutional economics have increasingly challenged international donors to think more about how incentive structures might be crafted within bureaucracies and within aid projects operated by bureaucracies in order to bring about desired results. As Lant Pritchett and Michael Woolcock argue, this is not simply a matter of dropping Danish institutions into Djibouti, but it rather involves remembering that institutions are “mediators of interactions between bodies of agents [that have arisen] to solve fundamental social conflicts” (Pritchett and Woolcock 2004:199; see also Ackerman 2004). That is, creating accountability between implementing bureaucracies and the government is not a simple technocratic exercise but rather an inherently political operation involving the context-specific structuring of incentives.

If the implementing agencies are NGOs, it may be even more difficult to realize beneficial accountability relationships.\(^9\) As compared to native bureaucracies, where the government exercises powers of promotion and dismissal, funding and even determination of continued existence, with either national or international NGOs, the government’s single method of punishment is to cut off funding. With international NGOs, in particular, the implementing personnel are highly mobile in terms of not staying in one location for an extended period of time and sometimes physically insulated from the local community in terms of living in compounds or neighborhoods removed from the population to which they are providing services (Smirl 2008). NGOs often do not produce significant information about implementation or effectiveness, so governments are left with “perfunctory reports and...an occasional audit” (Wenar 2006:14). In terms of the quality of reporting on projects, Alexander Cooley and James Ron (2002) suggest that competition among NGOs for scarce contracting dollars gives them incentives to whitewash poorly performing projects and ignore encounters with government corruption. The authors argue that this behavior has become worse with NGO proliferation.

In terms of direct accountability to end users, Mick Moore and James Putzel (2000) argue that, since NGOs are not governmental, they are “not legitimate objects of popular political mobilization in the way that governments are” (15).

---

\(^8\)The electoral sanction is obviously available only in states that are liberal democracies, although end users in all countries might resort to protest in the event of poor service delivery.

\(^9\)The data on the amount of aid funds flowing through NGOs is extremely tenuous. Bilateral and multilateral donors channel around 5% of official development assistance—$5 billion per year—through NGOs. In addition, donors also give around $2 billion per year directly to NGOs (Riddell 2007:48, n34). There is little data on how national governments in aid-receiving countries divide aid funds among the government bureaucracy, local governments, quasi-governmental organizations and NGOs.
This means that end users are less likely to exercise voice when dealing with NGOs. In strong terms, the authors conclude, “All else being equal, the use of NGOs as implementers of public programs is likely to demobilize the poor” (16). In sum, for a variety of reasons, the ability of either local communities or the national government to attribute responsibility to or enact sanctions against NGOs seems limited.

Relatively little empirical attention has been paid to these within-country relationships in aid projects; both theoretically and empirically, scholars often treat the government in an aid-receiving country as a unified entity capable of implementing its will. But full implementation of an aid project requires appropriate action by multiple levels of government and possibly by non-government entities as well. Practitioners and scholars alike need to devote additional thought to correctly portraying the principal-agent relationships that exist between national governments entering into aid projects with bilateral and multilateral donors, and the government bureaucracies or NGOs that actually implement the project.

National Government Accountability to End Users

In addition to seeking to use the national government’s enforcement capabilities to ensure the accountability of implementing agencies, end users might also be interested in making the national government itself accountable for determining the correct development priorities and for allocating money appropriately. To this end, the 2005 Paris Declaration on Aid Effectiveness asks recipient countries to “strengthen...the parliamentary role in national development strategies and/or budgets” and to “reinforce participatory approaches by systematically involving a broad range of development partners when formulating and assessing progress in implementing national development strategies.” In other words, both the democratic institutions of and civil society representatives in aid-receiving countries should be involved in determining developmental priorities and the allocation of resources to them and then in evaluating national progress toward addressing these priorities.

Government accountability to citizens is the traditional form in which accountability is considered. Therefore, I do not discuss it at length here. As discussed below, however, one notable component of increasing the accountability of governments to their citizens in terms of the design of developmental projects may involve decreasing the accountability of governments to donors. If donors are overly active in aid program design, this might result in reduced government responsiveness to the demands of citizens.

Government Accountability to Donors

Possibly, end users might appeal directly to donors for these international actors to exercise their leverage over national governments or over implementing agencies. And donors, of course, often take this initiative themselves, given their desire to see correct use of the resources that they are providing to the recipient country.

In fact, the matter of accountability in aid programs is very often thought of exactly in terms of the government’s accountability to the donor. An international donor (whether a bilateral agency or a multilateral organization) provides money to a government for some purpose, and the government is expected to fulfill that purpose. Empirical research has demonstrated, however, that governments often do not use aid money to fulfill the purpose for which it is intended. Instead, they spend foreign aid money on consumption goods rather than using it for productive investment purposes (Boone 1996) or shift it to alternative purposes from those for which the aid was intended, as indicated by within-country
and cross-country studies that have identified high levels of aid fungibility (Pack and Pack 1993; Feyzioglu, Swaroop, and Zhu 1998; van de Walle and Cratty 2005). In structural adjustment programs, where countries are supposed to undertake major policy reforms in exchange for the aid that they receive, recipients have proven unlikely to actually undertake the policy changes that are the goals of the programs (World Bank 1998; Easterly 2005; Loud and Nielson 2007).

Given this poor implementation record, a number of scholars have focused on the question of whether it is possible to make governments more accountable to donors and how to do so (for example, Svensson 2000; Azam and Laffont 2003). One conclusion, for instance, is that donors need to be more willing to punish countries that misuse aid funds—that is, that they need to be more willing to hold them accountable by wielding and following through on the threat to revoke future funding in response to poor implementation (Svensson 2000).

There is a risk that government accountability to donors might undermine government accountability to end users, to its own citizens. Insofar as recipient states design and implement their development strategies in order to meet the demands of donors, this might hinder government responsiveness to domestic constituencies (World Bank 2004). As I discuss below in reviewing the successes and failures of the Poverty Reduction Strategy Process, although donors emphasize the participation of domestic stakeholders in the design of aid projects, governments often are far more responsive to the (perceived) desires of international donors.

**Donor Accountability to Governments and End Users**

For this reason, it is important to note that donors should themselves be accountable to the aid-receiving countries and the end users in them. Donors should provide promised aid and work with national governments to determine the best uses of foreign aid in a given country. International aid—and bilateral aid in particular—is often unpredictable from year-to-year, poorly targeted, not coordinated among donors, influenced by geopolitical interests and not systematically monitored (Eyben 2005; United Nations Millennium Project 2005; Easterly 2007). Although there has been much attention to the question of whether recipients are using money correctly, there has been less attention to the question of whether donors are giving money correctly.

A growing emphasis on country ownership of aid programs speaks to the donors’ awareness of their accountability to aid recipients. The OECD’s Development Assistance Committee has begun to think more about mutual donor-recipient accountability and joint reviews of development effectiveness (Killick 2004). At the 2002 Monterrey Conference on Financing for Development, donors committed to working within a framework where they would provide regular, usable resources to recipient countries (United Nations 2002). These commitments were reiterated in the 2005 Paris Declaration on Aid Effectiveness, which emphasized the need for donors to align aid with recipient country priorities, respecting recipient country leadership and strengthening their capacity to exercise it. In the declaration, donors committed to “base their overall support…on partners’ national development strategies”; “draw conditions…from a partner’s national development strategy”; and “link funding to a single framework of con-

---

10As depicted in Figure 1, donors are accountable to their funders, the taxpayers in the developed countries that both have bilateral aid programs and fund the multilateral aid organizations. This fact complicates donor responsiveness to end users and governments in aid-receiving countries and, at an extreme, can lead to situations in which donors say one thing and then act in a very different fashion (Hawkins, Lake, Nielson, and Tierny 2006; Weaver 2008).

ditions and/or a manageable set of indicators derived from the national development strategy.’’ However, as described below, it is not yet clear how much of a difference these commitments have made in the actual design of aid programs.

Having described five major accountability relationships that exist in foreign aid programs, I now turn to analyzing the difference that having or not having accountability makes. After establishing that accountability does improve the quality of foreign aid, I discuss several mechanisms for creating accountability relationships. Then I discuss in more depth the thorny issue of donor accountability to governments and end users.

**Accountability Institutions and Aid Effectiveness**

Does aid actually perform better in environments with greater accountability? Can accountability be enhanced by introducing participatory elements into aid projects? The answer to both of these questions appears to be yes: the data suggest that both aid overall and also specific aid projects perform better in countries with better institutions for accountability, while there also is significant evidence that projects are more successful when there is a participatory element that can elicit accountability. Government and implementing agency accountability to end users makes for better use of foreign aid. However, it also is important to note the serious concern that foreign aid flows might decrease the level of accountability in a recipient country.

**National Institutions and the Effectiveness of Overall Aid Flows**

The prevailing understanding of aid effectiveness is that foreign aid should lead to economic growth in a country.12 The majority of the aid effectiveness debate, therefore, has played out in cross-country statistical analyses, where aid is included as a factor in multivariate growth regressions and then assessed for statistical significance and substantive meaningfulness. There are three contradictory empirical findings in this literature: aid does not yield economic growth (for example, Easterly 2003; Easterly, Levin, and Roodman 2004; Rajan and Subramanian 2005; Clark, Doces, and Woodberry 2006); aid unconditionally yields economic growth (for example, Hansen and Tarp 2000, 2001); and aid yields economic growth conditional on good policies or other institutional characteristics (for example, Burnside and Dollar 2000, 2004; Collier and Dollar 2002; Wright 2008).13

The Burnside and Dollar view that aid is effective conditional on good policies—which was a centerpiece of the World Bank’s 1998 *Assessing Aid* report—consistently has held the most purchase on the imaginations of policy makers, although it is this result that has proved the least statistically robust in subsequent testing (for example, Roodman 2004). In the original paper, the measure of policies is based on macroeconomic outcomes (that is, trade openness, inflation and budget surplus), and while the authors control for institutional quality (which is a consistently significant positive predictor of economic growth in all analyses), they do not interact it with aid (Burnside and Dollar 2000). In the second paper, however, instead of using the policy index, they use

12Alternatively, foreign aid effectiveness might be judged by the criteria of poverty alleviation. While economic growth is the best way to eliminate income poverty (Dollar and Kraay 2002), if we use a multidimensional view of poverty, then other interventions might be superior for improving other types of poverty (for example, of health, of education). This discussion does not take into account the geostrategic uses of foreign aid by developed countries (see for example, Alesina and Dollar 2000), which involves an entirely different meaning of effectiveness.

13One recent, paper suggests that foreign aid has had a positive impact on economic growth only in the post-Cold War era, where aid is less likely to be motivated by strategic concerns and the threat of aid withdrawal in light of poor policies or non-adherence to conditionalities is greater (Bearce and Tirone 2008; see also Dunning 2004).
an index of institutional quality taken from the original Governance Matters dataset (Kaufmann, Kraay, and Zoido-Lobatón 1999) and interact this direct measure of accountability and good governance with aid (Burnside and Dollar 2004). This interaction is statistically significant and positive, such that increasing aid in countries that have high-quality institutions correlates with economic growth. This is macro-level evidence that accountability mechanisms help foreign aid to achieve its ultimate objective of economic growth.

Most of the papers that have questioned the Burnside and Dollar result have done so using the Burnside and Dollar (2000) interaction between aid and policies. Therefore, we have accumulated less evidence with regard to the Burnside and Dollar (2004) interaction between aid and institutions. In Collier and Dollar (2002), the authors interact aid with the International Country Risk Guide’s (ICRG) measure of institutional quality (while also interacting aid with policies). Although they do not spend much time interpreting the coefficient, the point estimate surprisingly indicates that the impact of aid on growth decreases with improved institutional quality. On the other hand, a Center for Global Development working paper finds a positive interaction between institutions and aid that is expected to have a short-term impact on growth (Clemens et al. 2004). The authors write, “Our findings on the heterogeneous effect of short-impact aid agree with what Burnside and Dollar (2004) find for aggregate aid: that aid may indeed work better to some degree in countries that effectively battle corruption, guard property rights, and cultivate a respect for law” (Clemens et al. 2004:31). Ultimately, there is some evidence that aid effectiveness is conditional on institutional quality, but there is clear room for future research.

National Institutions and the Effectiveness of Individual Aid Projects

Given the evidence that aid overall is more effective in promoting economic growth in countries with good institutions, is there evidence at the project level that aid is more effective at achieving its immediate/local aims in countries with good institutions? The expectation is that better accountability relationships will result in foreign aid being better used in a local sense.

There have been two major cross-country studies on this question using World Bank data. A 1997 article demonstrated a significant link between civil liberties and the performance of over 600 World Bank-financed projects (Isham et al. 1997). As their outcome variable of interest, the authors look at the economic rate of return (ERR)—the discounted stream of project benefits over the life of the project. Using four different measures of civil liberties, the authors consistently find a positive association between the protection of civil liberties and the economic rate of return in World Bank projects. They estimate the impact of a one standard deviation increase in civil liberties on the economic rate of return to be between 2 and 4.5 percentage points (where the mean ERR is 16). They similarly find that an increase in the quality of civil liberties significantly improves the probability of a project being rated successful by the World Bank’s internal evaluations division. The authors also find a positive correlation between demonstrations (that is, citizen protests) and the economic rate of return for projects. This last finding is particularly significant for suggesting that increased voice—a key component of accountability—leads to improved project outcomes. As the authors write, “The results support a chain of causation that runs from

\[\text{The definition of policies varies across the papers. See the discussion in Roodman (2004).}\]

\[\text{This also holds true for another paper in which two of the same three scholars focus on how the macroeconomic policy environment affects economic rate of return. They include civil liberties as a control variable, and find it to be the only consistently significant country-level institutional predictor (Isham and Kaufmann 1999). On the impact of macroeconomic stability on World Bank project performance, see also Kaufmann and Wang (1995).}\]
greater civil liberties to higher levels of citizen involvement and political participation—including as one dimension civil manifestations—to better projects” (Isham et al. 1997:236–7).

In a more recent study, David Dollar and Victoria Levin (2005) look at the World Bank’s internal classification of project success for Bank lending in the 1990s and examine the association of these ratings with the ICRG rule of law index, Freedom House’s combined country score and the institutional quality index from the Governance Matters dataset. The authors find that both rule of law and democracy significantly predict the percent of projects in a country that were rated successful. The authors conclude, “[T]he success of aid-sponsored programs depends primarily on the quality of institutions in the recipient country” (Dollar and Levin 2005:12; emphasis added).

Some indirect evidence that the governance environment interacts with the ability of international donors to do their job comes from the World Economic Forum’s Global Competitiveness Report (2002), as described in Kaufmann (2003). In a survey of over 10,000 business executives across 80 countries, executives in good governance countries are much more likely to respond in the affirmative to questions about whether the World Bank, the regional development banks or the International Monetary Fund support private sector development (Kaufmann 2003:30–2). In countries where there is poor governance, the business executives in those countries do not see the involvement of international donors as helping private sector development.

These papers provide complementary evidence that the quality of national governing institutions has had an impact on individual aid-project performance. These findings also lend some support to the Burnside and Dollar hypothesis—Dollar and Levin (2005) make this connection explicit—in that, if aid projects perform better in countries with better institutions, then we might expect overall aid flows to lead to economic growth in countries with better institutions as well.

Project Design and the Effectiveness of Individual Aid Projects

The cross-country results on project success provide significant evidence that internationally-funded development projects will be more successful in countries where there are stronger governance institutions. However, for countries where national governance institutions are weak, are there ways to design foreign aid

---

16Kaufmann and co-authors use in-depth case study work in Bolivia to try to establish the difficulties of development when there is a lack of voice (Kaufmann, Mastruzzi, and Zavaleta 2003). They start from the fact that Bolivia embarked on radical macroeconomic reform in the mid-1980s and continued from that time to pursue policies that should have been growth-enhancing and then try to explain why “economic growth has been disappointing, poverty alleviation has been scant, and social indicators have not improved significantly” (Kaufmann 2004:11). Their explanation is that poorly performing courts, weak property rights protections, corruption, a lack of transparency and the lack of feedback mechanisms for public service users all limited the amount of impact that pro-growth macroeconomic reforms could have: under a superior governance regime, the counterfactual runs, Bolivia would have been able to benefit more from the shifts in policy.

17A third paper, however, finds no significant effect of institutions (as measured by the ICRG index) on World Bank project success (Guillaumont and Laajaj 2006). Like Dollar and Levin (2005), this paper explores the World Bank’s rating of project success at the project level but does so with the project itself as the unit of analysis, whereas Dollar and Levin (2005) use the proportion of successful projects in the country. Guillaumont and Laajaj (2006) do find that good institutions make a satisfactory rating of project sustainability—as compared to “project outcome”—more likely. Also, it is not entirely clear that they have specified their regression analysis correctly, since they mostly are interested in country-level, rather than project-level variables (specifically economic instability as measured by the variability of exports).

18Believing the Burnside and Dollar hypothesis is not required for us to believe that individual aid projects can be more successful in institutional environments that allow for more accountability. That is, individual aid projects might be successful in terms of localized poverty alleviation without making a discernible contribution to overall economic growth.
projects such that they will be more effective? The most commonly suggested way of improving accountability in aid programs is to make them more participatory—to involve the beneficiaries more in their implementation in the hope of creating implementing agency and government accountability to end users. In this section, I review some of the findings with regard to the effectiveness of participatory development.

Although it sometimes seems that participatory development is a new phenomenon, donors and scholars long have called for increased participation in development projects (Cornwall 2006). The US Foreign Assistance Act of 1966, for instance, called for “maximum participation in the task of economic development on the part of the people of the developing countries through the encouragement of democratic private and local governmental initiatives” (cited in Finsterbusch and Van Wicklin 1987:1–2). And UN General Assembly Resolution 2542 from 1969 calls for “the active participation of all elements of society, individually or through associations in defining and in achieving the common goals of development” (cited in Cornwall 2006:70).

Participation is thought to improve development projects for at least four major reasons. First, public involvement can mobilize resources—labor, monetary contributions or in-kind supplies—beyond those allotted in the project budget. Second, end-user consultation early in the project cycle results in projects that better respond to recipient needs, facilitating donor accountability to end users. Third, involvement in one project may serve as a catalyst for future development efforts at the local level. And finally and most relevant here, local involvement creates a monitoring mechanism such that those responsible for the project receive feedback from end users over the course of project implementation, making the implementing agencies more accountable and the project more responsive and useful.

The literature on participation and accountability in development projects has clustered around two particular types of projects: water and irrigation systems and social funds. With regard to the former, there is significant evidence that those systems run better when local users are involved in their operation. With regard to the latter, however, the evidence is more mixed, and the outcomes from some social funds can be taken as indicative of the way in which participation is not a panacea for development challenges.

In research that suggests the possible benefits of participation, Robert Wade (1982, 1994, 1997; see also the useful summary in Das Gupta, Grandvoinnet, and Romani 2004) has described the comparative success of irrigation systems in South Korea and India. In South Korea, irrigation policy was developed at high levels of the government, and technical experts managed canal construction, but the end users ultimately took responsibility for operation and maintenance. In India, on the other hand, operation and maintenance is the responsibility of hired technocrats who are subject to an extensive system of checks and balances designed to insulate them from the end users. Although the Indian irrigation systems were designed to reduce corruption, they have ended up being much less effective because the technocrats are not accountable to the farmers that they are supposed to serve; in South Korea, where participation has resulted in a closer accountability relationship between the irrigation system administrators and the local farmers, service provision is superior.

---

19There is an extensive literature on participatory development, and much of it is at least partially critical of participatory approaches. For instance, participation may place unfair burdens on service recipients, or people may be forced to participate (possibly even in a case where they will not be able to influence the situation) (see the discussion and citations in Prokopy 2005:1801–2). One author shows that donor demands for matching funds from local authorities have resulted in coercive tax collection efforts (Fjeldstad 2001; cited in Therkildsen 2002). For a broad critique, see Mansuri and Rao 2004.
In a cross-country statistical study, World Bank researchers assess participation and project outcomes using evidence from rural water projects across 49 countries financed by a range of donors including USAID, the United Nations Development Programme (UNDP), the World Bank and non-governmental organizations; they find a clear positive association between participation and project success (Isham et al. 1995). In the study, increasing participation from a low level to a high level results in at least a one-point increase on a seven-point scale of project performance, even after controlling for a range of other factors influencing project success. The authors do not make any claims with regard to the mechanism through which participation improves project outcomes.

Another World Bank study (with the UNDP) of 10 water supply projects in six countries found that project sustainability was greater if there was greater participation (Sara and Katz 1998).20 In addition, this study found that a set-up where households directly express their needs to the water supply entity—rather than expressing them through intermediaries—resulted in greater levels of project effectiveness. This result suggests that a clearer chain of accountability leads to more satisfactory outcomes. Linda Stalker Prokopy (2005) finds similar relationships, although she questions their substantive significance, noting that a 1% increase in the number of households participating in decisions in the water supply program she studies results in only a 0.2% increase in satisfaction.

In a piece of research that tries to sort out what affects participation and then how participation affects outcomes, Jonathan Isham and Satu Kähkönen (2002a) look at the functioning of three World Bank-funded community-based water services in Sri Lanka and India. They find that participation leads to greater satisfaction with service design and also to superior health outcomes. As in a similar paper on Indonesia (Isham and Kähkönen 2002b), the authors find that both participation and the level of monitoring are associated with pre-existing social capital.21 They say, “[M]ore social capital—the critical determinant of design participation and construction monitoring—leads to improved household health for about 26–34 households in a community of 200 households” (Isham and Kähkönen 2002a:684). This suggests that accountability relationships may require active antecedent characteristics and not just participatory components in development projects.

With social funds and community-driven development projects—programs in which local communities apply for money to finance particular (usually infrastructural) projects from a menu of possible options—the evidence on the benefits of participation has been much more mixed. Given that these projects call for community participation, the expectation is that they would be much more receptive to community needs, in part because communities could clearly hold implementing agencies accountable for the results. However, various reviews find that social funds have been less effective at creating jobs than more traditional programs (Stewart and van der Geest 1995; Lustig 1997) and have not delivered services more efficiently than traditional government programs (World Bank 1997).22 Given that these projects should increase accountability, why do they nonetheless produce disappointing outcomes?

---

20This finding is supported in another study that looks at projects across 15 countries (Gross, van Wijk, and Mukherjee 2001).

21This echoes a finding in a general review of participation in USAID projects that found that participation has an impact on project success only in more developed countries (Finsterbusch and Van Wicklin 1987).

22See also Tendler (2000) for a critique of social funds. Robert Klitgaard, on the other hand, cites the Bolivian Emergency Social Fund as a particularly efficient program, spending only 4% of the budget on administration as compared to the 7% of the United Nations Development Programme budget being spent on administration in Bolivia. Ironically, the fund was notably centralized in many aspects: “Decentralization worked because centralization worked” (Klitgaard 1997:1967.)
One possibility is that they do not increase accountability. One of the major challenges in participatory projects is making sure that there actually is grassroots participation. Given existing hierarchical structures within a local governance area, it is quite possible that local elites still will be making the decisions despite the existence of town meetings and other participatory forums. An in-depth multi-method evaluation of the Jamaican Social Investment Fund showed that the social fund process in Jamaica is elite-driven with decisions being made by a small group of motivated individuals (Rao and Ibáñez 2005). The authors provide both qualitative and quantitative evidence suggesting that project selection is not necessarily based on the broad community’s concerns but rather on the initiative of local leaders. Nonetheless, the authors also find that ex post community satisfaction with the projects is quite high. Even though community members are not participating in project selection, they nonetheless end up with projects that they appreciate. The authors describe this as “benevolent capture”: “a situation where influential individuals within a community push through a project and dominate its progress but do this with communitarian motives which have a generally positive impact” (Rao and Ibáñez 2005:809).

Similarly, a preliminary assessment of a program in Indonesia in which local village grants replaced fuel subsidies found that village officials dominated the decision on how to spend the money in village-wide meetings in 44% of all surveyed villages (LP3ES 2006). Although carefully designing the institutional set-up of participation may lessen the elite role in such projects, it is very difficult to completely overcome traditional power hierarchies and dynamics. To a certain extent, foreign donors may need to accept the fact that local elites will be making many of the decisions in participatory projects.

**Aid Flows and National Government Accountability**

Importantly, while there is evidence that aid functions better when there are quality accountability mechanisms in place, there also has been significant evidence collected at the cross-country level with regard to aid decreasing institutional quality. There are several logics with regard to why foreign aid flows would negatively impact institutional development. First, if government accountability in the developed world grew largely out of the emergence of taxation systems, which monarchs used to fund wars (Bates and Donald Lien 1985; Tilly 1985, 1990; North and Weingast 1989; Hoffman and Norberg 1994), then insofar as foreign aid alleviates (some of) the need for tax revenues, it can reduce a government’s accountability to its citizens. Rather than the citizens holding governments accountable in an aid-dependent state, writes Deborah Brautigam, “those with the loudest single voice on revenue and expenditure decisions are international lending agencies” (1992:11). Aid projects also can directly siphon talented technocrats away from the government, since the salaries offered by international aid organizations are likely to be much greater than those offered by the national government (van de Walle and Johnston 1996:89–92). With fewer capable civil servants, the government is less capable of being responsive to the demands of civil society. Aid also represents a source of rents for political officeholders such that it encourages government officials to look upward to international agencies rather than downward to their domestic constituencies and to be more concerned with ensuring continued aid flows than with supplying public goods to the population (Svensson 2000).

In a widely cited paper, Stephen Knack (2001) finds that government dependence on aid can undermine accountability and erode governance, resulting in

---

23 See also Platteau and Abraham (2002).
24 On this topic in general, see Moore 1998 and Therkildsen 2002.
increased rent-seeking and corruption. Using as the outcome variable a quality-of-governance index created from the ICRG country scores for corruption in government, bureaucratic quality and rule of law, Knack finds that a 15% percentage point increase in aid/GDP results in a one-point decrease in the 18-unit governance index. In a later paper, Knack looks at the relationship between aid and democracy (measured using a country’s Freedom House score) and finds no significant relationship in either direction (Knack 2004). Using a country’s Polity IV score and its number of checks and balances (as measured in the Database of Political Institutions) as outcome measures, another paper, however, finds that foreign aid has an unambiguously negative impact on democratic institutions (Djankov, Montalvo, and Reynal-Querol 2006). According to the results, if a country’s aid-to-GDP ratio is in the highest quartile, we should expect the 10-point Polity IV index to drop by between 0.6 and 1 point over five years. This effect is significantly greater than the change that we would expect for a country with an oil revenue-to-GDP ratio in the highest quartile. Kevin Morrison (2009) finds that non-tax revenue—regardless of the source (for example foreign aid, natural resource revenue, state-owned enterprise revenue, foreign borrowing, etc.)—contributes to regime durability, such that either democratic or autocratic regimes receiving large amounts of foreign aid are likely to stay in power longer.

On the other hand, Arthur Goldsmith (2001) finds a positive association between foreign aid flows and democracy in sub-Saharan African countries over the period 1975–1997. He measures democracy using the Freedom House index. Thad Dunning (2004) replicates Goldsmith’s study, separating the data into Cold War and post-Cold War time periods. Dunning finds that there is a statistically insignificant positive effect of foreign aid on democracy during the Cold War period and a statistically significant positive effect during the post-Cold War period. These results have yet to be replicated among a larger set of countries, however.

Mechanisms of Accountability

Given that quality accountability relationships between end users and the government and between end users and implementing agencies result in better developmental outcomes, under what conditions are project beneficiaries able to get their voices heard and create useful accountability relationships?

One crucial ingredient that leads to the poor having voice is information. Perhaps the most well-known study of information bringing about accountability and leading to better public good outcomes is Ritva Reinikka and Jakob Svensson’s (2003) analysis of a Ugandan newspaper campaign to boost schools’ and parents’ ability to monitor local officials’ handling of a large school-grant program. A public expenditure tracking survey done in Uganda in 1996 revealed that up to 80% of grant funds intended for schools were not reaching their final destination (Reinikka and Svensson 2004)—anecdotal evidence suggests that these funds were being used to fund political activities, including patronage politics. In order to bring about implementing agency accountability to end users, the Ugandan central government began to publish data in national newspapers and their local language editions regarding the size of the monthly grants that communities were supposed to be receiving. When a second public expenditure tracking survey was conducted in 2002, it found that the amount of capture had been reduced to 20%—a three-fourths reduction! Reinikka and Svensson are able to use an instrumental variables strategy to directly attribute this affect to the newspaper campaign. The authors conclude that “public access to information is a powerful deterrent to local capture” (Reinikka and Svensson 2003:21).25

25In additional work, they find that reduced capture results in better outcomes—increased enrollment and student learning—as well (Reinikka and Svensson 2005).
A recent World Bank study examined the impact of information on the quality of health service provision (Björkman and Svensson 2007). Across 50 communities in nine districts in Uganda, the study randomized whether or not the communities were given baseline information about the status of health service delivery (in the form of citizen report cards). In those 25 places where the community members were told how their services compared to those elsewhere, the citizens also were encouraged to develop a plan identifying areas of concern in health provision. Demonstrating the lasting influence of the scorecard, 89% of the treated villages discussed the local health facilities in village meetings over the course of the following year. In addition, in treatment communities, the health facilities were more likely to have suggestion boxes (which none of the control facilities had) or to post information on patient’s rights and available services. In the treatment facilities, utilization of outpatient services was 16% higher; there was decreased waiting time, increased use of equipment, decreased staff absenteeism and increased cleanliness. After one year, there was significant growth in infant weight and immunization coverage and a significant decline in under-five mortality in the treatment communities. In this case, the provision of scorecards led to community monitoring, which then had a clear impact on service provision.

Another World Bank study from Uganda suggests that local knowledge about how to hold politicians accountable can have a powerful anti-corruption influence (Deininger and Mpuga 2005). Using data from Uganda’s Second National Integrity Survey, the authors focus on whether or not survey respondents have had to pay a bribe. They find that individuals who know how to complain about corrupt behavior by bureaucrats or the quality of service provision are 25% less likely to have paid a bribe. In addition, households that know how to demand accountability from officials are more likely to be satisfied with the quality of service provision.

Another possibility is that—beyond information—project beneficiaries can be given an actual tool with which to express themselves. One idea is that if project beneficiaries have to contribute to a project, then they can withhold those contributions in protest if the project is not living up to its promises, a sanction of the type that makes accountability relationships meaningful. Samuel Paul (1994) looks at water users groups for farmers in need of irrigation in 12 villages in one province in Indonesia. In four of these villages, there were no water users groups: the village farmers did not have a mechanism by which to collectively represent their interests on irrigation. In the other eight villages, there were such groups, but in half of these villages, members paid group fees, whereas in the other half they did not. One of the main findings is that, in those villages where a fee is charged to the farmers, there is a higher level of farmer satisfaction, a smaller number of complaints made by farmers and a quicker response time by water agency staff to complaints. For Paul, in the context of his earlier work (1992), the users fees increased the level of voice for farmers (and also provided them with something akin to an exit option insofar as they could withhold the fees), which then resulted in improved service provision as compared to villages where there either were no associations or the associations did not charge fees. Although there is some hesitancy to charge users fees in development projects, this analysis suggests that doing so provides end users with a tool that they can use to bring about accountability in implementing agencies.

These cases involve end users holding implementing agencies accountable. Similarly, Robert Wade’s work cited above argues that participatory monitoring in the South Korean irrigation system led to superior outcomes as compared to hierarchical monitoring—monitoring conducted through traditional bureaucratic
arrangements—in the Indian irrigation system. It is possible, however, that confounding factors separate from the monitoring mechanism and having to do with the differences between the Korean and Indian irrigation programs contributed to the different outcomes. Ideally, we would like to compare the effects of participation to the effects of hierarchical monitoring within the same program.

In a widely cited and discussed paper on the World Bank’s Kecamatan Development Project in Indonesia, Benjamin Olken (2007) uses a randomized field experiment to compare these different approaches in terms of fighting corruption within the project. By looking at over 600 different roads built in Indonesia and comparing independent estimates of the time and money spent in building the road against the official documentation for the roads, Olken develops an objective measure of corruption. He then looks to see how three different treatments affect the amount of village-level corruption. In one treatment, villages were told that their files would be audited by the Indonesian Supervisory Agency for Finance and Development. In another treatment, hundreds of invitations were distributed throughout a village, asking the villagers to attend a regularly scheduled accountability meeting. (These meetings were held in all villages participating in the project, so the treatment was simply to increase awareness of the meetings and make explicit the request that villagers attend.) And in a final treatment, in addition to invitations, anonymous comment forms were distributed to villagers, and they could be returned to a sealed box in the village.

Olken’s findings are that the audits reduced corruption in the roads project by 8.5% as compared to the control villages. And in the working version of the paper, Olken (2005) finds that the effect is even greater—31%—in places where the village had an upcoming election: where the combined accountability threat of detection (through the audit) and punishment (through the election) greatly reduced the likelihood or level of corruption in the road project. On the other hand, Olken does not find much of an effect from the participatory treatments. Although the invitations did significantly increase non-elite attendance at the meetings, this did not then result in reduced corruption levels, and indeed it did not even impact the number of problems discussed at the meeting (Olken 2005). This suggests that the village meetings tended to remain under elite domination. When villagers could return anonymous comment forms, there was a 5% reduction in corruption but only if the forms were distributed through schools instead of through local neighborhood officials. Olken’s conclusion, therefore, is that hierarchical monitoring (that is, external audit) has a significant anti-corruption impact, whereas grassroots monitoring has a significant anti-corruption impact only under limited circumstances.

The usefulness of hierarchical monitoring is supported by evidence from a broader analysis of the same program. According to Susan Wong, the official in charge of monitoring and evaluation for the Kecamatan Development Program, 77% of all complaints about problems in the project came from consultants employed by the project, whereas 7% came from NGOs monitoring the project, only 5% from community members themselves, 2% from the media and 8% from other sources (Wong 2003:17). Therefore, despite the seeming promise of participatory approaches, the actual impact on accountability might be relatively small. However, this evidence comes from only one World Bank project in Indonesia, so we need additional innovative designs like those in Olken’s work in order to make firmer statements on this topic.

Even then, a question remains of what to do in countries where there is not a reputable independent auditor. Unfortunately, very little practical advice seems

---

27At an extreme, we can even question whether or not combating corruption is in the interest of development project end users. Tania Li (2007: chapter 7) argues that corruption seen by the World Bank as something in need of correction might be something that villagers accept as a traditional way of doing things.
to have been produced on this point. Guidelines for working in fragile states from the OECD’s Development Assistance Committee (2007) and the Multilateral Development Bank Working Group (2007) both describe the need to pay attention to governance, and the former emphasizes building state capacity as an objective, but neither provides a list of concrete steps to be taken. The International Financial Institutions Anti-Corruption Task Force (2006) produced a report on how to conduct corruption investigations and how to jointly punish corrupt companies, for instance, but had little to say about prevention. Steven Radelet (2004) suggests using project lending rather than programmatic lending in poorly governed countries but does not get into the details of how to monitor that project lending.

Susan Rose-Ackerman makes the interesting assertion that “policies to improve government function should not primarily focus on enforcing criminal laws against corrupt dealings” but rather must deal more broadly with “institutions and habits of behavior” (2004:14–5). Rose-Ackerman suggests procurement reform, improved revenue raising capacity, the elimination of unnecessary red tape in terms of government-business interactions, a focus on international asset recovery and transparency and, perhaps most centrally, increased citizen oversight and transparency. She notes the need for careful construction of any projects that aim to accomplish these reforms—describing a project to increase tax collection capacity in Mobutu’s Zaire as her “candidate for the most misguided World Bank project” (2004:15)—and provides clear policy suggestions for reforming procurement, customs and tax administration and business regulation. In terms of increasing citizen voice, she argues—based on many of the participatory development results described above—for having more decentralized projects where local accountability is clear such that end users know enough to speak up on their own behalf.

Rose-Ackerman is careful to say that “[t]ransparency and publicity are powerful tools but only if combined with grassroots organizations with the incentive and the competence to use the information provided” (2004:22). Therefore, creating strong civil society organizations might be an antecedent goal to other types of development work. However, even in this case, some appeal to the force of the state still appears to be necessary. She notes that in Indonesia, for instance, relying on the work of Andrea Woodhouse (2004), that “[l]ocal procedures to recover corruptly obtained funds were successful in many cases but often only because of the threat of going to the courts” (Rose-Ackerman 2004:21; see also Goetz and Jenkins 2004). Therefore, the first goal would still seem to be improving the governance structures of the state itself.

Insofar as donors have attempted to do so, the results from these efforts are unclear. One article about donor funding of national anti-corruption agencies describes the deleterious effects of donors funding only specific departments or initiatives, failing to coordinate with one another or holding recipient countries to too high a standard (Doig, Watt, and Williams 2006). Even when donor efforts are well-designed, they may be of limited usefulness. In Chad, a World Bank

---

28For a critique of donor initiatives to build good governance institutions in countries, see Khan (2002).
29For particular recipient counties, the World Bank has produced some anti-corruption documents with more specific advice. For instance, in conjunction with the literature described above revolving around the Kecamatan Development Project, a World Bank report from Indonesia lists six project-level policies that serve to limit corruption: simplicity (for example, direct transfers of funds to villages); dissemination of information; transparency (for example, public display of financial information); limited discretion (for example, multiple signatories to all decisions); accountability mechanisms (for example, regular village meetings about project) and monitoring and follow-up (for example, involvement of civil society groups and journalists) (World Bank Office Jakarta 2003). Note, however, that all of these suggestions lean more toward participatory monitoring than toward hierarchical monitoring.
30The creation of water user associations within an irrigation project, for instance, is a way of combining social capital development with broader developmental goals, and this perhaps explains the success of participatory projects in this particular sector.
project to build an oil pipeline included the creation of a national oversight committee that would report on whether or not the government was spending the oil revenues on development, as required by the project. Despite some excellent efforts by this review board, the government nonetheless was able both to spend a large proportion of oil revenues according to its own whims and to ultimately renegotiate the entire deal with the World Bank (Gould and Winters 2007; see also Rose-Ackerman 2004:36). Therefore, to the extent that international donors may be able to improve the governance institutions in a country, it is a challenging endeavor to say the least.

Accountability at the Design Stage: Donor Accountability to End Users

The preceding two sections have focused on how within-country accountability relationships ensure the appropriate use of foreign aid once it reaches a recipient country. This section refers to donor accountability to governments and end users, examining the way in which aid programs are designed and asking if they are responsive to the needs and desires of end users. As described above, this responsiveness has been increasingly emphasized in recent discussions of foreign aid and development, and donors have committed to increased responsiveness—as part of “mutual accountability”—in the Paris Declaration on Aid Effectiveness and other documents. In particular, the World Bank and the International Monetary Fund initiated the Poverty Reduction Strategy Process to incorporate end users into the design of aid programs.

Without using the language of accountability, the two Bretton Woods institutions unveiled their plan for increased participation of domestic stakeholders in the design of development programs in 1999. Today, poverty reduction strategy papers (PRSps) are “the basis for all multilateral lending to the poorest developing countries” (Stewart and Wang 2003). Well over 100 PRSPs and Interim PRSPs from over 70 countries have been prepared since the beginning of the initiative.

There are five underlying principles for the PRS initiative: that it is “country-driven, involving broad-based participation; comprehensive in recognizing the multi-dimensional nature of poverty; results-oriented and focused on outcomes that benefit the poor; partnership-oriented, involving coordinated participation of development partners; and based on a long-term perspective” (World Bank Operations Evaluations Department 2004). For those interested in making donors and governments accountable to end users at the level of aid-program design, the participatory element should ensure the responsiveness of first governments and then donors to domestic constituencies. And indeed some NGOs and civil society organizations have seen the PRS process as an opportunity to gain voice and to hold the government and donors more accountable (World Bank Operations Evaluations Department 2004:7, Box 1.4), although others have seen it more as a means by which donors put “old wine in new bottles,” simply continuing traditional international aid programs with the new window dressing of participation (World Bank and International Monetary Fund 2005: viii).

Despite the implications for accountability, the framework documents for the PRS process do not explicitly use this terminology. One observer writes, “National ownership and state capacity can only be strengthened by encouraging the constructive role of public accountability. It is surprising, therefore, that although the PRSPs and [the IMF’s Poverty Reduction and Growth Facility] are

31O‘Neill et al. (2007) trace this new agenda to four shifts in the development and aid paradigms: (1) the decreasing geostrategic use of foreign aid that came with the end of the Cold War; (2) a new multidimensional understanding of poverty; (3) the emergence of the good governance agenda; and (4) the debate over aid effectiveness.
framed in participatory language, they evade the questions of accountability that have featured in documents such as the World Development Report in 1991” (Whaites 2000:16).

In some documents, however, the donors behind the PRS initiative have referred explicitly to accountability. A 2005 review says,

> Participation can be a key factor to enable stronger accountability mechanisms. The original emphasis that the PRS approach placed on broad participation of civil society, other national stakeholder groups, and elected institutions was based on an expectation that such participation would improve the design and implementation of poverty reduction strategies. In addition, it was expected that civil society could play an important role in monitoring implementation and strengthening accountability. (World Bank and International Monetary Fund 2005:26)

Initial reviews of the PRS initiative indicate that the goals of increased responsiveness to end-user demands and ultimate accountability to these end users have not been accomplished. An external World Bank review says, “Countries have focused more on completing documents, which give them access to resources, than on improving domestic processes” (World Bank Operations Evaluations Department 2004:viii). Although there has been formal presentation of PRSPs to national parliaments in about one-third of countries with full PRSPs (World Bank and International Monetary Fund 2005:32), democratically-elected representatives (that is, parliaments) have not had substantial input into PRSPs (Stewart and Wang 2003:10–11; World Bank Operations Evaluations Department 2004:2.1; Eberlei 2007:5, 8). In this sense, the PRS process has maneuvered around the governing institutions that exist to represent the demands of the citizenry in aid-receiving countries. Donors instead have encouraged the government to consult with a variety of stakeholders from civil society.

In terms of the civil society organizations that the government recruits for this consultation surrounding PRSPs, groups out of favor with the government often have been excluded from stakeholder meetings, and small, rural NGOs—exactly those most likely to be in contact with some of the poorest segments of society—often are not invited to participate (Stewart and Wang 2003:11–2, 27). As O’Neil et al. (2007) describe, “[F]ormal NGOs tend to be urban-based and elitist organizations with limited geographical reach and which are dependent on external funding,” and civil society organizations “who have a track record in service delivery are seen as more legitimate advocates than those who specialize in advocacy” (42). Initial drafts of PRSPs often are done without any end user involvement, such that stakeholders are only responding to a document created by the government (Stewart and Wang 2003:15). And without time to analyze the issues contained in PRSPs, end users have found themselves unable to provide input, particularly on the macroeconomic issues that often make up a significant proportion of the documents. Even in cases where there has been significant levels of participation by civil society, governments have not written the mechanisms for participating in the drafting of PRSPs into law, leaving continued participation by civil society at the whim of the government (Eberlei 2007:2).

One key problem has been a sense among aid-receiving governments that they need to “talk the talk” of the international donors. “The Bank management’s process for presenting a PRSP to the Board undermines [recipient country] ownership. Stakeholders perceive this practice as ‘Washington signing off’ on a
supposedly country-owned strategy’’ (World Bank Operations Evaluations Department 2004:viii). If governments ultimately present documents to the World Bank and the IMF that reflect what they think those institutions want to hear, this clearly undermines the translation of end-user preferences into aid policy.

To what extent have end-user desires percolated into the aid programs approved by donors for recipient countries? Are these donors being held accountable for delivering the goods and services desired by poor constituencies in aid-receiving countries? Reviewing the content of PRSPs, Frances Stewart and Michael Wang (2003) ask how they compare to pre-PRS aid programs and find that “there is no fundamental departure from the kind of policy advice provided under earlier structural adjustment programmes” (19) and that “all countr[y] documents pursue the same core set of structural reforms” (23). Ultimately, this does not seem like the needs and desires of the poor are being successfully integrated into donor lending programs. The lack of variation between PRSPs and older lending programs and the lack of variation in PRSPs across countries both point to a lack of donor accountability to end users in the design of contemporary aid programs. To think otherwise would require us to assume a homogeneity of end-user preferences across developing countries that simply is not realistic.

In addition to the PRS process’s (so far unrealized) potential to bring about accountability in the design of aid programs, there also is a question of whether or not the use of PRSPs has furthered accountability in the implementation of aid programs, as the World Bank statement above suggests that they might. So far there seems to be little impact of the PRS process on implementation monitoring (Eberlei 2007:4). In general, according to an early desk study of the PRS process, as compared to the design of projects, donors have thought significantly less about how participation will aid the monitoring of outputs (Booth and Lucas 2001). The authors consider this a crucial oversight because “more important than initial earmarking is whether resources reach their intended destination and whether they are used effectively in terms of stated objectives” (5). The authors note that the incentives of implementing agencies can be improved only through “enhanced accountability of public servants to each other and to other stakeholders” and, as above, emphasize the role of information provision in improving accountability (7).

If anything, there is probably an unduly high focus on external accountability within the PRS process because PRSPs are viewed as externally-imposed by the World Bank and International Monetary Fund, make use of a parallel planning process rather than the pre-existing planning process in recipient countries, involve lots of donor assistance in their preparation and continue patterns of donor conditionality (World Bank and International Monetary Fund 2005:43–5). At an extreme, the “results-oriented” focus of the PRS process might be deleterious to domestic accountability, since the need to demonstrate results in an aid program might be interpreted as accountability to the developed countries funding the donors rather than to the end users on the ground actually receiving the ultimate benefits of the aid (World Bank and International Monetary Fund 2005:45).

So far, the shift in donor accountability to governments and end users that might have been realized as part of the PRS initiative has not occurred. PRSPs look like pre-PRS aid programs, indicating that end user demands have not significantly shifted patterns in donor lending. Although stakeholder consultations have occurred, governments have either calculatingly or instinctually opted into aid programs that resemble both previous programs in the same country and also concurrent programs in other countries, indicating that country-specific demands by end users are not being incorporated into PRSPs. Therefore, the evidence seems to belie any claim that donor accountability to end users and aid-receiving governments has increased recently.
Conclusions

A number of accountability relationships exist along the path followed by money leaving the coffers of international development agencies to arrive at end users in the form of goods and services. This article began by reviewing five of these: the accountability of implementing agencies that are supposed to deliver goods and services to end users; of those same implementing agencies to the governments that have employed them; of those governments who have made choices about distributing foreign aid to the end users expected to benefit from the aid; of those governments to the donors who supply the foreign aid; and of those international donors to the governments and end users in need of the foreign aid.

In the second section of the paper, I presented evidence that aid is more effective in countries with superior accountability institutions. Where governments are more democratic and the rule of law prevails, foreign aid is more likely to lead to economic growth and individual foreign aid projects are likely to have higher economic rates of return and higher project ratings. Projects that incorporate end user participation—a direct accountability mechanism—also are more likely to be successful.

In the third section of the paper, I reviewed the mechanisms through which accountability operates. Evidence reveals that citizens need information about development projects and the goods and services that they are supposed to receive from them in order to hold providers accountable. The participatory mechanism in projects might be structured to give end users not only voice but also the threat of exit through the ability to withdraw fees or labor contributions. In the most careful study of participatory monitoring versus hierarchical monitoring, however, it is government audits that do a superior job of preventing corruption, a finding that should give us pause in the rush to incorporate participatory mechanisms for accountability into aid programs.

Participation also has not proven to be a panacea for improving the design of aid programs. Although the Poverty Reduction Strategy initiative has demanded stakeholder consultation and the involvement of civil society in the design of aid programs, the agreements into which donors and countries enter generally have not changed substantially from the period before the PRS process. This suggests that end users and governments have not yet succeeded in holding donors accountable for the type of aid that they are providing. It is not yet clear that participation in this case is more than just window dressing.

Enhancing the accountability relationships in aid programs remains an essential task for improving development aid. “Big push” solutions, like those advocated by Jeffrey Sachs, will amount to little more than throwing money down the rat’s hole if proper accountability procedures are not in place. Foreign aid in the context of accountable institutions is better aid. Similarly, foreign aid projects with built-in mechanisms of accountability are better projects. Therefore, donors must pay attention to the existence of such mechanisms when providing development aid. In addition, donors need to themselves work toward being more accountable to end users and aid-receiving governments. If the problem is with provision, those affected need the option of recourse.

References


Accountability, Participation and Foreign Aid Effectiveness


Accountability, Participation and Foreign Aid Effectiveness


