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Shifting Ground

Implications of international cooperation for civil society organisations in Latin America, 2000-2007 with specific reference to the UK's Department for International Development (DFID)

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As implicações das mudanças das políticas de agências de cooperação internacional para as organizações da sociedade civil na América Latina, Flávia Lessa de Barros, September 2007.
www.careinternational.org.uk/LAC_Research_Brazil

Laboratorio de la cooperación internacional: nuevas modalidades de cooperación en Nicaragua y sus implicaciones para la incidencia de la sociedad civil, 2000-2007, Peter Clarke, September 2007.
www.careinternational.org.uk/LAC_Research_Nicaragua

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Acronyms

BNDES	Brazilian Development Bank
CAF	Andean Development Corporation
CAFOD	Catholic Agency for Overseas Development
CAN	Andean Community
CASC	Civil Society Advisory Council
CDF	Comprehensive Development Framework (World Bank)
CPRC	Chronic Poverty Research Centre
CSO	Civil Society Organisation
DAC	OECD Development Assistance Committee
DFID	Department for International Development
EC	European Commission
ECLAC	Economic Commission for Latin America and the Caribbean
EFA-FTA	Education for All Fast Track Initiative
EU	European Union
FAO	UN Food and Agriculture Organisation
FDI	Foreign Direct Investment
G8	Group of Eight
GDF	Global Development Finance (World Bank)
GNP	Gross National Product
H&A	Harmonisation and Alignment
HIV and AIDS	(Human) (Acquired) Immuno-Deficiency Syndrome/Virus
IDB	Inter-American Development Bank
IDS	Institute of Development Studies
IFC	International Finance Corporation
IFI	International Financial Institution
IICA	Inter-American Institute for Cooperation on Agriculture
IMF	International Monetary Fund
INGO	International NGO
JFA	Joint Financing Agreement
KfW	German Development Bank
LAC	Latin America and Caribbean
LDC	Least Developed Country
LIC	Low-income Country
MDG	Millennium Development Goal
Mercosur	Southern Common Market
MIC	Middle-income Country
MIF	Multilateral Investment Fund
NGO	Non-governmental Organisation
NUPI	Norwegian Institute of International Affairs
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OTCA	Amazon Cooperation Treaty Organisation
PPA	Partnership Programme Agreement
PRS	Poverty Reduction Strategy
RAP	Regional Assistance Plan

SEDLAC	Socio-Economic Database for the Latin America and Caribbean region
SM	Social Movement
SNV	Netherlands Development Organisation
SWAp	Sector-wide Approach
UK	United Kingdom
UN	United Nations
UNDP	UN Development Programme
UNESCO	UN Educational, Scientific and Cultural Organisation
UNICEF	UN Children's Fund
US	United States
WDI	World Development Indicator (World Bank)
WWF	World Wide Fund for Nature
Nicaragua	
BSG	Budget Support Group
CPC	Citizen Power Council
ERCERP	Enhanced Economic Growth and Poverty Reduction Strategy
FLACSO	Latin-American Faculty of Social Sciences
FSLN	Sandinista National Liberation Front
INIDE	National Institute of Information for Development
IPADE	Institute for Development of Democracy
PLC	Constitutional Liberal Party
PND	National Development Plan
Bolivia	
BPRS	Bolivian Poverty Reduction Strategy
GNTP	National Working Group on Participation
INE	National Statistics Institute
PAR	Regional Learning Programme (DFID)
PND	National Development Plan
UNITAS	National Union of Institutions for Social Action
VIPFE	Vice Ministry of Public Investment and External Financing
Peru	
APCI	Peruvian Agency of International Cooperation
ALOP	Latin American Association of Promotion Organisations
APRA	American Popular Revolutionary Alliance
CONADES	Annual Social Development Conference
CONSUCODE	Superior Council of Contracting and Procurement of the State
DESCO	Centre for Development Studies and Promotion
ENSA	National Food Security Strategy
FONCODES	Compensation Fund for Social Development
FORTALECE	Consensual and Decentralised Management of Social Programmes
MEF	Ministry of Economy and Finance
PARSALUD	Health Sector Reform Programme
RENIEC	National Identity Documentation
SIAF	Integrated Financial Administration Systems
Brazil	
ABC	Brazilian Agency for Cooperation (MRE)
GUB	General Union Budget
IBAM	Institute of Municipal Administration
IPEA	Institute of Applied Economic Research (MPO)
MPO	Ministry of Planning and Budget
MRE	Ministry of International Relations
Seain	International Affairs Secretariat (MPO)

Executive Summary

Research focus and methodology

In 2007, CARE contracted locally based researchers in Bolivia, Brazil, Nicaragua and Peru to undertake qualitative research into the implications of the policies of international cooperation (both donors and international financial institutions – IFIs) for civil society organisations (CSOs) since 2000. The research findings highlighted in this synthesis report are drawn from the four resulting country studies which, in turn, are based on interviews with over a hundred individuals across the four countries. Approximately two-thirds of these were CSO representatives.

The implications for CSOs of the changing policies of the UK's Department for International Development (DFID) in Latin America were a particular focus of the research, in addition to overall trends in international cooperation.

Context for this research

Although most Latin American countries are now officially classified as 'middle income', poverty persists in the continent, with 17 million people living in extreme poverty in Brazil alone. Latin America is the most unequal continent in the world.

Nevertheless, the importance of international cooperation to most Latin American countries compared with other forms of inward investment and domestic credit sources is receding, while donors too are reducing the proportion of assistance for Latin America compared with Africa. This has eroded the influence of international cooperation over development processes and public policies in the region. Even in Nicaragua and Bolivia, where dependency on foreign assistance is still high, new sources of aid from oil-rich Venezuela are likely to reduce the leverage of the more traditional donors and IFIs. At the time of writing, it remained unclear what long-term implications the recent election of radical presidents in Nicaragua and Bolivia would have on these governments' relations with international cooperation.

In spite of this current ambiguity, the IFIs (and, to a lesser extent, donors) were still perceived by most of our interviewees to wield considerable influence over the region's economic policies – influence which is largely perceived as negative by CSOs.

Although governance in many countries is poor, Latin American civil society is relatively strong. Low public confidence in formal democratic institutions and political parties is one reason why many Latin Americans continue to favour informal means of effecting political change – through the 'politics of the streets' and social movements (SMs). The recent election of presidents in Bolivia and Brazil with SM backgrounds is an indication of the political weight of some of these movements.

Findings in relation to international cooperation in general

CSO-government relations

Presidential elections since 2002 are perceived to have had a significant impact on CSOs' relations with governments in all four countries and, consequently, on their relations with international cooperation. In Nicaragua, Peru and Bolivia, relations between independent CSOs and ruling parties appear to be strained at present. The election of presidents with historic links to certain SMs/CSOs has failed to guarantee the increased participation of independent civil society in public policymaking. In some cases, measures have been taken to curb CSOs' autonomy and control spaces for participation. Only in Brazil do the opportunities for civil society engagement with public policies appear to have been strengthened as a result of a change in government (even here, many CSOs question the legitimacy and impact of this engagement).

Implications of international cooperation policies for CSOs' engagement with public policy

The influence of international cooperation policies over public policymaking since 2000 has been greatest in the countries with the highest levels of aid dependency – namely, Nicaragua and Bolivia. Both countries have been obliged by donors and IFIs to develop poverty reduction strategies (PRSs) as a condition of receiving further loans and grants, and to promote civil society participation in the development of these strategies. Although participation in PRS processes was perceived as limited, interviewees acknowledged that they had opened up political space to CSOs and legitimised the concept of civil society participation.

However, in Nicaragua, Bolivia and Peru, CSOs were concerned that advances made in the past with the support of international cooperation may well be reversed by the new governments.

This is not to suggest that there is some kind of holy alliance between independent CSOs and international cooperation in the face of government intransigence. The majority of CSOs interviewed maintain a critical stance in relation to donors and IFIs (particularly the latter). CSOs in all four countries, for example, expressed uneasiness about the tendency of donors and IFIs to impose exogenous forms of political engagement on them, often favouring formulaic processes over informal, non-traditional forms of political mobilisation. Another concern is that the nature and requirements of international cooperation funding of CSOs may be undermining the dynamism and representativity of some organisations and restricting their ability to develop alternative approaches to tackling poverty and inequality.

Across Latin America, CSOs are often subcontracted to work on government-led programmes (some funded by international cooperation) and it is likely this trend will continue in the future. However, CSOs we interviewed were largely negative about the increasing emphasis in international cooperation on channelling aid through governments, largely because of the clientelism, corruption and bureaucracy still pervading government systems.

Behind this critique lies a concern that international cooperation to CSOs is being/will be reduced – either because it is being channelled to governments or because of the diversion of aid to other world regions. However, our study found no concrete evidence of a reduction in support from official donors and IFIs to CSOs.

CSO engagement with donors and IFIs in Latin America

Most of our findings on CSO engagement with international cooperation relate to the World Bank and the IDB (except for the specific case of DFID). A majority of CSO interviewees were sceptical about the influence and legitimacy of these institutions' civil society consultation mechanisms. Any influence that CSOs have been to able exert over the IFIs is usually confined to specific programmes, rarely touching the overarching strategies or the macroeconomic policies that are the cause of the most resentment among Latin American CSOs. In Peru, there was a strong perception that the space in which CSOs can engage with the IFIs at a country level has contracted in recent years. However, some positive examples were cited of collaboration between INGOs and Latin American CSOs, involving advocacy at both a country level and in Washington.

Implications of the DFID RAP for CSOs in Latin America, 2004-07

In 2004, DFID began to implement a new Regional Assistance Plan (RAP) for Latin America. This plan is a significant departure from DFID's previous approach in the region, requiring a shift from a series of standalone bilateral programmes to a largely regional approach, and from direct intervention to more indirect engagement via i) the IDB and the World Bank and ii) a select group of INGOs through their existing Partnership Programme Agreements (PPAs) with DFID. These shifts were made in the context of major cuts to DFID's Latin America budget. By 2005, DFID's presence in the region had been reduced to three small regional offices in Nicaragua, Bolivia and Brazil and just one bilateral programme in Nicaragua.

Key findings in relation to the DFID RAP are as follows:

- DFID received praise from CSOs and others interviewed for its innovative work in the past, plus its facilitation of CSOs' access to IFIs, other donors and governments and its close accompaniment of civil society (although the praise was very selective in Brazil). But the cuts in DFID's Latin America budget and the switch to a regional strategy were perceived to have virtually cancelled out these assets. Only in Nicaragua, where there is still a bilateral programme, has DFID managed to retain its positive image.

- The reaction of most CSOs interviewed towards DFID's channelling of funds via the IDB and the World Bank was negative because of CSOs' fundamentally critical appraisal of these institutions. In our opinion, this strategy has tarnished DFID's reputation among some CSOs which used to regard DFID as a 'progressive' donor.
- A lack of publicly available information on the work DFID is supporting in the region through the IFIs makes it difficult for CSOs to assess DFID's impact on them. Based on what little knowledge they have, CSOs believed the influence that DFID had managed to exert on these huge institutions was minimal. Indeed, in Peru, the closure of the DFID office was thought to have contributed to the IFIs' perceived withdrawal from engagement with civil society. In Brazil, even DFID personnel had difficulty in identifying any impact DFID had had on these institutions there.
- Only in Nicaragua were concrete and positive examples cited of DFID influence on IFI operations in a more inclusive and poverty-focused direction. The contrast with the other three countries suggests that the existence of a bilateral programme may be a key asset when trying to influence the IFIs' policy and practice in Latin America itself.
- With regard to the PPA INGOs, there is broad support among Latin American CSOs interviewed for the work of these INGOs in building the capacity of civil society to engage in public policy related to poverty and inequality.
- But there is no coordinated strategy between DFID and the PPA INGOs for jointly influencing the IFIs and there appears to be little dialogue between the two entities on this matter either. For their part, PPA INGO staff interviewed in Latin America welcomed DFID's 'hands-off' approach and the flexible nature of PPA funds. However, they generally favoured more dialogue with DFID in order to explore potential areas of convergence and collaboration, including in relation to the IFIs.

Key recommendations for DFID

Based on this study, CARE recommends that DFID:

- Increases its current expenditure in Latin America. Since the UK government Comprehensive Spending Review of October 2007 projected an 11% annual increase in overseas aid from 0.37% of GNI in 2007-08 to 0.56% in 2010-11, we call for an increase in DFID's LAC budget to match the average 11% annual increase across DFID **at the very least.**
- Maintains a presence in each of the countries where it is funding work in Latin America (either directly or indirectly), even if only a small presence. In so doing, it should prioritise the hiring of high-calibre staff in its resource allocations, as investment in staff is perceived to have yielded the highest returns in the past.
- Bases its decision to continue with its strategy of contributing funds to the World Bank and the IDB on demonstrable evidence that it is managing to influence these institutions in the direction specified in the RAP (i.e. strengthening the focus on poverty, inequality and inclusion, and facilitating greater participation by a wider range of stakeholders). It should also base its decision on a thorough appraisal of the implications of this strategy for its relations with other key stakeholders in the region, including CSOs.
- Improves its transparency and accountability to civil society by regularly communicating its progress or otherwise in helping to strengthen the focus of the World Bank and the IDB on poverty, inequality and inclusion in Latin America (if DFID decides to continue with this strategy). This may help dispel some of the current mistrust of DFID's IFI strategy among Latin American CSOs.
- Explores potential areas for more long-term strategic collaboration with those PPA INGOs that are interested in such collaboration (some may not be) in order to maximise the impact of existing initiatives on both sides, and the value of the inclusion of the PPAs in the RAP.

Introduction

This report synthesises research undertaken by CARE International in mid-2007 into the implications of donor policies for civil society organisations (CSOs) in Bolivia, Brazil, Nicaragua and Peru since 2000. The Regional Assistance Plan 2004-07 (RAP) of the UK's Department for International Development (DFID)[1] was a particular focus of this research, representing a case study within the broader findings. The RAP is regarded by many as a watershed in DFID's engagement with Latin America, characterised by a major reduction in its budget for the region and a shift to less direct engagement via other partners, primarily the World Bank and the Inter-American Development Bank (IDB).

The emphasis on DFID reflects the fact that the initiative was conceived and largely funded by CARE International UK. CARE has a Programme Partnership Agreement (PPA) with DFID that includes specific support for its work in Latin America.

1.1 - The research project: background, purpose and methodology

1.1.1 - Research rationale

On the eve of an anticipated RAP II (2008-11), CARE felt it would be an appropriate moment to explore the impact of DFID's RAP I (2004-07), focusing specifically on the implications of the RAP for CSOs – both Latin American CSOs and international NGOs (INGOs).

CSOs and social movements (SMs) (sometimes categorised separately)[2] have been important instigators of political and social change in Latin America in recent decades, as DFID itself acknowledges.[3] However, an evaluation conducted of DFID's RAP by the Overseas Development Institute (ODI) in 2005-06[4] did not explicitly analyse DFID's engagement with/support for CSOs, giving added impetus to CARE's own research plans.

1.1.2 - Research methodology

Research was undertaken in May to July 2007. Local researchers already active in the field of international cooperation were contracted in Bolivia, Brazil, Nicaragua and Peru to undertake interview-based qualitative research (25-30 interviews per country), plus some desk-based research into perceptions of different stakeholders from the following categories:

- Latin American CSOs and CSO networks;
- INGOs;
- DFID representatives (and former DFID staff in Peru and Bolivia);
- World Bank and IDB representatives;
- Government representatives.

CSO representatives made up around two-thirds of all interviews undertaken. Within this category, we tried to capture the experiences of different types of CSOs. Researchers were therefore asked to interview:

- National CSO networks undertaking advocacy to influence either public policies or international cooperation or both;
- CSOs and/or CSO networks operating at a local/regional/departmental level – i.e., outside capital cities;
- CSOs that have received assistance from DFID (either directly or indirectly via INGOs);
- SMs representing socially excluded groups, with a focus on those with some interest in or relation with international cooperation (either negative or positive);
- INGOs that have a PPA with DFID.[5]

1 DFID (2004) 'Regional Assistance Plan for Latin America 2004-07', August.

2 See Box 3 for definitions of CSOs and SMs.

3 DFID RAP (2004) B15 (p.6).

4 Booth, D. et al (2007) 'Interim Evaluation of DFID's RAP for Latin America', ODI, January.

5 See Appendix for a list of organisations in each country.

Interviews were based on a common set of research questions (see Box 1) developed jointly by the researchers and CARE staff at a design workshop in Lima in May 2007. In Peru and Bolivia, interviews were complemented by focus group meetings (with CSOs in Peru and a mixture of stakeholders in Bolivia). Given the timeframe and resources available, the perceptions are impressionistic rather than strictly representative of the different stakeholders' views. Common elements and key variations between the four countries and recommendations were discussed collectively by researchers and CARE staff at a workshop in Bolivia in August 2007.

1.1.3 Research focus

While the DFID RAP was CARE's starting point, this research was also prompted by an interest in exploring how donor commitment to promoting national ownership, alignment and harmonisation (encapsulated in the Organisation for Economic Co-operation and Development's – OECD – 2005 Paris Declaration process) is being applied in Latin America. In 2005-06, CARE participated in a joint research project with ActionAid International that explored the implications of the new aid architecture for CSOs in *Africa* (again with specific reference to DFID).[6] It was felt that a study on some of the same questions in Latin America would complement the Africa study.

In any event, it was felt to be inappropriate to focus single-mindedly on DFID's RAP in isolation from the general trends among donors and international financial institutions (IFIs)[7] as a whole in Latin America – particularly as DFID is a relatively small player in all four countries. Therefore, we pose a number of broad questions on international cooperation and CSOs' relations with donors and IFIs as well as analysing the specific case of DFID.

It was also felt that donor and IFI policies needed to be explored in the context of key shifts in the region's *political* dynamics, following the election of new presidents in all four countries since October 2002.

Box 1: Research questions

- How have relations changed between international cooperation (donors and IFIs) and CSOs in Bolivia, Brazil, Nicaragua and Peru since 2000?
- **CSOs and public policies:** How have the policies and practices of donors and IFIs towards i) Latin American governments and ii) CSOs affected the ability of CSOs to influence public policies on reducing poverty and inequality in their countries since 2000? How could donors and IFIs strengthen the ability of CSOs to influence public policies?
- C**SOs and donor policy and practice:** How have the policies and practices of donors and IFIs affected the ability of CSOs to contribute to the development and implementation of donor and IFI policies themselves? What more could be done to encourage CSOs' contribution?

Implications of DFID RAP specifically

- How appropriate is DFID's strategy vis-à-vis the World Bank and the IDB, in the view of those interviewed? How successful has DFID been in promoting changes in these institutions through its PPAs with INGOs?
- To what extent has DFID's support since 2004 helped guarantee that the voices and needs of the poor and excluded are central to PRSs, as specified in the RAP? Has DFID's partnership with INGOs strengthened the capacity of Latin American CSOs to participate in public policy processes?
- How have CSOs been affected by DFID's decision i) to adopt a regional approach, ii) to close its office in Peru and iii) to reduce the proportion of its budget destined for Latin America? What would be the implications of further cuts?

This report is a synthesis of more in-depth reports of the research in each of the four countries (available as separate publications; see the Acknowledgements for more details and weblinks). To give readers a taster of what these contain, **summary chapters on each country** have been included, authored by the respective researchers contracted. These begin with the country most dependent on foreign assistance, Nicaragua, before moving to Bolivia and Peru and finally to Brazil, the least aid dependent of the four.

6 Collinson, H. (2006) 'Where to Now? Implications of Changing Relations between DFID, Recipient Governments and NGOs in Malawi, Tanzania and Uganda', CARE/ActionAid International.

7 IFIs include the World Bank and the IDB. See Box 2 for terms and definitions used in this report.

This chapter highlights those features of the political and socioeconomic context in Latin America (including the relative importance of international cooperation) that influenced our findings in some way.

Chapter 2 explores the findings of our primary research in the four countries: the common elements and key variations, first in relation to international cooperation in general and then with specific reference to DFID.

The **Conclusion** contains some key recommendations, aimed primarily at IFIs and donors, with some specific recommendations for DFID's future engagement with Latin America.

1.2 - The Latin American context

1.2.1 - Changing patterns of international cooperation in Latin America

The context for international cooperation in Latin America today is very different from that found in Africa. While overseas development assistance (ODA) to Africa is rising, in Latin America it has declined significantly since 1994, reflecting a widely held view among donors that Latin America's problems are now more to do with an unequal *distribution*, rather than a lack, of resources. According to the OECD Development Assistance Committee (DAC), total ODA disbursed to Latin America and the Caribbean (LAC) is currently 8.8% of the total ODA allocated worldwide – 3.6% less than it was in 1999-2000 and placing LAC second to last after Europe.[8]

These donor trends are mirrored by trends in Latin America itself, where ODA is now dwarfed by other sources of income. Although a few countries remain heavily aid-dependent (Nicaragua, Honduras and Bolivia), direct foreign investments now far surpass ODA in the region as a proportion of gross national income (GNI) in several countries, as do remittances from Latin Americans working in the US and in Europe.[9] Regarding access to credit, the importance of IFI loans is also receding, compared with loans from sub-regional or national banks (e.g. the Andean Development Corporation – CAF – in Bolivia and Peru and the Brazilian Development Bank – BNDES – in Brazil) or with other forms of borrowing such as the issuing of government bonds.

In spite of the overall decline in the comparative importance of international cooperation, most interviewees in all four countries believe that IFIs and (to a lesser extent) donors still command considerable influence over the macroeconomic policies of Latin American governments (perceived as a largely negative influence) – even in Brazil, where foreign loans and grants now represent a miniscule proportion of both the country's GNI and the government budget.

In terms of improvements in the *quality* of aid, our research indicates that Nicaragua is the only country of the four in which the majority of donors and IFIs have fully embraced the Paris Declaration agenda and where 'new aid modalities', such as direct budget support, sector-wide approaches (SWAps), and other alignment and harmonisation mechanisms have been systematically applied in a coordinated fashion. Our Nicaragua researcher describes the country as an 'aid laboratory'. It is no coincidence that Nicaragua is the most aid-dependent country of the four, with foreign assistance representing 36% of the government budget and 21% of GNI. In the other three countries, the harmonisation and alignment of international cooperation with national strategies do not seem to have gathered nearly as much momentum. In Peru, our researchers identified the continued *lack* of harmonisation as a major obstacle to ensuring that international cooperation contributes to reducing poverty and inequality.

That said, it is clear that Brazil is also a kind of 'international cooperation laboratory', but with a different focus from the more classic 'low-income country' (LIC) approach in Nicaragua. In Brazil, the emphasis is on piloting initiatives for application in middle-income countries (MICs) where the volume of aid and loans has receded but inequality and poverty persist. The IFIs' use of SWAps for programmes like Bolsa-Família (cash transfer programme referred to in our Brazil study) is one example of this.[10]

Nevertheless, our original intention of analysing the implications of *changing* policies of the international cooperation community for CSOs in Latin America since 2000 proved relatively hypothetical. With the exception of Nicaragua, the perception is that overall donors and IFIs have *not* significantly changed their policies or aid modalities in Latin America in recent years – other than to cut their budgets to the region and make certain adjustments to their engagement as a result.

8 OECD-DAC (2007) 'Statistical Annex' of 2006 Development Co-operation Report, Vol.8, No.1: http://oberon.sourceoecd.org/pdf/dac06/statann.pdf.

9 For more information on foreign direct investment (FDI) in Latin America, see ECLAC: http://www.cepal.org/cgi-bin/getProd.asp?xml=/prensa/noticias/comunicados/6/28426/P28426.xml&xsl=/prensa/tpl-i/p6f.xsl&base=/tpl-i/top-bottom.xsl. For more information on remittances, see IDB website, http://www.iadb.org/NEWS/articledetail.cfm?artid=3692&language=En#.

10 See Batley, R. et al (2007) 'Sector-wide Approaches in Brazil: Features, Drivers and Emerging Lessons', ODI/University of Birmingham.

Box 2: Definitions used

Donors: In Nicaragua and Bolivia, the term 'donors' tends to mean both bilateral and multilateral institutions, in accordance with OECD DAC terminology.[11] However, in Peru and Brazil, 'donor' tends to refer only to institutions providing non-repayable grants (i.e. not loans). In this report we therefore distinguish between donors and IFIs.

IFIs include the World Bank and the International Monetary Fund (IMF) (although this study is primarily concerned with the World Bank), plus the IDB, all of which provide loans to Latin American governments, albeit at varying concessionary rates.

Aid versus international cooperation: In English, the word 'aid' has become synonymous with ODA and tends to include both non-repayable grants and also IFI loans (as the OECD classes loans as ODA if 25% of the loan is a grant). However, Latin American CSOs tend not to regard IFI loans as 'aid' because of the negative connotations of debt and conditionalities associated with the IFIs. Moreover, much of the credit now provided by the IFIs to Latin American MICs is no longer at particularly concessionary rates of interest. **Therefore, we distinguish between 'loans' and 'grants' (and ditto between 'donors' and 'IFIs').**

When describing both the grants provided by donors and the loans provided by IFIs, we refer to **'international cooperation'**, the more neutral term most widely used in Latin America, rather than 'aid'.

1.2.2 - Poverty, inequality and social exclusion in Latin America

Although Latin America has seen sustained economic growth in recent years and the majority of Latin American countries are now officially classified as 'middle income', this status tends to disguise the enormous inequalities in wealth and opportunities between different social groups in the region. Latin America has the dubious honour of being the most unequal continent in the world[12] and Bolivia the fourth most unequal country.[13] In the late 1990s, the richest 20% of Latin Americans received some 60% of the income, whereas the poorest 20% received barely 3%.[14] As the DFID RAP points out, inequality and exclusion "are closely correlated to ethnicity and race."[15]

The roots of inequality can be traced back to European colonisation, when human and natural resources were exploited for the benefit of a tiny elite.[16] But many sources also blame the neo-liberal economic reforms of the past two decades for having exacerbated inequality. The 2004-05 Chronic Poverty Report[17] (part-funded by DFID) states that "neo-liberal economic reforms have contributed to widening the inequality gap as resulting growth has been unequally distributed." Brazil is a case in point: it is fast becoming one of the world's largest economies, and yet 24% of the population (41 million) continue to live in poverty on less than US$2 a day and 10% (17 million) in extreme poverty on less than US$1 a day.[18] In this context, it is little wonder that the institutions most associated with the imposition of these reforms in Latin America – namely, the IFIs – are viewed so negatively by the majority of Latin American CSOs engaged in the fight against poverty and inequality.

Debates abound as to whether inequality and poverty are increasing or decreasing in Latin America.[19] What is clear is that there has been no major shift in structural inequalities or the numbers of Latin Americans living in poverty since 2000. The proportion of the population considered poor in Latin America and the Caribbean declined from 45% in the early 1990s to 39.2% in 2005. However, owing to population growth, the absolute number of poor people actually increased over that period.[20]

11 See OECD Glossary of Statistical Terms: http://en.wikipedia.org/wiki/Official_Development_Assistance to recipient countries.

12 Dollar, D. and A. Kraay (2002) in Inter-Regional Inequality Facility (2006) 'Overview: Sharing Ideas and Policies across Africa, Asia and Latin America': http://www.odi.org.uk/inter-regional_inequality/papers/Inter-RegionalInequalityFacility_OverviewPaper_ODISecretariat.pdf.

13 UNDP (2006) Human Development Report 2006, New York: UNDP (p.337).

14 DFID RAP (2004) B4 (p.3).

15 Ibid.

16 The EC recognises this legacy: see EC (2005) 'Promoting Social Cohesion in Latin America' (p.3).

17 CPRC (2005) Understanding Chronic Poverty in Latin America and the Caribbean: The Chronic Poverty Report 2004-05, Manchester: CPRC: http://www.chronicpoverty.org/resources/cprc_report_2004-2005_contents.html.

18 Figures quoted in DFID (2004) based on HDR 2003; World Bank WDI 2004; World Bank Global Development Finance 2004. The IPEA of the Brazilian MPO gives different percentages for 2004: 31.5% living in poverty and 12% in extreme poverty.

19 See our full Brazil report for details of debates in Brazil: www.careinternational.org.uk/LAC_Research_Brazil.

20 World Bank/CEDLAS (2007) 'Socio-Economic Database for the Latin America and Caribbean Region'.

1.2.3 Latin American CSOs and social movements

Poverty, inequality and social exclusion are closely associated with poor governance and weak democratic institutions in Latin America. Although the military/authoritarian dictatorships that dominated the continent in the 1960s-80s have been overthrown, democratic systems in most countries are still dominated by elites, while corruption is rife and judicial systems politically compromised. As a result, there is little public confidence in formal democratic institutions or political parties, particularly among the poor and socially excluded sectors.

This is one reason why many Latin Americans continue to favour informal means of effecting political change – through the so-called 'politics of the streets' and grassroots social movements (albeit with varying levels of intensity and depending on the country). From the 1970s onwards (initially prompted by the suspension of formal democratic processes by military or authoritarian regimes in some countries), shanty town dwellers, women's groups, indigenous movements and human rights organisations joined radicalised trade unions and peasant associations to create a new form of grassroots democracy committed to improving the lives of the poor and socially excluded. Many Latin American NGOs (as well as church groups) have acted as 'catalysts' for encouraging these social movements to organise.[21]

At various points in the past 40 years, the continent's social movements have wielded enormous influence over national political processes, both formal and informal. In Brazil in the late 1970s, for example, organisations like the Cost of Living Movement were instrumental in forcing the military to withdraw from power. In Peru in the 1990s, CSOs played a key role in restoring democracy to the country following Fujimori's authoritarian rule.

1.2.4 - New presidents

Social movements are a key factor in the region's recent elections. In Brazil, it was Lula's record as a trade unionist and founder of the Workers Party (a party built by SMs) that won him the Brazilian elections in October 2002 and a second term in 2006; in Bolivia, it was the nationwide mobilisations and protests of the country's indigenous peasant movements that swept the indigenous leader, Evo Morales, to the presidency in 2005. In Nicaragua, Daniel Ortega would probably not have won the 2006 presidential elections had he not been the leader of an uprising by the Sandinista National Liberation Front (FSLN) against the Somoza dictatorship in 1979 and of the subsequent revolution in which a large section of the country's poor participated. Likewise, Alan García, the new Peruvian president – elected in 2006, is a former populist president (1985-90) whose American Popular Revolutionary Alliance (APRA) has historic links with certain peasant movements (although APRA does not align itself with the more radical political discourse of the other three presidents and operates more like a traditional political party).

Box 3: Definitions of CSOs

In Latin America the definition of CSOs tends to include:

- Grassroots **social movements (SMs)** such as those described above;
- **NGOs** with salaried personnel implementing development projects and without a significant representational structure.

But definitions vary from one country to another. For example:

- The Brazil study distinguishes between SMs and CSOs.
- The Bolivia study treats CSOs as almost synonymous with SMs but excludes NGOs from their definition of CSOs because NGOs "are not representative of any social groups."
- However, the Brazil, Peru and Nicaragua studies do regard NGOs as a subcategory of CSOs.

Definitions appear to be loosest in Peru and Nicaragua, where the terms 'NGO' and 'CSO' are often used interchangeably, perhaps reflecting what our Nicaragua study describes as the 'NGO-isation' of CSOs.

21 For a historical overview of this phenomenon from the 1970s-90s, see Green, D. (1997) Faces of Latin America, London: Latin America Bureau.

All four country studies treat **INGOs** as a separate category from Latin American NGOs. Indeed, the Brazil study tends to group INGOs (at least those that fund Brazilian CSOs and SMs) with donors and IFIs – i.e. part of 'international cooperation'.

The **country chapters** in this report retain the definitions and categorisations used by each author and specific to each country.

Chapters 1 and 2 and the **Conclusion** use the term 'CSOs' to include *the range of organisations emanating from civil society, including NGOs and SMs*. We focus specifically on C*SOs dedicated to reducing poverty, inequality and social exclusion in some way*.

NGOs are treated as a subcategory of Latin American CSOs, but we make a distinction between INGOs and Latin American CSOs.

1.2.5 - Implications of new governments for relations with international cooperation

The election of presidents in Bolivia, Nicaragua and Brazil with historically anti-imperialist political standpoints has clearly held implications for external donors and IFIs in the region, especially when coupled with the anti-US imperialist regional axis promoted by President Chávez in Venezuela in collaboration with President Castro in Cuba and with support from Ecuador's president, Rafael Correa. To some extent, this explicit challenge of US influence in Latin America is also directed at international cooperation institutions, particularly the IFIs, which are popularly associated with US foreign policy interests.

In this context, the new presidents of **Bolivia, Nicaragua** and (to a lesser extent) **Brazil** appear to have an ambivalent relationship with traditional donors and IFIs. All three are keen to reduce support from these sources in order to free their countries of the perceived negative foreign influence and conditions attached to this assistance; all are seeking alternative sources of external support. Bolivia and Brazil, for example, are enthusiastic proponents of a pan-Latin American **Bank of the South** initiative, specifically designed to create an alternative source of credit for Latin American governments to the IFIs. Meanwhile, **Bolivia** and **Nicaragua** are receiving new support from oil-rich **Venezuela** as a result of the close political alliances forged with President Chávez.

The support from Venezuela is one reason why the new presidents in **Bolivia** and **Nicaragua** have more room for manoeuvre with the traditional international cooperation community than their predecessors did. Both the Ortega and Morales governments are using donors' and IFIs' professed commitment to promoting 'alignment' and 'country ownership' of aid to justify their bid for greater control over how and where the money is spent and a removal of conditionalities; both are pushing for donors to align their assistance behind new national development plans, thereby throwing into doubt the future of programmes linked to previous plans. Nevertheless, it is unclear whether tough rhetoric will translate into action in two countries still heavily dependent on assistance from traditional sources and where the governments may also lack the institutional capacity to realise their declaratory ambitions in the short to medium term.

In **Peru**, no major changes in the government's relations with international cooperation appear to have resulted from García's election. However, our Peru report criticises a new government-sponsored law modifying the role of the state-run Agency for International Cooperation Agency (APCI). This law is perceived as an attempt to increase state control over international cooperation, including control over external support provided to Peruvian CSOs.

Having mapped out the key features of the context for our research in the four countries studied, the following chapter analyses our main findings.

Main Findings of the Research

This chapter synthesises and analyses the common elements and key variations that emerged from our research in Bolivia, Brazil, Nicaragua and Peru, focusing specifically *on the perceptions of CSOs* (there is more attention to the views of other stakeholders in the country reports). We have arranged the findings into two main subsections:

i) **Common elements and differences in CSOs' relations with governments and with international cooperation:** This first section starts by analysing the common elements and key differences in current relations between CSOs and governments in the four countries, as these relations partly determine CSOs' relations with international cooperation, in our opinion. It then goes on to analyse how the policies of international cooperation have influenced the ability of CSOs to influence public policy in their respective countries. Finally, it assesses the extent to which CSOs have been able to influence the policies of donors and IFIs themselves.

ii) **Implications of DFID's Latin America RAP 2004-07 for CSOs:** This second section focuses on the implementation of DFID's Latin America RAP and specifically the elements of the RAP of particular relevance to CSOs (both Latin American CSOs and INGOs).

2.1 - Common elements and differences in CSOs' relations with governments and with international cooperation

2.1.1 - Uncertain relations between CSOs and new governments

Our research indicates that the election of new presidents in all four countries has had a tangible effect on relations between governments and CSOs. Indeed, the implications for CSOs of the changes in government appear to be more profound than any perceived impact international cooperation may have had in recent years.

Blurred distinctions between 'civil society' and state/party institutions

Our Bolivia study makes the point that, in a social democracy, political parties are supposed to be the interlocutors between government and civil society by representing civil society's interests in parliaments etc. But over the years, the corruption and undemocratic nature of most traditional political parties have prompted CSOs to replace political parties in this role (some commentators argue that donors and IFIs are also responsible for this trend).[22] How then, is the CSO interlocutor role evolving in the new political contexts in Latin America?

To some extent, the electoral victory of leftwing leaders with a strong social base among certain poor and excluded sectors is challenging the orthodox interpretation of 'civil society organisations' as separate entities from the institutions of the 'state'.[23] In **Bolivia**, our interviewees speak of overlap and confusion between government decision-making processes and those of the trade unions and other social movements (SMs) from whence the government party leaders came. In **Nicaragua**, although some of the new government's most prominent politicians have been closely involved with independent CSOs in recent years, the same politicians are now promoting new civil society entities known as Citizens' Power Councils (CPCs), which appear to be under the control of the FSLN. In **Brazil**, the much larger quantity of funds provided by the Lula government to some SMs and CSOs compared with the previous Cardoso government is felt to be compromising the political autonomy of these movements. As in Nicaragua, Brazil has seen a transfer of 'staff' from CSOs to government positions.

More participatory democracy in Bolivia and Nicaragua?

Some interviewees (mainly government representatives but some CSOs too) argue that the new Bolivian and

22 *See Booth, D. et al (2006) Politics and Poverty Reduction Strategies: Lessons from Latin American HIPCs, Working Paper 262, London: ODI.*

23 *This point is made in relation to Bolivia in a working paper commissioned by DFID: see Donlan, E. (2006) Working Effectively with Civil Society in Bolivia to Promote Participation, London: DFID. This paper does not necessarily reflect the views of DFID.*

Nicaraguan governments are promoting a more grassroots, inclusive and representative form of civil society participation than their predecessors did. In **Nicaragua**, for example, some see the CPCs as a genuine attempt to give a voice to the population at large and not just a few organisations, as often used to happen. Likewise, **Bolivia's** newly elected Constituent Assembly, a key demand of the SMs since 2000 and closely associated with the agenda that brought Evo Morales to power, can be seen as an important experiment in a new kind of representative, pluralistic and participatory democracy (even if many believe that the process of establishing the Constituent Assembly has fallen short of these ideals).

Strained relations between CSOs and new governments

However, a much larger proportion of CSOs raised concerns about the current dynamics in **Bolivia** and **Nicaragua**. In both countries, it appears that the spaces for civil society engagement with public policies that are *independent* of the ruling party may be under threat and, likewise, CSOs' role as independent interlocutors. Interviewees from Bolivian CSOs outside the 'ruling party camp' speak of a growing feeling of exclusion, for example. Meanwhile, the CPCs in Nicaragua seem designed to marginalise the existing structures of civil society participation developed over several years and enshrined in law. Seven months after becoming president, Ortega still had not met with any representatives of wider civil society.

Overt hostility on the part of government towards CSOs is not confined to Nicaragua. It is also a dominant feature of current relations between the new APRA government (American Popular Revolutionary Alliance) and CSOs in **Peru**. Indeed, ruling parties in both countries appear to regard CSOs/NGOs as political contestants for the leadership of the Left.

Both governments also associate CSOs with the preceding governments, which maintained close relations not only with CSOs but also with international cooperation. In **Peru**, our researchers describe the governments of Paniagua and Toledo from 2000-05 as a 'democratic spring', characterised by a posture of openness and recognition of the role of CSOs in developing public policies and building consensus (through mechanisms such as the Anti-poverty Roundtable). In **Nicaragua**, under the government of Enrique Bolaños (2002-06), the spaces for civil society participation and influence over public policies were significantly increased and enshrined in law.

In both countries, elections have brought an abrupt change in these collaborative relations. In **Peru**, a new government-sponsored law was approved in December 2006 which imposes controls on national and international NGOs and limits their access to international aid. In **Nicaragua**, the government has launched a campaign to discredit the main NGO umbrella body, the Civil Coordination Committee and NGOs in general; it has assumed the coordination of certain key poverty reduction programmes such as the Zero Hunger Programme which NGOs were due to coordinate. It has also told foreign donors that they should prioritise the transfer of funds to *government* over those to CSOs, thereby potentially putting pressure on donors to choose between supporting the government (a prime objective of the new aid modalities) or expanding their support to CSO programmes. It may be increasingly difficult to do both. (The same dilemma may face donors in **Peru** – see below.)

In **Brazil**, the impact of Lula's presidency on civil society-government relations is more positive. Although there is widespread criticism by many CSOs and SMs of Lula's failure to break with the macroeconomic policies of previous governments, and although there are concerns about the cooption of some government-funded social movements, there is a broad consensus that the Lula government has significantly enhanced spaces and opportunities for civil society participation in public policies. But the contrast with the other three countries should not be overstated, as many CSOs interviewed are extremely critical of the failure of this participation to translate into concrete policy changes.

Summary of CSO-government relations

The conclusions we draw from the perceptions of current civil society-government relations in the four countries are as follows:

- Governments' relations with CSOs in the region are i) unstable; ii) subject to change when the ruling party or president changes; and iii) currently hostile in Nicaragua and Peru and strained in Bolivia.
- Although civil society participation in public policymaking has been part-institutionalised through new laws and mechanisms in all four countries, these have either not been fully implemented or are prone to sabotage.

- The new governments' historic links with SMs/CSOs have offered little guarantee that civil society participation in public policymaking will be enhanced. In some cases, the opposite has been the case, with measures taken to control spaces for participation.
- Only in Brazil do the opportunities for civil society engagement with public policies appear to have been strengthened following a change of president.

2.1.2 - Implications of international cooperation policies for CSOs' ability to influence public policy

A key question for this study is whether the policies of donors and IFIs have helped or hindered the ability of Latin American CSOs to influence their countries' public policies in recent years, either before or after the recent changes of government (we do not attempt to evaluate the contributions of international cooperation to CSOs' development work as a whole).

Inevitably, the influence of international cooperation policies over public policymaking is greatest in the countries with the highest levels of aid dependency – namely, **Nicaragua** and **Bolivia**. Both countries have been obliged by donors and IFIs to develop poverty reduction strategies (PRSs) in recent years as a condition of receiving further loans and grants; in both countries, donors and IFIs are promoting government leadership and coordination of these strategies by providing direct support to government budgets, sectors and programmes. At the same time, donors and IFIs have actively sought to widen the concept of 'national ownership' beyond 'government ownership' and to improve the downward accountability of these governments to their citizens, partly through civil society participation.

These trends are evident but much less apparent in countries such as **Peru** and **Brazil**, where international cooperation represents only a small proportion of government revenues, and where there have been no donor-sponsored national PRS processes. In Peru, it is implied that the space for civil society participation created under Paniagua and Toledo did bear some relation to the influence of international cooperation, but in Brazil there is no suggestion from our interviewees that the increased spaces created for civil society participation by Lula's government have had anything to do with the policies of international cooperation.

PRSs in Nicaragua and Bolivia

As far as Nicaragua and Bolivia are concerned, in **Bolivia** the majority of CSOs interviewed believe that the National Dialogues which accompanied the PRS processes in 1999, 2000 and 2004, and which a group of bilateral donors (including DFID) supported, were key moments for civil society participation in the development of public policies in Bolivia. They say that the last Dialogues (in 2004) enabled them to advance from simply participating in public spending policies towards *defining* these policies.

Likewise in **Nicaragua**, donors and IFIs pressured both the Alemán and Bolaños governments to ensure that civil society was consulted over the elaboration of the country's PRS in 1999 and the National Development Plan (PND) in 2002. CSO interviewees acknowledge that these processes opened up spaces, legitimised civil society participation and enabled CSOs to access government information previously barred to them, even if the participatory processes themselves were quite limited.

However, the indications are that the advances made and spaces created for civil society participation in both these countries through PRS processes are now under threat following the election of new presidents.

Implications for CSOs of donor/IFI support to governments

In view of the increased emphasis in international cooperation on strengthening government leadership of development processes, our research sought to assess CSOs' attitudes towards donor/IFI support to governments in the region. In general, there is an implicit concern behind several interviewees' responses that the increased emphasis on working with governments may divert funding away from CSOs (although no concrete evidence was found of this) or oblige CSOs to work as subcontractors on government programmes (as is already happening in some cases). Overall, CSOs' views of aid channelled through governments were fairly negative.

In **Bolivia**, CSO interviewees complained that funds donated to the government never get to the people who need them because of corruption and political clientelism. Indeed, the government is regarded as an unnecessary intermediary in the distribution of international cooperation; it would be much better for donors to transfer their funds directly to the grassroots social movements working alongside communities, argued an indigenous

confederation representative.[24]

In **Peru**, NGOs participating in a focus group lamented the failure of IFIs and some bilateral donors to defend them in the face of APRA government hostility – a failure they blame on donors' preoccupation with working with government. Some donors are perceived to be *withdrawing* support from NGOs or showing more reluctance to fund them, in order to placate a new government which they know is anti-NGO but with which they are keen to consolidate relations. Meanwhile, the efforts of regional governments and CSOs to get the management of IFI-supported programmes decentralised are perceived to have been hampered by the close relations these institutions maintain with their contractual partner, Peru's Ministry of Economy and Finance (MEF), which is opposed to such decentralisation.

In **Nicaragua**, an SM representative commented that donors "are in love with presidents and only love civil society when there are problems." Nevertheless, our interviewees identified some positive effects of donors' provision of direct budget support to the Nicaraguan government and of the associated donor alignment and harmonisation for CSOs' political engagement. For example, donors in the Budget Support Group are reported to have acted as a facilitator of dialogue between CSOs and government. Some CSOs interviewed anticipate resorting to these same strategies under Ortega, as he seems more prepared to meet with donors and IFIs than with CSOs.

As far as funding is concerned, there is considerable debate in Nicaragua about whether donors' practice of transferring assistance to the government in the form of direct budget support has diverted funding away from CSOs. Some believe it has. Others believe that the quantity of funding to CSOs has not changed; rather, the *type* of activities donors wish to fund has changed, with more emphasis placed on advocacy and governance (in order to increase the government's downward accountability).[25] One prime example of this new emphasis is the **Common Fund for Democratic Governance**, created specifically for CSOs' governance work and supported by six donors (including DFID) as an explicitly complementary mechanism to the budget support they are providing to the government. This Fund is largely welcomed by CSOs, although there are serious criticisms of the way it is managed.

Civil society participation: a creation of international cooperation?

In spite of some positive consequences of new aid modalities perceived in **Nicaragua**, a number of Nicaraguans interviewed drew attention to the negative ways in which donors and IFIs have *imposed* their own concepts of development and forms of civil society participation on the country. Nicaragua's first PRS was described by one as "an invention of the multilateral institutions," whereas others complained that donors tend to support CSO activities within formal structures and to deny support for broader forms of organisation and mobilisation.

Donor tendencies to impose/promote their own models of political engagement were perceived in all four countries. In **Peru**, one CSO representative echoed Nicaraguan CSOs' sentiments, distinguishing between the institutional spaces for civil society participation, such as roundtables and formal 'meeting room' events on the one hand, and participation involving the mobilisation of peasants and other social forces on the other. The implication is that donors and IFIs favour the former category.

Meanwhile, in **Brazil**, some CSOs accuse IFIs of trying to extinguish CSOs' 'politics of change'. This resonates with concerns expressed by an NGO representative in Nicaragua that the nature of funding on offer to CSOs from international cooperation is influencing civil society's construction of knowledge by forcing research NGOs to focus on short-term consultancies rather than long-term alternative visions.

A number of CSO interviewees in our **Brazil** study also criticised the way in which international cooperation had skewed development efforts towards managing the symptoms (i.e. 'poverty') rather than the underlying causes of the problem (i.e. 'inequality'). They argued that this approach had produced programmes like the World Bank/IDB-supported Bolsa-Família cash transfer programme, described as "short-sighted and incapable of guaranteeing social rights."

In **Brazil** and **Nicaragua**, some interviewees' criticisms of the imposition of exogenous modes and structures were also aimed at **INGOs**, albeit not to the same extent as they were at donors and IFIs. Support from all three sources was

24 It should be noted that across Latin America, governments are accustomed to issuing tenders for the execution of certain components of projects funded by international cooperation (mainly IFI loans) for which CSOs with the required expertise and capacity can bid. Therefore, it is not uncommon for CSOs to access international cooperation funds via governments for specific projects.

25 This perception resonates with the findings in Collinson, H. (2006) in relation to direct budget support and NGOs in Africa.

perceived to have resulted in the 'NGO-isation' of some CSOs and SMs, characterised by weaker accountability of these organisations to their social bases, a dependency on salaried personnel, and an emphasis on projects rather than sustained processes.[26] The end result can be a de-politicisation of CSOs, if not a change in the social dynamics of civil society.[27]

On the other hand, the gradual decentralisation of state power and resources to a municipal and regional level in many countries and the mechanisms created for participation in *local* budgets and development plans is one area where the exogenous approaches of donors have frequently coincided with the endogenous demands of Latin American CSOs. In Bolivia, Nicaragua and Peru, there is acknowledgement of the opportunities decentralisation has created for grassroots CSOs to engage with and monitor public policies, often with the support of international cooperation.[28]

2.1.3 - Donor support for Latin American CSOs

No overall trends were detected in the nature or quantity of donor funding of CSOs across the four countries, but the country chapters and full country studies provide important analysis of the trends in individual countries.

Our **Nicaragua** study looks at the implications of CSOs' extreme dependency on international cooperation (from both donors and INGOs). It also assesses the risk of increased inter-CSO competition as a result of new official donor funds that Nicaraguan CSOs can access directly (rather than via INGO partners, as used to be the case), such as the Common Fund mentioned above and the EC's new budget line for non-state actors.

Our **Brazil** study also looks at trends in funding to CSOs in some detail. Two key findings in this country are that i) INGOs are a far more important source of funding for Brazilian CSOs than donors or IFIs; and ii) a large number of Brazilian CSOs – particularly those with a more rights-based approach – are facing a *funding crisis*, as INGOs have decreased their budgets to Brazil in recent years (it is unclear whether the crisis has anything to do with reductions in official donor funding to INGOs). This trend is obliging many CSOs to seek funding from either the government or the private sector or both – thereby compromising the political independence of CSOs and their crucial role as independent and often outspoken critics of government and private sector policy and practice.

2.1.4 - CSO engagement with the policy and practice of IFIs and donors in Latin America

Aside from the specific feedback provided on DFID (which we address below), CSOs tended to have more to say about their relations with the IFIs than about those with donors. This section therefore focuses primarily on the ability of CSOs to influence the **World Bank and the IDB.**

CSO engagement with the IDB and World Bank is perceived as minimal, except in relation to individual projects and programmes in which CSOs are participating. Several CSOs in Peru commented on the fact that most donors and IFIs tend to relate to the same small group of CSOs based in the capital. All four studies note that a lack of publicly available information on the activities of IFIs and donors in the countries makes it difficult to monitor these institutions (though the Peru study acknowledges that World Bank and IDB transparency has improved in recent years).

Assessments of CSO engagement with IFIs at a country level

In contrast with many bilateral donors, both the World Bank and the IDB have established procedures and mechanisms that oblige them to engage in public consultations over their policies, strategies and programmes. Both institutions have reviewed these procedures in recent years in order to enhance participation and consultation. In 2004, for example, the IDB published its 'Strategy for Promoting Citizen Participation in Bank Activities',[29] while in January 2005 the World Bank's Board of Directors discussed a paper entitled 'Issues and Options for Improving Engagement between the World Bank and Civil Society Organisations' and made a number of recommendations.[30]

26 This resonates with the analysis of Borchgrevink, A. (2006) 'A Study of Civil Society in Nicaragua', NUPI.

27 This resonates with the analysis of Fletcher T. and A. Wells (2007) 'Multi-donor Support to Civil Society and Engaging with "Non-traditional" Civil Society: a Light-touch Review of DFID's Portfolio', ODI, June.

28 On the other hand, our Brazil study notes that Brazil's municipal and state governments are more prone to corruption and political manipulation than is federal government.

29 http://www.iadb.org/exr/pic/pdf/citizenpart_eng.pdf.

30 http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/CSO/0,,contentMDK:20413156~pagePK:220503~piPK:220476~theSitePK:228717,00.html

In spite of these official procedures and recent policy documents, CSO responses in all four countries were largely negative regarding their ability to influence the IFIs at a country level. There is a broad consensus across those interviewed that governments remain the primary focus of IFIs' attention since the contractual agreements for loans are with governments, despite the IFIs' increased interest in civil society participation over the past decade (which several CSOs acknowledged). Some believed the IDB was more advanced than the World Bank in encouraging CSO participation in its policies and strategies and others thought the opposite. (In Brazil, some recognised that neither institution was monolithic.) Most respondents seemed to tar both institutions with the same negative brush.

In **Bolivia**, it was asserted that, even when the IDB's policies state that they are supposed to consult with civil society, "there are still vast distances between the IDB and CSOs that most CSOs cannot bridge."

In **Brazil**, a diverse range of CSOs (both those that have collaborated with IFIs on certain programmes and those that avoid such collaboration out of principle) agreed that none of the spaces supposedly created to enhance civil society participation in the development of IFI policies and strategies had had any real influence. "You don't ever get to the heart of these institutions," commented one INGO interviewee. And it is not for want of trying: many Brazilian CSOs have spent two decades trying to interact with the IFIs. There is a degree of validation for the IDB's Civil Society Advisory Council (CASC) (resonating with similar CSO assessments of the CASC in Nicaragua), but even this forum is considered 'inoperative'. Generally, any influence exerted by CSOs in Brazil is confined to specific programmes and projects in which CSOs may be participating and to technical and operational matters.

This experience resonates with CARE's own perceived success in influencing specific IFI-supported programmes in Latin America, as opposed to influencing overarching IFI policies. "There are specific examples of interactions between [CARE] Country Office staff and the IFIs which demonstrate that CARE can have a significant influence on them, at least at a country level and in relation to individual sectors. These successes have been clearest in relation to basic services which are central to our work," states the coordinator of CARE's engagement with the IFIs in Latin America.[31] Nevertheless, the influence of a large INGO like CARE, already working in close partnership with donor bodies with a strong track record, is likely to be far greater than that of most Latin American CSOs.

Collaboration between INGOs and Latin American CSOs in IFI advocacy

Given that large INGOs frequently have more access to IFIs and bilateral donors than Latin American CSOs (as our Bolivia study points out), one possible approach is for INGOs to undertake *joint* advocacy initiatives with Latin American CSO partners in relation to these institutions. The **Right to Identity** initiative in **Peru**, perceived to have had a tangible impact on the IDB's *overarching policies*, owes its success partly to the fact that Peruvian CSOs were working *in coordination* with an INGO and a bilateral donor. According to several interviewees, collaboration between the INGO Oxfam GB Peru (which worked in tandem with Peruvian CSOs) and DFID in 2004-05 on the right to an identity of displaced and excluded Peruvians (particularly women) resulted in the issue being incorporated into the IDB's working agenda.[32]

Of course, this raises the thorny issue of whether it is *appropriate* for INGOs to try to directly influence the IFIs in Latin America – or any other institution in the region. Should INGOs act as political *protagonists* and undertake advocacy themselves in Latin America? Or should they simply fund the advocacy efforts of Latin American CSOs? In Brazil, at least, our interviews suggest there is considerable resentment over the way in which INGOs with national offices in the country are presenting themselves as 'national actors'. On the other hand, there may be a middle way whereby INGOs (and bilateral donors with shared objectives such as DFID) can help to *facilitate* Latin American CSOs' access to IFIs and donor institutions – particularly as a number of INGOs have offices in Washington.

The Washington factor

INGOs' facilitation of Latin American CSOs' engagement with World Bank and IDB operations *in Washington* appears to have been an important factor on some occasions. A key lesson from the Right to Identity initiative in Peru, for example, was the importance of securing access to IDB Washington staff (in this case, through Oxfam's contact with

31 Quote taken from CARE (2006) 'Working Together to Engage With and Influence the International Financial Institutions: Terms of Reference for a Regional Learning Network', Internal Paper.

32 Booth et al (2007) also mention the success of DFID's efforts on this issue but do not mention the involvement of INGOs or CSOs.

DFID secondees in the IDB in Washington). This experience is echoed by our **Nicaragua** study, which mentions a joint advocacy strategy by Oxfam International and Nicaraguan CSOs against World Bank/IMF macroeconomic conditions. This initiative was perceived by Nicaraguan CSOs as having been successful, even if the concrete impact on IFI conditionalities is not so tangible. The highlight was the visit of a Nicaraguan CSO delegation to Washington, where their meetings with IFI officials provided illuminating information on the Nicaraguan government's negotiations with the IFIs.

These experiences resonate with a point made at a CARE seminar on this research project in London in 2007[33] that the lack of possibilities for Latin American CSOs to influence the IFIs at a country level may be a *structural* problem; the decisions CSOs may want to influence (such as the IFIs' overarching macroeconomic policies) are not taken at a recipient country level, but in Washington.

The concentration of power in these institutions outside Latin America and the difficulty of influencing country representatives when decisions are taken elsewhere are the cause of considerable frustration to CSOs in the region (particularly in **Brazil**). It is a problem some extend to bilateral donors too (in **Bolivia**, several interviewees lamented the fact that decisions to cut DFID's Latin America budget had been taken in *London*, for example).

On the other hand, the relative progress made in influencing the IDB and World Bank at a country level in Nicaragua (see Section 2.2.1 below) suggests that engagement is needed *both* at a country level *and* at a Washington level (or in the cities where bilateral donors have their headquarters, if the intention is to influence bilateral donors).

Is space for civil society participation in the IFIs shrinking?

The linkages between IFI policies at a country level and those at a global/Washington level were explored by our researchers in **Peru** in some detail. At a country level in Peru, their findings suggest that the opportunities for civil society engagement with both the World Bank and the IDB *on their overarching strategies for the country* have diminished significantly in recent years. In 2001, both institutions engaged in relatively wide-reaching consultative exercises with diverse groups of CSOs over their respective country strategy papers. In 2007, neither institution conducted more than a cursory consultation.

This perceived diminution in the IFIs' engagement with organised civil society in Peru prompted our researchers to reflect on whether it was linked to changes in the leadership of both the IDB and the World Bank in Washington in recent years in a more conservative direction (under Luis Alberto Moreno and Paul Wolfowitz, respectively). As further evidence of this, they point to a recent IDB civil society meeting in Costa Rica with Moreno, which was perceived by CSO participants as a setback in the IDB's relations with Latin American civil society.[34]

However, our research did not detect a similar diminution in IFI consultation processes with CSOs over their country strategies in the other three countries (where the impression was more that such processes had *always* been minimal and deficient).

33 Seminar held in CARE's offices in London on 13 July 2007 to share the project's preliminary findings with UK-based INGO staff and academic researchers working on related topics.

34 See McElhinny, V. (2007) 'IDB 2007 Civil Society Meeting in San Jose, Costa Rica – a Step Backwards?' Bank Information Centre, 14 February: http://www.bicusa.org/en/Article.3151.aspx.

2.2 - Key findings on the implications of DFID's Latin America RAP 2004-07 for CSOs

In 2004, DFID began to implement a new RAP in Latin America. This plan was a significant departure from DFID's previous approach in the region, requiring a shift from a series of standalone bilateral programmes to a largely regional approach, and from direct intervention to more indirect engagement via the IDB and the World Bank.[35]

The shifts were made in the context of major cuts to DFID's Latin America budget in 2004, dictated by a commitment to spending 90% of DFID resources in the world's poorest countries and only 10% in MICs (unofficially, the need to divert aid from the MIC budget to reconstruction efforts in Iraq was also a factor). By 2005, DFID's presence in the region had been reduced to three small regional offices in Nicaragua, Bolivia and Brazil and one bilateral programme in Nicaragua (the only country of the four still classified by the UN Development Programme– UNDP – as 'low income'). With so few funds at its disposal, DFID took the decision to channel these through much bigger and influential players, choosing the IDB and World Bank (alongside commitments to the European Commission – EC – and to UN agencies), primarily because "they are the largest development partners in the region."[36] DFID's stated objective in taking this step is quite ambitious: "to enhance the impact on poverty and inequality of IDB and World Bank programmes in the region" and "to support change" in these institutions.

By way of complementing its engagement with multilateral institutions, DFID is committed to strengthening its cooperation with INGOs, in recognition of their links with Latin American civil society. Since 2005, DFID has significantly increased its support to six INGOs (including CARE)[37] through so-called Partnership Programme Agreements (PPAs), for their work in Latin America and the Caribbean specifically.

The DFID RAP states that over the three-year period 2004-07, £300 million will have been transferred to multilateral institutions in the region (World Bank, IDB, EC, UN), £41 million to its bilateral work in the region, and £21 million to the PPA INGOs.[38]

Below, we highlight our main findings in relation to the elements of the RAP that are most relevant to CSOs.

2.2.1 - How appropriate is DFID's strategy vis-à-vis the World Bank and the IDB?[39]

Our research found little enthusiasm for DFID's current strategy of channelling so much of its funds through the World Bank and the IDB. The only explicitly positive assessments of the strategy came from DFID staff in the region and from some World Bank and IDB personnel in **Nicaragua**, where DFID's concrete contributions to inclusion and participation work are recognised by both institutions.

In Brazil and Nicaragua, interviewees from government (both current and former) expressed reservations about DFID's strategy, the Nicaraguans taking the view that DFID should invest most of its resources directly in the *state* in accordance with the Paris Declaration principle of 'alignment', rather than through intermediaries such as the IFIs.

But the most resounding rejection of DFID's strategy in relation to the World Bank and the IDB came from **CSOs** in all four countries. In Bolivia and Nicaragua, many CSOs expressed disbelief that a donor perceived as 'progressive' and more in tune with civil society and the country's reality than many other bilateral donors could embark on such a strategy.

There is considerable consistency across countries in the reasons given by CSOs for opposing this strategy:

- The neo-liberal market-orientated conditions attached to IFI loans have hindered rather than helped efforts to rid Latin America of poverty, inequality and exclusion;
- IFI loans have added to Latin America's debt problems;
- IFI strategies and programmes are not sufficiently focused on reducing poverty and inequality or on the social sectors;
- The IFIs continue to interfere in public policies and processes in the countries where they operate and impose exogenous schemes;
- The IFIs are not responsive to CSOs (as indicated above).

35 The decision to work through the IFIs in Latin America reflects a broader DFID strategy for MICs in general. See DFID (2004) 'Achieving the Millennium Development Goals: the Middle Income Countries: a Strategy for DFID 2005-2008'.

36 DFID RAP (2004) B16 (p.6).

37 The six LAC PPA INGOs are: CAFOD, Christian Aid, CARE, the International HIV/AIDS Alliance, Oxfam, WWF.

38 DFID RAP (2004) E1 (p.16).

39 Ibid, Objective 1 (p.10).

However, this negative reaction has to be qualified. In **Peru**, while the lack of coherence between the different components of DFID's current strategy is strongly criticised, there appears to be more acknowledgement among those consulted of the power of the IFIs and therefore at least some sympathy for DFID's interest in influencing these institutions. In **Bolivia**, several CSOs appreciated why DFID would want to work with bigger partners, now that its own budget has been reduced. In **Nicaragua**, CSOs were less negative when drawn on specific areas of DFID's work with the IFIs. DFID's funding of a local-level consultation on the World Bank's Country Assistance Strategy is welcomed, and likewise its promotion of the inclusion of micro and small enterprises in IFIs' private sector support programmes.

No such positive caveats are forthcoming from our **Brazil** study, where it is reported that even DFID officials interviewed had difficulty in identifying exactly what influence DFID had had on the World Bank and IDB in Brazil since 2004.[40] DFID does not appear to interact with the IFIs on issues concerning civil society participation. For their part, IDB and World Bank staff in Brazil said they had barely any contact with DFID Brazil and knew nothing about the RAP (DFID staff in London explained that this was to be expected as much of the funding to the IDB and World Bank in Brazil is channelled through trust funds managed from Washington).

One important structural criticism made by a former DFID official in **Bolivia** was that DFID's new *regional* approach does not lend itself to trying to influence IFI staff in Latin America, as the latter tend to work at a national and sub-national level. This is borne out by the relatively positive experiences of influencing the IFIs in **Nicaragua** (the only country where DFID still has a bilateral programme).

2.2.2 - Have DFID's PPAs with INGOs helped promote change in the IFIs?[41]

According to the RAP, DFID seeks to complement its efforts to encourage change in the World Bank and IDB from the inside with "working with others such as the UN and international NGOs to support change [in these institutions] from *outside*" (our emphasis).[42] It is implied that the PPAs are the mechanism through which INGOs' promotion of change from 'outside' will happen. How successful, then, has this approach been?

In the previous section, we drew attention to an advocacy initiative DFID undertook with Oxfam GB Peru in relation to IDB policy on identity which appeared to exemplify this approach: Oxfam GB coordinated inputs from CSOs and other stakeholders in **Peru** whereas DFID engaged with the IDB through its seconded staff in Washington. Interesting as this example is, it is almost unique as a model. There is no coordinated strategy between DFID and the INGOs it supports through PPAs for jointly influencing the IFIs, and there appears to be little dialogue between the two entities on this matter either (not helped by the fact that DFID's additional PPA budget for Latin America comes from its Civil Society Department and not from the LAC Department).

DFID justifies this lack of coordination on the grounds that it does not wish to dictate to the INGOs what activities they should engage in and believes that INGOs' legitimacy rests on their being *independent* from donor institutions (although DFID staff's lack of time is clearly another factor).

For their part, PPA INGO staff interviewed in Latin America welcomed DFID's 'hands-off' approach and the flexible nature of PPA funds. However, they generally favoured *more* dialogue with DFID in order to explore potential areas of convergence and collaboration, including in relation to the IFIs.

One key obstacle to evaluating the success or otherwise of this aspect of DFID's strategy is that influencing the IFIs is not necessarily a primary objective of the respective INGOs' own strategies in the region, as our **Bolivia** study points out. There is also a general ambivalence expressed by some INGOs in Bolivia over playing a proactive advocacy role in-country. To our knowledge, CARE is the only one of the six PPA INGOs that has included an explicit strategy and programme of work for influencing the IFIs in Latin America in its PPA.

As for Latin American CSOs' perceptions of this strategy, in **Brazil** several CSOs found it hard to understand how DFID could fund INGOs such as Oxfam and Christian Aid, which are supporting Brazilian CSOs highly critical of the IFIs while directly supporting the IFIs at the same time.

40 This resonates with the findings of Booth et al (2007).

41 See DFID RAP (2004) 'Approach', D19 and D24.

42 Ibid D5 (p.11).

2.2.3 - Has DFID's support helped guarantee that the poor and excluded are central to PRSs?[43]

When responding to this question, our studies tend to focus on whether DFID's support has enhanced broad civil society participation (including the participation of the poor and excluded) in local and national development processes.

The most positive assessments are to be found in **Nicaragua**, where DFID's clear and sustained focus on promoting participation and inclusion in political and economic processes both prior to and since 2004 continues to produce results across the international cooperation community as a whole, according to most of those interviewed. Reasons given for this success include:

- The existence of a bilateral programme and country office, which means it has in-depth knowledge of the country and can take advantage of opportunities as they arise;
- The quality of DFID personnel;
- The balance between creating spaces and opportunities with governments and donors (upstream work) and building the capacity of civil society to take advantage of those opportunities (downstream work).

Likewise in **Bolivia**, the perception of DFID among most of the CSOs interviewed is very positive, with its role in facilitating CSOs' access to the broader international cooperation community (upstream work) and its support of civil society participation in the National Dialogues (downstream work) particularly highlighted. DFID's popularity among Bolivian CSOs is perceived to derive from:

- Its commitment to the poor;
- Its commitment to working with both CSOs and government;
- An ability to listen and its open-door policy in relation to CSOs;
- Its understanding of the reality on the ground;
- The quality of its personnel;
- Its accompaniment of processes not only through funding but also through ideas, innovation, networking.

Nevertheless, it is noticeable that much of the positive feedback provided by Bolivian interviewees is in the *past* tense and refers to the period prior to the current RAP and the reduction in DFID's budget for Bolivia.

In **Peru**, it appears that CSOs' positive impressions of DFID's role and contribution are entirely in the past tense (with the possible exception of some PPA INGO work on IFI policy and practice). Before 2004, DFID's policy of empowerment of the poor and civil society participation was regarded (by the Citizen Proposal Group and CONADES – Annual Social Development Conference, for example) as an innovative approach to cooperation, addressing rights and securing commitments from the various stakeholders (including from IFIs, bilateral donors, central government and sub-national governments). But the perception is that all of this disappeared when DFID closed its office and bilateral programme in Peru.

Meanwhile, the perceptions of DFID among **Brazilian CSOs** – both past and present – are largely negative, even though some of its past projects, such as the one on institutional racism, are viewed positively. Very few Brazilian CSOs know anything about DFID (by DFID Brazil's own admission, it has very limited relations with CSOs). Among the few who do, the view is that:

- It is difficult to communicate with DFID Brazil and there is a serious lack of transparency in relation to its operations and strategies;
- DFID Brazil has little contact with CSOs promoting political and social rights;
- Although some of the government programmes on race and gender supported by DFID created windows for CSOs to influence public policies, DFID failed to include black women's movements at key moments and the closure of Brazil bilateral programme was 'disastrous' for these programmes.

2.2.4 - Has DFID's partnership with INGOs strengthened Latin American CSOs' ability to participate in public policy processes?[45]

Positive assessments are given of the PPA INGOs' role in strengthening the capacity of Latin American civil society to engage in public policy in **Bolivia, Nicaragua** and **Brazil**. Our Nicaragua study includes an assessment of individual initiatives supported by PPA INGOs, and our Brazil study highlights the critical stance most of these INGOs are

43 This intention is contained in DFID RAP (2004) Objective 2, D10 re 'improved donor harmonisation'.

44 DFID RAP (2004) D24 (p.14).

prepared to take in relation to the Brazilian government and their willingness to fund Brazilian CSOs that challenge the government and the IFIs.

2.2.5 - How have CSOs been affected by DFID's decision to i) adopt a regional approach, ii) close its office in Peru and iii) reduce the proportion of its budget destined for Latin America?

Regional approach

There was little support among those we interviewed for DFID's new **regional approach**. In fact, our perception is that this aspect of the RAP is poorly understood, even by those who know DFID's work quite well. 'The regional approach' was interpreted by the majority of interviewees as code for 'cutbacks' and 'closures of bilateral programmes' rather than a positive and proactive body of regional work.

The only positive and concrete example cited of DFID's work at a regional level is the **Regional Learning Programme (PAR)**, in which a network of CSOs participate and which several Bolivian interviewees highlighted as a positive and innovative concept for connecting local work with regional work and partners on bi-national issues, such as urban development in border towns.[45] But this programme was only referred to in Bolivia and not in Peru.

Closure of DFID's office in Peru

The closure of DFID's office in Peru was viewed extremely negatively by the vast majority of those interviewed, to the point that many interviewees described it as a complete 'withdrawal' from Peru (when in fact DFID is still supporting work in the country through IFIs and INGOs). This perception is reinforced by the fact that staff from the DFID Andes office in Bolivia visit Peru only sporadically and rarely meet with CSOs, according to our interviewees. Although some DFID programmes have been transferred to INGOs, a number of programmes were halted in 2005 before the work within them had been consolidated.

According to several INGO interviewees, the withdrawal of DFID staff has had a particularly negative effect on the scope and spaces for influencing the IFIs in Peru – ironically, the very institutions the new RAP is seeking to influence. Several INGO representatives noted the important role DFID used to play in facilitating dialogue between CSOs and donors/IFIs (as in Bolivia and Nicaragua) and in exerting sustained pressure on the World Bank and the IDB to open up spaces for civil society participation and consultation vis-à-vis the banks' strategies. The contraction of spaces and opportunities for civil society engagement with both institutions in recent years (described above) is partly attributed to the fact that DFID is no longer playing this role in Peru.

Cuts in DFID's budget for Latin America

Meanwhile, the cuts made 'abruptly' and 'unilaterally' to DFID's work in **Brazil** were viewed extremely negatively by both government and CSO interviewees, with the anticipated positive results of certain programmes on race and gender virtually cancelled out. Indeed, the view was that there was so little left of DFID's work in Brazil that any further cuts would be treated with indifference.

In **Bolivia**, the response to the reduction in DFID's budget was somewhat softer than in Brazil and Peru, with several interviewees conceding that DFID Andes tries hard to maintain links with CSOs in spite of its reduced resources. But DFID's reduced interactions with CSOs and with the poor as a result of the cuts were lamented, as was its loss of influence and prestige generally. As in Peru, its past facilitation of CSOs' dialogue with other donors and IFIs is sorely missed. The fact that DFID is known to be pouring significant resources into the IDB and World Bank only adds salt to the wound.

It is noticeable how many of the positive examples cited of DFID's current work emanate from **Nicaragua** – the only country where DFID still has a *bilateral* programme. These examples reflect its continuing role in facilitating dialogue between CSOs and donors and government and in strengthening civil society participation and inclusion at a time when the other countries have seen this work contract, if not disappear. The Nicaragua programme has also seen concrete and significant successes in influencing World Bank and IDB policies that appear to exceed the progress made in other countries.

45 The positive assessment of the PAR concurs with the findings of Booth et al (2007) (p.22).

Indeed, experiences in Nicaragua suggest that bilateral programmes can *benefit* regional strategies and vice versa, a view shared by the authors of the ODI Interim Evaluation of the RAP.[46]

2.2.6 - Summary of findings on the implications of DFID's RAP for CSOs

In sum, our research suggests that some of the key assets and attributes that have enabled DFID to add value to the work of other donors in the region, and that have encouraged innovation of potential benefit to other countries and regions, have been seriously undermined and degraded by DFID's strategy for Latin America since 2004. The new elements – namely, the channelling of funds through the World Bank and IDB plus the emphasis on a regional approach – may have produced some limited results, but they are no substitute for what has been lost. Moreover, they have potentially alienated many of the CSOs with which DFID used to work. While our research gives a more positive assessment of DFID's partnership with INGOs than with IFIs, the prognosis is that DFID's lack of *ongoing* communication and engagement with the PPA INGOs is preventing both DFID and the INGOs concerned from realising the full potential of the PPAs.

46 Booth et al (2007) (p.18).

Nicaragua: Laboratory for International Aid
Peter Clarke

3.1 - Introduction and country context

In recent years, Nicaragua has been a laboratory for new approaches and forms of international aid: among others, these include PRSs, the Millennium Development Goals (MDGs), decentralisation, budgetary support, and harmonisation and alignment (H&A). Although the new practices have been primarily geared towards cooperation with the state, they have also had important implications for civil society. This chapter considers these implications for CSOs, with specific reference to the UK's DFID, a donor particularly committed to the new aid modalities. The analysis and conclusions are based on a series of interviews in Nicaragua with diverse CSO representatives, donors, IFIs and government actors undertaken in June and July 2007. Since the new administration of President Daniel Ortega and the Sandinista National Liberation Front (FSLN) took office in January 2007, relationships among these actors have entered a period of change and uncertainty. This is also discussed here.

3.1.1 - A poor and unequal country

Nicaragua is a Low Income Country (according to the OECD), and almost half its population lives in poverty, with around one-sixth living in extreme poverty. In recent years, there has been little movement in official statistics.[47] Poverty is concentrated in rural areas, especially the central and Caribbean coast regions of Nicaragua, where ethnic minorities live, historically isolated from the rest of the country.

Governance problems contribute considerably to the persistence of poverty – weak institutions, corruption, government by and for the elite, and high degrees of political and social polarisation.

Other relevant characteristics of Nicaragua are as follows. It is an unequal country, with a Gini coefficient of 0.4,[48] although this measure has improved somewhat over the past few years. The lack of national economic opportunity has prompted emigration, and currently around 10% of the Nicaraguan population lives abroad,[49] sending home remittances that are an important source of income for the population. In terms of the MDGs, the World Bank anticipates that "for more than half of the goals, it is unlikely or very unlikely that they will be reached by 2015."[50]

Currently, there are doubts about the Nicaraguan state's respect for women's rights, following the recent criminalisation of therapeutic abortion in response to pressure from the Catholic Church.

3.1.2 - Dependence on foreign assistance

Nicaragua is highly dependent on international aid. According to statistics from the OECD,[51] average ODA from 1994 to 2004 was US$801 million per year, or 21% of gross national product (GNP). The amount of aid per capita has also been very high – in 2005, it was US$134 per person (compared with US$63 in Bolivia).[52] In 2004, contributions from the international donor community accounted for approximately 36% of the governmental budget.[53]

The country manages a large number of donors and projects. In 2004-05, the main donors were (from largest to smallest, including loans): Germany, Spain, the IDB, the World Bank, Japan, the US and the EC.[54] Their aid has remained relatively stable during the past decade. The current government is initiating new relationships with Venezuela, Brazil, Iran and other countries (see below).

47 INIDE (2007) Perfil y Características de los Pobres en Nicaragua, 2005, Managua: INIDE/MECOVI (p.10).

48 Ibid.

49 World Bank (2007) Evaluación de la Pobreza en Nicaragua: Informe Principal, Unidad de Gerencia de País para Centroamérica, Washington, DC: World Bank.

50 Ibid (p.4).

51 Gosparini, P. et al (2006) 'Evaluation of General Budget Support – Nicaragua Country Report: A Joint Evaluation of General Budget Support 1994-2004', DFID and International Development Department, University of Birmingham (p.10).

52 www.oecd.org/dataoecd.

53 World Bank (2006) 'Nicaragua: Country Brief': http://go.worldbank.org/AYRB9G1UR0.

54 www.oecd.org/dataoecd.

As a heavily indebted poor country (HIPC) in receipt of high levels of aid, Nicaragua has been chosen as a pilot country for various international initiatives, such as on H&A, through the Education for All Fast Track Initiative (EFA-FTA), on poverty and the environment and through the Global Fund to fight AIDS, Tuberculosis and Malaria. Within the framework of the PRS and H&A, forums have been established to coordinate cooperation as follows:

- The Budget Support Group (BSG);
- The global donor roundtable;
- Sectoral roundtables.

3.1.3 - Civil society: composition and strategies

CSOs in Nicaragua are relatively young, owing to the fact that the Somoza dictatorship, overthrown less than 30 years ago, repressed any attempt to create autonomous social expression; later, under the Sandinista government, the state and the government party assumed the task of organising the population. The subsequent construction of a national civil society has been conditioned largely by the legacy of the revolution and by international cooperation.

The first organisations were a handful of NGOs of religious or Sandinista origins, grassroots Sandinista organisations, unions aligned with political parties and a few associations of businesspeople and professionals. During the 1980s, many cooperatives were established, primarily agricultural ones, and many INGOs set up Nicaraguan offices to coordinate their solidarity programmes. Following the electoral defeat of the Sandinista government in 1990, increasing numbers of new organisations were formed, spurred on by the availability of international donor resources. Most of these define themselves as NGOs – organisations with salaried personnel implementing sector-specific or territorial development projects, and without a significant representational structure. The organisations that play more of a representative role are relatively weak.[55] The union movement is fragmented, and heavily influenced by the political parties. The grassroots Sandinista movements, although they have developed some autonomy, have difficulties in maintaining coherence during electoral cycles or times of political controversy, and typically have assumed some of the characteristics of NGOs, by taking on the implementation of externally funded projects.

Extreme dependency on foreign aid for nearly two decades has had a definitive influence on the formation of Nicaraguan CSOs. There are very few organisations that do not depend on cooperation funds for at least 90% of their budget. Few charge effective membership contributions. The only entities that have other sources of funding are some that are tied to political parties, and a few philanthropic foundations of large corporations or churches, with a charity focus.

This dependency has given rise to a process of 'NGO-isation' of civil society,[56] with the associated weaknesses of:

- Poor representation of and accountability to their social bases;
- Dependency on salaried personnel rather than volunteers;
- Capacities oriented toward executing projects rather than sustained processes.

But it has also brought strengths:

- Professionalism and high technical capacity;
- Capacity to contribute concrete proposals to discussions with state or donors.

Networks also began to be formed in the 1990s to coordinate work in different sectors. These included the Network of Women against Violence, working in a field where social movements (SMs) are not very active. The disaster of Hurricane Mitch accelerated the organisational process and gave rise to the creation of the Civil Coordination Committee (Coordinadora Civil) which currently has more than 600 members, including networks, associations, SMs, NGOs, cooperatives and local organisations.

"Public demonstrations in the streets have been the tonic for bringing our proposals to the forefront and getting our civil rights respected." Movement of slum dwellers (pobladores)

55 *Quirós, A. (2006) La Sociedad Civil Organizada en Nicaragua, Composición y Experiencia en la Reducción de la Pobreza, Working Paper 9, Helsinki: KEPA (p.9); and Borchgrevink, A. (2006) 'A Study of Civil Society in Nicaragua', NUPI. (p.63).*

56 *Borchgrevink (2006) (p.11).*

In terms of **civil society strategies**, the interviewees distinguished between two ways of influencing public policy: participation in formal spaces, and social mobilisation or non-formal action. The first focuses on citizen education, lobbying for legislation that will create spaces for participation, mass media campaigns, social auditing and public denunciations. Non-formal action includes mass marches, the occupation of state buildings and roadblocks.

"They don't give us spaces, we always have to win them, through struggle." Representative of women's movement

Various CSO representatives concurred that both approaches were necessary and complementary, but that they involved a division of labour. The SMs are identified more with mass mobilisations, whereas the networks and advocacy NGOs push for (critical) participation in formal spaces. However, this division of labour is not rigid. At times, it has led to tensions between organisations.

Relations between the government and civil society in Nicaragua are not stable. They can change completely with each national election, depending on which party wins. Under the liberal government of **Arnoldo Alemán (1997-2001)**, they were conditioned by the radical anti-Sandinista stance of the president, and only the urgency to respond to Hurricane Mitch (1998) and the support later provided by the international aid community made it possible to open up some spaces for participation. The next government, of **Enrique Bolaños (2002-06)**, increased opportunities for influence, in part because of its need to fill its vacuum of political party support, in parliament and in the country, with the support of donors and civil society. Although the Bolaños administration is characterised as technocratic and neo-liberal, CSO representatives interviewed acknowledged its ability to listen and learn. Seven months into the government of **Daniel Ortega (2007-)** there is a great deal of uncertainty regarding the president's relationships with donors/IFIs and civil society. The government has overtly criticised CSOs, and has shown no interest in dialogue with them so far. The third section of this chapter looks at this situation in more detail.

3.2 - Implications of new donor practices for civil society's ability to influence policy

The multiple new aid modalities experienced by Nicaragua in recent years have affected the ability of the country's civil society to influence public policy.

3.2.1 - Changes in relations with the government on aid

During the period 2000-07, a priority for successive Nicaraguan governments was the reduction of the foreign debt burden through the recognition of Nicaragua's HIPC status. This objective has given added impetus to the Nicaraguan government's response to donor and IFI initiatives, especially the PRS, H&A processes and the introduction of general and sector-specific budget support.

Poverty reduction strategies

In 1999, negotiations began on the PRS. Donors pressed the Arnoldo Alemán government to consult with civil society but the process was very limited. The definitive version of the Enhanced Economic Growth and Poverty Reduction Strategy (ERCERP) was approved in August 2001. Civil society interviewees regarded the ERCERP as an imposed process, "another great invention of the multilateral institutions" (director of a federation), that "was not written in Nicaragua or by Nicaraguans" (a network coordinator).

"The ERCERP cannot be considered a finished document nor a nationally owned policy." Coordinadora Civil[57]

The Bolaños government, which entered office in 2002, did not provide any continuity to the ERCERP process, and instead insisted on economic growth as the first condition for reducing poverty, in a new process for a National Development Plan (PND).

57 *Quoted Quirós, A. et al (2004) Evaluación del Avance y la Implementación de la ERCERP en Nicaragua a Dos Años de su Aprobación, Managua: Coordinadora Civil.*

"The National Development Plan was practically a process invented to advance in the HIPC process."
High-ranking Bolaños administration official

The PND (approved by the World Bank in 2006 as ERCERP II) was an initiative of the government rather than the donor community, but it remained a response to the external HIPC process. It did not involve broad civil society participation and applied exogenous concepts (like 'clusters') that "do not apply to national reality" (SM representative).

"Nobody consulted us women until everything was already cooked." Representative of women's movement

Despite the limitations, diverse CSO representatives conceded that the limited processes of consultation around the ERCERP and the PND did open up spaces and legitimise participation, as well as securing access to previously unavailable information. During this period, CSOs managed to improve certain facets of the PND, and were successful in getting new laws approved on citizen participation and access to public information (finally approved in 2007). These created structures for citizen participation at the municipal and departmental levels in the form of Development Councils. The quality of consultation with these bodies was limited and variable, but their creation, within the framework of the national 'municipalisation' movement, resulted in strengthened capacities for engaging in broad dialogue and advocacy at the local level. This was mentioned by almost all of the interviewees as an important advance towards a necessary change in the country's political culture.

Harmonisation and alignment – budget support

Nicaragua is relatively advanced in terms of donor H&A, thanks to the perception of the Bolaños government that multiple donor conditions, procedures and projects made it impossible to govern (interview with high government official), and also to the consensus among many donors that "the highly earmarked, fragmented and supply-driven character of aid in Nicaragua was hampering impact and sustainability."[58] At the same time, donor use of budget support (general and sectoral) has grown. In 2003, the BSG was formed, with the participation of nine donors (EU, World Bank, Finland, Germany, Norway, Sweden, Switzerland, Netherlands, DFID) and in May 2005, a joint financing agreement (JFA) was signed by these donors (plus the IDB), which opened up forums for dialogue on government policy to the bilateral donors of the BSG.

Desertion or a new alternative?

Budgetary support has been interpreted by many CSOs as a mechanism that takes resources away from them, but others argue that the resources available to the sector have actually increased. Among the first group is an SM representative who says that donors are "putting all their eggs in one basket," and that "they are in love with presidents and only love civil society when there are problems." One IDB official accepted that the changes meant less direct funds for civil society and for their service provision work, but also claimed that they gave CSOs more scope to influence public policy. Likewise, a high-ranking official in the Ministry of Foreign Relations under Bolaños asserts that there is more financing for CSO advocacy on the National Budget and social auditing of corresponding expenditure. Thus, it is more a case of a new emphasis in the work supported, than a reduction in support.

3.2.2 - Changes in cooperation with CSOs

The new aid modalities have given added importance to government plans and budgets. In order to ensure the legitimacy and sustainability of their interventions, donors need these instruments to have the broad-based support of society and to be subjected to adequate accountability systems. Therefore, in addition to supporting spaces for participation, donors have offered funding to CSOs for political advocacy, civic education and social auditing activities. An interesting example of this is the Common Fund (see Box 4).

58 *Gosparini, P. et al (2006) (p.S2).*

Box 4: Common Fund to support civil society towards democratic governance

This fund was established with the financial support of six countries (Denmark, the UK, Norway, the Netherlands, Switzerland and Finland) and is administered by a consortium of European NGOs (Oxfam GB with Novib, Trocaire and SNV Holland). The amount of financing is almost US$5 million for the first three years.

The objective is to contribute to democratic governance and strengthen the capacity of civil society to influence national and local public policy, in addition to supporting dialogue and coordination between the state and civil society. The Fund finances concrete projects, selected through calls for proposals, as well as technical support and a civil society forum.

Donors and those managing the Fund explain its logic as follows:

- Economies of scale reduce transaction costs;
- It is possible to have greater impact on capacity by reaching new, innovative or marginalised organisations, and guaranteeing them technical support;
- It achieves a kind of 'alignment' with the country's civil society as a whole – unsubordinated to government, but linked with the state in a defined relationship (while recognising the implicit difficulties of this objective, given the diversity of organisations and their necessary autonomy).

Some of those interviewed criticised the Common Fund's selection processes and asserted that this was damaging relations among CSOs, as the calls for proposals create direct competition for funding. They doubt that capacity and institutionality can be built by financing short, isolated projects. Although these criticisms apply to donor practices vis-à-vis civil society in general, and not only to this fund, they nevertheless reflect real problems.

"Civil society is not built with a lottery." Coordinator of a network of CSOs

Another new aid modality aimed at CSOs is the **EC programme for non-state actors**, figuring prominently in interviews. The EC's co-financing funds to the projects of European NGOs, implemented with Southern CSO partners, are to be open to all kinds of 'non-state' actors – not only in Europe, but also in the South: NGOs, universities, political foundations, local governments, and labour and community organisations. Both Nicaraguan and European CSOs expressed concern about the new competition this would create between them.

3.2.3 - Civil society custom-made by the donor community?

The spaces created by new aid modalities have facilitated processes through which civil society can exert influence. Although many interviewees criticised the quality of the processes or the representativity of the voices that get heard, almost all of them said that they signified progress towards participatory democratic development.

Yet, there are still concerns about the degree of donor influence on the processes. The importance of external funding to CSOs affects the strategies they adopt to influence public policy. Many of those interviewed said that donors support activities within formal structures, but that it was difficult to get support for other activities, like mass mobilisations. This conditioning is not total – representatives of one SM talked about packaging their social transformation project in the language of cooperation (implying that they *could* access funding for informal activities): "they force us to fight the popular struggle disguised as 'policy influence.'" Nevertheless, the extent to which CSOs manage to win at this game is debatable.

One NGO representative interviewed argued that donors determine not only the actions of civil society, but also civil society's construction of knowledge. Short-term evaluations and consultancies have replaced institutional support to research NGOs, limiting their capacity to create their own alternatives and visions of development.[59]

59 A recent publication directly addresses these issues: Bebbington, A. ed. (2007) Conocimiento, Proyecto Político y Supervivencia Institucional: las ONGs frente a los Desafios de la Investigación y la Esfera Pública en Centroamerica y Mexico, Guatemala City: FLACSO.

Table 1: Summary of limitations and benefits of new aid modalities for CSOs

Limitations	Benefits
Poverty reduction strategy	
• Externally imposed process • Participation as discourse more than practice • Limited grassroots representation by participating CSOs	• Discourse of participation has legitimised it • Formal spaces for participation were opened • Especially in local contexts, valuable experiences were facilitated that presaged a new political culture of dialogue
Budget support – harmonisation and alignment	
• Less financing for social projects by CSOs	• New emphasis on advocacy work, citizen education, social auditing
New modes of cooperation with CSOs	
• Common Fund creates fragmented support • New EC procedures put INGOs and national CSOs in competition	• More financial support for advocacy • New space for reflection and exchange of ideas on the role of CSOs

3.3 - Change of government and new uncertainty

3.3.1 - The return of Daniel Ortega and the FSLN

The return of Daniel Ortega to the presidency in January 2007, 17 years after his electoral defeat and nearly 30 years after the triumph of the Sandinista revolution, is a political event that has profoundly affected the context of this study.

Although the FSLN only has a minority in the National Assembly, its position is more consolidated than that of the previous president, Enrique Bolaños (2002-06). Bolaños was elected as candidate for the Constitutional Liberal Party (PLC) of ex-president Arnoldo Alemán (1997-2001). Despite this relationship, Bolaños very quickly distanced himself from his predecessor, who was the main target of his highly publicised fight against corruption. The confrontation left Bolaños without the backing of his party organisation, and without any significant support in the National Assembly. To compensate, he sought to strengthen his position through the support of donors and through spaces for citizen participation.

The position of the current government is very different from that of Bolaños. In addition to the substantial number of seats the FSLN holds in parliament (38 of 92), it also has the capacity to mobilise the votes of the PLC, because its power over the judiciary allows it to threaten the PLC leader and creator, Alemán, with being returned to jail on corruption charges if PLC deputies do not support the FSLN on critical votes. In addition, the FSLN has a unique party structure in Nicaragua – very disciplined, with the capacity to mobilise street demonstrations. These factors mean that the new government can take a more independent position in relation to donors and civil society than its predecessor.

3.3.2 - New relationships between donors and civil society

Another reason for the new government having greater room for manoeuvre with traditional donors and IFIs is that it now has **new donors.** In addition to the generous promises of President Hugo Chávez of Venezuela, it has forged new relations with Iran, Cuba, Algeria, Brazil and Libya. Consequently, the Ortega administration has been able to take its time before meeting with the donor community. Not till six months after taking office did the first formal meetings take place, and only then so that Ortega could announce his intention of aligning aid more closely with government policies and revising the PND.

With CSOs, the government's position is more conflictive. A campaign to discredit the Coordinadora Civil has been launched, as well as attacks on NGOs in general, with arguments such as the following:

- They are organisations that keep for themselves most of the money intended for the poor;
- They call themselves representative without answering to any democratic processes;

- They allied themselves with the Bolaños government against the interests of the people;
- They are traitors who now answer to opposition parties.

These criticisms have been used to justify a new government policy of 'direct democracy', involving the creation of Citizen Power Councils (CPCs), organised by the party structure at neighbourhood and community levels right up to the central level and coordinated by Ortega's wife, Rosario Murillo. This initiative is the topic of much debate in Nicaragua. In our interviews, those in favour saw the CPCs as a means of giving greater voice to the population in general and not to just a few organisations. Those against the CPCs argued that they would be party rather than representative structures, and that they would centralise power in the Ortega family, thereby taking power away from local government, parliament and ministries and from the existing structures of citizen participation, created by law and developed over several years.

At present, the conflict between non-Sandinista CSOs and the government is intensifying. Seven months after taking power, the Ortega administration has still not met with representatives of wider civil society, nor has it shown any intention of doing so. This is despite the fact that the government has high-ranking officials, deputies and advisors who come from the NGO world, and central governmental programmes like 'Zero Hunger' (productive bonds for farmers) and 'Yes I Can' (mass literacy campaign), created by NGOs and originally to be implemented by them.

It is difficult to tell how the negotiation processes will develop between the various political actors inside and outside the FSLN, and how these will define the Ortega administration's policies and practices. Nevertheless, it is urgent for CSOs and donors, as well as other stakeholders, to stop dwelling on past realities and begin a process of analysis and renegotiation of new realities.

3.4 - Implications of DFID cooperation for CSO influence

The UK's DFID is an interesting donor in the Nicaraguan context, owing to its lead role in championing new forms of assistance and its clear focus on participation and inclusion in political and economic processes. Since the perception is that the results continue to be positive, interviewees were asked to identify the factors behind this relative success.

3.4.1 - Prominent role among donors

DFID has been one of the donors in Nicaragua most committed to the new aid modalities of recent years, from SWAps, PRSs (and the monitoring of them) and the emphasis on the MDGs, to budget support and H&A. Several of those interviewed highlighted DFID's role in these efforts.

Budget support

Interviewees from the donor community who participate in the BSG recognised the disproportionate contribution made by DFID personnel to the policy analysis work undertaken in the sectoral budget support groups, despite being a small team and one of the smaller donors. DFID takes advantage of the opportunities that arise in a flexible way to influence other donors and the government.

Harmonisation and alignment

In H&A, DFID has supported the Nicaraguan government with studies to facilitate its management of the process, leaving the government to define the issues and identify the experts to be hired. It has also contributed to the H&A of EU aid, taking advantage of the opportunity opened by the new Code of Conduct on the coherence of EU cooperation (formally approved in May 2007). DFID has provided funding to gather data on all European cooperation in Nicaragua and make these data accessible, as well as offering to finance a study on how to apply the code in the Nicaraguan context. Another example is DFID's success in bringing the multilateral banks together to coordinate the preparation of their aid strategies in the country.

3.4.2 - Focus on inclusion and participation

A primary objective of DFID's RAP for Latin America is to influence IFIs so that they include the poor in their programmes on markets and trade, and on political systems.[60] Concurrently, it is also focusing the aid it provides to INGOs on promoting the voices and needs of poor and excluded populations in the implementation and monitoring of PRSs.[61]

IFI personnel interviewed in Nicaragua could clearly identify DFID's contribution to the promotion of inclusion. They mentioned as examples:

- Support for a participatory planning project on the Caribbean coast, which had been excluded from the PND;
- Support for analytical work undertaken by the government and IFIs on poverty, social protection, nutrition and access to land;
- Funding for a study on poverty, based on the 'Voices of the Poor' methodology;
- Funding and workshops to improve work on gender and women's economic empowerment.

The support given for the inclusion of the Caribbean coast is especially important, as this is a neglected region, despite the fact that it has the highest levels of poverty and extreme poverty. Following a project visit to the coast, accompanied by a government advisor, DFID influenced the decision to inaugurate the most visible project of the Ortega government, 'Zero Hunger', in Raití, an indigenous community on the Honduran border.

3.4.3 - Implications of DFID's strategy for civil society's ability to exert influence

What are the implications for civil society of DFID activities with both IFIs and INGOs?

Influence on IFIs

The DFID strategy of working 'with, through and around the banks' prompted an immediate negative reaction from almost all the Nicaraguan stakeholders interviewed, apart from IFI and DFID staff, who were very positive.

"We are concerned about this closeness with the IFIs, because they apply exogenous schemes, while DFID has tried to understand the country's problems." Nicaraguan CSO

Nevertheless, CSOs are less negative when it comes to specific areas of DFID's work – whether it is supporting the right to an identity within the IDB's strategy on indigenous peoples, funding a consultation in the field over the World Bank's Country Assistance Strategy, or the inclusion of micro and small enterprises in private sector support programmes. The interviewees who know DFID's work (another donor, a government official, IFI officials) gave high marks to DFID for its focus on inclusion.

Nevertheless, there remains a fundamental question, posed by several interviewees: if one wants to encourage national ownership, would it not be better to support national processes and stakeholders directly? In addition, the director of a research NGO argued that, in the specific context of Nicaragua's new government, DFID would have more direct influence with the government as a member of the BSG than by working through the IFIs.

Aid channelled through INGOs

The aid DFID channels through INGOs takes two basic forms: one is the Common Fund, which was part-created by DFID and is part-financed by it, and is managed by the INGO, Oxfam GB; the other is multiyear agreements with INGOs, known as PPAs. A staff member of one PPA INGO argued that the local interventions of INGOs complemented the direct interventions of DFID at the macro level. While DFID promotes conditions and spaces for inclusion "from the top down," the PPA INGOs create opportunities "from the bottom up" to take advantage of them.

Box 5: Activities of PPA INGOs in Nicaragua

Oxfam GB has been participating in a consortium of INGOs for four years, supporting Political Advocacy Schools in the Caribbean coast, through the Nicaraguan Institute for Development of Democracy (IPADE). The schools train local leaders at the municipal and regional levels in analysis, research, proposal design, communication and advocacy.

60 DFID (2004) 'Regional Assistance Plan for Latin America 2004-07', August.

61 Ibid D10.

Oxfam GB reports that the participatory formulation of Investment Plans in municipalities, as well as the regional coordination forums in the Northern Atlantic Autonomous Region, bear testament to the success of this programme.

CARE UK is supporting a Master's Programme in Public Policy for members of the Departmental Development Council of Esteli, in order to build their capacity to identify and formulate public policy in a participatory fashion. One interviewee highlighted the level of discussion among students, despite their political heterogeneity – a dialogue that "should be replicated in society in general."

In a less direct way, a project of the **World Wide Fund for Nature (WWF)**, aimed at the sustainable exploitation of the rainforest by indigenous communities, has managed to generate monetary income for the first time in the communities. It has also empowered the population and given rise to community initiatives to improve access to education. DFID's Country Representative referred to the project as "really brilliant."

These projects suggest that PPA INGOs are making a significant contribution to capacity building in Nicaragua. Through DFID, these experiences are now being shared and disseminated in the form of case studies for use in advocacy vis-à-vis donors and IFIs. Meanwhile, the civil society forum created by the Common Fund is playing an important role in enabling exchange and analysis among national CSOs.

Nevertheless, some PPA INGO representatives who were interviewed suggested that, with more leadership, DFID could advance its objectives more effectively, by promoting greater articulation among PPA interventions and more analytical reflection in the PPA exchange meetings. Currently, it seems that a fear of dominating PPA INGOs and a lack of staff time limit this potential.

3.4.4 - Success factors

If the results have been positive, what have been the factors contributing to success? Comments from interviewees on DFID's strengths highlight a number of elements.

- The **presence of a country office** has been fundamental. DFID's aid in Nicaragua is characterised by its ability to take advantage of political moments and relationships, owing to its knowledge of the ever-changing national reality.
- DFID has been sufficiently **flexible** to seize opportunities at the right moment.
- The **quality of the personnel** – their enthusiasm, analytical abilities, commitment and understanding of the national context. Interviewees perceive that there is a very positive relationship between results and the level of financing in the programme, thanks to the high 'intelligence content' of its actions.
- DFID staff can provide many examples of the benefits of **interactions between the bilateral programme and the regional programme.** The existence of a bilateral programme has enabled the work to be grounded in specific local realities and stakeholders, leading to the development of knowledge, tools and lessons learnt that can enrich work undertaken at the regional level. Similarly, efforts at the macro level can contribute global learning to apply to a specific context.
- In terms of governance, DFID is achieving a good balance between '**upstream**' work (creating spaces and opportunities in governments and donors) and '**downstream**' capacity building with civil society in order to take advantage of the opportunities, so that the two ways of working inform each other.

3.4.5 - Implications of the 2007 change in government

How is the change in government affecting DFID's work? The DFID programme has been perceived as seizing opportunities where it detects political will on the part of the government, other donors (and IFIs) or social actors. In these instances, DFID enters into a dialogue, during which it can offer small but critical technical or financial contributions. With the current government, however, there has not been enough communication or consistency to allow for this kind of relationship.

Certain political discourses of the current government may (or may not) translate into real commitments and/or opportunities for DFID:

- The fight against poverty;
- National ownership of policies, overcoming the dependency on aid;
- Citizen participation;
- Greater engagement with the Atlantic coast;
- Women's political participation.

Nevertheless, other fundamental issues make cooperation difficult:

- Lack of interest in dialogue;
- Centralisation of decision-making power;
- Conflictive relationships with CSOs.

For DFID, committed as it is to a rights-based approach, the government's insistence on criminalising therapeutic abortion constitutes a fundamental obstacle to good aid relations. As with all organisations, DFID will have to go through a process of adjusting to the new context. Until new opportunities are detected, the possibilities may be limited to:

- Certain actions in limited, non-controversial areas (e.g. strengthening the national statistics system or the right to an identity);
- Existing activities with the private sector;
- Continued support for civil society, prioritising the process of adaptation and response to the new context.

DFID's work on governance continues to be very relevant because its approach recognises the political nature of governance and the importance of strengthening political parties.

3.5 - Lessons for donors

The experience in Nicaragua as an 'aid laboratory' has had positive and negative results that could be valuable in other contexts and for other stakeholders in the international aid arena. For donors, the main lessons are as follows:

- Respect national processes and structure;
- Base support on national political will, initiatives and leadership;
- Avoid instrumentalising national CSOs and respect the role of each type;
- Do not let the search for short-term results in a specific programme endanger the development of long-term national capacities;
- Recognise that governance is a political issue, not a technical one;
- Realise that participatory processes demand patience;
- Be aware that changing a political culture takes time.

The most forceful criticism made by interviewees referred to external influence over national processes of constructing knowledge. It is essential that donors support national processes, based on the construction of endogenous conceptual foundations and local development alternatives, through support for research, reflection and analysis with social stakeholders at all levels of society.

Bolivia: Implications of DFID's Changing Strategy for CSOs and NGOs in a Changing Political Context
GNTP (National Working Group on Participation)

4.1 - Contextual analysis of Bolivia

The protests, disturbances and power changes of the past few years have tended to mask the fact that Bolivia is a rich country. It boasts significant natural resources, including the second largest hydrocarbon reserves in the region and precious metals like gold, silver, zinc, lead and tin. In spite of this wealth, Bolivia is still characterised by exclusion, poverty and inequality, giving rise to constant demonstrations, road blockades, and other forms of protest.

The years 2000-05 were a period of deep crises, punctuated by intense popular protests and serious problems with party political representation. The crises included the 'water war' in 2000;[62] the popular uprising of September 2000;[63] the road blockades of June 2001; the revolt of the coca farmers in February 2002, known as 'Black February'; the 'gas war' in September-October 2003;[64] the El Alto mass action to expel Aguas del Illimani, January 2005;[65] and the protests of June 2005,[66] which some have dubbed the 'second gas war'. At a political level, there was no capacity to provide proper solutions to the crushing economic problems facing the country and no redesigning of public policies in spite of the crisis of the neo-liberal model.

This situation resulted in an early election process, which led to a change in the national political map, with a victory at the polls of the social movements (SMs) headed by Juan Evo Morales Ayma in December 2005.

According to a census conducted in 2001 by the National Statistics Institute (INE),[67] the country has 8.3 million inhabitants and an average annual growth rate of 2.7%. Around 62.4% of the population is urban. In the departments of Chuquisaca, Potosi and Pando, most of the population is rural, and it is here that one finds the highest rates of mortality, fertility, illiteracy and unemployment. Within the population, 62% is considered a member of one of the indigenous ethnic groups: 31% Quichua, 25% Aymara, and other ethnic groups 6%.

Pro-poor spending on health, education, basic sanitation, urbanisation, rural development and roads has not changed much over the past five years: in 2000, these categories represented only 10.8% of gross domestic product (GDP), rising slightly to 12.1% of GDP in 2005.[68]

According to INE data, the poverty rate in Bolivia was 63.1% by 2003-04. With regard to degrees of poverty, 34.2% of the population lives in moderate poverty, 24.8% lives on the poverty threshold, and 21.7% is indigent. The non-poor have an average per capita income nine times greater than that of the indigent. The Gini coefficient in 2005 was 0.57, increasing by 0.05 in 2006.

4.1.1 - Two decades of international cooperation in Bolivia

In the past two decades, international cooperation has played an important role in the Bolivian economy. According to the VIPFE (Vice Ministry of Public Investment and External Financing),[69] between 1987 and 2005, foreign assistance reached 12% of GDP and in 2002, 50% of all public investment depended on international cooperation.

In the 1990s, a second process of state reform began, with significant support from the international donor community, resulting in an alliance between donors and the government and a trend towards foreign aid supporting

62 The 'water war' of 2000 was a social conflict caused by an attempt to privatise Cochabamba's water system.

63 The so-called 'first gas war' of September 2000 involved protests against Bolivian gas being exported via a Chilean port.

64 The 'second gas war' rose up in the cities of El Alto and La Paz when people demanded a new Hydrocarbons Law, a referendum over state ownership of natural gas, and a Popular Constituent Assembly.

65 Aguas del Illimani is a private company whose largest shareholder is the French company Suez, one of the largest water and sanitation companies in the world.

66 As a result of the mobilisations of June 2005, the president of the Supreme Court, Eduardo Rodríguez, became the country's provisional President for a period of 150 days.

67 INE (2002) 'Censo de Población y Vivienda 2001': http://www.ine.gov.bo.

68 Ibid.

69 http://vipfe.gov.bo.

social sector spending.

In the context of these state reforms, the international community felt it appropriate to implement the pilot Comprehensive Development Framework (CDF) of the World Bank in Bolivia. This allowed the country to participate in the HIPC debt relief initiative approved by the G8 at the Lyons Summit of 1996. Under the HIPC II initiative, Bolivia was to benefit from US$1.543 billion in additional debt relief, as a result of the approval of the Bolivian Poverty Reduction Strategy (BPRS). This initiative was put into operation from 1998-2003.

Of the foreign debt relief, 62.8% came from bilateral sources (68% of which was from Japan, negotiated in the VIIth Meeting of the Paris Club for Bolivia in 1998). The remaining 31.2% came from IFIs (53% from the IDB). In 2003, the Bolivian foreign debt reached its highest point, representing 64% of GDP, an unsustainable situation that made its forgiveness a necessity.

Over the past two decades the source of Bolivia's debt has changed significantly. From 1986 to 1993, the country's main financiers were the IDB, with 19% of the contributions, followed by the US Agency for International Development (USAID) with 16%. In 2003-05, the largest sources of financing were the Andean Development Corporation (CAF) with 37%, followed by the IDB with 13%.

Currently, the main multilateral creditors of Bolivia are: CAF with 38.7%, the IDB with 26.4%, the World Bank with 10.6%, and the IMF with 0.7%. The most important bilateral creditors are Spain (5.9%), Brazil (5.7%) and Germany (2.1%).

4.1.2 - Current situation in Bolivia and possible future scenarios

While some optimism surrounds the current process of change, there is also a degree of uncertainty reflected in the implementation of the **Constituent Assembly.** There is particular uncertainty over what social oversight civil society should exercise, given the fact that some civil society leaders are now part of the present government.

The Constituent Assembly, which is tasked with rewriting the country's Constitution, is the fruit of the demands expressed in marches, strikes, work stoppages and other actions since 2000 by SMs, made up of miners, indigenous groups, rural farmers and trade unions. The process began on 13 April 2004, during the presidency of Carlos D. Mesa Gisbert, with the last reform to the Political Constitution of the State (Law 3363). This made it possible to insert the Constituent Assembly and other citizens' initiatives into the Magna Carta through a referendum (law of 6 July 2004). Bolivia's SMs regard the Constituent Assembly as an opportunity to insert rights and provisions into the Constitution that reflect their historic demands.

The Assembly is comprised of 255 assembly delegates: 45 elected at the national level (five per department) and 210 elected directly (three for each of 70 districts), of whom 58 are lawyers, 17 farmers, 17 teachers and 12 communicators. Of the 21 commissions that have been formed, only the Coca Commission and the Rural Development Commission have achieved 100% consensus, whereas the others have achieved between 1.7% and 94% consensus (183 articles out of 398 proposed).

In this context, those interviewed identified the following possible future scenarios:

- A state Constitution approved without the necessary consensus, which would lead to confrontations;
- A Constitution that is agreed and conditional on some kind of political pact. This would only postpone the problems and increase confrontation in the long term;
- A consensual Constitution but one with different visions, which would mean that consensus building and confrontations over the controversial elements would simply be postponed;
- The rejection of the proposed new Constitution in a referendum, which would mean that the current Constitution would still be in effect, with possible reforms approved by the current Congress through special legislation.

4.2 - The three-pronged relationship between government, civil society and international cooperation

The information for this study was gathered in two ways: through interviews, around 30 in three departments in Bolivia – Santa Cruz, La Paz and Cochabamba – with a range of stakeholders, including CSOs, NGOs and donor agencies; and a focus group discussion with key stakeholders, including CSO representatives, local (municipal) governments, ex-officials of vice ministries and ex-officials of donor agencies (DFID and the World Bank).

To begin with, some clarifications are required. First, within the group of 'donors', there is bilateral and multilateral

cooperation, the latter meaning IFIs. Secondly, in the analysis of 'government', both national government (with all of its constituent parts) and local government are taken into account, the latter mostly because, in Bolivia, as a result of decentralisation, the municipal government has authorities that are both executive (the mayor and his or her team) and legislative (Municipal Council). Thirdly, CSOs are treated as such when they are representative of groups and/or sectors of society that pursue a common good. NGOs are not part of this definition, nor is the private sector.

4.2.1 - Relationship between CSOs and government

Political representation is in a state of crisis because of corruption, as noted by the Bolivian researcher, Fernando Mayorga: "In recent years, the crisis of political representation centred around parties prompted an appeal for institutionalised participatory democracy as a counterpoint to party-dominated democracy. That is, a participatory component was involved that had ethno-cultural connotations, as it was associated with, and validated by the democracy of consensus which is practiced in rural and indigenous communities and regarded as superior to other forms of democracy."[70]

Mayorga identifies three key debates dominating relations between CSOs and government, as follows:

- There is mistrust of the party political system because of the corruption among political parties and a preference for a more participatory form of democracy, based on the traditional practices of Bolivia's indigenous communities.
- There are intense debates on decentralisation and autonomy at present, reflected in the different proposals presented to the Constituent Assembly. These focus on the following options:
    - Autonomous territories at a departmental level;
    - Autonomous territories for indigenous communities;
    - Autonomous regions (proposed by the government).
- There is a tension between promoting ethnic diversity and strengthening the nation state.

Although the Evo Morales government claims to be representative of the traditionally marginalised ethnic groups and sectors, opinions about him are divided. A sizeable number of people still dogmatically support his government. Nevertheless, some CSOs who initially supported his efforts to gain power to effect change are now disillusioned, claiming that his government is ignoring certain achievements of great importance to civil society, like the National Dialogues.[71] At the time, these Dialogues marked a qualitative advance for civil society, starting with participation in the prioritisation of demands and public spending, and moving towards participation in proposals for public investment policies, which would benefit productive sectors and actually contribute to solving poverty and underdevelopment.

"With the Productive Dialogue, we managed to advance from CSO participation in public spending towards defining public spending policies – the difference between collecting demands and proposing policies."

Social Oversight Mechanism

The dismissive attitude of the Morales government towards the National Dialogues and other civil society gains is causing some disquiet. Other manifestations of the erosion in Morales' support base are the growing number of strikes, shutdowns and blockades in the streets, alongside other opposition activities targeting specific government measures. Perhaps one of the most palpable pieces of evidence is the resurgence of political parties – parties which had supposedly been rendered inert and de-legitimised by a civil society tired of corruption. Civil groups had actually emerged as an alternative force to these parties in recent years. Now the 'old sea lions' are again campaigning and raising their profile in the media.

The relationship between civil society and national government is problematic when it comes to identifying interlocutors. One sector of civil society feels excluded because it is not inside the government's political camp.

70 Mayorga, F. (2007) 'Estado y Democracia en Bolivia', Paper for UNDP (p.14).

71 The National Dialogues were meetings between civil society and different levels of the state to develop a national PRS: the 1999 Political Dialogue between the most representative parties at that time, the 2000 Dialogue that included local, departmental and national-level meetings, and the 2004 National Productive Dialogue, in which integrated production strategies were developed at municipal, departmental and national levels.

Others criticise the way in which the relationships belonging to the government structure and the decision-making processes of 'government' have been combined and confused with the traditional relationships characteristic of the trade unions from which the new government leaders come.

For its part, the government is still riding the wave of the euphoria that brought it to power, and flatly denies any bias in its relations with one or other segment of civil society, claiming that powerful groups are engaged in a constant campaign to de-legitimise and discredit its laudable efforts.

4.2.2 - Government and international cooperation

The international cooperation community continues to influence quite profoundly the economy and political and social relations between Bolivians. This is reflected in donors' role in the implementation of public policies, especially those promulgated from the centre towards the departmental and municipal levels.

Interviewees in this study perceived that grants and loans condition the behaviour of whatever government is in power, as reflected in government planning systems, especially at the national level. On the other hand, they also regarded international donor agencies as a parallel power to the state.

"The development plans are models imposed by cooperation entities." Social Oversight Mechanism

"The relationship is conditioned by the donor organisations." Social Oversight Mechanism

"They sometimes act like a parallel government, a parallel power." Ex-DFID official

"The tendency toward excessive 'assistentialism' becomes paternalism." Mayor of municipal government

Those who participated in our focus group discussion asserted that at first the Evo Morales government tried to maintain a position of national sovereignty, whereby the bilateral and multilateral institutions would have to take the National Development Plan (PND) of June 2006[72] as the main reference point for their activities. However, this intention was not put into practice, primarily because of the government's institutional weakness and poor operational capacity. The donor agencies have therefore returned to their traditional practices, formally maintaining that they are in line with the government while in reality defining their own priorities.

Focus group participants expressed their deep concern over the government's disorganisation and lack of experience. In their view, there was a reversal in the progress that had been achieved through CSO efforts in recent years. "There is a contest to win people over, the only thing that they care about is staying in power," commented one participant. Some of the issues highlighted were as follows:

- The government does not have comprehensive and sustainable development policies. This weakens its position vis-à-vis the international donor community.
- The Venezuelan cooperation agency[73] is distributing resources at different levels of government, but these are not being incorporated into public planning and CSOs are not allowed to monitor or scrutinise them. This is weakening the institutionality and structure of the state at various levels. Other donor agencies are working on what they want to work on, without coordinating with municipal governments.
- The government's position in relation to the donor community is being weakened by the competition between structures, the national competing with the departmental and the municipal levels.

For their part, the donor agencies have expressed their concern about the government's slow progress and the lack of a clear position: "We receive mixed messages when we talk with one ministry or another" (Spanish cooperation representative).

72 The proposals and orientations of the PND are the basis for a transition process that will initiate the dismantling of colonialism and neo-liberalism and start building a multinational and communitarian state that will empower SMs and indigenous peoples. Its main aspiration is that Bolivian men and women improve their standard of living.

73 As explained in chapter 1, Evo Morales has forged a close alliance with President Chavez of Venezuela.

4.2.3 - Relationship between CSOs and donors

There is no relationship to speak of between the bilateral and multilateral donor community and civil society, primarily because aid and loan agreements are made between governments, bilaterally, and the IFIs deal directly with the state. The relationships that do exist generally arise out of specific cooperation programmes involving CSOs, managed either by NGOs or by the government. The bilateral donor agencies define their priorities and CSOs have to adjust to them in order to access their resources.

The perception is that the donor community does not act uniformly in all regions of Bolivia. Proportionately, there is a lesser concentration of resources in the eastern region, where the development indicators overall are higher compared with the Altiplano and valleys of Bolivia. However, these indicators do not reflect the reality of the poor sub-regions and sectors of the eastern region, which are ignored by the donor agencies.

The focus group concluded that the donor community had contributed only slightly towards poverty reduction, and that the inequality indicators had remained the same or increased. It was asserted that the reason for the low impact was that more than half of the resources channelled through the government go to pay for consultancies of financial benefit to members of the ruling party: "The percentage of resources which gets to the people is low," they say. For this reason, they insist that the rules that impose intermediaries between donor agencies and civil society have to be changed; according to the Social Oversight Mechanism (reflecting a broad consensus), the work done at the municipal level, at least in rural areas, is more effective, since there are mechanisms through which CSOs can monitor it.

4.3 - DFID policy and practice in Bolivia

This study focused on whether DFID's strategy of contributing to reducing poverty, inequality and exclusion through its support to the World Bank and the IDB is the right one in Bolivia, and what the effect has been of channelling resources through PPAs with INGOs. Our study also looked at the effects of the reduction in DFID's budget in Bolivia. The crosscutting issue of particular concern to us was the impact of DFID's strategy on CSOs and NGOs.

4.3.1 - Attitudes towards DFID's programme in Bolivia

With regard to **donor harmonisation**, DFID is perceived to have maintained a particularly positive and proactive relationship with the other international cooperation agencies in Bolivia, and to have contributed to improving relations between them.

Donor agencies regard DFID "as a kind of aid think-tank, as the creator of new ideas, philosophies and development approaches," according to a former DFID representative. For example, it is recognised that DFID has had considerable influence over the discourse of 'participation' within the international donor community and has helped it assimilate a new approach.

Likewise, a former **government minister** commented: "Although people don't want to admit it, DFID continues to be a source of knowledge and learning; it produces research and has ties with academic institutions and tries to support its policy decisions with research and with its experiences of other realities in Africa, Asia, etc. It has taken the risky bet of working closely with both civil society and with the state, even though it knows that working with the state is difficult."

The perception of DFID held by the majority of **civil society representatives** we interviewed was very positive, based on their experience of working with the agency. The quality of DFID's human relations is particularly valued. A number of CSO representatives emphasised DFID's ability to listen and welcomed its efforts to understand the reality on the ground. "DFID is an open-door institution that promotes spaces for dialogue," commented a representative of the National Union of Institutions for Social Action (UNITAS), whereas a CSO representative from Santa Cruz asserted that "DFID has the capacity to listen. DFID Country Directors sometimes visit the communities where work is being done ... They went to the field, toured factories, crossed rivers, ate with the people ... They were the only ones who did that, while others only meet us in their offices in La Paz" (Control Social Santa Cruz).

It was also pointed out that DFID "provides not only resources but also technical assistance, and there is follow-up" (INGO staff member). DFID's programme proves that one does not need money to 'do' development; other resources, like ideas, contacts, synergies and networking, are also important. In fact, DFID's greatest strengths in Bolivia may be more qualitative than quantitative, in its attitude and its commitment to the poor and to CSOs, and in its understanding of development as a complex and dynamic process.

DFID's role in strengthening the dialogue between CSOs and the state and between CSOs and the donor community was particularly highlighted by CSO representatives. According to one interviewee, "We asked DFID to get all the other donors together to listen to us, and they did. They have acted as a bridge with the government, with the donor community and with other CSOs" (Social Oversight Mechanism). Another interviewee commented: "DFID supported the Social Oversight Mechanism by fostering linkages between civil society, the government and donors" (Watch Committees).

DFID's support of civil society participation in the National Dialogues (1999, 2000 and 2004) that developed the country's PRSs was also acknowledged by CSO representatives as a positive contribution to the strengthening of civil society's social capital.

In sum, despite the modest resources contributed by DFID, interviewees recognised the enormous contribution made by its presence in Bolivia, in the positive way it approached relationships, its open attitude and its empathy towards CSOs.

4.3.2 - Effects in Bolivia of the reductions in DFID's budget for Latin America

Although attitudes towards DFID are largely positive, many interviewees expressed uneasiness about DFID's change of strategy in 2004-05 and the reduction in its budget for Bolivia. It is notable that several of the positive comments made about DFID by CSO representatives were in the *past* tense rather than the present.

A UNITAS representative stated that "the reduction in DFID's budget, together with its shift towards providing more regionally based support, have resulted in a loss of space for consensus building and have generated mistrust among CSOs, and also among major international donors."

A former DFID official commented: "It is clear that DFID used to have a much greater capacity for management and for creating linkages because its agenda wasn't so closed, its ears and feet were on the ground, now they're not. Their ears are in the capitals and they are interacting much more with the big donors than with the real poor like before. This trend has also limited its ability to learn and to support the development of inclusive and more creative mechanisms for alleviating poverty. Its current message is intangible, lacking credibility and very limited. Before, its poverty alleviation message was well founded, based on reflections with the common people, now it is based on the reflections of a few wise guys ... As a result, the links with the practical reality and the voices of the people, the connection with the key local processes have been broken." (Yet the same interviewee acknowledged that individual DFID staff members were trying hard to maintain these links.)

An INGO representative perceived contradictions in DFID's new approach and felt that these had caused some mistrust of DFID recently: "On the one hand, wanting to create linkages with civil society with almost no funds, but on the other, directing almost all of its funding to the World Bank and IDB."

In sum, the effects of DFID's new strategy go beyond a simple budgetary reduction to a loss of institutional prestige. However, the loss of DFID influence and prestige is not in direct proportion to the cuts in its monetary budget. It is felt that DFID Andes, with the little money at its disposal, manages its strategies very well, maintaining its linkages with specific public policies. Although it does not have the same influence that it used to have, it still remains focused and coherent.

4.3.3 Implications of DFID's decision to channel aid through the World Bank and IDB

Perhaps not surprisingly, the DFID representative we interviewed presented a positive view of DFID's current IFI strategy, particularly in relation to the IDB: "In Washington, they [IFI officials] are very happy that DFID is leading this process [in Bolivia], because they cannot do it directly, precisely because of the restrictions that exist; but we are trying to open paths; we have made more progress with the IDB than with the World Bank, because the IDB has a mandate to work on democracy, and the World Bank doesn't."

DFID staff were not alone in viewing this strategy positively: an INGO representative noted that: "DFID has played an important role in trying to influence the World Bank, as it has had creative ideas that have been tentatively adopted by some IFIs. The IFIs have more weight and capacity to influence the government than DFID so in this way they [DFID] have managed to affect certain public policies or the implementation of programmes important for the country."

However, most interviewees, particularly CSOs, reacted negatively to DFID's partnership with the IFIs, even though some recognised that this could be a way of optimising its depleted resources in the country. Civil society focus group participants described DFID's decision as a mistake, because the goals of the IFIs do not coincide with the spirit of poverty reduction; that is, the objective of the banks is to lend money and earn interest, and only secondarily to promote development projects. Particular concern was expressed about the conditions attached to IFI loans, which threaten the country's sovereignty. These include the eradication of coca, the adoption of a certain development model and the reduction of the state apparatus (second generation reform).

CSOs' opposition to DFID's strategy also relates to the fact that they feel they do not have access to the banks. In theory, IDB policy states that it is supposed to consult with civil society when defining its policies (a gesture which is welcomed), but when it comes to interactions at the local level, there are still vast distances between the IDB and CSOs that most CSOs cannot bridge.

An INGO representative commented: "DFID's good intentions are clear, but they have not led to concrete actions or a change in attitude at the World Bank or IDB. DFID's support has not succeeded in really getting the voice and the needs of the poor population heard or in guaranteeing that the poor's proposals are included in PRSs. It seems that this will require a change in mentality. The people working for DFID in Bolivia did not understand the policy shift coming from headquarters … and why they are investing in the World Bank in Washington and not in Bolivia."

A key point made by a former DFID official is that DFID's regional approach does not coincide with the local and national focus of the World Bank and IDB, making it difficult for DFID to exert influence: "The main problem may not be in shifting from a bilateral approach to a regional one, but rather that the main partners it has decided to use its limited resources to support, like the IDB and the World Bank, are operating at the national or sub-national level. This is seen as a rather incoherent, desynchronised strategy which is difficult to implement, much more difficult to show results with, and nearly impossible to turn into impact."

One element of DFID's regional strategy for influencing the IFIs was praised by interviewees: the Regional Learning Programme (PAR).

Box 6: Regional Learning Programme (PAR)

This is an innovative network that connects local activities with regional partners. The objectives of the network are: to maximise the impact of DFID's limited resources, influence the IFIs, support bi-national development plans and empower local governments. This programme is part of the Alliance for Impact, a network of CSOs which share experiences and knowledge regarding governance at the sub-national level.

Our research concurs with the conclusions of the ODI Interim Evaluation of DFID's RAP,[74] which described the PAR as positive and innovative as a concept for connecting local work with regional work. For example the 'Learning Laboratory' makes it possible for local experiences to reach wider audiences and be scaled up.

In Bolivia, the PAR is supporting efforts to strengthen the development institutions in border areas, encouraging the comprehensive planning of border towns, which has had very satisfactory results using few resources. Other mainstay elements of the PAR have been in urban development and in municipal decentralisation to the sub-municipal level.

The results so far appear to be very promising and show a great deal of potential for sharing with other donors as an innovative way to practice development, demonstrating the strong linking and connecting role DFID plays. This is a strategy that DFID in London should take note of, and is a testament to the way in which its interventions in Bolivia and Latin America are promoting innovation.

Crucially, the PAR has sparked the interest of the IFIs and strengthened their capacity to listen. On the other hand, the short timeframe and the scarce resources available could be limiting factors.

4.3.4 - Implications of DFID's PPAs with INGOs

Interviewees welcomed DFID's collaboration with INGOs, recognising that INGOs had much experience of working with Bolivian CSOs. It was noted that INGOs were closer to the reality of the country but at the same time could communicate with the 'international community' in its own language, thus serving as mediators in this communication process. To this can be added the capacity of INGOs to manage technical and financial resources and

74 Booth, D. et al (2007) 'Interim Evaluation of DFID's RAP for Latin America', ODI, January.

to build the capacity of national organisations to fulfil their objectives.

However, the work funded through the PPA NGOs appears to have produced uneven results. On the part of the INGOs, there is a clear desire to improve communication about the results of the PPAs, about expectations for them and about the way the money is being used. PPA INGOs in Bolivia actively seek DFID's involvement – not to tell them how to spend the money but rather to explore productive areas of collaboration.

Meanwhile, the Bolivian organisations that receive funding through DFID's PPA INGOs are unclear about their role within DFID's RAP.

Overall, one has the impression that influencing the IFIs is not the primary objective of most NGOs (either INGOs or national) in the region, which makes it more difficult for them to work with the RAP. Their objectives are to act in a supporting role towards civil society rather than in a direct advocacy role.

4.4 - Recommendations for an alternative way of using DFID's budget in Bolivia

One interviewee who works on a regional DFID programme concluded that "DFID is in a good situation to help redefine a new kind of cooperation. Not only because the INGOs in the UK have provided evidence that can be used to change or create new policies, but also because DFID has produced what the other donors haven't, that is, useful learning and knowledge for managing change ... "

Meanwhile, a former government representative asserted that "DFID could play a major role in Bolivia owing to its high level of credibility and its hands-on personal knowledge of the various actors and also to the fact that it is clear about its role within a system that ought to benefit the poorest."

However, a former DFID official felt strongly that DFID should review its choice of partners and its regional strategy: "For DFID to have success in its regional programme, it has to have some comparative advantage, and invest in regional stakeholders. DFID does not have regional partners like IICA [Inter-American Institute for Cooperation on Agriculture], the Amazonian Parliament, OTCA [Amazon Cooperation Treaty Organisation], Mercosur [Southern Common Market] or CAN [Andean Community] or partnerships with any other regional NGOs or cooperation bodies. Despite this, they continue with their policy of working with the IFIs even though it is much more difficult and even though those institutions do not have credibility with CSOs in any of the regions, especially in the area of poverty alleviation."

Generally, most interviewees felt that DFID should concentrate its limited resources on: support to CSOs in claiming their rights and strengthening relationships between CSOs and governments and other stakeholders, while leveraging strategic opportunities for optimising the activity of the IFIs, but only when such opportunities arise.

Peru: New Winds in Civil Society's Relations with Multilaterals, International Cooperation and the State

Mariano Valderrama and Federico Negrón

5.1 - Introduction

This chapter synthesises research undertaken in Peru on the implications of donor policies for CSOs. In particular, it seeks to take stock of initiatives aimed at promoting civil society participation in and advocacy on the policies of IFIs in Peru. It focuses specifically on the World Bank and IDB, as well as the UK's DFID, which has actively promoted this participation and advocacy in relation to the IFIs.

This study came out of a relatively short piece of research based on interviews with key stakeholders, as well as a review of the relevant literature already in existence. It seeks to answer the following basic questions:

- How have the policies of international cooperation changed in Peru, and how have those changes affected the ability of civil society to participate in national decision-making processes in recent years?
- How have changes in Peru's national context affected the participation and influencing potential of CSOs?
- What is the assessment by civil society stakeholders of their participation and influence?
- What is the general assessment of the DFID programme in Peru?

By way of conclusion, we will look at how the various actors are rethinking forms of participation in and advocacy on the policies and programmes of international cooperation, and will make some proposals for the future work of DFID in Peru and Latin America.

5.2 - Evolution of CSO participation in international cooperation institutions

The interviews and the documentary research undertaken for this study demonstrate that the landscape of civil society participation in IFIs and bilateral donor organisations has changed significantly in recent years in Peru and in the region. Three phases can be distinguished.

During the **1990s**, the structural adjustment model based on the Washington Consensus was dominant at the World Bank and the IDB. In the case of Peru, this was expressed through strong support given by these institutions to the neo-liberal policies of Alberto Fujimori's government. Indirectly, this resulted in the Fujimori government's political exploitation of social programmes financed by the World Bank and the IDB in order to support his fraudulent re-election.[75] This was in spite of the fact that, since the late 1990s, in the international arena, bilateral donors and IFIs had begun an active dialogue with CSOs, and many bilateral donors had expressed their support for CSOs that were promoting democracy in Peru.

From **2000 to 2005**, support for the concepts of civil society participation and people's empowerment gathered momentum, first in the World Bank and then in the IDB. This period coincided with the democratic transition government of President Valentín Paniagua, and later with the administration of Alejandro Toledo, which displayed a posture of openness and recognition of the role of CSOs in the struggle against the dictatorship and of the importance of CSO participation in public policies. It was a stage we could describe as the 'democratic spring' in relations between the IFIs, donors, government and civil society.

During this period, some interesting advances were made in terms of transparency in the management of public policies and the participation of civil society:

- The Law of Transparency and Access to Public Information, enacted during the government of President Paniagua, is a vanguard law in the region. It promotes transparency in the management of public finances through the creation of information access mechanisms so that citizens can monitor the use of public resources and ensure accountability.
- The governments of Presidents Paniagua and Toledo assigned an important role to the Anti-poverty Roundtable (*Mesa de Lucha contra la Pobreza*) as a space for building consensus around development policies and social policies with the participation of public and private entities at national, regional and local levels.

75 Schady, N. (1991) Seeking Votes: the Political Economy of Expenditures by the Peruvian Social Fund (FONCODES), 1991-95, Washington, DC: World Bank.

- The decentralisation process begun in 2002 led to the implementation of a series of participatory processes and mechanisms at regional and local levels. In this regard, we could mention: the processes of consensual planning; the creation of local and regional public sector budgets with the participation of civil society; and the democratically elected consultative councils, which included representatives from local and regional governments and representatives from civil society.

During this stage, the World Bank in Peru was particularly interested in the issues of empowerment, citizen participation and transparency in the negotiation of programmatic loans for social reform. In late 2001, in conjunction with DFID, the World Bank sponsored a study entitled 'Voices of the Poor in Peru'. This looked at the dimension of grassroots participation and included consultations with civil society leaders on the new assistance strategy of the Bank. The idea was to strengthen the capacity of local CSOs in planning, participatory budgeting and the social oversight of transparency in public poverty reduction programmes.

For its part, the IDB convened a dialogue with civil society in 2000 following Peru's return to democracy. During this process, the first participatory discussion of the Country Strategy Document for the period 2001-06 was held, and support was given to some initiatives of the Anti-poverty Roundtable (including the implementation of participatory budgets) and the Annual Social Development Conference (CONADES). In 2001, the Civil Society Advisory Council (CASC) was formed, made up of some 70 organisations, including social and labour associations, indigenous groups, human rights platforms, the Anti-poverty Roundtable and NGOs. CASC studied the IDB's Country Strategy, and created working groups to monitor the implementation of IDB's programmes.

Meanwhile, both of the development banks supported the implementation of the Integrated Financial Administration Systems (SIAF) of the Superior Council of Contracting and Procurement of the State (CONSUCODE) and of the Portal of the Peruvian government as instruments of transparency.

There was also visible support from the international cooperation community for CSOs working in the field of transparency and social vigilance.

In the third phase, which began in **2005**, both CSOs participating in our focus group and those interviewed perceived a change in the attitude of the World Bank and the IDB with respect to civil society participation. This change coincided with changes in the leadership of these institutions (whereby candidates backed by the Bush Administration and the conservative Republican Party in the US were effectively imposed). In Peru, these changes coincided to a certain extent with the election of President Alan García, supported by a parliamentary political alliance between the American Popular Revolutionary Alliance (APRA), the Fujimoristas and the conservative faction of the National Unity Front. The state retreat from promoting the participation of CSOs in Peru was confirmed by the approval of a law in December 2006 that imposes controls on national and international NGOs and limits their access to international aid.

In the case of the **World Bank**, representatives from Oxfam GB, CARE Peru and other CSOs that participated in the World Bank's consultation on its Country Strategy in early 2007, described the consultation as a single formal meeting in Lima without any background documents or sufficient space for discussion, following similar meetings in some regions. The perception was that civil society participation in the policies and programmes of the Bank had diminished. There are signs that the World Bank is now more interested in talking with the Ministry of Economy and Finance (MEF) about issues like budgeting and results-based management, and in promoting the participation of non-organised youth leaders in the discussion of Bank strategies and programmes.

A policy shift in relation to civil society can also be observed in the **IDB**. Our interviews with CSO representatives revealed that, in the process of preparing the IDB 2007 Country Strategy Document, consultation was confined to bilateral meetings with a reduced number of CSOs. Once the document had been written, the IDB did not hold any meetings to present or discuss its strategy, either with CSOs in general or with the thematic working groups that had been formed in earlier years. This was despite express commitment to this by the IDB Representative, when commenting on the lack of genuine participation in the World Bank strategy consultation process in a meeting with UK LAC PPA NGOs and DFID in Lima in October 2006. Moreover, the IDB's CASC has been inactive for two years, and has been temporarily assigned to an official who has many other responsibilities. These impressions of a change in attitude in the IDB in Peru coincided with those of CSO representatives who attended a meeting convened by the IDB in San José, Costa Rica in 2007. This meeting was limited to one day, and many of the 64 attendees felt it represented a step backwards in the IDB's relationship with civil society.[76]

76 See the evaluation carried out with meeting participants by the Bank Information Centre in Washington, DC, available on its website: http://www.bicusa.org/.

Under the new leadership of President Moreno, the IDB has adopted a new strategy, 'Opportunities for the Majority', which is intended to strengthen its relationship with the business sector. The strategy seeks to increase the productivity of business in order to improve employment opportunities in Latin America. The thinking behind the strategy is that more investment and partnerships are needed in order to encourage companies to take advantage of market opportunities; to create training and job creation services; and to establish new clusters among groups of large and small businesses as well as within each group. Some NGOs believe this strategy opens up opportunities for the development of business, which also opens up opportunities for large sectors of the population. Other NGOs are more sceptical.

Among the civil society representatives interviewed and the CSO platforms present at our focus group discussions, there was a perception that the hostile attitude of the current Peruvian administration and Congress towards NGOs and CSOs was helping to discourage the multilateral banks and some bilateral donors from working more closely with CSOs. Here, one has to bear in mind that the two banks' shareholders are countries, and that their programme and loan contracts are signed with the central government, through the MEF. This pressure is also evident in international technical cooperation agencies, which negotiate their aid programmes in state-to-state bilateral commissions.[77]

In summary, we note that there is currently a shift underway in the relationships between IFIs (namely, the World Bank and the IDB), the government and CSOs in Peru, with a reduced interest in creating spaces for CSO participation and influence compared with the previous period (2000-05).

5.3 - Exhaustion of traditional forms of CSO participation

In addition to reduced interest on the part of the IFIs and the Peruvian state in promoting spaces for CSOs to participate and influence policy, many CSO representatives interviewed, or participating in our focus groups, especially organisations from the country's interior, believed that traditional forms of CSO participation and advocacy had now been exhausted.

While it is noted that there has been institutional consolidation, and that leading CSOs have gained legitimacy through their participation in certain national consensus-building processes (National Accord, Anti-poverty Roundtable), or through the defence of democracy and human rights, or through their monitoring of social programmes, and while there is some progress at the local-regional levels, there is an evident need to rethink the mechanisms for participation.

In various interviews, focus group discussions and dialogues in different regions of Peru, the following emerged:

- CSOs have had unrealistic expectations regarding their ability to influence the policies of the IFIs, while efforts to get these institutions to implement pro-poor and participatory policies have collided with the orthodox neo-liberal model and the centralised programme management adopted by the banks in the programmes that they negotiate with the Peruvian MEF. "We have probably overestimated the possibilities that those spaces offered," said the representative of the National Association of NGOs. "We didn't know our true power, and lacked adequate alliances. Perhaps we can continue to participate in dialogues with IFIs on a more realistic basis."
- CSO analysts of IFI policies in Peru[78] interviewed agreed that the IFIs' so-called programmatic loans included certain important conditions related to transparency and citizen participation, but that these were minimal in comparison with other components, which are tied to conditions that impose orthodox neo-liberal policies of openness on the process of globalisation. Among NGOs there is a perception that, far from being pro-development financial institutions, the IFIs are neo-liberal think-tanks with the ability to impose 'road maps' and development policies in a wide variety of fields: the economic model, water management, healthcare, education. A noted representative of the Education Forum pointed out, for example, that "in our country, there is evidence that the World Bank continues to try to influence our educational agenda and public policies. Its latest proposal does not take into account the important processes of consensus building expressed in the General Law of Education, the National Agreement, the National Education Project and regional education projects."[79]
- CSOs also said that the policies announced and the proposals put forward in the consultations with CSOs had not been followed through on the ground, owing to the lack of financial and technical resources available to monitor them. Various platforms and CSOs that monitor the international cooperation community (such as the Latin

77 Although it should also be recognised that these entities subsidise decentralised cooperation programmes via NGOs from their countries and NGOs or CSOs in Peru.

78 Humberto Campodónico and Oscar Ugarteche.

79 See Rivero, J. (2006) 'Educational Policies and National Autonomy', in La República, 7 December.

American Association of Promotion Organisations – ALOP – and the Centre for Development Studies and Promotion – DESCO)[80] have harshly criticised the bureaucracy and inefficiency surrounding the management of both IFI and official bilateral assistance programmes. Large programmes, like the State Modernisation and Democratisation Programme, with loans from the IDB, are practically paralysed. Out of the small amount of money spent on the programmes, a large proportion is spent on civil servant salaries and equipment in government offices and on consultants, rather than on the effective execution of projects in the regions, as various CSO experts who are active in promoting the process of decentralisation in Peru agreed.

- It was recognised that there had been some progress in terms of transparency. The World Bank and the IDB have improved their mechanisms for public access to information, for example. In Peru, the IDB has made significant improvements in its public information system and on its website, and one can now access more detailed information on the approval procedures for IDB and Multilateral Investment Fund (MIF) projects. Similar progress has been made in the information provided by the World Bank and various technical cooperation agencies. The IDB and the World Bank have also demonstrated a willingness to collaborate with the Peruvian government on issues of transparency.

  Nevertheless, there is a deficit of information regarding the execution of international technical cooperation spending. In contrast with the MEF which, through the SIAF, makes it possible to find out about the implementation of investment projects or social programmes financed by development banks, the Peruvian Agency of International Cooperation (APCI) does not provide updated information on expenditure on international technical cooperation projects.[81]
- Many of the CSOs interviewed, especially organisations from the country's interior, felt that dialogue on public policy and cooperation that had taken place with the IFIs and the government had often been conducted by an elite group of CSOs and that there had been an overrepresentation of NGOs and thinking from the capital, to the detriment of rural and urban grassroots organisations from the rest of the country.

5.4 - New approaches to influencing the IFIs and promoting and consolidating civil society participation in international cooperation policies

Within the context of the decentralisation process that Peru has been undergoing since 2003, many CSOs have begun to propose new alternative forms of engaging with IFIs and foreign donors and influencing the policies of these institutions. In a number of regional forums, the idea has emerged of a more decentralised strategy of civil society participation in monitoring public and international cooperation policies. There is also a perceived need to focus the discussion of programme/project strategy and monitoring on the field itself, from a perspective more linked with regional agendas and the point of view of local populations. Hence the demand to decentralise the management of international cooperation and to promote new decentralised modes of financing regional development.

CSOs perceive that there is scope for improving the efficiency and effectiveness of public and private investment. In a Regional Decentralisation with Citizenship Forum (funded by UNDP and SNV) carried out in June 2006, with regional stakeholders from Lambayeque and Piura, participants pointed to the lack of coordination between central government interventions, those of decentralised public sector entities, national social programmes, and regional and local governments. To this, one can add lack of coordination with the interventions of international cooperation agencies, NGOs and the private sector. In the regional and local participatory budgeting processes, there tends to be a fragmentation of the investments in small local projects without a regional/local strategic perspective, and a tendency to favour infrastructure (construction) over investments in production or capacity building. This same trend can be observed in large public social programmes, which adopt a charity-type character and are not oriented towards productive development or the generation of employment and income.

Given this context, there is a growing interest among many international development finance entities (such as the World Bank, the International Finance Corporation – IFC, IDB and the German Development Bank – KfW) in promoting programmes at the regional level, according to our second focus group with experts on CSOs and regions. For their part, the regions are demanding that the IFIs and other financial institutions adopt the decentralised regional development finance strategies that are applied in countries in the North and in developing countries elsewhere, and that they seek to encourage decentralised regional development systems. However, such regional programmes face strong opposition from the MEF.

80 Negrón, F. (2006) 'Perspectivas y Retos Actuales en la Gestión de la Cooperación Internacional en el Perú' in Perú Hoy, December, Lima: DESCO.

81 The APCI portal, with the latest report on cooperation for the year 2005, does not provide any detail on the information, nor does it allow for user-friendly searches like the SIAF.

There has been some progress in the regions towards more decentralised management of aid. For example, in Piura, a Regional Development Planning, Management and Monitoring Centre has been created, made up of private and public entities. An international cooperation roundtable has also been formed, to foster dialogue among regional stakeholders and international cooperation entities working in the area. Similar advances are happening in other regions, such as Ayacucho and Lambayeque.

5.5 - The DFID programme and its support for civil society advocacy on IFIs and international aid

As indicated at the beginning, a central issue for this study is the evolution of policies which foster civil society participation and the empowerment of the poor. These policies are promoted by DFID, which has not only incorporated a focus on rights and on the role of civil society into its mainstream cooperation policy, but has also proposed the need for CSOs to influence the policies of IFIs specifically. This has involved using its status as a shareholder of the World Bank and the IDB, as well as bilateral cooperation negotiations with its counterparts, to promote spaces where this participation can take place.

DFID's policy of empowerment of the poor and civil society participation used to be regarded quite positively by CSOs in Peru (said representatives of the Citizen Proposal Group and CONADES) as a very innovative approach to cooperation, addressing issues such as: building capacity, expanding rights and securing commitments from the various stakeholders (IFIs, bilateral aid agencies, central government, sub-national governments, civil society in its various forms, universities and political parties).

In the view of former DFID officials interviewed, one particularly distinctive project within DFID's participatory approach was the Consensual and Decentralised Management of Social Programmes Project (FORTALECE), implemented by the Compensation Fund for Social Development (FONCODES) in two regions of the southern highlands of Peru. This sought to strengthen the capacity of regional and local governments and civil society so that they could successfully assume their new responsibilities in the struggle against poverty, better defining their competencies and functions in relation to central government. Among other significant DFID initiatives we could mention:

- The alliance between DFID, the World Bank, the central government and civil society to promote the implementation of participatory budgeting as a mechanism for the direct participation of civil society in the allocation of public resources at local and regional levels;
- The alliance between DFID, cooperation agencies and NGOs to promote projects with a rights-based approach to development.

Nevertheless, this new form of intervention, while it did manage to launch some interesting initiatives, was not consolidated before DFID's withdrawal of its bilateral programme from Peru, in the opinion of representatives from Oxfam GB Peru, CARE Peru, former DFID officials and representatives of international cooperation entities (like the EC and the World Bank). For example, the alliance developed between DFID, Congress, political parties and NGOs to encourage the democratisation of political parties did not have time to solidify, said an ex-DFID official. In a very short space of time, DFID changed its institutional policies and decided to cut its bilateral programmes in Latin American countries considered middle income.

After its decision to close its bilateral programme in Peru and reduce its budget for Latin America, DFID has attempted to continue with its work on promoting the empowerment and participation of civil society, as well as its strategy of influencing the IFIs through three small regional offices (one of which covers Andean countries from Bolivia) and through the allocation of resources to the IFIs, with some grants channelled through British NGOs working in the region, including in Peru.

Close to three years have passed since these changes took place, and the study has been able to identify some cases in which the joint actions of some CSOs within the framework of the DFID strategy have achieved significant results in terms of influencing the IFIs and the public sector, at least on certain specific issues. Below, we describe some of these cases, based on information obtained through the triangulation of interviews conducted with DFID representatives (current and former), the government of Peru and CSOs.

According to a senior executive of Oxfam GB Peru, **influencing the IDB on the issue of identity** in 2004-05 can be defined as a successful advocacy initiative. This initiative focused on the specific issue of the identity of poor women and of people in general who had been displaced by the terrorist violence of recent decades. It involved Oxfam GB and DFID working together with the Anti-poverty Roundtable and a group of Peruvian NGOs to improve access to the identity of this group of people. The work emphasised partnership with civil society and the Peruvian state entity in

charge of registering and emitting national identity documentation (RENIEC). This was an example of collaborative work undertaken on two fronts. On the one hand, DFID carried out advocacy work in Washington, taking advantage of its contacts and representation on the Board of Directors of the IDB. On the other hand, it worked in coordination with CSOs in Peru. As a result, the issue of identity was incorporated into the IDB's working agenda.

This example demonstrates that it is indeed possible to influence specific aspects of IFI policies. Nevertheless, it also shows the difficulties of converting influence on an IFI into sustained, long-term processes. According to CARE representatives and former DFID personnel, this initiative later lost steam on the IDB side.

The **Initiative against Chronic Malnutrition** was a successful engagement between a collective of international and national NGOs, UN agencies and the Anti-poverty Roundtable and the government during 2006-07. It resulted in the government adopting a goal of reducing the chronic malnutrition rate by five percentage points over five years, consistent with that set in the ENSA (National Food Security Strategy).[82] The World Bank actively involved the Initiative in its plans to develop programmes to address the problem of malnutrition in its engagement in the country, involving NGOs in a way that had not been seen in the development of other World Bank social programmes in recent years.

The World Bank's work with the government in this case is an example not so much of 'influence', but rather 'coincidence', in the sense that the efforts of these international and national NGOs to promote this issue coincided with the global agenda of the World Bank to reduce child malnutrition, a Bank policy for some time. However, the way in which the World Bank involved the Initiative against Chronic Malnutrition in the development of its social programmes *was* an example of NGO 'influence', as it is unlikely that the World Bank would have involved NGOs in these programmes had this advocacy coalition not existed and had it not successfully lobbied the government to prioritise an issue that had previously been a very minimal part of APRA's plan prior to the elections.

The **Health Sector Reform Programme (PARSALUD)** is an example of what is or is not possible to achieve with an advocacy strategy in a context of diminishing interest on the part of the government in promoting the participation of civil society in public policies and programmes. The design of PARSALUD, financed by the IDB and the World Bank, included a civil society participation component, in order to ensure appropriateness and quality in the provision of the healthcare services financed by the project. However, at the implementation stage, this component was put to one side. During the Toledo administration, there appears to have been a policy shift in the Ministry of Health towards the supply side, resulting in a neglect of the issues of quality and civil society participation. Within this somewhat adverse context for promoting civil society participation in healthcare, CARE opted for an advocacy strategy to influence the allocation of the equipment acquired with PARSALUD funds, so that the equipment would be distributed in line with the focus on maternal health, the main thrust of the programme.

According to those involved in DFID-supported health projects who were interviewed for this study, the experiences of participation by CSOs in previous interventions have to be consolidated, and incorporated into new World Bank projects. On this point, it is important to maintain support to institutional mechanisms of civil society participation, like the Local Health Administration Committees, which have been increasingly neglected since the Toledo administration.

Conclusions

In spite of the isolated positive cases above, our interviews suggest that overall neither the World Bank nor the IDB has established the conditions required to take on board the recommendations of civil society and to incorporate these recommendations into their intervention strategy. We also conclude that civil society does not yet have the capacity to influence these institutions effectively. The main stumbling block is that the financial institutions respond to the interests of their natural counterpart, the government of Peru, and the terms surrounding the execution of the loans are decided through the state/financial institution relationship. In this sense, there is a discrepancy between the policy documents of these institutions and what actually happens on the ground.

Summarising the results of DFID's advocacy policy towards the IFIs from the perspective of the interviewees, the following elements can be highlighted:

- The closing down of DFID's bilateral programme reduces DFID's chances of wielding influence in Peru.
- DFID's Andean Sub-regional Office in Bolivia does not maintain a very active relationship with Peru.
- The weak presence of DFID is aggravated by the scarce resources now available from DFID for Peruvian CSOs' advocacy work.

82 Interview with CARE Peru Programme Director.

- The British Embassy is primarily interested in British private investment which, alongside that from Spain, has become one of the most important sources of investment in Peru over the last decade. These commercial interests have become a more prominent element of British engagement in the country, now that DFID is no longer there to balance these commercial interests with a development perspective.
- The activities of the World Bank are not coherent with its proposed policies. For example, most of those we interviewed considered the last country strategy consultation with civil society in Peru to be nothing more than an act of obligatory protocol.
- The IDB, despite pressure from CARE and the regional DFID office, has discontinued its consultation with CSOs in Peru.

In essence, the positive image that CSOs used to have towards DFID has changed somewhat because of its perceived 'withdrawal' from the country, which interrupted various ongoing programmes. The argument that the withdrawal is the result of a prioritisation of the poorest countries is seen sceptically, especially in light of the significant amounts of British aid that have been diverted from DFID's MIC budget to Iraq.[83] The way in which the alliance between the Bush and Blair governments is perceived to have affected the orientation of World Bank and IDB policies is also viewed negatively. There is an impression that the pro-poor empowerment and civil society participation policies have come into conflict with the appointment to the presidencies of the IDB and the World Bank of conservatives who do not support these policies. In addition, CSO platforms question the coherence between the anti-poverty policies of both the IFIs and of governments in the North and their policies on international trade, technology, finance and the architecture of international cooperation.[84]

Meanwhile, it is felt that there is little connection between the initiatives of the diverse institutions and British NGOs supported by DFID (and between the various grants provided by DFID to IFIs internationally, regionally and nationally). On the one hand, British NGOs pass on DFID support to national CSOs. On the other hand, support to academic institutions, such as the Peruvian Consortium of Economic and Social Research, is channelled via the UK's ODI. There are no efforts to generate synergy between these initiatives and those supported in the IFIs through the DFID trust funds set up under the RAP.

5.6 - Recommendations

- More emphasis has to be placed on the practice of policy implementation and not only on policy definition, on which a great deal of advocacy work has focused. One CSO representative interviewed states: "There has been a lot of salon discourse, but a lack of monitoring and impact assessment on the ground."
- Civil society participation has to be decentralised, giving more weight to regional actors in the interior of the country (while also improving the deficient mechanisms for participation at a national level). Regional forums, monitoring mechanisms and proposals should be encouraged.
- Mechanisms to decentralise international cooperation should be promoted. Regional and local management has to be strengthened, and the IFIs have to consider new forms of support in sub-national contexts, but without imposing macroeconomic or other forms of conditionality on regional governments.
- It is particularly important to link the advocacy work on IFIs with the work carried out by other CSO platforms on issues of international trade, the environment and Peru's new financial architecture. If DFID is to continue with its policy of influencing the IFIs, it should recognise that its practice of directly supporting IFIs needs to have complementary strategies that link it with other stakeholders, who can draw on their own methodologies and experiences in the field of democracy to help generate the desired changes. In order to achieve this, the advocacy work has to be more connected to and led by national and sub-national stakeholders who, in turn, need to be strengthened and included in any new strategies for influencing the IFIs. Strengthening civil society partnerships or platforms that promote democratic governance, transparency in management and decentralisation could result in an effective critical mass regarding future interventions in relation to the IFIs.
- More knowledge needs to be generated on IFI policies and practices, and the experiences of civil society participation in these institutions need to be documented and systematised.

83 This viewpoint was shared during a workshop on international cooperation organised by ALOP and DESCO in Lima in July 2005.

84 Forum on the New Financial Architecture of Development, sponsored by ALOP and Oxfam in Lima in 2004.

Brazil: Perspectives on CSOs' Relations with International Cooperation under Lula's Presidency

Flávia Lessa de Barros

6.1 - Introduction

In Brazil, research for CARE's project was based on interviews with leaders and staff from 23 CSOs and social movements (SMs), four INGOs, three government agencies and five international cooperation organisations, as well as DFID Brazil, in Brasília, São Paulo, Belém and Recife, in the period May to August 2007.

6.2 - Context

6.2.1 - Importance of Brazil, peculiarity of its poverty and diversity of visions and proposals

Since World War II, the Brazilian state has held a strategic position within the international cooperation system, in relation to multilateral agencies – as a member, shareholder and borrower (in the case of the IFIs) – and in relation to bilateral agencies. Furthermore, Brazil has been one of the leaders of the 'developing' countries, the targets of international cooperation.

Meanwhile, from the 1980s onwards, when a more complex and organised Brazilian civil society was mobilised in favour of 're-democratisation', several CSOs and SMs also became strategic for international cooperation, especially for INGOs from donor countries that were themselves 'donors'.

The political, economic, social, cultural and environmental relevance of Brazil is reflected in the presence of several international cooperation agencies in the country. Their work has frequently been carried out as pilot studies and extended to other countries and regions. To varying degrees, issues related to poverty, inequality and social inclusion in Brazil have become a focus of interest for these agencies.

All those interviewed recognised the peculiarity of poverty in Brazil, associated with high indices of inequality. However, there are differences and debates between and within research fields over the interpretation of these phenomena and the policies for confronting the resulting problems.

6.2.2 Main lending and donor agencies in Brazil

The World Bank and the IDB are traditionally the main IFIs in Brazil with an international cooperation role, through loans aligned with the IMF. These institutions do not require the formulation of specific PRSs for Brazil as they do in LICs. Strategies conceived in Brazil are related, to varying degrees, to the programmes and projects in various areas of public policy, as laid out in World Bank and IDB assistance plans, in such a way as to progressively involve the private sector.

According to data from the International Affairs Secretariat of the Ministry of Planning and Budget (Seain/MPO)[85] of May 2007, about 64% of reimbursable external resources received by the Brazilian government come from the World Bank and IDB. However, the annual amount from these institutions is modest overall and represents minute percentages of GDP and the General Union Budget (GUB).[86]

According to interviewees from CSOs, SMs and government, World Bank and IDB resources have become more insignificant and questionable when compared with negative liquid transfers out of the country over the past few years. In the view of interviewees, the importance of these resources has to be critiqued with reference to the need to control expenditures in order to pay the public debt which, in turn, is the result of a perverse financial system promoted by these same institutions.

Given the modest resources committed, the World Bank and the IDB recognise that their strategies for Brazil are quite ambitious, in that they seek to play a catalyst role and produce paradigmatic results that could be transferred to other countries. The same applies to other international cooperation agencies, such as DFID, to CSOs and to private companies that are World Bank and IDB partners.

85 http://www.planejamento.gov.br/assuntos_internacionais/index.htm/.

86 The government's budget.

The amount of non-reimbursable resources (i.e. grants) Brazil receives from donor agencies is even more insignificant in relation to the GUB and GDP. According to data from the Brazilian Agency for Cooperation of the Ministry of International Relations (ABC/MRE)[87] from December 2006 on multilateral technical cooperation received, the main contributors in terms of number of projects are: UNDP (36%), the UN Educational, Scientific and Cultural Organisation – UNESCO (19%), the UN Children's Fund – UNICEF (16%), IICA (7%), the UN Food and Agriculture Organisation – FAO (3%) and the ILO (3%). With regard to bilateral technical cooperation received, the main contributors in terms of resource allocation are: Japan (50%), Germany (18%), Italy (12%), France (8%) and Canada (6%). In December 2004, the UK was the third most important bilateral donor, representing 13% of total bilateral technical cooperation, but by December 2006 its proportion had dropped to only 2%.

6.3 - CSO and social movement participation in national political processes and the influence of international cooperation agencies in these processes

6.3.1 - Basic characteristics of CSOs and SMs

There is a great diversity of Brazilian CSOs and SMs active in public policy areas related to development, poverty and inequality. Interviewees emphasised two basic distinctions among them: i) between SMs and NGOs, in terms of constitution and structure and ii) between rights-based advocacy CSOs and SMs and philanthropic, entrepreneurial CSOs of the 'third sector', in terms of principles and objectives. These distinctions give rise to tensions and disputes but also important alliances, especially in the first case, reflected in their interactions with international cooperation agencies.

Many interviewees asserted that CSOs in the third sector were less politically mobilised in the fight for rights than CSOs that give priority to fighting inequality and that were set up during Brazil's re-democratisation process following military rule. Nevertheless, CSOs in the third sector have been establishing networks based on their missions and interests in order to engage in political dialogue with IFIs, donor agencies and INGOs.

The general view is that **support from INGOs** was and still is the main source of finance for CSOs working in different public policy sectors related to poverty and inequality from a democracy and rights perspective. According to interviewees, access of Brazilian CSOs and SMs to resources from IFIs and multilateral and bilateral donors is very low, except in the fields of environment, family agriculture, agro-ecology and youth. Interviewees said that one of the advantages of this funding relationship with INGOs was the possibility it gave them of being autonomous and critical in relation to the Brazilian government.

However, interviewees pointed to an **enormous financial crisis** threatening the survival of CSOs defending rights and democracy, owing to the reductions in and diversion of INGO resources. The worst impacts of this crisis are felt in the north and northwest regions – precisely where there is a wide gap between public action and demand for policies to fight inequality and social exclusion. According to interviewees, INGOs and official donor agencies have started to give priority to actions with more quantifiable results, mainly related to production and income generation, to the detriment of actions favouring civil society strengthening.

A big challenge for several interviewees is how to develop survival strategies that preserve CSOs' and SMs' original roles and missions. There is a tendency among some organisations to try to secure government and private resources, but there is also resistance to this among those who wish to maintain their political autonomy. Many people think that financial dependence on the government not only causes problems for CSO management but also risks closer alignment with official agendas and a tendency towards service provision, leading to outsourcing, de-politicisation and quasi-cooptation. On the other hand, CSOs working in philanthropy, 'social entrepreneurship' and 'corporate social responsibility' believe that preconceived ideas about working with the private sector should be overcome.

6.3.2 CSO and SM perspectives on relationships with Lula's government and the influence of international cooperation on these relationships

Several interviewees asserted that even though the 1988 Constitution contains certain social rights, and policies and mechanisms in favour of participative democracy that could support processes to address poverty and inequality, there has been little progress in this direction. Some propose strengthening representative democracy *pari passu* with

87 *http://www.abc.gov.br/abc/abc.asp.*

participative democracy, by means of political reforms that would put an end to the traditional manipulation of the country's power structures, especially at state and municipal levels.

Many asserted that the Lula government had enlarged and diversified spaces and mechanisms for **social participation and representation** in several public policy sectors, mainly through the creation of various councils, conferences and forums. The general view was that the current level of participation is unprecedented, whether in relation to consultation or to the co-management of programmes with government, especially at federal level, but also at state and municipal levels. These positive evaluations are based on the perception that there is more space for dialogue and more visibility, and greater possibilities for influencing the drawing up of judicial and legal tools and/or their application and scope for participation in the design and execution of certain projects.

However, many people raised questions about the legitimacy of this participation, as participants are often not given the means, training, experience or infrastructure to participate effectively. The development of the Multi-annual Plan, announced as the great governmental plan of the past few decades, is seen as an emblematic case of a long and vast process of social participation in the global planning of public policies in Brazil. In spite of this, the final Plan did not incorporate contributions presented by CSOs and SMs.

According to CSO and SM interviewees, some priority issues have been incorporated into speeches and official agendas but not translated into policies. Here, it is worth mentioning policies related to the operating conditions of CSOs, which depend on a revision of the legal framework for CSOs, especially tax and labour legislation and access to public resources. Another related issue still pending, and linked to the financial crisis facing CSOs, is the call for trilateral dialogues on international cooperation, between the government, CSOs and SMs, and international cooperation agencies.

At the same time, many said that **macroeconomic and structural policies** were still a sticking point in the dialogue with the Lula government. The government is perceived to have failed to promote fundamental structural changes to overcome the chronic problems of poverty and inequality. For many, the coalition forged between conservative and progressive forces, as a guarantee of governability, is a major obstacle. Regarding Lula's first term in office, many people complained about the absence of a new development model for the country and the continuation of political and economic directives from previous governments, with the same monetary and tax policies.

Most interviewees also saw in Lula's government a continuation of previous governments' strategies towards international cooperation agencies, especially the IFIs. Many harshly criticised the relationship between current Brazilian development policies, aimed at fighting poverty and inequality through economic growth, and IFI directives. According to these interviewees, such economic growth policies do not have a structural impact on the causes of poverty and inequality. On the contrary, they are compensatory policies that merely manage extreme exploitation and exclusion.

The income transfer programme for the relief of extreme poverty, **Bolsa-Família**, is often included in this framework. Even though it is the largest experiment of its kind in Brazil and globally, and therefore a model for the IFIs and agencies like DFID in other countries, this programme is regarded by many interviewed as short-sighted, insufficient and incapable of guaranteeing social rights.

Interviewees from CSOs and INGOs in the third sector highlighted limitations in the dialogue with the Lula government on social policies related to the productive sector. In their view, there is a gap between the government's conceptual and operational plans, leading to an absence of innovative private sector-civil society partnership projects that could be scaled up.

Some people value the initiative of the Lula government with other Latin American governments in creating the **Bank of the South,** which proposes financial integration mechanisms in the continent based on fairer and more democratic social foundations, as opposed to those approved by the IFIs. As a result, it is anticipated that Brazil will move away from the IFIs, reducing operations and resources contracted through them. However, there is some scepticism about the power of the Bank of the South to reverse neo-liberal reforms brought about by IFIs in the region.

Many interviewed do not support the Millennium Development Goals **(MDGs)** because they feel that the mission of these is to bring everyone down to the lowest common denominator. Others criticise the alignment of the IFIs and other agencies with the MDGs, arguing that these institutions cause the poverty the MDGs are seeking to overcome. Grassroots CSO and SM interviewees with gender and race perspectives are among the main critics, perceiving the MDGs as a major setback in the international debate on these issues.

6.4 - Implications of DFID's strategy in Brazil

6.4.1 - IFI perspectives on CSOs and SMs

It is evident that World Bank and IDB staff in Brazil do not know about DFID's strategies for promoting 'donor harmonisation' or DFID's interest in applying such an objective to Brazil. According to World Bank and IDB interviewees, dealings with DFID are confined to isolated contacts involving a few staff members about a few projects, particularly Bolsa-Família. IDB interviewees also mentioned some preliminary discussions on gender.

According to World Bank and IDB interviewees, several factors determine their relationships with civil society in Brazil: the policy area and its objectives, project and programme types, managers responsible, CSOs involved, the political environment where the actions are included, volume of financial resources, and technical contributions.

World Bank and IDB staff perceptions also varied regarding the participation and influence of CSOs and SMs on their operations. However, they tended to regard Brazilian civil society as more complex and dynamic than that in other countries. They asserted that both institutions had more collaborative than conflictive experiences with CSOs and SMs in Brazil. Considering the absence of direct funding from the World Bank for CSOs in the country (in contrast with the IDB), the possibilities of the World Bank strengthening CSOs and SMs in their interactions with the government were thought to be limited.

In general, interviewees acknowledged that the participation of communities and grassroots CSOs in World Bank and IDB projects promoted 'inclusion'. However, they asserted that the quality of beneficiary and CSO action was still a challenge, particularly in the north and northwest regions, where information transfer and public management principles are lacking.

6.4.2 - CSO and SM perspectives on IFIs

Most interviewees from CSOs, SMs and INGOs were very critical of the political conditionalities of international cooperation agencies in Brazil, particularly those of the World Bank and IDB. Some felt these institutions did not provide spaces for defining national policies on poverty and inequality, among others. Some also questioned bilateral donor agencies, even if these were regarded as more open-minded because of their different characteristics.

Depending on the type and size of CSOs and SMs, it was acknowledged that the different international cooperation agencies played or could play key roles in relation to: civil society participation, access to funding, strengthening inter-institutional links, diffusion of knowledge, information and new concepts, and policy monitoring. For some interviewees in the third sector, IFIs and other agencies can also play a valuable role in capacity-building efforts, in the inclusion of CSOs in initiatives based on more market-orientated models and in the creation of intermediary structures favourable to market processes.

Some believed the World Bank was regressing in terms of its relationships with CSOs compared with the IDB. Others thought differently, saying that the IDB was more limited, even though it had direct funding channels for CSOs and had set up a Civil Society Advisory Council (CASC). Assessments vary, depending on the CSOs and SMs involved, the themes, the projects and the circumstances.

The degree of consensus among CSO and SM interviewees varied as to the criticisms, dilemmas and challenges presented by IFIs and other agencies. The main challenges and criticisms cited include the following:

Cooperation models and objectives

- The need to revise the 'outside-in' and 'top-down' approaches of the North-South model and, instead, raise the awareness of elites in the most powerful countries that have shares in the IFIs in favour of other fairer and more emancipatory concepts of development;
- The need to revise the types of loans provided by the IFIs to increase the social dimension and overcome the contradictions between policies and the gaps between rhetoric and practice when confronting poverty.

Relationships between different actors and sectors

- The lack of integration, information and broad-based, critical and effective dialogue among IFIs and other cooperation agencies, the government, the private sector and different CSOs and SMs, especially at a local level;
- The lack of support for CSO capacity building (mainly among grassroots CSOs) in engagement with the private sector (a concern expressed primarily by the third sector CSOs);

- The difficulty in monitoring government projects supported by IFIs where social and environmental safeguards are not complied with;
- The difficulty CSOs and SMs face in influencing IFI representatives in Brazil, when the latter answer to head offices in other countries.

Relationships between agencies and Brazilian CSOs

- The restriction of the change potential of CSOs and SMs and the lack of effective participation spaces. Existing spaces within the IFIs tend only to allow for the 'technical' influence of a few, large CSOs, or for the use of CSOs and SMs as instruments to execute programmes, especially at a local level;
- The lack of transparency in selection processes in programmes and projects, reproducing concepts of privilege and exclusiveness among CSOs, SMs and INGOs;
- The lack of direct funding free from bureaucratic government interference for CSOs and SMs working on employment and income generation (a view in the environmental and rural development sectors).

6.4.3 - DFID's perspectives on Brazilian CSOs and SMs

DFID interviewees recognised the potential influence of Brazilian CSOs and SMs on agendas and change in certain policy areas, but emphasised that DFID's main focus had always been the **Brazilian government**. However, they believed that the support DFID had given to some government programmes and projects may have contributed to strengthening the influence of CSOs on public policies related to poverty and inequality.

According to those interviewed, DFID aims to influence public policy by means of knowledge production and dialogue and, in that sense, their activities are planned and carried out according to the demands made of DFID, including those of civil society (considered an important stakeholder in DFID Brazil's directives).

However, in the context of the RAP which DFID is currently implementing, **relations with CSOs and SMs** have been quite limited. According to those interviewed, DFID has relationships with a few Brazilian CSOs that occasionally participate in some activities, as suppliers of consulting services or participants in seminars.

DFID has no relationships with:

- Brazilian CSOs with direct support from other UK government programmes;
- INGOs that work in Brazil with support from DFID UK;
- Brazilian CSOs and SMs supported by INGOs that receive funding from DFID UK.

According to one interviewee, DFID's next RAP (2008-11) will not alter DFID Brazil's relative distance from national and international CSOs in Brazil, reinforced by the closure of the bilateral programme. The biggest obstacles mentioned were DFID Brazil's **reduced budget and team**. The same interviewee said that DFID had to avoid spreading itself too thinly, in terms of both themes and interactions with different actors and sectors, for fear of fragmenting its activities.

As for recent activities supported by DFID in Brazil that have involved some dealings or collaboration with IFIs, and also some possibility of CSO involvement, the interviewees highlighted the following initiatives:

- Support for the Bolsa-Família audit from a gender perspective through a consultancy with the CSO, Agende. DFID officials believed the results of this study would provide good inputs for the second phase of the World Bank loan to the programme;
- Support for the capacity building of local governments to plan poverty reduction programmes in Amazon border areas, through a consultancy with the CSO, IBAM (Institute of Municipal Administration);
- Support provided to the World Bank's IFC to improve legislation that will promote a more favourable environment for private businesses in the country, with the possibility of involving CSO participants in activities previously supported by DFID;
- Support to some 'South-South cooperation' events related to HIV and AIDS (an area prioritised by the World Bank) which included several Brazilian CSOs and SMs.

According to DFID interviewees, it is still **difficult to identify and evaluate precisely what influence DFID has had on the activities of IFIs in Brazil**, owing to the regional approach of the RAP, the short time in which the

RAP has been implemented and the limiting conditions under which DFID has been operating. The impact of donor harmonisation on CSOs' relations with Brazilian public authorities is not very perceptible either.

It was equally difficult for interviewees to cite specific examples of the influence of national or international CSOs on DFID itself, except in isolated cases. According to one interviewee, DFID only shared the consultative paper on the new RAP with its Brazilian partners, that is, IFIs, some bilateral agencies and the CSO, Agende, mentioned above.

There is no record of any relations between DFID and IFIs in Brazil over strengthening the influence of civil society on the government or DFID Brazil itself. The latter does not produce and/or make public any documents on monitoring and evaluating World Bank and IDB operations, or on its activities 'through/with/around' these institutions to support public policies to fight poverty and inequality. The interviewees recognised the need for a DFID Brazil communications strategy.

Up to now, DFID Brazil has not communicated with the World Bank or IDB on its strategies for relating with Brazilian civil society, which it justifies on the grounds of its reduced operational capability. However, one interviewee stressed that if the World Bank or IDB participated in its projects or drew up country assistance strategies without promoting social participation, DFID would oppose such a situation and would try to change the attitude of the institutions.

According to interviewees, DFID Brazil does not have a coordinated dialogue or strategy on the engagement of Brazilian CSOs and SMs with other multilateral or bilateral donors, or with other UK government programmes or cooperation funds that support Brazilian government programmes (sometimes with the participation of CSOs and sometimes directly supporting Brazilian CSO projects). Interviewees said that DFID's interactions in this regard were few and far between, and were simply to ensure complementarity and to avoid duplication.

6.4.4 - CSO and SM perspectives on DFID

The vast majority of CSO and SM interviewees either did not know about or had not followed DFID's activities in Brazil directly; if they had, their information was not always accurate. In some cases, they appeared to confuse DFID with other UK government funds and programmes, particularly the cooperation programme run by the British Embassy.

A few had partial perceptions which related to before the change in DFID strategies. According to these interviewees, some government programmes and projects in which DFID had been involved had provided important possibilities for strengthening CSO participation in and influence over public policy, at national and local level, mainly in emerging policy areas such as race and gender. The main credit given to DFID was its ability to promote information and dialogue among different parties, in favour of new concepts and values. The interviewees mainly highlighted experiences of the DFID-supported programme on fighting institutionalised racism.

However, programmes and projects which had been praised for their processes and potential results subsequently had outcomes which were considered disastrous. The CSO and SM interviewees concurred with the reaction of Brazilian government interviewees, and were unanimous in giving an extremely negative evaluation of the **unilateral and abrupt decision taken by DFID to close its bilateral programme**, cut its budget, and cancel cooperation agreements in the country.

Some interviewees also criticised DFID for the way in which some dialogues had been undertaken, as in the gender and race budget analysis project. They observed that, under the excuse of budget restrictions, DFID had failed to ensure the representation of black women's CSOs and SMs. Apparently, the project had started and finished without the participation of these organisations, even though these were the ones who had first raised the problems on which the project focused. The production of the main document was assigned to the CSO, IBAM, which was not active on the issue and did not have a track record in this area.

Some interviewees also resented the difficulties encountered in having a dialogue with DFID Brazil because of some staff's lack of Portuguese language and knowledge of Brazilian culture. Based on experiences prior to the change of strategy in DFID, some felt that these difficulties were to do with more than just linguistic and cultural barriers; it was also because of the consultative nature of some meetings, where DFID Brazil representatives "listened a lot, hardly spoke, did not take a position, and only took what they wanted."

According to the CSOs and SMs interviewed, DFID's distancing from the Brazilian government, as a result of the cessation of bilateral cooperation, has resulted in fewer opportunities for civil society and made DFID more invisible in the country. In the opinion of the interviewees, new cuts in the DFID budget would not have the same impact

as before, given how much has been cut already. Some question the real value of having an even more insignificant presence in the country, and wonder if it would not be more logical to close the remaining activities once and for all.

Interviewees from CSOs and SMs fighting poverty and inequality from a rights perspective had low expectations of DFID's proposal to strengthen relationships with IFIs and thought its reasons for doing so were incomprehensible. Such a position reflected their **negative evaluation of World Bank and IDB roles** and the lack of any evaluations they felt they could trust of these institutions' contribution to the fight against poverty and inequality in Brazil. They also doubted the possibilities for CSO and SM participation in the IFI activities supported by DFID. There was a view that some DFID strategies tended to benefit certain types of CSOs and SMs interested in engaging in productive sector processes linked to the private sector and based on market logic, as opposed to rights-based CSOs and SMs. Consequently, DFID's relations with civil society in Brazil were perceived by some as 'neo-liberal'.

To varying degrees, interviewees saw their **partnerships with INGOs** supported by DFID as positive and constructive. However, some were perplexed to hear that INGOs such as Oxfam and Christian Aid, which support CSOs and SMs critical of IFI policies in Brazil, received a large part of the funding for their work in Brazil from DFID. Some found it intriguing that DFID was prioritising strategies for working more closely with and supporting IFIs in the country at the same time as it was supporting INGOs that prioritise partnerships with CSOs and SMs opposed to and seeking alternatives to these same IFIs.

6.5 - Interviewees' main recommendations for DFID

One general recommendation made by CSO and SM interviewees was that **DFID should subject its policies to discussion** with Brazilian civil society. It was felt that if DFID were to take account of their perspectives, the agency would have more legitimacy in Brazil. The same interviewees also defended the self-determination of other Latin American societies and therefore did not propose that participatory models of the Lula government be replicated by DFID in other countries.

In a similar vein, others demanded **new approaches to DFID's relationships with CSOs and SMs** that were more about dialogue and less consultative, accompanied by knowledge of the language and culture of the country and by transparent information on the progress and results of DFID's work in Brazil (including information on the selection and involvement of CSOs in DFID-supported programmes).

Some made the general recommendation that DFID should promote the **public accountability of the World Bank and the IDB in Brazil**, so that the resources mobilised by these institutions reach target populations on the ground and the 'beneficiary' social groups are recognised as protagonists.

Some CSO and SM interviewees suggested that DFID should **support citizens' networks** in the country, particularly at a local level in the north and northwest of the country. Others suggested supporting Brazilian CSOs as 'brokers' to encourage **more dynamic and flexible capacity building and funding of local CSOs and SMs**. Some of those interviewed in the World Bank and IDB recommended support for building 'management capacities' in order to enhance the 'sustainability of operations' with civil society involvement, with an emphasis on local CSOs and SMs.

In principle, there seemed to be a general consensus among those interviewed in different fields of the need for '**civil society capacity building**', following diagnoses of the difficulties certain social groups had faced in participating in development policies. However, there were significant differences of opinion as to the prognosis and recommendations – what should be given priority and should be done once greater social capacity is built, in what models should such participation be inserted and what the possibilities are for the actors involved to transform such models.

Some of those interviewed from CSOs and SMs recommended that DFID promote an **integrated dialogue** between cooperation agencies, INGOs and Brazilian CSOs. However, some asserted that INGOs should not be political protagonists in Brazil but should only mediate relationships between different parties. The boundaries surrounding the **political activities of INGOs** seemed to be a sensitive issue. Some warned of conflicts between the agendas of national CSOs and INGOs, and recommended that DFID tread carefully in this regard.

Some interviewees from CSOs and SMs and from cooperation agencies and INGOs supported DFID's collaboration in **increasing the links between programmes from different international cooperation agencies** in Brazil, so long as CSOs and SMs were involved, in order to identify converging areas of engagement and optimise the resources invested.

For some CSO and SM interviewees, DFID Brazil's agenda needs to be **less bureaucratic and more strategic**, with an

emphasis on integrated, complementary and long-term projects. Very few referred directly to the themes proposed for the new RAP, but a better definition of Brazil's role in the region was recommended on issues related to energy, for example, among other priority 'global issues'. Some CSO interviewees agreed with the recommendations of the World Bank and other agencies that the links between the environment, development and social inclusion in the country need to be explored. In this regard, several interviewees highlighted DFID support for improving public management, such as initiatives to strengthen governance in the Amazon. Support for research and evaluation exchanges in the areas of social development and climate change, especially within the Latin America region, were also welcomed.

Some interviewees from CSOs, SMs and governmental bodies believed that DFID could be strategic for promoting '**South-South trilateral cooperation**', with the participation of CSOs in the technical cooperation provided to other countries. This is an initiative in the preliminary phase of discussion, and one which still depends on the creation of the necessary conditions, but there is now a basic consensus between the Brazilian government and some Brazilian CSOs and SMs as to its importance. Interviewees highlighted the new vocation and advantages Brazil commands in Latin America and other regions, as well as the potential for Brazilian CSOs that gain experience in South-South cooperation. According to government interviewees, the UK government could support several Brazilian institutions in improving the quality of planning and management of the cooperation provided, in a way that includes CSOs and SMs, depending on their capabilities.

For some interviewees from cooperation agencies and CSOs, **better coordination among UK cooperation programmes in Brazil** could be useful within a context of fewer DFID resources. Other measures suggested to make DFID's relationships with CSOs and SMs more viable included the transfer of operational activities from local offices to more strategic offices, the reduction of expensive overheads such as 'expatriate' staff, the adoption of CSO and SM consortia models with advantageous cost-benefit ratios, or co-financed programmes which reduce budgets and stimulate ownership by different partners.

Conclusion and Recommendations

CARE's Latin America study of 2007 was undeniably ambitious. Thematically, it sought to analyse the implications of recent donor and IFI policy and practice for CSOs in Latin America through a broad lens as well as focusing on the specific case of one bilateral donor and a relatively small player in the region, DFID. Geographically, we explored these themes in four very different countries with varying degrees of dependency on international cooperation, ranging from Nicaragua, where it represents 21% of GNI[88] and 36% of the government budget,[89] to Brazil, where it is only 0.05% of GNI[90] and 0.28% of the budget.[91]

To compound the complexity of this project, all four countries were in varying states of political transition, following the election of presidents whose political agendas mark a significant break with previous administrations. Indeed, the implications of donor and IFI policies for CSOs sometimes seemed minor compared with the more momentous implications of changing domestic politics. Nevertheless, a number of common elements were identified from the hundred or so interviews with CSOs, government personnel and donor and IFI representatives across the four countries.

The following recommendations are drawn from these common findings, *particularly from the perceptions, proposals and aspirations of CSOs*. It should be noted, however, that these recommendations were developed by CARE and do not necessarily reflect the exact or same recommendations put forward by our researchers or by the different stakeholders they interviewed (these are to be found in the four country studies). CARE's recommendations below are directed primarily at *donors and IFIs*.

7.1 - General recommendations for donors and IFIs in Latin America

7.1.1 - Recognising CSOs' role in fighting poverty and inequality and promoting democratisation

With the global trend in international cooperation towards strengthening the role of the state in development, the role of CSOs has either been thrown into question or is undergoing a metamorphosis in different parts of the world, with a greater emphasis on CSOs holding the state to account, for example, than on delivering services. There is also more questioning of CSOs' legitimacy and accountability and of the extent to which CSOs represent poor people. Aside from Nicaragua (a LIC), these trends are less obvious in Latin American MICs, where the so-called 'new aid modalities' have not been such a major feature and where donors appear to favour a mix of funding instruments. Nevertheless, all four country studies convey a sense of uneasiness among CSOs about their future relations with international cooperation, particularly as aid to the region is shrinking. In three out of the four countries, this uneasiness is compounded by CSOs' strained relations with their governments, some of which are using donors' language of 'alignment behind national plans' and 'harmonisation of aid' to justify a lesser role for CSOs.

And yet, as discussed in the introduction, the relative strength and diversity of CSOs in Latin America compared with many other world regions is something to be nurtured, in our opinion, as part of an overall strategy for promoting political and social change in the continent. As the DFID RAP states, "social movements, NGOs and unions have historically been very strong and … are promoting new mechanisms for social accountability."[92]

CSOs fighting poverty, inequality and social exclusion in all four countries studied remain heavily dependent on external funding, either from donors and IFIs or from INGOs (including in countries like Brazil and Peru, where international cooperation is now a less important source of income for *governments*). Brazil is the only country where CSOs appear to be facing a funding *crisis*; elsewhere, there was no strong evidence in our research to suggest that CSOs' income is falling. But it is unclear what pressures donors and IFIs may face in the future, either to continue diverting their resources away from MICs to least developed countries (LDCs) generally (a pressure which

88 OECD DAC statistics: www.oecd.org/dataoecd.

89 World Bank (2006) 'Nicaragua: Country Brief': http://go.worldbank.org/AYRB9G1UR0.

90 Figure quoted in Batley, R. et al (2007) 'Sector-wide Approaches in Brazil: Features, Drivers and Emerging Lessons', ODI/University of Birmingham.

91 Seain/MPO statistics quoted in Brazil study: http://www.planejamento.gov.br/assuntos_internacionais/index.htm/.

92 DFID (2004) 'Regional Assistance Plan for Latin America 2004-07', August, B15 (p.6).

may also apply to INGOs) or to align their reduced budgets for Latin America with government-led plans rather than to fund CSOs.

There may also be increasing pressure for CSOs to access more of their funding via their government and to act as subcontractors to government programmes funded by international cooperation (as is already happening in several Latin American countries). CSOs interviewed in all four countries are largely opposed to having to access resources via their government because of the corruption, clientelism, bureaucracy and lack of transparency still thought to prevail within government institutions. Instead, there is a clear preference for funding that is independent of government and that allows CSOs to provide independent oversight of government actions.

The increased emphasis **donors and IFIs** now place on supporting the state's role in development should be accompanied by, and not preclude, continued support for and recognition of CSOs' role in fighting poverty, inequality and social exclusion in Latin America.

Donors should help strengthen CSOs' role in promoting democratisation and in holding governments to account. One way of doing so is through mechanisms such as the Governance Fund in Nicaragua. We recommend that donors consider the creation of similar pooled CSO Funds in other Latin American countries (while taking note of Nicaraguan CSOs' criticisms of the way this Fund is managed – see our Nicaragua country study).[93]

At the same time, **donors** should balance their support to CSOs with mechanisms to strengthen other Latin American political institutions that have the potential to enhance the state's downward accountability, such as support for the democratisation of political parties (DFID was engaged in such an initiative in Peru prior to closing its bilateral programme).

Another potential implication of donors' budget reductions for Latin America, including possible cuts in their funding of CSOs, is that CSOs may have to seek funding from the private sector. In Brazil, this trend is already evident, to the extent that our Brazil researcher highlights it as an area warranting further research. How might support from profit-making companies affect the character and mission of the CSOs receiving such support and what implications does this hold for the role of civil society as a whole?

7.1.2 - Respecting country ownership

The perception that IFIs and external donors threaten the autonomy and sovereignty of Latin America countries by attaching damaging macroeconomic conditions to grants and loans is not new. It has dominated the discourses of CSOs, political parties and popular movements across the continent for the past 20 years. But the fact that it remains a dominant theme reflects the perceived failure of IFIs and donors to change their policies significantly. Conditions attached to aid and loans on economic liberalisation, privatisation, public spending ceilings etc. appear particularly hypocritical to Latin American CSOs in the 21st century, given the stated emphasis in international cooperation on promoting 'country ownership' of development.

Donors and IFIs should deliver on their commitment to promote 'alignment' and 'country ownership' of aid, respecting national processes, structures and sovereignty rather than using the leverage of grants and loans to promote their own political, economic and social models.

7.1.3 Promoting citizens' ownership of development processes

Many of the CSOs we interviewed also emphasised that 'country ownership' of the development process should include '*citizen ownership*' and not just 'government ownership'. This concern is even more pertinent in countries where CSOs' relations with their government are strained. Most IFI and donor websites and official documents now recognise the importance of promoting 'citizen ownership' of or 'citizen participation' in public policy processes.[94] However, our research indicates that:

93 www.careinternational.org.uk/LAC_Research_Nicaragua.

94 See IDEA/World Bank `Experiences with National Dialogue in Latin America: Main lessons from a roundtable discussion' San Salvador 2000 http://siteresources.worldbank.org/CDF/Resources/elsalvaenglish.pdf; see also World Bank press release for small grant programme in Albania intended to "support citizens ownership" http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/0,,contentMDK:20892385~isCURL:Y~menuPK:258613~pagePK:2865106~piPK:2865128~theSitePK:258599,00.html.

- Official IFI and donor policies do not always reflect actual practice at a country level;
- The models of participation promoted by the IFIs and donors in PRS processes, for example, while not entirely negative, have often been quite limited and exogenous to the country's own processes;
- Donor and IFI increased support for CSOs' policy monitoring and advocacy work is welcomed but is still lacking;
- Civil society participation frequently fails to lead to civil society *influence* over public policies and/or their implementation.

A key question is what constitutes 'the promotion of citizen ownership' and whether IFIs' and donors' perceptions of this concept are the same as CSOs' perceptions. For the World Bank, for example, it is about giving voice to citizens' concerns and helping to ensure that their views are factored into policy and programme decisions.[95] While agreeing that these are important elements, many CSOs would highlight other elements, such as the importance of recognising that government-led plans and priorities are not the sum total of 'country ownership', that CSOs' strategies and activities *outside* government-led plans and priorities are also part of this concept, and that a diverse civil society independent of government can *strengthen* democratic pluralism (and by implication national ownership).

Donors and IFIs should strengthen and deepen their attempts to widen the concept of 'country ownership' beyond 'government ownership' to include '**citizen ownership**'. This should include the promotion of downward accountability of governments to their citizens through, for example, funding of CSOs' advocacy, policy monitoring and governance work. But the promotion of citizen ownership should also include the promotion of an independent and diverse civil society whose activities complement those of government (rather than having to be aligned with them).

In spite of their concerns about the undue influence of international cooperation in their country's affairs, most of the CSOs interviewed in our study acknowledged that donors can often play an important role in promoting spaces for civil society participation in the formulation and implementation of development plans (both local and national) and public policies in general (there was less support for IFIs playing such a role). They also recognised that bilateral donors can help CSOs gain access to IFIs, other donors, and their own government in some cases (a role that DFID has played at times).

However, in Nicaragua and Bolivia, where the new presidents' relations with donors and IFIs remain ambivalent, there is a potential danger of CSOs being perceived as mere instruments of international cooperation if collaboration is not handled sensitively. Moreover, the new political contexts in Nicaragua, Bolivia and Peru mean that the spaces and processes that used to exist for CSO engagement with the state and with local and national development processes have changed, as has the government's perception of CSOs' role.

Donors need to consult CSOs in each country over the extent to which CSOs feel it is appropriate for them to create and facilitate political space for them.

Donors, IFIs and INGOs need to undertake a process of analysis of the new political realities facing CSOs in Nicaragua, Bolivia and Peru and review how best to support CSOs' efforts to renegotiate the terms and spaces for engagement with the domestic political process.

7.1.4 - Respecting the endogenous culture of Latin American CSOs

A concern expressed by a number of CSO interviewees is the tendency for international cooperation agencies (mainly IFIs and bilateral donors but sometimes INGOs as well) to determine Latin American CSOs' identity and their construction of knowledge, through the type of funding provided, the activities these agencies are prepared to fund, the management models on which funding is conditioned, or through the promotion/imposition of exogenous and often formulaic models of civil society participation. In some cases, these tendencies are stifling the very diversity and dynamism that give Latin America's CSOs and social movements (SMs) their strength. They are also perceived to be limiting the scope for CSOs to create *alternative* visions of development to the mainstream ones and therefore reducing the possibilities for innovation.

95 World Bank small grants programme in Albania press release, op cit.

In this context, we sense that further research is needed on how donors can support the non-institutional approaches to political change of some CSOs while also maintaining relations with governments (since governments can be hostile to such approaches) and supporting the strengthening of state institutions.[96] Likewise, more reflection is needed on how support for CSOs' development of long-term *alternative visions* fits with increased donor emphasis on 'results-based management'.

Based on our research, we recommend that donors, IFIs and INGOs:

- Respect and nurture CSOs' diverse approaches to bringing about political change, including approaches that are sometimes outside formal political processes;
- Provide long-term and flexible funding to research CSOs and other organisations committed to long-term social and political change, and not just short-term, piecemeal, project-focused funding of a more operational nature.

We concur with the recommendations of a recent ODI paper on engaging with non-traditional civil society that donors should consider:[97]

- Diverse, experimental funding across a wide range of CSOs;
- Differentiated grant making to reach CSOs with limited management capacity.

Donors, IFIs and INGOs should avoid imposing their own organisational models and approaches on the Latin American CSOs they support under the guise of 'capacity building'. While many CSOs acknowledge the need for institutional capacity building, this should be carried out in a way that strengthens rather than undermines the original character and mission of the organisation.

7.1.5 - Influencing donors and the IFIs

Our research indicates that Latin American CSOs have little contact with either bilateral donors or IFIs. With regard to IFIs, the overall perception is that their contractual relations with government frequently preclude meaningful engagement with civil society, except in certain projects and programmes. As conveyed in Chapter 2, there is considerable scepticism both of the possibilities of CSOs being able to influence the IFIs and of the participatory spaces created within these institutions. In this context CARE believes there are concrete measures IFIs and donors could take to increase the scope for CSOs to engage with their policy and practice.

Donors and IFIs should create greater opportunities for CSOs to engage in and influence the overarching country strategies, policies and approaches of these institutions and not just specific programmes or projects.

In particular, the **World Bank and IDB** need to ensure that the mechanisms and spaces created at a country level for consultation with civil society over their plans and country strategies have sufficient weight and power to enable CSOs to actually influence the policies and practices of these institutions. This implies that consultations should include the provision of detailed information to CSOs in advance, sufficient time to permit meaningful discussion, and mechanisms for reaching shared understandings that can be legitimately integrated into the positions taken by the IFIs in their negotiations with governments. Without real influence, current mechanisms will continue to be perceived by CSOs as tokenistic.

Donors and IFIs should decentralise the mechanisms for civil society participation in the elaboration and monitoring of donors' and IFIs' own policies and strategies through, for example, local-level consultations (as the World Bank attempted to do in Nicaragua and Peru recently). In this way, donors and IFIs are likely to be exposed to a wider range of CSOs and views, beyond the established CSO spokeswomen and men in capital cities. But local-level consultations should complement rather than substitute for national-level consultations to avoid the fragmentation of CSO engagement.

96 Donlan, E. (2006) mentions the then-Bolivian government's accusations that DFID was supporting organisations perceived to have organised informal protests against the government.

97 See Fletcher T. and A. Wells (2007) 'Multi-donor Support to Civil Society and Engaging with "Non-traditional" Civil Society: a Light-touch Review of DFID's Portfolio', ODI, June.

7.2 - Specific recommendations for DFID

The ODI Interim Evaluation of the RAP points out that "a continued role for DFID in Latin America is important both for DFID and the region ... The region is a rich source of innovation in development policy, and DFID has established a reputation for contributing a distinctive perspective and approach to the region's policy debates."[98] This reputation, however, is under threat as a result of the cuts and strategy changes that have accompanied DFID's current RAP for Latin America, according to our research findings. The key question is whether the new RAP (2008-11) can salvage this fading reputation.

7.2.1 - Playing to its strengths

In CARE's opinion, DFID should use its limited budget to play to its recognised strengths in the region. Prior to 2004, all or some of these strengths were identified to varying degrees in the four countries we studied as follows:

- Promotion of innovation and new approaches within the international cooperation community, with potential lessons for DFID's work in other world regions (even if these lessons have not always been institutionalised);
- Expertise in governance, participation and inclusion, all of which are particularly relevant to tackling the inequalities that perpetuate poverty in Latin America;
- Facilitation of dialogue between different actors at a country level, particularly the facilitation of CSOs' engagement with other donors, IFIs and government;
- Understanding and knowledge of the realities facing the poor and excluded through having i) a presence in the country and ii) high-calibre staff committed to inclusion and engagement with CSOs, and possessing strong analytical skills;
- Small teams which can use their reputation to punch above their weight but which can work flexibly, seize opportunities, and adapt to changing national contexts.

It is also clear that DFID has played an important role in promoting **donor harmonisation** in Nicaragua and (in the past) in Bolivia and Peru where such harmonisation is particularly needed, according to those interviewed in these two countries. Significantly, there is also some support for DFID playing such a role in Brazil in the future (through its convening of a proposed donor roundtable, for example).

7.2.2 - Maintaining a presence and viable budget in Latin America

However, most of DFID's assets highlighted above now have to be presented in the past tense. In the two countries where DFID no longer has a bilateral programme (Bolivia and Brazil), these assets have either evaporated or have been seriously weakened since 2004. In Peru, where DFID no longer has either a bilateral programme or an office, they have been almost entirely obliterated. Nicaragua, the only country to still have a DFID bilateral programme, is also the only country where DFID appears to be maintaining and building on the progress made before 2004.

The most striking effect of the new RAP, as far as CSOs are concerned, is the significant distancing of DFID in Peru, Bolivia and Brazil from Latin American civil society, in our opinion (alongside a distancing from governments too).

In the short term, it is unlikely that DFID will have the disposition or the resources to re-establish multiple bilateral programmes in Latin America. Nevertheless, our research suggests that *the success of its regional approach may rest on maintaining a country presence*. In this respect, our findings concur with those of the ODI Interim Evaluation of the RAP, which states that "it will be challenging to do effective regional work without a country base. The lines of work that seem most relevant and promising are based on very hard work to sustain and adapt regional initiatives that in many cases pre-dated the RAP. They invariably make use of pre-RAP experience in bilateral programmes."[99]

Any further cuts in DFID's Latin America budget – particularly to staffing – should not be entertained, in our opinion. Several interviewees in Brazil pointed out that the cuts made in 2004 were so deep that further cuts would throw into question the viability of having any programme of work in that country – in spite of DFID's identification of Brazil as a key global catalyst for international development.[100] It is apparent that staffing in the region can only be cut to a certain point, beyond which it would become almost impossible to build the relationships required to execute a regional strategy, let alone national strategies.

98 Booth, D. et al (2007) 'Interim Evaluation of DFID's RAP for Latin America', ODI, January (p.vi).

99 Ibid (p.18).

100 DFID (2007) 'Moving Forward', Consultation Paper on RAP II, May.

In order to recuperate some of the losses of the past four years, to protect what assets DFID still commands in Latin America and to ensure the viability of its regional approach in the future, we recommend that the new RAP for 2008-11 commits DFID to:

Increasing current DFID expenditure in Latin America. Given that the UK government Comprehensive Spending Review of October 2007 projected "an increase in overseas aid as a share of national income from 0.37% in 2007-2008 to 0.56% in 2010-11,"[101] we call for an increase in DFID's LAC budget to match the average 11% annual increase across DFID **at the very least**. Any additional resources should be concentrated on:

- Maintaining a small but high calibre and innovative staff team which can maintain and develop relations with a variety of stakeholders, including CSOs, and can inject ideas, new approaches and networking opportunities into these relations.
- Maintaining a presence in each of the countries where it is funding work, even if only a small presence; in the case of Peru, (and, we suggest, in Honduras – where DFID also closed its office) this would mean reinstituting a DFID presence in order to recuperate some of the ground lost over the past three years. (This recommendation concurs with the ODI Interim Evaluation.)
- Maintaining a bilateral programme in Nicaragua (where DFID's comparative success in recent years derives largely from having a bilateral programme, in our opinion).
- Creating stronger internal mechanisms that would enable DFID to apply lessons learnt in Latin America on issues such as inequality, social exclusion and participation to other world regions where DFID operates. This would maximise the value of DFID's investments in Latin America.

7.2.3 - DFID's relations with IFIs in Latin America

DFID's decision to channel funds through the World Bank and IDB in Latin America is part of a broader strategy of the Labour government since 1997 to improve the impact of its contribution to development by working in partnership with other multilateral and bilateral donors. This strategy is supposed to increase the effectiveness of UK ODA. However, several leading commentators in development question whether the opposite is sometimes the case. Robert Chambers of the Institute of Development Studies (IDS), for example, believes it is a fallacy that multilateral organisations are always better at allocating aid. He asserts that money has in some cases been 'dumped' on organisations unable to spend it effectively.[102] Is DFID's strategy of channelling funds through the IFIs in Latin America purely a cost-saving exercise in the context of budget cuts and a gradual withdrawal from certain MICs? Or is it actually improving the effectiveness of DFID's investments in the region?

The RAP states that the purpose of DFID's contributions to IDB and World Bank operations is to "strengthen the focus on poverty, inequality and inclusion, facilitating greater participation and engagement by a wider range of stakeholders." But among the CSO (and some government) representatives we interviewed, there was little faith in the ability of a small player like DFID to change the institutional culture of these huge organisations. After three years, most of the CSOs we consulted could see little evidence of DFID's impact on World Bank and IDB policy and practice at a country level in overall terms.

The exception to this rule appears to be Nicaragua, where both CSOs and World Bank and IDB staff themselves acknowledged DFID's positive influence over these institutions. In our opinion, the maintenance of a DFID bilateral programme in Nicaragua has enabled DFID staff to develop constructive on-the-ground relations with in-country World Bank and IDB staff, leading to concrete results and initiatives. Elsewhere, the assessment of DFID's IFI strategy is more negative. In Peru, for example, our research suggests that the space for civil society engagement with these two institutions on their country strategies has actually *contracted* since the RAP was approved in 2004. Our conclusion is that effective multilateral investment comes at a price and may well require an active DFID presence at a country level to make it work.

101 See HM Treasury (2007) `Meeting the Aspirations of the British People: 2007 Pre-budget Report and Comprehensive Spending Review', October and http://www.hm-treasury.gov.uk/media/B/1/pbr_csr07_pn04dfid11pdf.

102 Remarks made by Robert Chambers at 'Dangerous Ideas in Development', an IDS event at Westminster on 23 May 2007.

DFID's decision to continue with its strategy of contributing funds to the World Bank and the IDB should be based on demonstrable evidence that it has managed to influence these institutions in the direction specified in the RAP over the past four years in the region itself or that, at the very least, concrete opportunities have been identified to do so in the future.[103]

We recommend that DFID either maintain or deploy staff at a country level who can engage with local IFI staff at this level, as experiences in Nicaragua suggest that such engagement has yielded the most positive influence on the IFIs compared with the other countries studied.

A major difficulty we encountered in trying to assess the impact of DFID's strategy is the lack of publicly available information about IFI activities supported by DFID. At a seminar organised by CARE in July 2007,[104] several NGO participants noted that it was only when the ODI published its Interim Evaluation of the RAP in January 2007 that those outside DFID had any real sense of what was being funded. At a Latin American country level, our study indicates an almost total lack of awareness among the vast majority of stakeholders interviewed as to the existence of the DFID-supported trust funds in the IFIs, let alone the activities being funded through them.

DFID must improve its transparency and accountability to civil society by regularly communicating to CSOs (both Latin American and British) its progress in helping to strengthen the focus of the World Bank and the IDB on poverty, inequality and inclusion in Latin America.

DFID needs to disseminate more public information on its website about the nature and activities of DFID-supported trust funds in the IDB and World Bank, as such information is only very partially available on the websites of these institutions.

An important consideration is the impact of DFID's IFI strategy on its relations with *other* key stakeholders in the region. Many of the Latin American CSOs interviewed in this study reacted negatively to DFID's strategy of channelling funds through the World Bank and IDB out of principle – either because of these institutions' association with a neo-liberal model perceived to have aggravated poverty and inequality in Latin America, or because of the closed nature of these institutions vis-à-vis civil society. Indeed, our view is that DFID has alienated some of the very organisations and movements it helped to strengthen over the past decade as a result of its decision to work so closely with the IFIs in the region.

Before continuing with this strategy for another four years, we recommend that DFID reflects on the implications of its close partnership with the World Bank and the IDB for its relations with other key actors fighting poverty, inequality and social exclusion in the region, and takes measures to avoid further distancing itself from Latin American CSOs mistrustful of this strategy (such as by improving the transparency of its work with the IFIs).

7.2.4 - DFID's regional strategy

DFID's regional approach was perceived as weak and ill conceived in its current form by most of the interviewees in our study who were aware of DFID's RAP. A major criticism (particularly in Bolivia and Peru) is that DFID is putting all its eggs in one basket by focusing its regional strategy almost exclusively on collaboration with the IFIs.

We recommend that DFID's regional strategy embraces other regional actors and not just the IFIs. Our Bolivia study mentions a number of regional Latin American or sub-regional CSO networks, for example, that DFID could support in order to promote a more genuinely regional and more inclusive approach.

7.2.5 - Programme Partnership Agreements with INGOs

There is broad support among the Latin American CSOs we interviewed for DFID's PPAs with INGOs, and evidence cited of these INGOs' positive contribution to building the capacity of Latin American civil society (and local governments)

103 Booth et al (2007) state: "We see credible evidence of positive influence on both the IDB and the World Bank, but it is uneven." See paragraphs 64-5.

104 Seminar attended by UK-based staff from PPA INGOs and academics to discuss the preliminary findings of this research project, 13 July 2007.

to engage in public policy. Our Nicaragua chapter cites concrete examples of PPA INGOs' impact in this area. Meanwhile our Peru study notes a few specific cases where PPA INGOs have managed to influence discrete IDB/WB programmes and policies.

However, the INGOs interviewed in this study asserted that DFID was failing to realise the full potential of its investment in PPAs.

Although CARE and the other PPA INGOs interviewed welcome the flexible and `unearmarked' nature of PPA funding and appreciate DFID's efforts to avoid dictating a particular agenda to them, nevertheless CARE recommends that DFID:

- Explores potential areas for more long-term strategic collaboration with those PPA INGOs that are interested in such collaboration (some may not be) in order to maximise the impact of existing initiatives on both sides.
- Promotes greater communication between PPA INGOs on how each organisation is using these funds, and what the results have been.
- Creates more space for analytical reflection in its exchanges with PPA INGOs on the respective approaches taken by DFID and INGOs in Latin America.

7.2.6 - Coherence between IFI trust fund strategy and PPAs with INGOs

Our Peru and Brazil studies note (and likewise the ODI Interim Evaluation of the RAP)[105] a general lack of coordination between the different components of DFID-supported work in Latin America.

One specific example of this is the lack of coherence and communication between those involved in the DFID-supported trust funds at the World Bank and the IDB on the one hand and the PPA INGOs on the other. PPA INGOs have received very little information on the functioning and actions of the trust funds, whereas IFI staff responsible for the trust funds appear to have little knowledge of the PPA INGOs' activities, even though the levels of funding for the two types of action are broadly similar. The prospects for successful implementation of the RAP would be increased if coherence between the two types of funding were to be improved.

If DFID is to continue its partnership with the IFIs and if the trust funds at the World Bank and IDB are to continue being an important element of this, CARE suggests that DFID develop mechanisms for promoting communication and coherence between the trust funds and the CSOs it supports in the region, particularly the INGOs receiving substantial funds via DFID's PPA Annex for LAC.

7.2.7 - Looking to the future

A DFID Andes representative recently told our Bolivia researchers that "DFID is in a good position to redefine a new type of international cooperation … because it has produced what other donors haven't, and that is learning and knowledge useful for managing change." Given DFID's past reputation for promoting innovation and change among donors and IFIs that still need to change a great deal (in the opinion of the CSOs we interviewed), and given the urgent need for donors and IFIs to adapt to changing political contexts in the region, it seems essential to us that DFID be provided with the opportunity and the resources to play this role in Latin America in the future. But for this to happen, DFID needs a presence at a country level and sufficient staffing levels. Without these, "the main effect is to tear the rope out of the ground, the very nexus with key local processes," as a former DFID official in Latin America commented to us.

105 Booth et al (2007) paragraphs 53-60.

Appendix: List of Organisations Interviewed

Bolivia
Servicio Holandés de Cooperación al Desarrollo (SNV-CBBA)
Centro de Estudio de la Realidad Económica Social (CERES)
Centro de Documentación e Información Bolivia (CEDIB)
Instituto de Formación Femenina Integral (IFFI)
Centro de Investigación y Promoción del Campesinado (CIPCA)
Asociación de Comités de Vigilancia de Cochabamba – Federación de Asociaciones de Comités de Vigilancia de Bolivia (ADECOVIC-FACOVBOL)
Departamento Cochabamba
Honorable Alcaldía Municipal, Cochabamba
Asociación de Municipios de Cochabamba (AMDECO)
Secretaría Departamental de Planificación, Santa Cruz
Fundación Ciudadana y Alivio a la Pobreza (Fundación PAP)
Universidad Autónoma Gabriel René Moreno (UAGRM)
Confederación de Pueblos Indígenas de Bolivia (CIDOB)
Asociación de Comités de Vigilancia de Santa Cruz (ACOVICRUZ)
Mancomunidad de Municipios de escasa población 'Vallegrande' (MMV)
Asociación de Municipios de Santa Cruz (AMDECRUZ)
Mancomunidad de Municipios del Pantanal Boliviano (MMPB)
Cámara Agropecuaria del Oriente Boliviano (CAO)
Oxfam Bolivia
Servicio Alemán de Cooperación Social-Técnica (DED)
Agencia Española de Cooperación Internacional (AECI)
European Commission (EC)
Inter-American Development Bank (IDB)
World Bank
DFID Andes
Consejo Nacional de Ayllus y Markas del Qullasuyu (CONAMAQ)
Confederación Sindical Única de Trabajadores Campesinos de Bolivia (CSUTCB)
Programa de Investigación Estratégica en Bolivia (PIEB)
Unión Nacional de Instituciones para el Trabajo de Acción Social (UNITAS)
Mecanismo Departamental de Control Social (MDCS)

Brazil
Agende - Ações em Gênero Cidadania e Desenvolvimento
Associação Brasileira de ONGs (Abong)
Caritas Brasileira Regional Nordeste II/CNBB
Cefemea/Articulação de Mulheres Brasileiras (AMB)
Central Única dos Trabalhadores (CUT)
Centro Dialogu
Centro de Estudos e Práticas de Ação Popular (Cepepo)
Confederação Nacional de Trabalhadores na Agricultura (Contag/FNRA/RB)
Comissão Pastoral da Terra (CPT/NE)
Federação de Órgãos de Assistência Social e Educacional (Fase-Recife/RB)
Fórum Brasileiro de ONGs e Movimentos Sociais para o Meio Ambiente e Desenvolvimento (FBOMS/RB)
Fórum Nacional de Reforma Agrária (FNRA)
Instituto do Homem e Meio Ambiente da Amazônia (Imazon)
Instituto de Pesquisa Ambiental da Amazônia (Ipam)
Instituto Ethos
Instituto de Estudos Socioeconômicos (Inesc/RB)
Instituto Observatório Social (IOS)
Instituto Polis (RB)
Observatório Negro

Rede Brasil sobre Instituições Financeiras Multilaterais (RB)
Rede Brasileira de Integração dos Povos (Rebrip)
Sempre Viva Organização Feminista (SOF) – Marcha Mundial de Mulheres
Universidade Popular (Unipop/Fórum da Amazônia Oriental)
CARE Brasil
Intermon
Oxfam Brasil
Visão Mundial Brasil
Ministério do Desenvolvimento Social (MDS)
Agência Brasileira de Cooperação (ABC)/Ministério das Relações Exteriores (MRE)
Tribunal de Contas da União (TCU)
World Bank
IDB
EC
DFID Brasil
Programa das Nações Unidas para o Meio Ambiente (PNUMA)
United States Agency for International Development (USAID)

Nicaragua
CARE Nicaragua
Oxfam Nicaragua
Progressio Nicaragua
Federación de ONGs Nacionales
Red Nicaragüense por la Democracia y el Desarrollo Local
Asociación Martin Luther King
Instituto Mujer y Comunidad
Movimiento Comunal
Movimiento de Mujeres María Elena Cuadra
Movimiento Autónomo de Mujeres
DFID Managua
EC
Embassy of Sweden
IDB
World Bank
Ministerio de Relaciones Exteriores, Gobierno de Nicaragua
Oficina de Administración Pública, Secretaría Técnica de la Presidencia, Gobierno de Nicaragua
Poder ciudadano del Departamento de Estelí
Nitlapan
Servicio Jesuito de Migraciones
Centro de Investigaciones de la Comunicación (CINCO)

Peru
Oxfam GB
CARE Peru
Save the Children
Gobierno Regional de Lambayeque
Centro de Estudios y Promoción del Desarrollo (DESCO)
Asociación Latinoamericana de Organizaciones de Promoción (ALOP)
Centro Peruano de Estudios Sociales (CEPES)
Propuesta Ciudadana
Ministerio de la Mujer y Desarrollo Social
Secretaria de Técnica del Acuerdo Nacional
IDB
World Bank
EC
DFID Peru (former staff)
Red de Globalización
Asociación Nacional de Centros
Foro Salud
Consorcio de Investigaciones Económicos y Sociales (CIES)

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