

**Aid and Accountability:  
The Modalities of Poverty Reduction Strategies  
and their Impact on Democratization**

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by

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## Abbreviations

APR	Annual Progress Report
CDF	Comprehensive Development Framework
CIRI	Cingranelli and Richards dataset
CPIA	Country Performance and Institutional Assessment
DAC	Development Assistance Committee
DFID	Department for International Development
ECF	Extended Credit Facility
EFF	Extended Fund Facility
EITI	Extractive Industries Transparency Initiative
ESAF	Enhanced Structural Adjustment Facility
FCL	Flexible Credit Line
FIL	Financial Intermediary Loan
GBS	General Budget Support
GMM	Generalized Method of Moments
GOVNET	Governance Network
HIPC	Highly Indebted Poor Country
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IEG	Independent Evaluation Group of the World Bank
IEO	Independent Evaluation Office of the International Monetary Fund
IFI	International Financial Institution
IFI-SAP	Bank-Fund Structural Adjustment Program
IFI-PRS	Bank-Fund Poverty Reduction Program
IMF	International Monetary Fund



IMF-SAP	IMF Structural Adjustment Program
IMF-PRS	IMF Poverty Reduction Program
IMF-STB	IMF Financial Stabilization Program
JSA	Joint Staff Assessment
JSAN	Joint Staff Advisory Note
MDGs	Millennium Development Goals
MONA	Monitoring of Fund Arrangements
MP	Member of Parliament
OECD	Organisation for Economic Co-operation and Development
OED	Operations Evaluation Department of the World Bank
OLS	Ordinary Least Squares
OWT	One World Trust
PAF	Performance Assessment Framework
PRGF	Poverty Reduction and Growth Facility
PRS	Poverty Reduction Strategy
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSAL	Programmatic Structural Adjustment Loan
SAD	Sector Adjustment Loan
SAF	Structural Adjustment Facility
SAL	Structural Adjustment Loan
SBA	Stand-by Arrangement
SIL	Specific Investment Loan
SIM	Sector Investment and Maintenance Loan
SSAL	Special Structural Adjustment Loan
TAL	Technical Assistance Loan
2SLS	Two-Stage Least Squares
UN	United Nations
UNDP	United Nations Development Program
USAID	United States Agency for International Development
WB-INV	World Bank Investment Project Financing
WB-SAP	World Bank Structural Adjustment Program
WB-PRS	World Bank Poverty Reduction Program



# 1. Introduction

## 1.1. What is the problem?

### 1.1.1. Research questions

In 2000, the international community agreed on a set of eight development goals, including foremost the halving of extreme poverty and commonly known as the Millennium Development Goals (MDGs), to be achieved by 2015. In their efforts “to make the right to development a reality for everyone”, world leaders resolved “to create an environment – at the national and global levels alike – which is conducive to development and to the elimination of poverty” (United Nations 2000: 4). Fifteen years later, the target of reducing the proportion of people living in extreme poverty by half has been globally met, but inequalities within and among countries persist. In 2015, the international community thus re-affirmed their commitment by setting out a broadened set of 17 Sustainable Development Goals to be achieved over the next 15 years through a global partnership for “ending poverty in all its forms everywhere” (United Nations 2015: 14).

Independent of their impact on poor people's lives, one of the most manifest outcomes of these concerted efforts over the last 15 years has been the rise of the international aid effectiveness agenda. While the Millennium Development Goals provided the official mandate for the global consensus on poverty reduction, developed and developing countries alike acknowledged that increasing the volume of international development aid<sup>1</sup> is not enough. In a series of high-level meetings headed by the Organisation for Economic Co-operation and Development (OECD), they, therefore, agreed on a new aid agenda aimed at making aid more effective and conducive to the final elimination of poverty in the 21<sup>st</sup> century (OECD 1996). Signaling a clean break with the one-way decision-making model that characterized earlier development efforts, the contours of the international aid effectiveness agenda have been shaped by an understanding of aid as a partnership between national and international actors.

Key to this new global partnership has been the promotion of mutual accountability between developing countries and their development partners. Developing countries are expected to account for their efforts to monitor national development strategies, and to strengthen linkage between national development strategies and domestic budget processes, while development partners have to account for their efforts to harmonize their monitoring and reporting requirements, and to rely to the extent possible on developing countries' own systems and processes to deliver aid (OECD 2005b).

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<sup>1</sup> Throughout the whole book the focus lies on foreign aid given for developmental reason leaving aside other non-developmental objectives.

Beyond making developing countries and development partners more accountable to each other, the new aid agenda also strives to make them more accountable to citizens in developing countries. An important milestone in this regard has been the World Bank's *Voices of the Poor* study (2000), which pointed to widespread distrust expressed by poor people as to state institutions that are "either not accountable to anyone or accountable only to the rich and powerful" and suggested to make "the well-being of those who are worse off the touchstone for policy and practice" (Narayan et al. 2000: 203, 264). The challenge thereby consists of finding ways to empower poor people and enable them to take more control of their lives. Enhancing accountability towards citizens is understood not only as instrumental, that is, as leading to better service delivery for the people, but also as an essential dimension of poverty reduction in itself.

In 1999, the World Bank and the International Monetary Fund (IMF) introduced a new approach to their relations with low-income countries. The approach made the broad-based participation of the general public (and the poor in particular) in the preparation of a national Poverty Reduction Strategy Paper (PRSP) a requirement for access to debt relief and financial support from both institutions. Representing the centerpiece of the new aid agenda towards which the international community has turned lately, the Poverty Reduction Strategy (PRS) approach provided the operational framework — both for developing countries and for their development partners — for accelerating progress towards the Millennium Development Goals (World Bank and IMF 2005: 2).

Drawing on previous research on the international aid effectiveness agenda (in particular, Eberlei 2005 and Fraser and Whitfield 2009), this study postulates that the interesting thing about the promotion of mutual accountability in the contemporary aid architecture is that it adds an inherently political logic to the International Financial Institutions' (IFIs) predominantly economic reform agenda. While their way of doing business traditionally followed a corporate logic, the new political logic propagates a three-fold shift from a narrow focus on borrowing governments and state elites to broad-based participation by the general public and the poor in particular (new partners), from donor-driven policy blueprints to policy dialogue around country-owned strategies (new principles), and from identifiable project aid and sector activities to program-based aid in support of the general budget (new practices).

On a more general level, this thesis contributes to the broader aid and democratization literature in arguing that not only the targets but also the modalities of development aid matter, and that the scope for domestic accountability these modalities allow bears significant consequences for the political institutions and practices in recipient countries.

Since its introduction in 1999, more than 60 low-income countries have taken part in this global accountability initiative by the IMF and World Bank. However, despite its broad dissemination across the developing world, broad comparative analyses of the PRS approach's impact on democracy are still missing in the respective literature. By applying a clear accountability lens, this thesis thus asks

*if and how the Poverty Reduction Strategy approach has changed the relations between donors and recipients of foreign aid as compared to earlier development efforts. Assuming that it has changed aid relationships, it raises the follow-up question, whether and under which conditions this new type of aid, as opposed to other types of IMF and World Bank support, has made any meaningful difference in terms of strengthening democracy in recipient countries.*

### **1.1.2. Research contributions**

This study focuses on accountability relations between national and international actors collaborating on common development issues. The general innovation of this thesis lies in its use of a clear accountability lens for analyzing the way international development aid is delivered at the recipient country level. Thus, development and democracy perspective are brought together, which had often been kept separate in scholarly debate and development practice.

More specifically, by drawing on the long and distinguished history of the concept in democratic theory (for an excellent review, see Borowiak 2011) and the work of global governance scholars (in particular, Grant and Keohane 2005 and Rubenstein 2007), this research proposes to conceptualize aid modalities in developing countries as institutionalized accountability forums in order to better understand the causal mechanisms by which development aid affects democratic change in recipient countries. Within these forums, donors act as surrogates of weak citizens in holding their governments accountable.

The main finding of the present study is that, beyond the new rhetoric of aid, the PRS approach has changed the relations between donors and recipients of multilateral aid since the IFIs have increased the scope for domestic accountability within their new aid modalities as compared to earlier development efforts. Evidence from expert interviews shows that multilateral aid practices have changed in terms of strategy, mechanisms, and goals to build on and strengthen domestic accountability systems at the recipient country level. Moreover, empirical findings also show that beyond the PRS approach, the impact of development aid on democratic change varies with the way aid is delivered. In a statistical analysis of all types of IMF and World Bank support, general budget support under the PRS approach has the most substantial impact on democratization in recipient countries. While evidence from disaggregated data supports this general conclusion, it also finds that the impact of multilateral aid differs according to the strategic rationale of aid, the nature of the recipient regime, and the extent of donor coordination at the recipient country level.

In sum, this research makes three contributions to the debate on the effectiveness of aid in general and the success of transparency and accountability initiatives in particular.

A first, theoretical-conceptual contribution of this research is that it provides a more comprehensive and democratic understanding of accountability than the simplistic and rather technocratic notion of mutual accountability that has shaped development thinking and practice. Against the normative principle of accountability, that has been promoted in the international aid architecture; chapter 2 proposes to look at accountability as institutionalized forums or spaces of the actual confrontation between national and international actors interacting on common issues in the new global governance of aid. An understanding of accountability as a social concept makes it possible to explore how mutual accountability relations at the donor-recipient level interact with domestic accountability relations at the state-society level in aid-receiving countries. At the same time, through defining donors as surrogates of citizens in their institutional accountability relations with recipient governments, this research recognizes the primacy of domestic over mutual accountability demands and thus sees citizen participation in the current aid architecture from a more democratic perspective.

A second, empirical-descriptive contribution of this research is the highlighting of an observed trend towards a more political and rights-based development approach both at the national and global level of aid policy. In particular, chapter 3 describes how (normative) mutual accountability standards at the donor-recipient level and (institutionalized) domestic accountability arrangements at the state-society level have both increasingly been linked to an international framework of human rights, democracy, and good governance. Through a desk review of relevant policy documents by bilateral and multilateral donors, the present study finds substantial evidence for the hypothesis that over the past two decades a more “political spirit” has been introduced into the global aid regime.

A final, empirical-analytical contribution of this research consists in demonstrating that not only the democratic targets of aid matter, but that also the modalities of aid delivery have a significant impact on democratization in recipient countries. While chapter 4 traces the shift in aid relations between donors and recipients of foreign aid as perceived by World Bank staff who have been engaged in these new aid modalities under the PRS approach, chapter 5 assesses the impact of general budget support under the PRS approach on democratization in recipient countries and compares it to more established modalities of IMF and World Bank support. Together, these two empirical analyses contribute to a more robust and general picture of the PRS approach than is found in literature so far.

Before reviewing the existing literature, it is necessary to put the PRS approach into context. In the following, it will be shortly explained why this approach has been the IFIs’ most promising initiative in recent times.

### 1.1.3. Research context

The IMF and World Bank presented their PRS approach as a series of process innovations based on the lessons learned from past experiences. In particular, the World Bank moved from a conception of development based on the primacy of economic growth towards poverty reduction as the focal point of all its development efforts. This shift in goals constitutes the legacy of World Bank President James Wolfensohn and his Chief Economist Joseph Stiglitz, who together have been leading the internal “revolution” for a new comprehensive development framework (Wolfensohn 1998, 1999; Stiglitz 1998a, 1998b, 2001, 2002). Under the presidency of Wolfensohn (1995-2005), the poorest segments of society became the object of the World Bank’s mission to free the world from poverty (Pender 2001: 406).

However, as I argue here, the novelty of the PRS approach lies – despite its name – not in targeting poverty reduction (a development objective that already has a long history), but in linking the global governance of aid systematically to citizen participation at the national level. In practice, the PRS approach probably has been the most innovative approach of recent times, since it simultaneously aims at transforming aid relationships at the global level (‘governance promise’) and accountability relationships at the national level (‘participation promise’).

In the following, I will describe these two “promises” as they have been set on the international aid effectiveness agenda by President Wolfensohn.

A first promise originates from the introduction of good governance into the global governance of aid. Addressing the deficits of past aid practices, World Bank President James Wolfensohn outlined the essentials of good governance at the donor-recipient level. First and foremost, as he pictured it, recipient countries “must be in the driving seat” defining the content of their own development strategy. That is, the IFIs (and the donor community at large) should always be mindful “that it is up to the government and its people to decide what their priorities should be”, since development cannot and should not be imposed “by fiat from above – or from abroad” (Wolfensohn 1998: 8). At the same time, donors “must learn to co-operate with each other”, and become “better team players capable of letting go” (Wolfensohn 1998: 10). So far, as Wolfensohn self-critically notes, there has been “much too little coordination of effort, much too much suspicion between participants and in many cases a simple absence of a framework to coordinate and bring together under government guidance an agreed set of objectives and effective and accountable programs” (Wolfensohn 1999: 21). Only if donors and recipients of foreign aid adopt such good practice, they will succeed in building a partnership that would allow addressing the “global challenge of equitable, sustainable development and poverty alleviation” (Wolfensohn 1999: 31).

In sum, through defining principles of good operational practice, the PRS approach has introduced the idea that governance reforms in recipient countries must be matched by similar reforms of the way aid is delivered (Faust and Messner 2007: 1; Santiso 2001b: 18). Central to the new governance of aid is that it would move “beyond projects” and think instead of a global partnership required for sustainable development in its broadest sense (Wolfenstein 1998: 7). From a development perspective, the PRS approach thus promises to transform the relationship between donors and recipients of foreign aid.

A second promise stems from the introduction of citizen participation in policy-based lending by international financial institutions. When World Bank President James Wolfensohn outlined the basic parameters of the Bank’s new approach to development, he proposed that it must be a holistic one. Crucially, such a holistic approach to development should “be a participatory process, as transparent and as accountable as possible within the political climate prevailing in each country” (Wolfensohn 1999: 30). National policy agendas should be “set by a process of public debate and consensus building led by the government with all sections of society” (Wolfensohn 1999: 10). While particular attention should be given to strengthening the voices of the poor and other marginalized groups in the process, Wolfensohn draws attention to the fact that the new approach should not become a blueprint, but provide enough flexibility to be tailored to specific country contexts (Wolfensohn 1999: 8). Even in places where civil society has not much voice, there is a growing recognition among donors that “[e]ffective development must address these social concerns”, because “it is crucial to the long-term peace and stability of any country” (Wolfensohn 1999: 12, 26). Therefore, citizen participation should rank high on the agenda, particularly of those donors working with governments on social programs and providing support to national budgets (Wolfensohn 1999: 12).

In sum, by involving civil society in public policy-making, the PRS approach goes beyond donors’ traditional development approach, which has been obsessed with “the local” as opposed to wider structures of power in the national political arena (Hickey and Mohan 2005: 241). Central to the new type of citizen participation is the idea that it would introduce a process through which citizens are empowered to take charge of their own destinies (Wolfensohn 1998: 2). From a democracy perspective, the PRS approach thus holds great promise in transforming relationships between political actors in aid-receiving countries.



## **1.2. What has previous research shown?**

In line with these two promises, previous research on the PRS approach may be split into a governance strand that examines whether the development potential of the PRS approach has transformed aid relationships at the donor-recipient level, and a participation strand that investigates whether the democratic potential inherent to the PRS approach has mitigated the democratic deficits at the state-society level in recipient countries. At the risk of some simplification, both strands may be further split between those reviews that take an optimistic or a critical position when assessing the PRS approach's potential in terms of its actual changes from a development or a democracy perspective. Combining empirical assessment with theoretical outlook, four positions within the PRS literature can be identified.

### **1.3.1. Governance optimists**

Along with official statements, the optimistic position within the development debate holds that the PRS approach operates as a “catalyst for change” (Stiglitz 1998b: 3). The new approach is seen as a major departure from previous donor-driven approaches to development. At the same time, the inherent difficulties of transforming the global governance of aid are often acknowledged.

Internal evaluations by the IMF (IEO 2004) and the World Bank (OED 2004) display an optimistic view of their “new way of doing business in low-income countries” that “has generally helped make progress in the right direction” (IEO 2004: 5; OED 2004: 4). According to their evaluation offices, the PRS approach “has the potential to encourage the development of a country-owned and credible long-term strategy for growth and poverty reduction” (IEO 2004: 3). At the same time, the PRS approach remains work in progress, as it has not yet realized its full potential in terms of transforming aid relationships and achieving pro-poor development results (IEO 2004: 6; OED 2004: 45). Whether the new approach will achieve these goals, is considered to depend on its successful implementation (OED 2004: 6). In this regard, the IFIs note that the initial conditions from which the PRS process started in most low-income countries have not been conducive to generating quick results. Moreover, they also acknowledge shortcomings in the initial design of the PRS initiative, related to their own role and management procedures (IEO 2004: 3; OED 2004: 47).

These findings by the evaluation offices of the Bank and the Fund have generally been shared by a wide range of sympathetic insiders, who portray the PRS approach as “unfinished business” and address the opportunities and challenges for closing the “implementation gap” and “putting the new paradigm to work” (see, e.g., Booth and Lucas 2002; Driscoll et al. 2005; GTZ 2005; Holvoet and Renard 2005; Marcus and Wilkinson 2002). According to these insiders, weak institutional and human capaci-

ties in recipient countries often are the main reason for development efforts falling short of their potential. As mainly seen in Africa, the immense capacity constraints of recipient countries to plan and implement national development strategies in a sustained way are further exacerbated by a slow change in donor attitudes and practices (Cheru 2006: 370, 373; GTZ 2005: 62; Ikhide and Obadan 2011: 1).

To promote PRS sustainability, a first recommendation for donors has been to encourage recipient countries' own prioritizing of capacity needs and then jointly support these country-specific priorities (GTZ 2005: 20; Ikhide and Obadan 2011: 23). As a result, country ownership of the PRS approach should significantly increase. To reduce PRS complexity, another pivotal recommendation for donors has been to increase their efforts at “[s]trengthening conditionality and making donor funding more predictable” (Cheru 2006: 371). Better donor coordination is said to be essential for building global partnerships in support of nationally defined policy agendas.

In general, insiders of the aid business still see a long way to go by the international community for transforming aid relationships in a sustainable way (Marcus and Wilkinson 2002). Still, they are confident and forward-looking in searching for new tools and good practices to achieve better results in future iterations of the PRS process (see Booth and Lucas 2002; Driscoll et al. 2005; Ikhide and Obadan 2011).

### **1.3.2. Governance critics**

The critical position within the development debate contends that the PRS approach represents a radical break with past aid practices. Instead, it should be seen as a hegemonic approach driven in no small way by the international financial institutions to cement “the external legacy” (World Bank and IMF 2005: 43) in the global governance of aid.

The IMF and World Bank claim that the PRS approach has introduced a fundamental change in the nature of the relationship between developing countries and donors (World Bank and IMF 2005: 1). However, critics from outside the inner circles of policy-making dispute this demise, arguing that the PRS approach does not represent a “qualitative” departure from previous adjustment programs, but may be better seen as “the latest installment in the ever-changing fashionable semantics of the development community” (Imboela 2005: 435). The new “fashion” shows itself in that recipient governments are telling donors what they want to hear, instead of donors telling them what to do (Sumner 2006: 1407). From a critical outsider's perspective thus, “today's generation of development blueprints under the rubric of poverty reduction” are perceived as “a re-branding of old-style practices and policies” – wrapped up in principles of local ownership and global partnership (Abrahamsen 2004a: 1456; Fine 2001: 15; Cornwall and Brock 2005: 1052, 1055).

From a development perspective, the crucial question is whether these principles have found their “way into the real business” or whether they are “mere rhetoric” (Eberlei 2007: 8). Critics within the development debate may be grouped around the two principles of ownership and partnership as the central axes of the disputes of the period. While the former deny that power has been transferred to poor individuals and countries (‘no change’), the latter argue that aid practices have been transformed by the use of softer and less visible forms of power (‘subtle change’).

Critics of the ownership principle claim that the PRS approach has neither empowered poor people nor has it disempowered the IFIs (e.g., Dijkstra 2005; Fraser and Whitfield 2009; Imboela 2005; Stewart and Wang 2003; Whitfield 2009; Whitfield and Fraser 2009; Seshamani 2005; Zack-Williams and Mohan 2005). Understanding ownership as the degree of control recipient governments can secure over “the contents of the strategies” and the “implemented policy outcomes” (Dijkstra 2005: 451; Whitfield and Fraser 2009: 4), they assert that policy conditionality is “still alive” and “kicking” at the negotiation stage of loan conditions regarding multi-donor budget support operations (Fraser and Whitfield 2009: 85). These critics note that especially the IFIs’ practice “business as usual” (Dijkstra 2005: 459). The stark similarity in the PRS content worldwide suggests that the macroeconomic framework remains non-negotiable (Imboela 2005: 437, Fine 2001: 6; Stewart and Wang 2003: 19), limiting the debate to government spending on social sectors (Dijkstra 2005: 452). Moreover, the IMF and the World Bank have created many opportunities in the wake of the PRS process to push for their preferred policy options. Critics of the new ownership philosophy blame the PRS approach to elicit “illusions” of improved aid effectiveness (Dijkstra 2005), whereas in reality, as they contend, only cosmetic changes have been made to the contemporary aid architecture (Seshamani 2005: 9; Dijkstra 2005: 452; Fraser and Whitfield 2009: 87).<sup>2</sup>

In sum, ownership critics find no evidence that the PRS approach has transformed aid relationships and reduced the inequalities between donors and recipients of foreign aid (Fraser and Whitfield 2009: 89, Stewart and Wang 2003: 1). According to them, the IFIs continue to dictate policy directions in developing countries despite the PRS approach’s focus on greater local ownership (Bendaña 2001, cited by Fraser 2005: 318; see also Zack-Williams and Mohan 2005).

The second group of critics within the governance strand argues that the IFIs continue to govern but by less “coercive” and more “subtle” means (e.g., Abrahamsen 2004a, 2004b; Cornwall and Brock 2005; Craig and Porter 2003, 2006; Harrison 2001; Mercer 2003). Understanding partnership as “a form of advanced liberal rule” (Abrahamsen 2004a: 1453), these critics claim that the PRS approach should not be analyzed in terms of its potential to change the power imbalance between donors and recipients of foreign aid, but in terms of its impact on transforming the aid industry’s way of doing business. In particular, the IFIs are said to increasingly rely on “the explicit commitment to the self-

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<sup>2</sup> For comprehensive critiques, see Whitfield 2009 on African experiences; and Dijkstra 2005 on Latin American experiences.

government and agency of recipient states” for “influencing a country’s development choices more effectively” (Abrahamsen 2004a: 1453, 1059; Mercer 2003: 743). Harrison (2001) has coined the term “post-conditionality regimes” to describe the intimate working relations between IFIs and government technocrats at the center of policy-making in many aid-dependent African states. A central feature of the post-conditionality regime is that IFIs do not just impose conditionalities, but employ the disbursement of funds to introduce “new methodologies of policy design based on corporate plans, surveys, and closer budgeting and monitoring techniques” (Harrison 2001: 671). These new methods are held together by a distinct vocabulary, which carries “the allure of optimism and purpose”, but also “circumscribes the legitimate terrains of agency” for development actors (Cornwall and Brock 2005: 1044, 1052). Conditionality thus continues, albeit under a different name (Abrahamsen 2004a: 1453, 2004b: 184; Mercer 2003: 743).

In a nutshell, partnership critics agree that it is not the new policies, but a new vocabulary and new methodologies that are the defining features of the PRS approach. From their perspective, the PRS approach has indeed transformed aid relationships in terms of introducing a new global partnership, but it has done so without questioning the intellectual roots and the assumed consensus of the new comprehensive development framework (Craig and Porter 2003: 54).

### **1.3.3. Participation optimists**

Unlike the governance strand that has considered the PRS approach’s development potential within the global governance of aid, the participation strand has focused on the PRS approach’s democratic potential related to citizen participation in national decision-making processes.

The optimistic school of thought sees the PRS approach as a potentially transformative approach for “deepening democracy” (Gaventa 2006) at the recipient country level. Involving civil society in the preparation and monitoring of national poverty reduction strategies is perceived to have the potential for mitigating the existing democratic deficits in recipient countries.

Participation optimists draw hope from two expectations linked to the introduction of the participatory method at the national level. First, they hope that involving the poor in the preparation and monitoring of poverty reduction strategies might help to define a better development strategy “more in tune with local conditions and needs” (Cling, Razafindrakoto and Roubaut 2002: 6). Second, they also strongly believe in participation “as a high democratic value in itself” (Rombouts 2006: 29). Participation optimists understand civil society participation “as an exercise in political freedom, and thus an onset, however timid, of democratic practices” (Molenaers and Renard 2006: 8).

Given these high expectations, it comes as no surprise that the PRS process yielded a vivid debate among participants from (international) civil society. This debate was primarily informed by case studies (or syntheses thereof) “that focus on process *qua* process asking whether participatory planning techniques are being implemented according to their true principles” (Fraser 2005: 318). In general, civil society organizations welcome the PRS approach as an important “step forward” over past aid practices but also report many drawbacks concerning the nature of the participatory process (Oxfam 2004: 1; Whaites 2000: 27).

On the positive side, civil society organizations generally agree that the participatory process has opened up new spaces for domestic policy dialogue, in which civil society played a far more active role than ever before. Moreover, some organizations have also been capable of taking advantage of the participation opportunities introduced by the PRS process and formed new networks, umbrella organizations, and strategic alliances to advance their agendas. Last but not least, in a handful of conflict-affected and fragile countries like Mozambique, Rwanda or Sierra Leone, the PRS process is said to have contributed to broader processes of social cohesion and national reconciliation (e.g., Curran 2005; Thornton and Cox 2005; Oxfam 2004; UNDP 2003; World Bank 2005c).

On the negative side, non-governmental development organizations, in particular, expressed their concerns about a “participation deficit” among key sections of civil society and the government in the PRS process, whereas those who participated lacked democratic legitimation to determine binding government decisions. Moreover, participation in PRS processes is said to have been limited to consultation rather than joint decision-making on relevant aspects of pro-poor policy-making, leading to frustrations among participants. Finally, the participatory process has been criticized as an on-stage “theater” routinely performed by recipient governments to satisfy donors’ new aid policy, while at the same time the crucial decisions are made backstage between “unaccountable technocrats on both sides” (e.g., CIDSE-Caritas 2004; Eberlei 2001; Oxfam 2004; McGee et al. 2002; Richmond and Ladd 2001; Rocha Menocal and Rogerson 2006).

Academic observers of the PRS process have generally confirmed this balance sheet by societal participants (e.g., Biekart 2009; Booth 2003a, 2003b; Lister and Nyamugasira 2003; Molenaers and Renard 2003, 2006). The new type of “participation conditionality”, i.e., the donor requirement that recipient governments involve civil society in public policy formulation and monitoring, is regarded by many as the most “revolutionary” element of the PRS approach (Molenaers and Renard 2003: 133, 2006: 28; Morrison and Singer 2007: 722).<sup>3</sup> However, they emphasize that reality is more complicated than portrayed in official documentation by the IMF and World Bank. Echoing the findings of internal reviews (World Bank and IMF 2002, 2005), academic observers of the PRS process acknowledge its trans-

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<sup>3</sup> This new donor requirement has also been called “process conditionality” (Booth 2003b: 136) or “social conditionality” (Whaites 2000: 5).

formative potential, but criticize its uniform application across the developing world (Molenaers and Renard 2006: 15; Doe 2012: 47; Piron and Evans 2004: 19; Rombouts 2006: 4).

While showing general sympathy for the participatory approach, participation optimists ask the IFIs to consider that state-society relations are barely institutionalized in so-called neo-patrimonial regimes.<sup>4</sup> In particular, they contend that civil society's new role as "watchdog of government" under the PRS approach barely meets the realities in most African countries, where "domestic politics tend to be patronage-based, with fragmented party systems and weak civil societies" (Booth 2003b: 137; see also Lister and Nyamugasira 2003: 103; Molenaers and Renard 2006: 22). State elites in neo-patrimonial regimes that combine elements of patrimonial and legal-rational rule deploy a broad range of "tactics" to control and manipulate the participatory process, thereby effectively blocking off any governmental or non-governmental watchdog, whose participation they perceive as threatening to their own, narrowly defined interests. By taking the neo-patrimonial context into account, constructive critics from academia thus claim that civil society participation serves governments as a "legitimizing gimmick" (Molenaers and Renard 2006: 22) rather than providing means for strengthening the democratic process in recipient countries.

As a result, recommendations for donors are either to get serious about it by "setting out minimum criteria [that] could partially avoid negative effects of participation processes" (Rombouts 2006: 39) or to drop the participation conditionality in its present form by replacing it with "country-specific and realistic targets, based on solid political and social analysis" (Molenaers and Renard 2003: 135; 2006: 23).

In general, academic observers point to an overtly voluntaristic tendency among governmental and non-governmental donors rallying behind the PRS approach "in considering any form of participation as an improvement over past practices" (Molenaers and Renard 2006: 8, citing Hickey and Mohan 2005: 238). Since aid practitioners have invested a lot of resources and prestige, their reviews seem all "to be based on the tacit assumption that the 'PRSP approach' must be saved" (Dijkstra 2005: 462).

#### **1.3.4. Participation critics**

The critical position within the democracy debate does not believe that the PRS approach has the potential for political transformation and the strengthening of democracy. Instead, they see the PRS approach as a depoliticized mode of decision-making that has "undermined democracy" (Brown 2004) in recipient states either from the outside or from the inside.

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<sup>4</sup>For an introduction to the concept of neo-patrimonialism, see Médard (2014). Jordan and van Tuijl (2006: 5-8) have reviewed the most commonly used government tactics to compromise, disturb or stop civil society activities in neo-patrimonial regimes, while Molenaers and Renards (2006: 22) give specific examples from the PRS process.

Participation skeptics distinguish themselves from the optimists by trying to move beyond “benchmarking” the political institutions of recipients. Rather, they try to explain the underlying political dynamics in which state-society interactions are embedded. In their view, it is not the “*quality* of institutions per se that is important but rather the *types* of conflict that are institutionalized within various modes of participation” (Jayasuriya and Rodan 2007: 781).

From a democracy perspective, the debate on the PRS approach circles around the question of who is to participate, on what terms and for what purpose (Jayasuriya 2003: 7; Jayasuriya and Rodan 2007: 781). The fault line that runs through this literature strand is whether the mode of participation implied by the PRS approach has strengthened or undermined democracy in recipient countries (Brown 2004). Participation skeptics challenge the assumption that PRS processes reinforce democracy and offer opportunities for broadening the public debate over economic and social policies. According to them, they rather undermine domestic systems of political accountability and limit the ability of the deliberative process for adding legitimacy to its conclusion (Morrison and Singer 2007: 725, 727; Piron and Evans 2004: 19; Siebold 2005: 6).

Two groups of participation critics can be distinguished: A first group believes that the externally induced depoliticized management of public governance in recipient states operates to discipline democratic regimes from the outside. By contrast, the second group of participation critics points out that state-sponsored participation by civil society works to stabilize authoritarian rule from the inside. Importantly, the focus of both groups does not lie on democratic institutions and procedural norms, but on democratic politics and substantive rights that embed state-society relations in broader societal (‘internal’) and global (‘external’) contexts.<sup>5</sup>

Focusing on the external embeddedness of democracy, the first group challenges the original idea of the PRS approach that only the participation by all “players in the development field” will make the world a “better and fairer” place to be (Wolfensohn 1999: 21-22, 31). They do not perceive the PRS approach as “representing the convergence of all interests” (Gould and Ojanen 2003: 7), but as representing the “convergence of neo-liberal and populist tendencies” (Gould 2005: 147). They claim that the PRS approach is not a happy affair of social learning and stakeholder dialogue (Fraser 2005: 322), but rather should be seen as “hallmark” of an emerging trend of “populist neo-liberalism” (Gould 2005: 7; Jayasuriya 2003: 15).

According to them, the populist elements can be seen in donors’ definition of poverty reduction as the over-riding normative framework for all development efforts by the international community; and in their parallel efforts to include organizations of civil society broadly representing the interests of society as a whole or of the poor in particular in “reform coalitions” supporting this policy consensus

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<sup>5</sup> For a general conceptualization of political regime embeddedness, see Merkel (2004), whereas Luckham et al. (2001) provide a conceptual analysis of democracy and its relevance to the problems of broadening societal participation in the international development context.

(Fraser 2005: 317; Gould 2005: 7). In practice, this has meant that the PRS process has been dominated or captured by a small, homogenous “iron triangle” consisting of poverty specialists “in key government ministries and donor agencies” as well as selected non-governmental organizations in the capital area, all of whom collaborate so that they can realize their priorities through the PRS process (Fraser 2005: 319; Gould 2005: 7; Gould and Ojanen 2003: 7). The crucial point thereby is that the emphasis on transnational coalitions for fighting poverty and on depoliticized modes of participation by the poor “goes hand in hand [...] with a program of market-oriented policy reform” (Jayasuriya 2003: 19). Opposed to official statements, civil society participation in the PRS process is thus not seen as empowering poor people, but as “a means of empowering ‘reform coalitions’ to defend adjustment against the reassertion of popular demands” (Fraser 2005: 333).

In sum, this first group of participation critics perceives the PRS approach as a strategy of outside control. From their point of view, the PRS initiative is a “political project” of “a narrow corps of development professionals” for developing a global “surveillance architecture capable of disciplining democracy” (Fraser 2005: 336; Gould and Ojanen 2003: 9).

Focusing on the internal embeddedness of democracy, a second group of participation critics challenges the assertion of participation optimists who claim that, despite many drawbacks, the PRS approach plays a positive, incremental role – particularly in the case of neo-patrimonial regimes, where civil society participation in the PRS process could, in time, contribute to the democratization of decision-making (Molenaers and Renard 2006: 8, Cling et al. 2002: 9). By contrast, these critics contend that civil society participation in policy design and implementation should not be seen as an onset of democratic practices, but as an experiment with controlled forms of political participation and deliberation by governing state elites. Moreover, the combination of more participation with less contestation is said not to be unique to the PRS process, but common to many “developing contexts” (see He and Warren 2011 as well as Jayasuriya and Rodan 2007 for theoretical underpinnings of this view).

Two general characteristics may be identified that operate in tandem to facilitate – as these participation critics call it – the logic of “extra-parliamentary politics” (Jayasuriya and Rodan 2007: 778), or respectively, “authoritarian deliberation” (He and Warren 2011: 269). On the one hand, new forms of *governance*-level participation are introduced, which “foster a technocratic conception of politics”, aimed at effective policy-making and framed as joint problem-solving (Jayasuriya and Rodan 2007: 784). Accordingly, PRS processes have been criticized from the beginning as “a highly manipulated form” of state-sponsored participation aimed at smooth policy implementation at the local level. Such “participation by invitation” is said to be “almost by definition political cooption”, since broadened participation within these spaces is not perceived as a political right of citizens, but as a means for solving the problems of the poor (Brown 2004: 241; Hatcher 2009: 137; Jayasuriya and Rodan 2007: 783). On the other hand, established forms of *regime*-level participation are filtered out of politics, leaving no room for addressing unequal power relations within society as well as undermining inde-



pendent oversight and the separation of powers within states (He and Warren 2011: 275; Jayasuriya and Rodan 2007: 784). Correspondingly, PRS processes have been repeatedly criticized for systematically bypassing representative bodies of broader societal concerns and the endogenous political process. With their focus on public consensus and technocratic “management of dissent”, PRS processes have evolved in the realm of “policies” and not in the domain of “politics” where the “real battle” over state control and its revenue allocation is fought (amongst others, see Hatcher 2009: 139; Lazarus 2008: 1209; Morrison and Singer 2007: 735; Stewart and Wang 2004: 469-470). In new democracies, the situation is perceived to be even worse, where the fragile consensus on political institutions is said – as a reversion of the argument by participation optimist – to translate into short-time horizons for policy-makers who might resort to neo-patrimonial means (Faust 2010: 517).

In sum, this second group of participation critics looks at the PRS approach in terms of a strategy of inside control. From their point of view, the PRS experiment is a “strategy” of authoritarian and semi-authoritarian regimes for channeling popular “obstruction and protest” into “functionally-specified, controlled arenas of governance-level participation”, “while seeking to avoid regime-level democratization” (He and Warren 2011: 275).

### **1.3. Where are the blind spots?**

#### **1.3.1. Three dividing lines**

After more than a decade of practical experience with the PRS approach, it would seem reasonable to expect some general conclusions about its success. Instead, this review recognized three fundamental dividing lines within the existing literature, related to the new partners, the new principles, and the new practices under the PRS approach.

First, concerning the new partners, I could identify an *economic-political divide* that exists between those studies that focus either on development partners and those studies that zoom in on democratic stakeholders as the relevant actors under the new approach. This dividing line does not only relate to the particular goals that these new partners in aid may follow, like poverty reduction as opposed to democracy promotion, but can also be said to cut across the literature in general. Accordingly, the review of the PRS literature above has made a difference between those studies that focus on its transformative potential either from a developmental (‘the governance strand’) or a democratic point of view (‘the participation strand’).

Second, within these two streams of scholarship, I recognized a *global-local divide* that distinguishes previous research with regard to general principles that figure both as main references of academic research and as central axes of scholarly dispute. With slight variation, both literature strands display this divide. In particular, the governance strand analyzes donor-recipient relations in terms of the new principles guiding international development cooperation ('local ownership' versus 'global partnership'), while the participation strand analyzes state-society relations according to their embeddedness into broader societal and global contexts ('internal embeddedness' versus 'external embeddedness').

The final disjuncture I could discern consists of an *insider-outsider divide* separating aid practitioners and sympathetic insiders (being partially or wholly funded by the aid industry and/or actively involved in PRS processes) from critical outsiders and academic observers (being more autonomous in their funding source and/or fulfilling the passive role of an observer). This dividing line roughly coincides with their positive or negative appraisal of the PRS approach. Although the boundaries between insiders and outsiders are not clear-cut, insiders generally tend to be more optimistic as opposed to outsiders who are more pessimistic with regard to the transformative potential of the PRS approach, both in terms of transforming aid relationships ('external catalyst' versus 'external legacy') as of political relationships in recipient countries ('deepening democracy' versus 'undermining democracy').

In sum, the review of the PRS literature has shown that there is no single consensus about the developmental and democratic contributions of the new approach. Instead, there is widespread disagreement on *what* the goals of these new partnerships are, *how* aid relationships should operate in principle, and *whether* the new aid modalities have put the new goals and principles into practice.

The lack of common grounds in previous research may be explained in terms of three research gaps that have been found within the existing literature.

### **1.3.2. Theoretical gap**

Even though the need for political analyses has been mentioned quite often (Eberlei 2007: 19), it is generally agreed that "[m]ore work needs to be done to understand and develop the links between democracy building and the wider aid effectiveness agenda" (Horner and Power 2009: 19). Previous research on the PRS approach has been preoccupied with either identifying whether or not the new global governance of aid has actually changed the inherent power imbalance between donors and recipients of foreign aid (see review of governance strand) or with explaining the political dynamics behind the new form of stakeholder participation under the PRS approach (see review of participation strand). So far, little efforts have been made to bring these two analytical perspectives together, for example, by specifying the causal mechanisms linking development aid with democratic change in recipient countries.

Two likely reasons for the overall lack of strategic interaction between the development and democracy perspectives are an abundance of positive-sounding buzzwords for describing the operational basis of the aid relationships and the absence of a more nuanced theory for explaining the causal mechanisms between aid and democracy. For example, critics noted that donor strategies build on simplistic notions of ownership (Whitfield and Fraser 2009) and partnership (Abrahamsen 2004a) within the governance strand, while the participation strand may be criticized for limiting itself to theoretical benchmarking of political regimes (He and Warren 2011) and political participation (Jayasuriya 2003). As a result, previous research has been framed in terms of vaguely defined development principles or has dwelled into extensive typologies of democratic practices, but no efforts have been made to integrate development and democracy perspectives.

### **1.3.3. Empirical gap**

An additional research gap concerns the goal dimensions of the PRS approach and their empirical assessment. Most empirical analyses are guided by a focus on the development goals of the international aid effectiveness agenda. By contrast, the democratic goals of the new aid agenda are rarely examined. Given that the democratic potential is indeed acknowledged in the PRS literature (see, e.g., Faust, Leiderer and Schmitt 2012; Molenaers and Renard 2006), it comes as a surprise that academic work has not yet tried to assess the democratic outcomes of the PRS approach empirically.

At first sight, the lack of research in this area may just be explained by the all-encompassing consensus on poverty reduction as the declared main goal of the international aid effectiveness agenda – and indeed many scholars justify their focus on welfare-orientated outcomes with this new normative framework of international development efforts. However, a closer look reveals that both the governance strand and the participation strand miss the opportunity to shed light on democracy-related outcomes – but for different reasons. While the former strand generally perceives the global governance of aid “as technical in nature and beyond the arena of political debate” (Horner and Power 2009: 28), the latter predominantly understands citizen participation in an instrumental sense as means to increasing the pro-poor impact of foreign aid (in line with the official development agenda). Both strands thus mostly ignore the question whether this new type of macro-level participation has also provided an opportunity for enhancing democratic outcomes (what I would call the hidden democratic agenda), which is the topic of this research.

### **1.3.4. Methodological gap**

Closely related to the missing assessment of the political goal dimension in the PRS literature, a third research gap concerns the country coverage and methods used by previous assessments of the new

approach to aid. The burgeoning literature on the PRS approach has tended to use qualitative methods based on individual case studies (or syntheses thereof), whereas the use of cross-national data and quantitative methods have been scarce. As a result, it remains difficult to draw any general conclusions.

The literature itself gives two principal reasons, which may explain this noticeable research gap: First, within the participation strand, the claim that it is too early for an assessment of the material changes brought by the PRS approach appears time and again (Booth 2003b: 157; Cling et al. 2002: 3; Piron and Evans 2004: 19). Accordingly, most studies of the PRS process focus on its embeddedness in particular political contexts but do not evaluate its impact on longer-term political development (Piron and Evans 2004: 1). Within the governance strand, a second, more fundamental objection to cross-country analyses stems from the context-sensitivity of the PRS approach (Driscoll and Evans 2005: 16; GTZ 2005: 15). As argued by the IFIs themselves, the new ownership philosophy implies that the PRS approach is tailored to individual country's circumstances and does not follow a blueprint that could be assessed by using uniform benchmarks (World Bank and IMF 2005: 3-4). While this may be true for the recipient side of national poverty reduction strategies (triggering an abundance of country case studies on the subject), this research claims that the same cannot be said when looking at the donor side of general budget support, whose political impact may well be comparable across space and over time. Moreover, first econometric analyses of the broader impact on poverty reduction have already appeared after 5, 10 and 15 years' experience with the PRS approach (see Eggen and Bezemer 2008; Marshall and Walters 2011; and Elkins et al. 2018).<sup>6</sup> There is thus no plausible reason why a similar assessment of its broader impact on democratization may not be feasible.

#### **1.4. Personal approach and structure of the thesis**

From the review of the PRS literature above, three research gaps on the PRS approach have been detected. First, theoretical lenses to analyze the interaction of development actors across global and local levels have been missing. Second, empirical evidence on development outcomes has been accumulated at the expense of a more thorough evaluation of the democratic outcomes. Finally, comparative methods for analyzing the actual changes have been rare both from the inside and the outside of the aid business. The present study addresses all of these gaps.

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<sup>6</sup> As PRSPs formulate their policy implementations in years and not decades, these empirical studies also claim that they are evaluating the PRS approach on its own terms, "quite regardless of the reader's (or researcher's) own judgment of the time scale needed for policies to bear fruit, and to achieve and observe development progress" (Eggen and Bezemer 2008: 3).

### 1.4.1. Theoretical approach

Since no ready-made theoretical framework to rely on exists to analyze the interaction of development actors under the PRS approach, *a first general aim of this research is to contribute to theory-building concerning the causal mechanisms that link development aid with democratic change in recipient countries.*

The lack of strategic interaction between the development and democracy perspectives shows itself in the governance and participation strands' different actor perspective. While the governance strand with its focus on "external partners" has rarely taken other actors than the government inside the nation-state into account, the participation strand, in turn, has suffered from its preoccupation with "domestic stakeholder" and for its failure to think about influences outside the boundaries of the nation-state. Given that development actors at both levels, donor-recipient level, and state-citizen level, interact with each other under the PRS approach, it is surprising to see that, apart from a few studies on the role exercised by external actors in domestic systems (e.g., Gould 2005; Hickey and Mohan 2008), the causal mechanisms between donor support and recipient regime have received little attention so far.

To overcome the limitations of the participation and governance strand within the PRS literature, which has shortcomings seen most clearly when reviewed in combination, this research endeavors to synthesize these two streams of scholarship employing an accountability framework that conceptualizes aid modalities as public – read political – forums where national and international actors interact. From a theoretical perspective, the central proposition made in this thesis is that the concept of accountability enables to bring development and democracy perspective together, which have often been kept separate in the academic debate on the international aid effectiveness agenda.

To the best of my knowledge, there are only three studies that examined relationships between development actors under the PRS approach through an explicit accountability lens (Hickey and Mohan 2008; Komives 2011; Winters 2010). There is no doubt that these studies represent a significant conceptual advance within the PRS literature. Understanding accountability as a responsibility of development actors to account for pro-poor performance, these studies provide a wealth of insights on accountability relations between development actors under the new approach. From a political perspective, however, a common drawback is that none of these studies has also looked at the question of whether the accountability relations under the PRS approach have also strengthened democracy in recipient countries.

This research adopts a different approach by placing the concept into the political framework from which it has arisen.<sup>7</sup> Accordingly, it draws on the rich literature on public accountability – a concept that has a long and distinguished intellectual history in democratic theory – to analyze contemporary

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<sup>7</sup> I owe this image to Jordan and van Tuijl (2006: 4) who use it to motivate their research on the accountability of non-governmental organizations.

accountability relationships in international development aid. In most general terms, accountability in the present study is defined as *a relationship between an actor and a forum, in which the actor has an obligation to inform and explain his or her conduct in light of certain standards, the forum has the right to pose questions and pass judgment, and the actor may face consequences by the forum or some third party*. This definition differs from mainstream understandings of accountability in the development literature in that it does not merely define accountability as an actor's responsibility for performance, but in line with much of the democracy literature also as an actor's obligation to submit to external judgment by a forum that is not part of the actor being held accountable. Accountability in this research is thus essentially defined as a social concept, that is, as *a relationship between an actor and a forum* that has to proceed through three phases to become effective. First, accountability in the political arena is not a private, but a public affair. Its public character lies in the notion of a "forum" implying a public space, in which *the actor must inform and explain his or her conduct*. Second, accountability between political actors is not a one-way reporting relationship, but a two-way dialogic relationship, as emphasized by the notion that *the forum has the right to pose questions and pass judgment* on the actor's conduct. Third, accountability in political practice usually comes down to sanctions – or more neutrally – the *consequence an actor may face* who has violated his or her duties. However, since the forum does not always have the capacity to enforce accountability vis-à-vis more powerful actors, the definition of accountability used throughout this thesis also includes the possibility that *some third party* may impose sanctions on the actor by acting as a surrogate of the forum, that is, substituting for the forum's lack of sanctioning capacity. Building on more recent work by accountability scholars (in particular, Bovens 2007 and Philp 2009), this research claims that the institutional arrangement must be kept separate from the set of *standards* that determine what conduct is expected by the accountable actor (*'obligations'*) and the criteria by which the forum might validly judge it (*'rights'*). Accountability as a concept should not be confused with any normative principle that lends legitimacy to the operative standards (e.g., the authority of the parties to the relationship) or any normative result a specific accountability relationship is thought of to bring about (e.g., poverty reduction or democracy promotion). Having said that, this research deliberately uses the term "democratic accountability" if it explicitly refers to an institutional accountability arrangement that is guided by the normative principle "that the governed should have opportunities to sanction and demand answers from the powers that govern them" (Borowiak 2011: 9).

In general, however, this research follows a descriptive approach in defining accountability, because it allows for a better understanding of the causal mechanisms through which development aid affects democratic change in recipient countries. Moreover, my definition does not limit accountability in international development cooperation to a dyadic relationship between state elites (i.e., actor) and donors (i.e., forum). Instead, I join a small group of scholars who conceptualized the interaction among a broad spectrum of aid partners in terms of "political spaces" created by the new aid modalities under the PRS approach (Gould 2005: 5; Lazarus 2008: 1212). Poverty reduction strategies are

formulated and implemented in what anthropologists have long termed an arena or “a place of concrete confrontation between social actors interacting on common issues” (Bierschenk and Olivier de Sardan 1998, cited by Bastiaensen, de Herdt and d’Exelle 2005: 981). Adopting Rubenstein’s (2007) surrogate accountability concept to the international development context, this study’s theoretical innovation is defining these places or loci, where external partners interact with domestic stakeholders around national development strategies, as surrogate accountability forums. For this research, surrogate accountability forums are defined as institutional accountability arrangements at the recipient country level where donors act as surrogates of weak citizens who lack the systemic capacity to hold their powerful governments accountable.

Understanding aid modalities as surrogate accountability forums, this research analyzes contemporary aid relationships in terms of three theoretical dimensions of public accountability: First, I differentiate between two archetypes of aid modalities and between two generations of PRS-based lending under the new development approach, which enables me to compare within and across these two forums how surrogate accountability demands interact with domestic accountability arrangements and to evaluate whether the IFIs’ strategy has actually changed as compared to earlier development efforts. Second, I examine the accountability mechanisms that the IFIs use to hold borrowing governments accountable within these surrogate accountability forums and that – ultimately – lend legitimacy to their operational practice. Third, I compare the value ascribed to these surrogate accountability forums and the potential impact they may have had as perceived by IFI staff to identify the underlying goals in hierarchy and over time. Through using the concept of the surrogate accountability forum as my analytical lens, this research provides a more comprehensive and democratic understanding of accountability than the one that has shaped current development thinking and practice.

#### **1.4.2. Empirical approach**

Since the democratic outcomes of the PRS approach have not been evaluated in a large-scale study so far, *a second primary purpose of the present study is to empirically assess the impact of the new aid modalities in terms of their democracy-enhancing outcomes.*

This purpose highlights an vital paradox that is part of the IFIs’ development assistance. While the official mandate of the Bank and the Fund does not allow them any political interference with recipient countries, it is quite obvious that their lending programs do have political consequences in recipient countries. For example, the World Bank’s Articles of Agreement state that the Bank will ensure that its finances “are used only for the purposes for which the financing was provided, with due attention to considerations of economy, efficiency, and competitive international trade and without regard to political or other non-economic influences or considerations.” Moreover, “its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the

political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in this Agreement” (IDA 1960, Article 5, Section 1(g) and Section 6).<sup>8</sup> Given that their official mandates impose “clear limitations on their ability to engage with ‘political’ topics”, it is understandable that “the PRS approach has tended to be articulated largely in technocratic terms” (Driscoll and Evans 2005a: 16; Piron and Evans 2004: 5).

However, this study argues that the new aid partners, the new aid principles and the new aid modalities of the PRS approach all have significant political implications making their assessment in practice valuable.

In particular, I claim that the new *aid partners* introduce a more political understanding of aid delivery in recipient countries. The new focus on participation and collaboration of all aid partners marks an apparent shift from a narrow relationship between borrowing governments and the IFIs for implementing Washington-driven policy blueprints to a broader partnership around country-owned development strategies, which draw on the contributions of three sets of actors at the recipient country level, that is, recipient state, organized society, and the donor community. I thus agree with the argument that this new partner or stakeholder perspective embeds the global governance of aid in a broader democratic sense since citizens in recipient countries are not merely treated as target groups for aid interventions, but rather “as empowered partners with democratic rights” (Eberlei 2005: 93).

Moreover, I concur with the claim that the new *aid principles* of the PRS approach do have political implications, since today, the way how aid relationships should work is more firmly rooted in democratic principles of accountability and participation than it was previously the case (Horner and Power 2009: 17). The “spirit” of mutual accountability (OECD 2005a, para.13) has been said to lie at the heart of the new aid agenda born out the joint recognition of aid intermediaries that – in the end – they must render an account to “citizens and taxpayers of all countries” whether their collective development efforts had any “positive impacts on people’s lives” (OECD 2008a, para. 10). The PRS process, in turn, may be seen as a translation of this spirit into practice with aid intermediaries inviting civil society to participate alongside them in the formulation, but also the monitoring of national development strategies. With democratic principles foremost in the process, the operational framework of the aid effectiveness agenda thus reveals a hidden democratic agenda no matter what the declared development objectives are that are pursued with it (for similar lines of reasoning, Driscoll and Evans 2005: 16; Hickey and Mohan 2008: 236, 250; Jordan and van Tuijl 2000: 2053; Meyer and Schulz 2008: 31; Molenaers and Renard 2006: 9; Piron and Evans 2004: 4; Steer et al. 2009: 17).

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<sup>8</sup> The IBRD's Articles of Agreement is identical in wording (see IBRD 1944, Section 5(b) and Section 10), while the IMF's Articles of Agreement use somewhat different wording but with analogs meaning (IMF 2016, Article IV, Section 1, Section 3, Schedule C).



Last but not least, I argue that the new *aid modalities* of the PRS approach provide opportunities for donors to assume a more “political” role in domestic accountability systems. A central claim of the present study is that the way how aid is delivered bears important consequences for democratic institutions and practices at the recipient country level. New aid modalities such as general budget support and sector-wide approaches have been increasingly used to channel aid directly to and through recipient governments via contributions to overall or sector-specific budgets (Domingo et al. 2009: 14). As a result, donors become increasingly engaged – “even, one might say, complicit” – in the political affairs of recipient countries “as de facto financial underwriters of the political regime of the day” (Booth and Fritz 2008: 24). Even though this new role is often framed in technical terms, I argue that outside support to domestic budgets is a highly political issue since donors act as surrogates of domestic accountability holders in their capacity of providing both resources and accountability thereof with these new aid modalities. While this may be true, to varying degrees, for all budget support donors, it certainly is concerning the IMF and World Bank, whose pro-poor lending instruments provide the largest share of multi-donor general budget support.

Historically, poverty reduction lending by the IMF and World Bank is not the first (and will not be the last one) among a multitude of financial lending instruments, commonly framed as programmatic lending, meaning that this type of aid is not intended for specific projects, but comes as financial support to borrower governments for a medium-term program (3-4 years) of policy or institutional reform. More than 20 years ago, critics of structural adjustment lending already emphasized the inherently political nature of policy-based lending by the international financial institutions. In particular, they claimed that donor-driven policy reforms aimed at economic growth affect the welfare of most people, that policy-based lending provides outside agencies with a means to influence the domestic decision-making process, and that the corresponding policy conditions are seen by recipient countries as an invasion of their sovereignty. The joint conclusion they reach is that the political neutrality of the IMF and World Bank may be regarded as a myth, since – as one critic note – “[i]t is hard to think of anything more political than deciding how money is spent” (Gillies 1993: 4; see also Haggard and Webb 1993: 156; Killick 1995: 170; Nelson and Eglinton 1992: 3).

I concur with these scholars that policy-based lending by the IFIs is always political – notwithstanding their apolitical mandate. While pro-poor lending under the PRS approach has been the prime example of the IMF and World Bank’s increasingly political role, I suggest that this holds, to varying degrees, for all types of programmatic lending. Given that the external promotion of economic or governance reforms entails strong political consequences for recipient nations, one may reasonably assume that IMF and World Bank programs are highly political in effect, despite statutory prohibitions against political interference.

However, this does not mean that the IFIs programmatic lending always results in either positive or negative democratic returns. Instead, I argue that depending on the strategic focus of aid and the par-

ticular channel how aid is delivered to recipient countries, the political impact of IMF and World Bank lending may either be positive or negative in democratic terms. To compare the PRS approach with other types of financial support, I focus on the surrogate accountability forums supported by different types of IFI lending ('aid modalities') and the scope for domestic accountability they allow ('strategic focus'). Those types of lending programs that strategically target and respect domestic accountability in their *modus operandi* should positively affect democratization. In contrast, those types of financial support that neither target nor respect domestic accountability in the delivery of aid, are expected to affect democratization negatively.

To examine these differences, this research draws on the vast literature on aid and democratization, whose research frontiers it extends in three different ways: First, I differ between four broad types of IFI lending, which makes it possible to assess whether general budget support under the PRS approach has led to more "political" effects as compared to other aid modalities by the IMF and World Bank. Second, I compare the impact of IFI lending on procedural democracy as opposed to substantive democracy to identify differing targets of aid subsumed under the PRS approach. Third, I examine the conditions on donor and recipient sides under which general budget support by the IFIs may become more effective in promoting democracy. By separating between the normative accountability standards at the donor-recipient level and the institutionalized accountability forums at the state-society level in recipient countries, this research finds substantive evidence for the argument that under the PRS approach a more "political spirit" has been introduced into the IFIs' lending programs.

#### **1.4.3. Methodological approach**

To counterbalance the methodological prevalence of case study designs in the PRS literature, *a third main goal of this research is to use comparative methods in analyzing the aid-democracy nexus.*

Democratic deficits and aid delivery in recipient countries have been intensively discussed within the context of the PRS approach. However, despite the controversies around possible mitigation of the former by the latter, very little scientific research exists that seeks to systematize evidence. Evaluation reports are said to come in too large numbers and, far too often, oversimplified assessments of what is at first sight observable – in particular country contexts (Dewachter and Molenaers 2011: 115). This research endeavors to scientifically generalize some of these assessments by following a comparative research design with three steps.

In a first step, I will compare the insider knowledge of different World Bank staff from the African region within and across different surrogate accountability forums under the PRS approach in order to determine whether the behavior of development actors has changed as compared to earlier development efforts. A first methodological problem lies in the novelty of the PRS approach. The existing

literature has focused overwhelmingly on the formulation phase of poverty reduction strategies, while the implementation phase has received considerably less attention. Accordingly, plenty of qualitative research exists on recipient countries that have opened the public space, but there exists almost no qualitative research on donor involvement in the subsequent phases of the PRS process.<sup>9</sup> Unlike participation by domestic stakeholders that have been under the public eye, participation by external partners often occurred behind closed doors under the PRS approach. To shed more light on these hidden surrogate accountability forums under the PRS approach, this study thus builds – among other sources – on the insider knowledge of aid practitioners. As noted by an academic observer, direct budgetary aid by the IMF and World Bank may well be seen as “the life-blood” of the new approach, since there can be no effective implementation without adequate finance (Seshamani 2005: 10). Opening the black box on General Budget Support (GBS) would thus be an intriguing subject.

In advance, I decided to focus only on experts from the World Bank and not the IMF, because World Bank staff has insider experience of different aid modalities within the PRS approach. That is, they are involved in GBS operations (like IMF staff), but they also participate in PRS processes at the recipient country level (unlike IMF staff). Unlike the Fund that defines its role – within a broader partnership framework – rather narrowly as external financier of national poverty reduction and growth strategies (IEO 2004: 12), the Bank sees its role – beyond financing poverty reduction strategies – in facilitating the participatory process at the recipient country level (World Bank 2002: 254). By contrast, the Fund decided to rather stay away from the participatory process in aid-receiving countries, due to its narrow interpretation of domestic ownership (IEO 2004: 63).

Another reason to focus solely on experts from the Bank’s African Region Department was that the African region has been the first region to be exposed to the new thinking and practices under the PRS approach. When the PRS approach became an integral part of the process by which countries would qualify for the Highly Indebted Poor Country (HIPC) initiative and receive debt relief, African countries figured prominently among the early adopters, as their debt burdens were (and still are) high. Among all countries worldwide that have embarked on the PRS approach to date, more than half were Sub-Saharan African countries. As a corollary, experts from the African region possess a long work experience, and their insights thus offer the unique chance for tracing the shift in aid relations between donors and recipients of foreign aid.

In a second step, I will compare the statistical impact of different types of financial support by IMF and World Bank on the different conceptualization of the ‘democratic purpose’ in order to assess the actual impact of foreign aid on democratization in aid-receiving countries. The basic methodological problem of assessing the democratic impact of the PRS approach is its context-specificity. The fact that the PRS approach allows context to be a factor in the identification of country-specific needs is,

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<sup>9</sup> A possible exception are the IFIs’ own independent evaluations of their pro-poor financial instruments, see IEG 2010 and IEO 2007.

surely, an advance beyond the previous one-size-fits-all approach, but at the same time, it makes the “identification of an aggregate effect due to PRSP-adoption difficult to sustain” (Marshall and Walters 2011: 5). To address this methodological challenge, this study opts to follow the money instead. As an outsider, the most apparent data to draw from are those on standardized funding for poverty reduction strategies. However, disaggregated data on IFIs’ various types of financial support have only recently become available with the publication of the World Bank’s Project Database and the IMF’s Monitoring of Fund Arrangements (MONA) database.<sup>10</sup>

Today, the available data on IMF and World Bank lending covers about a decade’s experience with the PRS approach, notably, the approach supposed to mark the most important structural change in comparison to other lending types. Being able to include the PRS-based programs into the quantitative analysis offers a unique opportunity to examine potential differences in the impact of different types of financial support to developing countries across countries and over time. In fact, this is the first large-scale study comparing the impact of different IMF and World Bank programs on democratization in recipient countries. It is based on a panel of 100 developing countries over 30 years.

In assessing the impact of foreign aid on democratization in recipient countries, this study focuses specifically on aid from the IMF and World Bank for two reasons. First, their leverage capacity is high, because the vast resources at their disposal in combination with their financial gate-keeping role during crisis times, gives the international financial institutions extraordinary power within the broader donor community. Second, their influence probably extends beyond their “hard” leverage capacity due to linkage mechanisms rooted in their roles as “knowledge provider” and “active coordinator” of joint development efforts. In these “softer” roles the IFIs can have a wide multiplier effect by fostering social learning and collaboration among other donors. Thus, the combination of proxying PRS interventions with GBS operations and exploiting data on different types of IFI lending provides an excellent opportunity for assessing the impact of the PRS approach in comparison with more established aid modalities across a broader sample than any study has done before.

In the last step, I will compare the qualitative insights on how aid relationships have changed over time as perceived by selected experts of the PRS approach with the quantitative evidence from time-series estimations regarding the impact of poverty reduction lending on democratization as compared to other types of financial support by the IMF and World Bank. As noted by the literature on democracy promotion, evaluating the impact of foreign aid and targeted democracy support poses enormous methodological problems, such as the difficulty of demonstrating causality, and of finding operational indicators of aid due to limited data availability (Green and Kohl 2007; Schmitter and Brouwer 1999). To avoid at least some of the methodological pitfalls of quantitative evaluations of democracy and

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<sup>10</sup> The World Bank’s (2013a) Project Database provides information on all Bank operations from 1947 to the present, while the IMF’s (2013a) MONA database covers operations since 2001.

governance assistance, the statistical results have been cross-checked with findings from a qualitative analysis of aid practitioners' experiences.

Methodologically, I thus join recent attempts of what has been called an "anthropology of the state" (Migdal 1994: 15). That is, this research combines traditional macro-oriented analysis of political sciences with an emphasis on micro-level data collected "in the field" as derived from social anthropology (Eriksen 2001: 304). Thus, while the conceptual apparatus and macro focus of the political science tradition has been retained in the quantitative assessments of the democratic impact, the qualitative exploration of the new aid modalities by means of an online survey and several expert interviews served to get "inside the whale" in order to grasp the everyday practice of the PRS approach (as captured by the personal experiences with and the discursive construction of the PRS approach in the organizational culture beyond the IFIs' official policy narratives) (for an anthropological perspective, see Gupta 1995: 375). Together, these three comparisons serve to sketch a more robust and general picture of the PRS approach than is found in the literature so far.

The present thesis is organized as follows. Combining important contributions of the democracy and development literature, Chapter 2 introduces this research's conceptual framework, its theoretical approach, and a typology of surrogate accountability for analyzing the PRS approach in the subsequent chapters. Chapter 3 discusses the shift in development thinking within the broader aid architecture. In particular, it describes the normative standards that guide accountability relations at the donor-recipient level and the institutionalized arrangements for monitoring recipient compliance with these standards at the state-society level. The policy analysis thereby sets the stage for the following two empirical analyses of the actual changes in development practice. Chapter 4 explores the shift in aid practices under the PRS approach by applying an accountability lens to the World Bank's operational practices and the subjective perceptions by its staff, while Chapter 5 assesses its democratic impact in practice as compared to other types of financial support by the IMF and World Bank. Finally, Chapter 6 draws some broader conclusions for policy and research on aid and accountability.



## 2. Theory

The previous chapter reviewed the existing literature on the PRS approach. It showed that previous research had been divided between two streams of scholarship that focused either on the developmental or democratic potential of the new approach, but generally did not take the empirical findings of the other strand into account. This chapter aims at bringing these two strands of literature into a dialogue with each other. The central question that guides this intellectual exchange of ideas is how democratic theory helps us to understand the new development approach. In answering this question, this chapter shows how democratic standards, models and types of public accountability have been used by development actors to legitimize their goals, mechanisms, and strategies for promoting transparency and public accountability in recipient countries. By making the theoretical roots of the new practices explicit, it contributes to a better understanding of the causal mechanisms through which development aid affects democratic change in recipient countries. In doing so, it also sets the stage for the empirical analyses in chapter 4 and 5 by clarifying, through an examination of public accountability in the democracy and development literature, the analytical framework used. The chapter is divided into three sections that develop the conceptual framework, the theoretical approach and the typologies of surrogate accountability used throughout this study.

### 2.1. Concept

Accountability as a concept has a long and distinguished intellectual history. In political practice, however, the concept has only become popular since the late twentieth century, when the concept found its way out of the specialized domains of traditional bookkeeping and financial accounting towards broader forms of global governance and public accountability. Notwithstanding the increased public attention it gets, in conceptual terms accountability is used in a very general sense, detached from any specific theoretical meaning. There is no widely accepted definition, and its meaning “is about as muddled as concepts get in the social sciences” (Mainwaring 2003: 6).

In no small part, this lack of common grounds may be explained by the specific double connotation of accounts (Schedler 1999a: 15; Borowiak 2011: 6). The word “accountability” is derived from the Old French *acont* (meaning *comptes à rendre*), which in turn goes back to the Latin word *accomptare* that is composed of the verb *computare* (‘to count’ as the counting component) and *ac* (‘to’ or ‘toward’ as the telling component). Taken literally, accountability thus means both “giving an account to someone” (counting component) and “being answerable for something” (telling component). This double connotation shows up in most dictionary definitions, which use the term “being liable” to refer to the counting component, while the term “being answerable” usually refers to the telling component of the

concept. For example, accountability has been defined in the Oxford English Dictionary as “the liability to account for and answer for one's conduct” (Oxford English Dictionary 2019).

In the academic debate, these two basic connotations have been captured by the conceptual distinction of two dimensions of accountability. Andreas Schedler (1999a) was the first to discriminate between *answerability*, that is, “the obligation of public officials to inform about and to explain what they are doing” (telling component) and *enforcement* (or *enforceability*), that is, “the capacity of accounting agencies to impose sanctions on powerholders who have violated their public duties” (counting component) (Schedler 1999a: 14). The distinction between these two accountability dimensions has been widely disseminated in the democracy and development literature (Hickey and Mohan 2008: 236; Steer et al. 2009: 15; O’Neil, Foresti, and Hudson 2007: 3). At the same time, there has also been a general tendency within the academic debate to focus solely on one of these two dimensions of accountability. Depending on the academic disciplines, the concept of accountability has thus received slightly different shadings.

In the following, I will develop the conceptual framework of accountability used in this research based on a review of the concept as it has been used in democratic theory as compared to the development literature. In line with more recent conceptual research on accountability, the argument is made that to distinguish more clearly between the different meanings of accountability used in the literature disperses at least some of the conceptual confusion and may provide the basis for further empirical analysis (Bovens 2010: 946). In particular, I argue that the democracy literature has been more attentive to the enforcement dimension, while the development literature has tended to emphasize the answerability dimension.

### **2.1.1. Democracy literature: accountability as a sanctioning mechanism**

#### ***2.1.1.1. Social concept***

In democracy literature, scholars focus firmly on the enforcement dimension. Accountability in politics is perceived as a mechanism that links actions of public officials to sanctions by citizens (Manin et al. 1999a: 10). Accordingly, José Antonio Cheibub and Adam Przeworski call a government “accountable”

*“if citizens can discern whether governments are acting in their best interest and sanction them appropriately, so that those incumbents who satisfy citizens remain in office and those who do not lose it.” (Cheibub and Przeworski 1999: 225)*



Similarly, Enrique Peruzzotti defines political accountability as

*“the ability to ensure that public officials are answerable for their behavior, in the sense of being forced to inform and justify their decisions and of being eventually sanctioned for those decisions.” (Peruzzotti 2006: 45)*

Sanctions or, at least, the possibility of sanctions, thereby appear as the *sine qua non* of accountability relationships in politics.

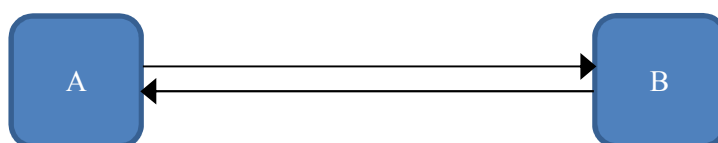
Two common aspects of these definitions of accountability in politics are remarkable. First, accountability is *external*. As shown in the definitions above, accountability in politics involves the possibility that public officials are sanctioned for their decisions. As argued by Richard Mulgan, accountability entails in its core meaning external scrutiny, justification, sanctions and control by some other person or body that is not part of the person or body being held accountable (Mulgan 2000: 555). In short, it implies the need “to submit to an outside or external judgment” (Caiden 1985: 20, 25).

Second and closely related, accountability is not only external, but also inherently *relational*. Accountability in the definitions above is about a mechanism that links public officials to citizens and representative bodies. In this regard, many accountability scholars within the democracy literature are eager to differentiate their concept of accountability against other terms like “responsibility” or “responsiveness” that do not display this relational structure. For example, John Uhr has noted that accountability “defines the boundaries within which official responsibilities are acted out” (Uhr 1993: 4). John Ferejohn expresses comparable boundedness through defining accountability as “a property of institutional structures”, whereas responsiveness is perceived to be “a consequence of interaction within such structures” (Ferejohn 1999: 131).

Together, these demarcations of the concept show that accountability is used to describe how institutional arrangements operate. Given that actors are held *ex post facto* accountable for their conduct, this usage of the concept has also been called “passive accountability” (Bovens 2010: 946). Adopting the distinction given by Mark Bovens (2010: 946) of accountability as a “virtue” as opposed to a “mechanism”, we may thus say that accountability in the democracy literature is generally conceptualized in a narrow, passive sense as a “social mechanism”, that is, “an institutional relation or arrangement in which an actor can be held to account by a forum” (Bovens 2010: 946).

As a social mechanism, accountability always involves at least two parties who interact within an institutionalized relationship. To understand this relationship, the simple dyadic model of accountability in Figure 2-1 is a useful starting point.

Figure 2-1: The accountability relationship: a dyadic model



Note: figure from O’Neil et al. (2007: 3)

First, this figure shows accountability as a dyadic relationship, in which one party (A) can be held accountable by another (B) and where the two parties involved can either be an individual or a collective. Moreover, this figure highlights that accountability is not about a simple one-way reporting relationship, but involves a “two-way social exchange” (Peruzzotti 2006: 45), in that those calling for an account seek answers and rectification, while those being held accountable respond and accept sanctions (Mulgan 2000: 555). Finally, scholars and practitioners alike have used a broad vocabulary, beyond the A-B model, for specifying the roles of the two parties involved as Table 2-1 shows.

Table 2-1: Language used to describe the roles within an accountability relationship

<i>Discourse</i>	<i>Party who is being held accountable</i>	<i>Party who holds accountable</i>
Neutral	A Accountability-holdee	B Accountability-holder
Development	Accountee Supply-side Decision-maker	Accounteer Demand-side Stake-holder
Democracy	Power wielder Duty-bearer Actor	Accountability holder Claim-holder Forum

Note: adapted from O’Neil et al. (2007: 4)

To stay within neutral terrain, the two central roles within an institutionalized accountability relationship have been called the “accountability-holdee” (A), that is, the party who is being held accountable, and the “accountability-holder” (B), that is, the party who holds accountable (for scholars who used this neutral vocabulary, see Behn 2001: 2 and Borowiak 2011: 79). However, much of the vocabulary used for describing these two roles carries – as any discourse through which meaning is given to reality – its “own intellectual baggage” (O’Neil et al. 2007: 4).

Within the development discourse, a direct route to accountability focuses on the financial dimension of foreign aid and speaks quite literally of “accountee” and “accounteer” as the two roles of people which either are held to account or do the holding (Moore and Teskey 2006: 3). Especially with regard to new donor practices such as direct budget support this terminology is firmly grounded in the etymological and historical roots of the concept. A second way of describing accountability relationships is

borrowed from the language of economics. Accountability in this perspective is a question of finding the right balance between the “supply-side” and the “demand-side”. This is the predominant vocabulary among leading donor agencies (O’Neil et al. 2007: 4). By contrast, a third perspective focuses more on “those affected” by public decision-making. Accountability in this vocabulary is about “decision-makers” who give an account to those being affected by these decisions, most commonly called “stake-holders” (Held and Koenig-Archibugi 2005: 3; Mfunwa 2006: 3; Hickey and Mohan 2008: 236).

Likewise, researchers within the democracy discourse also use a specific vocabulary for specifying the roles in an accountability relationship. For instance, global governance scholars often speak of “power wielders” that are authorized to wield power and “accountability holders” that are properly entitled to call power wielders to account. While accountability in this vocabulary is about mechanisms for controlling the use of power in world politics, power wielders can have more or less power than accountability holders depending on context (Grant and Keohane 2005: 30; Rubenstein 2007: 616). An alternative approach that has its roots in the international human rights framework talks about “duty-bearer” and “claim-holder”. In this perspective, citizens hold legitimate rights that need to be respected by the bearers of public office (Cornwall, Lucas and Pasteur 2000: 3; O’Dwyer and Unerman 2011: 454). A third approach of specifying the two roles puts the emphasis more on the public nature of the accountability relationship and prefers to speak of an “actor” being held accountable by an accountability “forum” (Bovens 2007: 450; Gutmann and Thompson 1996: 52).

Accountability in the development and democratic discourse is thus framed differently. While development scholars ask whether the decision-maker has acted in an accountable (i.e., responsible or responsive) way towards financial, corporate or public stakeholders, democracy scholars ask whether the this actor that makes the decisions can be held accountable by an institutional (i.e., regular, established, accepted) accountability forum (Bovens et al. 2008: 227; Moore and Teskey 2006: 3, 7).

Adopting the vocabulary of the last approach as a standard for this research, I will speak of the “actor” as the account-giving party and of the “forum” as the party calling for an account. Both parties to an accountability relationship may refer either to an individual or a collective. For example, an actor can be a single politician or public servant, or it can be a public organization, like an aid agency or government ministry. In reverse, an accountability forum can be “a superior, a minister, or a journalist, or it can be an institution, such as parliament, a court, or the audit office” (Bovens 2010: 951).

#### ***2.1.1.2. Standard accountability process***

Democracy scholars generally agree that the actual practice of account-giving, usually consists of at least three phases in order to become operative (Bovens et al. 2008: 234; Bovens 2010: 952; Schedler

1999a: 14-15). Together, these phases are constitutive of the standard accountability process by which an actor is being held accountable by an accountability forum.

*Information:* First of all, every accountability process begins with the obligation of the actor to inform the forum about his or her conduct. An accountability forum must have the necessary information at its disposal to assess the actor's conduct. This information is either directly disclosed by the actor or indirectly extracted by the forum through external monitoring (Borowiak 2011: 7). Without information, accountability may be blind (Borowiak 2011: 7). Accountability discourses are filled with terms such as "imperfect and asymmetrical information", "back-room deals", "cabal", "whistle-blowing", "unobservable actions" and "opaque decision-making" in order to describe these blind spots. What they all show, respectively criticize, is that accountability relationships do not work in seclusion. Andreas Schedler has nicely elaborated this point. According to him, accountability demands precisely arise because of the "classical *arcanae imperii*, the dark playgrounds of power shut off from public scrutiny for no other reason than the self-contained arrogance of power" (Schedler 1999a: 20-21). Accordingly, the ultimate goal of accountability as a social mechanism will be "to shed light into the black box of politics" (Schedler 1999a: 20).<sup>11</sup> To make this point clear, Schedler compares the "supervisor" with the "accountability holder". Whereas the supervisor may remain in the dark, the accountability holder must come into the spotlight:

*"In this sense, institutions of accountability are vampires in reverse. They can live only as long as they act in the daylight of the public sphere, and they crumble and die as soon as they enter the shadows of privacy and secrecy." (Schedler 1999a: 21)*

While secrecy has been regarded as the great enemy of accountability (Garry Wills 1999, cited by Behn 2001: 206), publicity is perceived as its friend, since it makes public officials accountable to the citizens. For example, in his analysis of the evolution of the concept, Gerald C. Caiden observes that accountability came to mean that the actions of public officials "had to be justified, their reasons explained and their deeds and misdeeds accounted before the court of public opinion" (Caiden 1985, cited by Behn 2001: 220). The principle of publicity supports accountability in its function as a means of control, as deeds and misdeeds have to be accounted for in a public court (counting component). At the same time, the principle of publicity also supports accountability in its function as a means of dialogue, since public officials need to justify their actions and explain their reasons in public (telling

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<sup>11</sup> Nonetheless, there exist legitimate realms of deliberation and decision-making behind closed doors, such as central banks and regulatory agencies within the global financial system, or truth commissions and courts within national justice systems (Schedler 1999a: 21, Kahler 2005: 11). In such secret realms, relationships between the invisible decision-makers and their public could be described as some type of 'confidential accountability'. However, such a term does not cope well with accountability's public nature. It is perceived rather as a 'farce', as a 'caricature' of itself (Schedler 1999a: 21). While these secret realms of decision-making may thus be legitimate in the sense that they are under the supervision of an actor that, in turn, is accountable to a public forum, they are not accountable themselves in the original sense of the concept.

component). I will turn now to the second phase of a standard accountability process that brings these more reciprocal aspects to the front.

*Debate:* After having received the information by the actor, the forum must have the right to question the adequacy of the information or the legitimacy of the conduct in light of certain normative standards. Accountability is more than merely collecting information. It also includes going into the debate with each other. In particular, there needs to be the “possibility of debate, of questions by the forum and answers by the actor, and eventually of judgement of the actor by the forum” (Bovens 2010: 951). Many scholars within the democracy literature conceptualize accountability as a means of control in that they assert that answerable actors must explain and justify their conduct vis-à-vis a public accountability forum (Schedler 1999a: 15; Bovens 2007: 452). Central to this notion of answerability is that “[e]xplanations and justifications are not made in a void, but vis-à-vis a significant other” (Bovens 2010: 951). In reverse, those significant others have the *right* to receive information and explanation from answerable actors (Kearns 1998: 144; Peruzzotti 2006: 45). Bringing these two perspectives together establishes accountability as a “dialectical activity, requiring officials to answer, explain and justify, while those holding them to account engage in questioning, assessing and criticizing” (Mulgan 2000: 569). Thus, while power in the information phase may still be monologic, it is forced into dialogue in the debate phase. As a social mechanism, accountability makes both parties speak and “is therefore opposed not only to mute power but also to unilateral speechless controls of power” (Schedler 1999a: 15). In the alternative conception as a means of dialogue, accountability “becomes equated with the principles of deliberative democracy” (Mulgan 2000: 555). According to Amy Gutmann and Dennis Thompson, for example, deliberative democracy is based on a type of accountability they call “deliberative accountability”. They never define deliberative accountability themselves, but other researchers have inferred from their writing that deliberative accountability entails

*“public officials to account for their decisions, to provide reasons, ‘to justify their actions in moral terms’” (Gutmann and Thompson 1996: 129, cited by Behn 2001: 221);*

or that deliberative accountability broadly means

*“having to ‘give an account’ of something in the sense of publicly articulating, explaining, and justifying public policy.” (Gutmann and Thompson 1996: 52, cited by Borowiak 2011: 103)*

Accordingly, deliberative accountability implies that public officials need to *justify* something – be it “public policy” or “their actions in moral terms”. However, “justification” and “answerability” are not the same. Craig Borowiak, for instance, criticizes Gutmann and Thompson for not taking particular care in separating the two terms clearly from each other (Borowiak 2011: 103). While justification is forward-looking in trying to validate or legitimize a position or policy, answerability, in turn, is backward-looking. It refers to prior conduct, to actions taken, to decisions already made. In deliberative

settings thus, a comprehensive understanding of accountability, respectively answerability is used, including both past actions and future policies (Borowiak 2011: 104). Since mutual “understanding” and “reasoning” take center stage in deliberative accounts, the question of unilateral reporting and sanctions has not been central to this strand of research, which brings me to the final phase of a standard accountability process.

*Judgment:* In the final phase, there needs to be a possibility for the forum to pass judgment on the actor’s conduct and the actor may face consequences of some kind or another. Until now, accountability has been defined as a relationship between an actor and an accountability forum, in which the actor is obliged to inform and explain his or her conduct and the forum has the right to ask questions and demand reasons in order to reach mutual understanding of the actor’s conduct. However, accountability dialogues are not always that friendly. Accountability is more than a benign inquiry or discursive activity. According to Robert Behn, political actors usually have a clear sense of what being held accountable means to them personally: namely some punishment. While “[i]t’s great to be an accountability *holder*. It’s not so much fun to be an accountability *holdee*” (Behn 2001: 2, 5). Being held accountable has consequences. In theory, these consequences can be both positive and negative. Accountability holdees can be rewarded and punished, praised and blamed for their conduct. However, in practice, accountability more often means that they might be or are eventually punished. Public officials may lose their job, receive a fine, go into jail and so forth (Behn 2001: 3). Within the democracy literature, the question of whether accountability holders must have sanctioning power has spurred a fierce scholarly debate.

On the one hand, there are those scholars for whom the capacity to sanction is essential to the concept of accountability. As argued by Schedler, exercises of accountability without the sanctioning possibility might be seen by many as “weak, toothless, ‘diminished’ forms of accountability. They will be regarded as acts of window dressing rather than real restraints on power” (Schedler 1999a: 16). Likewise, Charles Kenney affirms that while it is possible to analytically distinguish between these two dimensions (as Schedler does), “accountability itself requires penalties beyond publicity. [...] Without political or legal sanctions, publicity can remain at the level of mere allegations that the powerful often find ways to manage” (Kenney 2003: 64). Moreover, answerability should not be seen as a separate matter of information and explanation, but rather as directly tied to enforcement. Enforcement is inherently dependent on answerability. Thus, without the threat of sanctions, there is no need for answers (Kenney 2003: 63, 65). Saying the same, but more formally, accountability has been defined by James Fearon as a *dyadic* relationship in which enforcement takes center stage:

*“We say that one person, A, is accountable to another, B, if two conditions are met. First, there is an understanding that A is obliged to act in some way on behalf of B. Second, B is empowered by some formal institutional or perhaps informal rules to sanction or reward A for her activities or performance in this capacity.” (Fearon 1999: 55)*

On the other hand, there are those accountability scholars who conceptualize sanctioning in a more indirect or contingent way. Scott Mainwaring, for example, contends that “indirect sanctioning power” is sufficient to characterize accountability relationships as such. Independent oversight bodies with indirect sanctioning power, such as an ombudsman or an audit office, hold power in that they “are expected to refer possible wrongdoings to actors that can impose sanctions” (Mainwaring 2003: 13). A slightly different approach has been taken by Mark Philp, who claims that enforcement is not a question of whether or not applying sanctions, but of conceptualizing sanctions in relation to accountability. Analytically, he distinguishes between sanctioning for content and sanctioning for the failure of giving an account, and only the latter should be regarded as an integral part of accountability (Philp 2009: 30). In contrast to Fearon’s (1999) formal definition given above, he defines accountability in formal terms as a *triadic* relationship:

*A is accountable with respect to M when some individual, body or institution, Y, can require A to inform and explain/justify his or her conduct with respect to M.” (Philp 2009: 32)*

In this definition, some individual, body or institution (Y) can require an actor (A) to inform and give reasons for his or her conduct with respect to a forum (M). While the emphasis lies on the answerability dimension of accountability, the enforcement dimension appears in the “can require” clause and concerns the account-giving, but not the specific content of that account. Philp agrees with Mainwaring that sanctions are not essential to the concept of accountability. Beyond that, there comes another commonality: Both of them implicitly (Mainwaring) or explicitly (Philp) refer to a third party being involved in institutionalized accountability relationships. While this third party can sanction the power wielder, it does not necessarily need to do so.

### **2.1.1.3. Meaning of accountability in this research**

This review of the democracy literature has shown that there exist two general approaches for defining accountability that ground their definitions in either a “narrow” or “broad” understanding of the concept. A first approach for defining accountability has been to find its “essential core” by striving for a narrow definition. Mark Philp (2009: 32), for example, maintains that contingent circumstances or additional requirements need to be distinguished from the core elements of accountability. The nature of accountability should not be confused with what is necessary for accountability to produce a particular outcome, which might be driven by a range of other values (Philp 2009: 46). Moreover, he ar-

gues that definitions of accountability should not reduce accountability to a dyadic relationship between an agent or institution who is to give an account and the agent or institution to whom or to which they give an account, but should include the possibility that a third party is included (Philp 2009: 48).

An alternative approach for defining accountability has been to build all phases into a broader and more generous definition while acknowledging that not every single one needs to be present. Andreas Schedler (1999a) is a typical representative of this second approach. He defines accountability in formal terms as a dyadic relationship in which

*“A is accountable to B when A is obliged to inform B about A’s (past or future) actions and decisions, to justify them, and to suffer punishment in the case of eventual misconduct.” (Schedler 1999a: 17)*

Accountability in his view is as a “radial” concept in the sense that the main phase of accountability as he sees it – information, justification, punishment – are not thought of as binary and thus “defining characteristics” which must always be present to describe a particular arrangement as an exercise of accountability. While the “classical” accountability concept of Philps displays a hard core of invariable basic characteristics, the “radial” accountability concept of Schedler displays subtypes and secondary expressions that lack “one or more elements that characterize the prototypical ‘primary’ category” of the former (Schedler 1999a: 18).

This research aspires to bring these two approaches for defining accountability together by combining Schedler’s radial approach with Philp’s triadic structure of accountability. Due to its contested nature in democratic thinking and practice, the extraction of a single “core” would strip almost every meaning from the concept. Therefore, this research adopts the radial approach by Schedler (1999a) that seems more suitable for defining the concept. At the same time, this research adopts Philp’s triadic structure of accountability as opposed to Schedler’s dyadic relationship assuming that the accountability forum may or may not be identical with the individual, body or institution who has the capacity to require the actor to give an account (Philp 2009: 33).

The following definition of accountability is used throughout this research: *Accountability is a relationship between an actor and a forum, in which the actor has an obligation to inform and explain his or her conduct in light of certain standards, the forum has the right to pose questions and pass judgment, and the actor may face consequences by the forum or some third party.* This definition is based on a combination of writings and definitions given by some of the scholars cited above.<sup>12</sup> Following Schedler (1999a) this definition of accountability should not be regarded as a “classical” one in the sense that it defines an essential “core” of accountability. Rather, it encompasses a broad meaning in

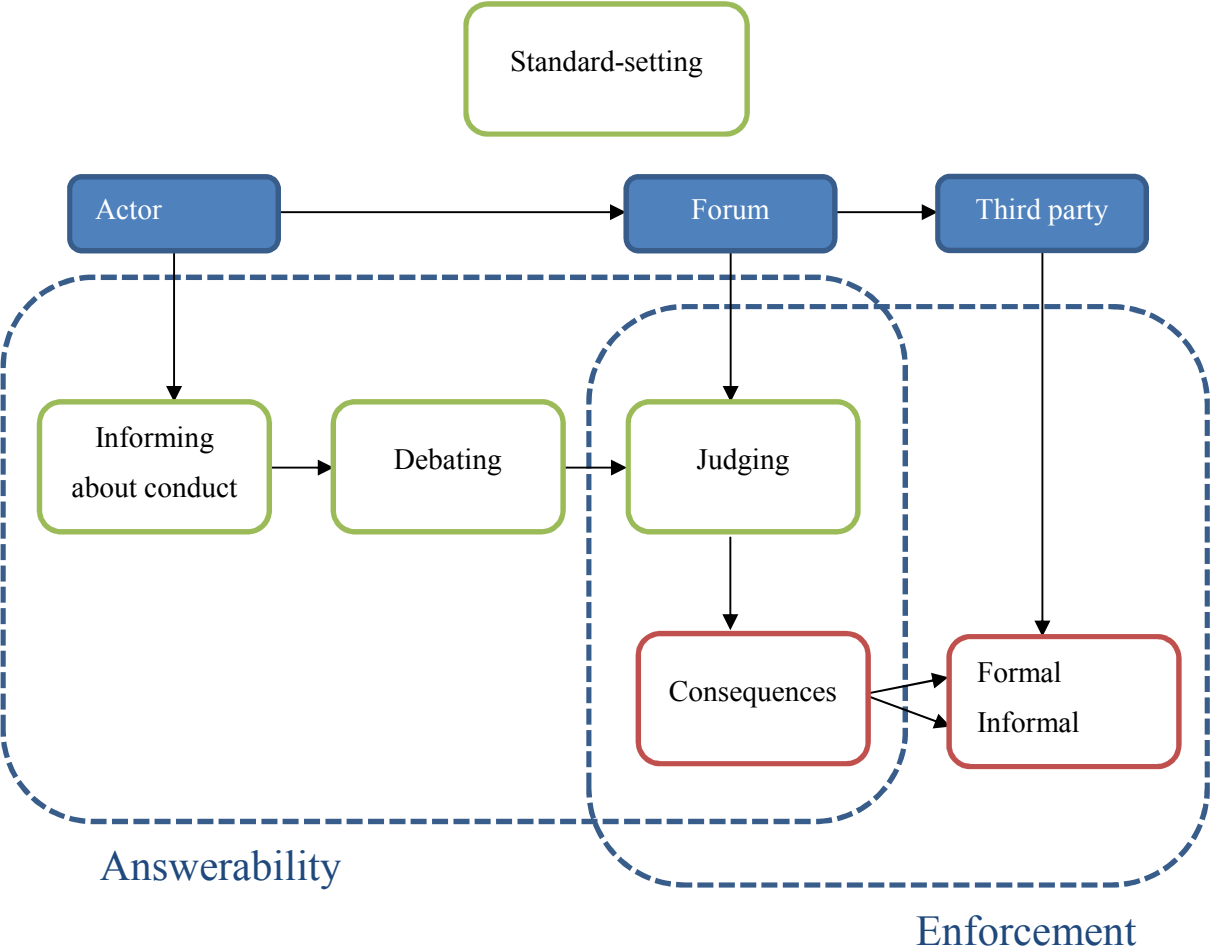
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<sup>12</sup> In particular, I started with adopting the definition given by Bovens (2007: 450), which was then subsequently broadened to include the elements of standard-setting (see Grant and Keohane 2005: 29) as well as third-party involvement (see Philp 2009: 32).



order to include as many different types and expressions of accountability as possible. In this “radial” sense not every single element of accountability always has to be present to describe an accountability process. Figure 2-2 visualizes its key features.

Figure 2-2: Dimensions, actors, and phases in a fully-fledged domestic accountability process



Note: adapted from Bovens (2007: 454)

As shown by Figure 2-2, accountability in this research refers to two dimensions (social concept), three parties (triadic concept) and four phases (radial concept).

First, I conceptualize accountability as a social mechanism for holding power to account. This social concept has two dimensions – answerability and enforcement – as implied by the double connotation of financial and narrative accounts (Bovens 2007; Schedler 1999a). Answerability refers to the discursive processes of information, debate, and judgment, whereby an actor is made answerable to a forum.

Enforcement, in turn, refers to the formal and informal consequences that may follow from the judgment by the forum and that are imposed on the actor by the forum or a third party acting in its capacity. As Figure 2-2 shows, the process of account-giving needs to be separated analytically from the content of accountability. While in practice, the setting of normative standards occurs throughout the whole process, I keep it separate from the telling component (answerability) and counting component (enforcement) of my social concept. These two social dimensions, by contrast, are inherently linked through the judgment phase, from which consequences may follow. Although accountability usually means punishment in political practice, I use the term “consequences” deliberately in order to allow for the possibility that some reward may follow from the forum's judgment.

Second, I conceptualize accountability in formal terms as a relationship involving three parties, namely the actor, the forum, and a third party. While, in practice, an actor is often directly being held accountable by a forum, this is not a constant. My definition of accountability features a formal triadic structure. I assume that the accountability forum itself or a third party acting in its capacity can impose formal or informal consequences on the actor (Bovens et al. 2008: 324; Philp 2009: 30). In other words, the accountability holder and the sanctioning actor must not necessarily be identical. A power wielder can also be held accountable by a third party (also being called “a surrogate”) that sanctions the power wielder (or actor) on behalf of the accountability holder (or forum) when the latter cannot sanction (or play its role in helping to sanction) the former (Rubenstein 2007: 624).

Third, I conceptualize accountability in radial terms as a dynamic process that runs through four sequential phases.

*Standard-setting:* The first phase is determining the set of standards which specify the conduct and the roles of the involved parties to the accountability relationship.<sup>13</sup> I differ from earlier radial definitions of accountability (e.g., Bovens 2007; Schedler 1999a) in making the formal and informal norms explicit that guide any accountability relationship. Accountability presupposes a relationship between an actor and a forum where there is a general recognition of the norms and rules that lend legitimacy to this relationship (Grant and Keohane 2005: 29). My definition refers to these by mentioning the “obligations” and “rights” of the parties involved derived from “certain standards”. By their nature, these standards are always contested, because they are inherently normative. Moreover, they may be either exogenous or endogenous to the process of accountability. The fact that I set them first does thus not mean that they may not change in due course of the accountability process.

*Information:* The second phase is about collecting information on the conduct of the actor in light of these standards. This information may stem from two sources. Information can be given directly by

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<sup>13</sup> Scholars who perceive accountability as a social mechanism often leave this first stage aside, because they want to focus on the description of the institutionalized arrangement in question (e.g., Bovens et al. 2008; Philps 2009). By contrast, I deliberately refer to the normative standards (without defining their content) in my descriptive definition, because their inclusion makes the normative claims guiding the accountability process explicit, as shown by the terms “judgment” and “obligations” in other definitions.

the actor who is obliged to inform the forum about his or her conduct. Alternatively, information may also be collected indirectly by the forum or a third party who explores whether or not the conduct of the actor meets the agreed standards (Moore and Teskey 2006: 3). Collecting information on the conduct of the actor may serve several purposes. For example, the combination of visibility and punishment may be a potent recipe for discipline and the democratic control of political power. However, preventing the abuse of political power may not be the only purpose. The combination of publicity and dialogue may be equally important in providing incentives for public officials and state agencies to commit to better performance or to deepen democracy (Borowiak 2011: 7; Mainwaring 2003: 7; Bovens et al. 2008: 232). Whatever the purpose, the information phase is a necessary step for the following phases of the accountability process.

*Debate:* The third phase brings the involved parties into a debate with each other. The notion of the debate is present both explicitly and implicitly in the definition given above. I explicitly refer to the discursive activities by mentioning the obligation of an actor “to explain” his or her conduct towards a forum, which in turn has the right “to pose questions”. However, I also refer implicitly to the debate phase by using the term “forum” for specifying the role of those calling for an account. Since “forum” means both being a place of public discussion as well as a tribunal, it refers by itself to the answerability and enforcement dimensions of the concept (see Oxford English Dictionary 2019).

*Judgment:* The last phase delivers a judgment by the accountability forum that may yield possible consequences for the actor. However, not all judgments discharge consequences and not all consequences are formal, as my definition implies. Nevertheless, I concur with Mark Bovens (2010) that at least the possibility of consequences of some kind forms a constitutive element of accountability as a social mechanism and include it therefore in my definition (Bovens 2010: 952). At the same time, I concur with Philp (2009) that, from an analytical point of view, the consequences that follow from conduct are a contingent, and not a necessary condition for accountability, while those that follow from the due process are necessary ones. Describing the actual accountability process is a separate task from evaluating the outcome of the conduct in light of the standards set in the first stage, and should thus be performed separately (as shown in Figure 2-2 where the normative standards are separated from the institutional arrangement).

In sum, accountability in the present study is understood to refer to a social, triadic and radial concept. It is social since it defines accountability in terms of a social mechanism for holding power to account. It is triadic since it recognizes that those who are calling for an account need not be the same as those who are effectively sanctioning the ones being held accountable. And it is radial since it does not attempt extracting an essential core of the concept, but acknowledges that even though sanctions may be fully or partially absent, the accountability arrangement as a whole can still be legitimate – depending on the standards applied in any real case.

## 2.1.2. Development literature: accountability as an organizational virtue

### 2.1.2.1. Normative concept

In the development literature, scholars mainly focus on the answerability dimension. Accountability concerning aid is perceived as a virtue that characterizes an individual or organization engaged in international development. For example, as part of the ongoing efforts to strengthen the effectiveness and impact of aid, accountability is said to be about

*“holding those with responsibilities to account with the purpose of securing more responsive, efficient and effective behaviour. It means ensuring that actions are answered for, that performance is evaluated, and that consequent steps are taken.” (Droop et al. 2008: 4)*

Likewise, current transparency and accountability initiatives use the concept as follows:

*“Broadly speaking, accountability refers to the process of holding actors responsible for their actions. More specifically, it is the concept that individuals, agencies, and organisations (public, private and civil society) are held responsible for executing their powers according to a certain standard (whether set mutually or not).” (Tisné 2010, cited by McGee and Gaventa 2013: 13)*

Accountability thus means that development actors from the public, private and social sector are responsible for their actions and that their behavior is evaluated in the light of specific standards.

“Responsibility” is the central term in these definitions of accountability concerning aid, and it brings its own meaning with it. Two points are noteworthy. First, responsibility accentuates the *internal* obligation or duty for “being answerable” or “being responsible” for some action. The literature on non-governmental development organizations has been very attentive to this internal source of motivation, probably due to this sector’s stronger focus on social values, organizational missions, and internal motivations of foreign aid agencies. Many scholars within this literature strand have argued that accountability has both an external *and* an internal dimension (Charnovitz 2006: 34; Cornwall et al. 2000: 3; Ebrahim 2003a: 814, 2003b: 199, 208; Edwards and Hulme 1995: 9; Kovach 2006: 201).<sup>14</sup> For example, Alnoor Ebrahim has argued that non-profit organizations in development assistance do not merely follow a corporate logic where subordinates report to superiors, but are also highly motivated by their own missions and values. These organizational norms and mission statements “add an ethical or value-based dimension to accountability” (Ebrahim 2003b: 199). On the one hand, they provide a basis for external judgment of organizational performance and progress in light of these standards (Ebrahim 2003b: 199). On the other hand, they emphasize an organization’s “internal responsi-

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<sup>14</sup> For an excellent collection of essays on this topic, see Jordan and van Tuijl’s *NGO Accountability* (2006).

lity for continuously shaping and scrutinizing [...] mission, goals, and performance” (Ebrahim 2003b: 194) – which is fundamental for organizations working in the non-profit sector.

Second, this internal aspect of accountability has come to be paired with strong *normative* expectations of “performance” in the international development context. Again, the literature on non-governmental development organizations is intriguing concerning this aspect. For example, Michael Edwards and David Hulme note that “[p]erforming effectively and accounting transparently are essential components of responsible practice, on which the legitimacy of development intervention ultimately depends” (Edwards and Hulme 1995: 6). However, holding non-profit organizations accountable for their performance is a “difficult and messy business” (Edwards and Hulme 1995: 6). For actors in the social sector, there are no agreed performance standards available nor is there any obvious “bottom line” against which progress can be measured. Unlike businesses (which must make a profit) and governments (which must face elections), the bottom line for non-governmental development organizations changes with the situation at hand. Thus, accountability in the non-profit sector, as they conclude, is inevitably a matter of judgment and interpretation (Edwards and Hulme 1995: 11).

What the literature on non-governmental development organizations shows is that accountability is understood as a normative concept to evaluate the performance of an individual or organization against a given set of standards. Unlike its usage in the democracy literature, where accountability is seen as an institutional arrangement for holding power wielders to account, accountability in the development literature is instead seen as a positive feature of individuals and organizations entrusted with public responsibilities. In terms of the distinction between accountability as a “virtue” as opposed to a “mechanism” provided by Mark Bovens (2010), we may thus say that “[a]ccountability, used in this more active sense of virtue, refers to substantive norms for the behaviour of actors” (Bovens 2010: 949).

#### ***2.1.2.2. Mutual accountability process***

In recent years, there has been an increased interest in the promotion of mutual accountability as demonstrated by the large number of international and national agreements, where aid recipients and their development partners “have volunteered to pursue their common interest in aid effectiveness and development results in a mutual accountable way” (Steer et al. 2009: 16). “The international agreement with the most explicit recognition of mutual accountability is the *Paris Declaration*” (Steer et al. 2009: 16) According to this declaration, enhancing mutual accountability and transparency in the use of development resources is considered to be a significant priority for aid recipients and their development partners. Beyond its narrow focus on enhancing financial responsibilities, mutual accountability is also said to contribute to broader issues of democratic governance and development performance (OECD 2005a, para. 1, 47).

From a theoretical perspective, the point I want to make here is that the meaning of mutual accountability in the current aid architecture follows the conceptual lines of accountability that have been sketched above. While the literature on mutual accountability is still in its infancy, development scholars generally agree on its central features (Domingo et al. 2009: 15; Droop et al. 2008; Steer et al. 2009).

First, mutual accountability emphasizes the internal motivations of actors being held accountable. In most general terms, it has been defined as “the process by which two (or multiple) parties hold one another accountable for the commitments they have voluntarily made to one another” (Droop et al. 2008: 4). What this definition accentuates is that mutual accountability is not a one-way relationship, but a two-way social exchange, in which both parties have a moral obligation to comply with the commitments they have voluntarily made to one another. Given the voluntary character of mutual commitments, they are “largely maintained through positive incentives and a desire to maintain one's reputation. Hard sanctions generally do not exist” (Steer et al. 2009: 16). The focus of mutual accountability thus generally lies on the answerability dimension of the concept.

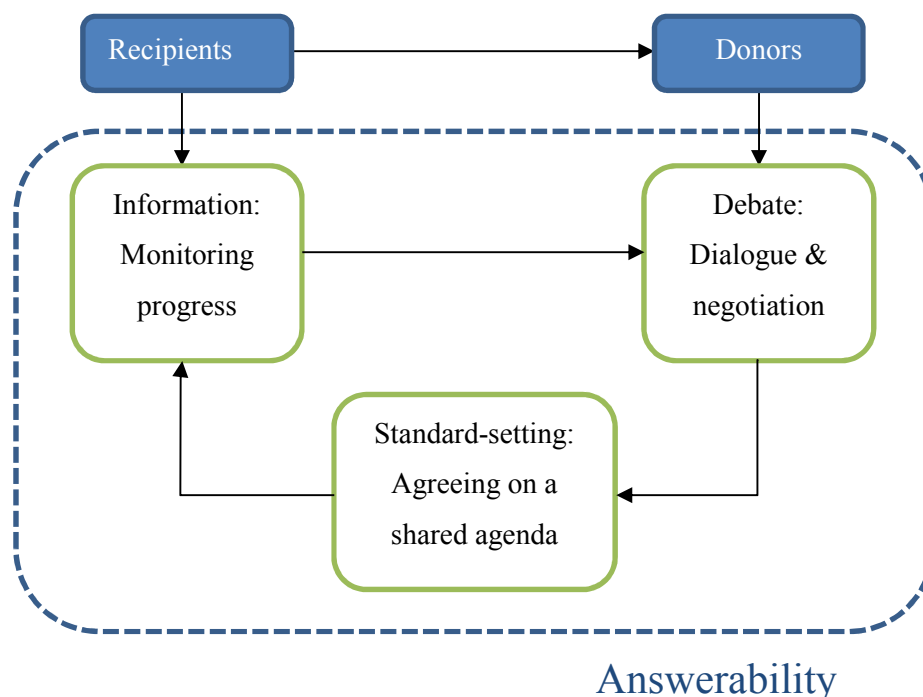
Second, mutual accountability has been introduced into the current aid architecture with the overall aim of better performance. As stated in the Paris Declaration, commitments to mutual accountability include joint assessment of mutual progress in implementing agreed commitments on aid effectiveness (OECD 2005a, para. 50). Since these commitments include “a set of monitorable targets for changes in donor, recipient, and joint behavior”, this declaration deserves credit for having brought “current aid practices under a transparent and legitimate overall umbrella of universal standards and country-based monitoring” (Rogerson 2005: 539). Even though the term is not precisely defined in the current aid architecture, mutual accountability is understood as a normative concept used to assess the individual and joint performance of development partners according to the standards embodied in the Paris Declaration and similar international treaties.

If the performance standards are given, the question then is *how* donors and recipients of foreign aid can hold each other accountable for mutual commitments they have made? The answer given by the literature on mutual accountability is that there is a variety of mechanisms emerging by which donors and recipients of foreign aid are beginning to hold each other to account (Domingo et al. 2009: 17). While it is too early to speak of a “fully-fledged mutual accountability process”, recent research on mutual accountability has identified several critical elements of country-based monitoring of donor and recipient performances (Steer et al. 2009: 19; Domingo et al. 2009: 17).<sup>15</sup> In particular, mutual accountability is said to proceed through three phases, as depicted by Figure 2-3.

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<sup>15</sup> Mutual accountability mechanisms at the global level are not considered here (see also synthesis below).

Figure 2-3: Dimension, actors, and phases in a simplified mutual accountability process



Note: adapted from Steer et al. (2009: 20)

As shown by this figure, mutual accountability is said to run through three phases, including the setting of standards (‘agreeing on a shared agenda’), the information phase (‘monitoring progress’) and the debate phase (‘dialogue & negotiation’). What stands out from this sequencing of the process is that the judgment phase is missing, when we compare it to the standard accountability process described in the democracy literature above. To understand why this is the case, it is helpful to look at the three other phases of mutual accountability in more detail.

*Standard-setting:* In the first phase of setting the standards of mutual accountability, donors and recipients of foreign aid agree on a shared agenda that sets out clear goals and commitments for both sides. Following recent research on mutual accountability (e.g., Domingo et al. 2009 and Steer et al. 2009), shared agendas mostly fall into two categories: agreements around development strategies and development results, i.e., “*what* needs to be done to address development problems”; and agreements around operational principles and aid effectiveness practice, i.e., “*how* development aid can be delivered” (Steer et al. 2009: 7). Examples of the first category involve national, sector and program specific development strategies, while aid policies, harmonization and alignment action plans, and joint assistance strategies constitute examples of the second category. These agreements differ in terms of the degree they are being shared by all development actors, that is donors, governments, and citizens at

the recipient country level. Usually, agreements of the first category are more government-driven, whereas donors are inclined to take the lead in agreements of the second category. While donors and governments usually lead the process, the degree of citizen involvement, however, strongly varies by country and national development strategy (Domingo et al. 2009: 19).

*Information:* Next, monitoring actions and reviewing progress in implementing shared agenda characterizes the information phase in mutual accountability. In line with the two categories of shared agendas above, monitoring mechanisms at the country (or sector) level either may monitor progress in implementing agreements around development strategies and, above all, development results, or they may track both donor and recipient progress towards implementing agreements on aid effectiveness. For example, Annual Progress Reports (APRs) on national development strategies are standard for countries under the PRS approach. APRs are typically carried out under government leadership and then discussed at workshops, sector working group meetings and/or other government-donor forums (see debate phase) (Domingo et al. 2009: 19). By contrast, Performance Assessment Frameworks (PAFs) constitute an example of a joint monitoring mechanism under donor leadership. PAFs provide a set of monitorable indicators, often drawn from existing PRSPs, which donors use for determining their future financial contributions to national budgets (Domingo et al. 2009: 19). Finally, aid databases are another source of information for monitoring government and donor progress towards agreed commitments on aid effectiveness (Domingo et al. 2009: 19). While not being a standard everywhere, citizens have increasingly become involved in monitoring aid effectiveness and development results – both inside and outside donor-government forums. For example, civil society actors were more often invited to participate in joint donor-government forums for monitoring progress in implementing national development strategies. However, civil society, parliament and the media have also become more active in some countries through conducting their own reviews and organizing their parallel forums in reviewing progress, thereby taking on the role of a societal watchdog (Steer et al. 2009: 35).

*Debate:* Finally, the debate phase in mutual accountability comprises the various spaces and mechanisms that provide forums where donors and governments can discuss evidence-based issues of concern (Domingo et al. 2009: 4). Importantly, these spaces for dialogue and negotiation “serve not only to define the agenda and review progress, but also to establish trust and provide incentives to carry out commitments” (Steer et al. 2009: 8). They exist at both the technical and political level. For example, many technical working groups are organized sector-wise and are composed of technical staff from the related ministries and donors active in the area (such as the health, education or agricultural sector) (Steer et al. 2009: 8). At their meetings, they discuss the information collected on the progress (or the reasons for lack of progress) towards agreed commitments in the particular area. A central feature of technical working groups meetings is that they are held regularly throughout the year. Their regularity makes them important forums for building trust and a common strategy (Domingo et al. 2009: 20). By contrast, the main forums for political dialogue in most countries are the Consultative Groups mee-



tings, where APRs and findings from independent monitoring mechanisms are often presented. They are held only once or twice in a year. Historically, these meetings functioned as ceremonial events and pledging sessions chaired by the World Bank. However, they have recently been reformed to provide an open forum for discussing past performance and future strategies not only between governments and external development partners, but among all domestic stakeholders at the recipient country level (Domingo et al. 2009: 20; Steer et al. 2009: 8).

### ***2.1.2.3. Accountability in the global aid architecture***

This review of the development literature has shown that mainstream conceptions of accountability, and in particular mutual accountability in the global aid architecture, refer to specific performance standards (normative concept) used for qualifying the internal commitment (classical concept) of donors and recipients of foreign aid (dyadic concept). This concept stays opposed to the one used in this research.

First, mutual accountability is conceptualized in normative terms as a virtue or quality of individuals and organizations entrusted with public responsibilities. This normative concept refers to specific performance standards that aid practitioners are thought to adhere to voluntarily. There is widespread consensus among aid practitioners what these performance standards are. For example, the final document of the Fourth High Level Forum on Aid Effectiveness in Busan, South Korea, reports that effective development cooperation works through a standard set of principles, which are shared by all development actors and underpin all forms of development cooperation: “While differences between aid providers as well as aid modalities are acknowledged, all development partners are assumed to gather behind one global development agenda” (OECD 2011a, para. 2). Moreover: “We will hold each other accountable for implementing our respective actions in developing countries and at the international level. As we focus on implementing our commitments at the country level, we will form a new, inclusive Global Partnership for Effective Development Co-operation to support implementation at the political level” (para. 13). Put simply, the performance of development partners is measured in terms of increasing the effectiveness of aid. Moreover, it is assumed that aid effectiveness principles are shared among all development partners. By contrast, this research does not take this effectiveness criterion for granted, but argues that aid standards – concerning delivery and results – are always contested. To make the normative standards explicit that underlie any accountability relationship, this research strives to separate the description of mutual accountability arrangements from the evaluation of their impact according to different normative standards.

Second, mutual accountability is conceptualized in formal terms as a relationship between two parties, namely the aid-donating and the aid-receiving party. While in practice, both sides of the new aid compact are composed of several actors (assumably) united in their commitment to one global develop-

ment agenda, the concept itself features a formal dyadic structure as shown by the dualistic structure of the main agreements of the international aid effectiveness agenda. In the Paris Declaration, for example, “donors” and “partner countries” affirm that they will periodically assess mutual progress at the country level in implementing agreed commitments on aid effectiveness (OECD 2005a, para. 10). In the Accra Agenda for Action, “donors” and “developing countries” reaffirm that they will hold each other accountable for mutually agreed development results, but recognize that they are also accountable to their respective public (OECD 2008a, para. 24). In the more recent Global Partnership of Busan, however, the dualistic structure is almost lost, since development partners are said to be not solely accountable to each other, but also jointly accountable to the intended beneficiaries of their cooperation, as well as to their respective citizens at the domestic country level (OECD 2011a, para. 11). In accordance with this ever-expanding circle of actors in accountability arrangements around aid, this research’s concept of accountability exhibits a formal triadic structure that allows integrating citizens at the domestic country level in traditional donor-recipient aid relationships. Through conceptualizing aid modalities as accountability forums, this research conceives accountability for aid not solely as a relationship between those who donate and those who receive money, but as an institutionalized arrangement in which recipient state, organized society, and the international community interact.

Third, mutual accountability is conceptualized in classical terms as being answerable for one’s actions or behavior. Within the current aid architecture, development actors are answerable for the commitments they have voluntarily made to one another. Accordingly, international agreements on aid effectiveness generally refer to substantive norms for the behavior of actors, such as the “sharing of feedback for learning over time (Paris Declaration, para. 28) and the “creation of incentives for collaborative behavior” (Accra Agenda for Action, para. 36) based on “openness, trust and mutual respect” (Global Partnership of Busan, para. 11). Development actors are said to maintain their commitments, respectively to change their behavior, not because they fear sanctions by their aid partners, but because “they value their relationship and reputation with each other and the larger development community” (Steer et al. 2009: 38-39). By contrast, this research does not reduce accountability for aid to a mutually beneficial relationship between aid recipients and their development partners. Instead, this research sees the possibility of sanctions as a constitutive element of accountability, since we may assume that under conditions of extreme inequality (characteristic of most aid-dependent political regimes) only sanctions by a powerful third party enforce compliance of the actor with standards given by a less powerful forum.

In sum, as this comparison of mutual accountability with the concept of accountability used in this research has shown, accountability in the development literature refers primarily to a normative, dyadic and classical concept. First of all, mutual accountability is a normative concept, since it is used to evaluate the conduct of development actors according to a set of normative standards. Staying close to the financial roots of the concept, mutual accountability possesses a formal dyadic structure, since it

focuses on the relationship between money-donating and money-receiving actors engaged in international development cooperation. And finally, mutual accountability is defined in rather classical terms, since it is the internal responsibility of development actors for voluntary commitments that lies at the heart of the mutual accountability concept.

### **2.1.3. Synthesis: conceptual framework**

Based on my review of the meaning of accountability in the democracy and development literature, this section proposes a conceptual framework to analyze the different goals and mechanisms of global accountability initiatives. Central to my conceptual framework is the clear separation between accountability forums and accountability standards. Accountability forums concern the institutional accountability relationships between development actors, while accountability standards refer to the norms and values that development actors use to lend legitimacy to these relationships.

#### ***2.1.3.1. Fields: Interaction of two fields of accountability processes***

To analyze the accountability forums, I draw on scholars within the democracy literature who define and break down the concept of accountability by asking four simple questions (see Schedler 1999a; Behn 2001; Bovens 2007; Philp 2009):

*Who* has to render an account? To identify the actor in the accountability relationship.

*To whom* has the actor to render an account? To identify the forum in the accountability relationship.

*For what* is the actor being held to account by the forum? To establish the conduct that stands central to the accountability relationship.

*Why* should the actor render an account to the forum? To establish the consequences that may follow from the accountability relationship.<sup>16</sup>

Together, we may thus ask *who is accountable, to whom, for what, and why?* Each of these questions highlights one key component of the definition of accountability given above, that is, the actor and the forum, their conduct and the possible consequences thereof. To these four questions, I add a fifth question that has been raised about mutual accountability by scholars within the development literature (see Domingo et al. 2009: 9; Hudson 2009: 6):

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<sup>16</sup> The last question is sometimes also framed as a “how” question, through asking *how* the forum is holding the actor to account. Many development scholars framed it this way in order to identify the rules or the process by which accountability is achieved (e.g., Bendell and Cox 2006: 115). However, whether framed as a “why” or a “how” question, the answers given in the literature are seemingly similar; thus they are probably contained in each other (Philp 2009: 28, footnote 2).

*Where* is the forum holding the actor to account? To establish the level where the accountability relationship unfolds.

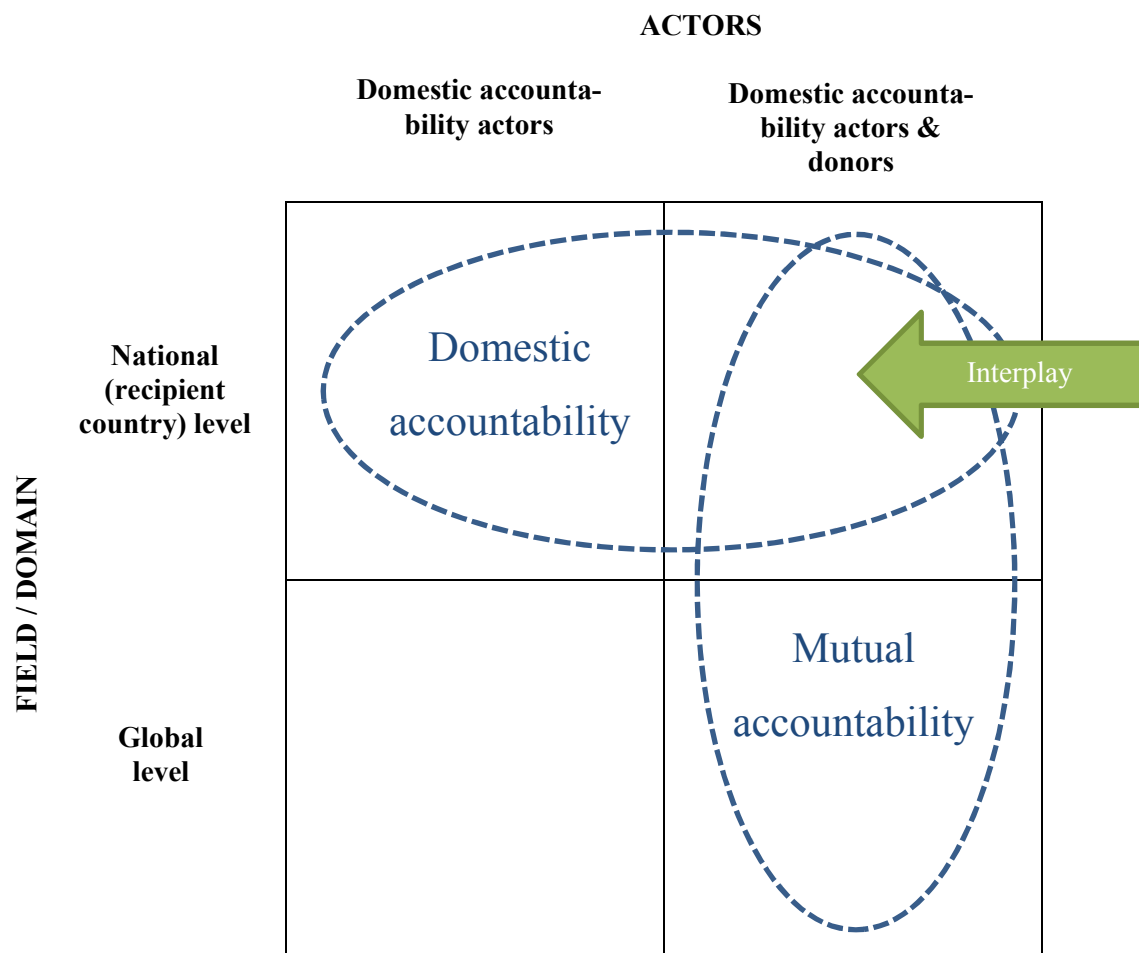
Mapping out these five dimensions provides a starting point to deepen our understanding of mutual accountability and domestic accountability and how they might interact within institutionalized accountability forums in recipient countries.

Starting with the last question, the development literature mentions two levels of accountability (*where* the forum is holding the actor to account): One is the country level, and the other is the global level. Public accountability at the country level concerns the established mechanisms of accountability that citizens in donor countries and recipient countries can use to hold both donors and recipients of foreign aid accountable. By contrast, public accountability at the global level concerns the comparatively newer mechanisms of accountability that donors and recipients of aid have created to hold each other accountable.

If we add the actors (*who* have to render an account) to these two possible levels of public accountability, we arrive at a two-by-two matrix showing the two domains of accountability with regard to foreign aid (see Figure 2-4).

*Domestic accountability* refers to the relationship between the “aid intermediaries” (i.e., donors and recipients) and their constituencies (i.e., citizens in either donor or recipient countries). In multilateral development assistance, international financial institutions (representing donor governments) and recipient governments themselves act as intermediaries of domestic constituencies on whose behalf aid is managed and used. The relevant accountability holders in domestic accountability thus are the citizens at the respective country level; today commonly subsumed under the notion “domestic stakeholders” (*to whom* aid intermediaries owe an account). Key accountability institutions on which they rely for calling aid intermediaries to account are political parties, parliaments, the media, legal and quasi-legal forums, interest groups, charity and other stakeholders (Bovens 2007: 455-457). Given the full range of domestic accountability institutions, the type of conduct (*about which* aid intermediaries have to render an account) is said to vary enormously (Bovens 2007: 460). Independent of the forum, however, the process of account-giving has generally been classified in financial, procedural or product terms within the democracy literature (Behn 2001: 224; Bovens 2007: 454; Philips 2009: 48).

Figure 2-4: Interplay of domestic and mutual accountability



Note: adapted from Domingo et al. (2009: 30)

By contrast, *mutual accountability* refers to the two-way relationship between the “aid intermediaries” themselves. In multilateral development assistance, mutual accountability refers to the relationship between international financial institutions (i.e., aid donors) and borrowing governments (i.e., aid recipients). Looked from the perspective of aid recipients, the relevant accountability holders in mutual accountability thus are the aid donors, nowadays dubbed “development partners” (*to whom* aid recipients owe an account and vice versa from the perspective of aid donors). The particular forum where aid intermediaries hold each other accountable for the delivery and use of aid is primarily determined by the aid modality in question, with some types of aid allowing for more and others for less space in terms of domestic accountability. In general, it may be said that aid that is programmable at the country levels, such as donor support to national development strategies and budgets allows for greater space, whereas non-programmable aid, such as humanitarian aid or non-governmental project funding does not give much or even no space at all for domestic accountability (Domingo et al. 2009: 14).

Probably due to its origin in the international aid effectiveness agenda, the type of the conduct (*about which* donors and recipients of foreign aid have to render an account to each other) has strong normative elements attached to it. Accordingly, mutual accountability has generally been understood as a standard for increased aid effectiveness and poverty reduction within the development literature (Domingo et al. 2009: 15; Steer et al. 2009: 7).

Finally, the question arises *why* aid intermediaries should render an account to their relevant constituencies or among themselves. While domestic accountability is said to be driven mainly by domestic politics (Hudson 2009: 4), mutual accountability is said to be part of ongoing efforts to strengthen the effectiveness and pro-poor impact of aid (Droop et al. 2008: 4). However, this research argues that part of the answer also lies in the *interplay* of domestic accountability and mutual accountability at the recipient (and donor) country level. Specific mechanisms of mutual accountability (between donors and recipient of foreign aid) interfere with more established systems of domestic accountability (between governments and their citizens). Importantly, this research conceptualizes these two domains of accountability as *fields* of accountability (Eyben 2008: 23). In such a field perspective, accountability would not refer to a single process or a dyadic relationship but is “understood as a temporally sustained collection of processes, nested within or overlapping with other fields” (Eyben 2008: 23). Thus, mutual accountability for aid can be imagined as being embedded within and interacting with domestic accountability systems at the recipient (and donor) country level.

In the past, few scholarly analyses existed on the *interplay* of these two different fields or domains of accountability. Among them, the workstream on aid and accountability by the Governance Network (GOVNET) of the OECD’s Development Assistance Committee (DAC) has been one of the most thoroughly consistent, systematic, comprehensive efforts to date. This workstream has involved a wide range of leading donors, recipient countries and experts on accountability to understand how “accountability for aid” works (Domingo et al. 2009: 6). As part of this joint research effort, all domains of accountability involved in aid relationships have been studied. On the one hand, domestic accountability for aid between governments and citizens has been researched both for recipient governments (Hudson 2009) and donor governments (Vielajus, Hudson, Johnsson, and Neu 2009). On the other hand, mutual accountability between donors and recipients of aid, has also been explored both at the country level of recipient countries (Domingo, Wild, Hudson, and Wathne 2009; Steer, Wathne, and Driscoll 2009) and at the global level between donors and recipients of foreign aid (Droop, Isenman, and Mlalazi 2008). Jointly, these studies provide valuable groundwork on which to build my conceptual framework.

Figure 2-4 portrays the interplay of these two accountability domains from the perspective of an aid recipient. Concerning the level and actors, I focus on the domestic (recipient) country level where aid recipients are being held accountable by aid donors and their respective constituencies. Conversely, I do not focus on the global level where donors and recipients of foreign aid hold each other accounta-

ble. Regarding the forum and conduct, I focus on the conduct of aid recipients vis-à-vis domestic accountability forums (upper left cell) for which they have to render an account to aid donors in mutual accountability forums at the recipient country level (upper right cell). Regarding possible consequences that may result from the interaction of these accountability domains, I focus solely on consequences for aid recipients at the recipient country level (upper right cell). This implies that I do not consider consequences for aid donors at the global level that may stem from the interaction of these two domains at the donor country level (lower right cell). They have been the topic of an ever-growing stream of literature, particularly about the international financial institutions' own accountability towards their relevant public (see, e.g., Fox and Brown 1998; Woods 2001, Woods and Narliker 2001; Kapur 2002; Buira 2006; Scholte 2011).

My conceptual framework thus shares with the GOVNET's workstream on aid and accountability its focus on the interaction between mutual accountability and domestic accountability at the recipient country level (upper right cell). However, it differs from their approach in that it does not take the normative standards for granted in accountability concerning aid, but leaves them to the empirical analysis to be determined. The question thus arises what these standards are that may underlie accountability relationships in international development cooperation. In the following subsection, I will, therefore, look at the accountability standards that lend legitimacy to these relationships in order to understand the dynamics behind the shape of the ellipses in Figure 2-4.

### ***2.1.3.2. Standards: Performance measured according to three accountability standards***

To analyze the accountability standards, I draw on scholars within the development literature who outline the desired outcomes of “transparency and accountability initiatives”<sup>17</sup> of late. As shown above, the primary rationale of most donors for creating and sustaining accountability arrangements in international development cooperation stems from their common mandate around poverty reduction and sustainable development (O’Neil et al. 2007: 14). However, more specific research on transparency and accountability initiatives – much of it based on World Bank research – has identified three broad kinds of impact associated with these initiatives (see Malena et al. 2004: 5; McGee and Gaventa 2013: 16; O’Neil et al. 2007: 14).

*Effectiveness:* First, strengthening transparency and accountability around aid contributes to increased aid effectiveness. Given that the three key groups of actors in aid delivery – donor community, recipient state and organized society – “have different (sometimes conflicting) goals and incentives, compounded by information asymmetries and lack of communication” (Malena et al. 2004: 5), transparen-

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<sup>17</sup> “The collective term “transparency and accountability initiatives” denotes a broad array of citizen-led and multi-stakeholder initiatives. While they often vary enormously, they share “common assumptions about the relationship of transparency and accountability, as well as the contributions that can be made by non-state actors to strengthening state regulatory and accountability capacities” (McGee and Gaventa 2013: 5).

cy and accountability initiatives that give voice to the poor and promote dialogue and mutual learning between the three groups of actors, can go a long way toward increasing the effectiveness of aid and making public decision-making more transparent, participatory and pro-poor (Malena et al. 2004: 5). Since poor people have the most to gain from enhanced accountability in the governance of aid, this perspective is most closely associated with the goal of reducing poverty.

*Governance:* Second, strengthening transparency and accountability around aid also contributes to improved governance of the recipient state. Since many recipient states face what the World Bank has termed a “crisis in governance” (Narayan et al. 2000: 197) – citing a lack of responsiveness, abuse of discretion, corruption, favoritism and weak accountability on the part of the executive branch of government – , transparency and accountability initiatives that support domestic constituencies to monitor compliance of the executive with existing rules and possibly sanction executive misbehavior can thus provide a means for improving the quality of governance and strengthening the democratic institutions and processes in recipient states. By increasing the rule of law and government respect for the electoral process, accountability in this perspective is thus linked to normative standards of procedural democracy.

*Empowerment:* Third, beyond improving the quality of governance in recipient states, strengthening transparency and accountability around aid can also target at empowering organized civil society. In many countries worldwide, major parts of the population are effectively excluded from the public sphere due to “gender, societal inequalities, lack of organization, cultures of intolerance or intimidation and violence” (Luckham et al. 2001: 22). In response to these democratic deficits, contemporary initiatives for strengthening transparency and accountability often “go beyond traditional understandings of representative democracy through creating and supporting more participatory mechanisms of citizen engagement, which in turn are built upon, and support, more robust views of the rights and responsibilities of democratic citizenship” (Gaventa 2006: 264). Thereby, they can create significant incentives for recipient governments to commit to the needs of disadvantaged and vulnerable groups and to fulfill their human rights obligations, consistent with substantive democracy targets.

While this last perspective is seen by some scholars merely as a manifestation of the former perspective, I rather see this perspective as a distinct effort for strengthening substantive democracy through addressing the gap between democratic institutions of the state and the deep politics of society – as opposed to efforts for strengthening democratic institutions and procedure.<sup>18</sup> The idea that the PRS process provides an onset of democratic practices in recipient countries (Molenaers and Renard 2006: 8) refers directly to the substantive democracy case.

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<sup>18</sup> See Luckham et al. (2001: 22) for an excellent analysis of these two different concepts of democracy and their relevance in the international development context.



The three broad impacts identified by specific research on transparency and accountability initiatives in the development literature broadly concur with the three general “promises” (Dubnick 2002) of public accountability in the democracy literature that recur, albeit implicitly, time and again (for a good review of these promises, see Bovens 2010). Accordingly, accountability is essential, because it enhances the effectiveness and learning capacity of public administration; because it prevents the concentration and abuse of power by public authorities; and because it expands democratic participation beyond the electoral arena. Following this conceptual sketch of the institutional arrangements and the normative standards that underlie external efforts for promoting government accountability to citizens in developing countries, the next section will distinguish between different theoretical models of public accountability.

## **2.2. Model**

Accountability within democratic theory has received slightly different shadings depending on academic tradition and the target level of accountability. At the center of my work are the accountability forums in which development actors interact. Development actors use different mechanisms to hold each other accountable within these forums. To approach these mechanisms in theoretical terms, I follow global governance scholars who have theorized accountability mechanisms beyond the national level, since accountability forums may be situated both at the national and at the global level. In particular, I adopt the pluralist-institutionalist model of accountability by Ruth Grant and Robert Keohane (2005), who discriminate between two basic mechanisms for holding public power to account – delegation and participation – that lend legitimacy to accountability arrangements at the country and the global level.

I choose to adopt their pluralist-institutionalist model, because they are not taking the normative content of accountability for granted, but identify different “standards of legitimacy” (Grant and Keohane 2005: 35) that need to be distinguished from the operation of accountability mechanisms for holding power wielders to account (social concept); because they conceive of accountability not as a dyadic relationship between two parties, but as a “configuration of power” (Grant and Keohane 2005: 40) where a plurality of public, private, and civil society actors interact (triadic concept); and because they emphasize that there is no single legitimate mechanism for accountability, but many mechanisms should be explored with the full recognition that their “appropriateness and efficacy [...] will depend on the particular context” (radial concept) (Grant and Keohane 2005: 40).

My approach may be juxtaposed with the stakeholder democracy model as the main alternative approach towards public accountability in the global governance literature.<sup>19</sup> This model also focuses on accountability arrangements beyond state borders, but it differs from the pluralist-institutionalist model in that it defines specific normative values of democracy, justice and socio-economic equality that are widely shared within the international community as global standards for evaluating the behavior of answerable actors (normative concept); it stipulates symmetry and congruence between decision-makers and decision-takers in global accountability arrangements (dyadic concept); and it assumes that accountability mechanisms based on participatory and deliberative democracy are the much sought-after “magic bullet” for global accountability (classical concept).

In the following, I will compare my theoretical approach based on the pluralist-institutionalist model with other models of public accountability that are found in democratic theory. This outline of the different approaches to public accountability in the democracy literature enables me to situate the newer proposals for reforming aid in the development literature according to their specific mechanisms for holding public power to account. Despite their differences, all accountability mechanisms have one thing in common, and that is that they lend legitimacy to the governance arrangement at hand. By revealing the century-old democratic thinking behind today’s development practices, I expect to contribute to a better understanding of the more political and rights-based development approach that has been introduced into the current aid architecture.

### **2.2.1. Democracy literature: accountability in democratic theory**

Democratic theory gives a rich and complex picture of the way how public power is held to account. Following Grant and Keohane (2005), theoretical models of public accountability fall into two academic traditions of infusing governance arrangements with legitimacy. Legitimacy may rest on claims derived from the delegation of authority or the participation in governance (Grant and Keohane 2005: 41). This distinction draws on a long-standing scholarly debate whether those who govern should be held accountable by those who entrusted them with powers or by those affected by their actions (Grant and Keohane 2005: 31). Within these two traditions, I distinguish six theoretical models of public accountability.<sup>20</sup> While I have adopted the first four models from Craig Borowiak’s (2011) excellent review of public accountability in democratic theory, I have derived the last two models out of my own engagement with the global governance literature.<sup>21</sup> Table 2-2 summarizes the six models that can

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<sup>19</sup> See Held and Koenig-Archibugi *Global Governance and Public Accountability* (2005) for an excellent introduction to the scholarly debate and a collection of some basic essays.

<sup>20</sup> Notwithstanding that these models of accountability have their intellectual roots in democratic theory, I will speak of “public accountability” instead of “democratic accountability” in order to keep the institutional arrangement clean from any normative connotations, including democracy.

<sup>21</sup> Borowiak also discusses what accountability in global governance means. While I sometimes refer to his discussion of “liberal cosmopolitanism” and “skeptical pluralism” (that approximate my “stakeholder democracy”

be found in the democracy and global governance literature. To highlight similarities and differences, I will present them two at a time in the way they have evolved in space and over time.

*Table 2-2: Models of public accountability in democratic theory*

<i>Level</i>	<i>Participation</i>	<i>Delegation</i>
State	<i>Participatory democracy model:</i> Visibility Participation Generating community	<i>Republican-federalist model:</i> Institutions Delegation Regulating gaps
National	<i>Deliberative democracy model:</i> Mutuality Dialogue Collective problem-solving	<i>Principal-agent model:</i> Hierarchy Discipline Collective action problems
Global	<i>Stakeholder democracy model:</i> Civic publics Direct involvement Universal values	<i>Pluralist-institutionalist model:</i> Regulatory agencies Indirect control Plural mechanisms

**2.2.1.1. State level**

The first two models of public accountability may be viewed as ancient blueprints for contemporary accountability debates. The participatory democracy model of accountability has its origins in ancient Athens, while the republican-federalist model has been presented during the eighteen-century ratification debate over the U.S. Constitution. Accountability forums in both models are situated at the state level, that is, at the level of ancient Greek city-states or U.S. states respectively. In both cases of “pre-modern republics”, citizens were directly engaged in small polities governing themselves (Plattner 1999: 64-65). Besides the target level of the accountability forum, these two ancient perspectives on public accountability also shared a focus on the principle of sovereignty and were mindful of the potential abuses of power in politics. Central to ancient Athens was the question of how the rule by the people could be guaranteed. To this end, the Athenians developed an ingenious set of accountability mechanisms and practices to check the “dangers of concentrated power and of the corruptibility of their fellow citizens” (Borowiak 2011: 82). This went so far that citizens even could be punished for “sheer bad luck” as they were also being held accountable for being demonstrably incompetent or dishonest (Elster 1999: 276). The ratification debate over the U.S. Constitution, in turn, centered on the question whether the principle of popular sovereignty could be maintained in the light of an extending political sphere. While Federalists and Anti-Federalists disagreed on the perils of concentrated power, the republican principle of self-governance was fiercely defended from both sides (Borowiak 2011: 27). The participatory democracy and republican-federalist model differ, however, concerning their emphasis on different accountability mechanisms. While ancient Athens emphasizes the participatory logic through creating a political system where citizens had to answer before their peers public-

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and “pluralist-institutionalist” model), I consider the work by other scholars who focus more on what accountability means in international development cooperation as a useful complement to his more general review of the concept in democratic theory.

ly, the U.S. ratification debate accentuates the delegation logic given the introduction of more distance between citizens and their representatives in the federal constitution.

### *Participatory democracy model*

The visibility of political power was an essential feature of ancient Athens' participatory democracy. The formerly "privileged secret spheres of the governing elite – the monarchs, warrior-aristocrats, and priests – were gradually recast into a public sphere of open scrutiny and debate", the so-called *polis* (Borowiak 2011: 85). Public accountability in the *polis* manifested itself in an open and public process, where citizens had to answer before their peers. Visibility was important as a means for punishing individuals because it allowed exposing wrongdoing and clarifying the targets of sanctioning power (Borowiak 2011: 8). At the same time, visibility was also understood by the Athenians as a means of "constituting the *polis*" meaning that citizens came to mutually recognize each other as equals (Borowiak 2011: 89). Mechanisms of public accountability in Athens democracy were thus more than merely mechanisms for checking abuses of power. They were vital elements of a "broader culture of participation and mutuality" (Borowiak 2011: 79).

Civic participation was the central mechanism through which accountability in Athens direct democracy was ensured. In theoretical terms, citizens participated on both sides of the accountability relationship. On the forum side, there was a broad range of accountability mechanisms and practices based on direct civic involvement, such as generally open proceedings of the General Assembly and the courts, rewards for attendance and punishment for non-attendance of Assembly sessions for all citizens, courts composed of citizens selected by democratic election or by lot, courts welcoming any criticism during proceedings, and so forth (Borowiak 2011: 87). On the actor side, the participatory logic put every (male) citizen into public service at one point or another. Due to this temporal modulation, almost every (male) citizen was directly being held accountable by a public forum at least once in a lifetime (Borowiak 2011: 87-88). This unique fabric of public accountability in ancient Athens allowed not only to prevent the concentration of power, but also "helped to uphold political equality" (Borowiak 2011: 88).

In the end, participatory accountability mechanisms contributed in large part to the generation of a "community of free and equal citizens collectively governing themselves" (Borowiak 2011: 87). The Athenians did not understand political community in some abstract sense, but as real citizenship practice being activated and sustained by public accountability dynamics. Key to this "culture of accountability" in ancient Athens was its mutuality, meaning that citizens were *both* subjects and objects of power (Borowiak 2011: 88). Citizens were both accountability holder and accountability holdee. This specific quality of *both*-ness cultivated "a sense of belonging to a larger community of political equals" (Borowiak 2011: 79-80).

### *Republican-federalist model*

The particular institutional design played an essential role in the debate on the ratification of the U.S. Constitution in 1787 (Borowiak 2011: 27). Both Federalists and Anti-Federalists perceived accountability arrangements as a principal way to institutionalize popular control. They did not want a system of direct *rule* by the people as understood by the Athenians, but envisioned a system of indirect *control* by the people. Not the visibility of political power, but the institutionalization of citizen control was seen as a principal way to ensure popular sovereignty and to protect against the abuses of power (Borowiak 2011: 30). However, Federalists and Anti-Federalists differed in their envisioned institutional designs. The Federalists supported the ratification of the new U.S. Constitution in order to concentrate political power and thus introduce more distance between government and citizens. They argued that good government needs “high-quality leaders” and some autonomy from the people to be effective (Borowiak 2011: 36). The Anti-Federalists, by contrast, declined to adopt a new constitution. They feared that too much concentration of power and too much distance between government and citizens would make the constitution “devoid of all responsibility or accountability to the great body of the people” (Centinel, cited by Borowiak 2011: 42).

The delegation of authority to the centers of governmental power figures as the central mechanism through which accountability in the new U.S. Constitution would be ensured. Federalists were eager to distinguish their republic from earlier forms of participatory democracy, which they characterized as “a state of perpetual vibration, between the extremes of tyranny and anarchy” (Hamilton, cited by Borowiak 2011: 32). In particular, Federalists were concerned that majority groups within the *demos* were able to exert a tyranny over the minority – “without having to account for their actions” (Borowiak 2011: 33). They thus suggested limiting citizens’ participation in governance through mechanisms based on the delegation of authority. According to the Federalists, the delegation logic should make every magistrate “personally responsible for his behavior in office”, while being checked, at the same time, by his “dependence on the people” (Borowiak 2011: 34). In this way, they argued, “sovereignty is retained by the people but exercised at a safe distance” (Borowiak 2011: 34).

Anti-Federalists, by contrast, were more attentive to the potential gaps<sup>22</sup> created through the new constitution between citizens and their representatives. They feared that citizens would get disempowered and the republican “spirit” lost if the government is installed at too great a distance (Borowiak 2011: 43). They also feared that electoral institutions themselves could be manipulated by upper-class political elites against the lower and middle classes and agrarian communities (Borowiak 2011: 43). Since these gaps between citizens and their representatives could take many forms, they thus suggested a whole series of institutional reforms, such as shorter electoral cycles; the maintenance of the recall option by the states; the abolition of the bicameral system; and the enlargement of the number of representatives (Borowiak 2011: 35-50).

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<sup>22</sup> For an overview and definition of these gaps of representation, see Borowiak (2011: 31).

Federalists and Anti-Federalists agreed that the institutionalization of citizen control is essential for managing governance. Both sides did not want the gaps between citizens and their representatives to collapse completely (as with the participatory democracy model of ancient Athens), but they wanted to regulate them (Borowiak 2011: 30). In the end, however, history has been kinder to the type of institutional design the Federalists had in mind. They had the winning arguments in the eighteenth-century ratification debate. However, the republican model of the Anti-Federalists has made an impressive comeback in the contemporary debates over global governance and the future of representative democracy (Borowiak 2011: 51).

### ***2.2.1.2. National level***

The two models of public accountability that have been situated at the national level in Table 2-2 may be viewed as the dominant perspectives within the academic debate on public accountability, probably because they are associated most clearly with either the delegation logic (principal-agent model) and the participatory logic (deliberative democracy model) for holding power to account. Given their joint focus on modern forms of representative government, accountability forums in both models have been situated at the national level. Besides their joint engagement with national institutions and practices, these two modern perspectives on public accountability both focus on the role of elections and how voters may hold public officials accountable at election time – and in between. According to the principal-agent model, the electoral connection is understood as a hierarchical relationship between self-interested agents (i.e., public officials) and their principals (i.e., citizens), whose preferences and interests they are supposed to serve. While agents are motivated to shirk, principals can sanction shirking behavior through the mechanism of elections (Borowiak 2011: 53; Maravall 1999: 155; Stimson 1999: 198). According to the deliberative model, by contrast, public accountability does not only take place on election dates, but also between elections. In representative democracies, there is much accountability taking place outside the privacy of the voting booth. Deliberative democracy scholars view elections, and in particular electoral campaigns, as only one of many public forums, where citizens and public officials challenge and respond to each other (Gutmann and Thompson 1996: 142). The deliberative democracy model thus differs from the principal-agent model in its directionality. While the former perceives accountability as a two-way social exchange between citizens and representatives, the latter perceives accountability as a one-way reporting from elected officials to the electorate.

#### *Principal-agent model*

Like the republican-federalist model, the principal-agent model focuses on control, delegation, and representation. Unlike the republican-federalist model, the principal-agent model is based on narrower methodological assumptions adapted from economic theory. First and foremost, it conceptualizes ac-

accountability relationships as “agency relationships in which one party is understood to be an ‘agent’ who makes some choices on behalf of a ‘principal’ who has powers to sanction or reward the agent” (Fearon 1999: 55). Second, it is based on methodological individualism explaining people's behavior in terms of rational choice, i.e., assuming that individuals are “egoistic, rational, and interest-maximizing” (Borowiak 2011: 55). And third, in order to predict the behavior of the involved people, it uses formal theory often accompanied by mathematical formulas to model relationships between agents and principals, who have been stripped of all their social and cultural class markers they had in the republican-federalist model (Borowiak 2011: 54).

The concept of hierarchy figures prominently in agency theory and as a result, in the principal-agent model of public accountability. Erika Moreno and colleagues (2003) have been most explicit on this point. According to them, decision-making in large entities implies a delegation of authority. The principal assigns the right to make a decision to the agent, but this assignment is always conditional. That it may be withdrawn, as they point out, is the “very essence of accountability” (Moreno, Crisp, and Shugart 2003: 83). In modern governments, the concept of representation has been at the core of efforts to balance the democratic principle of rule by the people with the practical need for the delegation of responsibility in governmental hierarchies (Borowiak 2011: 59). This trade-off has been conceptualized in principal-agent terms as involving two closely related processes that run in opposite directions: authorization that runs from principals to agents and accountability that runs from agents to principals (Moreno et al. 2003: 83). While authorization “establishes the conditional authority and sets the standards”, accountability and in particular, electoral mechanisms offer citizen-principals a means to keep control over their agent-representatives (Borowiak 2011: 60). These processes are always framed in vertical terms in the principal-agent model because subordinate agents are supposed to act on behalf of superior principals (Moreno et al. 2003: 85).

Moreover, relationships between principals and agents are characterized by discipline. In politics, this usually means that citizen-principals dismiss representative-agents by denying them reelection. Whether this disciplinary function is exerted directly (via the election of government) or indirectly (via the election of an intermediate body that elects or appoints the government), all politicians in the principal-agent model of public accountability are ultimately accountable to the same principal, the citizenry (Moreno et al. 2003: 84).<sup>23</sup> However, there exist a multitude of mechanisms in representative governments – besides elections – for disciplining public officials. Jon Elster (1999), for example, notes that in politics sanctions may take the form of “dismissal with additional punishment” (e.g., immediate dismissal followed by the opening of judicial proceedings) or “punishment without dismissal” (e.g., denial of promotion or downgrading his or her authority). Nevertheless, the most important sanctioning mechanism in politics remains “dismissal without any further punishment” (Elster 1999: 255-256).

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<sup>23</sup> Principal-agent scholars often speak of “the citizenry” or “the public” as the *ultimate* sovereign or principal in a democracy (Cheibub and Przeworski 1999: 222; Dunn 1999: 298; and Moreno et al. 2003: 84).

A final characteristic of the principal-agent model of public accountability is that it pays much attention to collective action problems. In general, collective action problems are said to fall into two categories: “adverse selection” and “moral hazard”.<sup>24</sup> Adverse selection refers to the challenge of selecting reliable agents “and deselecting them if they prove unreliable” (Borowiak 2011: 57). Moral hazard, by contrast, concerns the challenge of deterring agents from shirking after they have received authorization (Borowiak 2011: 57). In the principal-agent model, the value of elections as a control mechanism (or of any other accountability mechanism) does not only stem from “its actual use” (corrective effect), but also from “the belief that it might be used” (deterrent effect) (Elster 1999: 257; Behn 2001: 14). Elections thus correct for adverse selection by “removing poor-performing officials from office” (Borowiak 2011: 61). However, elections also control for moral hazard by disciplining elected officials with the credible threat that they may lose their offices in the next election round (Boix 2003: 208; Borowiak 2011: 61).

#### *Deliberative democracy model*

Deliberative democracy shares with participatory democracy an emphasis on publicity, participation, and community. However, deliberative democracy differs from participatory democracy insofar that it shifts the focus from the public sphere to the quality of public deliberation, and that it widens the basis for inclusion beyond membership in existing political communities (Borowiak 2011: 101; Gutmann and Thompson 1996: 52).

The concept of mutuality figures prominently in the deliberative version of representative accountability. For example, Amy Gutmann and Dennis Thompson (1996), assert that the basic idea of deliberative democracy is that both citizens and public officials seek mutually justifiable reasons that can be accepted by those who are bound by them (Gutmann and Thompson 1996: 52). While in a deliberative forum, each is accountable to all; this is difficult to realize in political practice (Gutmann and Thompson 1996: 128).

According to Gutmann and Thompson, modern representative government poses two challenges to universal accountability. The first challenge, what they call the “challenge of specialization”, refers to the specialized actors who are being held accountable in deliberative forums. Representation creates gaps between citizens and representatives. Almost by definition, some “specialists” (representatives) deliberate for all (Gutmann and Thompson 1996: 128). Representation thus comes at a cost: politicians may become active “specialists” in political deliberation, while ordinary citizens remain with the role of passive “spectators” (Gutmann and Thompson 1996: 132). Two dangers derive from this division of labor: One is elitism or the danger that political equality among citizens decreases, i.e., that the spe-

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<sup>24</sup> These two general problems of economic theory have been mainstreamed into the principal-agent model of accountability (see, e.g., Borowiak 2011: 57, 61; Maravall 1999: 158-169; Stimson 1999: 198).



cialists come to dominate the spectators utilizing a deliberative process. The other is populism or the danger that the quality of the public deliberation decreases, i.e., that public opinion prevails over the specialists' political and moral expertise (Gutmann and Thompson 1999: 132, 137).

The second, so-called “challenge of constituency” concerns the identity of the public forums that hold these specialized actors accountable. In representative democracies, public officials are primarily accountable to those who brought them into office, namely their voters and political parties (Gutmann and Thompson 1996: 128-129). In addition to these electoral constituents, however, as Gutmann and Thompson explicate, democratically elected representatives should also be obliged to justify their decisions towards “moral constituents” across space (e.g., citizens of other countries), identity (e.g., marginalized groups of citizens), and time (e.g., citizens still to be born), which are themselves not part of the electoral process (Gutmann and Thompson 1996: 145). These different identities of constituents, in turn, imply that representatives may be understood either in a narrow sense as “delegates” of electoral constituents or more broadly as “trustees” of moral constituents they represent. This has also been called the “classical dilemma of representation”, because both of these two constituents may reasonably demand that their interests are being represented at the same time (Gutmann and Thompson 1996: 145).

In the end, as Gutmann and Thompson conclude, these challenges are here to remain. While more participation is generally wanted from the perspective of participatory democracy, in deliberative democracy representation is both necessary and desirable. It is necessary due to the scale and complexities of modern government; and it is desirable, because of the practical limits to the number of people who can reasonably deliberate at the same time (Gutmann and Thompson 1996: 131).

Despite these challenges, the deliberative democracy model of accountability broadens the meaning of accountability in three different ways as compared to the principal-agent model. First, deliberative democrats think of public accountability in terms of mutual reason-giving between citizens and their representatives rather than in terms of hierarchical delegation and unilateral control of representatives by citizens. Second, while ongoing deliberation in public forums is no substitute for periodical voting *en masse*, the notion of deliberative accountability shifts the emphasis: in place of discipline and control of representative-agents by citizen-principals, dialogue and mutual understanding among citizens and their representatives comes in the first place (Gutmann and Thompson 1996: 142). Finally, the deliberative democracy model perceives public accountability “as a way to foster collective problem solving and expanded worldview” (Borowiak 2011: 101), which may be contrasted with the principal-agent model that has primarily focused on collective action problems derived from a narrow set of methodological assumptions.

### 2.2.1.3. *Global level*

The last two models of public accountability in Table 2-2 may be seen as the contemporary counterparts of the long-standing debate between the participation and delegation strand within democratic theory – but concerning public accountability at the global level. They ask to what extent these ideas and practices of representative government can be transferred to global governance. Global governance scholars agree that the “unbundling” of the relationship between territoriality, popular sovereignty and political power has resulted in a widespread sense of “losing control” (pluralist-institutionalist model) over governance decision that significantly affects one’s “life and life chances” (stakeholder democracy model) (Borowiak 2011: 152-153; Young 2000: 23). However, they disagree about the proposed solution statements. Those who adhere to a stakeholder democracy model want to strengthen the political responsibility of global governance institutions through increasing civic participation in global governance (e.g., Held 2005; Nanz and Steffek 2005; Zürn 2005). The pluralist-institutionalist model, by contrast, aims at strengthening popular control of global governance institutions through institutionalizing a plurality of accountability mechanisms at the global level based on democratic and nondemocratic sources of power (e.g., Kahler 2005; Keohane 2005; Moravcsik 2005).

#### *Stakeholder democracy model*

In the stakeholder democracy model, “global civic publics”<sup>25</sup> take center stage, that is, the people who collectively form the constituency of a given global governance institution (Scholte 2011: 22).<sup>26</sup> The concept of “stakeholder” thereby serves to group together all people who have “a stake” in what a given institution does and to whom it should, therefore, be “giving an account” (Mfunwa 2006: 3). The stakeholder concept is considered to be particularly useful at the global level, because it groups people not by their nationality, but based on their affectedness, thereby redefining accountability as a multi-stakeholder concept (Bendell and Cox 2006: 114; Brown and Fox 1998: 474). Broadly defined, stakeholders, refer to “any group or individuals who can affect or is affected by [...] an organization” (Freeman 1984, cited by Kovach 2006: 201).<sup>27</sup> This all-affected-principle may be seen as a revival of the “forgotten equivalence principle” that stipulates symmetry and congruence between political decision-makers and decision-takers (Kaul et al. 2003, cited by Held 2005: 247). However, the basic dilemma in today’s world is that those who decide are not the ones being affected by these decisions. At

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<sup>25</sup> Importantly, “the public sphere” in the stakeholder democracy model does not consist of one single political space, but is “conceived as a pluralistic social realm of a variety of sometimes overlapping or contending (often sectoral) publics engaged in transnational dialogue” (Nanz and Steffek 2005: 197).

<sup>26</sup> Following Scholte (2011), “global governance” may be defined as “a complex of rules and regulatory institutions that apply to transplanetary jurisdictions and constituencies” (Scholte 2011: 8). This newer term is distinguished from the older label “international organizations”, because of its reference to planetary (and not inter-governmental) realms that include both state and non-state actors (Scholte 2011: 10).

<sup>27</sup> For a practical application of this accountability model, see the *Global Accountability Project* by the UK-based One World Trust, which uses a multi-stakeholder approach in assessing the accountability of the world’s most powerful organizations (see OWT 2005).

the national level, the tension between the sphere of decision-makers and the sphere of decision-takers has been resolved by the idea of territorially bounded political community, which creates accountability mechanisms and practices to match these two circles (Held 2005: 248). But at the global level, there is no political community and no congruence between these two spheres. The question thus arises how far we should extend the boundaries at the global level? The literature on deliberative democracy has given two answers: one that restricts the circle to those being governed and one that extends its boundaries to those being affected. While Gutmann and Thompson (1996) have used the “all-affected-principle” to draw moral constituents into public accountability arrangements, they distinguish between those “whose well-being is significantly affected” (moral constituents) and “those who are bound by the laws and policies” (electoral constituents). Where conflicts between these two constituents exist, they argue, decision-makers will always give special consideration to the latter (Gutmann and Thompson 1996: 128-129, 145). By contrast, the literature on stakeholder democracy contends that not only the people who are governed but also those who are significantly affected by the decisions of those who govern should be included in public accountability arrangements. Iris Marion Young (2000), for instance, argues that the criterion of inclusion provides legitimacy to global accountability mechanisms. However, this does not mean that “everyone affected by decisions in any trivial way ought to be party to them”, but that at least those persons whose options for action are significantly conditioned by the decisions and policies of global governance agencies should be included (Young 2000: 23). As opposed to many others in this academic tradition, the primary reference for her is not “democracy per se”, but “justice”. According to her, obligations of justice are global; and where there is justice, there is also a need for accountability mechanisms to address potential instances of injustice (Borowiak 2011: 116). Accordingly, those who are significantly affected by the decisions and policies of a global governance agency have a legitimate claim to demand justice through holding this institution accountable. It follows that a decision of a global governance agency is legitimate to the extent that all those being significantly affected by it have been included in the process of discussion and decision making (Young 2000: 23).

From the above discussion, it follows that direct involvement of stakeholders in public decision-making processes is deemed to be crucial in the stakeholder democracy model. However, given the perceived democratic deficits of global governance, traditional expert deliberation within global governance agencies is perceived to be not enough. Instead, as argued by Patrizia Nanz and Jens Steffek (2005), the internal discussion and decision-making of global governance agencies need to be opened towards their publics, because a “parliamentarization of politics” above the national level is not in sight (Nanz and Steffek 2005: 196). Such an opening would imply that “certain *participatory* conditions for rule-making” are institutionalized at the global level, like “transparency of the decision-making process”, “inclusion of stakeholder concerns”, and “empowerment of marginalized groups of stakeholders”, and so forth (Nanz and Steffek 2005: 202).

To enhance the legitimacy of global governance, scholars in this tradition propose to strengthen the direct participation of national stakeholders in global governance – or transnational civil society more generally (Zürn 2005: 138). Moreover, they claim that civic participation in the stakeholder democracy model – like in the participatory democracy model – is not only about creating transparency of the decision-making process, but also has a dynamic and ongoing character. Various scholars thus suggested that global governance agencies should open themselves towards their publics both in terms of prospective justification of actions (i.e., formulation of policies) and retrospective answerability for their actions (i.e., evaluation of policies) (Held and Koenig-Archibugi 2005: 3); that global governance agencies should involve “all stakeholders at all stages of an organization’s decision-making from formulation to evaluation” (Kovach 2006: 196-197); and that global governance agency should be “transparent to those affected, consult those affected, report to those affected and provide redress to those who are adversely affected” (Scholte 2011: 17).

To ensure that public accountability in global governance has a democratizing effect, the stakeholder democracy model draws on universal values generally associated with democracy, including political equality, freedom, and control (Lauth 2004: 10, 31). Jem Bendell and Phyllida Cox (2006) call this inclusion of stakeholder concerns in global governance arrangements “stakeholder democracy”, which they define as “an ideal system of governance of a society where all stakeholders in an organization or activity have the same opportunity to govern that organization or activity” (Bendell and Cox 2006: 114). Key to this understanding of democracy is the role played by (transnational) civil society. While “civil society” features multiple and conflicting meanings<sup>28</sup>, it is regarded as a “discursive interface”, or “transmission belt” between global governance institutions and an emerging transnational public sphere in the stakeholder democracy model (Nanz and Steffek 2005: 191, 199; Fox and Brown 1998: 21). On the one hand, civil society actors can give voice to stakeholder concerns and channel them into deliberative processes within global governance agencies. On the other hand, they can make internal decision-making processes transparent and formulate them in ways more accessible to a broader public (Nanz and Steffek 2005: 199). As a result, scholars within this tradition hope that the participation of transnational civil society – understood as the global *demos* – will lend democratic legitimacy to global governance arrangements (Nanz and Steffek 2005: 192; Brown and Fox 1998: 474).

### *Pluralist-institutionalist model*

In the pluralist-institutionalist model, the focus of global governance scholars lies on “specialized regulatory agencies” who advance the interests of their “shareholders”, that is, “the national governments that ‘own’ them by authority of treaty” (Kahler 2005: 12). Global governance agencies are said to be accountable to the governed, but not necessarily in a democratic way. In the tradition of the principal-

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<sup>28</sup> See Scholte for four main contemporary usages of a deeply contested concept (Scholte 2011: 33-34).

agent model, the pluralist-institutionalist model of public accountability perceives global governance agencies as “unelected, technical, specialized instruments of national governments” similar to non-majoritarian institutions at the national level, such as central banks and other regulatory agencies. These specialized regulatory agencies (i.e., the agents) are meant to be accountable to their national governments (i.e., the principals) who entrusted them with powers (Grant and Keohane 2005: 31; Kahler 2005: 11, 16; Borowiak 2011: 158). The principal lines of accountability run to powerful states – whether they are democratic or not. There is thus generally adequate oversight of global governance agencies by national governments; and if there are democratic deficits, then these are the result of choices by their “masters” and not symptoms of a dysfunctional global polity (Kahler 2005: 16-17; Grant and Keohane 2005: 37). It follows that decisions of global governance agencies are legitimate to the extent that they are based on existing norms and mechanisms to hold global power wielder to account – independent of whether they are derived from democratic sources of power or not.

In the pluralist-institutionalist model, citizens exercise only indirect control over global governance agencies. For instance, Jan-Aart Scholte (2011) recognizes that global actors are usually being held accountable “as parts of larger regulatory arrangements” (Scholte 2011: 20). In particular, he claims that transnational policy networks are characterized by a wide variety of regulatory actors that join national delegates in global governance, such as transgovernmental, interregional, translocal, private and public-private bodies. These are, in turn, accompanied by non-regulatory actors, such as corporate, media, and civil society actors. Together, they form “polycentric networks” that may be characterized as “post-statist” and “post-sovereign”. They are post-statist in that they involve multiple kinds of actors in addition to state actors; and they are post-sovereign in that they lack “a single locus of supreme, absolute and comprehensive authority” (Scholte 2011: 18-19).

Since no final arbiter exists that can effectively and legitimately hold global governance agencies accountable, the question then arises *how* can global governance agencies be held accountable? Thomas Risse (2005), for instance, has answered this question by distinguishing between compliance-based and integrity-based global accountability mechanisms as two different, non-hierarchical forms of steering at the global level. Compliance-based global accountability mechanisms “use incentives and sanctions to manipulate the cost-benefit calculations of actors so as to convince them that rule compliance is in their best interest” (Risse 2005: 168-169). By contrast, integrity-based global accountability systems focus on increasing the moral legitimacy of the rules and norms in question in order to make actors comply voluntarily with them (Risse 2005: 169). Drawing on the literature on republican models of public accountability, we may say that global representatives are seen as “trustees” of wider publics for which they should feel responsible, while being checked, at the same time, by their peers in integrity-based accountability systems (as argued by the Federalist). By contrast, global representatives are seen as “delegates” of those who entrusted them with power and who may withdraw this

conditionally delegated authority in case of non-compliance with rules and interests in compliance-based accountability systems (as argued by the Anti-Federalists).<sup>29</sup>

To reduce contemporary “accountability gaps” between citizens and their representatives in global governance, scholars within this tradition explore a plurality of accountability mechanisms to institutionalize citizen control within transnational policy networks. Most prominently, Ruth Grant and Robert Keohane (2005) offer a distinction, “evident in theories of accountability at the nation-state level between “participation” and “delegation” models of accountability” (Grant and Keohane 2005: 29). They argue that the absence of civic participation does not mean that global governance agencies are not accountable to their constituencies. Rather, they follow a different logic of generating accountability based on delegation of authority. While these two logics coincide through the mechanisms of elections at the national level, where the electorate is both the source of power as the body affected by it (see, for example, the arguments in the ratification debate over the U.S. Constitution), this is not the case for accountability mechanisms at the global level. Accountability mechanisms in today’s world may be grouped whether they rely more on a delegation logic, such as hierarchical, supervisory, fiscal and legal accountability, or whether they are based more on a participation logic, such as market, peer, and public relational accountability (Grant and Keohane 2005: 36).

To make public accountability in global governance more effective (and widely viewed as legitimate), they suggest “to create and support various kinds of accountability systems in world politics based on an appreciation of the competing and complementary possibilities within democratic theory” (Grant and Keohane 2005: 42). However, a “mechanical application of the ideals of democracy” (Grant and Keohane 2005: 42) should be resisted. Global “standards of legitimacy” need not necessarily be law-based or *demos*-defined (Grant and Keohane 2005: 35). Moreover, they argue that effective global governance needs both global standards *and* “a configuration of power that enables sanctions to be imposed relatively consistently on all violators of standards” (Grant and Keohane 2005: 40). Particularly with regard to powerful states which cannot be held accountable at the global level in more formal ways, global power configurations thus often operate through reputation and peer pressure (Grant and Keohane 2005: 35). These informal ways of holding power to account may provide greater restraints on the abuse of power in world politics than “fragmentary global publics” in the stakeholder democracy model can (Grant and Keohane 2005: 37). In the end, as Scholte notes, by some sort of synthesis of the two strands of the global governance literature, establishing global accountability has nothing inherently democratizing. Instead, it depends on the extent of involvement and the type of stakeholders being addressed by and benefiting from, a particular accountability arrangement (Scholte 2011: 22-23).

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<sup>29</sup> A similar distinction can be found in the literature on international relations between the “management school” and the “enforcement school” regarding the compliance with international agreements and treaties (see Chayes and Handler Chayes 1993; Chayes, Handler Chayes and Mitchell 1998). The distinction between enforced and managed compliance with the rules of an international regulatory regime largely corresponds to the one presented here.

## 2.2.2. Development literature: accountability along the aid chain

With strong roots in democratic theory, these models of public accountability are also very much alive in today's global governance of aid where they appear as templates for framing accountability relationships in foreign aid. In particular, the development literature has identified three distinct logics that frame accountability around aid (see Brown 2007; Droop et al. 2008; Eyben 2008; Najam 1996). Traditionally, the aid industry followed a corporate logic, where aid recipients are accountable upwards to aid donors. More recently, a representative logic has found its way into the aid business via non-governmental development organizations arguing that both aid recipients and aid donors are also accountable downwards to aid beneficiaries. Finally, a collaborative logic has been pushed in many official treaties of the global aid regime, where aid recipients and aid donors are accountable inwards to themselves. As I will show in the next three subsections, each of these three aid frames draws on one distinct model of public accountability found in democratic theory. While aid has traditionally been framed along the lines of a principal-agent model ('aid as contract'), newer aid frames, which are related to proposals for reforming accountability mechanisms along the aid chain, refer to models of stakeholder democracy ('aid as entitlement') or to pluralist-institutionalist governance models ('aid as partnership').

### 2.2.2.1. Corporate logic

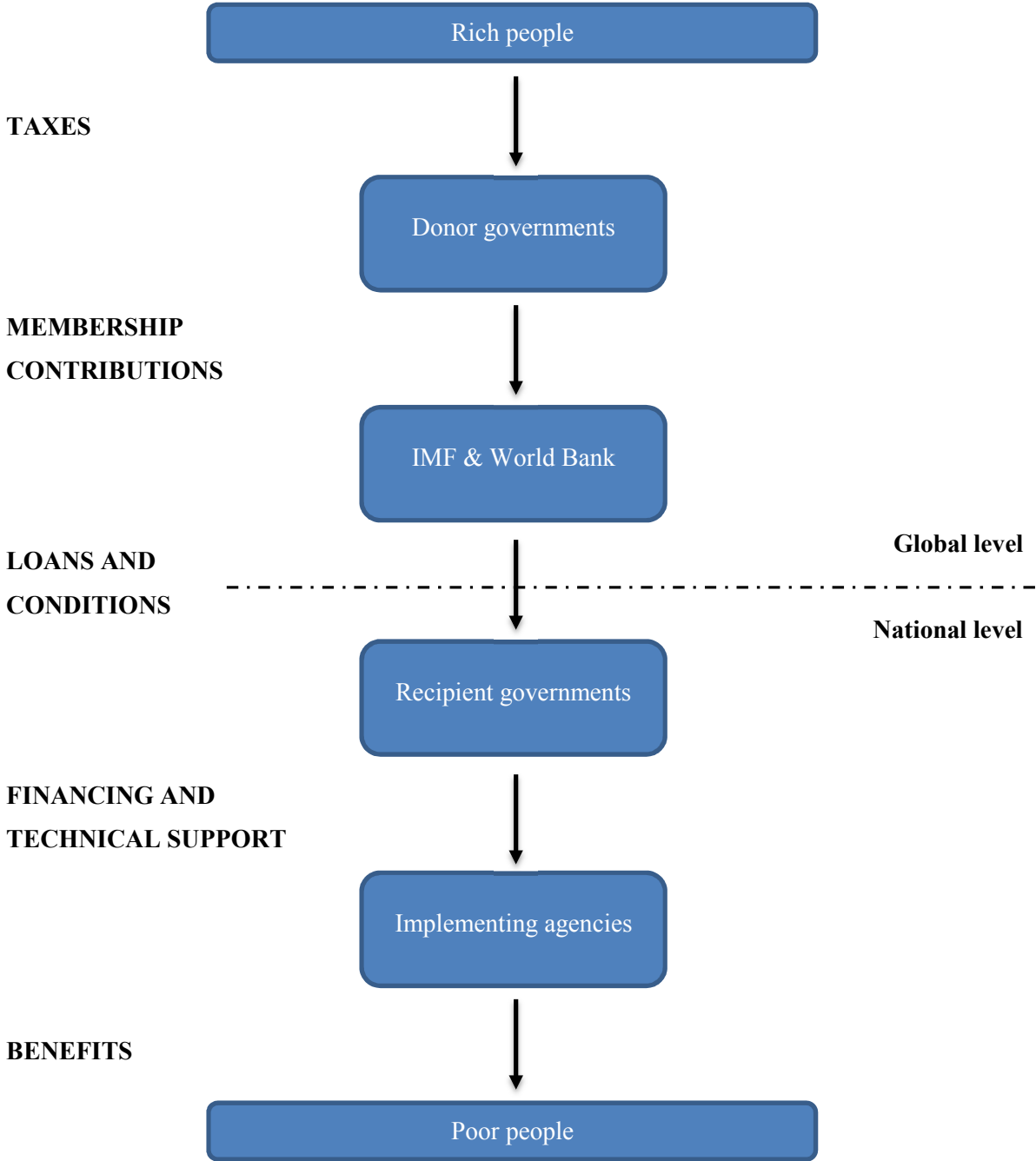
For a long time, foreign aid has been interpreted as a long and complex chain of interacting dyadic relationships between principals and agents who are bound through their contractual obligations. This frame of "aid as contract" between donors and recipients of foreign aid has been so dominant in international development cooperation that people working in the aid business even forgot that "it is just one way of looking at things" (Eyben 2008: 17). One of the core characteristics of the so-called "aid chain" is that there is only a distant and indirect relationship between the wealthy individuals who provide the money to fund bilateral and multilateral development assistance, and the needy individuals who are intended to benefit from this aid. Nevertheless, we find a significant number of intermediate institutions between the taxpayers in donor countries and the beneficiaries in recipient countries (Radelet 2006: 12; Wenar 2006: 9). In principal-agent terms, we may say that the rich people in donor countries are the principals, the intermediate institutions their agents, and the poor people in recipient countries the targeted beneficiaries.<sup>30</sup>

Figure 2-5 shows development actors and multilateral aid flow along a simplified aid chain.

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<sup>30</sup> These three roles in principal-agent terms are also mirrored in the three broad functions – fundraising, administration, and distribution – of large intermediate institutions themselves (Friberg 2015: 247).

Figure 2-5: The aid chain in multilateral development assistance



Note: adapted from Biekart (1999: 79)

However, the reality is not that simple. Some studies, which analyzed the accountability relationships between development actors within a principal-agent model, sketch a more complex picture (see Martens et al. 2002; Radelet 2006; Wenar 2006; Faust and Messner 2007). Two perspectives have been put forward in this research. The first takes an inclusive perspective in looking at the accountability



relationship between the citizen-principals and their aid-agents, while the second is looking more narrowly at accountability relationships among the various aid-agents involved along the aid chain.

### *The bucket chain*

From a bird's eye view, foreign aid has been pictured as "a chain of people passing buckets of water to put out a fire" (Friberg 2015: 246). As shown by Figure 2-5, this chain of helping hands crosses borders and thus involves two sovereigns: people who donate and people who receive. At one end of the aid chain are the citizens in donor countries whose taxes are used to fund the activities of the intermediate organizations, while at the other end of the chain are the citizens in recipient countries who are meant to benefit from these activities.

Looked at through the lens of a principal-agent model of accountability, citizens in recipient countries play a dual role: besides being the beneficiaries of aid, they are also principals in their own right (Faust and Messner 2007: 2). There are thus two ultimate citizen-principals at two different levels to whom aid-agents are accountable for delivering aid effectively. Discipline plays a central role in principal-agent models of accountability. However, as many scholars have noted, the fundamental principal-agent problem in foreign aid is that the normal feedback loop for aid-agents is incomplete (Radelet 2006: 12). Citizens at the "receiving" end of the aid chain lack the power to hold the aid intermediaries accountable. In the most general term, this is because they are poor and lack the power of sanctioning anyone (Wenar 2006: 10). The citizens at the "donating" end of the aid chain, by contrast, lack the information to hold the aid intermediaries accountable, because of the complexities of foreign aid (Faust and Messner 2007: 5). As a result of the poor's lack of power and the rich's lack of information, there is "currently little significant accountability to either rich or poor individuals" (Wenar 2006: 23). The broken feedback loop-problem may thus be interpreted, first and foremost, "as an outcome of the relatively weak position of the two "principals" at both ends of the aid chain (Faust and Messner 2007: 15).

### *The business chain*

However, if we direct our eye towards the internal working of the aid chain, we do find some accountability at the level of the aid-agents that link the rich with the poor. A second metaphor that has been used to describe these more specific accountability relationships is the one of "a business supply chain", suggesting that the aid industry meets similar logistical challenges as other large-scale business providers (Larson 2012: 2-3). Accordingly, the supply chain of the international relief system is framed as a long and complex chain of interacting dyadic relationships among aid intermediaries.

A central feature of these intermediaries is that they play a dual role in their relationships with other actors (Ebrahim 2003b: 191). Since hierarchy plays a central role in principal-agent models, the role of aid intermediaries is framed either in terms of superiors (donors) or subordinates (recipients) depending on their position along the aid chain. Among the aid intermediaries, four institutions are paramount: donor governments, recipient governments, international financial institutions, and implementing aid agencies (both state and non-state) (Wenar 2006: 9).<sup>31</sup> As shown by Figure 2-5, in the case of multilateral development assistance this means that implementing agencies are held accountable by recipient governments for financing and technical support. Recipient governments, in turn, are held accountable by the IMF and World Bank for the loans and conditions attached to them. Finally, the international financial institutions are held accountable by donor governments for their management of membership contributions, which finance the whole business.

Following a corporate logic, accountability relationships along the aid chain have been described (and criticized) in four different ways.<sup>32</sup>

First, corporate accountability flows *upwards*, that is, accountability among aid-agents always flows upwards to those constituencies that provide money and services to them – collectively known as “patrons”. Adil Najam (1996) has been most explicit on this point. According to him, “[a] relationship becomes one of patronage when failure to fulfill the stated or implied responsibility can lead to a withdrawal of whatever support, in kind or in service, is being provided to the client NGO” (Najam 1996: 344). The problem with upward accountability – and that is the reason for Najam to call it “patronage” – is the danger that aid donors (patrons) may abuse their sanctioning power through the coercion or co-optation of the aid recipient (clients) (Najam 1996: 344).

Second, corporate accountability primarily serves *functional* purposes, that is, aid-agents are held accountable for resource use and contractual obligations in exchange for money and services received. The type of conduct, for which aid-agents are being held accountable, is closely related to the relevant forum, which is holding them accountable. Twenty years ago, Michael Edwards and David Hulme already recognized that aid donors’ heavy use of logical framework approaches with their focus on short-term targets, quantitative indicators, individual project impacts and hierarchical project management implies “a tendency to ‘accountancy’ rather than ‘accountability’; audit rather than learning” (Edwards and Hulme 1995: 13). On a sober note, they add that this focus on functional accountability

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<sup>31</sup> In principal-agent terms, recipient governments and donor governments should be the most accountable among these four categories, because – at least in theory – they can get sanctioned democratically through elections by their respective citizenry. At the global level, in turn, international financial institutions are said to be more accountable overall than non-governmental development organizations – although this must not necessarily be in a democratic way (Wenar 2006: 11, 13).

<sup>32</sup> A rich literature on the accountability of non-governmental development organizations has explored their multiple and often competing accountabilities (among many, see, e.g., Ebrahim 2003a, 2003b; Edwards and Hulme 1995, 1996; Jordan and van Tuijl 2006; and Najam 1996). Although these scholars have explicitly focused on non-governmental development organizations, their findings may be generalized for all intermediate institutions in foreign aid. Building on the insights available in this literature, I follow Alnoor Ebrahim (2003a) who proposed a set of binary characteristics to examine accountability along the aid chain.

may eventually be inevitable, because of the aid industries pressure on aid recipients for short-term visible results ('perform or perish') (Edwards and Hulme 1995: 13).

Third, corporate accountability refers to a *unilateral* relationship, that is, accountability among aid-agents traditionally took the form of hierarchical reporting from aid recipients towards aid donors. While aid donors usually have strong mechanisms to hold aid recipients accountable, aid recipients only have weakly developed mechanisms to hold aid donors accountable. As noted by Mzwanele Mfunwa (2006), in a frame of aid as contract aid donors are not held accountable for their performance – neither by the aid recipient (i.e., the co-contracting party) nor by the public in recipient countries. As a result, no causal link between donor input and development outcomes exists in traditional frames of aid (Mfunwa 2006: 7). Liesbet Steer and colleagues (2009) put it as follows: "This form of accountability, reflecting a power imbalance in the aid relationship, involved a fairly unilateral approach to monitoring recipients' [...] 'contractual obligations' as a precondition for the delivery of aid" (Steer et al. 2009: 6).

Finally, corporate accountability is above all *externally* driven, that is, aid-agents render an account since they are held accountable by others and not because they are taking responsibility for themselves. Aid as a contract is about "spending money for designated purposes" as argued by Najam (1996: 342). Accountability for money and accountability for policy are intrinsically related, and it may be difficult to separate the two, because "funds are provided to serve policy goals and, all too often, are provided *only* where it can be demonstrated (or at least argued) that particular policy goals (i.e., those shared by the donor) will, in fact, be pursued" (Najam 1996: 342). To enforce compliance with policy goals, donors thus often attach policy conditions to aid. And while these are most often associated with the IMF and World Bank, as Steve Radelet (2006) reminds us, "all donors use conditions to some extent" (Radelet 2006: 13).

Given these characteristics (or weaknesses – depending on perspective) of the corporate logic in the global governance of aid, a broad array of new mechanisms for strengthening and improving accountability have been suggested in the development literature. These new accountability mechanisms may be summarized under two proposals for reform. One is that aid donors and aid recipients should strengthen their accountability downwards to aid beneficiaries and the other is that aid intermediaries should strengthen their accountability inwards to themselves.

#### **2.2.2.2. Representative logic**

As a response to the accountability deficits of the contractual approach to development, a first reform proposal suggests strengthening accountability downwards to the intended beneficiaries of aid. In recent years, there have been widespread calls from theory and practice that public and intergovernmental aid agencies should engage in downward accountability processes with their beneficiaries in order

to make aid more effective (O'Dwyer and Unerman 2011: 454). These calls are generally based on a frame that perceives aid as an entitlement, to which citizens in developing countries are said to have a claim within an international human rights framework (Eyben 2008: 18). Such a rights-based approach to development draws on the stakeholder democracy model in that it seeks to identify domestic stakeholders at the recipient country level and to empower them vis-à-vis their governments so that they can claim their rights as laid down in international law and agreements. Through the identification of claim-holders (and their entitlements) and corresponding duty-bearers (and their obligations), this reform proposal aims at strengthening accountability between citizens and their representatives engaged in cross-border activities. Following a representative logic, a frame of aid as entitlement addresses two of the four accountability deficits of the contractual approach, namely the upward and functional nature of traditional accountability relationships.

### *Strengthening downward accountability*

First, representative accountability flows *downwards*, that is, public and inter-governmental aid agencies are supposed to be democratically accountable to domestic stakeholders both in recipient and donor countries. Reform proposals for strengthening downward accountability usually recognize a vast variety of “stakeholders” – often with conflicting demands – to whom aid intermediaries should render an account. Among these, the most important stakeholders of aid intermediaries are their beneficiaries, i.e., those individuals and groups to whom they provide services, and/or advocate on behalf of. From both service delivery and/or advocacy perspective, those who benefit are often the disadvantaged and vulnerable groups in society, the weak and the poor, the ones with no voice (Najam 1996: 345). Concerning these people “who tend otherwise to be marginalized and silenced” (Scholte 2011: 15), increasing downward accountability is more understood as a means to compel aid intermediaries to be responsive to them.

Some scholars also emphasize that the concept of stakeholders needs to be broadened to include not only the direct “beneficiaries” of aid, but also those people who are *indirectly* affected by the activities of aid intermediaries. The community at large or the general public in recipient (and donor) countries should also be considered as stakeholders (Najam 1996: 345). The notion of “democracy” in combination with “stakeholder” is important in this context. Most reform proposals for strengthening downward accountability are commonly (although not exclusively) situated at the national level aimed at improving accountability of recipient governments towards citizens, parliaments and other bodies in representative democracies. However, following Young’s (2000) argumentation, the notion of downward accountability may easily be extended to the global level, if stakeholder claims would refer to global obligations of justice and not democracy per se. Within such a rights-based approach, poor people worldwide could legitimately claim to have a right to development, that is, to see their needs

and aspirations fulfilled within an international human rights framework (Eyben 2008: 18; O'Dwyer and Unerman 2011: 452).

### *Seeking strategic accountability*

Second, beyond strengthening downward accountability, this model of representative accountability also serves *strategic* purposes, that is, public and inter-governmental aid agencies are not held accountable for financial performance and immediate impacts on needy target groups in developing countries (or at least, not in the first place), but for the longer-term impacts they have on the actions of other aid agencies and the broader social and political environment at the recipient (and donor) country level. To strengthen accountability of aid intermediaries for long-term changes rather than the short-term activities, reform proposals for strengthening strategic accountability suggest that aid intermediaries will have to change their organizational procedures. For example, over the last decades, there has been much enthusiasm for a set of approaches commonly known as “participatory development”.<sup>33</sup> Underpinned by participation theory (for an excellent review and critique of the various versions of this theory, see Eduard Brett (2003), the benefits of participatory approaches to development are seen in that they draw on aid recipients’ knowledge about local circumstances in designing projects that respond better to their needs and can lead to lasting improvement in their conditions (in terms of results), while also creating a feedback mechanism that makes the implementing agencies more accountable and the project more responsive and useful to them (Wenar 2006: 16; Winters 2010: 228). In line with a stakeholder democracy model of accountability, participation scholars agree that participatory development is about involving stakeholders in the decision-making process that affects them (Brett 2003: 5). Yet, scholars disagree about how far stakeholder participation can influence the outcomes of the decision-making process. Depending on the degree of control that stakeholders effectively can exert over the decisions that affect them, stakeholder participation may range from mere information and consultation (weak version) to partnership and joint control over decisions among participants (strong versions) (Brett 2003: 5).<sup>34</sup> Previous research suggests that stakeholder involvement (in its strong versions) has increased downward accountability of aid intermediaries at the project level. However, the same could not be said for the management of complex development programs at the recipient country level, where the participatory approach could only be realized in its weak versions. In public and private bureaucracies, as argued by Brett, strong participatory approaches can never displace the need for the delegation of authority and representative democracy (Brett 2003: 11). There-

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<sup>33</sup> Participation is not a new phenomenon in international development cooperation. As Brett (2003: 2) reminds us, theories of development have been in flux over the last 50 years. In development practice, the search for participatory solutions began with non-governmental development organizations (Burkie 1993; Chambers 1983; Korten 1987) but has been taken up now by leading bilateral and multilateral donors.

<sup>34</sup> In the literature, a broad range of participation typologies or so-called “participation ladders” (Arnstein 1969) have been proposed to describe these different degrees.

fore, participatory approaches must be located into a broader approach of strategic accountability and social empowerment (Brett 2003: 19).

A rights-based approach to development represents such a logical extension on the participatory approach (see, e.g., Cornwall and Nyamu-Musembi 2004; Nelson and Dorsey 2003; Filmer-Wilson 2005; Jordan and van Tuijl, 2006, O'Dwyer and Unerman 2011). It shares with the participatory development approaches a focus on stakeholder involvement in the design, implementation, and evaluation of development strategies, with particular attention to empowering the poor and other marginalized groups. However, it differs in framing development not as a “need” of beneficiaries, but as a “right” of citizens. A rights-based approach focuses, first, on explicitly defining people’s rights as laid down in international conventions in relation to various state and non-state aid intermediaries; and, second, on empowering people to assert these rights (O’Dwyer and Unerman 2011: 452). A rights-based approach offers potential “added value” through strengthening domestic accountability as compared to participatory development approaches (Filmer-Wilson 2005, cited by O’Dwyer and Unerman 2011: 454).

In sum, following a representative logic that stipulates symmetry and congruence between decision-makers and decision-takers, public and inter-governmental aid agencies are said to be accountable to those being (significantly) affected by their conduct; and these stakeholders, in turn, based on their affectedness, have the (ultimate) right to claim accountability from them. Mirroring the ever-expanding circles of stakeholders in global public policy, reform proposals for strengthening downward accountability have also been broadened in recent years to include not only the local stakeholders of a development project but the citizenry at large (see Brett 2003; Hickey and Mohan 2008). In a frame of aid as an entitlement, upward accountability from beneficiaries over agents to principals in the traditional aid chain is thus getting replaced with downward accountability of decision-makers (i.e., the duty-bearers) to affected stakeholders (i.e., the claim-holders) at different political levels.

### ***2.2.2.3. Collaborative logic***

A second proposal for reform suggests strengthening the accountability of the whole aid system. In recent years, the notion of accountability has been widely spread in international development cooperation. In particular, the international aid effectiveness agenda, and the efforts for strengthening the principle of mutual accountability within it, stem from “a normative preference for cooperation rather than competition” (Droop et al. 2008: 5; Eyben 2008: 39). This understanding of accountability in the current aid architecture is based on a frame of aid as a partnership<sup>35</sup> between multiple actors – collectively termed “the peers” – that cooperate in pursuit of societal objectives (Droop et al. 2008: 17). A

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<sup>35</sup> Alternatively, Eyben (2008: 22, 36-37) has used the notion of “aid as gift” (embodying an expression of solidarity and mutual responsibility as theorized by the French anthropologist Mauss) to emphasize the diffuse nature of power as a process.

partnership approach to development draws on the pluralist-institutionalist model in that it seeks to create and support various kinds of accountability mechanisms among development partners, which should allow them to hold themselves accountable for the commitments they have mutually agreed on. Rather than substituting upward with downward accountability, this reform proposal focuses on improving collaboration among aid intermediaries themselves, thereby strengthening the accountability of the whole aid system. Following a collaborative logic, a frame of aid as partnership addresses two more accountability deficits of the contractual approach, namely the unilateral and the external nature of traditional accountability relationships.

### *Promoting mutual accountability*

First, collaborative accountability concerns a *mutual* relationship, that is, accountability among aid intermediaries in international development cooperation takes the form of a horizontal exchange between “partners”.<sup>36</sup> Reform proposals for strengthening mutual accountability usually come in two forms. The dominant understanding in the development literature perceives mutual accountability as a means to create a “more level playing field”, or put differently, a “partnership on equal footing” (Eyben 2008: 37; Steer et al. 2009: 16). In this perspective, strengthening mutual accountability is about redistributing power among development partners in terms of making donors more accountable to recipients. Being partners in the global “project” of development, this understanding of mutual accountability also assumes “the prior existence of a shared vision of a common good” (Eyben 2008: 39, 40).

The dominant understanding may be contrasted with an alternative reading of mutual accountability available in the literature, which conceptualizes power not as a resource of individual development actors, but as “productive energy that simultaneously shapes and is shaped by social interactions” (Eyben 2008: 20). Strengthening mutual accountability in this perspective is about tapping into the energy of a network of peers – on which development partners can draw in order “to help each other participate effectively in shaping and expanding the social limits of what is possible” (Droop et al. 2008: 17; Eyben 2008: 40). Following a collaborative logic, this alternative view draws on a pluralist-institutionalist model of public accountability in that it does not presuppose equality between development partners for accountability to become effective. Instead, it perceives global partnerships as “effective mechanisms to bind in more powerful players to common rules, values and behavior” (Droop et al. 2008: 17). Nor does this view presuppose the prior existence of a shared agenda among participants, since participants, standards and accountability mechanisms of peer networks are seen to be open-ended and evolving” (Droop et al. 2008: 17; Steer et al. 2009: 15).

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<sup>36</sup> “Partners” differ from “patrons” in that they actively participate in the governance of aid, whereas “patrons” do not directly participate in the activities they are paying for (Najam 1996: 348).

### *Reinforcing internal accountability*

Second, closely related with an understanding of mutual accountability among “partners”, collaborative accountability is above all *internally* driven, that is, aid intermediaries voluntarily render an account to their fellow peers since they are taking responsibility for themselves and not because they need to submit to an external judgment. As in other fields of international cooperation where no final arbiter exists, such as international arms control and disarmament or international environmental issues, development partners voluntarily comply with shared agendas and reciprocal commitments. In the absence of a single overarching authority in international development cooperation commitments are “largely maintained through trust, reciprocity and peer pressure – not by sanctions or other ‘hard’ mechanisms for enforcement” (Domingo et al. 2009: 16). Peer networks in international development cooperation work via “the emergence of ‘social norms’ which introduce collective standards of behaviour and serve to reinforce the incentives for the cooperation that is in everybody’s collective interest” (Droop et al. 2008: 17). As a result of a shared vision on professional and ethical standards, accountability between development partners should improve, which could then “evolve into collaborations of collective responsibility for outcomes” (Ebrahim 2003b: 199).

“[S]ince the end of the 1990s at the latest”, as it has been argued in the development literature, there has been “a gradual process of change toward a new development cooperation regime” (Faust and Messner 2007: 12) that generates new forms of financial support between donors and recipients of foreign aid (Domingo et al. 2009: 14; Vielajus et al. 2009: 9). Underpinned by some kind of “program theory” (Booth and Fritz 2008: 10), these new program-based approaches are said to give more weight to “cooperative development” than traditional forms of financial support (Mfunwa 2006: 3). Program-based approaches have been defined in the current aid architecture as “a way of engaging in development cooperation based on the principles of co-ordinated support for a locally owned programme of development” (OECD 2005a, Appendix A). Examples range from sector-wide programs (i.e., where there is a shared bank account within which various donors pool their funds) and sector budget support (i.e., where funds are not earmarked, but the policy dialogue is focused on a particular sector) to national development plans and general budget support (i.e., where funds are not earmarked but depend on the existence of an overall national development strategy) (Booth and Fritz 2008: 8). As argued by scholars studying general budget support, foreign aid that assists poor people directly may superficially appear attractive. However, the flip side of the coin is that aid that bypasses official country systems does institutional damage (Booth and Fritz 2008: 4-5). Practical experience teaches that, except for the most immediate emergency relief situations, the channeling of aid through official budgetary and accounting systems is always to be preferred in the medium and long run (Booth and Fritz 2008: 4). The use of program-based approaches, and in particular those that rely on the use of national systems and processes, thus allows addressing both donor coordination and recipient ownership concerns (de Renzio 2006: 629).



In sum, following a collaborative logic that stipulates collective responsibility for outcomes, development partners are said to be accountable to their fellow peers with whom they cooperate in pursuit of shared developmental objectives. Through this process, they create both common standards for behavior and a field or configuration of power that can reinforce the incentives for collaborative behavior that is in everybody's interest. Accordingly, proposals for strengthening inward accountability of the global aid regime have focused on program-based approaches that are supposed to strengthen accountability not only within the global governance of aid but also within national governance systems.

### **2.2.3. Synthesis: theoretical approach**

Based on my review of the democracy and development literature, this section proposes to analyze the different mechanisms that development actors use to hold each other accountable across space and time, according to two alternative conceptions of the legitimacy of political authority as outlined by global governance scholars adhering to a pluralist-institutionalist model of public accountability. Beyond clarifying the theoretical approach of this research, the combined review of accountability models and aid frames in the literature has served two additional purposes. A first purpose has been to show how different models of public accountability in democratic theory appear in development practice as templates for framing accountability relationships in foreign aid. A second purpose has been to show how the mechanisms for infusing global governance of aid with legitimacy have changed in development thinking.

#### ***2.2.3.1. Models: Accountability models framing aid relationships***

Reviewing the democracy literature, I was able to distill six models of public accountability that give a rich and complex picture of the way public power is held to account. They ask fundamental questions about the nature of the actor (republican-federalist model), the forum (participatory democracy model), the conduct (deliberative democracy model), and the consequences of accountability (principal-agent model). And they have asked how far ideas and practices of representative government can be transferred to global governance institutions and processes (stakeholder democracy and pluralist-institutionalist models).

Scholars within the global governance literature agree that global governance suffers from a crisis in democratic legitimacy nurtured by diffuse feelings of losing control and having no choice. The global governance of aid is no exception in this regard (Hsieh 2009: 141). Relationships between donors and recipients of foreign aid are said to lack popular legitimacy. Traditional accountability relationships in foreign aid have been criticized because there has been no accounting for longer-term strategic impact (strategic accountability); no coordination among aid donors (mutual accountability); no ownership by

aid recipients (internal accountability); and as a result, no accountability from either donors or recipients towards citizens at both ends of the aid chain (downwards accountability).

To overcome the deficits of the traditional frame of aid, reformers suggested changing the perspective. Instead of framing aid as a contract between donors and recipients of foreign aid, they propose to frame aid either as an entitlement to which citizens have legitimate rights, respectively as a partnership between peers in pursuit of shared developmental objectives. However, as argued by Rosalind Eyben, (2008), “aid practitioners mix and match these different perspectives on aid” (Eyben 2008: 30). A first purpose of the foregone discussion thus was to show that these three frames of aid are underpinned in effect by three different and identifiable theoretical models of public accountability as provided by democratic theory.

The corporate logic that has framed aid as contract has strong roots in a principal-agent model of accountability. Given that foreign aid is about the delivery of money and services across national borders, the aid industry’s reminiscences of agency theory do not come as a surprise. Like this influential approach in democratic theory, the development variant gives much weight to collective action problems that may arise when agents follow other interests than those of the principals. Aid decisions based on a principal-agent model of accountability are considered legitimate to the extent that aid-agents render an account to those who delegated power to them.

The representative logic underlying a frame of aid as an entitlement has been nurtured by a model of stakeholder democracy that has gained prominence within the research on global governance of late. Developed in reaction to the accountability deficits of the contractual approach, the perspective of aid as entitlement primarily focuses on domestic accountability deficits – and possible solutions to overcome these – between citizens and their representatives at the recipient country level. Stakeholder participation takes center stage in proposals for enhancing downward and strategic accountability. Aid decisions based on a stakeholder democracy model of accountability are considered legitimate to the extent that all those being significantly affected have been included in the process of discussion and decision-making.

The collaborative logic of the new global partnership, finally, may be seen as a manifestation of a pluralist-institutionalist model of accountability as developed by global governance scholars in parallel, but also in contrast to the former stakeholder democracy model. Whereas the former model of stakeholder democracy refers mainly to domestic accountability relationships at the recipient country level, the perspective of aid as partnership directs its attention to accountability relationships between aid recipients and their development partners, both at the global and recipient country level. Engaging in partnerships for effective development cooperation lies at the center of proposals for strengthening mutual and internal accountability. Aid decisions based on a pluralist-institutionalist model of accountability are considered legitimate to the extent that they are based on existing norms and mecha-

nisms to hold development partners to account – independent of whether they are derived from democratic sources of power or not.

### **2.2.3.2. Mechanisms: Shift in aid frames and accountability mechanisms**

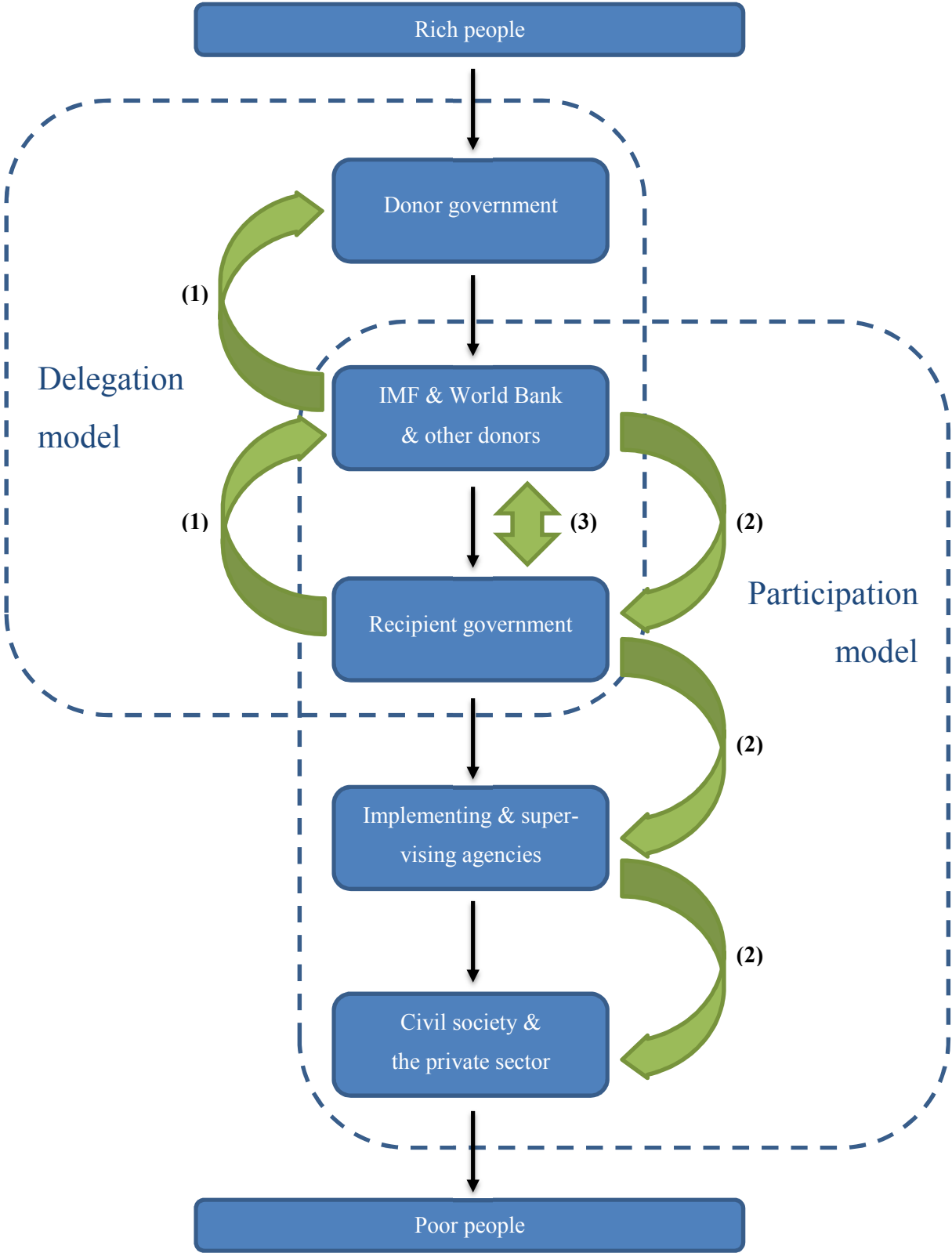
While the two later perspectives of aid may be seen as individual reactions to the accountability deficits of the traditional frame of aid, they can also be thought of as two variations of the same trend of infusing the global governance of aid with legitimacy. The second purpose of this review of the democracy and development literature has been to show how the mechanisms for infusing global governance of aid with legitimacy have changed in mainstream development thinking.

Following Grant and Keohane (2005), democratic theory offers two alternative conceptions of the legitimacy of political authority (Grant and Keohane 2005: 30). Legitimacy may rest either on claims derived from the delegation of authority or on claims derived from the participation in governance (Grant and Keohane 2005: 41). These different conceptions of legitimacy have an impact on how accountability is understood. To identify the relevant accountability holder (i.e., forum) in world politics, the basic question to ask is: to whom are global governance agencies accountable? Two answers are possible: global governance agencies may either be held accountable by those who entrusted them with powers (what they call the “delegation model”) or by those affected by their actions (the so-called “participation model”) (Grant and Keohane 2005: 31).

Within these two basic models of accountability, Grant and Keohane further suggest asking how much discretion do power wielders (i.e., actors) have. Again, two answers are possible: global governance agencies may be held accountable either in compliance-based or integrity-based global accountability systems. Compliance-based systems of global accountability use both *ex-ante* and *ex-post* accountability mechanisms and perceive global governance agencies (i.e., actors) as “instrumental agents” that follow clear instructions given by their relevant public (Grant and Keohane 2005: 31). By contrast, global governance agencies (i.e., actors) in integrity-based systems have some discretion. Those calling for an account (i.e., forums) use only *ex-post* accountability mechanisms and do not try to direct the behavior of “discretionary authorities” in advance – although accountability mechanisms can have effects *ex ante*, “since the anticipation of sanctions may deter the powerful from abusing their positions in the first place” (Grant and Keohane 2005: 30). Accountability relationships thus “presuppose norms of legitimacy that establish, not only the standards by which the use of power can be judged, but also who is authorized to wield power and who is properly entitled to call power wielders to account” (Grant and Keohane 2005: 30).

In line with the theoretical distinction given by Grant and Keohane (2005), I argue that there has been a shift from a delegation model to a participation model of public accountability that frames current aid relationships. Figure 2-6 depicts the proposed shift.

Figure 2-6: The shift in models of accountability along the aid chain



Note: the figure shows how accountability flows along the aid chain, namely (1) upwards, (2) downwards, and (3) inwards among aid intermediaries

Whereas the delegation model has been related to upward accountability in the traditional frame of aid (aid as a contract), the participation model underpins the more recent reform proposals for more downward (aid as entitlement) and more inward (aid as a partnership) accountability along the aid chain. Participatory mechanisms of accountability characterize both proposals for reform in that the delegation logic that has governed the previous aid frame has been replaced by a participatory logic in two alternative aid frames. Yet, participation in these aid frames stems from different rationales.

Following a representative logic, participatory and rights-based approaches in the first aid frame aim at involving all relevant democratic stakeholders in public policy-making; whereas participation in program-based approaches in the second frame that follows a collaborative logic serves to tap into the collective energy of all development partners for better policy outcomes. As shown by Figure 2-6, new “stakeholders”, respectively, “partners”, have been added to the traditional frame of aid as a contract, including other donors, supervising agencies, civil society and the private sector. These new stakeholders and/or partners do not all participate in one single forum, but in multiple accountability forums with varying actor constellations at different levels. Accordingly, we also find a multiplicity of accountability mechanisms that participants in particular forums use to hold each other accountable. Adopting a pluralist-institutionalist approach, this research thus argues that the participation of the development actors needs to be analyzed separately depending on the forum, respectively aid modality at hand. The next section looks at these different types of domestic forums and the external strategies for strengthening public accountability at the recipient country level.

### **2.3. Typology**

There is an abundance of typologies of accountability in the democracy and development literature. In the democracy literature, public accountability arrangements have been distinguished according to the direction in which accountability may run in democratic states (state versus non-state actors). In the development literature, foreign transparency and accountability initiatives have been classified according to their democratic targets, that is, whether they aim at promoting formal or partisan accountability (procedural versus substantive democracy). These typologies generally refer to “democratic accountability” in the sense of being guided by the normative principle that rulers should be held accountable by the people they govern. In line with my conceptual framework, these typologies may thus be distinguished whether they are used for describing the domestic axes of the democratic accountability field in recipient countries or whether they aim at evaluating foreign transparency and accountability initiatives according to certain democratic accountability standards.

In the following, I will develop a typology of surrogate accountability based on my review of democratic accountability in the democracy and development literature. First, I will combine two distinctions available in the democracy and development literature to describe the different surrogate accountability forums in which national and international actors interact at the recipient country level. Second, I will draw on the theoretical contribution by Jennifer Rubenstein (2007) to evaluate surrogate accountability forums in terms of their democratic targets. In line with the pluralist-institutionalist model of accountability, the argument is made that distinguishing more clearly between the institutional arrangements and the normative standards of surrogate accountability can provide a more solid basis for generating hypotheses on the impact of development aid on democratic change in developing countries. By describing the institutionalized surrogate accountability forums and evaluating their democratic impact at the recipient country level, I expect to contribute to a more robust and generalizable picture of the PRS approach than is found in the literature so far.

### **2.3.1. Democracy literature: domestic accountability axes**

#### ***2.3.1.1. Seminal distinction***

In the political science literature, democratic accountability takes on many forms. Democracy scholars usually begin by giving their interpretation of democratic accountability as being different from other types of accountability or oversight found in the literature. Given the existence of multiple, and sometimes competing typologies, we may easily lose track unless we position a conceptual anchor. Guillermo O'Donnell (1994, 1998, 1999a, 1999b, 2003) provides such an anchor. According to him accountability in a democratic state runs

*“not only vertically, making elected officials answerable to the ballot box, but also horizontally, across a network of relatively autonomous powers (i.e., other institutions) that can call into question, and eventually punish, improper ways of discharging the responsibilities of a given official.” (O'Donnell 1994: 61)*

Taken literally, *vertical accountability* refers to a relationship between “unequals” in the sense that it concerns a relationship between state and non-state actors. By contrast, *horizontal accountability* refers to a relationship between “equals” in the sense that the term is reserved to relationships between “incumbents of positions in the state and the regime” (O'Donnell 1999b: 68). While vertical accountability as a method of democratic control over state institutions has been largely uncontested for the last two centuries, O'Donnell was the first in conceptualizing horizontal accountability (and in particular the lack thereof in his concept of “delegative democracy”) as a central dimension of democratic accountability. His contribution has spurred a vibrant debate on the subject but has also generated much criticism.

Three critical points have been raised against the horizontal-vertical divide in general and O'Donnell's definition of horizontal accountability in particular: First, the types of conduct state actors are being held accountable for; second, the notion of a power hierarchy between state and non-state actors; and third, the type of sanctions imposed by non-state actors. These three criticisms will structure the following discussion of the four types of domestic accountability forums distinguished in this research.

Following O'Donnell, I speak of horizontal accountability and vertical accountability as the central axes of domestic accountability. However, I do not perceive them in terms of a power balance between actors with equal or unequal power, but in terms of two power configurations of which one involves only state actors (horizontal accountability) and the other also includes non-state actors (vertical accountability). Within these two configurations, I further distinguish between those accountability forums that formally exhibit a dyadic structure as opposed to those with a triadic structure. Accountability forums that possess direct sanctioning power usually display a dyadic structure, while those accountability forums that lack this sanctioning capacity and therefore appeal to third parties exhibit a triadic structure. Based on this classification, I focus on four types of accountability forums along two axes of domestic accountability. These are political accountability and administrative accountability (on the horizontal axis) as well as electoral accountability and social accountability (on the vertical axis). In the following four subsections, I will briefly describe these four types of domestic accountability based on a review of their use in democratic theory.

#### **2.3.1.2. Horizontal types**

Horizontal accountability refers to the accountability relationships within the state. O'Donnell defines horizontal accountability as follows:

*“[T]he existence of state agencies that are legally enabled and empowered, and factually willing and able, to take actions that span from routine oversight to criminal sanctions or impeachment in relation to actions or omissions by other agents or agencies of the state that may be qualified as unlawful.” (O'Donnell 1999a: 38)*

As shown by this definition, the triggering mechanism of intrastate accountability is the presumed “unlawfulness” of another state actor's conduct (O'Donnell 2003: 51). According to O'Donnell, there are two primary expressions of unlawful conduct within the state: encroachment and corruption. Encroachment generally refers to the unlawful trespassing of one state actor into the proper authority of another one. Corruption is loosely defined as the illegal use of public office for personal use or for the benefit of associates (O'Donnell 1998: 121; 2003: 34). Whether on the grounds of encroachment or of corruption, the consequences of unlawful conduct may range from routine oversight to criminal sanctions or impeachment proceedings (O'Donnell 1999a: 38).

O'Donnell's concept of horizontal accountability has been fiercely criticized in the literature.<sup>37</sup> In particular, critics note that his concept of horizontal accountability does not consider political actions or omissions by other state actors due to its focus on the unlawfulness of the conduct. Accordingly, horizontal accountability is said to exclude political accountability in a narrow sense, that is, the accountability of the executive to other branches of the government (Mainwaring 2003: 19; Schmitter 1999: 60). Besides, they also criticize that the term horizontal accountability does not specify the state actor who is being held accountable. While in most instances, the executive is taken as the usual suspect to be kept in check, it could be any other state actor, such as the legislature, the judiciary, or a particular part of the bureaucracy that must render an account to another agency of the state (Manin et al. 1999a: 19; Schmitter 1999: 60).

In response to his critics, O'Donnell contends that there is not anything particularly legalistic in his definition of horizontal accountability since all positions in the regime and the state are legally defined and regulated (O'Donnell 1999b: 68). I agree with O'Donnell that horizontal accountability is generally law-based and thus regulated by formal relationships of accountability, but I do not agree that this also refers to the type of conduct for which state actors are being held accountable. In line with his critics, I also consider more "political" forms of account-giving as constitutive elements of horizontal accountability. To classify the particular accountability forum within the state, I draw on a second distinction that O'Donnell made, but which has only recently received more attention from accountability theorists. According to him, a given state agency may either "directly or by means of mobilizing another state agency" hold other agents or agencies of the state accountable for their actions and omissions (O'Donnell 2003: 35). Hence, we may distinguish two different types of state agencies, or "accountability forums" to stay within my terminology, summarized under the same heading of "horizontal" accountability.

On the one hand, there are those "political" forums within the state and the regime that possess sufficient power to hold other state actors accountable directly. On the other hand, there are the more "administrative" forums that do not have sufficient power to hold other state actors accountable and thus seek redress by a third party, which does have this sanctioning capacity. While in the former case, the traditional dyadic relationship of accountability adequately describes the nature of the relationship between the two state actors, in the latter case, a formal triadic structure better describes the accountability relationship at play. Here, one powerful state agent (e.g., minister) is being held accountable by another less powerful state agent (e.g., corruption control agency) who addresses, in turn, a third state agent with sanctioning capacity (e.g., administrative court). Accordingly, I distinguish between two broad types of horizontal accountability that differ in their formal structure: political accountability (dyadic relationship) and administrative accountability (triadic relationship).

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<sup>37</sup> See debate between O'Donnell and his critics in *The Self-Restraining State* by Schedler et al. 1999.



### *Political accountability*

*Political accountability* refers to a dyadic relationship between two state actors, who have sufficient political autonomy to control each other mutually. Across the democracy literature, scholars highlight three key elements of political accountability.

First, political accountability refers to the *tripartite division of political power* among the legislative, executive and judiciary (Schedler et al. 1999: 3). According to Montesquieu's principle of the separation of powers, the three traditional functions of government should be entrusted to different organs (Manin et al. 1999a: 20). The legislative branch makes the laws, the executive branch implements the laws, and the judiciary branch interprets the laws and decides legal controversies. To become operative, every accountability relationship needs a minimal gap, a separation between those being held accountable and those who are calling for an account; otherwise, there is no control of public power. Separation alone, however, does not constitute an instance of accountability by itself. Instead, the classical separation between the three branches of government must be seen as a necessary condition for political accountability (Kenney 2003: 60).

Second, political accountability also originates in the view that these separate political powers should roughly be *kept in balance in order to check each other* (O'Donnell 2003: 44). Since most contemporary democratic constitutions seek to keep the legislative, executive and judiciary branch of government roughly in balance, O'Donnell uses the term "balance institutions" to describe state institutions among which the flow of power and authority in the government and the state is divided (O'Donnell 2003: 45). These "countervailing powers" should have equivalent capacities in order to monitor and react to each other's conduct. In order to do so, they need to be "permanently constituted" and "mutually recognized" (Schmitter 1999: 61). There are two basic ways in which constitutions have organized the traditional government functions in real-world democracies. In presidential systems, state actors are held accountable through the principle of "checks and balances". This principle, "prescribes that each branch partially participates in the function primarily exercised by another (e.g., through a presidential veto, judicial review), so that they can hold each other in check" (Manin et al. 1999a: 20). In parliamentary systems, the parliament is the central arena of political accountability, as it provides the crucial link between state and non-state actors. Given that its members have been elected, parliaments are directly accountable to the electorate, which empowers them vis-à-vis other state actors they are holding to account. Independent of the political system, it is the existence of power-sharing arrangements between different government branches, which are being forced to share authority over legislation and appointment to offices with other state agencies, that allows them to hold each other accountable.

Third, political accountability implies that political powers not only listen to each other, but that they are also "*sanctioning actors*" (Mainwaring 2003: 20). Due to their autonomy as outlined in the consti-

tution, they can effectively impose sanctions on other state agencies accused of wrongdoing (in a legal sense) or disregard of the public will (in a political sense). Courts are usually seen as the central sanctioning actor within the state. However, their authority overlaps with parliaments in both parliamentary and presidential systems. Given the parliamentary sovereignty in parliamentary systems, the courts' main responsibility lies in ensuring that the government bureaucracy duly implements the laws. In presidential systems, by contrast, courts have a double role to play: on the one hand, like in parliamentary systems, they ensure that the executive branch correctly implements the laws of the legislative branch; and on the other hand, they have the authority to veto legislative acts (constitutional review) as an equal “balancing” actor (Moreno et al. 2003: 90). Accordingly, they sanction both legal and political conduct.

### *Administrative accountability*

Political accountability is not the only type of horizontal accountability. Democracy scholars noted that Montesquieu's three-fold conception of government had left no room for the bureaucracy. Moreover, it may also be outdated, because modern government has become so complex over time that “we are simply lacking a systematic picture of the functions performed by present-day governments” (Manin et al. 1999a: 20). Both the steady growth and the increasing complexity of bureaucracy pose severe challenges to public accountability. Unelected, technical and specialized state agencies increasingly decide on issues that “can decisively impact policy, potentially in ways that disregard public preference” (Dunn 1999: 297). Political scientists and practitioners alike have thus more and more turned their attention to “administrative accountability”.<sup>38</sup>

*Administrative accountability* describes an accountability relationship among (at least) two state actors where those specialized agencies calling for an account usually appeal to a third party since they lack the sanctioning capacity for holding political power to account. It features the following three elements.

First, administrative accountability is performed by “*autonomous agents of accountability*” (Schedler et al. 1999: 3). These agents may form part of any of the three branches of government and, at the same time, they are endowed with sufficient autonomy to hold any state agent accountable within their area of specialization. Their primary task is superintendence, that is, they have superior authority to oversee other state agencies (Moreno et al. 2003: 91). The list of oversight agencies is as long as diverse, including election commissions, electoral and constitutional tribunals, audit offices, anti-corruption bodies, human rights commissions and ombudsmen, administrative and constitutional

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<sup>38</sup> The term “administrative accountability” as it is used here must not be confused with the internal bureaucratic process. Administrative accountability as a specific sub-type of horizontal accountability refers to accountability relationships between different state agencies, not to employer-employee relationships within them (Kenney 2003: 62).

courts, central banks, public prosecutors, and controllers-general (Schedler et al. 1999: 3; Moreno et al. 2003: 81). Typically, these state agencies are insulated from other state institutions and the people as well. The idea behind this is that no president or simple parliamentary majority should be able to intervene or dissolve these oversight agencies (Moreno et al. 2003: 81). However, while their base of authority is separate from other powers, as administrative agencies they cooperate with other state agencies. They need to do so, because of their mandate.

Second, administrative accountability involves independent bodies of oversight with *specific mandates* (O'Donnell 2003: 45). Unlike "balance institutions", which aim primarily at an overall balance of political power, "mandated agencies" have rather specific, legally defined mandates, such as control of corruption, protection of human rights, financial audits and the holding of free and fair elections to name a few. What they all have in common is that they strive to separate administration from policy, respectively, the legal procedure from the power play. According to O'Donnell, mandated agencies have several qualities that make them ideally suited for legal proceedings. First, their professional ethos rather than partisan character; second, their effectiveness in addressing unlawful actions by the agencies they oversee; third, their proactive and continuous nature of oversight; and finally their capabilities that allow them to examine complex policy matters (O'Donnell 2003: 45). Still, O'Donnell hastens to add that mandated agencies should not be considered as substitutes for balance institutions. Instead, their qualities make them a useful complement and reinforcement of the latter (O'Donnell 2003: 45-46).

Third, administrative accountability refers to "*oversight actors*" that have the legally ascribed responsibility for monitoring the behavior of other state actors (Mainwaring 2003: 20). These independent bodies of oversight generally have no sanctioning power, but they may provide crucial information to others, such as the courts or parliamentary committees, for sanctioning those who have abused their powers. For example, an ombudsman (i.e., forum) may provide information regarding human rights abuses committed by the police or armed forces (i.e., agents) to the executive or the legislative (i.e., third party). Consequences then may result from the president firing the subordinate employee who perpetrated the abuses, or they may come from members of the parliament, who may use their political power to reduce or revoke funding for the office in question (Moreno et al. 2003: 81). The greatest problem of these superintendence bodies, however, is their weak public accountability. As part of the bureaucracy, citizens can control them only indirectly, because they have no direct mechanism available to hold appointed bureaucrats legally accountable (Manin et al. 1999a: 20). Moreover, it is far from clear whether these administrative agencies will be more accountable to the executive (which employs them) or the legislative (which funds them). In sum, while they are supposed to serve the public, administrative accountability forums are accountable at most to politicians (Manin et al. 1999a: 21).

### 2.3.1.3. *Vertical types*

Vertical accountability refers to the accountability relationships between the state and non-state actors. Vertical accountability presupposes a prior distinction between the people who rule and the people being ruled. It lies at the center of the concept of representation that has been defined as “acting in the best interest of the public” (Pitkin 1967, cited by Manin et al. 1999a: 2). The question then arises why rulers should act in the best interest of those being ruled? As we have seen above, depending on the intellectual background, the answers to this question may differ. However, most democracy scholars would agree that they do so because they are made accountable through general, free and fair elections. Elections bridge the representative gap that exists between the rulers and the people being ruled. They are seen as the primary mechanism of vertical accountability through which compliance of rulers with the will of the people, the so-called *demos*, or ultimate sovereign in a democracy is enforced (Cheibub and Przeworski 1999: 222).

Like horizontal accountability, vertical accountability has been the subject of much debate. In particular, scholars have noted that power as a property of relationships is hard to measure and that accountability understood as “answerability” does not include the necessity of hierarchical relations (Mainwaring 2003: 18-19). And if it does, as implied in the notion of “vertical accountability”, it is indeterminate regarding directionality. That is, accountability in vertical relations may either flow “top-down” (e.g., when used as a strategy of control from above) or “bottom-up” (e.g., when citizens control domestic authorities). In other words, the terminology alone cannot determine whether a particular accountability exercise is a normal or inverted version of normal power relations (Schedler 1999a: 23-24). Bringing these observations together, we may thus say that the horizontal-vertical divide has been criticized because it brings two issues together that should be kept separate: on the one hand, a spatial metaphor of power that conveys images of independence (horizontality) and hierarchy (verticality) and on the other hand, the direction in which accountability may run (state versus non-state actors) (Mainwaring 2003: 19).

To solve this tension, previous research suggested focusing on one or the other aspect and changing terminology respectively. For example, Mainwaring (2003: 20) proposes to differentiate accountability relationships strictly according to the agent of accountability, and to drop the horizontal-vertical nomenclature. Other scholars keep the term “vertical accountability”, but replace “horizontal accountability” with “horizontal exchange” in order to convey more clearly, according to them, that accountability relationships are inherently vertical (Moreno et al. 2003: 80). In this thesis, however, I follow a different approach. I stick to the established horizontal-vertical divide along which accountability may run (state versus non-state actors), but I further distinguish between accountability relationships that involve a third party and those which do not (dyadic versus triadic actor constellation).

### *Electoral accountability*

*Electoral accountability* thus can be said to exist between elected public officials and citizens, where the former can be removed from power by the latter, usually through the withdrawal of delegated authority. This first type of vertical accountability has a periodic nature and is dependent on election dates. Moreover, it concerns a dyadic relationship in the sense that the electoral accountability forums possess sufficient sanctioning capacity for directly holding state actors accountable. And finally, it entails hard sanctions as elected holders of public office are held accountable by those electoral constituencies who delegated power to them. In sum, the three key elements of electoral accountability in procedural terms are its periodic, dyadic and formal nature.

While there is broad consensus over the procedure of representative institutions, the substance of elections in inducing representation has caused quite some controversy (Manin et al. 1999a: 3).<sup>39</sup> Elections have been conceptualized as fulfilling two roles at the same time: “selecting good types” and “sanctioning poor performance” (to borrow the terminology by Fearon 1999). In the former role, elections are perceived as a prospective device used for selecting politicians for public offices. Conversely, in the latter role, elections are conceived as a retrospective device by which public officials are sanctioned for performing badly. While at first sight, electoral accountability seems to resonate more with the sanctioning role (as conveyed by the popular phrase “to throw the rascals out” that often reemerges at election times), it must be noted that these two roles interact: selection implies sanctioning and vice versa (Fearon 1999: 71). Public officials who know that they are being held accountable on the next election date for their political performance may thus decide to stay closer to their electoral mandates.

While this is true, elections have been heavily criticized – notably by scholars adopting a principal-agent model of accountability – for being a weak mechanism for public accountability, both in terms of “selecting good people” and “sanctioning poor performance”. On the one hand, elections have been criticized as a weak mechanism for selecting good people, because political programs of major parties are not binding for those being subsequently elected. For example, Bernard Manin and colleagues (1999) argue that holding politicians accountable on the basis of their electoral mandate appears unrealistic since no democracy embodies institutional mechanisms to force elected public officials to be faithful to their electoral platforms. This lack of binding instructions can be explained historically by intentional efforts to allow for space regarding deliberation among elected public officials, judgment among voters, and changing conditions more generally (Manin et al. 1999b: 39).

On the other hand, elections have been criticized as a weak mechanism for sanctioning poor performance, since citizens face tremendous difficulties when trying to monitor the behavior of incumbents. For example, James Fearon (1999: 69) argues that the collective action problem that voters face sug-

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<sup>39</sup> A good overview of the debate on electoral accountability is given in the volume on *Democracy, Accountability, and Representation*, edited by Adam Przeworski, Susan Stokes and Bernard Manin (1999).

gests that elections should be considered rather as a selection than as a sanctioning device. Selecting good people for public office appears entirely reasonable as a strategy. In addition, empirical observations, such as the general dislike of office-seekers, the considerable support for term limits, the high value put on adherence to principles of electoral candidates, and the lack of last-period efforts, also jointly suggest that the voters think of elections more as opportunities to select good types than as subjecting officials to popular control (Fearon 1999: 60-63).

These arguments have found empirical, though contradictory support. On the one hand, José Antonio Cheibub and Adam Przeworski cannot find any empirical evidence that elections serve as a sanctioning device (Cheibub and Przeworski 1999: 222). In a sample of 135 countries (including all democracies) between 1950 and 1990, they find no significant correlation between the economic performance of political leaders and their survival in office, even in election years. Except for the growth of the labor force in parliamentary democracies, none of the indicators of economic performance matter for the survival of presidents in presidential democracies (Cheibub and Przeworski 1999: 228-229).

On the other hand, Susan Stokes (1999) shows that electoral mandates have been widely and severely violated in Latin America between 1982 and 1995, which may suggest that elections do not provide an effective selection device. In twelve of the forty-four presidential election campaigns at that time, elected officeholders switched their policies immediately upon coming into office. This breakdown of the mandate mechanism in Latin America implies a severe lack of information on the part of the citizens. Politicians chose not to inform the people about the real choices they faced, but instead, in the heat of the campaigns, told them what they wanted to hear (Stokes 1999: 126-127).

A possible explanation for the lack of empirical evidence regarding the two roles of electoral accountability is given in a follow-up study by Susan Stokes (2005). Here, she does not focus on elections as a means of citizens to select and sanction public office holders, but questions the directionality of electoral accountability per se. Building on the insight by James Scott (1969) that “machine politics of old is a lot like clientelist politics of new” (Stoke 2005: 324), she argues that the vertical mechanism of electoral accountability is turned on its head in many democracies around the world, even today. In the standard principal-agent model that has been described above, voters hold political leaders accountable for what they have done in office and reward or punish them conditional on these actions. In a clientelistic context, by contrast, political machines (or clientelistic parties) can use their social proximity to hold individual voters accountable for what they have done in the voting booth and reward or punish them according to these actions. Empirical evidence from a broad-based voter survey, conducted in December 2001 and January 2002 in three Argentine provinces supports her theoretical reasoning. When principals (i.e., citizens) become “clients” and agents (i.e., politicians) become “patrons”, this is what Stokes calls “perverse accountability” (Stokes 2005: 316).

### *Social accountability*

Electoral accountability is not the only type of vertical accountability. Probably due to O'Donnell's legalistic focus, the concept of public accountability has often been reduced to formal mechanisms of oversight and/or sanction relative to public officials in the democracy literature. Newer research, however, shows that public accountability may also work through informal mechanisms, that is, when monitoring and sanctioning of public officials takes place outside a legal framework that formally gives this authority (Mainwaring 2003: 7). These informal, non-legalized mechanisms of societal oversight interact with the formal network of accountability institutions in representative democracies (Mainwaring 2003: 8). Particularly in democracies where formal mechanisms of accountability are weak or inadequate, citizens' actions and organizations aimed at overseeing political authorities are becoming a crucial aspect of political life, thereby, redefining the traditional links between the represented and their representatives (Smulovitz and Peruzzotti 2003: 309). Even O'Donnell acknowledges that in countries where "*electoral vertical accountability* functions quite deficiently, the *societal* version of vertical accountability becomes extremely important for the workings and eventually, even for the survival of a democratic regime" (O'Donnell 2003: 48). Democracy scholars thus increasingly focused on "social accountability" as an alternative form of vertical accountability.

*Social accountability* describes an accountability relationship between elected and non-elected public officials and citizens, where monitoring of public officials takes place outside a legal framework, usually through civic participation in governance. This second type of vertical accountability has an ongoing quality in that public officials are held accountable before, during, and after electoral campaigns. Moreover, it reveals a triadic actor constellation, since social accountability forums usually do not directly sanction state actors, but activate third parties that do have this capacity. And finally, it entails largely symbolic sanctions, as they do not stem from legalized mandates, but are imposed by those who are significantly affected by the actions and omissions of state actors.

Social accountability thus distinguishes itself from other types of domestic accountability through its ongoing, triadic and informal process character. By way of contrast, I will discuss each of these three key elements of social accountability as compared to the other three types of domestic accountability discussed so far. Catalina Smulovitz and Enrique Peruzzotti (2000, 2003) have introduced this type of societal oversight in the democracy literature. I will broadly follow them in my conceptual demarcation of social accountability.

In contrast to electoral accountability, social accountability is not bound by the electoral calendar. While being a vertical mechanism of domestic accountability, it may be exercised at any time between election dates and is activated "on demand" (Smulovitz and Peruzzotti 2003: 310). Accountability demands come from a broad range of societal "actors with differing degrees of organization that recognize themselves as legitimate claimants of rights" (Smulovitz and Peruzzotti 2003: 310), including

citizen associations, social movements, and the media. A distinctive feature of social accountability is that it enlarges the number of people involved in the control of political authorities (Smulovitz and Peruzzotti 2003: 310). As a non-electoral, yet vertical mechanism of public accountability, the main lines of social accountability do not run to electoral constituencies, but to broader audiences within civil society that seek, from outside political parties, to hold public officials and state agencies accountable.

In contrast to administrative accountability, social accountability is not formally charged with monitoring the behavior of public officials and state agencies (Smulovitz and Peruzzotti 2003: 310; Mainwaring 2003: 8). While social accountability mechanisms exhibit the same triadic structure as mandated agencies, social ones perform this watchdog function without fulfilling “special majority requirements or constitutional entitlements” (Smulovitz and Peruzzotti 2003: 310). This allows social mechanisms to give voice to citizen concerns that otherwise may not be heard and to channel them into the formal political system (Smulovitz and Peruzzotti 2003: 310). As an informal, yet triadic type of public accountability, social accountability forums usually do not sanction power wielders directly. Their power lies in the sheer number of people involved in this type of public accountability, and that they can activate more formal ones in manifold ways (Smulovitz and Peruzzotti 2003: 310).

Finally, social accountability also differs from political accountability in that it does not discipline public authorities in a way that formal representatives do. Like the checks and balances enshrined in formal political systems, social accountability mechanisms continuously subject political power to public control. However, social accountability does not entail mandatory legal consequences but informal symbolic ones based mostly on public disapproval (Smulovitz and Peruzzotti 2003: 310). That is, civil society actors are calling public attention to the existence of specific issues in ways that the citizenry can relate to (Smulovitz and Peruzzotti 2003: 311). As an ongoing, but an issue-specific type of public accountability, these actions by civil society then “may produce changes in the social appreciation of a particular phenomenon, transforming it into an issue of a more general and public interest” (Smulovitz and Peruzzotti 2003: 311).

These three qualities of social accountability make it a useful complement and reinforcement of traditional types of domestic accountability. First, given that elections are a “fairly blunt instrument” of popular control (Ferejohn 1999: 137; Przeworski et al. 1999: 50), social accountability mechanisms enable soft forms of punishment on specific issues relevant to a particular group of citizens. However, this does not mean that symbolic sanctions by non-state actors do not have “material consequences” (Smulovitz and Peruzzotti 2003: 311). On the contrary, the “[p]ublic disclosure of wrongdoings or of policy flaws can destroy a fundamental resource of electoral politics: the symbolic capital or reputation of a politician or institution” (Smulovitz and Peruzzotti 2003: 311). Particularly in democracies, where the political life of elected officials depends on getting the highest number of votes, the reputa-



tional costs that may result from these socially engineered strategies of accountability can become a threat to their political survival (Smulovitz and Peruzzotti 2003: 312).

Furthermore, social accountability mechanisms may activate the operation of horizontal balance institutions. Traditional mechanisms of political and judicial oversight have been criticized for remaining predominantly passive. For example, incentives for spending attention, time, and energy on oversight duties are said to be weak for individual members of parliament, unless a specific issue draws full public attention (Behn 2001: 74-75). Issue-specific attention may be created, for example, when a social movement organizes and mobilizes around a particular issue, when the media carry out own investigations concerning this issue or when citizen associations activate political oversight and judicial proceedings on this issue (Smulovitz and Peruzzotti 2003: 312).

Finally, social accountability mechanisms may establish parallel “societal watchdog” organizations that monitor the performance of specific public institutions or mandated state agencies. Their institutional independence is simultaneously the greatest strength and weakness of these mandate agencies. It enables them to hold other state agencies accountable in their area of specialization. At the same time, it makes them “vulnerable to charges that they are undemocratic or that they overstep their boundaries” (Schedler et al. 1999: 3). Experience in many countries around the globe shows that, after recurrent public criticism of mandated state agencies, parallel society-based bodies of oversight “have been formed with the goal to continuously oversee the behavior of certain public officials in specific policy arenas” (Smulovitz and Peruzzotti 2003: 314-315); thereby “adding relatively persistent and newly organized grassroots ‘guardians of the guardians’” (Smulovitz and Peruzzotti 2003: 315).

From the previous discussion, it follows that it makes sense to distinguish four types of public accountability. Starting with O’Donnell’s seminal horizontal-vertical divide, I distinguished between four types of public accountability within the domestic arena that jointly serve to hold powerful state actors accountable: on the horizontal axis these are the political and administrative accountability forums, and on the vertical axis these are the electoral and social accountability forums. From a democracy perspective, electoral accountability may have “logical priority”. However, as argued by O’Donnell (2003), it would be a mistake to equate this with “pre-eminent factual importance” (O’Donnell 2003: 49). Instead, the *interactions* to be found among various types of domestic accountability seem to be the key to holding public power to account within democratic regimes.

Moreover, as observed by Kenney (2003), external actors do not easily fit into this concept of two axes of domestic accountability. Governments increasingly find themselves in relationships with the international community, which are governed by “agreements and treaties that form a body of international law within which accountability relationships may develop” (Kenney 2003: 55). Similarly, Schedler (1999b: 344) points out that “national advocates of public accountability are not ‘alone’ anymore” (Schedler 1999b: 344). They have received company from a broad range of “external” actors

who interfere with domestic accountability. Robert Pastor (1999: 124) therefore suggests that the relationship between nation-states and the international community could be conceptualized as a third axis of accountability besides vertical and horizontal accountability. If external actors would be endowed with greater awareness and a more deliberate strategy, as he suggests, they might have the power and potential to intervene on behalf of national democracy (Pastor 1999: 124). According to these democracy scholars the relationship between donors and recipients of foreign aid may thus be conceptualized as a third axis of accountability that interacts with horizontal and vertical accountability at the recipient country level. These scholars agree that the question is not *whether* external actors intervene in domestic regimes, but *how* they affect democratic accountability in recipient countries.

### **2.3.2. Development literature: foreign accountability initiatives**

#### **2.3.2.1. Hidden distinction**

Within the field of development studies, the promotion of domestic accountability often forms part of governance programs aimed at strengthening the institutional framework in developing countries. However, accountability within these governance programs rests on contested grounds, particularly if the concept is seen as something to build democracy on. For instance, Craig Borowiak argues that

*“[t]oo often, the concept is used loosely or in a generalized manner that masks just what sort of accountability is being demanded, as if any and all forms of accountability are the same, when, in fact, many of those demanding accountability don’t have democratic ideals in mind.” (Borowiak 2011: x)*

A clear understanding of the different types of accountability that have been demanded in the development context should thus work as “a helpful harpoon” (Moore and Teskey 2006: 2) that does not exactly tell what the target is in any context, but offers a way to get closer to the goal. Moreover, “[p]aying attention to the ways in which particular development buzzwords have come to be used, then, sheds interesting light on the normative project that is development” (Cornwall and Brock 2005: 1044).

One harpoon that has been offered is the fundamental distinction between formal (or technical) accountability and partisan (or political) accountability. Following Mark Philp (2009), formal accountability concerns “the requirement that public officials act within the formal responsibilities of their office” (Philp 2009: 38). Central to the notion of formal accountability is that their conduct is assessed in a non-partisan way. Partisan accountability, by contrast, concerns “the answerability of those in public office to partisan elements within the political system” (Philp 2009: 38). Key to the notion of partisan

accountability is that the conduct of public officials is assessed according to political criteria.<sup>40</sup> Partisan accountability does not ask whether a public official “acted within his or her legitimate and allocated power”, but whether they exercised this power in ways “their political constituencies are willing to endorse or approve” (Philp 2009: 38-39). While Philp admits that the formal-partisan distinction is rather crude, it remains important to ask whether an actor transgressed the legal boundaries of his or her public office or whether the actor did something “that lies clearly within the parameters of his or her office” (Philp 2009: 40).

Albeit of paramount importance, following Philp (2009), this distinction between form and content has rarely been acknowledged by the democracy literature. First, some use of language implicitly blurs this important distinction between formal and partisan accountability. For example, the popular phrase “to throw the rascals out” meant as an invitation to vote for the party not currently in power is misleading in that it mixes these two different rationales for public accountability. As a term, “rascals” should be best reserved for those who violate formal accountability, that is, violate the law through corrupt and criminal acts, whereas the fact that politicians are getting “thrown out of their offices” at election times is nothing else than the regular exercise of partisan accountability (Philp 2009: 40).

Second, the formal-partisan distinction has often been obscured by much of democratic theory, which sees accountability intimately intertwined with the concept of representation (Philp 2009: 40). In representative democracies, accountability refers “to a particular type of relationship that results in the act of delegating authority to a representative body, where the represented holds a claim to superior authority over those to whom it has temporarily delegated its power” (Peruzzotti 2006: 46). This view focuses on elections as a means for achieving partisan accountability, while more abstract goals of formal accountability are not part of the conceptual framework. As Philp affirms, the formal system must legitimately set the parameters right in advance of the elections; otherwise, electoral accountability will be flawed (Philp 2009: 40).

Finally, the distinction between formal and partisan accountability has often been hidden behind the more common horizontal-vertical divide in the democracy literature (Philp 2009: 51). Although this literature has noted the distinction between formal and partisan accountability (see the debate between O'Donnell and his critics), neither those who stick to a legalistic interpretation nor those who include political oversight in their accounts of horizontal accountability consider the formal-partisan distinction to be more important than the horizontal-vertical divide. Instead, the prevailing mode to deal with this issue has been to associate the formal accountability with horizontal accountability and partisan accountability with vertical accountability (Kenney 2003: 61; O'Donnell 2003: 35; Peruzzotti 2006: 45-46).

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<sup>40</sup> While Philp (2009) talks about “political accountability” with regard to this sort of accountability purpose, I use the term “partisan” in order to not confuse it with the “political” type of horizontal accountability that has been discussed above.

The present study takes a different approach. As I argue here, accountability standards and accountability forums must be kept separate. Accordingly, public actors may be held accountable according to formal and partisan accountability standards by accountability forums located inside *and* outside the state. Following Philp, the horizontal-vertical divide has value in thinking about directions in which accountability may run in democratic states (state versus non-state actors), whereas the formal-partisan distinction captures a major issue in newly democratizing states, where this distinction often is severely blurred. For example, politicians regularly “seek political ends by accusing their opponents of corruption” or, conversely, condone corrupt practices “in exchange for certain political outputs” (Philp 2009: 51). I agree with Philp that the formal-partisan distinction has grown in importance in recent years. However, I do not use this distinction for describing domestic electoral and political arenas, but use it for specifying the democratic targets of external intervention strategies.

As we have seen above, shared agendas in a mutual accountability framework largely fall into two categories: aid purpose and aid delivery. While the former concerns the normative standards of accountability (or the motives of donors), the latter refers to the operational process (or the modalities at the recipient country level). From an accountability perspective, external intervention strategies may thus be classified according to their targets, that is, whether they aim at promoting formal or partisan accountability standards; and according to their modalities, that is, whether they rely on standard or surrogate accountability processes for the delivery of aid. In the following subsection, I will briefly review external efforts for promoting domestic accountability in terms of their strategic rationale and their method of support, based on which I will propose my typology for describing and evaluating surrogate accountability arrangements in international development aid.

#### ***2.3.2.2. Strategic rationale***

In the development literature, foreign transparency and accountability initiatives are usually subsumed under “democracy aid” that is commonly perceived as having a political purpose as opposed to “development aid” which is given for economic purposes alone. However, as noted by Thomas Carothers (2009), “democracy-aid providers are moving away from an early tendency to follow a one-size-fits-all strategy” (Carothers 2009: 5). Democracy aid is undergoing a process of strategic differentiation marked by the emergence of two distinct overall approaches to assisting democracy (Carothers 2009: 5). Since these two overall approaches of assisting democracy in recipient countries target different standards of accountability, I will use slightly different terminology than Carothers (as shown in brackets) by calling them the partisan (or political) approach and the formal (or developmental) approach. While the partisan approach aims at enhancing liberal democracy (‘democracy assistance’), the formal approach aims at improving good governance (‘governance assistance’) in recipient countries. Following Carothers, I will compare these two different approaches according to their concept of democratization and their strategy for supporting democracy in recipient countries.

### *Democracy assistance*

The partisan approach ('democracy assistance') looks at democratization as a conflict-ridden process "in which democrats work to gain the upper hand in society over nondemocrats" (Carothers 2009: 5). Yet as noted by Schedler, "political institutions do not fall from heaven; they have to be conquered against the express will of those who defend the status quo (Schedler 1999b: 337).<sup>41</sup>

Democracy promoters in this tradition thus often intervene in "conjunctural moments" of this political struggle between democrats (i.e., the actors perceived as such by external democracy supporters) and non-democrats in the hope of having "catalytic effects" (Carothers 2009: 5). Moreover, they tend – quasi by design – to support individuals and groups that stand in opposition to an authoritarian regime and its representatives. Support to those who challenge the existing regime can be done directly, for example, through providing training, advice, moral support or funding to the political actors themselves, such as political parties, politicians or members of political society. It can also be done indirectly through supporting key institutions and procedures that may have logical priority from a liberal democracy perspective, such as free and fair elections, a strong legislature, or independent media (Carothers 2009: 7).

In terms of accountability, we may thus say that democracy assistance in a narrow sense aims at promoting *partisan accountability* in recipient countries, based on the central idea of representative democracy that rulers should act in the best interest of the public. External efforts aimed at strengthening the answerability of those in public office to partisan elements within the political system are seen as a key democratic norm that has value by itself. Given that the support of a nascent civil society may figure as a counterweight to the incumbent regime, the external promotion of partisan accountability usually comes against the will of the recipient government and the political elites.

### *Governance assistance*

The formal approach ('governance assistance') considers democratization to be a slow, iterative process of change with many ups and downs. There is no easy and quick fix to the widespread democratic deficits in recipient countries. Instead, democracy is incrementally promoted through long-term development assistance across all political, social and economic sectors (Carothers 2009: 5).

Democracy promoters in this tradition see themselves working with a rights-based approach that is more easily defensible against charges of "external interventionism". Human rights are thought of as being "more clearly rooted in universal legal principles" than the institutions of liberal democracy. As such, their democracy-related work is often tied to or even cast in human rights term (Carothers 2009:

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<sup>41</sup> The literature on democratic transitions is full of examples showing the binary structure of internal conflict between conservatives and agents of change. See O'Donnell and Schmitter *Transitions from Authoritarian Rule* (1986) for an introduction to the basic concepts of the so-called "transitology" literature.

9). Human rights are seen as “a useful gateway” for integrating political with socioeconomic concerns. If the political is addressed directly, aid providers who subscribe to the formal approach incline towards strengthening of “state capacity and good governance (usually in a technocratic, apolitical fashion)” as an alternative to more “confrontational” activities for supporting liberal democracy (Carothers 2009: 9). As a result, governance assistance is directed at more formal institutions and processes deemed necessary for the “good” management of socio-economic development, such as administrative and judicial mandate institutions as well as the participation of civil society and the private sector in policy design and implementation.

In terms of accountability, we may thus say that governance assistance more broadly aims at promoting *formal* accountability in recipient countries, based on the conviction that compliance with formal standards like general rule-following and respect for procedural norms also contributes to more equitable socioeconomic development overall. The external requirement that public officials must act within the formal responsibilities of their office is seen as crucial for a governance system that is also “good” for national development. Given that this type of economic governance is not dependent on the type of political regime, the external promotion of formal accountability usually comes with the consent of the “host” government.

### ***2.3.2.3. Method of support***

The development literature has distinguished two basic methods for the external promotion of domestic accountability (e.g., Booth and Fritz 2008; Meyer and Schulz 2008; Horner and Power 2009; Hudson 2009). According to this literature, donors may either provide direct support for key domestic accountability institutions (‘direct method’), or they may indirectly support domestic accountability through insisting in mutual accountability forums that aid is well accounted for by recipients (‘indirect method’). Accordingly, this indirect method rather shapes the scope for domestic accountability than that it helps to build the capacity of domestic accountability holders (Hudson 2009: 6-7).

#### *Direct support*

Providing aid in direct support of domestic accountability usually has meant promoting “the responsive capacities of states and citizens directly” (Meyer and Schulz 2008: 26). This is especially notable in PRS processes which, in order to be accepted by donors, are required to involve civil society and other stakeholders in the formulation and monitoring of national development strategies. The idea behind is that the participation of domestic stakeholders in national decision-making processes strengthens their voice and capacity for effectively engaging in domestic politics and claiming their rights (i.e., achieving substantive democracy). Research on these new aid modalities suggests that

capacity development efforts in recipient countries should work on both sides of the “citizen-state contract” (Meyer and Schulz 2008: 26). Traditionally, donors’ governance programs have focused on capacity-building of state institutions, “with the overall aim of furthering democratic and effective ownership of development processes” (Lister and Carter 2006, cited by Horner and Power 2009: 16). More recently, however, donors realized that democratic governance and effective accountability requires the active involvement of a wide range of domestic stakeholders (Hudson 2009: 10). Newer aid modalities thus aspire to strengthen the voice and capacity of citizens so as they can directly demand greater accountability and responsiveness from public officials and state agencies.

### *Indirect support*

The more indirect way, by which foreign aid impacts on domestic accountability works via donors’ coordinated support for recipient-owned programs, which should increase the scope for domestic accountability. The prime example for the coordination and harmonization of donor procedure is multi-donor or general budget support. As it has been argued in the literature, channeling aid through recipient country budgets has an “inbuilt democratizing logic” (Meyer and Schulz 2008: 25). As general budget support is provided through the government’s accountability channels, it not only reduces transaction costs generated by aid management but also strengthens democratic institutions and procedures in recipient countries (de Renzio 2006: 629; Driscoll et al. 34) (i.e., creating and sustaining procedural democracy). Using aid modalities that do not bypass domestic accountability systems is a “powerful but deceptively simple idea” (Booth and Fritz 2008: 1). As an argument, it is reasonably straightforward and broadly shared within the international development community. However, as shown by more recent research, actual practice falls short of high expectations linked to general budget support (see Booth and Fritz 2008; de Renzio 2006; Driscoll et al. 2005, Faust et al. 2012; Hayman 2011). On the one hand, evidence suggests that “even the more progressive donors” were reluctant to switch completely towards general budget support but have used a range of other aid modalities instead (Booth and Fritz 2008: v). On the other hand, the domestic drive for the budget-support vision to work well has also been questioned: “calling for a more nuanced view of the role of donors as ‘change agents’” (de Renzio 2006: 634). In this regard, a common view amongst donors has been that the new ownership philosophy implies that donors should not become actively engaged in national governance systems. However, as argued by recent research, this view is deeply mistaken, since aid is fundamentally a “relationship business” which depends on the collaboration of all partners being involved (Booth and Fritz 2008: 50).

Traditionally, there has been some division of labor between bilateral and multilateral donors concerning motive and modalities of “democracy aid”. While bilateral donors tended to use more direct means of supporting political society aimed at building the prerequisite for liberal democracy (‘democracy

assistance'), multilateral donors rather aimed at sustaining good governance in recipient countries through using more indirect means of improving formal governance ('governance assistance'). However, it would be a mistake to associate democracy assistance with direct methods of enhancing domestic accountability and governance assistance with indirect methods of furthering domestic accountability. Rather, we find an increasing differentiation regarding donors' intervention strategies. Today, the combination of different strategies and modalities is thought to be the most effective way for influencing domestic accountability relationships (Levitsky and Way 2005: 22; Nelson and Eglington 1992: 4; Pastor 1999: 140).

How the typologies of accountability available in the democracy and development literature may be combined in order to advance our understanding of the causal mechanisms between aid and democracy is the topic of the final synthesis.

### **2.3.3. Synthesis: typology of surrogate accountability**

Based on my review of democratic accountability in the democracy and development literature, the final synthesis develops a typology for describing surrogate accountability and evaluating its impact of democratic change in recipient countries. In line with my conceptual framework, I keep the description of surrogate accountability arrangements separate from their evaluation according to different accountability standards. Consequently, this subsection has two main objectives. First, it shows how foreign transparency and accountability initiatives may be described according to different types of domestic accountability forums they support at the recipient country level. Second, it shows how these initiatives may be evaluated according to different targets, respectively normative standards of mutual accountability.

#### ***2.4.3.1. Axes: Describing targeted domestic forums of surrogate accountability***

In the literature review above, two seminal distinctions or typologies of accountability have been identified. First, the democracy literature distinguishes between horizontal accountability and vertical accountability as the two central axes of domestic accountability. Second, the development literature recognizes that the formal-partisan distinction captures two different rationales that underlie foreign efforts at promoting domestic accountability. If we combine the two rationales of foreign transparency and accountability initiatives with the two axes of domestic accountability, we arrive at a two-by-two



matrix displaying four ideal-typical strategies of external accountability promotion available to the donor community at large.<sup>42</sup> The following Table 2-3 summarizes these four strategies.

Table 2-3: Foreign strategies for promoting domestic accountability

<i>Domestic axis</i>	<i>Formal accountability</i>	<i>Partisan accountability</i>
Horizontal accountability	Administrative accountability	Political accountability
Vertical accountability	Social accountability	Electoral accountability

These four strategies differ in terms of the type of domestic accountability forum they support. A first strategy aims at supporting *administrative accountability* by building and strengthening the capacities of mandated state agencies whose primary task is to oversee other state agencies. With the rise of general budget support as a new aid modality, donors looked more closely at those institutions that oversee the domestic budget process as they wanted their funds to be used in an effective and accountable way. Among the broad panoply of administrative oversight or mandate institutions, those exerting some form of financial control have been most important to budget-supporting donors, including general or supreme audit and accounting offices with a largely preemptive role as well as judicial bodies and corruption control agencies specialized in demanding accountability *ex post facto* (see O’Donnell 1998; Heilbrunn 1999; Widner 1999).

A second strategy aims at supporting *social accountability* through involving representatives of civil society in co-governance processes with the state. This strategy differs from traditional approaches to formal accountability in that it does not reduce governance “to a question of state reform” (Newell and Wheeler 2006: 2), but increases the number of participants within it. Participatory co-governance is seen as valuable in that it widens the parameters of the public debate and strengthens the domestic decision-making processes. As a result, the responsiveness of those who govern to the needs and aspirations of those being governed should be strengthened (Ottaway and Carothers 2000). Potential activities of this sort of external intervention strategy include, for example, participatory public policy-making, participatory budgeting, public expenditure tracking, citizen monitoring and evaluation of public service delivery to name a few (see Malena et al. 2004; McNeill and Malena 2010).

A third strategy aims at supporting *political accountability* by building and strengthening the capacities of horizontal balance institutions whose primary task is to check and balance each other. Donors that follow this strategy perceive democratization as a process of institutional modeling. They focus on institutional minima, that is, the core processes and institutions of representative democracy deemed necessary for it to work, such as the existence of a democratic constitution, a representative and competent legislature, a politically autonomous judiciary, and government authorities at the national and

<sup>42</sup> Similar two-by-two matrices have been developed in the literature that either focused on democracy or governance assistance (see, Börzel et al. 2008; Schmitter and Brouwer 1999). However, my approach differs from these typologies in that it focuses on the interaction of different types of accountability at the recipient country level.

local level. The list of key political institutions is not random; instead it is grounded in donors' conviction that in a representative democracy the constitutive powers need to be separated and in balance to each other. Potential activities aimed at strengthening political checks and balances thus encompass, for example, constitutional engineering aimed at keeping the military in its barracks; parliamentary assistance aimed at building capacities for national budget review; and decentralization efforts aimed at devolving power to local levels as a check on central power within the state (see Carothers 1997; Santiso 2001a).

A fourth strategy aims at supporting *electoral accountability* by educating citizens and strengthening the capacities of political society vis-à-vis the incumbent regime. Donors increasingly recognized that the outcome of democratic state reforms would be shaped by domestic society, not just recipient governments. To offset the biases towards elitism and to go beyond the modeling of democratic institutions, democracy promoters thus began to invest in the capacities of organized society. Such rights-based capacity development usually included "transferring knowledge about democratic institutions and practices, socializing individuals to democratic (civic) values, and changing their behavior" (Schmitter and Brouwer 1999: 21). Among the broad range of politically oriented civil society groups, those representing large segments of the population, which could potentially figure as counterweight to state power, have been most important to donors that adhere to this type of capacity building strategy, including political parties, labor unions, advocacy-oriented non-governmental organizations, human rights movements and independent media (see Carothers 1997; Schmitter and Brouwer 1999).<sup>43</sup>

After having distinguished the types of forums that external strategies of public accountability promotion support, we may ask what type of actor has to render an account. In line with the various aid frames identified above, the answer to this question in the development literature has been three-fold.

A first answer to the above question might be that the public organization is perceived as a unitary actor being held accountable for its collective outcomes ('corporate actor'). The corporate logic frames aid as a contract between donors and recipients of foreign aid. Within this aid frame, accountability relationships are analyzed in terms of a principal-agent model of accountability, where aid recipients (agents) are accountable upwards to aid donors (principals). Corporate accountability focuses on the fiduciary responsibilities of agents (e.g., public financial management) and the challenge that faces

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<sup>43</sup> A side note on civil society: Following Scholte (2011), civil society operations and electoral-legislative strategies of political society represent "very different (albeit potentially complementary) ways of exacting accountability from governance authorities" (Scholte 2011: 38). In line with the pluralist-institutionalist model of public accountability, we may say that civil society follows a participatory logic of deliberation and direct democracy, while political society is firmly grounded in a delegation logic of plebiscites and representative democracy. Hence, capacity-building of "civil society" is subsumed in my analytical framework under social accountability support, whereas strengthening of "political society" is subsumed under electoral accountability support. These two types of external intervention strategies also correspond with the two ways social accountability has been conceptualized in the democracy literature ('societal oversight') and development literature ('participatory co-governance') (see Ackerman 2004 for a review of these two literature strands).

principals (i.e., shareholders) in establishing appropriate legal and economic incentives (Droop et al. 2008: 17; Steer et al. 2009: 15).

A second answer may be that the political leader at the top of the public organization is being held accountable for all its members ('representative actor'). The representative logic frames aid as entitlement to which citizens in recipient countries have legitimate rights. It is a rights-based approach to development that draws on the stakeholder democracy model of accountability, where both aid recipients and aid donors being entrusted with public responsibilities (duty-bearer) are democratically accountable domestic stakeholders (claim-holder) in recipient (and donor) countries. As we have seen, representative accountability can be thought of as running along a vertical (in case of electoral and social accountability) and a horizontal axis (in case of administrative and political accountability) to those having delegated power to them.

A third answer finally may be that any member could be held personally accountable for the conduct of the public organization as a whole ('collaborative actor'). The collaborative logic frames aid as a partnership between all partners engaged in international development cooperation. Relationships within global partnerships in pursuit of developmental objectives have been analyzed according to the pluralist-institutionalist model of public accountability. Collaborative accountability focuses on the shared agendas and reciprocal commitments that development partners have voluntarily made to their fellow peers – and for which they are collectively accountable to those being affected.

A third question that has been asked is the type of conduct about which an actor has to render an account. Importantly, this question must be understood in descriptive terms and needs to be separated from the normative standards used to evaluate the outcomes of an accountability relationship (such as democratic or pro-poor impacts).

To describe the conduct for which an account is to be rendered, I draw on the specialized accountability literature. Accountability scholars have offered general classification schemes that appear surprisingly similar across the literature. In most instances, a three-fold classification scheme like the one by Mark Bovens has been suggested based on whether the actor is being held accountable for "financial, procedural, or product accountability" (Bovens 2007: 459). Similar classification schemes based on whether the information an actor has to provide concerns his or her "resources, processes, or outcomes" (Kearns 1996: 30) also speak of "fiscal, process, and program accountability" (Fessler and Kettl, 1991: 327) or "accountability for finances, fairness, and performance" (Behn 2001: 6). These classification schemes have in common that they do not evaluate the content of accountability, but merely describe the account-giving of the actor.

The type of conduct is closely linked to the type of actor that is being held accountable. If we compare the three-fold classification schemes of the democracy literature with the three aid frames of the development literature, we see that corporate actors are usually liable for financial management, repre-

sentative actors are generally responsible for public policies, and collaborative actors hold themselves mutually accountable through the process. Thus, the classification of conduct often concurs with the one made according to the type of actor. However, in theoretical terms, that must not necessarily be the case. Instead, I assume that the type of conduct can be combined with any actor that has to render an account.

Finally, we may ask why the actor should render an account to the domestic forums identified above. Global governance scholars speak of compliance-based and integrity-based steering mechanisms that guide accountability relationships at the global level. Following Thomas Risse, external actors can either manipulate the cost-benefit calculations of political leaders so as to convince them that rule compliance is in their best interest, or they can focus on increasing the moral legitimacy of the norms and rules in question in order to make political leaders comply voluntarily with them (Risse 2005: 168-169). However, besides these two indirect mechanisms of influence, external actors may also directly support domestic accountability holders and their institutions enabling them to demand greater accountability and responsiveness from their political leaders. Accordingly, three types of instruments can be identified that serve to promote public accountability in recipient countries.

First, *political conditionality* tries to manipulate the cost-benefit calculations of political leaders through creating incentives for democratic and governance reforms. Political conditionality comes in two forms: as a reward or as punishment. After the end of the Cold War, bilateral donors were more inclined to use negative incentives (or punishment) “in situations of perceived violations of human rights, lack of progress towards democratization or state corruption” (Crawford 1997: 70). This practice was criticized by multilateral donors for being too adversarial vis-à-vis the recipient government in situations where the government's cooperation might bear more potential for institutionalizing democratic and governance reforms (Carothers 2009: 6). Multilateral donors, by contrast, preferred using positive incentives (or rewards), which they saw as more legitimate and potentially more effective than plain punishment (Youngs 2001: 192, cited by Schimmelfennig 2012: 12). In practice, however, most donors have increasingly combined negative sanctions with a positive dimension to reward good performance (Santiso 2001a: 160).

Second, *political dialogue* exerts influence by virtue of argumentative power to convince political leaders of the moral legitimacy of the norm and rules in question (Hewitt and Killick 1993: 44; Fuster 1998: 266-267). Political dialogue has often been presented as an alternative instrument to donors when conditionality (for whatever reasons) is not available or adequate. It may occur informally or through formal settings like the Consultative Group meetings, which have been the bilateral donors' principal forum for the discussion of sensitive issues with the host government (Fuster 1998: 324). Like bilateral donors, multilateral donors also rely on this “soft” form of power which works via the socialization of citizens and state elites. They use political dialogue as an informal means both for supporting broader reform coalitions within national society and for finding internal allies within the

state bureaucracy (Kahler 1992: 126; Stallings 1992: 52). The “transnational network of mainstream professional economists”, which have been trained at American or European universities and have been working on both sides of the donor-recipient relationship, is the main example in this respect (Kahler 1992: 126).

Third, *technical assistance* works via donor involvement in the reform process and aims at strengthening the capacities of domestic constituencies to exercise effective accountability over their political leaders. Technical assistance, sometimes also dubbed positive support, to domestic institutions and processes differs from the other two instruments in that democratic and governance reforms are not solely delegated to recipient countries, but actively supported and financed by the international community (Fuster 1998: 244; Moore 1995: 89). Given their apolitical mandates, multilateral donors showed a strong preference for this type of assistance, since it comes on “technical” terms – notwithstanding the political character of the recipient (Fuster 1998: 246; Knack 2004: 251). This technical approach of multilateral donors, however, has been criticized for being “too vague and unassertive” in a world where many recipient governments are said to have “learned to play a reform game with the international community”, that is, they absorb large amounts of aid, while avoiding genuine political reform (Carothers 2009: 6). Unlike multilateral donors, bilateral donors generally exhibited less problems in “teaching” domestic actors respect for human rights as well as democratic norms and practices, for example, by using “high-pressure tactics such as public protest” against the domestic regime (Crawford 1997: 69-70; Covey 1998: 82; Lavenex and Schimmelfennig 2011: 890).

In sum, we may think of the set of instruments donors can use to induce recipient governments to render an account to domestic constituencies in terms of a continuum from compliance-based to integrity-based accountability mechanisms with political conditionality and political dialogue as the two poles and, lying somewhere in-between, some type of technical assistance to domestic accountability. Since this intermediate category involves donors directly in the domestic accountability process, it has been said to rely on some form of “accountability in the shadow of hierarchy” (Bovens 2007: 460).

#### ***2.4.3.2. Initiatives: Evaluating democratic impact of surrogate accountability***

In order to classify the different channels how development aid may impact on democratic change in recipient countries, I will draw on the concept of surrogate accountability as it has been introduced by Jennifer Rubenstein (2007) into the debate on global accountability. Following Rubenstein, I will first sketch the main lines of the surrogate accountability concept, followed by an outline of the democratic targets of surrogate accountability.

### *Standard versus surrogate accountability*

According to Rubenstein, global governance faces the general problem that holding public power to account is difficult to achieve in an unequal world. In other words, standard accountability does not work under conditions of extreme inequality. In particular, poor citizens in aid-dependent, unstable, and/or autocratic countries are often too weak to hold their governments accountable and to sanction them accordingly in case of poor performance. This weakness is due to numerous reasons ranging from high poverty rates, over social and political exclusion, to low education and poor health (Rubenstein 2007: 617).<sup>44</sup>

In line with the development literature cited above, Rubenstein identifies two possible solutions to this general problem that shapes the global governance of aid and beyond. The first solution would be to empower weak accountability holders in order that they can achieve the capacity to exercise effective accountability over power wielders, that is, pursuing standard accountability via increased equality. Because inequality is unlikely to disappear soon, a strategy of reducing inequality may be promising in the long term but is not sufficient for the short and medium term (Rubenstein 2007: 617, 623). Thus, a “second-best” solution that Rubenstein identifies is to involve a third party or “surrogate” in her terms, “who substitutes for accountability holders during one or more phases of the accountability process” (Rubenstein 2007: 617). Despite that replacing standard accountability with surrogate accountability is perceived to be a normatively inferior strategy, it has the potential to be realized in the short and medium term (Rubenstein 2007: 617).

A surrogate may substitute for the accountability holder in all phases of the standard accountability process, but his or her role is undoubtedly most important in the sanctioning phase. Sanctions are the “weakest link” in contexts that are characterized by deep-seated forms of inequality, which is true for accountability arrangements both at the national and global level (Grant and Keohane 2005: 41; Rubenstein 2007: 621-622). In the main usage of the term, surrogate accountability thus occurs, “when a third party sanctions a power wielder on behalf of accountability holders because accountability holders cannot sanction (or play their role in helping to sanction) the power wielder” (Rubenstein 2007: 624). In conceptual terms, three other features of the concept are noteworthy: first, the third party that sanctions the power wielder – that is, the surrogate accountability holder – is independent of the original accountability holder; second, the surrogate accountability holder primarily substitutes for the original accountability holder's capacity in the accountability process, and not for his or her authority in defining the content of accountability; and third, if possible, surrogate accountability holders should “deliberate with accountability holders and seek their authorization to act on their behalf” (Rubenstein 2007: 624).

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<sup>44</sup> Similar arguments with regard to “disenfranchised publics” have been raised by Grant and Keohane (2005: 40).

At the national level, “surrogate accountability” is not a new phenomenon, but a natural characteristic of public accountability systems. The review of the democracy literature above has shown that administrative accountability holders usually do not sanction other state institutions. Yet, they provide crucial information for others to bring them to court, among other possibilities. Likewise, social accountability holders have no formal sanctioning power. However, they can activate the operation of formal accountability holders in a variety of ways, like increasing public pressure on or triggering legal actions against power wielders. Thus, despite that administrative and social accountability holders usually refer to a third party who sanctions the power wielder, the crucial point is that accountability holders play a significant role in this process. According to Rubenstein, what matters is that accountability holders – even if they are no sanctioning actor – participate in all phases of the accountability process, that is, in the standard-setting, information, debate, and judgment phase. It is their ongoing participation in the process that finally serves “to pressure the power wielder to comply with the relevant standards” (Rubenstein 2007: 619-620).

At the global level, where the issue of surrogate accountability is of more recent origin, the academic debate has mainly focused on the question whether external interventions in favor of domestic accountability may be conceptualized as accountability or (justifiable) coercion.<sup>45</sup> Rubenstein gives us a useful distinction: We may speak of accountability, according to her, when the accountability holders have endorsed the standards, while the power wielder has recognized the “standards as standards in an accountability mechanism (even if the power wielder does not endorse them)” (Rubenstein 2007: 618). Thus, in terms of external promotion of domestic accountability, there does not need to be (prior) agreement between citizens and recipient governments regarding the standards of public accountability. However, the citizens must have endorsed the accountability standards (otherwise they are not accountability holders); and the government must have recognized the legitimacy of these accountability standards somewhere (for example, by signing an international agreement that shows its willingness to participate in discussion with accountability holders on these standards (Rubenstein 2007: 619).

### *Procedural versus substantive democracy*

Adopting the pluralist-institutionalist model of public accountability to the development context, Rubenstein has articulated the fundamental dilemma of the global governance of aid, which is that under conditions of extreme inequality, typical for many developing countries around the world, processes of standard accountability do not work. She discriminates between two basic donor strategies in reaction to this dilemma: a direct strategy: where donors empower domestic accountability holders, thereby

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<sup>45</sup> For an interesting contribution to the debate on the development of an “international development law”, see Dann (2006).

strengthening the standard accountability process; and an indirect strategy, where donors substitute for domestic accountability holders in one or more phases of the standard accountability process, thereby seeking redress to surrogate accountability. I will use her distinction to generate hypotheses on the impact of development aid on democratic change in recipient countries.

Following Rubenstein, enhancing public accountability in developing countries yields at least six normative benefits: On the one hand, it promotes accountability holders' preferences; it increases rule-following by power wielders; and it fosters valuable substantive or procedural norms. On the other hand, it provides useful information to accountability holders, power wielders, and third parties; it strengthens civic virtues and self-development on the part of both power wielders and accountability holders; and most importantly, it helps to constitute nondomination (Rubenstein 2007: 620-621). Of these six benefits, as I argue, the first three arguments roughly coincide with the core dimensions of procedural democracy, while the last three arguments conform more to the key aspects of a substantive democracy.

*Procedural democracy* refers to democracy as a system of popular control over government (Dahl 1999: 20). In procedural definitions, the starting point of defining democracy is "rule by the people", or the *demos*, who decides as the sovereign authority in the last instance about all important political matters. In order to do so, the people's representatives (by necessity in any larger political entity) or "the government of the state" need to be controlled "either directly in popular assemblies or indirectly through its representatives, chosen by lot or, in modern democracies, by means of elections" (Dahl 1999: 20). The government thereby is made accountable to the people, and democracy prevails. Procedural or formal definitions of democracy thus look how popular control over government is ensured by the "institutions, procedures or routines of a democratic system" (Luckham et al. 2001: 10). Across the democracy literature, popular control has often been conceptualized in terms of three dimensions, which roughly coincide with Rubenstein's first three normative benefits: vertical accountability (i.e., promoting preferences of accountability holders), horizontal accountability (i.e., increasing rule-following by power wielders), and universal suffrage (i.e., fostering valuable substantive or procedural norms).

By contrast, *substantive democracy* refers to democracy as a system of political and civil rights (Dahl 1999: 20). In substantive definitions, it is not the popular control over government but the extension of fundamental rights that are defining for democratic systems. Substantive definitions of democracy thus do not focus on democratic institutions, but rather on democratic politics and how they affect or are being affected by the rights of the participants involved. In other words, substantive definitions highlight "the degree to which an individual citizen is able to participate in the decisions which affect his or her life" (Kaldor and Vejvoda 1997, cited by Luckham et al. 2001: 10). Generally, the literature distinguishes between more narrowly defined political rights that determine citizens' rights in the political sphere and civil rights that more broadly circumscribe individual rights in the economic and



social sphere. For example, political rights such as freedom of speech and opinion (i.e., providing useful information) and freedom to form and join organizations (i.e., strengthening civic virtue and self-development) do not constitute themselves the exercise of democratic power, but rather appear as a necessary requirement without which no competition or participation among a large number of people takes place (Dahl 1971: 3). Examples of civil rights, in turn, such as individual rights to privacy and property or collective workers' rights, "though arguably not strictly essential to the functioning of democratic institutions and procedure, tend to develop among a people who govern themselves democratically" (Dahl 1999: 20), that is, they help to constitute nondomination in Rubenstein's terms.

On these substantive dimensions of democracy, as argued by Rubenstein, standard accountability generally outperforms surrogate accountability in all phases of the accountability process. Since accountability holders know their preferences better than anyone else (standard-setting), they are best at providing useful information to others about the local contexts in which they live (information phase). Moreover, direct engagement in the debate with power wielders strengthens civic virtues and self-development of the participants (debate phase). Finally, standard accountability arrangements endow accountability holders with the capacity to sanction the power wielder in case of illegitimate use of political power (judgment phase), and thus constitute – quasi by design – "the perfect antidote to domination" (Rubenstein 2007: 621, 631).

Yet, external interventions that directly target citizen demand for democratic accountability as motivated by the goal of "deepening democracy" can reduce at least some of the most detrimental effects of domination (Rubenstein 2007: 629). For instance, when donors condition their aid on the existence of political rights, they increase the space for domestic accountability holders' genuine action. It has also been observed that in a post-conflict context, donors "may facilitate the reconstruction of democratic politics – helping all of the main political parties get back on their feet, aiding the establishment of an electoral commission, sponsoring large-scale civic-education programs, and other related tasks" (Carothers 2009: 8). As these examples suggest, citizens do not become undominated just because donors try to strengthen their voice and capacity, but they can mitigate at least some of the domination's most pernicious effects. Accordingly, we may hypothesize that, in general, external strategies aimed at strengthening partisan accountability in aid-receiving countries do not work, because fundamental political and civil rights must be claimed and cannot be bestowed. However, these strategies may have a small positive impact on substantive democracy in authoritarian or otherwise troublesome contexts.

On the procedural dimensions of democracy, by contrast, there are several areas, where an external strategy aimed at strengthening formal accountability "can sometimes secure at least some of the benefits of standard accountability" (Rubenstein 2007: 631). Such a strategy is geared towards the government's supply of democratic accountability, with the overall goal of institutionalizing "good governance" in recipient regimes. Following Rubenstein, surrogate accountability arguably performs better

than standard accountability when donors enforce rule-following by the power wielder and when donors insist on valuable substantive or procedural norms, whereas it almost always performs worse than standard accountability when donors promote accountability holders' preferences (Rubenstein 2007: 631). Surrogate accountability is said to yield the most benefits, when the judgment whether the power wielder has fulfilled his or her obligations towards accountability holders is not dependent on subtle interpretation of local context and when the power wielder is held accountable for moral obligations that pertain to large groups of marginalized people (Rubenstein 2007: 629). Accordingly, we may hypothesize that external strategies aimed at strengthening formal accountability have a positive impact on procedural democracy in aid-receiving countries, when external actors promote rule-following of power wielders that is not context-specific (e.g., the rule of law) and procedural norms that apply to many people (e.g., participatory decision-making). By contrast, when a surrogate promotes the preferences of democratic accountability holders on their behalf (e.g., poverty reduction), there is always the danger of paternalism, resulting in a negative impact on procedural democracy. Because the surrogate is independent of the accountability holder in conceptual terms, this means that the former cannot be held accountable by the latter (Rubenstein 2007: 624). As a consequence, surrogates should get into dialogue with accountability holders and seek authorization from those for whom they substitute. According to Rubenstein, this would constitute the best way to avoid paternalistic treatment of democratic accountability holders in surrogate accountability (Rubenstein 2007: 629).

In sum, as this discussion has shown, external intervention strategies, by which donors may intervene on behalf of national democracy, can be distinguished according to their democratic targets and aid modalities. First, we may ask whether they aim at promoting formal accountability (procedural democracy) or partisan accountability standards (substantive democracy); and second, whether they rely on standard or surrogate accountability forums for the delivery of aid to achieve this target.

### *Synthesis and outlook of chapter 3*

This chapter put the focus on accountability when analyzing the aid-democracy nexus because an accountability lens enables us to integrate development and democracy perspectives, which have often been kept separate in scholarly debate and aid practices. More specifically, this chapter has made three proposals: First, by drawing on the long and distinguished history of the concept, this chapter promotes the use of a social concept of public accountability that keeps normative standards separate from institutionalized forums in order to analyze the different goals of foreign transparency and accountability initiatives. Second, by digging deeper into the theoretical traditions of the concept, this chapter proposes to analyze the different mechanisms within institutionalized accountability forums according to two alternative conceptions of the legitimacy of political authority. Finally, by examining the typologies of public accountability and its promotion in the democracy and development literature, this

chapter proposes to describe surrogate accountability strategies according to the type of domestic accountability forum they support, but to evaluate them according to the type of mutual accountability standard donors have in mind.

In sum, this chapter provides the analytical framework to describe different strategies and mechanisms for enhancing public accountability across space and time in the global governance of aid (chapter 4) and to consider different goals related to foreign transparency and accountability initiatives for evaluating the impact of development aid on democratic change in recipient countries (chapter 5). As an introduction to these two empirical analyses, the following chapter describes the general set-up of the international aid architecture.



### **3. Policy**

The previous chapter brought the democracy and development literature into dialogue. It showed that the mechanisms for infusing global governance of aid with legitimacy have changed in mainstream development thinking. In particular, it argued that there had been a shift from a delegation model to a participation model of public accountability that underpins recent reform proposals for a more rights-based (aid as entitlement) and collaborative development approach (aid as a partnership). This chapter aims to describe the historical and political context of the PRS approach. The central question that guides this context analysis is whether development policies have become more political over the last two decades. To answer this question, this chapter analyzes aid policies in the domestic and mutual accountability fields, since donors may either provide direct support for key domestic accountability institutions (direct method) or they may indirectly support domestic accountability by insisting in mutual accountability forums that aid is well accounted for (indirect method). Through tracing aid policies over time in documents that made an important contribution to the new thinking around the national and global governance of aid, this chapter reveals that over the last two decades there has been a general trend towards more political and rights-based forms of aid policies both in the domestic and mutual accountability fields. The chapter is divided into three sections, of which the first sketches the main changes in conditional program lending by the international financial institutions, followed by two descriptive analyses of the way the World Bank has on its own and in collaboration with other partners fostered domestic accountability in developing countries.

#### **3.1. The historical and political context**

##### **3.1.1. The threefold shift in development policy**

The introduction of the PRS approach must be seen in the historical and political context of a fundamental reorientation in the delivery of development assistance. Over the last two decades, there have been far-reaching changes in the global aid architecture. Key to these changes has been an increased focus on accountability relations between donors and recipients of foreign aid. Drawing on previous research (in particular, Booth 2003b; Eberlei 2005; Fraser and Whitfield 2009; Piron and Evans 2004; and Santiso 2001a), this study argues that the interesting thing about the new focus on mutual accountability in the global governance of aid is that it adds a political dimension to the international aid effectiveness agenda and to the economic reform agenda of the IMF and World Bank, mandated not to

meddle in politics.<sup>46</sup> In particular, the new perspective on mutual accountability propagates a shift in development policy from a narrow focus on borrowing governments and state elites to broad-based participation by the general public and the poor in particular (new partners), from donor-driven policy blueprints to policy dialogue around country-owned strategies (new principles), and from individual project and sector activities to program-based aid and joint budget support (new practices).

Introduced in 1999, the PRS approach by the IMF and World Bank has represented the centerpiece of the new aid agenda the international community has turned towards of late. It builds on ample evidence of past failure in the era of structural adjustment lending and “proposes a shift towards modalities of aid that give recipient-country governments more scope to make decisions based on their own priorities” (Hyden 2008: 259). Signaling an improvement on the technocratic decision-making model that characterized earlier development efforts, the PRS approach quickly emerged as the key instrument for access to debt relief and financial assistance from both institutions. The PRS approach was welcomed right from the beginning by many other donors, since it provided a framework around which they could coordinate, align, and harmonize their assistance to recipient countries (Fraser and Whitfield 2009: 82). The PRS approach was also quickly accepted by many developing countries, particularly in Sub-Saharan Africa, since it was an integral part of the process by which they could qualify and receive debt relief under the Enhanced HIPC initiative (Fraser and Whitfield 2009: 81-82). The idea behind this initiative was that debt relief would free resources in national budgets, which recipient governments then could spend on basic social and economic infrastructure for the poor as outlined by their national poverty reduction strategies (White and Dijkstra 2003: 12).<sup>47</sup> Finally, the PRS approach was also embraced by many civil society actors in recipient countries (and abroad), since the new participation conditionality helped them to obtain a seat at the policy table (Cox, Thornton and Cameron 2006: iv).

As argued in the literature, the introduction of the PRS approach must be seen against the background of two forces during the late 1990s. At that time, a growing sense of uncertainty within the World Bank prompted by a number of unforeseen experiences coincided with external pressure for debt relief, as evoked by global civil society (De Haan and Everest-Philipps 2007: 4). First, an intensive debate around the effectiveness of structural adjustment lending created and heightened “a crisis of confidence” in the World Bank itself (Pender 2001: 400).<sup>48</sup> This crisis was fed both by the failure of mar-

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<sup>46</sup> Despite that mutual accountability has been framed largely in apolitical terms, some implications of this new principle of development cooperation have turned out to be rather political and thus highly sensitive for recipients and donors alike (Piron and Evans 2004: 35; Santiso 2001a: 169; OECD 2008b: 24).

<sup>47</sup> While the original HIPC initiative launched in 1996 did not yet contain a link to poverty reduction, this changed with the introduction of the Enhanced HIPC initiative in 1999. The enhanced initiative almost doubled the amount to be provided for debt relief through “lowering the criteria below which debts were considered unsustainable” and linked it more closely to poverty reduction (Thomas 2001: 43; White and Dijkstra 2003: 12).

<sup>48</sup> As John Pender argues, the appointments of President Wolfensohn (June 1995), who was carving a new mission for the World Bank, and Chief Economist Stiglitz (February 1997), who was known in particular for his “market failure” emphasis, may well be seen as a response to this internal sense of having lost control (Pender 2001: 404).

ket-oriented development strategies in the Sub-Saharan African context (World Bank 1994) and, on the other hand, the success of state-led development strategies in the East Asian context (World Bank 1993). For better or worse, these experiences called into question the fundamental tenets of the policy framework prescribed by the IMF and World Bank so far (Pender 2001: 402). In addition to this internal crisis, the international financial institutions were faced with widespread critique and pressure from the outside. A broad civil society movement rallied under various advocacy campaigns at the end of the millennium (e.g., Fifty Years is Enough, IDA 10 and Jubilee 2000). This broad movement called for more nuanced, context-sensitive and flexible policy advice in addressing the negative consequences of structural adjustment lending; for an increase in debt relief by the international community; and for a shift towards proactive promotion of poverty reduction in making this debt relief pro-poor (White and Dijkstra 2003: 12; De Haan and Everest-Philipps 2007: 5; Scholte 2011: 98-99).<sup>49</sup> The PRS approach was the most evident outcome of these internal and external pressures on the IMF and World Bank's development approach. In particular, because it "incorporated much civil society critique, linked debt relief to a strengthened poverty focus, and emphasized (recipient) country ownership and in-country consultative processes" (De Haan and Everest-Philipps 2007: 4). Table 3-1 depicts the historical juncture in multilateral development assistance through comparing the IMF's and World Bank's new development approach based on poverty reduction strategy papers and general budget support in comparison with their traditional lending approach that dominated in the era of structural adjustment. In the following, I will briefly review these two main approaches to multilateral development assistance in terms of their respective partners, principles, and practices.

*Table 3-1: The historical juncture in multilateral development assistance*

<i>Development era</i>	<i>Structural adjustment lending</i>	<i>Poverty reduction lending</i>
Partners	<i>Shareholders:</i> Individual donors State elites	<i>Stakeholders:</i> Donor community Recipient state Organized society
Principles	<i>Washington Consensus:</i> Macroeconomic stability Financial liberalization Trade liberalization Privatization Deregulation	<i>Mutual Accountability:</i> Result orientation Strategic partnership Country ownership Long-term perspective Comprehensiveness
Practices	<i>Sector support:</i> Top-down approach Reforms imposed from outside Secret negotiations	<i>Budget support:</i> Bottom-up approach Nationally defined priorities Collaborative endeavor

<sup>49</sup> For a good review of these global campaigns, see the edited volumes by Fox and Brown (1998) and Scholte (2011).

### **3.1.2. Structural adjustment lending**

#### ***3.1.2.1. Old partners: shareholders***

The era of structural adjustment lending lasted from 1980 to the late 1990s. During this period, the World Bank did not doubt the primary objective of its development efforts, namely “the achievement of rapid and sustained economic growth” (Pender 2001: 398). This objective was regarded as uncontroversial as it was not only shared by its sister institution, the IMF, but was also widely accepted as the first (and often single) development priority among many other donors.

Shareholders on both sides of the aid relationship dominated the delivery of multilateral development assistance. Since their countries became independent, state elites in recipient countries have “loudly and successfully demanded a monopoly over aid resources” (Van de Walle 2001: 196). They saw foreign aid primarily as a means to maintain their grip on political power, since it offered opportunities for patronage, repression, and demobilization of threatening interest groups, while the poor populations did not feel any welfare effect. This led to the effect that a negative image of “the state” was widespread among Washington’s policy-makers. They tried to minimize its role. State expenditures and interventions into the free play of market forces were reduced to the minimum, “since the state was seen as an ineffective resource allocator” (Pender 2001: 399; Meyer and Schulz 2008: 4). The corresponding advice for recipient governments of multilateral development assistance was to get “out of the way” so that private markets would produce economic growth and function efficiently (Stiglitz 1998a: 1). For example, IMF and World Bank policies encouraged many Sub-Saharan African governments to abandon protectionism and foster infant industries and primary commodity exports as the centerpiece of their national economic strategy (Pender 2001: 399).

#### ***3.1.2.2. Old principles: Washington Consensus***

In the beginning of the 1990s, John Williamson coined the term “Washington Consensus” as shorthand for describing “a desirable set of economic policy reforms” about whose proper deployment both the “political” Washington of the US Congress and the “technocratic” Washington of the international financial institutions can muster a “reasonable degree of consensus” (Williamson 1990: 7). In his words, the Washington Consensus represents the “lowest denominator of official Washington”, in terms of policy advice given to countries under economic stress (Williamson 2000: 251-252).

Table 3-1 subsumes these policy measures under five guiding principles of policy-based lending by the IMF and World Bank at that time. Accordingly, structural adjustment lending should promote macroeconomic stability (e.g., fiscal discipline, prioritization of public expenditure, and tax reforms); financial liberalization (e.g., interest rate liberalization, competitive exchange rate); trade liberalization (e.g., liberalization of trade and inflows of foreign direct investment); privatization (of state enterprises); and deregulation (of state controls) (Williamson 1990, 2000: 252-255).



Probably due to its simplicity, the Washington Consensus reached enormous popularity within development circles. However, this strength has also been its greatest weakness.<sup>50</sup> As its critics note, most of the reform programs set out in the original consensus consisted of relatively simple policy changes that did not require deep-seated institutional change (Rodrik 2006: 978). The simple mantra of “stabilize, privatize, and liberalize” could easily be managed by “economists using little more than simple accounting frameworks” (Stiglitz 1998a: 5; Rodrik 2006: 973). Similarly, the term “Washington Consensus” was reduced in later usage in recognition of the primacy of the market in this strategy – and in contradiction to the intents of its intellectual father<sup>51</sup> – to a synonym for a neo-liberal ideology based on the reliance upon market forces (Fine 2001: 3; Williamson 2000: 251).

### ***3.1.2.3. Old practices: sector support***

The introduction of structural adjustment lending marks the beginning of program lending by both economic multilaterals, meaning that this type of aid is not intended for specific projects but supports the implementation of a medium-term program (3-4 years) of policy or institutional reform. The World Bank officially began with conditional program lending in the 1980s, when it designed its first structural adjustment loans, while IMF lending was all program lending since its formation in 1944.<sup>52</sup> In retrospect, the circumstances have been unique in the late 1970s and early 1980s. On the one hand, the Bank’s traditional project lending approach came under pressure during the oil crises of 1973/74 and 1978/79 and then the debt crisis in 1982, which resulted in a downward spiral of economic and political decay in many developing countries (White and Dijkstra 2003: 6). On the other hand, the shift from project lending to program lending has also been attributed to internal challenges of this type of aid modality. Most importantly, there was an increasing awareness within the Bank that a project cannot be “an island of success in a sea of failure” (White and Dijkstra 2003: 9). In other words, the effectiveness of project loans in achieving rapid and sustained economic growth in developing countries that suffered from a combination of external shocks and bad policies was seriously questioned (White and Dijkstra 2003: 9). In response to these external and internal challenges for project financing, the World Bank began to design structural adjustment programs, which were thought of as a kind of shock therapy to get recipient countries on the right track by bringing the necessary reforms.<sup>53</sup> In line with

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<sup>50</sup> In retrospect, the World Bank refers to these five principles as the major “development controversies of the 1990s” (World Bank 2005a).

<sup>51</sup> Notwithstanding its resistance to this reduction of meaning in the later use of “his” term, Williamson conceded later on that the Washington Consensus in the original sense “did indeed focus principally on policy reforms that reduced the role of government, such as privatization and the liberalization of trade, finance, foreign direct investment, and entry and exit” (Williamson 2000: 255).

<sup>52</sup> Structural adjustment programs are only weakly supported by the Bank’s Articles of Agreement that limit its financial assistance to a specific project – “except in special circumstances” (Article V, Section 1 (b) of the IDA’s Articles of Agreement).

<sup>53</sup> Structural adjustment programs by the World Bank have been defined as “non-project lending to support programmes of policy and institutional change necessary to modify the structure of the economy so that it can maintain both its growth rate and the viability of its balance of payments in the medium term” (Greenaway and Morrissey 1993: 242).

the shift from project- to program-based lending, the conditions attached to structural adjustment programs switched from the local to the sectoral level. Conditionality in structural adjustment programs is *ex-ante* in the sense that the disbursement of these loans is made conditional to the prior agreement by recipient governments to implement the reform policies of the Washington Consensus (Collier 1999: 322; Pender 2001: 399). While the specific content varied with the particular sector which should become adjusted, the overall number of conditions increased considerably in the 1980s (Mosley, Harrigan, and Toye 1991: 44).

Conditional program lending under the Washington Consensus has been criticized heavily.<sup>54</sup> Among the many critics, I will follow Adam Przeworski (1991) who has criticized the old practices in three different ways. First, decision-making in structural adjustment lending follows a top-down approach that leaves out the people at the bottom. As Przeworski puts it, market-based reforms as advocated by the IMF and World Bank are “a strategy of control from above”, whereby “the success of the bitter-pill strategy depends on its initial brutality, on proceeding as quickly as possible with the most radical measures, on ignoring all the special interests and all immediate demands” (Przeworski 1991: 183).

Second, market-oriented reforms as advocated by the international financial institutions are imposed from the outside without any concern for particular country contexts. Przeworski puts it as follows; they consist of a “technical economic blueprint based on theories developed inside the walls of North American universities and often forced on governments by the international lending agencies” (Przeworski 1991: 183). The enforcement of market-oriented reforms thereby works through the conditions attached to structural adjustment loans (Przeworski 1991: 184).

Third, negotiations over structural adjustment loans and conditions attached to them occur between a select few representatives of a small set of ministries and donors behind closed doors. As argued by Przeworski, market-oriented reforms often “involve choices that are not easy to explain to the general public and decisions that do not always make sense to popular opinion” (Przeworski 1991: 183). Broader involvement of civil society organizations and in particular those who represent large parts of the population – trade unions, political parties, and other encompassing organizations – is thus not warranted (Przeworski 1991: 182-183).

In sum, policy-based lending in the era of structural adjustment relied on a close relationship between borrowing governments and the international financial institutions for implementing technical-economic blueprints. Furthermore, the market-oriented principles of structural adjustment were often forced on recipient countries by the Washington-based international financial institutions who mutually agreed as to the “medicine” their clients need. And finally, the past aid practices served to direct

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<sup>54</sup> There is an impressive body of research which has noted the general failure of the IMF and World Bank’s traditional type of conditionality to bring about market-oriented policy reforms (e.g., Mosley et al. 1991; Kahler 1992; Nelson and Eglinton 1992, 1993; Collier 1999; Killick 1997).

government accountability towards individual donors by eliminating any government discretion and broader political ownership of the reform agenda in recipient countries.

### **3.1.3. Poverty reduction lending**

#### ***3.1.3.1. New partners: stakeholders***

Under the presidency of James Wolfensohn (1995 until 2005), the World Bank made poverty reduction the ultimate goal of all its activities. The United Nation's (2000) Millennium Development Goals provided the universal mandate for this change in the mission of the World Bank. However, while firmly embedded in the international aid architecture, this goal was not beyond dispute within the Bank – probably because it made the delivery of development assistance more complex.<sup>55</sup>

In the era of structural adjustment lending, multilateral development assistance has been a rather exclusive affair between the international financial institutions and their clients, that is, the borrowing governments. The IMF and World Bank, respectively their shareholders, provided financial resources and borrowing governments implemented market-oriented reforms in return. The citizens in recipient countries were not involved in these aid-for-policy deals but were merely treated as beneficiaries or needy target groups for foreign intervention. This changed with the introduction of the PRS approach, where the active participation of a range of new partners, especially within organized civil society, is deemed crucial for its success. In contrast to structural adjustment lending, citizens actively participate in poverty reduction lending. The World Bank's *PRSP Sourcebook* (2002), admittedly the first reference for anyone interested in the PRS approach<sup>56</sup>, defines participation in poverty reduction lending as “the process by which stakeholders influence and share control over priority setting, policymaking, resource allocations, and/or program implementation” (World Bank 2002: 237). Since the new approach should be tailored to individual country context, no definition of these stakeholders is given. Nevertheless, the Sourcebook provides some examples of “key stakeholder groups” – a kind of process advice that has been taken on board with the same seriousness by highly indebted, aid-dependent countries as the former Washington-driven policy advice. Accordingly, key stakeholders are the general public (particularly the poor and vulnerable groups); the government (civil servants and elected representatives); civil society organizations (covering a broad spectrum of non-profit organizations);

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<sup>55</sup> As noted by insiders at the Bank, there was a “veritable crusade” underway to make poverty reduction the main goal of all its development efforts (Kanbur and Vines 2000: 100-102). While poverty reduction still forms part of the Bank's mission today, economic growth resurrected as a second goal under the heading of “shared prosperity” besides “ending extreme poverty” in the reformulation of the Bank's mission under the presidency of Jim Yong Kim in 2013 (see World Bank website).

<sup>56</sup> The PRSP Sourcebook is “a compilation of chapters and annexes commissioned by the World Bank and IMF” that describe in detail what is expected from recipient governments if they wish to participate in the PRS initiative. In essence, the Sourcebook is “the ‘how to’ book for the PRSP process. It invariably embodies the principles, beliefs, and values of the major IFIs driving the initiative” (Youash 2003: 3).

the private sector (represented through umbrella groups and professional organizations); and donors (World Bank 2002: 250).

### ***3.1.3.2. New principles: mutual accountability***

For a long time, the parameters of aid have been defined mainly by donors and not by recipients. In particular, structural adjustment lending has a long legacy of failed donor-driven policy blueprints. Looking back, the World Bank (1998) self-critically notes that in those countries without a strong domestic constituency for reform, structural adjustment lending has failed. While it is not true that all countries that have received large amounts of aid have had bad policies, it has become clear that “[f]oreign aid cannot take the lead in promoting reform if there is little local movement in that direction” (World Bank 1998: 47-48). In 1999, the introduction of the PRS approach formalized the growing acceptance that aid only works if it is aligned with countries’ own policies and systems. Accordingly, “good policies” are those that are both technically sound, in the sense of being oriented towards development outcomes, and politically owned, in the sense of being seen as legitimate, by citizens and their governments in recipient countries (Booth and Fritz 2008: 1; World Bank 2002: 275).

Table 3-1 summarizes the new principles guiding multilateral development assistance, which have been first outlined in Wolfensohn’s (1999) proposal for a Comprehensive Development Framework (and subsequently refined in later progress reports, see World Bank 1999, 2000a, 2000b, 2001a, 2001b). Accordingly, poverty reduction lending by the IMF and World Bank should be country-driven (promoting national ownership of strategies through broad-based participation of civil society); results-oriented (translating broad development goals into prioritized public policy actions); comprehensive (based on a multidimensional understanding of poverty); partnership-oriented (involving coordination of recipient government, domestic stakeholders, and external partners); and based on a long-term perspective (as opposed to a short-term focus on means and immediate policy impacts) (World Bank 2001a). As an early progress report underscores, the Comprehensive Development Framework should not be seen as a “blueprint”, but rather as some “compass” reflecting the growing convergence within the Bank on a new approach to development. At the same time, the report emphasizes that there exist strong linkages between the World Bank’s Comprehensive Development Framework and broader international efforts, coordinated by the OECD, to identify basic principles for enhancing aid effectiveness (World Bank 1999: 1). This broader aid agenda has summarized the new principles in a framework of mutual accountability.

### ***3.1.3.3. New practices: budget support***

Similar to structural adjustment lending, poverty reduction lending supports the implementation of policy or institutional reforms in the medium term (3-4 years). However, while poverty reduction lend-

ing bears a resemblance to structural adjustment lending in operational terms, the new practices under the PRS approach differ from past practices in that they address the three main critiques of structural adjustment lending as discussed above.

First, the introduction of broad-based stakeholder participation in national decision-making gave the predominantly top-down approach to conditional program lending in recipient countries a remarkable bottom-up spin.<sup>57</sup> Guided by the findings of own empirical research on the positive effects of participation at the project level (see Narayan 1994; Isham et al. 1995; Sara and Katz 1998, Isham and Kähkönen 2002a, 2002b), the IFIs (with the World Bank leading the efforts) required that recipient governments involve major domestic stakeholders in public policy formulation and monitoring in the hope that this would tackle the underlying politics of underdevelopment and exclusion in recipient countries, which had been neglected so far. In practice, this means that developing countries seeking debt relief and poverty reduction lending by the international financial institutions had to prepare a national development strategy and a corresponding reform agenda for promoting growth and reducing poverty (outlining among other things, macroeconomic policies, government spending targets as well as social development programs). They had to do that in a participatory manner, “so that ownership of government policies would also be enhanced” (White and Dijkstra 2003: 13).

Second, the reform agenda for reducing poverty in highly indebted, aid-dependent countries is not imposed from outside, but is derived from nationally defined priorities. In a remarkable retrospective on *Economic growth in the 1990s* (2005), the World Bank self-critically notes that in the era of structural adjustment lending donor-driven rules were meant to downturn the role of the state in development. However, as experience shows “government discretion cannot be bypassed”; it needs to be “managed and checked, not replaced by rules” (World Bank 2005a: 14). Conditional program lending has thus been modified under the new approach. In particular, *ex-ante* conditionality that has guided the disbursement of structural adjustment loans in support of particular policy (or institutional) reforms has been replaced by *ex-post* conditionality managing tranche releases of poverty reduction loans in support of the general budget. In practice, this means that several donors directly support the recipient government’s budget and take their conditions for tranche release from the government’s own policy agenda, that is, the national poverty reduction strategy paper or equivalent (White and Dijkstra 2003: 13).

Third, poverty reduction lending under the PRS approach is a collaborative endeavor among the IMF and the World Bank based on recipient countries' own policies, systems, and procedures. In a joint retrospective of *Bank-Fund collaboration* (2007), an external review committee finds that some of the best examples of collaboration occur when both institutions have essentially been mandated to pursue

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<sup>57</sup> From the early 1980s, non-governmental development organizations began to promote the participation and investment of local populations in their projects at the community level. Today, one might say that it has become standard practice in foreign aid that intended beneficiaries are consulted – at least during the project design – to take into account their views (Brett 2003: 5; Burkie 1993; Chambers 1983; Korten 1987).

joint products, whereas problems can occur when collaboration is left to the initiative and judgment of individuals alone (External Review Committee and Malan 2007: 25). In this regard, programmatic support of national budgets is viewed as an important aid coordination and harmonization device, while at the same time improving and reinforcing recipient countries' systems. In practice, this means that the IFIs in collaboration with other donors jointly support the implementation of a national development strategy – without prescribing particular macroeconomic policies, as was the case with the earlier generation of policy-based financial support. “Instead, they do what they can to assist the country's authorities to make the national budget the centerpiece of a results-oriented national policy system” (Booth and Fritz 2008: 7). Multi-donor budget support thereby appears both as an instrument for decreasing external accountability and increasing domestic accountability at the recipient country level.

In sum, the new focus on stakeholder participation and collaboration among all aid partners marks an apparent shift away from a close relationship between borrowing governments and the international financial institutions for implementing Washington-driven policy blueprints towards a broader partnership around country-owned development strategies. Moreover, the new principles do not target the content of development strategies (as the Washington Consensus did) but aim at guiding development practitioners on the process of formulating and monitoring national development strategies. And finally, the new aid practices do not direct government accountability towards donors, but instead try to improve and reinforce government accountability towards citizens based on donors' reliance on recipient countries' own policies, systems, and procedures.

### **3.2. Domestic accountability within national governance systems**

This section looks at the IFIs' policies in the domestic accountability field. In particular, the way how the World Bank monitored national governance systems under the PRS approach is assumed to offer valuable clues on the IFIs' policies for empowering domestic constituencies and elected bodies that can hold their governments accountable in recipient countries. The guiding question is whether there has been any policy change in the domestic accountability field with the introduction of the PRS approach. To answer this question, I will look at the different types of domestic accountability forums the World Bank has monitored and directly supported over time at the recipient country level.

### **3.2.1. Donors' direct support of domestic accountability**

Domestic accountability refers to the institutional arrangements between citizen and state in recipient countries, whereby the latter is meant to be accountable to the former. Domestic accountability may be defined narrowly in relation to foreign aid, that is, “the extent to which citizens can hold the state answerable for its relationship with, and agreements with, donors” (Domingo et al. 2009: 10) – or more broadly in relation to public policy, that is, “the ability of the citizens to hold the state answerable for its actions, and ultimately to impose sanctions for poor performance” (Hudson 2009: 1). Domestic accountability involves a wide range of stakeholders, including the executive, parliament, judiciary, civil society organizations, political parties, and the media, concerning the management of aid – and beyond (Domingo et al. 2009: 4).

However, domestic accountability tends to be weak in many recipient countries, and poor governance has been considered as one of the main obstacles for development (Domingo et al. 2009: 4). This consideration has given rise to an increasing donor focus on supporting good governance in recipient countries along with their efforts to improve the effectiveness of aid (Booth and Fritz 2008; Meyer 2009). Given that institutions deliver better services when they are held to account, improving domestic accountability is said to be a goal that can be supported by all countries that are committed to sustainable poverty reduction and democratic ownership of their development agendas (Hudson 2009: 4).

As implied by a frame of aid as an entitlement, direct support of domestic accountability often comes in the form of governance programs aimed at empowering domestic stakeholders for holding power wielders accountable. However, while donors agree in their recognition of domestic accountability as an essential dimension of good governance in recipient countries, general knowledge about foreign transparency and accountability initiatives and how they are linked to national governance systems is still incremental (McGee and Gaventa 2013: 8; O’Neil et al. 2007: xix). If donors would provide aid in ways that are based on a fuller understanding of, and respect for, the prevailing governance context in recipient countries, then “the scope and capacity of domestic accountability can be shaped by aid flows” (Hudson 2009: 21). This research willingly complies with this research request. It intends to increase the understanding of the way the IFIs, in particular, have supported domestic accountability in recipient countries. To find out whether there has been a change in the IFIs' policies to enhance the scope and capacity for domestic accountability, I screened the way the World Bank has monitored and supported national governance systems since the introduction of the PRS approach. In doing so, I first drew on existing research and other donor approaches to highlight the specificities of the World Bank’s policies in the domestic accountability field. In a second step, I compared the World Bank’s support to national governance systems in terms of different types of domestic accountability forums they have subsequently tried to strengthen over time.

To start with, the World Bank (with the IMF lagging) has been at the forefront in shaping the governance agenda but has been late with recognizing accountability as an essential element thereof. It was only with the publication of the third *Global Monitoring Report* (2006) on progress towards the Millennium Development Goals (MDGs) that the Bank outlined a more comprehensive national governance approach. The primary focus of this report is “[m]easuring and monitoring governance, in support of greater accountability and better MDG outcomes” (World Bank 2006: xvii). This report emphasizes that domestic accountability in relation to aid comprises only a small part of the governance agenda. Both donors and recipients of aid “are to be accountable more broadly for enhancing the checks and balances fundamental for development” (World Bank 2006: 121). To establish governance as an ongoing part of MDG monitoring, the Global Monitoring Report provides a broader governance framework that enables a better understanding and a way of going forward in strengthening domestic accountability at the recipient country level (World Bank 2006: 10).

Governance monitoring and support have become a “growth industry” (World Bank 2006: 126). To cut through the complexity of governance assistance, I will refer to three other governance approaches besides the one of the World Bank. These are (in alphabetical order): the DFID’s governance framework that sets out how the United Kingdom monitors and supports governance in recipient countries (DFID 2006, Moore and Teskey 2006); FRIDE’s oversight triangle that analyzes the interaction between foreign aid delivery and the domestic political economy (Meyer and Schulz 2007, 2008; Meyer 2009); and GOVNET’s whole system-approach that has been mainstreamed in the OECD-DAC guidelines on accountability and democratic governance (Hudson 2009; OECD 2014). To get a better understanding of the World Bank’s national governance approach, I will highlight the similarities and differences to these other approaches.

First, the World Bank’s framework for monitoring country governance shares with the British Department For International Development (DFID) a three-fold conception of governance. Following DFID, good governance requires three things: capability, i.e., the ability of the recipient state to perform specific functions, broadly understood as the formal and informal context in recipient countries; accountability, e.g., the ability of organized society to scrutinize public institutions and governments and hold them to account; and responsiveness, e.g., the extent to which public institutions and policies respond to citizens’ aspirations and needs. All three elements of the DFID’s Capability, Accountability, and Responsiveness (CAR) framework are needed for increasing the effectiveness of the state and improving the lives of the citizens who fall under its jurisdiction. To this end, close monitoring of all components represents a necessary aspect (DFID 2006: 20). The World Bank also lists three elements, which it interprets as the subsystems of national governance. They too, need to be explicitly monitored, in order to be improved. In particular, the Bank argues that national governance can be improved via building bureaucratic capabilities; improving service provision front-line; and strengthen-



ing national check and balance institutions. All of these three subsystems provide entry points for governance reforms (World Bank 2006: 13-15).

The Bank's governance framework thus shares with DFID's CAR framework a focus on demand-side accountability (i.e., checks and balances), supply-side responsiveness (i.e., service provision) and institutional context (i.e., bureaucratic capabilities). It differs, however, in its conceptualization of demand-side accountability. While the World Bank considers the "political governance" subsystem relatively difficult to monitor (and as such, no support is provided), demand-side accountability in the DFID framework "includes, ultimately, the opportunity to change leaders by democratic means" (DFID 2006: 20; World Bank 2006: 11-12, 125).

Second, while the World Bank avoids direct engagement with the electoral process, it shares with FRIDE's work on aid effectiveness and democratization a focus on governance institutions that oversee the executive branch of government. "Improving governance", as the Global Monitoring Report indicates, "means engaging with institutions outside the central government (parliament, local communities, civil society, and the media) and supporting them to complement ongoing work with central government institutions" (World Bank 2006: 6). In particular, the report argues that strong national check and balance institutions are essential, since "[t]hey help [to] keep the executive arm of government focused on the public purpose" (World Bank 2006: 159). Likewise, the work by FRIDE<sup>58</sup> argues that donors' direct support to supervisory actors in recipient countries may contribute to a deepening of democracy broadly understood as "the process which facilitates the increasing institutionalisation of substantial, inclusive and rights-based participation of citizens within the state's decision-making processes" (Meyer and Schulz 2007: 4). By contrast, donors' intimate working relationship with central government agencies "could hamper the democratic process and lead to negative "side-effects" for democratic ownership and domestic accountability" (Meyer and Schulz 2008: 42). FRIDE's research notes that much of current thinking on democracy uses a framework of "concentric circles" with vertical accountability and the electoral process in its core, followed by horizontal accountability and certain political rights on a second layer. A final layer of societal oversight consists of certain civil society qualities, including organized society along the lines of interest groups (Meyer and Schulz 2007: 8). Like FRIDE, the World Bank seems familiar with this framework of concentric circles. In particular, the Global Monitoring Report identifies a constellation of check and balance institutions consisting of an "inner constellation" of direct oversight, a "middle constellation" of impartial dispute resolution, and an "outer constellation" of civic voice (World Bank 2006: 159).

Both FRIDE and the World Bank thus think of domestic accountability in terms of different layers of supervisory actors and oversight institutions, which they disaggregate in terms of distance from the executive authority they oversee. Both approaches also perceive the outer "constellation" or "circle" of

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<sup>58</sup> FRIDE was an independent think tank based in Madrid, which ceased its activities in December 2015.

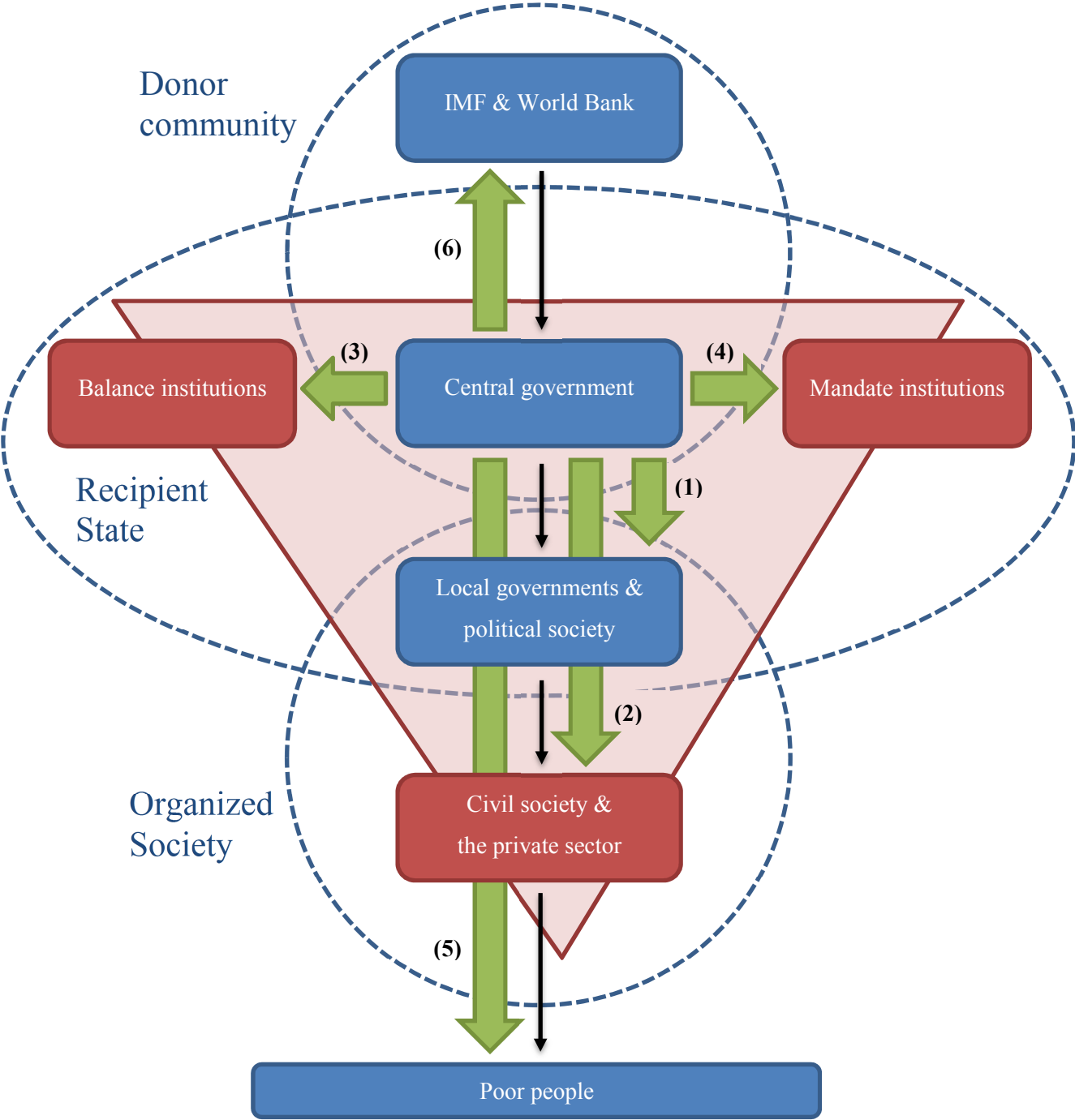
societal oversight as a vital complement to and not a replacement of more traditional executive constraint. They differ, however, in their rationale for strengthening organized society vis-à-vis the recipient state emphasizing either the enforcement (i.e., democratic oversight) or answerability dimension of accountability (i.e., state responsiveness) (Meyer and Schulz 2008: 8; World Bank 2006: 160).

Third, like the OECD, the World Bank recommends a system-wide approach for monitoring and improving governance in recipient countries. Research by the Governance Network (GOVNET) of the OECD's Development Assistance Committee (DAC) points out that domestic accountability relations between citizens and the state are embedded in specific country contexts with their particularities of formal and informal power. Thus, governance programs need to look at the emergence and operation of whole "accountability systems" in recipient countries, rather than on "key accountability institutions" (Hudson 2009: 6, 20-21). A system-wide approach requires the "active involvement of a wide range of actors and institutions" (i.e., state and non-state, formal and informal). It also requires providing support in a manner that is less focused on building the capacities of individual stakeholders but more on constructing "strong constituencies and coalitions for change" by building links between domestic actors and institutions (Hudson 2009: 11, 19; OECD 2014: 27). Similarly, the Global Monitoring Report notes that "there is no unique path to good governance" (World Bank 2006: xix). Development outcomes in any specific case depend on the operation of a country's governance system that "comprises the full array of state institutions and the arrangements that shape the relations between state and society" (World Bank 2006: 123-124). Each of these institutions "needs the capacity to perform his or her function effectively" (World Bank 2006: 124). However, as the Global Monitoring Report states, the public bureaucracy need not perform at the highest levels of efficiency for governance to be "good enough" (Grindle 2004). More important is that "the accountability arrangements built into the national governance system [are] mutually reinforcing, so that the system can self-correct. Failure in one part of the system (such as corruption in the use of public funds) generates pressures from other parts (parliament, courts, or citizen groups) to refocus on the public purpose" (World Bank 2006: 127). To generate greater accountability and build demand for good governance, a key message of the report is that national governance systems should be monitored regularly because this can help to develop realistic goals and sequencing of reforms against which progress can be traced (World Bank 2006: xix, 2).

Both, the OECD and the World Bank thus emphasize that governance programs need to take the political context in recipient countries into account. This means understanding the "political realities on the ground" in order to identify entry points for governance reforms (OECD 2014: 14, 49; World Bank 2006: 136, 151). It also means building on existing country systems and procedures in seeking "a good fit" between the reform agenda and the political context rather than applying standardized "best practice" (OECD 2014: 68; World Bank 2006: 151). More generally, both the OECD and World Bank thus recommend that aid should be provided in ways that encourage good governance, rather than "deplet-

ing” or “undermining” already weak country systems (OECD 2014: 15; World Bank 2006: 140). How such a system-wide approach may look like is depicted schematically in Figure 3-1. This figure shows a government’s accountability towards development actors at the recipient country level.

Figure 3-1: Development actors and accountability relationships in a national governance system



Note: domestic accountability demands come from (1) electoral, (2) social, (3) political, (4) and administrative accountability forums, supported by (5) democratic and/or (6) surrogate accountability holders.

As shown by Figure 3-1, a national governance system comprises three sets of development actors – the recipient state, organized society, and the donor community. These three sets of actors constitute a dynamic configuration of formal and informal power within which various domestic stakeholders interact. While all three sets of development actors are part of a national governance system, the dashed lines of the circles show that their boundaries are not fixed and clear-cut. At the intersection of the donor community and the recipient state, for example, we find the executive who sits on both sides of the negotiation table, acting both as debtor and creditor of the international financial institutions (Kahler 1992: 102). The recipient state and organized society, too, overlap concerning political society. Following Scholte (2011), there exists an important qualitative difference between civil society and political society, since they represent “very different (albeit potentially complementary) ways of exacting accountability from governance authorities” (Scholte 2011: 38). While operations of civil society actors are guided by “logics of deliberation and participatory democracy”, electoral-legislative strategies of political parties rather follow the “logics of plebiscites and representative democracy” (Scholte 2011: 38). Depending on political realities on the ground, local governments and the media may be subsumed either under political society or civil society.

Figure 3-1 also shows that domestic accountability in recipient countries is multidimensional. Following the theoretical outline in chapter 2, domestic accountability in national governance systems flows vertically between organized society and the recipient state, including (1) electoral accountability and (2) societal accountability; as well as horizontally between different state institutions, including (3) administrative accountability and (4) political accountability. These four domestic accountability forums may be supported by (5) democratic and/or (6) surrogate accountability holders. To visualize the accountability relationships that the IFIs directly supported under the PRS approach I borrowed FRIDE’s symbol of “a triangle of supervisory actors” – national assemblies, auditing institutions and civil society – to which they added media and local governments later on as lying somewhere between these three poles (Meyer and Schulz 2008: 3, 9). I find the image of an oversight triangle particularly useful because it highlights the three main mechanisms of executive restraints (administrative, social, and political) that the IFIs consider central to monitoring and supporting national governance systems under the PRS approach.<sup>59</sup>

The following section provides a brief review of the World Bank’s national governance system approach for strengthening domestic accountability. It summarizes the evidence on the Bank’s direct support to domestic accountability in its various dimensions (administrative, social, and political) considering the reasons given why the World Bank has provided support to a particular accountability forum and the manner how the World Bank has framed the support to a particular accountability fo-

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<sup>59</sup> However, in the governance framework of the World Bank, this triangle might be more adeptly being called “a triangle of implementing and supervisory actors”, since almost all of these key actors and institutions are fulfilling a double role as government watchdog *and* service provider to the poor under the PRS approach.

rum at the policy level. The three poles of the oversight triangle sketched above will structure my discussion accordingly.

### **3.2.2. The World Bank's direct support of domestic accountability**

#### ***3.2.2.1. Administrative accountability: mandate institutions***

The term “good governance” has first been introduced by the World Bank in its report on *Sub-Saharan Africa: From Crisis to Sustainable Growth* (1989). At that time, the World Bank was confronted with a dilemma. On the one hand, the Bank could not remain passive given the heavy critiques of the social costs and poor results of structural adjustment programs without losing its credibility as a leading development agency. On the other hand, the Bank's mandate prohibited taking political considerations into account. The discovery of the governance issue then presented itself as a way out of this “political” dilemma. The concept allowed the World Bank to address the broader political context in borrowing countries without violating its apolitical mandate (Fuster 1998: 51).

Good governance has been defined in the foreword of this pioneering Bank report as “a public service that is efficient, a judicial system that is reliable, and an administration that is accountable to its public” (World Bank 1989: xii). In line with this early definition, World Bank support to national governance systems has traditionally aimed at strengthening administrative accountability. In particular, public administration and financial management agencies have been targeted by the Bank, including both cross-cutting control agencies as well as staff and line agencies within the public bureaucracy (World Bank 2006: 126, 139). Examples of the former include mandated agencies being responsible for the budget process, procurement, monitoring and evaluation, and civil service management; whereas the latter set of service providers within the public bureaucracy includes sectoral line ministries, autonomous frontline providers, and regulatory agencies (World Bank 2006: 126). The justice system plays a dual role. Whereas its mandate within the public bureaucracy consists of “overseeing service provision and regulatory agencies” (World Bank 2006: 126, 127), it may also provide “dispute resolution services to society” as a balance institution (World Bank 2006: 126, 127).

Before 2000, as the Bank notes, the profile of administrative accountability support remained low, since “its focus on building country systems was at odds with the dominant approaches to providing aid and technical support through self-standing projects, hermetically sealed off from often dysfunctional public sectors” (World Bank 2006: 139). Only with the introduction of the PRS approach in 1999, the public bureaucracy came to be regarded as a critical vehicle for the provision of program-based aid based on multi-donor budget support (World Bank 2006: 139). However, as the first rounds of implementing these new aid modalities showed, a focus on formal governance reforms did not offer an easy solution to poor governance in many developing countries (World Bank 2006: 140). Due to “clientelism, extended civil conflict, and the evasion of formal rules and external scrutiny” (World

Bank 2006: 145) recipient countries' performance on public financial management has been quite uneven. The World Bank's more political approach of supporting administrative accountability in recipient countries since the mid-2000s thus focuses more on improving access to justice and on the links between formal and informal institutions in the governance of a country (World Bank 2006: 167).

#### **3.2.2.2. Social accountability: organized society**

Traditional support to national governance systems as implemented by the World Bank since the mid-1990s has tended to focus on formal and horizontal mechanisms of accountability within the recipient state. However, critics point out that in developing countries with low education rates and high societal inequality formal avenues for demanding accountability from public officials usually stay beyond the reach of "those adversely affected by poor service provision" (Hickey and Mohan 2008: 237). As argued by the literature on participatory governance (see Cornwall et al. 2000; Cornwall and Coelho 2007; Fung and Wright 2003; Gaventa 2004), the introduction of novel aid modalities, like the PRS process that promoted informal and vertical mechanisms of accountability between the recipient state and organized society must be seen in reaction to this critique (Hickey and Mohan 2008: 238).

While the World Bank has promoted a participatory development approach from the mid-1990s, it was only under the Wolfensohn presidency when direct support to social accountability mechanisms became standardized for poverty reduction lending. Yet, most early World Bank documents sketched a somewhat technical understanding of the recipient state's engagement with "civil society and the private sector". For example, the World Bank's *PRSP Sourcebook* (2002) holds that civic participation at the macroeconomic level should provide policymakers with useful inputs into their decision-making and policy implementation, suggesting a broad range of participatory mechanisms helping to move the process "from inputs to outputs to outcomes to impact" (World Bank 2002: 239-238).

This rather technocratic approach to civic participation has been modified in the Bank's *Global Monitoring Report* in 2006, where "civil society and the private sector" were substituted with the more political and at the same time, less contested notion of "citizens and firms" (World Bank 2006: 11). Despite that electoral accountability as the fundamental mechanism of citizen control is still worked around (e.g., by noting that on a daily basis, the role of citizens and firms – as users and providers of public services, including regulatory services – rests more on a participatory than delegation logic), there are signs for a more political approach towards social accountability with regard to the second generation of PRSPs (World Bank 2006: 127, 159). For example, a first sign is that not the consultation of civil society organizations, but the creation of an enabling "environment" for voice and accountability lies at the center of the World Bank's attention (World Bank 2002: 245; World Bank 2006: 159). A further sign for a more political approach is that the World Bank emphasizes that civic

participation should be underpinned by access to high-quality information provided by national media. “Independent media”, as the Bank report notes, are “a critical link in the accountability chain between the government and the governed” (World Bank 2006: 161). Mass media thereby can function both as a mechanism for voice (e.g., articulating citizen preferences) and accountability (e.g., detecting state corruption) (World Bank 2006: 161). The role of the media in the World Bank’s national governance approach thus seems to have shifted from a vehicle of recipient governments for disseminating information to civil society (as with the first-generation PRSPs) to an independent actor of political society monitoring those in authority and holding them accountable for their actions (in the second-generation PRSPs) (World Bank 2002: 243; World Bank 2006: 163).

### ***3.2.2.3. Political accountability: balance institutions***

Notwithstanding the institutionalization of civic participation in the formulation and monitoring of national development strategies, the critique of the way aid was delivered by the World Bank and other donors did not stop with the rise of the participation agenda. In particular, it was criticized that the principle of country ownership was equivalent to a rather technocratic application of participatory “tools and methodologies” in the PRS process, undermining independent oversight and the separation of powers within states (Hatcher 2009: 139; He and Warren 2011: 275; Jayasuriya and Rodan 2007: 784). Likewise, organizational learning within the Bank has increasingly contributed to the insight that political accountability has been the missing link in the original) PRS approach. For example, a World Bank study on the practical challenges for implementing the new approach, calls attention to the “accountability gaps” between the PRS and the budget process. While both processes offer scope for enhanced domestic accountability, donors have tended to focus on narrow technical solutions to the challenge of linking PRSs and budgets (World Bank and GTZ 2007: xiii). To forge ownership beyond a narrow group of technocrats, different actors from the recipient state and organized society need to be brought together to strengthen the budget as a process to implement political decisions (World Bank and GTZ 2007: 18). Particularly in financially poor-performing, low-income African countries, where policies are deteriorating, and poverty is getting worse, as noted by another World Bank publication, accountability has been the “big gap” (Collier 2005: 116). Not accountability to the IFIs or the broader donor community, but accountability to domestic populations. Revisiting conditionality in these countries, it is argued that it can become more legitimate if donors insist on accountability to citizens (Collier 2005: 116). With bilateral and multilateral donors increasingly shifting part of their development aid to general budget support, transparency and accountability around national budgets are absolutely fundamental (Collier 2005: 116). The domestic institution that is crucial in this respect is the parliament and its role in the PRS process epitomizes this shift in accountability.

Theoretically, parliaments are thought to be fundamental for ensuring the effectiveness and legitimacy of national governance systems, since they provide the crucial link between vertical accountability

(where parliamentarians are being held accountable by voters) and horizontal accountability (where the parliament holds the executive accountable). As the central arena of political accountability, they are said to contribute to good governance in three ways (Hudson 2009: 13): through representation (i.e., collecting, aggregating, and expressing citizens' interests); through legislation (i.e., passing laws and setting the legal framework); and through oversight (i.e., controlling the executive branch of government, including budgetary oversight). Democratic theory thus envisions important functions of the legislative branch of government for democracy and political accountability.<sup>60</sup>

However, a closer look at the World Bank's early guidance on the role of parliaments in the PRS process reveals that the political content of these legislative functions has been rather limited. Following Michael Youash (2003), the PRSP Sourcebook reveals a conception of parliament as "*just another stakeholder*" among many intra-governmental participants (Youash 2003: 6). At the same time, the involvement of members of parliament in societal consultations beyond government means that the "parliament is entirely left aside as an institution" through which citizen demands can be channeled into the formal system. Instead, the PRS process in the books relies "heavily on bodies that have fewer claims to representativeness in society than parliament" (Youash 2003: 7). Moreover, Youash (2003) criticizes that poverty reduction strategies are a *fait accompli* when they reach the parliament and as a result, its legislative function is, in effect, "relegated to 'inputs-oriented' oversight, unable to effectively articulate opinions as they relate to policy, priorities, and the translation of these into budgets" (Youash 2003: 5, 7). And finally, with regard to the parliament's budgetary oversight, he criticizes that the executive can evade accountability for the political priorities it has set in the budget, because, according to the Sourcebook, it is solely expected to comply "with internationally established *norms* in prudent public financial management" (Youash 2003: 4). Not surprisingly, previous research thus showed there was limited participation by parliaments in the first generation of PRSPs. Parliamentary involvement has occurred mostly informally through the participation of individual members of parliament and not as part of the regular political process in recipient countries. As a result, general knowledge by legislators and legislative staff about the PRS process and content remained rather weak. In Tanzania, for example, most legislators had never heard of the PRS approach four years after its introduction by the Bank (Eberlei and Henn 2003: 27; Gould and Ojanen 2003: 94; Hubli and Mandaville 2004: 1).

From around the mid-2000s, the World Bank increasingly took national legislatures and their role in demanding political accountability into account. For example, the *Global Monitoring Report* emphasizes that "[s]trong checks and balance institutions are key to a well-functioning national governance system" (World Bank 2006: 159). While other development actors can substitute them at least for

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<sup>60</sup> A possible fourth way, depending on the system of government, is through selection and deselection of government (i.e., electing and removing the executive). However, most countries participating in the new development approach have presidential systems that do not foresee this possibility (Eberlei and Henn 2003: 18). For a comparative analysis of these legislative functions in four African countries, see Barkan et al. (2004).



some time, they can never replace them all the time. In the long run, as the *Global Monitoring Report* states, there is no way around “the national legislature, to which the executive generally is directly accountable” (World Bank 2006: 167). The role of parliament is seen in keeping “the executive arm of government focused on the public purpose” (World Bank 2006: 159). Accordingly, parliaments are seen as vital for fighting corruption; for increasing transparency on the use of public resources; and for raising the legitimacy of state institutions (World Bank 2006: 159). This new focus on parliaments sharply contrasts with their previous absence. As previous research notes, the earlier neglect of political check and balance institutions has been nurtured by serious doubts among many donors about the legitimacy and effectiveness of these institutions in recipient countries (Eberlei and Henn 2003: 11). As Pascale Hatcher notes, “[u]ntil recently, the Bank has been keen to justify such absence by emphasizing MPs’ long-lasting record of predatory behavior as well as their lack of capacity.... [However], the poor scorecard of many parliaments does not justify their exclusion from PRSs precisely because their weaknesses are probably no worse than that of other stakeholders that have indeed been mainstreamed in the PRS process” (Hatcher 2009: 123). The World Bank’s new emphasis on national check and balance institutions seems to confirm that this insight has finally reached the heart of the self-proclaimed “knowledge Bank” (Barkan, Adamolekun and Zhou 2004: vi).

#### ***3.2.2.4. Trend towards supporting entire domestic accountability systems***

To summarize, this section has identified three strategies for directly supporting domestic accountability by the World Bank. These strategies consecutively build on each other over time. Drawing on Wil Hout and Richard Robinson (2009) who have analyzed the evolution of the idea of governance in the development discourse, I argue that it is possible to identify three generations of domestic accountability support.<sup>61</sup>

The first generation has focused on the technical aspects of designing and sequencing governance reforms as a means to strengthen administrative accountability in recipient countries. The discovery of the governance issue in the early 1990s must be seen as a response to the failure of one-sided economic policy advice in the era of structural adjustment lending in bringing about sustainable development results, particularly in the African context (World Bank 1989, 1992). However, early World Bank reports on governance expressed a narrow view of governance through their emphasis of technocratic measures to improve government effectiveness and to provide a legal framework for market-based development (Hout and Robinson 2009: 2).

With the second generation, participation was scaled up from the project to the national level in order to enable more social accountability of recipient governments. The rise of the participation agenda in

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<sup>61</sup> Similar arguments have been made in the literature concerning the IFIs' conditional program lending (White and Dijkstra 2003).

the late 1990s added an explicit bottom-up twist to the former supply-side governance reforms by strengthening demand-driven public accountability. At the end of the millennium, pressure from both within and outside the Bank has triggered its new participatory approach that has inspired, and vice versa has been inspired by similar ideas and initiatives within the broader international aid architecture. As Hout and Robinson note, “[th]e World Bank’s CDF, worked out in the first few years of James Wolfensohn’s presidency, the Poverty Reduction Strategy approach and the call for a post-Washington Consensus (Stiglitz 1998a) were all markers of the second phase” (Hout and Robinson 2009: 2).

The third generation lasting for around a decade now focuses on creating strong check and balance institutions to “constrain the arbitrary and discretionary use of state power” (World Bank 2006: 164) and strengthen political accountability within the recipient state. The promotion of a system-wide approach must be seen as an attempt to locate participatory approaches within a wider approach to strengthening a country's political system and social empowerment (Brett 2003: 19). While the participatory approach to development in the second generation has been acknowledged to represent a clear improvement over the former governance approach, this third generation is driven by an increasing awareness on part of the World Bank and wider development circles of “the importance of power, politics and social conflict in shaping development outcomes and the difficulties of addressing these” through existing (participatory) governance programs (Hout and Robinson 2009: 2). Driven by an interest of “simply understanding the way political systems work in developing countries”, donor interventions in national governance systems have “become progressively more intense and focused” (World Bank 2005a: 302; Booth and Fritz 2008: 26).

Importantly, and in contrast to Hout and Robinson (2009), these three generations should not be regarded as successive phases substituting each other, but rather, as being jointly constitutive of a general trend towards more political forms of external intervention. Being complementary in their focus on various mechanisms of restraints, these three generations jointly and progressively have broadened the perspective on domestic accountability in recipient countries. Together, these three generations have shifted the World Bank’s understanding of domestic accountability from a narrow and technical focus on building bureaucratic capabilities (administrative accountability) and improving service provision front-line (social accountability) to a broader and more political understanding of domestic accountability through their focus on strengthening check and balance institutions in national governance systems (political accountability).

A similar trend toward a broader and more political understanding of accountability can be observed for donor policies in the mutual accountability field, which is the topic of the next section.

### **3.3. Mutual accountability within the global aid architecture**

This section looks at the way the IFIs' monitoring and direct support of national governance systems are embedded in the broader global aid architecture. In particular, the way how mutual accountability has been mainstreamed in the international aid effectiveness agenda is expected to offer interesting insights on donor's indirect strategy for supporting domestic accountability through insisting on mutual accountability in the delivery and management of aid. This section asks whether there has been any policy change in the global aid architecture with the introduction of the mutual accountability principle. To answer this question, it analyzes the conduct for which donors and recipients hold each other accountable within the global aid architecture, including the different types of mutual accountability standards that have developed over time at the international level.

#### **3.3.1. The new compact on mutual accountability**

In the development field, mutual accountability generally refers to the basic principle that aid intermediaries are responsible for executing their powers according to certain performance standards. At the policy level, aid intermediaries are called "development partners" who take responsibility for the delivery and management of aid. The responsibility of these development partners then may be understood narrowly in relation to one another, that is, the felt responsibility to comply with "the commitments they have voluntarily made to one another" (Droop et al. 2008: 4) – or more broadly in relation to wider publics, that is, the joint responsibility they have to the intended beneficiaries of their partnership as well as to their respective citizens at the domestic country level "for development and aid effectiveness results" (Steer et al. 2009: 8).

As implied by a frame of aid as a partnership, the notion of a "compact" has been widespread in the literature for describing the principle of mutual accountability. It thereby links sovereign responsibility for good governance in recipient countries with better aid quality and sharply increased aid volumes by donor countries, or, to put it simply, it trades "good governance against good aid" (Meyer 2009: 1; Rocha Menocal and Mulley 2006: 5). In analytical terms, mutual accountability has been defined as "a compact that aims to create a more balanced partnership between donors and recipient governments, by binding members together through shared values and reciprocal commitments in a voluntary process" (Steer et al. 2009: 6). This "new compact on mutual accountability" (Rogerson 2005: 532) is said to have spelled out more clearly the terms of engagement in the field of development cooperation, that is, the shared agenda, including the principles of cooperation, as well as the mutual obligations and reciprocal commitments between donors and recipients of foreign aid (Santiso 2001a: 171).

Through linking governance in recipient countries with more and better aid from donor countries the new compact on mutual accountability “has attracted global attention and stirred expectations of important improvements in ‘North-South’ relations” (OECD 2011b: xviii). At the same time, and despite significant international attention, progress towards mutual accountability has been slow. The official evaluation of the Paris Declaration finds that among the basic principles for enhancing aid effectiveness mutual accountability has advanced least, when tracked against “the number of partner countries that undertake mutual assessments of progress in implementing agreed commitments on aid effectiveness, including those in this Declaration” (Paris Declaration, Indicator 12). This may partly be because there is a general lack of knowledge and understanding of mutual accountability (OECD 2008b: 26; OECD 2011b: 55). But the main reason, as the mid-term and final evaluation reports suggest, is that mutual accountability is not solely about measuring progress on one single performance indicator, but also includes domestic accountability mechanisms both in aid-receiving and in aid-donating countries, largely explaining the political sensitivity surrounding it (OECD 2008b: 24; OECD 2011b: 37). Domestic transparency and accountability mechanisms in both donor and recipient countries are seen as “prerequisite conditions” for mutual accountability, and some of these are widely found to be missing or inadequate (OECD 2008b: 24-25; OECD 2011b: 37).

In light of these findings, this research takes a different approach. I depart from the position that mutual accountability must not be understood as a general principle which can be measured against some technical indicators of progress. Instead, I conceptualize mutual accountability as a field or a configuration of power that has been built over the last two decades, and which interacts with the field of domestic accountability at the recipient (and donor) country level. The new compact on mutual accountability is enshrined in several international agreements and global initiatives that span this new field. I consider the following eight agreements to have built and extended the new aid compact (in chronological order):

- the Millennium Declaration (United Nations 2000)
- the Comprehensive Development Framework (World Bank 2001a)
- the Monterrey Consensus on Financing for Development (United Nations 2002)
- the Rome Declaration on Harmonisation (OECD 2003)
- the Paris Declaration on Aid Effectiveness (OECD 2005a)
- the Accra Agenda for Action (OECD 2008a)
- the Doha Declaration on Financing for Development (United Nations 2008)
- the Busan Partnership for Effective Development Co-operation (OECD 2011a)

These international agreements – individually being framed as a declaration, framework or agenda – collectively form the backbone of what has been circumscribed as the “the new aid architecture” (Meyer and Schulz 2007: 2). Being unified in their spirit, these agreements outline the new rules of the game, by which development cooperation is “gradually becoming a rule-governed activity, with stand-

ards of behaviour set out in generalised form at the international level and translated into specific commitments at country level” (Cox et al. 2006: iii). However, while performance standards in terms of enhancing aid effectiveness and poverty reduction are recited like a mantra, the more implicit political objectives are usually not spelled out. The following analysis of the wider context of the PRS approach will thus enter the largely uncharted political territory of the international aid effectiveness agenda.

To find out whether there has been a political shift in global aid policies, I screen the meaning of mutual accountability in these international agreements. In line with my typology of surrogate accountability forums, I consider three different types of conduct – policies, finances, and process – for which development partners may be held accountable. The analysis of these three variants of mutual accountability then proceeds in two steps. In a first step, I describe the conduct about which development partners have to render an account as codified in the various declarations, agendas or frameworks. In a second step, I analyze whether the normative standards used for evaluating the behavior of development partners have changed over time by focusing explicitly on the political dimensions of the international community’s aid effectiveness agenda.

As noticed by many scholars, the principle of mutual accountability encompasses both accountabilities between donors and recipient countries and between recipient country governments and their citizens, and as such, goes directly to the “heart of the wider contract between states and citizens” (Hickey and Mohan 2008: 253; Horner and Power 2009: 4; Mfunwa 2006: 6; Meyer and Schulz 2007: 3; Steer et al. 2009: 17; Vielajus et al. 2009: 5). However, there is only little scholarly work that has analyzed the contemporary aid architecture from an explicit democratic perspective. Stefan Meyer and Nils-Sjard Schulz (2008), for instance, argue that the “Paris Declaration enshrines the potential for a more political perspective on the changing aid relationships” (Meyer and Schulz 2008: 31). In particular, the Paris principles of mutual accountability and ownership go beyond the mere aid relationship and are meant to trigger a process of deepening democracy (Meyer and Schulz 2007: 3, 4). In practice, however, there is a gap between the grandiose universal principles that enshrine this political spirit and the technical coordination structure contained in the Paris Declaration to measure progress in implementing agreed commitments on aid effectiveness. If democratic practices are to deepen, it is paramount to tie the “spirit” of the aid effectiveness agenda to internationally agreed standards of democracy and human rights (Meyer and Schulz 2008: 31). Likewise, Lisa Horner and Greg Power (2009) argue that there has been a “general reluctance to connect the aid effectiveness agenda explicitly to underlying values” (Horner and Power 2009: 13). Given the predominant goal of eradicating poverty, the focus of the aid effectiveness agenda and the associated literature tends to be on “effective developmental states” that are capable of reducing poverty, “rather than on building democratic states per se” (Horner and Power 2009: 7). Perhaps as a result of this neglect in scholarly debate and aid practices, unrealized synergies between the political and economic dimensions of development exist. Better recognition and

more open discussion of the norms and values underpinning development cooperation, particularly concerning democracy, are thus required for the aid effectiveness agenda to realize its political potential (Horner and Power 2009: i, 2, 28).

This research concurs with the claim that the new compact on mutual accountability enshrines the potential for a more political understanding of development cooperation. However, it differs from earlier efforts to describe this compact in that a much longer period is analyzed in search of the normative standards underpinning mutual accountability. It also differs from previous research in that it considers several variants of mutual accountability between donors and recipients of foreign aid.

Table 3-2 presents the three variants of the new compact on mutual accountability. It sets out the broad parameters of these three variants in terms of the shared principles of the international aid effectiveness agenda as well as the mutual obligations and reciprocal commitments between donors and recipients.

*Table 3-2: The mutual accountability principle within the global aid architecture*

<i>Principle</i>	<i>Result orientation (program accountability)</i>	<i>Strategic partnership (fiscal accountability)</i>	<i>Country ownership (process accountability)</i>
Recipient obligation	Leadership & monitoring (focus on development outcomes)	Transparency & accountability (manage development resources)	Coordination & consultation (broaden development process)
Recipients commit to...	...formulate a national development strategy; ...translate strategy into a policy reform agenda and to monitor progress	...increase transparency in public financial management; ...strengthen domestic accountability system	...coordinate support by external partners; ...consult domestic stakeholders in the process
Donor obligation	Alignment (support national development plans)	Harmonization (share information and encourage collaboration)	Facilitation (support capacity-building in-country)
Donors commit to...	...respect national development priorities; ...rely on national monitoring systems	...improve information-sharing on aid; ...establish common arrangements and to simplify aid procedures	...strengthen capacities of recipient government; ...enhance capacities of all other domestic stakeholders
International agreements	MDG (2000) CDF (2001)	Monterrey (2002) Rome (2003) Paris (2005)	Accra (2008) Doha (2008) Busan (2011)

First, recipients and donors have agreed on basic principles for making aid more effective. These have also been called the “axiomatic norms of the way aid should be delivered and relationships between donors and recipients reshaped” (Meyer and Schulz 2008: 1). And they recur within the aid architecture, albeit under different names, time and again. Since my focus lies on embedding the PRS approach within the broader global aid architecture, I take the principles of the World Bank’s Comprehensive Development Framework – country ownership, strategic partnership and result orientation –

as a default<sup>62</sup>, and compare these with those of other declarations and agendas by the United Nations (UN) and the Organization of Economic Co-operation and Development (OECD). In this context, it is important to note that mutual accountability should not be considered as a stand-alone principle, but must be seen in relation to the other principles. There is growing recognition within scholarly debate and development practice that mutual accountability is cross-cutting to all other aid effectiveness principles, since it refers to the overall package of shared principles, mutual obligations and reciprocal commitments in the global governance of aid (Horner and Power 2009: 4; Meyer and Schulz 2008: 4; OECD 2008b: xii).

Second, recipients and donors have mutual obligations as embodied in reciprocal commitments they have voluntarily agreed to one another. To put it simply, recipients are accountable for three things: good policies, good finances, and good processes. For each type of conduct, there is complementary conduct expected of donors. If we combine their mutual obligations, the three variants of mutual accountability then could be summarized as donor alignment for good policies; donor harmonization for good finances and donor facilitation for good processes. These three variants of the new aid compact are omnipresent in the current aid architecture but have often been hidden due to the fluidity of the development discourse that subsumed them under different aid principles with every new agreement. A focus on the type of conduct for which donors and recipients hold each other accountable allows identifying them more clearly.

Third, there has been a shift in the international community's focus on mutual accountability from development outcomes to development resources and to the development process. In particular, the foundation stones of the international aid effectiveness agenda (i.e., the MDGs and the CDF) have emphasized the need to achieve sustainable development outcomes, whereas the mobilization and management of development resources stood central at the landmark events in Monterrey, Paris, and Rome. The more recent meetings in Accra, Busan, and Doha, in turn, have broadened the perspective on development processes at the national and global level. Thus, there has been a definite shift in the meaning of mutual accountability across various international agreements and global initiatives. However, as we will see below, this change in focus did not lead to a replacement of earlier variants of mutual accountability, but to an expansion of the original aid compact with three different variants of mutual accountability existing on equal footing.

Before I outline these three variants in more detail, an explanatory note on some key terms used for labeling the new partners, principles, and practices is helpful, if one is not to get lost in donor talk.

A first term is "stakeholders" used for denoting the new aid partners. Stakeholders in the current aid architecture are of two kinds. There are domestic stakeholders and external stakeholders. Domestic

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<sup>62</sup> Two other principles of the CDF (i.e., comprehensiveness and long-term perspective) have not been mentioned here, because they do not address the effectiveness of aid delivery but the content of development strategies.

stakeholders are situated at the recipient country level and may be understood as the poor groups being directly affected or – more broadly – the citizens and their representative national institutions being indirectly affected by the joint development efforts of donors and recipient governments. External stakeholders nowadays dubbed “external partners” or “development partners” are those who provide financial and technical support to recipient governments, particularly bilateral and multilateral aid agencies or the donor community in more general terms.

A second term that needs some additional explanation is “ownership”, or more precisely, “country ownership” used for denoting the principle that most observers thought of as coming first among all aid effectiveness principles enshrined in the global aid architecture. Ownership has also been called “the guiding philosophy” (Droop et al. 2008: 10) of the aid effectiveness agenda based on the growing recognition within the international community that development cannot be done *to* a country, but the country must do it by itself (World Bank 2001a: 7). However, while most development partners agree on this basic insight, the meaning of the ownership principle differs fundamentally over time and across the various international agreements. Two different connotations of ownership can be identified as underpinning mutual accountability. Ownership may either imply a more “country-led” approach whereby recipient governments and not donors take the lead in setting development priorities, or a more “participatory” approach marked by broad-based participation of organized society (and not just recipient governments) in setting these priorities (Radelet 2006: 14). In the first case, ownership refers to the mutual accountability domain where recipient governments are taking a stronger role as compared to their external partners, while in the second case ownership refers to the domestic accountability domain where domestic stakeholders are playing a far more active role than before (Radelet 2006: 14). To keep these two domains rhetorically separate, I will speak of “government leadership” when I refer to the mutual accountability domain and “country ownership” when I refer to the domestic accountability domain – notwithstanding the actual terminology used in the respective international agreement.<sup>63</sup>

Finally, new aid practices labeled as “alignment” or “harmonization” require some additional explanation as their meaning is not evident to outsiders of the development field. Alignment and harmonization are considered to enhance recipient country ownership. Alignment asks donors to align their development assistance with national priorities and results-oriented strategies set out by recipient countries and to progressively depend on national systems and procedures, rather than establishing parallel systems of their own (OECD 2005b: 13). By contrast, harmonization asks donors to harmonize their policies and procedures and to develop organizational incentives to foster management and staff recognition of the benefits of harmonization (OECD 2005b: 13). I thus speak of alignment when I refer to the country-led coordination of aid practices, while speaking of harmonization when I refer to the collaboration among donors themselves. While alignment and harmonization are treated separately

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<sup>63</sup> Similar efforts to keep these two different understandings of the ownership principle separate has been made by introducing the term “government ownership” for the former, or “democratic ownership” for the latter type.



here, the two are intrinsically related. Jointly, these new aid practices are designed to address what analysts have dubbed the “vicious cycle” of weak governance and aid ineffectiveness nurtured by quite powerful incentives for non-cooperation on both sides (Booth and Fritz 2008: 6; de Renzio 2006: 635; Horner and Power 2009: 4; Steer et al. 2009: 16). Harmonization and alignment of donor practices should thus not be seen as ends in themselves but as means for helping to improve the coordination of aid, thereby also increasing the scope for domestic accountability.

### **3.3.2. Three variants of the mutual accountability compact**

#### ***3.3.2.1. Program accountability***

The first variant of mutual accountability focuses on the outcomes of development efforts by donors and recipients of foreign aid. At the recipient country level, the outcomes are the results achieved by national development programs. Therefore, this particular variant of mutual accountability is being called program accountability. The principle of “result orientation” guides program accountability. This principle, also being called the “managing for results” principle is born out of the joint recognition of development partners that – in the end – they are accountable for and judged by citizens and taxpayers of all countries whether their collective development efforts had any real and sustainable impacts on the lives of people (Accra, para. 10).

The Millennium Declaration (United Nations 2000) defines the general goals in the development field. Commonly known as the Millennium Development Goals (MDGs), they read as follows: “We will spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty, to which more than a billion of them are currently subjected. We are committed to making the right to development a reality for everyone and to freeing the entire human race from want” (MDGs, para. 11). Over the last two decades, the Millennium Declaration has figured as the reference for all international agreements and global initiatives aimed at enhancing the effectiveness of aid. All of them also mention the results principle, since it provides the crucial link between this global vision and the actual progress being made towards that vision’s goals (CDF, para. 45). Within this “universal mandate for development” (Busan, para. 3), the reduction of poverty had priority right from the beginning as shown by its identification as the central objective of the Comprehensive Development Framework (CDF, para. 45). A reason might be that results-oriented management is facilitated by clarity about its goals. In this light, a focus on poverty alleviation as the primary objective of all development efforts gives strength to the new aid agenda. Seen from this perspective, the name chosen for the key instrument to put the World Bank’s new development approach into practice undoubtedly enhanced its results focus: Poverty Reduction Strategy Papers (PRSPs) are documents that depict national development strategies aimed at reducing poverty. Correspondingly, those that

formulate and implement these strategies will be held accountable for the extent that their efforts had (or had not) any positive and lasting impact on the lives of poor people (Accra, para. 22).

The Bank's Comprehensive Development Framework (CDF)<sup>64</sup> spearheaded the whole discussion on results-oriented management of development. First and foremost, as the former World Bank President James Wolfensohn pictured it, recipient governments "must be in the driver's seat on the road to effective development" (Wolfensohn 1999: 9). They should own and direct the policy agenda, while at the same time being supported by their development partners sitting in the back row of the car (World Bank 1999, para. 9). Following Wolfensohn, the obligation recipient governments have towards their development partners is to "determine goals and the phasing, timing and sequencing of programs" (Wolfensohn 1999: 9). This obligation rests on two commitments, on which the Comprehensive Development Framework has been most explicit. First, recipient governments commit to taking the lead in the formulation of a long-term, national vision setting out their own development objectives and a medium-term, national development strategy (e.g., PRSP) setting out prioritized public policy actions (e.g., sectoral and cross-sectoral strategies) to achieve these objectives (CDF, para. 13, 15). Second, recipient governments commit to developing arrangements "in-country" for monitoring progress "against key dimensions of the national and sector development strategies" (CDF, para. 46; Paris, para. 44).

On the other side of the accountability relationship, the obligation donors have towards recipient governments is to align their strategies to the national development strategies and their respective development priorities (CDF, para. 39). Responsibility for program accountability seen from the donors' side comes in two forms. First and foremost, donors commit to respect government leadership in defining their own development strategies and public policies (Monterrey, para. 40; Paris, para. 15). As being specified by the Paris Declaration and reaffirmed in the Accra Agenda for Action, this involves among others that donors should not only base their overall support on national development strategies (Paris, para. 16) but also "change the nature of conditionality" (Accra, para. 25). In particular, they should link their funding to a single framework of conditions derived from the national development strategy (Paris, para. 16). Donors then should align their monitoring of these conditions with national monitoring and performance assessment frameworks (CDF, par. 51-53; Paris, para. 44; Accra, para. 23). Second, donors also commit to relying on "results-oriented reporting and monitoring frameworks" (Paris, para. 45) in a manner that enables recipient governments "to assume a greater leadership role and take ownership of development results" (Rome Declaration). Since donors and recipient governments have a shared interest in being able to monitor progress and measure impact, this commitment shows up in almost all international agreements. It includes among others that donors should prioritize

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<sup>64</sup> Since no final outcome document exists, this analysis is based on Wolfensohn's proposal for a Comprehensive Development Framework (1999) and the fourth progress report on the implementation of this framework (World Bank 2001a), which elaborated more clearly than the foregone progress reports all the constitutive elements of this approach. Unless otherwise noted, quotes refer to the latter.

analytical work which underpins recipient countries' own national development strategies (CDF, para. 38); that they should assess performance together with recipient governments based on a manageable number of output and outcome indicators drawn from national development strategies (CDF, para. 47; Busan, para. 18); and that they should provide support to national statistical, monitoring and evaluation systems to enable results-focused strategic planning processes (CDF, para. 53; Paris, para. 44; Accra, para. 23; Busan, para. 18).

In sum, regarding program accountability, recipient governments have to render an account to their development partners about the result orientation of their national development strategies and their efforts at monitoring progress in implementing these medium-term strategies. Donors, in turn, have to render an account to the recipient government about the alignment of their strategies and monitoring procedures with national development strategies and monitoring systems.

### ***3.3.2.2. Fiscal accountability***

The second variant of mutual accountability concerns the fiscal accountability of donors and recipients of foreign aid. At the recipient country level, the focus of fiscal accountability lies on the public financial management of domestic and international resources being provided for financing development. Fiscal accountability is guided by the principle of a “strategic partnership” between donors and recipient governments in terms of their joint responsibility for transparent and accountable public systems for the mobilization and management of development assistance. The adjective “strategic” thereby points to the desired cultural and behavioral changes on donors' side to work together with recipient governments and other external partners “particularly in support of the neediest, and to maximize the poverty reduction impact of official development assistance” (CDF, para. 35; Monterrey, para. 40).

The Monterrey Consensus on Financing for Development signed in 2002 was the first international agreement that has spoken of a “new” type of partnership. The consensus that was built in Monterrey holds that effective partnerships are based on shared responsibility among developing and developed countries to ensure that development resources are created and used effectively in a transparent and accountable way (Monterrey, para. 8). Given that official development assistance still is the largest source of external financing for many developing countries, the consensus holds that the mobilization and management of the development resources are “critical to the achievement of development goals and targets of the Millennium Declaration” (Monterrey, para. 39). Good governance thereby plays a crucial role – concerning two levels: At the national level, a “transparent and accountable system for mobilizing public resources and managing their use” by recipient governments is recognized to be essential (Monterrey, para. 15). At the global level, the strengthening of “coherence, governance, and consistency of the international monetary, financial and trading system” is considered to be the necessary complement to national development efforts (Monterrey, para. 52).

The Rome Declaration on Harmonisation signed in 2003 brought good governance between donors and recipients to the negotiation table. In direct support of the “broad agreement” reached by the international community in Monterrey, Rome called on donors to harmonize their operational policies, procedures, and practices and to align with national budget cycles (Rome Declaration). This call rested on the widespread critique of the high transaction costs for recipients and the further reduction of limited domestic capacities due to the “totality and wide variety of donor requirements and processes” (Rome Declaration). While the Rome Declaration lists “good practices” that address the deficits of past ways of delivering aid, it may be seen rather as a declaration of intent than as a reflection of actual practice. Yet, it paved the way for more fundamental changes in global aid policies, to which donors and recipients of foreign aid have agreed in the subsequent high-level forum in Paris.

The Paris Declaration on Aid Effectiveness, which was signed by over one hundred donor and recipient countries in 2005, defined general principles and monitorable indicators to reform the delivery and management of aid (Paris, para. 1). Due to its broad support coalition and its specific proposals for reform, it has gained an eminent position within the current aid architecture. According to the Paris Declaration, effective aid requires leadership by recipient governments in setting the policy agenda (good policies); backed by harmonization and alignment of financial support by donors (good finances); along with results-based management and mutual accountability (good processes). The Paris Declaration went beyond reaffirming the statements made in Rome to harmonize and align aid delivery by specifying indicators, timetables and targets for the monitoring the implementation of voluntarily agreed commitments among donors and recipients of aid (Paris, para. 3, 8-11). The Declaration also went beyond the notion of a “consensus” that has been forged at Monterrey by introducing the principle of mutual accountability that calls on aid donors and recipients to hold each other accountable for the implementation of so-called “partnership commitments” (Paris, para. 9, 13). Recognizing that it will need more than a vaguely defined consensus, the Declaration states that the implementation of these partnership commitments “will require continued high-level political support, peer pressure and coordinated actions at the global, regional and country levels” (Paris, para. 8). Therefore, aid recipients and their development partners agreed in Paris to measure mutual progress against twelve specific indicators<sup>65</sup> in “a spirit of mutual accountability” (Paris, para. 8).

I will now take a closer look at the mutual obligations and specific commitments of donors and recipient governments within the financial variant of mutual accountability. According to these three international conferences, the obligation recipient governments have in terms of fiscal accountability is to enhance transparency and accountability of their countries’ public financial management system (Monterrey) in order to enable progressive reliance by donors’ on these systems (Rome). More specifically, they should take the lead in carrying out diagnostic reviews and performance assessments of

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<sup>65</sup> Among these twelve indicators, nine indicators measure progress on the principles of alignment and harmonization of aid practices, whereas the other three principles of the Paris Declaration – country ownership, managing for results and mutual accountability – are only captured each by one single indicator.

country systems and procedures; and then, based on these findings, undertake the necessary reforms for managing their countries' development resources – including foreign aid – in a more effective, transparent, and accountable way (Paris, para. 20). Two basic commitments by the recipient government show up in the current aid architecture. A first commitment by the recipient government is to make the management of public funds more transparent, for example, by reporting timely and reliably on budget execution (Paris, para. 25). A second commitment by the recipient government is to make the domestic systems for managing public finances more accountable, for example, by fighting corruption at all levels (Monterrey, para. 13; Paris, para. 4).

On the other side of the accountability relationship, the obligation donors have in terms of fiscal accountability is to share information on aid flows and collaborate in the delivery of aid – albeit a substantial increase in aid volume is part of the deal, as the appeal by the international conferences on financing for development show (Monterrey, para. 42; Doha, para. 43). The Paris Declaration identifies a rather impressive and precise catalog of desired donor behavior in terms of fiscal accountability. To reduce “the often excessive fragmentation of donor activities at the country and sector levels” (Paris, para. 6), donors first commit to establish common arrangements and simplify procedures in their day-to-day management of aid. This means, among other things, that donors use, where feasible, program-based aid modalities and joint financial arrangements at the country level (Paris, para. 32); that they rely on government budget cycle and accounting mechanisms, and provide more predictable aid, that is, disburse aid according to an agreed multi-year schedule (Paris, para. 26); that they progressively depend on national procurement systems and untie their aid, that is, free aid from the condition that it be used to procure goods or services from the provider of aid (Paris, para. 30, 31); that they “work together to reduce the number of separate, duplicative missions to the field and diagnostic reviews” (Paris, para. 32); while at the same time, making full use of their respective comparative advantage in promoting selectivity and division of labor at the sector or country level (Paris, para. 33, 35; see also the Rome Declaration on Harmonization that has put these and similar issues on the agenda).

To “enable more accurate budget, accounting and audit by developing countries” (Accra, para. 24), a second commitment by donors concerns the availability and public accessibility of aid information. Over time, the information donors committed to share was progressively extended. Donors first committed to sharing solely information on “aid flows” (Paris, para. 49), which later became information on “volume, allocation and, when available, results of development expenditure” (Accra, para. 24), and finally, information on “publicly funded development activities, their financing, terms and conditions, and contribution to development results” (Busan, para. 23). Information-sharing by donors could even be strengthened by implementing “a common-open standard for electronic publication of timely, comprehensively and forward-looking information on resources provided through development cooperation” (Busan, para. 23).

In sum, recipient governments that receive general budget support have to render an account to donors about the degree of transparency and accountability of their national public financial management systems. Donors, in turn, have to render an account to recipient governments about the degree of their reliance on general budget support and their collective efforts aimed at sharing information and increasing collaboration among all aid partners.

### **3.3.2.3. *Process accountability***

The third variant of mutual accountability emphasizes the participation of various stakeholders, respectively partners, in the development process. The principle that guides this “process accountability” is commonly referred to as “country ownership”, that is ownership by the recipient state *and* organized society – not to be confused with top-down “government leadership” as in the two other variants of mutual accountability.

When the World Bank introduced the concept in 1999, country ownership basically meant to broaden the support base of the recipient government’s policy agenda, as stated in the Comprehensive Development Framework: “Building country ownership is a time-consuming process that requires mutual trust between the government and domestic stakeholders, and between the country and its external partners. It also calls for an inclusive approach through national consultations to define the national vision or framework and build reasonable consensus around it” (CDF, para. 20). However, over time, this somewhat technical notion of country ownership has been augmented with more political content as the international agreements following the Paris accord show.

The Accra Agenda for Action signed in 2008, and the Busan Partnership for Effective Development Co-operation signed in 2011 as well as the Doha Declaration on Financing for Development signed in 2008, have many characteristics in common. All of them welcome the efforts that have been made so far to make aid more effective, in particular, the initiatives that produced the Monterrey Consensus and the Paris Declaration (Accra, para. 5; Busan, para. 6; Doha, para. 46). They acknowledge that progress has been made in advancing the aid effectiveness agenda by the previous meetings, but at the same time, they recognize that this progress has been uneven and neither fast nor far-reaching enough for realizing the Millennium Development Goals by 2015 and beyond (Accra, para. 6; Busan, para. 6, 13, 15; Doha, para. 3). Thus, all three conferences call for “improving efforts” (Busan, para. 7) to “accelerate progress” (Accra, para. 11) by “taking concrete actions” (Doha, para. 1) to implement the internationally agreed commitments made by their predecessor conferences. However, these more recent agreements do not simply call for more of the same – even though reaffirming of preceding commitments takes much space in the documents. Instead, they recognize that there needs to be a more systematic and coherent approach (Accra, para. 3) since the global aid architecture has changed signifi-

cantly and has become more complex in the last years (Busan, para. 5; Doha, para. 47). Two trends are reflected in the three conference documents:

First, all three documents differ from the foregone declarations in that they note that new aid providers and new aid modalities have been entering the stage of development cooperation (Accra, para. 9; Busan, para. 5; Doha, para. 47). In particular, they recognize that the aid architecture “has evolved from the North-South paradigm” (Busan, para. 14) in that “more development actors [...] have been increasing their contributions and bringing valuable experience to the table” (Accra, para. 9). As highlighted by the Partnership document of Busan, there are “a greater number of state and non-state actors, as well as co-operation among countries at different stages in their development, many of them middle-income countries” (Busan, para. 5) that have become important providers of development assistance. These new development actors also utilize new aid modalities, like South-South and triangular development cooperation or new forms of public-private partnership, which provide “additional diversity of resources for development” (Busan, para. 5, 14). In this new “global partnership for sustainable development” (Doha, para. 2), civil society and the private sector form an integral part, as the high-level forum in Busan shows. Unlike earlier meetings, representatives from different public, civil society, private, parliamentary, local and regional organizations were welcome in Busan. They signed the Partnership document alongside the high representatives from developing and developed countries and the heads of multilateral and bilateral development institutions (Busan, para. 1). While differences between aid providers as well as aid modalities are acknowledged, all development partners are said to be part of a “new, inclusive and representative global partnership” in which they participate on the basis of common goals and shared principles for effective development cooperation (Busan, para. 2, 36).

Second, and probably in relation to the above mentioned trend – where simultaneously new state actors opposing democratic practices and new non-state actors advocating human rights enter the new global partnership – another trend that can be observed is that democracy and human rights enter the international aid effectiveness agenda as the declarations of Accra, Busan, and Doha show. In accordance with the Millennium Declaration (MDGs, para. 24) these documents recognize more explicitly than their predecessors that promoting democracy and strengthening the rule of law as well as the respect for all internationally recognized human rights is an integral part of development cooperation (MDGs, para. 24, Busan, para. 3).

A more political understanding of the ownership principle is a notable feature of these agreements. For example, in the Accra Agenda for Action “country ownership is the key” and said to be “first priority” among the “challenges to accelerate progress on aid effectiveness” (Accra, para. 8). While reaffirming the need for government leadership in setting the results-oriented policy agenda, the Agenda emphasizes that country ownership implies a more “open and inclusive dialogue on development policies”, in which parliaments play a critical role (Accra, para. 13). The Busan Partnership is even more explicit

on the issue of country ownership. Development can only succeed if the country owns it, implementing approaches that are tailored to country-specific situations and needs (Busan, para. 11). Busan thus calls on development partners to “deepen, extend and operationalize the democratic ownership of development policies and processes” (Busan, para. 12). As the final report of the evaluation of the Paris Declaration states, an important message from the Accra forum is that the engagement of actors outside the executive branches of central governments is likely to provide a stronger base for implementing the aid effectiveness agenda (OECD 2011b: 10). To this end, capacity-building support for national parliaments and local governments to fulfill their supervisory roles – beyond service-delivery and backed by adequate resources – is seen as essential (Busan, para. 12, 21). Democratic mechanisms of control also gain prominence in the Doha Declaration on Financing for Development. Whereas the first conference on financing for development recognized that effective partnerships for the mobilization and management of development resources are based on “national leadership and ownership of development plans” (Monterrey, para. 40, 61), a more political notion of country ownership has been used in the outcome document of the follow-up conference in Doha. The Doha Declaration emphasizes that the new global partnership for sustainable development must take the “different characteristics and specificities of each country” into account and that there is “no one-size fits-all formula that will guarantee effective assistance” (Doha, para. 9, 46). Rather, the “best results of aid” are achieved “by engaging with parliaments and citizens in shaping those policies and deepening engagement with civil society organizations” (Doha, para. 46).

In parallel with these more political notions of ownership, we also find more references to internationally recognized human rights in the outcome documents of Accra, Busan, and Doha. For example, all of these agreements recall that gender equality is a basic human right and a fundamental value in its own right; and at the same time, that women empowerment is a prerequisite for achieving inclusive and sustainable economic growth, poverty reduction, and development effectiveness (Accra, para. 3; Busan, para. 11; Doha, para. 4). Therefore, as argued in Accra, donors and recipient have the joint responsibility to ensure that their respective development plans, programs, and policies are “designed and implemented in ways consistent with their agreed international commitments on gender equality” (Accra, para. 13, cf. good policies). Moreover, external partners committed in Doha to further promote and reinforce gender-responsive public management, including gender budgeting through capacity-building of domestic stakeholders at the recipient country level (Doha, para. 19, cf. good finances). And finally, donors and recipients agreed in Busan not only to address gender equality and women empowerment in all aspects of their joint development efforts but also to integrate gender targets in their mutual accountability mechanisms at the international level (Busan, para. 20, cf. good processes). A second example that has increasingly been linked to the international level across these three recent initiatives is the fight against corruption. Whereas in earlier agreements corruption was perceived as inhibiting donors from relying on domestic systems in recipient countries (Paris, para. 4), and was thus predominantly situated at the recipient country level, it was gradually transferred to the global level in



the later agreements. The Accra Agenda was the first to call on both donors and recipients “to do their utmost to fight corruption” and to respect the principles they have agreed on under the UN Convention against Corruption (Accra, para. 24). The meeting in Doha brought the problem of illicit financial flows, i.e., capital flight and money laundering, to the table and called on developing and developed countries to combat corruption “in all of its manifestations” (para. 20, 21). In Busan then, development partners heeded this call, as shown by their adherence to “a culture of zero tolerance” for all corrupt practices and illicit financial flows consistent with the UN Convention against Corruption and other agreements, such as the OECD Anti-Bribery Convention (Busan, para. 33).

Correspondingly, we see this more political and rights-based approach to development back in the mutual obligations and reciprocal commitments between donors and recipients in terms of their accountability for “good processes”, at which I will take now a closer look. The obligation recipient governments have in this variant of mutual accountability is to lead consultation and coordination of all participants involved in development cooperation at the recipient country level, that is, domestic stakeholders and external partners (Busan, para. 25). This obligation rests on two commitments by recipient governments for process accountability. First, recipient governments commit to taking the lead in coordinating all aid in dialogue with external partners. This commitment shows up in all international agreements from Washington (CDF, para. 33) to Busan (para. 25). It means that important forums for aid coordination and political dialogue should be held in-country and be chaired by the recipient government itself, such as the regular Consultative Group and Roundtable meetings (CDF, para. 33; Paris, para. 14). It also means that recipient governments should identify areas for long-term capacity development and integrate them in their national development strategies (CDF, para. 31; Paris, para. 23, Accra, para. 14).

Second, recipient governments commit to consult domestic stakeholders in the process and to take their views into account when formulating and implementing the national development strategy. Over time, the notion of stakeholder consultation has changed considerably in the build-up of the current aid architecture: The Comprehensive Development Framework by the World Bank – commonly perceived as one of the pioneers in the area of ownership (see Johnson and Wasty 1993; Entwistle and Cavassini 2005) – emphasizes that a broad-based “participatory approach involving all key stakeholders” is needed to achieve “genuine country ownership” (CDF, para. 25). This statement is echoed in the rather technical declarations of Rome and Paris, where recipient governments agreed to encourage the participation of civil society and the private sector through broad consultative development processes (Paris, para. 14). Within the subsequent and more political agreements of Accra, Busan and Doha, by contrast, recipient governments agreed not merely to consult civil society, but also to deepen their engagement with civil society organizations (Doha, para. 46), because they are recognized “to play a vital role in enabling people to claim their rights in promoting rights-based approaches” (Busan, para. 22). Moreover, recipient governments agreed to “work more closely with parliaments and local author-

ities in preparing, implementing and monitoring national development policies and plans” (Accra, para. 13), and thus increasing government accountability not only vertically towards their citizens, but also horizontally vis-à-vis other governing bodies. In accordance with the scholarly debate, we thus observe a similar trend in the build-up of the current aid architecture from a participatory approach to a rights-based approach to development, which can be traced in time through the various international agreements.

The obligation of donors thereby is to facilitate country ownership over the development process. More precisely, donors should respect country ownership over the development process and help strengthen domestic capacities to exercise it (Paris, para. 15). In analogy to the two commitments by recipient governments for strengthening process accountability, donors’ commitments regarding the facilitation of country ownership over development processes are twofold.

The first commitment by donors has been to strengthen the capacities of recipient governments in leading and managing development processes. Yet again, the Comprehensive Development Framework (CDF, para. 11) paved the way for the widespread recognition that without robust capacity recipient countries “cannot fully own and manage their development processes”, as the Accra Agenda for Action notes almost ten years later (Accra, para. 14). However, with the more political notion of ownership that emerged over time, the particular activities subsumed under this commitment have also changed. In the early, more technical agreements, support to country ownership by donors meant that donors should support countries – read, recipient governments – in building adequate institutional capacity to develop and implement national development strategies, e.g., through using mid-term expenditure frameworks and other technical tools advised by the international community (CDF, para. 31; Paris, para. 4, 15). By contrast, the later, more political agreements highlight that capacity-building efforts by donors should be “demand-driven” and “aligned with the priorities and policies set out by developing countries themselves” (Accra, para. 14; Busan, para. 11) and that donors should make greater use of country-led coordination arrangements, including strengthening “delegated cooperation”, i.e., delegating sufficient authority to country offices and field staff (Accra, para. 23; Busan, para. 25).

Whereas the first commitment refers to donors’ efforts aimed at strengthening process accountability top-down through building the capacity of recipient governments, the second commitment by donors – which has gained only recently prominence within the current aid architecture – has been to strengthen process accountability bottom-up through increasing the capacities of “all relevant stakeholders” to promote domestic accountability at the recipient country level (Busan, para. 23). It was only in 2008 that donors agreed to provide capacity-building support to other domestic stakeholders within and beyond the recipient state, including civil society, so as they can assume an active role in policy dialogue with the central government (Accra, para. 13). Three years later, this commitment is reaffirmed as follows: donors agree to work together with recipient governments and other external partners to

build an “enabling environment, consistent with agreed international rights, that maximizes the contributions of civil society organizations to development” (Busan, para. 22). The role of civil society actors thereby shifted from engaging in consensual dialogue with the recipient state over development policies and service delivery to “enabling people to claim their rights” in shaping development policies and “in overseeing their implementation” in a context of broader public accountability (Busan, para. 22). Capacity-building support by donors in this more political version thus focuses on empowering citizens in order to demand accountability from government representatives.

In sum, regarding process accountability recipient governments have to render an account to external partners, technically, about their capacity to lead the country’s development process and politically, about their responsiveness to the needs and interests of domestic stakeholders. External partners, in turn, have to render an account to recipient governments about their technical assistance to building in-country capacities and their own political role in domestic accountability systems.

#### ***3.3.2.4. Trend towards invoking democratic standards of mutual accountability***

To summarize, mutual accountability is understood as a cross-cutting principle to all other principles in the contemporary aid architecture – both technically and politically. In its technical interpretation, the principle of mutual accountability is boiled down to a narrow set of “specific indicators” (Paris, para. 8) used for assessing “mutual progress in implementing agreed commitments on aid effectiveness” (Paris, para. 50). As the above analysis has shown, development partners hold each other accountable for three things – development outcomes, development resources, and development processes. Mutual accountability mechanisms have been developed for all of these three broad fields. In its political interpretation, the “spirit of mutual accountability” (Paris, para. 13) is tied to normative standards used for evaluating aid relationships between donors and recipient. Previously, I have identified three accountability standards in the development literature – effectiveness, governance, and empowerment – that may underlie the conduct for which an accountability forum is holding an actor accountable. Invoking a “spirit” of mutual accountability thus presupposes a relationship between donors and recipients where there is a general recognition of the norms and rules that lend legitimacy to this relationship. Moreover, these norms and rules enable evaluating their respective performance in terms of development outcomes, resources, and processes.

In this final section, I seek to find out whether mutual accountability standards have changed in the development field. To identify these normative standards within the global aid architecture, I look at the common goals, shared principles and joint commitments specified across the various international agreements and global initiatives. Evidence from the global policy framework shows that over the last two decades the development agenda, including the common goals to be achieved by the international community, has broadened; that the shared principles designed to guide development efforts have

become more democratic; and that the joint commitments agreed by all development actors have increasingly been linked to internationally recognized human rights, including the right to development. I will comment shortly on each of these three observations.

A first trend that can be observed is that new goals aimed at improving governance and empowering citizens have entered the international aid effectiveness agenda. At the millennium turn, the international community combined their forces to launch the Millennium Development Goals. In parallel, they set up the international aid effectiveness with the common goal to increase the “effectiveness in poverty alleviation and sustainable development” (Wolfensohn 1999: 2). To make aid more effective, the main instrument proposed was one single, Comprehensive Development Framework under government leadership (CDF, para. 34). This framework was said to improve donors’ collective impact in reducing poverty through putting recipient governments in charge of development strategies and programs, engaging civil society and the private sector in projects and programs, and sharing information and cooperation among all participants involved in projects and programs (Wolfensohn 1999: 24-28). Over time, however, more political goals entered the international aid effectiveness agenda.

Along with the aid effectiveness goal, a complementary goal that has been increasingly stated is the “strengthening of governance” (Paris, para. 1) – particularly in countries with “weak governance and capacity” (Paris, para. 7). The Monterrey Consensus has been most explicit on the donor's rationale for supporting good governance in recipient countries. Given that “corruption is a serious barrier to effective resource mobilization and allocation, and diverts resources away from activities that are vital for poverty eradication and economic and sustainable development”, combating corruption is seen a priority (Monterrey, para. 13, 15). However, despite the United Nations’ repeated reference to democratic institutions and governance (Doha, para. 43; Monterrey, para. 11), early high-level forums on aid effectiveness understood the governance goal in a rather technical sense as improving the effective governance of aid (Paris, para. 38; see also the Rome Declaration). This changed only with the following high-level forums on aid effectiveness, which stated more explicitly than before that “aid is only one part of the solution to development” (Accra, para. 3; Busan, para. 28). While it may play a “catalytic and indispensable role” in alleviating poverty and improving governance, the long-term goal must be to “increase independence from aid” (Accra, para. 32; Busan, para. 9) through empowering citizens and domestic constituencies. At the forums in Accra and Busan, donors and recipients of foreign aid thus called for increased attention to domestic accountability systems where state and non-state actors will hold each other accountable for own policies, revenues and processes (Busan, para. 28). To achieve sustainable results lasting beyond the delivery of aid, “addressing inequalities of income and opportunity within countries and between states” is seen to be essential (Accra, para. 3).

A second trend that can be observed over time is that the two basic principles – national ownership and global partnership – that guide joint development efforts have been understood in a more political sense. In the early agreements, national ownership meant “active” (CDF, para. 21), or “effective” (Par-

is, para. 14) leadership by recipient governments over their policy agendas and national development strategies. Government leadership then was closely linked with “strategic” partnership – taken to mean close collaboration among all “players in the development field” (Wolfensohn 1999: 21) – and an overall focus on results-oriented management of development assistance (Paris, para. 43). The trinity of outcome orientation, government guidance and close collaboration among all development partners is said to be more effective in achieving poverty alleviation and sustainable development than previous efforts and would also help to build “a sustainable international architecture for the coming millennium” (Wolfensohn 1999: 31). In later agreements, the focus on development results remains, but the general reading of both the ownership and partnership principles changes. Country ownership is understood to be “stronger” (Accra, para. 8), respectively more “democratic” (Busan, para. 12), when recipient governments engage with national parliaments and local governments, since they play critical roles in ensuring broad-based ownership of countries’ development agendas and processes (Accra, para. 13; Busan, para. 21). Global partnerships, in turn, are understood to become more “effective” (Accra, para. 9) and “inclusive” (Busan, para. 11), “when they fully harness the energy, skills, and experience of all development actors”, including organized civil society, based on the recognition of their different and complementary roles in the field (Accra, para. 16; Busan, para. 11). The global aid architecture of today thus reveals a more political understanding of the ownership and partnership principles as compared to the initial proposal for a Comprehensive Development Framework by Wolfensohn two decades ago.

A third trend that can be observed across the current aid architecture is that joint commitments by donors and recipients have been increasingly embedded in an international framework of human rights. Even though internationally agreed human rights, including the right to development, were an integral part of the MDGs (para. 24), early agreements on aid effectiveness did not mention them. With exception of the UN conferences in Monterrey (para. 11) and Doha (para. 2) where the commitment to human rights is quasi inherent (considering that the UN also drafted the MDGs), the big players, that is, the “World Bank and its major partners” (CDF, para. 1), focused – at least in the beginning – on defining the new rules of the game for themselves. Early agreements, such as the Comprehensive Development Framework and the Rome Declaration on Harmonisation, were written by a narrow group of leading donor agencies that did not take other development actors and ideas into account, as later documents reveal (Busan, para. 7). Instead, they jointly committed to redirect their agencies in a way that is more results-based and less volume- or procedure-based (Wolfensohn 1999: 1) by harmonizing their “operational policies, procedures, and practices” with those of recipient countries (Rome Declaration) in order “to raise productivity and yield measurable results in reducing poverty” (Monterrey, para. 46).

However, in parallel with the extending circles of development partners, joint commitments within later agreements increasingly referred to internally accepted norms and rules to lend legitimacy to global partnerships. While embracing the diversity of all development partners (Accra, para. 19), these

agreements embed the international aid effectiveness agenda within a broader field of human rights – including the rule of law, gender equality, disability and environmental sustainability (Accra, para. 3; Busan, para. 11; Doha, para. 2). Based on mutual respect for internationally recognized human rights (Accra, para. 13), they thus forge unity among a broader range of development actors that use more diverse development approaches than ever before (Busan, para. 1). However, linking joint commitments with internationally agreed human rights (and more informal democratic norms) does not only serve as a unifying means for a heterogeneous development community in search of shared values and standards of behavior, but also contributes to the strengthening of the global governance of aid itself, through increasing the possibility of consequences in case that commitments are not upheld.

In sum, the evidence in this analysis has shown that the conduct for which donors and recipients hold each other accountable varies considerably across international agreements. However, it has also shown that the standards that underlie this conduct have changed at the same time. In particular, mutual accountability shifted from a narrow technical understanding introduced to measure the progress of aid effectiveness reforms to a broader political understanding implying a more political and rights-based approach to the governance of aid and beyond.

#### *Synthesis and outlook of chapter 4*

This chapter has argued that over the past two decades a more political spirit has been introduced into the global aid architecture. More specifically, it has argued that the introduction of new aid partners, new aid principles and new aid practices has added a political dimension to the IFIs' economic reform agenda and the international community's aid effectiveness agenda. To identify this political spirit, this chapter has traced the way donors have supported domestic accountability both at the level of national and global aid policies. The national policy analysis has shown that the IFIs' support to domestic accountability forums that monitor compliance of recipient governments with citizens' needs and interest has successively broadened to support entire national governance systems. The global policy analysis has shown that the international community has progressively embedded mutual accountability standards used to assess mutual progress in terms of development outcomes, resources, and processes within a formal human rights framework and more informal democratic norms.

In sum, through tracing the policy changes in the domestic and mutual accountability field, evidence from these two analyses shows that the PRS approach does indeed differ from earlier development efforts in terms of enhancing the scope for domestic accountability. However, since the changes captured here relate to official policies enacted by the heads and high representatives of the international financial institutions and the international community, the next chapter will address the open question of how far aid relationships have actually changed in the daily practice between donors and recipients of foreign aid.

## 4. Development practice I: change in aid relations?

### 4.1. Introduction

Over the last two decades, donors efforts at increasing the sustainability of foreign aid have significantly changed. With the introduction of the mutual accountability principle into the current aid architecture, donors have increasingly sought not only to increase the effectiveness of foreign aid but also the accountability among aid intermediaries. Beyond increasing the level of accountability in the global governance of aid, many also consider this new “spirit of mutual accountability” (OECD 2005a, para. 8) as an important driving force in strengthening democratic accountability in developing countries (e.g., Gaventa 2006: 11; Hickey and Mohan 2008: 237, Mfunwa 2006: 21; Meyer and Schulz 2008: 31). As the IMF and World Bank’s PRS approach has been utilized right from the start as the operational framework for developing countries and their development partners to put this new spirit into practice, this chapter thus seeks to answer the question *if and how the Poverty Reduction Strategy approach has changed the relations between donors and recipients of foreign aid as compared to earlier development efforts.*

The conceptual framework of this research proposes to look at the *interplay* of domestic and mutual accountability fields at the recipient country levels. These fields do not represent one particular process, but must be understood as a collection of multiple processes, temporarily sustained by the parties involved, and nested within or overlapping with other accountability fields. Thus, mutual accountability for aid can be imagined as being embedded within and interacting with domestic accountability systems in aid-receiving countries. Applying such a field perspective to the PRS approach, this research identifies two fields where external partners and domestic stakeholders interact. The first field typically consists of some sort of consultative process by which governments solicit input from various domestic stakeholders and then incorporate these preferences in their formulation of national poverty reduction and/or development strategies (in short, the PRS field). Given that the compulsory participatory process has been considered by many as the most innovative element of the IFIs’ new development approach (Molenaers and Renard 2006: 28; Morrison and Singer 2007: 722), most of the specialized PRS literature only refers to this first accountability field under the PRS approach (see, e.g., Fraser 2005; Lazarus 2008; Molenaers and Renard 2006; Rombouts 2006). However, there is a second field where governments negotiate with external partners – including the IMF and World Bank – their general budget support aimed at implementing the national development strategy (in short, the GBS field). Negotiations over budgetary aid are said to occur in “a virtually participation-free zone” between a handful of selected representatives (GTZ 2005: 15). Especially in so-called “post-conditionality regimes” (Harrison 2001), these negotiations between donors and recipients of budgetary aid then find their continuation in the close collaboration between aid specialists from both sides

for supporting public financial management reforms (de Renzio 2006: 635). This second field of public accountability (given the public nature of the general budget) under the PRS approach should not be neglected when we analyze the shift in aid relations between donors and recipients of foreign aid.

General budget support is thus an integral part of the overall PRS approach. However, those who finance the general budget act as surrogates of democratic accountability holders, that is, poor citizens in recipient countries who are not able to pay their taxes but are governed by the resulting policies. Given the involvement of external development partners in these national political arenas, I speak of two parallel surrogate accountability fields with regard to PRS formulation (the PRS field) and PRS implementation (the GBS field) that overlap and interact with each other. These two surrogate accountability fields are embedded within a third field, which is the much broader field of democratic accountability at the recipient country level (the DEM field). Accountability in this last field runs both vertically and horizontally between the recipient state and organized society, but excludes representatives of the donor community.

Through using the concept of surrogate accountability as an analytical lens, this research provides a more comprehensive and democratic understanding of accountability than the one that has formerly shaped current development thinking and practice. As I postulate here, the two aid modalities of the PRS approach (i.e., the PRS process and GBS operations) determine two fields of surrogate accountability where development actors meet within institutionalized accountability forums. Accordingly, donors may use different strategies, apply different mechanisms and may have different goals in mind for demanding accountability from recipient governments within these two surrogate accountability fields. Depending on the interaction of surrogate accountability with democratic accountability, the democratic potential (or lack of it) of the PRS approach may thus differ.

Accountability has long been missing as a topic in the specialized PRS literature. Instead, scholarly debate has evolved around the principles of ownership and partnership as the central axes of dispute. However, as time went by, accountability has increasingly been taken up as a topic – both by sympathetic insiders (see Malena et al. 2004; World Bank and IMF 2005; World Bank and GTZ 2008) and critical outsiders of the PRS approach (see Hickey and Mohan 2008; Komives 2011; Winters 2010). While they radically differ in their appraisal of the new approach's development potential, none of these studies has looked explicitly at the democracy-related potential of the PRS approach. By contrast, this research takes a different approach. It draws on the long and distinguished history of the concept in democratic theory (in particular, Borowiak 2011; Bovens 2007; Bovens et al. 2008; Grant and Keohane 2005; and Philp 2009) and on the in-depth knowledge available in development practice (in particular, at the World Bank) in order to develop a better understanding of the interplay of democratic and surrogate accountability fields. Through describing the accountability arrangements and the normative standards that have accompanied them in the course of the time, the qualitative analysis aims at bringing both the practical tension between different accountability arrangements and the nor-



mative potential of the PRS approach that lies at the interfaces of these accountability arrangements to the fore.

In order to describe these interfaces between different accountability fields, the insider knowledge of people and organizations working with the PRS approach is considered to be most useful. Unlike the IMF, the World Bank has followed an active approach in both the PRS and GBS field. Data for this research thus solely comes from World Bank staff having worked in institutionalized accountability forums under the PRS approach.

In line with the conceptual framework of the present study, this chapter analyzes the various aid modalities under the PRS approach in three steps (each covering one section below): First, I will map the accountability fields and their interaction under the PRS approach in order to assess whether the World Bank's strategy for promoting domestic accountability has actually changed as compared to earlier development efforts. Second, I explore the accountability models under the PRS approach in order to assess whether the World Bank's mechanisms for holding recipient governments accountable have actually changed over time. Third, I identify the accountability standards under the PRS approach in order to assess whether the goals to be achieved by the World Bank's new aid modalities have actually changed as compared to past practices.

Throughout the whole analysis, I strive to distinguish between the normative standards used by aid practitioners to evaluate actual accountability arrangements and the objective description of these institutional accountability arrangements. For each of the three sections below, two questions helped me to keep these two conceptual aspects of accountability separate. In particular, I asked how the people at the World Bank see the PRS approach themselves? And do we find any change over time in the World Bank's internal guidance as compared to past practices? In the former case, I will speak of the World Bank's strategic discourse, while in the latter case, I will refer to the World Bank's operational practice.

Using interview and survey data from a sample of 50 World Bank experts who have worked in 20 countries with second-generation poverty reduction strategies, the qualitative analysis offers anecdotal, but comparable evidence on the shift in aid relationships under the PRS approach as shown by changes in the World Bank's strategic discourse and operational practice.

Results from the qualitative content analysis show that the Bank increasingly used a more indirect strategy for promoting domestic accountability based on a mix of technical assistance and political dialogue aimed at strengthening the answerability of recipient governments within the domestic electoral and political arena; also, that this change in strategy went along with a shift towards more participatory mechanisms used by the Bank for holding recipient governments accountable in its operational practice; and finally, that the goals to be achieved by the Bank's new aid modalities were found to

have changed also as compared to earlier structural adjustment lending, because World Bank staff evaluates the PRS approach ten years after its introduction in the aid architecture not only on the basis of its development potential but also based on its democratic potential.

The chapter starts with a review of those contributions within the specialized literature that have taken the concept of accountability as an analytical lens to analyze the PRS approach. Given the obvious research gaps, three main objectives are derived from the literature review delineating the area of research. In the next step, the research design and method is presented. In the following three sections, the three research objectives are explored one by one through extracting information from the expert interviews and the survey of World Bank staff. The chapter then concludes with a discussion of the findings.

## **4.2. Previous research**

### **4.2.1. Internal reviews**

Over the past two decades, there have been far-reaching changes in the global aid architecture, marked by a three-fold shift from a narrow focus on borrowing governments and state elites to broad-based participation by the general public and the poor in particular (new partners), from donor-driven policy blueprints to policy dialogue around country-owned strategies (new principles), and from individual project aid and sector activities and to program-based aid in support of the general budget (new practices). Key to these changes has been an increased focus on accountability in the relations between all development actors – recipient state, organized society, and donor community – in recipient countries. Internal reviews by the IMF and World Bank have increasingly taken this new focus on public accountability in the governance of aid into account.

First, sympathetic insiders have used the concept of social accountability to take the new societal partners in the formulation, implementation, and monitoring of national development strategies into account. The *Participation & Civic Engagement Group* in the Social Development Department of the World Bank has been pioneering in this respect by introducing the social accountability concept within the Bank's thinking and reviewing emerging practice (see Malena, Forster and Singh 2004 for a conceptual clarification, and subsequently McNeill and Malena 2010 for an overview of its application in the practice). Placing themselves in a long line of research promoting public accountability through market-based mechanisms (see Hirschman 1970; Paul 1992; and Ackerman 2004), social accountability is portrayed in a conceptual input to the debate at the World Bank as “an approach toward building

accountability that relies on civic engagement, i.e., in which it is ordinary citizens and/or civil society organizations who participate directly or indirectly in exacting accountability” (Malena et al. 2004: 3). In this particular conception, social accountability refers less to a specific theoretical type than to the broad range of participatory mechanisms (beyond voting) that citizens can use to hold power wielders accountable, such as participatory budgeting, public expenditure tracking, citizen monitoring and evaluation of public service delivery (Malena et al. 2004: 3). Especially those mechanisms that directly involve ordinary citizens in the processes of allocating, monitoring and evaluating the use of public resources are said to be most effective because it is the flow of these resources that puts policies into action (Malena et al. 2004: 10). Given that social accountability mechanisms directly strengthen the voice and capacity of citizens (especially poor citizens) to demand greater responsiveness from public officials and public servants, they are seen as complementary to conventional mechanisms of public accountability (Malena et al. 2004: 1, 4). It has been argued that their impact is greatest and most sustainable when social accountability mechanisms transgress the boundaries between state and society, what led some scholars to speak of “transversal”, “hybrid” or “diagonal” forms of accountability (see Ackerman 2004; Goetz and Jenkins 2001).

Second, sympathetic insiders have promoted the principle of mutual accountability as cross-cutting in nature to all other principles for making aid more effective and results-oriented. Early observers of the PRS approach were calling attention to the fact that despite being framed in terms of ownership and partnership, accountability as a term was largely missing in the international financial institutions’ internal documentation of their new approach (Whaites 2000: 16). It was only with the publication of their joint review of the PRS approach in 2005, subtitled *Balancing Accountabilities and Scaling Up Results* (World Bank and IMF 2005) that the principle of mutual accountability found its way into mainstream thinking at the headquarters in Washington. Mirroring the latest trends in the global aid architecture, this joint document discusses PRS implementation through a framework of balancing accountabilities – including accountability of governments to citizens and donors as well as accountability of donors to developing countries. The key message given is that there is “no inherent tension between domestic and external demands for better financial management and results-oriented performance” (World Bank and IMF 2005: 42). Accountabilities are in balance if “aid that is provided in a mutually accountable way reinforces rather than detracts from domestic accountability (World Bank and IMF 2005: 70). The PRS approach then must be seen as the operational framework to put the principle of mutual accountability into practice. To this end, efforts are needed by developing countries and donors alike. Developing countries need to set their development priorities in a way that facilitates donor alignment and harmonization. Donors, in turn, need to recognize that domestic processes to formulate an effective and sustainable development strategy take time and should not be undermined by donors searching for easier options of aid delivery (World Bank and IMF 2005: 47). “Given the role of the Bank and the Fund in introducing the PRS approach, they have a particular responsibility to be aware of how their actions influence the process” (World Bank and IMF 2005: 48).

Third, sympathetic insiders have perceived of general budget support as a means for improving the quality of governance and enhancing intra-state accountability in recipient countries. Following the 2005 review, a joint study commissioned by the World Bank and the German Development Cooperation (World Bank and GTZ 2007) calls attention to the “accountability gaps” between the PRS and budget process (World Bank and GTZ 2007: 19). The study notes that PRS-budget links have been considered as necessary for successful PRS implementation for some time. They are also increasingly recognized as vital for enhanced domestic accountability (World Bank and GTZ 2007: vii). In practice, however, asymmetries of ownership and weak domestically-driven incentive structures can hamper the development of effective accountability mechanisms inside government (World Bank and GTZ 2007: 17, 26). Donors have addressed these fractures in domestic planning and budget processes through a focus on narrow technical instruments – including the enforcement of pro-poor spending priorities, the introduction of mid-term expenditure frameworks and results-oriented program budgeting (World Bank and GTZ 2007: 19). However, these measures have not forged ownership beyond a narrow group of technocrats and have not created adequate institutional incentives for integration. This report thus argues that if the goal is to move beyond narrow technical solutions to broader institutional reforms, “different actors need to be brought together to strengthen the budget as a process to implement political decisions” (World Bank and GTZ 2007: 18). Standing in a tradition of German democracy scholars (e.g., Lauth 2004; Merkel et al. 2003; Merkel 2004) that emphasizes statehood and the rule of law, the study recommends “to improve core policy processes and internal accountability”, including “building policy links ‘from the budget up’, rather than ‘from the PRS down’” (World Bank and GTZ 2007: 42-43).<sup>66</sup>

In sum, the IMF and World Bank have taken the issue of accountability on board with regard to the PRS approach’s new partners (social accountability), new principles (mutual accountability) and new practices (intra-state accountability). In general, these internal reviews sketch a largely positive picture of the way how foreign aid and domestic accountability interact. However, these sympathetic reviews have also evoked criticism from wider academic circles that comment directly on the Bank and Fund’s own presentation of the aid-accountability nexus under the PRS approach.

#### **4.2.2. Critical outsiders**

While the body of independent, critical research on the PRS approach is rather extensive, there are only few studies that explicitly look at accountability issues with regard to the latest development initiative. To the best of my knowledge, there are only three external studies that have analyzed the PRS

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<sup>66</sup> See Boogaards (2009: 408) with respect to this tradition in the German-language literature on defective democracy. German Development Cooperation (GTZ) has also been among the most fervent advocates of institutionalizing participation and has repeatedly pleaded for a strengthening of horizontal accountability mechanisms within the PRS approach (see, e.g., Eberlei 2001; Eberlei and Henn 2003; GTZ 2005; and Eberlei 2007).

approach through an accountability lens. While each of these studies is focused on a different aspect of the threefold shift in development policies – new partners, new principles, new practices – all of them can be placed within the critical governance strand of the specialized PRS literature.

The first study by Kristin Komives (2011) criticizes the way social accountability was institutionalized under the PRS approach. Based on field research in Bolivia, Honduras, and Nicaragua, this study revolves around a critique of the type of accountability that civil society actors were technically able and/or politically willing to claim in the various stages of the PRS process. Beyond technical problems like a lack of resources or human capacities in civil society organizations which may hamper efforts by organized civil society to monitor and track development results, the study argues that “[d]ebates about policies and resources are fundamentally political, and these debates do not stop once a PRSP is formally approved” (Komives 2011: 315-316). Evidence from the three case studies shows that newly elected presidents were not committed to the development strategies formulated under their predecessors. Moreover, civil society actors were primarily interested to participate in the PRS process because it provided valuable access to policy-makers and funding opportunities. In comparison, in all three countries, civil society actors showed comparatively less interest to engage in monitoring policies and evaluating government performance (Komives 2011: 315). In line with existing research on the PRS process (see Gould 2005; Lazarus 2008), this pattern is explained by the existence of a coalition of public and private interests – including donors, government bureaucrats and selected societal members of middle-class, professionalized groups – who “captured” the participatory process and used it as platform for advancing their own business interests. Even in countries where civil society has been very active, social accountability mechanisms under the PRS approach have not succeeded in empowering civil society to hold governments accountable for their development strategies and measurable development results (Komives 2011: 315).

Similarly, a second study by Matthew Winters (2010) criticizes that mutual accountability as the cross-cutting principle of the PRS approach has not been realized so far. A growing emphasis on country ownership speaks to donors’ awareness of their accountability to aid recipients (Winters 2010: 235). However, despite the commitments they made in the high-level meetings on aid effectiveness to increase mutual accountability in the way they deliver and manage aid, this study argues that donor s’ own accountability to aid-receiving countries and end-users within them has not increased despite recent pushes for more participation of domestic stakeholders in the PRS process (Winters 2010: 237). In particular, the lack of variation in the content of development programs between countries and between PRSPs and older lending programs both point to a lack of donor accountability in the design stage of contemporary aid programs. In addition, the study questions whether the use of the PRS approach brings about donor accountability to end users in the implementation stage of aid programs. If anything, current aid practices rather seem to tilt the accountability balance towards donors at the expense of domestic stakeholders. Reasons for this unduly high focus on external accountability are in-

herent to the PRS process itself, namely the external legacy, the parallel planning process, the weight of donor analysis and the use of conditionality (Winters 2010: 237). In light of these asymmetries in mutual accountability, the study concludes that it is not clear yet whether stakeholder participation the PRS process is “more than just window dressing”, given that “end users and governments have not yet succeeded in holding donors accountable for the type of aid that they are providing” (Winters 2010: 238).

A third study by Sam Hickey and Giles Mohan (2008) questions the assumption that the new practices of general budget support comprise a recipe for greater domestic accountability and achievement of pro-poor results. Rather, evidence from Bolivia and Zambia indicates that “PRS priorities are not translated into budget allocations, which inevitably limits their pro-poor impact” and “the role of funding agencies in promoting greater levels of pro-poor accountability in relation to the budget [...] has also been ambiguous” (Hickey and Mohan 2008: 248). This study cites three critical problems supporting this claim. First, pro-poor accountability mechanisms under the PRS approach, and in particular those that rely on certain forms of civil society participation “are largely discretionary and lack significant disciplinary power” (Hickey and Mohan 2008: 234). Second, donors have failed to overcome the contradictions regarding their own role in securing the pro-poor policy agenda within recipient countries. Third, the PRS approach may be seen in a long row of development approaches that have focused on technical solutions and quick fixes rather than on “the deeper forms of politics that might underpin effective accountability mechanisms within developing countries” (Hickey and Mohan 2008: 234). In line with the other two studies, this study thus concludes that “[b]uilding accountable systems of bureaucratic governance is not simply a technocratic project, but is critical for a substantive politics of democratization which goes to the heart of the wider contract between states and citizens” (Hickey and Mohan 2008: 234). However, due to their exclusive focus on the PRS approach's primary objective of reducing poverty, all of these three studies may also be criticized for having missed the chance to explore the democracy-related potential of the PRS approach in more depth.

#### **4.2.3. Analyzing the spaces of surrogate accountability**

The above literature review has shown that the appraisal of the PRS approach greatly varies with the position the authors occupy in relation to the aid industry. Friendly reviews from inside present it as a “new way of doing business” (OED 2004: 4) that simultaneously enhances domestic accountability in recipient countries. In particular, they argue that social accountability mechanisms strengthen “the voice and capacity of citizens (especially poor citizens) to directly demand greater accountability and responsiveness from public officials and service providers” (Malena et al. 2004: 1); that aid that is provided in a mutually accountable way can strengthen “many of the foundations for scaled-up development results” (World Bank and IMF 2005: 49); and that general budget support provides the neces-

sary incentives for a well-functioning domestic accountability system, which in turn is a crucial prerequisite “for a government to be accountable to its citizens” (World Bank and GTZ 2008: 86).

By contrast, critical outsiders do not believe that the new approach to development has enhanced the scope for domestic accountability. In particular, they argue that social accountability arrangements provide access to resources for civil society actors, which often are more important to them than securing the interests of the impoverished populations they claim to represent (Komives 2011: 302); that an unduly high focus on external accountability demands has led to the same, not very poverty-reducing policy prescriptions as in pre-PRS aid programs (Winters 2010: 237); and that the new practice of general budget support allowed donors to effectively insert themselves into domestic accountability systems of recipient states, whereby the lines of accountability between “states and citizens inevitably become blurred and confused” (Hickey and Mohan 2008: 239).

However, none of these studies that looked at the PRS approach through an accountability lens paid much attention to the political goal dimension. Neither advocates nor critics of the PRS approach discuss how particular aid modalities being promoted under the PRS approach do affect (or do not affect) democratic accountability in recipient countries. Therefore, this chapter aspires to close this research gap by analyzing how the aid modalities of the PRS approach interact with democratic accountability systems, and by assessing whether these aid-accountability dynamics have changed over time. In more general terms, the analysis aims at understanding an increasingly important, but still relatively unexplored challenge for the development community and policymakers alike: the promotion of public accountability through various aid modalities, and their interaction with broader processes of democratization in the developing world. By addressing this challenge, the chapter proceeds through three analytical steps. It seeks to provide new insights on the following three linked issues:

- *Accountability strategies*: First, I analyze the World Bank’s strategy in relation to different fields of public accountability and their interaction at the recipient country level.
- *Accountability mechanisms*: Second, within these fields of accountability I analyze the mechanisms used by the World Bank for holding recipient governments accountable by tracing their roots back to distinct models of public accountability in democratic theory.
- *Accountability goals*: The last issue I analyze are the specific goals that may underly the World Bank’s strategy for promoting domestic accountability according to various standards of public accountability that might not be visible due to the new aid rhetoric.

The PRS approach seems particularly useful for analyzing these issues, given its central position in the global aid architecture. Yet, it is important to note that this chapter does not evaluate the impact of the PRS approach on democratization (which will be the topic of the next chapter), but rather seeks to explain how aid modalities and democratic accountability interact and to assess whether the accountability relationships between donors and recipients of foreign aid have changed over time.

## **4.3. Research design**

### **4.3.1. Selection of country experts**

Donors' strategies, mechanisms, and goals for promoting domestic accountability under the PRS approach were explored in an in-depth analysis of the practical experiences (and perceptions thereof) of 50 staff members of the World Bank's African Region Department. Data was gathered by means of expert interviews at the headquarters in Washington, and by an online survey among field staff in Sub-Saharan Africa.

The decision was made to focus on the World Bank rather than on the IMF because, among the international financial institutions, only the Bank's staff have insider experience on both aid modalities under the PRS approach due to their involvement in GBS operations and their facilitation of the PRS process in recipient countries. By contrast, the Fund's staff have generally fallen short of active participation in the PRS process. A lack of clarity of the IMF staff's role has generally led to a "hands-off" approach in the interest of domestic ownership (IEO 2004: 63). Unlike the IMF, the World Bank sees its role – beyond providing financial support to national development strategies – in facilitating the participatory process by which the government solicits inputs from domestic stakeholders (World Bank 2002: 254). As such, the knowledge of World Bank staff of both PRS formulation and implementation provides an excellent opportunity to compare the interactions between external partners and domestic stakeholders within and across different aid modalities associated with the PRS approach.

I further decided to focus on the African Region Department of the World Bank on the basis of the twin criteria of, first, this world region being most vulnerable to the power of the international financial institutions; and, second, of being the region most deeply exposed to the new ideas and practices under the PRS approach. Findings of the aid and democratization literature suggest that the power of external donors to press for both economic and political reforms has nowhere been greater than on the African continent. Targeted aid always comes with conditions attached and aid conditionality is said to be more effective if governments are highly dependent on aid (see Brown 2005; Diamond 1995; and Nelson and Eglington 1992). Indeed, as can be seen from Table 4-1, the Sub-Saharan African region receives substantially more official development assistance (ODA) measured as a percentage of its gross national income (GNI) than any other region (3.25%). An important driver of high levels of aid dependency seems to be general budget support (GBS) that has become an increasingly important modality for aid delivery in Sub-Saharan Africa according to the OECD-DAC Creditor Reporting System. Since 2000, 60 to 70 percent of overall GBS funding consisted of disbursements to Sub-Saharan African countries, where it may compromise up to 30 percent of central governments' budgets (Knoll 2008: 5, 12).



Table 4-1: Aid dependency and PRSP dissemination around the world

<i>Aid</i>	<i>World</i>	<i>Sub-Saharan Africa</i>	<i>East Asian &amp; Pacific</i>	<i>Europe &amp; Central Asia</i>	<i>Latin America &amp; Caribbean</i>	<i>Middle East &amp; North Africa</i>	<i>South Asia</i>
ODA (% of GNI)	0.19%	3.25%	0.04%	0.05%	0.20%	0.48%	0.76%
PRSP (1 <sup>st</sup> )	59	32	4	9	6	2	6
PRSP (2 <sup>nd</sup> )	35	23	2	6	1	0	3
Total	67	34	6	11	7	2	7

Note: aid figures (World Bank 2013b); PRSP board presentations as of June 2010 (World Bank 2010).

A second argument to focus on Sub-Saharan Africa besides the high aid dependency in this region is the prominence of the PRS approach in this part of the world. Table 4-1 depicts various figures related to the distribution of PRSPs in six regions in the world. Among a total of 67 countries worldwide that have embarked on the approach when I started this research, more than half were Sub-Saharan African countries. A reason for this predominance among Sub-Saharan African countries surely lies in the PRS approach's origins in the context of the Enhanced HIPC initiative. Since they were generally more debt-ridden than the rest of all countries eligible for concessional IMF and World Bank lending at that time, they figured prominently among the early adopters of the new development approach (Piron and Evans 2004: 3). However, an assessment of the PRS approach that is exclusively based upon the first generation of PRSPs, as Holvoet and Renard (2007) argue, "may fail to capture the dynamics over time" (Holvoet and Renard 2007: 69). Therefore, I restricted the focus of this research to those countries in Sub-Saharan Africa with second-generation PRSPs. The presentation of at least two full-PRSPs at the board level during the period under study served as an indicator for the availability of this process information among World Bank staff.

#### 4.3.2. Data collection procedure

Having chosen the global aid agency and the world region through which to explore the interaction of the PRS approach with domestic accountability, I sought to identify people at the World Bank who were specifically related to its work in Sub-Saharan Africa. The sampling of experts and data collection was done in a two-step process. In the first round, following a purposive sampling method (Judd et al. 1991) experts were included with practical knowledge of the Bank's support in these African countries with second-generation PRSPs. In a second round, a chain-referral sampling method (Babbie 1992) was used to identify further potential experts that were asked to participate in an online survey in order to achieve broader country coverage.

In the first round, I personally conducted one-to-one interviews with strategically selected persons within the African Region Department of the World Bank, who were closely aligned with the Bank's policy-based lending operations in their countries of experience. If possible, the task team leaders of

general budget support operations as identified from the World Bank's Project Database were contacted, previously, directly by email. If this was not possible, the country program coordinator was contacted for helping to find the "right" person to interview. In advance, an outline of the questions to be discussed was sent to all interviewees. 14 semi-structured in-depth interviews then were conducted in the offices of the respective experts in Washington or on the telephone (November – December 2010). Each interview lasted between 45 minutes and 90 minutes. Except for one person (where minutes were taken), all interviewees agreed to have their interviews tape-recorded and fully transcribed.

In the second round, I invited field staff in various country offices who were recommended by the interviewees of the first round to participate in an online survey. The survey was based on the same questionnaire that had been discussed with World Bank staff at the headquarters in Washington. However, while this chain-referral method of sampling was particularly helpful in finding experts within an organization of global dimension, it was prone to producing a bias, since it reduced the likelihood of a representative sample. As a partial response to this problem, I directly contacted a handful of potential experts from countries that had not been covered in the first round. The first contact with potential experts was by email with a direct link to the online survey. In absence of an answer, two reminders were sent. In total, the survey was online for a period of three months (February – April 2011), and 36 World Bank staff participated.

As a result of this sampling procedure, information has been gathered on 20 out of those 23 Sub-Saharan African countries that have presented at least two PRSPs to the boards between 1999 and 2010.<sup>67</sup> Of these 20 countries, each country has been covered by one to five respondents. Most of the total 50 respondents had practical experiences with the second generation of the PRS approach in their respective countries (41 out of 50), but more than half of them were already on board with the first generation (30 out of 50) and one third were still participating in the formulation process of a coming third generation (17 out of 50). While all respondents have been directly involved in either the formulation or implementation of a country's poverty reduction strategy (or national equivalent), they differed in terms of their professional background and work experience. Table 4-2 depicts these variations within my sample of World Bank experts.

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<sup>67</sup> Country coverage is depending on the availability of World Bank staff to participate in the interviews or the survey. The 20 countries that have been covered are Benin, Burkina Faso, Cameroon, Chad, Ethiopia, Gambia, Ghana, Guinea, Kenya, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Senegal, Sierra Leone, Tanzania, Uganda, and Zambia. The three countries that fulfill regional and process criteria, but could not be included in this research despite efforts being made to contact country experts are Cape Verde, Rwanda, as well as Sao Tome and Principe.

*Table 4-2: Professional background and work experience of interviewed World Bank staff*

<i>Expert</i>	<i>Average number of years working for the World Bank</i>	<i>Average number of years working in the country</i>	<i>Number of respondents</i>	<i>Percentage of total</i>
Economist	10.7	5.6	34	68%
Manager	19.8	3.5	6	12%
Officer	11.0	7.4	5	10%
Specialist	12.6	9.0	3	6%
Missing			2	4%
Total	12.0	5.8	50	100%

Note: 2 respondents have not released personal information.

As can be seen from Table 4-2, two third of the people in the sample were country economists (34 out of 50 respondents), while the non-economists within the sample have been classified as country manager (6), country officer (5) or country specialist (3). 21 of the 50 respondents have been task team leaders of general budget support operations and thus responsible for coordinating the Bank’s financial support with other donors and aligning it to the recipient countries’ poverty reduction strategies. Given their involvement in a field that is usually hidden from the public eye, their knowledge and experience have deemed particularly useful for gaining insights on the interplay of foreign aid and democratic accountability. On average, respondents have been working 12 years for the World Bank, of which half of the time (5.8 years) for the country where they worked under the PRS approach. Regarding their professional background and work experience, a clear pattern can be derived from Table 4-2. Across the sample, country managers (19.8 years) and economists (10.7 years) have worked longer for the World Bank as an organization, whereas country officers (7.4 years) and specialists (9 years) generally possessed more work experience and knowledge of specific countries. World Bank respondents all agreed to be listed as respondent in the annex of this research (see Annex 4-1), but were guaranteed anonymity for the writing process. Thus, only numbers (R1 to R50) without any identifier, alphabetical or otherwise, are used when referring to them in the text.

### **4.3.3. Qualitative content analysis**

To analyze both the strategic discourse and the operational practice of the World Bank under the PRS approach, data were analyzed by qualitative content analysis. The qualitative content analysis aims at interpreting a text by systematically extracting the available information. This method was chosen, first, because of its usefulness to extract the “political” information from a sometimes highly “technical” discourse surrounding the World Bank’s intervention in recipient countries. In more practical terms, a second reason for choosing qualitative content analysis was its appropriateness to reduce the

huge amount of information received from World Bank experts. To analyze the data, I used the open source program MIA provided by Jochen Gläser and Grit Laudel (2010b).<sup>68</sup>

In contrast to other mainstream qualitative methods (like thick description, sequence analysis, coding, etc.), qualitative content analysis differs in two respects (Gläser and Laudel 2010a: 46-47). First, information is extracted and then assigned to specific analytical parameters, from where the information is further processed, synthesized, dropped, and so forth – independent from its original context. However, it is important to note that the subsequent analysis uses descriptive statistics of specific questions as a means for structuring general findings. Second, the analytical framework used for extracting the information from the text has to be developed in advance. Accordingly, variables, values, and corresponding indicators have been derived from the theory before the analysis has been conducted.

The analysis of the interview and survey data then went through three methodological steps. In a first step, statements from transcription files were extracted and categorized according to whether they included information on specific fields of public accountability at the recipient country level, on specific models to control the use of public power within institutionalized accountability forums, or on specific standards that may underlie strategies for promoting public accountability at the recipient country level. In case of doubt, the default was to categorize them under specific fields of public accountability (until new insights compelled another arrangement). The information from the extraction tables, then, was compiled in three extraction tables retaining the source.

In a second step, data were sorted according to the variables, values, and indicators derived from the analytical framework developed *ex ante*. Following this categorization, data was further processed in terms of summarizing similar arguments, removing redundancies, and resolving apparent contradictions between expert statements. Through several re-analyses of the initial data going back and forth between theory and evidence, arguments have been refined and re-grouped in three thematic summary tables.

In the last step, finally, the arguments depicted in the thematic summaries were analyzed in light of gaining insights into, first, the strategic discourse at the Bank, that is, how people working at the World Bank perceive the PRS approach themselves, and second, whether operational practice at the Bank has changed under the PRS approach. Overall, the information sought in the interviews and survey with Bank staff aimed at unpacking the “political” dimension of the accountability relationships in which the World Bank is involved. Since this was assumed to be a difficult topic as to receiving direct answers from World Bank staff given the Bank’s economic mandate, questions were framed in the “technical” language of country ownership, stakeholder participation and good governance which has also dominated the PRS literature. The full questionnaire is reproduced in Annex 4-2.

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<sup>68</sup> For more details on this type of analysis and guidelines on how to use the MIA program, see Gläser and Laudel (2010a: 197-260) and the authors’ personal websites.

## **4.4. Mapping accountability fields**

### **4.4.1. Analytical framework for mapping fields of public accountability**

The objective of this section is to map the accountability fields and their interaction under the PRS approach in order to assess whether the World Bank's strategy for promoting domestic accountability has actually changed as compared to earlier development efforts. The analytical framework is based on theoretical contributions of accountability scholars in the democracy and development literature who described different types of domestic accountability and their interaction with foreign transparency and accountability initiatives. As the level where the accountability relationship unfolds is given (that is, the recipient country level), the analysis focuses on mapping the four main dimensions of such institutionalized public accountability fields as they have been classified in the literature, namely the actor (or power wielder), the conduct for which the actor is being held accountable, the forum (or accountability holder) that holds the actor accountable and the consequences that follow from this accountability relationship. Table 4-3 shows the analytical framework including variables, values, and indicators that have been used to identify the different fields of accountability in order to analyze whether the World Bank's strategy for promoting accountability in aid-receiving countries has changed under the PRS approach.

First, it has been asked what type of actor has to render an account. As outlined by Bovens (2007), public organizations are composed of many individuals. If we want to hold them accountable, we first have to figure out who is going to render an account, what Bovens has called the "problem of many hands" (Bovens 2007: 458). In the development field, accountability relationships between donors and recipients of foreign aid have been framed as a contract, as an entitlement, and as a partnership. In line with these three frames of aid, donors may hold recipient governments accountable either as public organizations that have to render an account for their performance ('corporate'); or they may hold the person at the top of the public organization accountable for the performance of all other public officials ('representative'); or they may hold any public official personally accountable for the performance of the public organization as a whole ('collaborative').

Having identified the actor, we may ask for what conduct the actor is being held accountable. As outlined in the previous chapter 3, recipients and donors of foreign aid have mutual obligations as embodied in reciprocal commitments they have voluntarily agreed to in the current aid architecture. The new compact on mutual accountability then comes in three different variants, namely as program accountability ('policies'), as fiscal accountability ('finances'), and as process accountability ('processes'). Theoretically, it is assumed that the type of conduct for which an actor is being held accountable can be combined with any type of actor that has to render an account.

Table 4-3: Analytical framework for mapping fields of public accountability

<i>Variables</i>	<i>Values</i>	<i>Indicators</i>	<i>Theoretical background</i>
Actor	Corporate	Management Consultation	<i>Aid as a contract:</i> Organizational: a unitary actor with no identification of the individual who is accountable
	Representative	Leadership Arbitrage	<i>Aid as an entitlement:</i> One for all: a pyramidal image of large, bureaucratic organizations where the highest ranking official assumes responsibility and takes all the blame
	Collaborative	Coordination Dialogue	<i>Aid as a partnership:</i> All for one: in small, collegial bodies any member could be held personally accountable for the conduct of the organization as a whole
Conduct	Policies	Strategy Agenda	<i>Good policies:</i> Formulation of a national development strategy Translation into a policy reform agenda
	Finances	Budget System	<i>Good finances:</i> Transparency in public financial management Accountability in managing public funds
	Processes	Partners Stakeholders	<i>Good processes:</i> Coordination of support by external partners Consultation of domestic stakeholders in the process
Forum	Administrative	Mandate Oversight	<i>Mandate institutions:</i> Mandated horizontal accountability Formal oversight
	Political	Balance Check	<i>Balance institutions:</i> Balanced horizontal accountability Partisan check
	Social	Invitation Voice	<i>Civil society:</i> Invited vertical accountability Formal voice
	Electoral	Empowerment Choice	<i>Political society:</i> Claimed vertical accountability Partisan choice
Obligation	Incentives	Negative Positive	<i>Compliance-based accountability systems:</i> Accountability as result of cost-benefit calculations
	Assistance	Technical	<i>Direct capacity-building support:</i> Accountability as a result of third-party involvement
	Dialogue	Political	<i>Integrity-based accountability systems:</i> Accountability as a result of moral convictions

Looking at the other side of domestic accountability relationships, the third question is which forum is holding the actor to account. If we combine the seminal distinction between horizontal and vertical accountability in the democracy literature (see O'Donnell 1994) with the more hidden distinction between formal and partisan accountability in the development literature (see Carothers 2009; Philp 2009), we arrive at four ideal-typical strategies of foreign transparency and accountability initiatives. Accordingly, possible strategies of external intervention may be classified according to whether they strengthen mandate institutions ('administrative') or balance institutions ('political') at the intra-state level; or whether they focus on giving voice to citizens ('social') or increasing their choice in policy-making ('electoral') at the state-society level.

Finally, we may ask why the actor has to render an account to the forum. As argued by global governance scholars, consequences that follow from accountability arrangements at the global level may be situated along a continuum with the two poles compliance-based as opposed to integrity-based accountability systems (Risse 2005: 168-169). Compliance-based accountability systems use promises of reward and threats of punishment to motivate actors to follow the norms and rules of the system, whereas integrity-based accountability systems recognize that some degree of discretion and trust are inevitable in every public accountability arrangement (Philp 2009: 37). In the field of international development cooperation, the literature usually outlines three sets of instruments (independent of their purpose) donors can use to promote domestic accountability at recipient country level. The so-called “tool box for external action” (Börzel, Pamuk and Stahn 2008: 11) contains political conditionality used to manipulate the cost-benefit calculations of recipient governments (‘incentives’); political dialogue with recipient governments as to make them voluntarily comply with shared agendas and reciprocal commitments (‘dialogue’); and direct technical assistance to domestic constituencies to hold their governments accountable themselves (‘assistance’).

#### **4.4.2. Accountability fields: aid modalities as spaces where aid partners meet**

The focus of this subsection is on the World Bank’s strategy for promoting domestic accountability under the PRS approach. In particular, it analyzes the strategic discourse of World Bank staff on the two aid modalities set up under the PRS approach in terms of their ability to promote domestic accountability and how they are set rhetorically apart from the broader field of democratic accountability at the recipient country level. In the following analysis, the mapping of these different fields of surrogate accountability under the PRS approach was done based on a broad range of questions aimed to receive information on the specific forums where domestic stakeholders and external partners meet. In particular, Bank staff were asked whom they perceive as the owners of the PRS process both in terms of technical management and political leadership (see Annex 4-2, questions 2.2., 2.3., 2.6., 2.9., 2.10., 2.11.). World Bank staff were also asked to provide information on the type of domestic stakeholders and the manner how they have participated in PRS formulation (see Annex 4-2, questions 2.13., 2.1.4., 2.1.5., 2.16.); on the type of financial support external partners provided to PRS implementation (questions 2.4., 2.5., 4.1., 5.1.); and to describe PRS monitoring by domestic stakeholders and external partners (questions 2.17., 2.18., 3.4., 4.2., 4.3., 4.4., 4.5).

To start with the guiding philosophy of the new development approach, all World Bank staff at the African Region Department were asked who should be the owners of the PRS process. Among all key stakeholder groups (as indicated in the PRSP Sourcebook), an overwhelming majority of the interviewees sets the government ranking first. Only 5 out of 45 respondents who answered this question did not assign the government the highest priority on a scale from very low to very high priority. In

these five cases, the highest priority was always given to the general public. 4 out of 45 respondents assigned highest priority to several stakeholders. In these cases, ownership was perceived to be shared between the government and civil society (3 respondents) or between donors, the government, and civil society (1 respondent). World Bank staff thus clearly see the government as owner of the PRS process but are cautious in assigning clear responsibility. The reason is, as several respondents point out, that the government is not a unitary actor but consists of “multiple actors”, both on a technical and a political level (R3, R6, and R7).

On a technical level, specialized state agencies and technicians within the ministries are responsible for PRS formulation and implementation. They bear responsibility for two tasks with regard to the PRS approach. One is the production of the poverty reduction strategy papers (PRSPs). The other task is the coordination of all policy-based lending that is pledged against the PRSPs. In the majority of African countries (14 out of 20 countries), these two tasks are executed by specialized state agencies. In the remaining countries (6 countries), the task is assumed by regular government structures. Most African countries have set up a specialized agency inside the core ministries of finance and planning (13 countries). For reason of simplicity, I will call this specialized agency “the PRS unit”. Sometimes, the PRS unit is also situated at the interface of the Ministry of Finance and the Ministry of Planning, receiving technical support from capable technicians of either ministry (4 countries). Only in a few cases is the PRS unit set up outside regular government structures, for instance, at the office of the (Vice-)President or Prime Minister (3 countries). While most countries have one PRS unit, two countries have set up a special foreign aid unit besides the PRS unit. In these cases, the PRS unit usually represents some sort of a “side office” that manages the consultation of domestic stakeholders, while the foreign aid unit is seen as a more “home-grown office” that coordinates financial support by external partners (R10).

On a political level, the responsibility for PRS formulation and implementation is assigned to the domestic authorities and the top political level of the recipient country, that is, the President, the Prime Minister, the Minister of Finance and/or Planning, the Ministers of different sectors, the Vice-President and so forth. Their commitment to the PRS approach is assessed by World Bank staff in two ways. On the one hand, commitment is assessed upfront on the basis of speeches by reform-minded political leaders. World Bank staff sees the government as their service partners in delivering aid to citizens. Thus, despite the fact that speeches are not an objective measurement, government commitment has to be there. Otherwise, there is no long-term relationship. Respondents report that they start from where the commitment is and then try to make sure that the government is committed to the policies they support. On the other hand, they also assess government commitment on the basis of their working relationship with the political regime of the day. The political situation in recipient countries may change due to elections or a military coup, but policy-based lending is said to continue if the go-



vernment is committed to working together with the World Bank on improving its public financial management.

In sum, whether the national poverty reduction strategy is produced primarily for donor consumption or whether the government is really committed to its pro-poor policies is framed in the World Bank’s strategic discourse in terms of technical vis-à-vis political ownership. Technical ownership means that capable technicians formulate an operational reform agenda against which donor support can be pledged and coordinated. Political ownership means that top politicians express their commitment to a national poverty reduction strategy, which is then followed by policy actions. Importantly, political and technical ownership may not be the same but must be assessed in one reform at a time.

From this technical-political divide around the ownership issue the questions arise what types of surrogate accountability arrangements do exist under the PRS approach and how do they interact with domestic accountability systems in recipient countries? Jointly, practical experience by the World Bank staff hints at three different fields of accountability that may interact with each other at the recipient country level. At the rhetorical level, however, World Bank staff keeps these three fields separate due to their institution’s strictly economic mandate.

Table 4-4 shows the three fields of public accountability at the recipient country level where governments are being held accountable by domestic stakeholders according to the World Bank’s strategic discourse. In the following, I will describe these three fields one by one as they are portrayed by the Bank’s staff.

*Table 4-4: Fields of public accountability under the PRS approach*

<i>Field</i>	<i>DEM</i>	<i>GBS</i>	<i>PRS</i>	<i>DEM</i>
Actor	Representative (horizontal)	Collaborative (core ministries)	Corporate (line ministries)	Representative (vertical)
Conduct	Finances (financial performance)	Finances (budget support) Processes (partner coordination)	Policies (reform agenda) Processes (stakeholder consultation)	Policies (political ownership)
Forum	Political (balance institutions)	Administrative (mandate institutions)	Social (civil society & the media)	Electoral (political society & local governments)
Consequences	Dialogue (performance)	Incentives (neg.) (budget) Assistance (coordination)	Incentives (pos.) (agenda) Assistance (consultation)	Dialogue (ownership)

#### ***4.4.2.1. The PRS field***

*Actor: government as a corporate actor*

The first space of public accountability where domestic stakeholders and external partners meet is the PRS field. Government is being held accountable in the PRS field as a corporate actor. In practice, the government technicians, that is, those state agencies who are editing the directives of the political leaders like the PRS unit and the line ministries are the ones being held accountable within this particular field. Participation of the PRS unit is seen as having been high to very high, because it is responsible for the preparation of draft documents; the dissemination of drafts among the wider public; the selection of stakeholders within and outside government from which to solicit inputs on drafts; and in the end, for putting the whole document together in conjunction with the line ministries. While participation by the PRS unit has been high by design, participation by the line ministries varied as reflected in the PRS document itself. As a corporate actor, government commitment is perceived to vary with the level of technical capacities generally available within the state administration. Commitment by the PRS unit then is assessed by its formulation of an operational PRSP based on inputs from domestic stakeholder consultation, whereas commitment by line ministries is judged on the basis of their sectoral alignment within these PRSPs. In sum, the PRS unit and (to a lesser degree) the line ministries are perceived in organizational terms by the interviewees as unitary actors that are accountable for the technical execution of political directives.

*Conduct: stakeholder consultation and reform agenda*

As a corporate actor in the PRS field, the government is held accountable both in procedural and product terms. In procedural terms, the government is held accountable for its consultation of domestic stakeholders in the process and for taking their views into account when formulating and implementing the national poverty reduction strategy. Since its inception in the global aid architecture in 1999, the PRS process has been portrayed as a means for incorporating the needs and interest of domestic stakeholders in national policy-making. In the strategic discourse at the World Bank, this translates into the consultation of representatives of civil society and the private sector in special workshops and at large stakeholder meetings. Alternatively, representatives of civil society and the private sector were said to have participated as members in thematic and sectoral steering committees in the PRS field that are responsible for elaborating a national poverty reduction strategy and monitoring its implementation through annual progress reports.

In product terms, the government is held accountable for the formulation of a policy reform agenda. Since the World Bank wants to use the PRSPs as the basis for direct budgetary support, there are two minimal requirements regarding the content of these documents: one is the inclusion of the budget; the other is that the monitoring and evaluation function is included. However, several interviewees criti-

cize that PRSPs are not very operational documents since they do not easily translate into (operational) budgets. Moreover, benchmarks for monitoring and evaluation are generally absent or very weak making accountability for results rather difficult to achieve. At the same time, they recognize that these are rather challenging processes for countries with very low capacities. Most of the interviewees thus said that they were already pleased when they could see at least some efforts to link key budgetary priorities to the PRSP or some attempts at the individual ministerial level for aligning their budgets with the PRSP.

#### *Forum: civil society and the media*

In the PRS field, World Bank efforts generally targeted social accountability forums in recipient countries. Two elements characterize social accountability forums. First, citizens are invited in social accountability forums to participate in national policy-making with organized society acting as a partner of the recipient state. Participation by civil society and the private sector in the formulation and implementation of the national development strategy has become the mantra of the PRS approach. Interviewees were quick to assure that nobody was excluded from the process and everybody aligned to the consensus built under the PRS approach. Especially in politically fragile countries, interviewees affirmed that the government went through extra efforts to invite the key social groups of the country. Yet, the manner how the government involved civil society (and to a lesser degree, the private sector) in the PRS process differed from country to country. In general, it was a rather complicated process. Domestic stakeholders were invited to participate at different stages of the policy-making process and on different policies covering both sectoral and cross-cutting issues. Furthermore, stakeholders were consulted in different regions of the country reaching down to the level of local communities. Local media were also invited to cover the regional consultations of civil society representatives. Radio and television discussions in local languages have been important in this regard to disseminate the content of national poverty reduction strategies.

The second element of social accountability forums is that they serve to give voice to citizens. According to World Bank staff, stakeholder consultations served three different purposes, namely to draft the PRSP together with government technicians, to discuss the government's draft PRSP, and to validate and endorse the final PRSP. However, whether those who were effectively invited could voice their view on the national poverty reduction strategy, is mostly seen to depend on their technical capacities. Participation exercises were seen as quite difficult in low-income countries with low capacities. For example, several respondents report that the majority of civil society organizations is not able to engage in meaningful dialogue with government officials who are technically much more capable. While there has been an open door for participation, the problem remains that weak organizations cannot bring their interests to the agenda, even if they are represented at the table. But stakeholder participa-

tion is also seen to depend on the political will to open the process to civil society representatives. Especially in countries with a socialist past, the PRS process is said to have been very inclusive. In these countries, the government was quite sympathetic to institutionalize citizens' involvement through plenty of committees and civil society organizations even led some of these committees.

*Consequences: positive incentives and technical assistance*

In the PRS field, the World Bank used two different instruments aimed at the promotion of social accountability in recipient countries. A first instrument has been positive incentives offered to the technicians in the line ministries to produce a national poverty reduction strategy on which the World Bank could base their support. In practice, this meant that the PRS unit (or the core ministry leading the effort) gave the message to the line ministries that being part of the process will lead to more financial resources – and that did happen for those ministries that could come up with results-oriented programs that were in line with the PRSP. For the technicians in the line ministries, alignment of sector plans was thus an instrument of aid solicitation. In effect, they tried to get their own sector programs into the text. However, the flip side of this instrument was that the resulting documents were not very well prioritized. PRSPs often consisted of summing-up sector priorities and policy goals rather than coordinating development programs across ministries.

A second instrument used by the World Bank for promoting social accountability has been technical assistance to the specialized state agency managing the whole PRS process (in most cases, the PRS unit). In practice, this meant that the World Bank had plenty of guidelines about what a PRSP should look like and a whole arsenal of participatory methodologies they offered governments as advice to be taken in the process – and that is what they did. Especially in countries with fewer donors, World Bank staff saw themselves as having a greater “chance to peek in to help the process happening” (R8).

In sum, the World Bank holds corporate government actors accountable in the PRS field for their formulation of national reform agenda and their consultation of domestic stakeholders. This strategy for promoting domestic accountability aims at strengthening social accountability forums at the recipient country level by using positive incentives and technical assistance.

**4.4.2.2. The GBS field**

*Actor: government as a collaborative actor*

The second space of public accountability where domestic stakeholders and external partners meet is the GBS field. Unlike the PRS field where the government is basically seen as a corporate actor, World Bank staff sees the government as a collaborative actor in the GBS field. More specifically, the

public officials who are entering into joint donor-recipient dialogue and collaborate with donors in the GBS field are the ones being held accountable. In most cases, these are people from the finance and planning ministries (respectively, the foreign aid units inside these core ministries) who bear planning and budgetary responsibilities. Their tasks include inter-ministerial coordination; monitoring and evaluation; the production of statistics; and the dialogue with donors. Their participation is seen as very high as they are driving forces within the recipient state and are preparing the various frameworks donors have been asking for, like the macroeconomic framework, the general mid-term expenditure framework, and the performance assessment framework for multi-donor budget support. Government commitment in the GBS field is seen as really being dependent on the persons or the unit in charge of these pivotal functions within the state administration. As reported by several interviewees, the persons or collegial bodies who carry out these tasks are often the same – irrespective of their institutional set-up within the regular state administration. Whether these state officials are committed or not, is then assessed by a government's general "track record" (R4) as measured by their compliance with joint donor-recipient agreements. In sum, the strategic discourse at the World Bank shows that Bank staff is working closely with individual public officials in small collegial bodies, who are being held accountable for the performance of the state administration in general.

*Conduct: partner coordination and budget support*

As a collaborative actor in the GBS field, the government is held accountable for its procedural and financial conduct. Regarding process, the government is held accountable for the coordination of all development partners and their support of the general budget. The idea of the new global development partnerships is to harmonize and simplify donor procedures and to align their assistance so as to align better to domestic budget cycles, and thereby provide more predictable aid, that is, disburse aid according to an agreed multi-year schedule. In order to do so, the World Bank made an effort to increase donor coordination at the Board and sectoral level. Simultaneously, it tried to foster the idea at the recipient side that it is important to monitor since donors wanted to use the government's own monitoring system for budget support operations. However, in practice, as several respondents report, the monitoring system under the PRS approach has not worked well. The government introduced a complicated monitoring framework, set up outside existing institutions and done mainly for donor consumption. Moreover, government leadership in the coordination of external partners has proven to be rather difficult, as the government is facing a table with a broad range of donors providing budget support (and some not, but who are still very vocal) who are jointly negotiating the actions to be taken from a joint policy matrix.

Regarding finances, the government must render an account to its external partners about the direct budgetary support it has received. In the case of the World Bank, financial support to low-income

countries comes in the form of Poverty Reduction Support Credits (PRSCs) that is, annual operations that support the general budget in order to reduce poverty in recipient countries. PRSCs were introduced in Bank lending in 2001 when donors moved towards general budget support. Across the developing world, PRSCs then quickly became a sort of “brand name” (R3, R8) for good-performing countries with pro-poor policies. In order to receive this nice label, the budgetary allocations in key sectors such as health and education were monitored quite closely by the World Bank, as many respondents confirm. Since donor monitoring of budgetary allocations is much less on the macro level, but more on the sometimes tiny details of the sector level, the harmonization process is said to have increased weights heavily on recipient governments under the PRS approach.

#### *Forum: mandate institutions*

In the GBS field, World Bank efforts basically targeted administrative accountability forums at the recipient country level. Administrative accountability forums display two characteristics. First, administrative accountability forums exert formal oversight over governments, that is, they monitor the government’s performance in formal terms, and second, they have a specific mandate in doing so. Regarding the existence of formal oversight, World Bank pressure for improving internal and external audit functions of the government may be taken as a prime example for this type of donor strategy. And these efforts had an impact on practice. Several interviewees acknowledge that the government finally established supreme audit institutions, such as the Court of Auditors, the Chamber of Account, and the General Finance Inspection Directorate, due to multiple donor influences. Given that the World Bank directly supports the government’s general budget, it aimed at building and strengthening the capacities of mandated state agencies that would exert formal oversight around GBS operations. Yet, while the World Bank worked closely with recipient governments to put in place this kind of public oversight institutions, their political autonomy, and technical capacities were often considered to be low.

Regarding their specific mandate, the kind of audit institutions that were promoted within the GBS field did not specifically look at the PRS document (not to mention the PRS process); they just monitored budget execution. Despite this narrow focus, donors had a lot of trouble in getting governments to audit the budget. For example, two respondents report that they are still stuck with very basic accounting issues in their countries, such as long back-logs of the financial accounts provided by the government. Notwithstanding the relatively long delays of five years and more, the World Bank keeps on pushing them, because otherwise, as they say, they would lose credibility in the eyes of their counterparts (R8, R9). Whether recipients government audit their budgets is thus seen to depend on donor leverage and harmonization of external efforts.

### *Consequences: negative incentives and technical assistance*

In the GBS field, the World Bank used a mix of instruments, termed as “carrots and sticks” (R1, R6) to make governments receiving general budget support accountable to administrative accountability forums. First, the “stick” has been negative incentives with regard to the internal and external audit functions. In practice, this meant that World Bank staff gave the message to their counterparts from the finance ministry (respectively, the foreign aid unit inside one of the core ministries) that governments have to audit their budgets if they are to receive financial support on an annual basis from the World Bank. They told them that donors agreed that there needs to be an external audit of the general budget in order to give direct budgetary aid. And although the initial reaction by their counterparts was that they have no control over the supreme audit institutions and that there should thus be no conditionality on that, donor conditions on institutional reforms, such as the publication of the audit reports, in combination with a lot of technical assistance (see below), have been instrumental in getting domestic systems to request these reports on their own.

Second, the “carrots” that the World Bank used for strengthening administrative accountability have been technical assistance to governments for strengthening their own monitoring and evaluation systems. The idea that governments would report on an annual basis on the degree of success of their programs was a remarkable thing. However, the drama in many African countries is that these domestic systems are very weak. In practice, therefore, this meant that the World Bank provided a lot of technical assistance to increase the capacities of the monitoring and evaluation department, usually embedded in the planning ministries. This happened in a rather harmonized and partnership-oriented way, as all donors provided technical assistance for improving domestic monitoring and evaluation if the government asked for it.

In sum, the World Bank holds collaborative government actors accountable in the GBS fields for their implementation of the national reform agenda via the use of general budget support and their coordination of external partners. This strategy for promoting domestic accountability aims at strengthening administrative accountability forums at the recipient country level by imposing negative incentives and offering technical assistance.

#### **4.4.2.3. The DEM field**

*Actor: government as a representative actor*

Having looked at the two surrogate accountability fields of the PRS approach (i.e., the PRS and GBS field), I will look now on how these two fields have been rhetorically set apart from the broader field of democratic accountability in the World Bank’s strategic discourse. In the DEM field, World Bank staff frame the government as a representative actor who is being held accountable by domestic con-

stituencies at the recipient country level. As a representative of the people, the government is said to be held accountable in two different ways.

First, the government – often referred to in terms of top-level politicians, like the (State) President, the (Prime) Minister, or the ruling party – is vertically accountable to its citizens. Participation by representative actors in the PRS field is said to be low because they are generally not involved at stakeholder meetings. Their commitment is said to vary with the degree of political ownership they have over the reform agenda that comes out of the participatory process in the PRS field. However, assessing government ownership is not easy. While some World Bank staff argue that political ownership of the PRSP in their country is high, because there were numerous signals to donors separate from the PRSP that there is a strong government commitment to reduce poverty, other staff argue that political ownership is only high, when the PRSP is close to the manifesto of the ruling party, respectively the government's electoral platform at the time when it was elected. In the end, what matters, is not what politicians say, but whether they are implementing what they say they will implement. Whether the government really owns the national development strategy, can thus only be assessed by their implementation of the reform agenda.

Besides their accountability to its citizens, the government – in this case referred to as the executive branch, the cabinet, or those domestic authorities that have the power to decide – is also horizontally accountable to other state agencies within the recipient state. Participation by representative actors in the GBS field is said to be high since they always come in at the really sensitive issues either in the preliminary conceptualization or at the tail end when the money-giving is decided. In-between, they exert their political influence primarily via the state agency in charge. Government commitment to the agreements made with external partners in the GBS field is said to vary with their financial performance, especially with their efforts aimed at increasing transparency and accountability around national planning and budget processes. Again, World Bank staff disagrees with regard to this commitment. Some respondents claim that governments show a high commitment to the processes introduced by the PRS approach. In particular, they claim that having a national planning commission and a national development strategy is not something that is new to African countries. Such autonomous planning institutions have existed since the end of colonial times. The PRS approach with its focus on inter-ministerial coordination thus was good to renew this planning focus within state administrations. Other respondents are more skeptical and maintain that the whole institutional set-up shows that power wielders are not interested in increasing transparency and accountability around the national budget process. In particular, the PRS unit is said to report directly to the president or some other high-ranking state authority exerting financial control. Commitment then can only be assessed by the execution of the budget. While there have been good transparency and accountability initiatives, like the setting-up of an anti-corruption bureau or the country's participation in the Extractive Industries



Transparency Initiative (EITI), real commitment only shows, as one respondent claims, when governments attach a monetary value to the words they say (R8).

In sum, World Bank staff perceives governments as representative actors who should own their national development strategies and who should have their finances in good order, as they are held accountable for their performance by domestic constituencies.

*Conduct: political ownership and financial performance*

As a representative actor, the government is held accountable by domestic constituencies for its political agenda and its formal execution of public duties. In line with this formal-partisan distinction, external actors are thus often confronted with two problems when they try to align their assistance to domestic policies, systems, and procedures (i.e., the DEM field). First, political ownership by the government may be questionable and second, the financial performance of the government may be poor.

With regard to political ownership, interviewees recognize two recurring situations. A first situation may be that no other national development plan besides the PRSP exists, respectively, older existing development plans by the government have been replaced or unified with a national PRSP making it the only political agenda of the government (10 out of 20 countries). A second situation occurs when a parallel or overlapping national planning document does exist at the recipient country level besides the PRSP. These documents generally come either in the form of a long-term country vision (6 countries) or in the form of a medium-term government agenda (4 countries). In either case, the question arises on which document the government will render an account: is it on the PRSP or is it on the government's own development plan? Donors generally do not want the government to have two agendas. A convenient way to circumvent this dilemma, as World Bank staff reports, has therefore been to dress up the PRSP as the "implementation plan" of the broader country vision or the "operational framework" of the more disputed government agenda, both of which are seen as more country-owned than the PRS document itself (R1, R6, R9, R25, R38).

With regard to financial performance, low-income African countries under second-generation PRSPs can be split into two groups. A first group consists of the "good performers" with at least one full programmatic PRSC series (10 out of 20 countries). Beside the good performers, there exists a second group of the same size (10 countries), the so-called "poor performers". Unlike the former, these countries have not received PRSCs, just started with their first PRSC series, or their first PRSC series has been discontinued – despite having produced a national PRSP. According to the interviewees, there were multiple reasons why these countries have not received a full programmatic PRSC series. A first reason has been that the country was still under a structural adjustment program when PRSCs were introduced in World Bank lending. Another reason has been that there was too much political uncer-

tainty in the recipient country due to civil wars, military rule or a coup d'état, which did not allow any World Bank lending at all. A final reason has been that the World Bank had broader concerns about governance issues and public financial management, what has precluded them – in conjunction with other donors – to give general budget support. However, in none of these countries was the way how domestic stakeholders participated in PRS formulation a reason to exclude them from GBS operations. The participatory process is given “zero weight” in the Country Performance and Institutional Assessment (CPIA) index used by the World Bank to determine its lending decisions.

*Forum: balance institutions, local governments, and political society*

In the DEM field, representative governments have to render an account to electoral and political accountability forums in recipient countries. However, neither in the PRS field nor in the GBS field have these two types of domestic accountability forums been targeted, according to the World Bank's staff strategic discourse.

First, electoral accountability forums empower citizens to make political choices in domestic politics with organized society acting as a counterweight to the recipient state. However, with the PRS process, this is not the case. The manner how citizens have participated did not serve to build a political society that could enforce accountability from public officials. For example, the fact that citizens have been invited by the government in national policy-making did not result in formal mechanisms for institutionalizing this kind of popular control beyond the PRS process. The same may be said for the media who have not acted as an independent watchdog of incumbent regimes, as evidenced by their low coverage of the PRS process in between large stakeholder meetings. Civic participation was not something that was claimed by the people, but something that was given to them. While governments were said to always invite the “representatives” of the people, it has been difficult for World Bank staff to assess “how” representative these representatives were. Moreover, governments' communication and sensitization strategies are not said to have strengthened the electorate in recipient countries. The average voter did not receive the relevant information to hold the government accountable. In most cases, the national development strategy was only translated to English and/or French for donors, but not to local languages for a wider audience. The only domestic institution that effectively participated in the PRS process and could claim to act as a representative of local populations were the local governments. However, in the predominantly centralized African states, local governments usually have very little discretion in terms of planning as there is no local budgetary responsibility. Local governments were thus not seen as having much power in holding central government accountable for its public policies.

Besides empowering the citizenry, the second element of electoral accountability forums is that they allow citizens to make political choices. However, most respondents claim that citizens did not have

much choice in terms of the content of the PRS document. Rather, the PRS process must be seen as “validation exercise” (R13, R14), whereby the government sells the document to its domestic constituencies. Representatives of civil society and the private sector were often consulted at a later stage in the PRS process after the PRSP draft has been prepared by the core ministries at the central government level. As a result, societal participation has often been more limited to making suggestions and proposals on how to improve the PRS draft, rather than formulating the strategy together. Similarly, local governments were involved mainly through the dissemination of annual progress reports, as they were called upon when the document was done. Local governments and civil society actors outside the capital were not really heavily involved in the political decision-making process. Therefore, quite a few respondents assume that the PRS process cannot be judged independently from the overall legitimacy of the political regime.

In sum, the discourse among World Bank staff shows that the PRS process has not empowered citizens so as being able to hold central government accountable for its public policies. They, in fact, have had no choice in deciding what the content of these policies are.

Like electoral accountability, the promotion of political accountability at the recipient country level has been considered as a largely political strategy that is not compatible with its mandate and has thus not been targeted by the World Bank under the PRS approach. Political accountability forums display two characteristics. First, political accountability forums can effectively impose political sanctions on other state agencies accused of wrongdoing or disregard of the people’s will, that is, they are controlling the abuse of political power; and second, only the existence of a general balance between separate countervailing powers that are being forced to share authority enables them to do so. Given that the parliament has an important role to fulfill in reviewing how the money was spent in the previous year before they approve the current budget proposal, one should expect that parliamentary involvement would feature prominently among external actors’ efforts to increase transparency and accountability around the national budget process.

However, political accountability forums were usually not targeted by the World Bank’s effort. Two reasons may be derived from the World Bank discourse. A first reason given is that none or only weak representative institutions existed that could effectively balance the executive’s power. This was the case, for example, after a coup when the parliament has been dissolved with immediate effect. Except for these emergency situations, some parliaments were also seen by World Bank staff as being completely ineffective in their regular functioning. For example, parliaments are perceived to be in “in odd dysfunction” in the sense of being paralyzed by an abundance of “deep politics” amongst themselves, and between themselves and the executive. In other countries, parliaments were said to be not very active in that they approve everything that the executive branch of government wants from them. In addition, some members of parliament were also portrayed as being illiterate or closely aligned with business interests. Whether the problem is ineffectiveness or corruption, World Bank staff generally

question that parliaments can figure as a countervailing power to the executive as their involvement is not seen to make a big difference.

A second reason given is that there does not need to be an institutional political check on the executive's use of power. According to World Bank staff, the executive branch of the government bears sole responsibility for the policy and institutional reform agenda that the Bank supports. Some staff reports that recipient governments see the PRSP as an executive branch document that informs but not as a law that is formulated by parliament. Accordingly, formal approval of the PRSP by the legislative is not considered to be necessary. In most countries, the PRSPs (and subsequent annual progress reports) were presented to the parliament or national assembly, which had a discussion on it, in some cases, even an informal review, but in any case, they did not endorse the political priorities of the government's strategy. The democratic role of parliament as law-giver is thus completely ignored in the Bank's strategic discourse. Instead, the role of parliament is seen in monitoring general budget compliance. In this oversight role, national parliaments are said to have been "on board, definitely and for everything" (R8, R9). They formally approved the budget and World Bank loans, they did financial audits, and they issued reports on the use of budget resources in priority sectors. Beyond monitoring the financial performance of the executive, the parliament is also praised for having widened the public debate during the budget approval process, which is said to have really made a difference.

In sum, the discourse among World Bank staff shows that the GBS operations give balance institutions and especially parliaments more opportunities to become formally involved in the national budget process, but they do not strengthen real political checks between fields of interlocking government power.

### *Consequences: political dialogue*

Under the PRS approach, political and electoral accountability forums have not been targeted by the World Bank – at least not directly. Political dialogue is the only instrument available to donors for exerting at least some influence with regard to the democratic accountability field (i.e., the DEM field). According to World Bank staff, this dialogue comes in two forms.

First, particularly in countries which have some sort of electoral mechanism, there is always policy dialogue. This dialogue takes election dates into account because it aims at building political ownership with regard to difficult policy reforms that target large parts of the electorate and thus generate resistance from within government. As part of the PRS process, policy dialogue always happens at higher government levels, in an early process stage, on an informal basis, and in a much more harmonized way than with earlier development efforts. By contrast, in countries with rather weak electoral accountability mechanisms, there has been a lot of thinking and strategy design on decentralization

and critical institutional reforms. For example, several interviewees noted that the participation of local governments in the PRS process is really dependent on whether they receive the financial resources to satisfy the needs of their voters. These needs are, as several surveys have shown, always the same, such as health, education, electricity, water, roads, and waste management. In the eyes of these interviewees, it would, therefore, be better to directly support local governments, so that they could satisfy the needs of their people. However, the transfer of financial resources to domestic actors beyond central government might violate the Bank's apolitical mandate. The only avenue available to World Bank staff thus has been to start a political dialogue with the government on decentralization reforms and local planning so they could transfer more money to local governments, thereby making themselves accountable to their domestic constituencies.

Second, particularly in countries with rather weak political checks and balances, dialogue on governance is said to be everywhere. This dialogue aims at improving financial performance with regard to the national budget process, whose degree of openness to outsiders mirrors the degree of political accountability and executive constraints in a country. As part of GBS operations, joint donor-recipient dialogue on national governance has thus focused on increasing citizens' involvement in the budget process, the degree of information they receive, and the possibilities of getting involved in national decision-making. As a result of this dialogue, citizens were involved either directly in various steering and oversight committees or more indirectly, via the national parliaments that were involved in the action matrix for general budget support, that is, the annual review process of GBS operations. By contrast, countries with rather strong horizontal accountability mechanisms need no external encouragement for citizen involvement. According to some World Bank staff, donors should not interfere with the domestic process in countries where there is already some amount of transparency and accountability of ministers to the parliament. Rather, the dialogue should focus on how much of the budget is open for reallocation. Considering the realities on the ground, countries usually have not much room for financial maneuver, but the debt relief initiative has allowed them some more freedom.

In sum, the World Bank holds representative government actors accountable in the DEM field for their political ownership of the national reform agenda and their financial performance in using general budget support. However, in the World Bank's strategic discourse the Bank does not directly intervene in electoral and political accountability forums at the recipient country level. The only instrument the World Bank uses is political dialogue for convincing representative actors to become more accountable to their domestic constituencies.

#### **4.4.3. The shift in strategic orientation**

The focus of this subsection is on the change in the World Bank's operational practice under the PRS approach. In particular, it analyzes whether the conduct and consequences that follow from the interac-

tion of these two specific surrogate accountability fields with the broader field of democratic accountability have changed over time. In the following analysis, this question is approached from the perspective of tension between these three different fields of accountability that may have induced external partners to change their strategy. Accordingly, World Bank staff was directly asked whether they have felt any tension between country ownership and Bank intervention and whether they have experienced that, as a consequence, country commitment or World Bank support under the PRS approach has changed over time (see Annex 4-2, questions 2.3., 5.5., 6.1.). More indirectly, World Bank staff also provided information on changes in the conduct for which aid recipients were held accountable by their donors (questions 2.7., 2.8, 5.2., 5.3., 5.4.) Table 4-5 presents aggregate numbers with regard to the type of tension felt by World Bank staff (see question 6.1.).

*Table 4-5: Tension of the PRS approach in recipient countries*

<i>Tension</i>	<i>DEM-GBS</i>	<i>GBS-PRS</i>	<i>PRS-DEM</i>	<i>Number of responses</i>	<i>Percentage of total</i>
Yes	7	8	11	26	54%
No	4	7	11	22	46%
Total	11	15	22	48	100%

Note: N=50, 5 missing, 6 respondents without reason-giving, 5 respondents with tension at two interfaces, 2 respondents with tension at three interfaces, number of responses is thus 48.

What can be seen from Table 4-5 is that more than half of the interviewed World Bank staff (54%) has felt some tension between country ownership and Bank intervention. Moreover, this tension is three-fold and it exists between the formulation and implementation process of the national poverty reduction strategy (PRS-GBS); between the domestic budget process and external support of the general budget (DEM-GBS); and between donor-driven planning cycles and country-owned electoral cycles (PRS-DEM).

In contrast to the subsection before, which showed that World Bank staff aims at keeping these three fields of public accountability separate in their strategic discourse, this table gives a different picture. It shows that these accountability fields interact, as felt by the majority of the interviewed Bank staff in their daily business. Moreover, the empirical findings from the interviews and the survey also show that there is a collective pattern of how the World Bank has responded to this tension over time. This strategical shift in operational practice will be described in the following.

#### **4.4.3.1. GBS-PRS field tension**

Tension exists, first, at the interface of the GBS and PRS fields. The formulation of the PRS document is inherently linked with its implementation through GBS operations. Donors ask governments to prepare – with the participation of key domestic stakeholders – a series of policy actions they want to take and then governments negotiate with the World Bank (and other donors), which of these policies they

are going to support. 15 respondents mentioned this interface. Half of the respondents felt some tension in practice (8 respondents), while the others did not (7 respondents).

Those who did not feel any tension see GBS operations including the conditions attached as a “wholly different machinery” (R2) without any in-built connection to the PRS process. While they acknowledge that donors need a such a document on which they can base their financial support, the PRS document is said to fit only minimal requirements (the PRS side) and that the necessity of aligning World Bank lending to the PRS document is fairly loose (the GBS side). According to these respondents, World Bank conditionality as part of their GBS operations has thus nothing to do with country ownership of the PRSPs (without GBS-PRS tension: R2, R8, R9, R20, R27, R33, and R36).

However, half of those who referred to the GBS-PRS interface did actually feel tension in practice. In particular, the delay in the preparation of an operational reform agenda caused problems for external partners who were involved in its implementation via GBS operations. Yet, the tension is said not to be so much about the Bank's conditionality but about the countries' ability to formulate a comprehensive and tenable strategy. The following excerpt is typical in this regard:

*“For sure, the tension did exist, as due to limited capacity in the formulation of medium- to long-term development strategies, which are sound, with quantifiable targets and indicators and within a sustainable financial framework. Formulating a PRS takes time. The first PRS was finalized after seven drafts and the second PRS after five to six drafts. So one needs patience to follow-up on these processes, which can take at least 24 months to finalize.” (R29)*

Almost all respondents of this group said that governments did not, or could not comprehensively articulate a good reform program achieving some medium-term objectives that could serve as an adequate basis for partnership with the World Bank and other donors. In particular, lacking realism in terms of targets, prioritization in relation to policy actions, and bad costing with regard to the budget link were cited as problems. In sum, the key challenge for the World Bank has thus been to support PRS implementation and to ensure that commitments made in the PRS document translate into actual results on the ground (with GBS-PRS tension: R5, R11, R12, R29, R30, R38, R46, and R48).

In light of these challenges, the World Bank changed its operational practice with regard to the alignment of World Bank lending to the content of PRS documents. Before the PRS approach was introduced, there was no alignment of World Bank lending to national development plans. This changed with the introduction of PRS approach, in particular with the donor requirement that countries had to prepare a poverty reduction strategy if they were to receive debt relief and general budget support by the IMF and World Bank. While there had to be such a PRS document, alignment of Bank lending to the first-generation of PRS documents was rather loose and more in terms of the same overall objectives or directions. The only issue mentioned by World Bank staff was speed. The whole PRS process

was very time-consuming. As a result, the Bank came under pressure in its own time schedule, because it had to wait for some countries to complete their PRSPs before starting with its lending operations.

This direct link between Bank lending and the government's policy agenda has ended with the second-generation of PRS documents. It is only the Bank's overall Country Assistance Strategy (CAS) and not the specific lending operations that need to be aligned to the PRSP. PRSP and PRSC series are done together because the government did not want to have the World Bank wait in providing general budget support. At the same time, it is very difficult nowadays for the World Bank to politically justify their financial support if it cannot be linked back to the country's national development strategy. In this regard, several respondents report that the Bank's lending operations have been very well or even "100% aligned" (R6) to the national poverty reduction strategy. But since PRSPs are very general and abstract documents, it is easy to align with them. The language used in the PRS documents is often not specific enough to determine how well World Bank lending is aligned to the country strategy. Alignment of general budget support to the content of second-generation PRS documents has thus become both more political and more indirect.

In line with this more indirect and political interplay of World Bank lending with PRS documents of recipient governments, the World Bank has also increasingly used a softer approach in the different stages of the PRS process. With regard to the PRS formulation stage, for example, World Bank staff had a lot of comments on the content of first-generation PRS documents, for instance, that the national strategy should focus more on gender or on agriculture. Staff also say that they almost sat down with the governments to write their PRS draft. Over time, however, domestic capacities in writing these documents increased. Especially with the experience of producing annual progress reports, countries learned what kind of policies the World Bank would monitor, and the World Bank thus gave more policy space in the formulation stage.

A similar development can be observed with regard to the PRS implementation stage. The first PRSCs series were discontinued when serious problems of implementing reforms surfaced, such as lack of compliance with the macroeconomic framework. In case of minor implementation problems, such as a lag in implementing agreed to policy actions, lending amounts decreased. Unlike the first series, the World Bank's reaction to a lack of progress in PRS implementation was much softer in the second series of PRSCs. In particular, there has been a change in the Bank's operational practice saying that the Bank should show more understanding for country-specific problems, and be prepared to wait. Difficulties in establishing a credible macroeconomic framework or the non-compliance with agreed actions have thus not led to discontinuation or decrease of lending amounts as before but to delays in disbursement. The World Bank thus walked away from planned schedules, signaling that it can wait until a government arrives at a more credible position.



#### **4.4.3.2. DEM-GBS field tension**

Second, tension exists at the interface of the DEM and GBS fields. The domestic budget process interacts with multi-donor budget support through governments' annual report on budget execution and donors' annual tranche release of committed budget contributions. The idea is that donors agree with governments on a reform program with the intention to provide annual budget support because governments do not have the financial resources. However, direct budgetary support is also linked to financial performance, which may create tension. Among the 11 respondents that mentioned this interface, 4 respondents could not feel any tension, while 7 respondents felt such a tension.

The first group does not agree with the concept of an inherent tension between ownership and conditionality as suggested by the interviewer. Rather, they emphasized that this is a misunderstanding on the World Bank's lending requirements, as a lot of the World Bank's policy actions were in the area of good governance. Ownership by the country is not contrary to demanding institutional reforms. For example, respondents maintain that strong institutions of public oversight have been introduced from the outside, but they could also become owned from the inside. Once the reform agenda has been worked out and the proper institutions have been put in place, it is easy to provide general budget support. Alignment of World Bank lending to the domestic budget process was thus not seen as a problem within this first group, because a lot of what the World Bank did was about strengthening domestic accountability of power wielders (without GBS-DEM tension: R14, R19, R33, and R47).

By contrast, alignment of World Bank lending to national budget cycles within the second group was seen to be potentially conflictive, as the following quote shows:

*“Yes, there certainly was tension, in part because the definition of ownership was not clarified in practical terms when it comes to program decisions. Disbursement became the critical criteria.” (R24)*

Respondents situate the reasons for this tension both at the recipient and donor side. On the one hand, there may be little ownership by the government. The Bank's conditionality on a particular reform, for example, may be questioned by the government who is not ready to implement this action, and that reflects this tension. On the other hand, the problem may rather lie with the alignment and harmonization of external partners. Bank staff notes that ownership depends a lot on the government's capacity to negotiate with donors. Particularly in countries with large donor communities, aid coordination is said to take a long time. There is a tendency for participation from the early stages of writing the action matrix for budget support. It then takes a long time to harmonize all donors, which hampers the predictability of GBS operations and thus the execution of the general budget (with GBS-DEM tension: R4, R15, R16, R17, R24, R37, and R38).

The provision of general budget support is one of the hallmarks of the PRS approach. However, the alignment of this type of financial assistance to the domestic budget process has caused problems in

practice. When the World Bank started with programmatic PRSC series, World Bank staff tried to align annual tranche release to the fiscal calendar of the recipient government. However, they were faced with many practical problems from their own institution when trying to do so. For example, Bank staff mention that the World Bank's internal guidelines did not allow easy realignment of existing lending cycles (except when providing budget support for the first time in a country); that the processes of donor harmonization are difficult to combine with budget preparation as in the books; and that the government's and World Bank's fiscal years and corresponding timetables often did not match, which meant that the government received the money too late in their fiscal years.

Despite these technical challenges, there were also political problems that made the alignment of annual budget support to the government's budget difficult. On the one hand, the provision of direct budgetary aid meant that it increased the pressure on the World Bank to disburse within the fiscal year of the government – even though there was a lack of progress. Donor support was under a formal assistance framework and they had to deliver because the government had already integrated the projected amount in its budget. On the other hand, since several donors jointly supported the budget of the government, this also increased the risk that donors disagree in their assessment of the government's past performance and their future commitments.

In 2004, thus only three years after having introduced programmatic PRSC series in their lending portfolio, the World Bank formally replaced the PRSC acronym with the DPL acronym, which stands for Development Policy Loans. At the same time, the Bank informally maintained the PRSC acronym in parallel due to its success among the good performing countries. Like PRSC, DPL is an acronym for general budget support but DPL is broader because it is not only about poverty reduction. Unlike PRSC, general budget support under the DPL acronym does not need to be programmatic, because it may be given only once. Yet, the important point is that the new operational guidelines mandate that all DPLs should be consistent with the PRSP or its equivalent. While World Bank staff criticizes that the Bank produces labels and acronyms so rapidly that it becomes difficult to stay up-to-date, they value the new instrument because DPLs provide the flexibility that other instruments are not available to provide.

In line with this change in operational practice, current World Bank lending is said to come in “many different shades of grey” (R10) in order to accommodate to different country circumstances. Especially in the first (and sometimes in the second) PRSC series, there was not much space if the domestic context for GBS operations was difficult. In response to major governance problems, such as a political coup or an outbreak of electoral violence, direct budgetary support by the World Bank has been completely discontinued. In case of minor governance problems, for example, when the government did not comply with important institutional reforms or when a major corruption case was made public, PRSCs have been scaled back and the money has sometimes been spent on investment projects instead.

By contrast, in most of the second PRSC series, the Bank has focused more on maintaining the ability of domestic systems to deliver rather than to uphold the conditions of their own lending procedure. In 2007 and 2008, for example, the global financial crisis, as well as local food and fuel crises, led to huge budget needs in recipient countries, which in turn, increased the pressure on the World Bank to reduce the budget gap. In more than half of the otherwise good-performing African countries with PRSCs, amounts thus increased in relation to what was promised in budget discussions and in response to a special situation. However, as argued by World Bank staff, there may be minor ups and downs over time, but no change in the overall strategy. The new default is that the amount disbursed is not different from the amount committed in the Bank's country-specific assistance strategy but there is more discussion on financial performance. Moreover, the introduction of DPLs meant that the World Bank received an instrument to deal with short-term budgetary needs of both poor performers and good performers alike. While the new instrument helped the Bank to handle an emergency situation in poor-performing countries, a shift from PRSCs to DPLs and back has also been common among good-performing countries where stand-alone DPLs were used particularly in difficult years, when the reform agenda was lagging due to economic or political reasons.

#### ***4.4.3.3. PRS-DEM field tension***

A third type of tension arises at the interface of the PRS and DEM fields. In particular, donor-driven planning cycles around national poverty reduction strategies and country-owned electoral cycles may not be congruent. Donors expect that the governments in power – whether elected or not – own the national reform agenda, which they have developed together with key domestic stakeholders, and that they take actions to implement this agenda. This interface was most often referred to as a source of tension among the interviewed World Bank staff (22 respondents). However, there is no unanimous feeling of whether these two cycles are related or not, as the two groups who did feel some or did not feel any tension are of same size (11 respondents).

The first group holds that the PRS and electoral cycle are independent of each other. They argue that the PRS process is a development planning instrument and the resulting PRS document is not an election program. Nevertheless, this group rates political ownership as being high, because governments have presented their PRS documents as their own national development plans. Since independence, governments in these countries always had national development plans and the whole process leading to its preparation has been based on domestic processes for elaborating such a plan. While the World Bank and other donors may have provided inputs during planning, this was not heavy-handed, and it was taken as advice. Respondents consider the PRS process in their countries as best practice given that the central governments have made big efforts to consult with all people upstream, and to disseminate the document downstream. Correspondingly, in a context where elections are held only irregular-

ly, there is thus no need for aligning the PRS and the electoral cycle (without DEM-PRS tension: R1, R12, R13, R17, R21, R23, R30, R31, R33, R35, and R44).

By contrast, the second group sees the PRS and electoral cycle clearly related. The following quote is typical for this group:

*“Yes, I felt the tension between PRS and ownership and recommended the Bank pays more attention to the large parties' programs when setting out its strategic direction and embarking on new projects.” (R39)*

These respondents argue that the government has not been committed to the PRS process because everybody knew that the process in these cases had been introduced by the World Bank and the IMF. Although the World Bank did everything possible to convince the government to assume political ownership over the PRS document, an obvious inconsistency remains between requiring such a PRSP and also requiring ownership of the PRSP. In countries where elections are regularly held, this tension was epitomized by the existence of two government agendas, that is, the PRS document on the one hand and the ruling party's program on the other. While donors want the government to design a reform agenda that is broadly owned within and beyond the government, respondents tell that the dialogue on this issue has not been easy (with DEM-PRS tension: R2, R5, R6, R10, R22, R25, R32, R38, R39, R42, and R43).

Regarding the alignment of PRS and electoral cycles, a trend from a technical and donor-induced process to a more political and government-driven process can be observed over time. When the PRS approach was introduced, the preparation of a PRSP was one of the conditions for the participation in donors' debt relief initiative. Many interviewees reported that the timing of the PRS process was donor-induced and perceived as such by recipient governments. In theory, as some World Bank staff argue, the different timetables for the PRS and electoral cycles exclude the possibility of aligning the two. The PRS cycle usually covers a 3-year period, whereas national elections in the recipient countries are held every 5 to 7 years, creating a lag between electoral cycles and PRS processes. Moreover, national elections may delay or even distort the elaboration of a PRSP. Key domestic stakeholders may not be available during election campaigns and newly elected governments may not feel committed to the PRS document that has been prepared by their predecessors. But sometimes, even though these two calendars do not overlap, a “happy coincidence” (R8) of PRS and electoral cycle has been observed by World Bank staff when a new administration came on board precisely at the start of a new PRS cycle.

Over time, however, the timing and alignment of the PRS process to the electoral cycle became more government-driven and political. Two situations may be distinguished. In the first situation, the government made an effort to align the PRS process to the electoral cycle despite resistance from donors. For example, a few respondents report that – although donors expressed concern about the pace of the

process – the top political leadership drove the PRS process ahead rather rapidly in order to put forth the resulting national development strategy as an achievement of the ruling party and/or president. In the second situation, the government refused to align the PRS process to the electoral cycle as suggested by its external partners. A few respondents report that the World Bank tried – together with other donors – to have the PRS process start after the elections, because of the risk that the ruling party program and/or presidential agenda and the PRS document will differ. However, these attempts were blocked by the recipient governments in saying that there is a “large consensus among the political class” of not using the PRS process as “a tool for gaining political reward, neither from ruling parties nor the opposition” (R29). The PRSP should thus be a “national kind of movement, which goes beyond any party-kind of agenda” (R5). In either case, many respondents think that alignment does not make a difference, because nobody expected elections to bring a political change. In their view, the government in power leads the PRS process, and it will not change in color, “even if personalities change” (R6).

In line with this more political and government-driven process, the instruments that the World Bank used to increase participation of domestic stakeholders in national policy-making have become more indirect. In the beginning, and respondents are quite clear on that, there was conditionality associated with the PRS process. Through broad-based participation of stakeholders in the preparation of the PRS document, recipient countries, in effect, directly “bought into the HIPC initiative” (R13). Given that the PRS process was supported by technical assistance from all donors, governments thus had a real interest in adopting the model. However, as many interviewees claim, the link between the PRS process and the financial rewards provided through the debt relief initiative “has overshadowed any other principle” (R33). Political ownership is said to have been weak because the PRS process was geared solely towards external funding mobilization. Governments followed technical guidelines on how to produce a PRSP in order not to risk their debt relief.

Over time, the World Bank has followed a more indirect strategy for promoting citizen participation in national policy-making. In particular, the PRS process and how it has been used by the Bank has been evolving. While the importance of the PRS process as a means for accessing funding by external partners has become less important, the political dialogue surrounding the participation of domestic stakeholders in these surrogate accountability fields has become more important. In the future, as a few respondents report, the World Bank will focus on new methodologies for improving country ownership, such as the training of journalists and the broadcasting of radio programs in local languages. Government ownership is also said to become stronger with the second generation of PRS documents because the top political level has driven the process. The subtle change of names and priorities in the coming third generation of national development strategies (including growth, employment, and infrastructure beyond poverty reduction) is seen as prime evidence in this regard. At the same time, respondents recognize that stakeholder consultation in the second round was more “top-down” (R10) in

that more priorities were set by the government early in the process. In general, World Bank staff seems more aware that national development strategies are owned by a small number of people within the government, and that a broad national consensus is probably more of an ideal than a practice. In general, reform priorities are not the same for everybody within the recipient state and among participants from civil society.

In sum, what this subsection has shown is that there is a slow, but steady change both in targets and instruments of the World Bank's strategy for promoting domestic accountability. In particular, when the PRS approach was introduced, the World Bank followed a direct strategy based on the use of positive and negative incentives for building the capacities of social and administrative accountability forums at the recipient country level. However, as a way of reducing the practical tension between democratic and surrogate accountability fields, the Bank increasingly used a more indirect strategy based on a mix of technical support and political dialogue aimed at strengthening the answerability of recipient governments within the electoral and political arena at the recipient country level.

## **4.5. Exploring accountability models**

### **4.5.1. Analytical framework for exploring models of public accountability**

Given that the notion of accountability is also used to legitimize governance arrangement, the objective of this section is to explore the theoretical models of accountability on which the PRS approach is based in order to assess whether the World Bank's mechanisms for holding recipient governments accountable have actually changed over time. The analytical framework used for exploring different accountability models is based on the theoretical contributions of global governance scholars, in particular, Grant and Keohane (2005), who differ between delegation and participation as two fundamental logics or models for holding power to account. Since these models have their roots in different theoretical notions of legitimacy, they lead to different strategies and mechanisms for accountability in practice (Grant and Keohane 2005: 32). Having mapped the two surrogate accountability fields that have been targeted by the World Bank's strategy in the previous section, I will focus now on exploring the models by which development partners hold each other accountable within these two accountability fields.

Table 4-6 shows the analytical framework including variables, values, and indicators that have been used to identify the different models of accountability in order to analyze whether accountability mechanisms between donors and recipients of foreign aid have changed under the PRS approach.

Table 4-6: Analytical framework for exploring models of public accountability

<i>Variables</i>	<i>Values</i>	<i>Indicators</i>	<i>Theoretical background</i>
Delegation	Instrumental	Principals Agents	<i>Principal-agent model:</i> Hierarchy Discipline Collective action problems
	Discretionary	Citizens Representatives	<i>Republican-federalist model:</i> Institutions Delegation Regulating gaps
Participation	Instrumental	Demos Officials	<i>Participatory democracy model:</i> Visibility Participation Generating community
	Discretionary	Peers Specialists	<i>Deliberative democracy model:</i> Mutuality Dialogue Collective problem solving

The operationalization through indicators of the four theoretical models largely follows the scheme as given by Grant and Keohane (2005: 31). They propose to distinguish accountability mechanisms providing a map from outcomes to sanctions along two dimensions. First, we may ask who is entitled to hold the powerful accountable (Grant and Keohane 2005: 32). This question concerns the forum and whether it is composed of those entrusting actors with powers (‘delegation’) or of those being affected by their actions (‘participation’). In the latter case, accountability mechanisms concentrate on the answerability dimension of the concept. Participatory approaches serve to increase the responsiveness of power wielders to the people as a whole. In the former case, the forum “need not be the people as a whole, but could be some elite group or institution that entrusts power wielders with power” (Grant and Keohane 2005: 31). They use accountability mechanisms that concentrate on the enforcement dimension of the concept.

Second, within these two basic models of accountability, we may further ask how much discretion do power wielders have (Grant and Keohane 2005: 31). This question focuses on the nature of the actor and whether power wielders are regarded as instrumental agents (‘instrumental’) or as discretionary authorities (‘discretionary’). Discretionary authorities are held accountable through “a variety of mechanisms for judgment after the fact”, such as general checks and balances or the *ex-post* monitoring of their behavior, including their punishment with sanctions (Grant and Keohane 2005: 33). Importantly, the forum does not aim at directing the behavior of discretionary authorities beyond the definition of their office’s duties (Grant and Keohane 2005: 31). Instrumental agents, by contrast, are held accountable not only through *ex-post* mechanisms but also through accountability mechanisms that direct the actions of power wielders *ex ante*. While punishment may occur in case of the agent’s deviation from the instructions given by the forum, it is not seen as essential as with discretionary authorities (Grant and Keohane 2005: 31).

The combination of the actor and the forum dimensions yields four possible accountability mechanisms, which largely correspond to the four models of public accountability that have been identified at the (sub-)national level in democratic theory (see Borowiak 2011). These are the following: First, the principal-agent model where power wielders act as agents of principals who have delegated powers to them (i.e., the instrumental variant of the delegation model). Second, the republican-federalist model where power wielders act as representatives of citizens who have entrusted them with public responsibilities (i.e., the discretionary variant of the delegation model). Third, the participatory democracy model where actions of power wielders are what the people instructed them to do in their role as public officials (i.e., the instrumental variant of the participation model). And finally, the deliberative democracy model where policies followed by power wielders lead to outcomes approved by those affected, which leads the affected constituencies to confer additional powers to the policy specialists (i.e., the discretionary variant of the participation model).

**4.5.2. Accountability models: theoretical blueprints that frame aid principles**

The focus of this subsection is on these four theoretical models of accountability that may lend legitimacy to the governance of aid. In particular, it analyzes the strategic discourse of World Bank staff for legitimizing the accountability mechanisms by which they hold domestic power wielders accountable. The question of how World Bank staff justifies the Bank’s intervention in domestic accountability systems was approached through asking them what ownership in the context of the PRS approach meant to them personally. They were asked to define it or to give an example (see Annex 4-2, questions 2.1.). In order to identify the theoretic model of accountability that may be hidden behind the ownership rhetoric, all answers to the ownership question were first split into two parts, one for the power wielder (or actor) and one for the accountability holder (or forum). Next, the roles of power wielders and accountability holders were analyzed individually according to the analytical framework outlined above. This procedure revealed four theoretical models of public accountability that World Bank staff used to legitimize institutionalized accountability arrangements under the PRS approach.

Table 4-7 presents aggregate numbers with regard to the theoretical roots’ of World Bank staff’s strategic discourse on the ownership principle (question 2.1.).

*Table 4-7: Models of public accountability used in the ownership discourse*

<i>Model</i>	<i>Instrumental</i>	<i>Discretionary</i>	<i>Number of responses</i>	<i>Percentage of total</i>
Delegation	18	12	30	50%
Participation	11	19	30	50%
Total	29	31	60	100%

Note: N=50; 2 missing; 12 respondents with two power configurations, number of responses is thus 60.



As can be seen from Table 4-7, World Bank staff equally refers to the delegation model (50%) and the participation model (50%) when trying to circumscribe the ownership principle. In theoretical terms, this means that those entrusting power wielders with power and those being affected by the recipient government's actions (and inactions) are judged to be similarly important in demanding accountability from power wielders. Ownership as the guiding philosophy of the PRS approach is thus not an exclusive domain of one particular model of accountability.

Moreover, a large number of World Bank staff recognizes multiple configurations of power at play under the PRS approach. 12 out of 48 respondents who have answered this question referred to two different theoretical models for holding power to account, making the total of responses (60) larger than the number of persons interviewed (50). In the following, I will describe these models of accountability one by one as they are used by World Bank staff in their strategic discourse.

#### ***4.5.2.1. The principal-agent model***

A first accountability model that was mentioned by 18 respondents is the principal-agent model (i.e., the instrumental variant of the delegation model). The idea hereby is that power wielders act as faithful agents of principals who have empowered them (i.e., delegation of *de facto* power). The following definition is a typical example of ownership understood in principal-agent terms:

*"Ownership of activity in my personal view means that the client wants the entire activity and sets aside the necessary resources to successfully implement the activity." (R39)*

Respondents that refer to a principal-agent model argue that ownership is not so much about stakeholder participation in the PRS process, but more about external support of the national budget process. The principals in this model are the World Bank, the IMF and all other donors who provide budget support based on national poverty reduction strategies. The agents are the recipient governments who implement these country strategies via their own national budget process. Behind the ownership rhetoric, a delegation logic is revealed, whereby the aid-receiving agents are held accountable by the aid-donating principals. For example, many respondents affirm that ownership is a concept that originally came from donors. Donors have asked governments of developing countries to formulate a national development strategy and an operational roadmap to attain their strategies' objectives. This reform agenda should set achievable, quantitative targets within a sound macroeconomic framework. In return, donors provided funding to the governments' general budgets and could imprint in national discussions. However, these discussions have become more complex and donors – despite their provision of support – cannot do it for the government.

Recipient governments in the principal-agent model act as instrumental agents of aid-donating principals who have provided them with money and corresponding advice. For example, World Bank staff

often refer to governments as their principal interlocutor, that is, those “with whom they are trying to let them do the right thing, themselves” (R1) In this regard, government commitment and understanding of the strategy, including all its development priorities is perceived to be crucial. Government-agents are thought to implement the reforms that are in the strategy. Their broad and active engagement already in the formulation stage thus shows that they are serious about solving the problems of the country and implementing the strategy. Governments are held accountable *ex post* by donors who monitor the implementation of the reform agenda, ideally, with indicators defined by the governments themselves. But governments are also held accountable *ex ante*, for example, through their elaboration of a mid-term expenditure framework, which provides relevant information to the governments and their development partners on sectoral alignment within the annual budget process. Donors further require that domestic stakeholders need to be part of the process. This process is facilitated by the donors through providing financing and technical assistance.

In sum, what this list of donor-driven tasks basically shows is that an understanding of ownership based on a principal-agent model of accountability grants little discretion to political leaders, but provides strong incentives to them for doing what their financial sponsors ask them to do (with principal-agent model: R1, R3, R4, R5, R6, R7, R8, R10, R16, R17, R18, R22, R29, R35, R37, R38, R39, and R50).

#### ***4.5.2.2. The republican-federalist model***

A second accountability model that was mentioned 12 times is the republican-federalist model (i.e., the discretionary variant of the delegation model). Unlike the instrumental variant, the idea behind this variant of the delegation model of accountability is that power wielders do not act as agents of principals, but as representatives of citizens who have entrusted them with public responsibilities (i.e., delegation of *de jure* power). If magistrates feel responsible for their behavior in office while being checked by their dependence on citizens, this is often circumscribed as good governance, as the following example shows:

*"For me, ownership is very closely linked to good governance. For me, it makes sense to talk about ownership, if you have a government in place that follows the principles of good governance. So it's not that you have an executive that signs off the PRSP, but that you really have a process in place, where the government is able to engage with citizens on the PRSP. That is essential, what I would consider being ownership." (R11)*

Respondents that refer to the republican-federalist model argue that ownership is not so much about the faithful implementation of the strategy, but more about the clear assignment of responsibility through the delegation of authority to the centers of governmental power. In this model, citizens are the ones who delegate formal power to representative institutions. Political representatives of the citi-

zenry govern based on the principle of separation of powers and mutual checks and balances. Ownership definitions that refer to the republican-federalist model usually focus on the delegation of authority within national governance systems. For example, a lot of respondents argue that ownership means that the country has the right to make the final decisions. They emphasize that the government responds to the country's own needs and challenges and as a result, the national strategies and activities correspond to country priorities. This implies, in turn, that countries develop their national strategies by themselves, without the intervention of the World Bank or any other donor. In an ideal situation, this would mean that national development strategies (as well as any other kind of political visions, policies and action plans of national dimensions) have been discussed and endorsed by representative institutions.

Recipient governments in the republican-federalist model basically act as discretionary authorities, since citizens do not instruct country representatives *ex ante*. Rather, they judge their behavior after the fact. For example, given that the national development strategy is part of the government's own agenda that is being discussed and endorsed by the parliament, the government as owner of the political reform agenda should have "some incentives and stake in getting results" and "be accountable for failure as well (R33). Similar arguments show that ownership implies that governments need to be held accountable – "democratically or otherwise" (R12) – and in a somewhat weaker version, that there must "exist at least some degree of accountability" (R33). Recipient governments should be "ready to defend and be held accountable for the strategy" (R36), since "ownership means taking things for your own account" (R27).

In sum, among the four models of accountability invoked by World Bank staff to legitimize their interventions, respondents who understand ownership based on a republican-federalist model of accountability link the two concepts of ownership and accountability most clearly with each other (with republican-federalist model: R8, R11, R12, R15, R19, R23, R24, R27, R33, R34, R36, and R37).

#### **4.5.2.3. *The participatory democracy model***

A third accountability model that was mentioned 11 times is the participatory democracy model (i.e., the instrumental variant of the participation model). In contrast to the delegation model, the participation model is based on the idea that policy-makers give an account to those being affected by these policies, commonly called stakeholders in the development discourse. In the instrumental variant of the participation model, the term "stakeholder" basically refers to those who are governed by these policies, in other words, to the people in recipient countries. The following definition of ownership gives a practical example of what the Anti-Federalists have termed the "the great body of the people" (Centinel):

*“I think it means that the strategy is organic in that it is the government, and more broadly, its citizens, that endorse the strategy, who have developed the strategy, and that really want to carry out the strategy including any reforms that are in the strategy. In other words, it is not externally imposed.” (R2)*

Respondents that refer to a participatory democracy model argue that ownership is about a broad-based participatory process, by which public officials are held accountable by the *demos*, the ultimate sovereign in a democracy. In turn, this means that the generating of political issues has to come from within recipient countries. Donors are not be involved in the preparation of poverty reduction strategies, because these strategies should represent national interest and political objectives, not those of outside institutions. Ownership definitions that refer to the participatory-democracy model usually focus on the participation of nationals, that is the people of the country themselves. For example, many respondents argue that ownership means that the national poverty reduction strategy has been elaborated and adopted by the citizens and their authorities. In an ideal world, this would be a mass-type process with full participation of civil society at large. As a result, poverty reduction strategies would then respond to the wishes of the people, particularly the poor. Given that poor people are those who are supposed to get governmental services, the reasoning goes, they are the ones who should say where the government is going to put money to deliver services. However, most respondents think that political practice is very far from that ideal world. They would already consider the participation of the key representatives of the big social groups, which would cover a broad spectrum of the population as desirable. With regard to the end results of this process, the argument is made that the more these national strategies, policies and action plans respond to the wishes of the people, the better it would be.

The public officials in this model of accountability generally have very little discretion, because they are acting as instrumental agents of their political constituencies. For example, many respondents argue that the national poverty reduction strategy should be fully adopted by the government as it reflects the views, the thinking, and the wishes of the citizens of a country. At the least, if the process is conceived from outside, citizens should buy into it and their interests should be taken into account. Ownership of the PRS process thus starts with wide consultation of the population in different parts of the country and at various stages of the decision-making process. And it ends when the PRS document is communicated to the general public. This process is managed by public officials who reach out to domestic stakeholders who, in turn, participate in strategy formulation and dissemination of annual progress reports. Through the transparent and participatory process, World Bank staff hopes that the government’s strategy is also reflecting what the society at large wants to do because, in the end, they are the ones who have made the promises.

In sum, key to an understanding of ownership based on a participatory democracy model of accountability is, as in ancient Athens, the sense of belonging to a political community collectively governing

itself (with participatory democracy model: R2, R5, R9, R13, R14, R21, R31, R38, R43, R46, and R47).

#### **4.5.2.4. The deliberative democracy model**

The last model of accountability, that was mentioned 19 times, is the deliberative democracy model (i.e., the discretionary variant of the participation model). Like the principal-agent model as its theoretical opposite, the deliberative democracy model has often been used by the interviewed World Bank staff to legitimize their own intervention. In the discretionary variant of the participation model, the term “stakeholders” is understood rather broadly, as the following example shows:

*“The PRSP must be owned by the government and indicate the strategy for reducing poverty among the people. In this respect, the government must facilitate the whole process of formulation and implementation. We must ensure that the PRSP is not narrow, but brings on board the view of all important stakeholders in the country. We are an important stakeholder just like CSOs and our role may be to provide technical support based on our global knowledge of how these things are done around the world.” (R42)*

As this example shows, stakeholders in the deliberative democracy model fall into two groups. There are domestic constituencies being affected by the policies and there are external partners who support the policy specialists in the policy-making process. Both types of stakeholders can legitimately be understood as a kind of fellow peers of the recipient government. While the former are members of the same political community, the latter recognize each other as partners within the global development community. In line with these two types of stakeholders, two respondents make a difference between “internal” and “external” ownership. External ownership is said to be a function of government leadership, that is, the ability of policy specialists to formulate and implement a strategy for reducing poverty among the people in the country. Internal ownership, in turn, is said to be a function of citizen empowerment, that is, the degree to which the average citizen owns the reform (R6, R10). Notwithstanding the ownership rhetoric, the deliberative logic of generating public accountability shows itself, for instance, when respondents argue that ownership means that the government builds reasonable consensus with key stakeholders around a path eventually chosen for policy implementation. To this end, the government discusses policy options transparently with key stakeholders; policy options are based on country circumstances; and the government needs to be open to alternative views brought into the discussion. As a result of this deliberative process, all stakeholders should know what implementation means and – in the best case – be convinced that the reform is for their own good. Ownership according to the deliberative democracy model thus basically means an understanding of why a particular reform makes sense. The participatory process thereby serves to unblock the political situation to take a reform.

Unlike the instrumental variant, the discretionary variant of the participation model does not focus on public exposure of the power wielders behavior, but on the quality of the public debate. How this debate is organized in detail is largely seen to lie in the responsibility of the recipient government that is leading the process. Recipient governments are generally credited with a much larger leadership role than in the former model because they are said to drive the process. For example, many respondents argue that ownership means that the government leads the process (with determination). In particular, the argument is made that the government is pushing forward its own development agenda and that the governmental structures in charge take the lead in the formulation and implementation of a country's development process. The policy agenda then is legitimate to the extent that the government can speak for the people as a whole against special interest. Therefore, at some level or stage, there is participation by representatives of the people. Since there are not many mature democracies on the African continent, World Bank staff is searching for consultation with a range of domestic constituencies, such as civil society, the private sector, local governments, or "whatever you have if you look at the issue ownership" (R2, R11). However, World Bank staff also acknowledges that in democracies with legitimate governments, this kind of participation conditionality is seen to be more of a problem. They see themselves only as accompanying the process, but not substituting for national authorities leading the process.

In sum, key to an understanding of ownership based on the deliberative democracy model of accountability is the wish of having all people feeling like they agree – even if this universal standard of accountability might never be met (with deliberative democracy model: R2, R6, R7, R10, R11, R20, R21, R23, R25, R26, R28, R29, R30, R32, R40, R41, R42, R44, and R45).

### **4.5.3. The change in accountability mechanisms**

The focus of this subsection is on the change in mechanisms by which actors are held accountable within surrogate accountability fields under the PRS approach. In particular, it analyzes whether the operational practice of how the World Bank holds recipient governments accountable has changed over time. In the following analysis, this question has been approached by a number of questions as to the behavior of the World Bank itself and with regard to different stages of the PRS process. Regarding PRS formulation, World Bank staff was asked whether the World Bank has taken more of a passive or active approach in their countries and whether they could give examples of and/or reasons for an active or passive approach in order to illustrate what this means (see Annex 4-2, questions 3.1., 3.2., 3.3.). With regard to the implementation stage, World Bank staff were asked how they keep track of the development process in their countries and whether external consultants have been hired by the government (see Annex 4-2, questions 3.4. and 2.12.). In order to identify a possible change of accountability mechanisms in operational practice, I first allocated all answers to the field in question,

i.e., the GBS or PRS field. Within this field, I then identified the respective pole of the accountability relationship, i.e., power wielder or accountability holder. Lastly, I took a closer look at the time period during which the respondent has been working in the respective country, i.e., first or second (and in some cases, even third) generation. This procedure revealed that the mechanisms used by the World Bank for holding recipient governments accountable have changed over time (see Table 4-8).

*Table 4-8: Mechanisms of public accountability used in development practice*

<i>Time</i>	<i>GBS</i>	<i>PRS</i>
1 <sup>st</sup> generation	Delegation-instrumental	Delegation-discretionary
2 <sup>nd</sup> generation	Participation-instrumental	Participation-discretionary

Table 4-8 shows the underlying accountability mechanisms for each field of surrogate accountability over time. While these accountability mechanisms do exist in parallel, given that the World Bank’s aid modalities (i.e., the PRS process and the GBS operations) also function as parallel spaces where domestic stakeholders and external partners interact, the interesting thing is that there has been a general shift in mechanisms used in the World Bank’s operational practice over time. Evidence from the qualitative content analysis indicates a shift from a delegation to a participation model for both aid modalities under the PRS approach. In the following, I will trace this shift in accountability mechanisms within both fields of accountability under the PRS approach (i.e., the PRS and GBS fields) based on the insights given by the interviewed World Bank staff.

**4.5.3.1. PRS field: first generation**

In the first generation, the PRS process was the key to debt relief by the international community. There is wide agreement among the interviewees about this fact. This global initiative came from a broad civil society movement that rallied under various advocacy campaigns at the end of the millennium and not from any donor or the recipient countries themselves. Nevertheless, under the Enhanced HIPC initiative bilateral donors were the driving force, since they wanted to increase the capacity of recipients countries to borrow anew through wiping out the old debts. In turn, the IMF and World Bank made the preparation of a PRSP a requirement for low-income countries to gain access to multi-lateral development assistance. Thus, the PRS process, besides being a requirement for access to debt relief, has been monitored by the international financial institutions as part of their general lending and reporting procedure. In particular, the Joint Staff Assessments (JSAs) written by Bank and Fund staff provided an official “assessment” of the Poverty Reduction Strategy Papers (PRSPs) and Annual Progress Reports (APRs). These staff assessments then were sent to the Boards of the two sister institutions. As required by staff guidelines, every joint assessment of PRSPs and APRs had a paragraph or a section on the participatory process leading to the preparation of these documents. However, this was “not any formal way to track the participatory process” (R10). According to World Bank staff, they

only described but did not qualify the process. Since the Bank had no specific benchmarks for assessing the process, they had “to use own judgment with regard to the degree of participation of the various stakeholders in the process” (R13).

Due to its link with debt relief and the broader Millennium Development Goals, donor commitment to the PRS process was generally very strong. For example, the United Nations Development Program (UNDP) was mentioned quite often by interviewees as a donor who provided a lot of financial support and played a very important role in the preparation of the country documents. The World Bank itself also facilitated the consultation process, but at the same time tried – in contrast to the UNDP and other donors – to keep at an arm’s length by not drafting the PRS document. Facilitation of the PRS process usually meant that the government relied on consultants paid by the international community “to help with whatever was needed” (R5). These external consultants assisted governments, for instance, by showing examples of PRS processes in other countries, because governments often did not know what a PRS process should look like. Interestingly, the use of consultants has varied among borrowing governments. While some governments were not eager to use the money offered by donors and tried to get a lot done by themselves, other governments considered the use of consultants as “free work” (R9) and a way of side-stepping the obligation of following the pay scale in the public sector.

In sum, accountability mechanisms in the PRS field of the first generation are based on a delegation model, where a broad, global civil society movement pressed for a new development approach in return for debt relief. As such, not the citizens in recipient countries, but the citizens in donor countries – organized in a broad global civil society movement – have been the driving force in empowering recipient countries. In turn, governments were seen as discretionary authorities of recipient countries. They were free to use (or not to use) external assistance on the PRS process, which was assessed only *ex post* through donors’ joint reporting on national PRS documents.

#### **4.5.3.2. PRS field: second generation**

In the second generation, the direct link of the PRS process with debt relief under the Enhanced HIPC initiative disappeared. In the past, the PRS process had been monitored by World Bank staff through the writing of Joint Staff Assessments (JSA) on the government’s Annual Progress Reports (APRs). But currently, as emphasized by many interviewed staff, they no longer need to report on the quality of country documents. Since 2004, these documents are only presented to the Boards, that is, they can discuss them, but they do not vote, approve, or endorse them in any form. Moreover, the joint reporting by IMF and World Bank staff has changed in that their “assessments” have been replaced with “advisory notes”, which are no longer a requirement for most cases. The only documents IMF and World Bank staff still are required to do are the Joint Staff Advisory Notes (JSAN) on full-fledged PRSPs or on APRs in case that the country has not yet reached the completion point under the En-



hanced HIPC initiative. This change in staff guideline basically reflects a change in the audience. Not those who are delegating power (i.e., citizens in donor countries), but those who are affected by it (i.e., citizens in recipient countries) have become the relevant public for the World Bank in the second generation of PRSPs. Due to this change in audience, donor reporting to the Boards in the form of JSANs is seen to have become a completely useless task that is “dying its own death” (R6). Although JSANs have become “much more open-read” (R1), they are not used anymore as an instrument to provide guidance to the government on stakeholder participation. Instead, the focus lies on holding big public events inside the recipient country where the government would report on an annual basis to domestic stakeholders and external partners on the degree of success of its national development program. At these public events, which are organized by recipient governments themselves, there is an enormous amount of media presence and participation by civil society. In the second generation of PRSPs, governments are thus not held accountable via donor reports, but through public exposure of their own annual progress reports.

Over time, outside support of the PRS process became less, because recipient governments have internalized the process. As a result, the number of external consultants decreased. In the second generation, the “core structure of government” (R11) is said to have managed most of the PRS process. The fact that more local than external consultants were hired also points to this increase in country capacities. Even in those cases where consultants still have been hired, respondents emphasize that their function has changed. While in the first generation external consultants assisted primarily in producing the externally required PRSPs, in the second generation they have been working more on specific aspects underlying the production of these documents. According to World Bank staff, public officials are “smart enough to know that there is a lot of input that comes from donors in terms of analytical work they can use” (R6) and they thus have “a huge list of things they want the World Bank to do” (R5). Particularly in the area of poverty analysis, the Bank’s “groundwork” is said to underpin any PRSP and is always done. PRS documents may thus be described as written by government officials, but they definitely draw from “information for which there was support of consultants everywhere” (R5).

In sum, accountability mechanisms in the PRS iterations of the second generation are based on a participation model, where citizens in recipient countries have increasingly been involved in the annual review process of the government’s reform agenda. In this context, it is seen as crucial that the national development strategy emerges from domestic struggles and visions and is not imposed by foreign actors. The role of recipient governments in the PRS field also changed. While governments were seen as discretionary authorities of recipient countries in the first generation, they came to be regarded as instrumental agents of their people in the second generation. Notwithstanding that the ability of public officials to manage the PRS process has increased, citizens were also empowered through the opening of the annual review process to domestic stakeholders.

#### ***4.5.3.3. GBS field: first generation***

While World Bank staff do not see themselves as having been (directly) involved in the PRS field, where “the international community” (i.e., citizens from donor countries) for the first generation and “domestic stakeholders” (i.e., citizens from recipient countries) for the second generation are perceived as being the relevant accountability holders, the IMF and World Bank’s role comes clearly into view in the GBS field.

In the first generation, GBS operations were monitored by the international financial institutions as in the past through conditionality – although it is common for World Bank staff to speak of “triggers” and “prior actions” now. For a long time, there has been the rule that the World Bank and the IMF do not duplicate their conditionality. However, the current aid architecture has made the negotiations between donors and recipients of foreign aid “more lengthy and complex” (R6), since triggers and prior actions on general budget support go beyond the World Bank and the IMF’s cross-conditionality. In particular, conditions taken from a joint policy matrix need approval by the government and all its budget partners at the negotiation table, which enforces discipline and external control on donors in the GBS field. The main difference with the Bank’s former structural adjustment lending is that PRSC series focus on and pressurize two to three very important reforms among the eight to ten triggers usually covered in each series. When PRSC lending was introduced, it became “orthodoxy” (R10) inside the World Bank and other donors to focus on a limited number of things they asked the recipient government to do. For their own monitoring, donors negotiated and agreed with governments on a “shortlist” (R9) that was smaller and had fewer things on it than the government had proposed.

Due to its link with conditionality, governments that received general budget support are seen as instrumental agents of those donors that provided funding to the general budget. In the first generation, the World Bank provided technical assistance and funding to their counterparts in the governmental ministries on how to formulate an operational policy framework on poverty reduction. This meant, for example, that the World Bank paid for the PRS unit and the technical staff running the office, that its own staff worked with their counterparts from the core ministries on public expenditure reviews; and that the Bank sponsored a high-level technical mission in Washington inviting the key staff of the PRS unit and the core ministries to discuss PRSP drafts and share good practices with the country team. Technical advice also came in the form of short-term consultants paid by donors to assist recipients in drafting their PRS documents. These short-term consultants assisted the government “task team” (R42) in PRS formulation. They worked “behind the scene” (R36) and were “much more than a simple facilitator” (R13) in that they helped governments to elaborate on their strategies. However, recipient governments not only received external support via consultants for preparing their PRS documents, but they were also instructed directly by donors when they were drafting them. For example, it was

noted that the World Bank and other donors had an impact on the content of the PRS documents by participating in draft validation workshops and commenting on PRS drafts and monitoring indicators.

In sum, first-generation accountability mechanisms in the GBS field are based on a delegation model, where the World Bank and other donors monitor a small number of policy and institutional reforms, which they pressurize in return for general budget support from their side. They exert their power through negotiations with the governments on the donor's shortlist – constrained only through their own commitment to harmonization that forces external discipline and control on them. Recipient governments, and in particular, donors' counterparts in core ministries, are seen as instrumental agents who receive technical advice and funding in the course of the process. However, recipient governments are also instructed at the higher level by donors who are engaging in harmonized policy dialogue and sending formal messages to the domestic authorities on PRS drafts at an early stage of the formulation process.

#### ***4.5.3.4. GBS field: second generation***

As with the second generation in the PRS field, a similar shift has occurred over time inside the GBS field from an accountability mechanism based primarily on the delegation of power (as described in the first generation above) to one that functions via the participation of those affected by this power (in the second generation). Affectedness thereby needs to be understood rather broadly, including not only domestic stakeholders but also external development partners who can be affected by the behavior of recipient governments in the GBS field. In effect, an actual participation trend inside the World Bank could be identified. At the recipient country level, participation by the World Bank moved from short-term consultants financed by the Bank to support the PRS unit; to long-term assistance of the PRS unit by the Bank's own poverty economists; up to "a gradual and general move towards more World Bank presence in the field" (R4). Over time, the decentralization of World Bank activities meant that its staff increasingly became involved in the participatory processes in the recipient countries themselves. For example, it was noted that the GBS operations have been monitored by World Bank staff, which were part of the national decision-making process. Looking inside, the people working on policy-based lending within the World Bank are staff from the Poverty Reduction and Economic Management (PREM) division – usually the economists. As task team leaders, they work on two levels: On the financial level, they lead the budget support operations, and on the policy level, they coordinate and organize the ideas among the different sectors. Together with the economists of the IMF, they are also responsible for writing the JSANs on the government's national development strategy. In doing so, the Fund's economists basically focus on the macroeconomic framework, while the economists from the Bank – in their own words – "do all the rest" (R2), for instance, summarizing all the sector comments provided by the complete country teams. The important point about these documents (which the making of had become a completely useless task, as we have seen above) is that the people

at the World Bank who do the reporting have been involved in the entire PRS formulation and implementation process at the recipient country level and they have been following this process rather closely. Their specialized knowledge is based on the task team leader's own observations and informal discussions with country participants. World Bank respondents who have been involved in the process say that they generally have "a lot of personal sources and in-depth knowledge of the context" (R2) and that they were pretty free to comment on what they thought could "add value through suggesting improvements" (R11). Moreover, World Bank staff increasingly see themselves not as sole principal of their clients, but as one among many development partners on whose knowledge the policy specialists of the government can draw. They participate "just like other donors" (R13) in the ongoing discussion with the government. These discussions are not specifically related to the formulation of PRS documents, but to their implementation through lending operations in the GBS field.

With the rise of political dialogue as the main instrument for holding governments accountable, governments increasingly were seen not as a delegate but as a trustee of domestic stakeholders and external partners. As in the first generation, the World Bank also provided technical assistance and funding to governments in the second generation – but its support came only in conjunction with the broader development community and on government request. As many respondents report, this meant that the World Bank provided background materials and support whenever it was called upon; that the World Bank – in pursuing the goal to reduce poverty – pledged support for any possible demand for technical assistance and funding; and that the World Bank normally would not get too involved in sectoral strategy development unless a certain sector asked for help. In general, World Bank staff emphasize that they let the government take the political lead. This means that the World Bank is not involved in the drafting of the PRS documents in the second generation. Participation by external partners comes at a late stage of the stakeholder consultation process, usually once the draft PRSP was elaborated or even approved. Given the low capacities in recipient countries, the only thing that the World Bank still does is "technical backstopping", as one respondent puts it, "to help them to do it much better" (R14).

In sum, there has been a subtle shift towards accountability mechanisms that follow a participatory logic, by which donors hold governments in the GBS field accountable. Along with this shift in accountability mechanisms, the self-perception of those holding power wielder to account has changed slightly. Whereas in the first generation the international financial institutions saw themselves as principals who monitored the development performance of their clients, in the second generation external development partners would rather focus on being part of the government's own decision-making processes. Recipient governments, in turn, are seen as trustees of those being affected in the second generation, where the World Bank as one among many development partners participates in ongoing political dialogue.

In sum, what this subsection has shown is that power wielders are increasingly held accountable by mechanisms that follow a participatory logic with regard to both surrogate accountability fields under

the PRS approach. From the perspective of World Bank staff, the number of participants increased in both surrogate accountability fields through the inclusion of either more domestic stakeholders in the formulation or more external partners in the implementation stage of the PRS approach. Yet, the role of recipient governments differs in these two fields. While they are increasingly seen as an instrumental agent of their own people in the PRS field, their discretion in the GBS field has increased: here recipient governments were seen more and more as trustees of the broader development community.

## **4.6. Identifying accountability standards**

### **4.6.1. Analytical framework for identifying standards of public accountability**

Given that the strategic rationale of donors for promoting domestic accountability may be hidden behind the technocratic language used by the international financial institutions, the objective of this section is to identify the various normative standards of accountability that underlie the institutionalized surrogate accountability arrangements of the PRS approach. This is done in order to assess whether the goals to be achieved by the World Bank's new aid modalities have actually changed as compared to past practices. The previous two sections have analyzed the strategies and mechanisms for promoting domestic accountability in relation to two surrogate accountability fields in recipient countries. The question that arises is what the actual effects of these accountability arrangements are. However, before we can assess the actual effects we need to know how to judge these effects. In other words, we need to know what the normative standards are that underlie a particular accountability relationship. Accountability standards define the conduct and consequences that follow from an accountability relationship as well as the obligations and rights of the parties involved in this relationship. They thus set the normative content of an accountability relationship.

The assessment of normative standards may be difficult in development practice because aid practitioners may not be aware of these standards or they may not be considering alternatives to those set by their own institution. To gain a clearer picture of the goals the main aid architects have had in mind when they introduced the PRS approach, and then, again, ten years thereafter, this section makes empirical use of an assessment tool developed by Mark Bovens, Thoma Schillemans, and Paul 't Hart (2008). They claim that the existing literature on public accountability is "remarkably light on assessment tools and methods" (Bovens et al. 2008: 230). Yet, a multiplicity of answers to the underlying question about the normative standards appear – albeit implicitly – time and again in the literature. Bovens and colleagues deserve credit for summarizing these scattered pieces of evidence and integrating them into an analytical assessment tool that can be used to "to arrive at a systematic intersubjective

evaluation of a given accountability arrangement” (Bovens et al. 2008: 239). In particular, they suggest assessing public accountability arrangements by analyzing their effects for each phase of the accountability process. Having identified the public spaces and the theoretical models of the institutionalized accountability arrangements under the PRS approach, I now focus on the normative standards by which World Bank staff evaluates the behavior of recipient governments in these surrogate accountability fields. In doing so, I combine the assessment tools of Bovens et al. (2008) with the definition of these standards in the specialized literature on transparency and accountability initiatives in the development context (see Malena et al. 2004; McGee and Gaventa 2013; and O’Neil et al. 2007).

Table 4-9 provides a summary of the analytical framework used to identify the different standards of accountability in order to analyze whether the goals the World Bank has been following under the PRS approach have changed as compared to past practices.

*Table 4-9: Analytical framework for identifying standards of public accountability*

<i>Variables</i>	<i>Values</i>	<i>Indicators</i>	<i>Theoretical background</i>
Effectiveness	Information Debate Judgment	Performance Feedback Lessons	<i>Effectiveness perspective:</i> Information: development partners and key stakeholders informed about government performance Debate: an ongoing, consequential dialogue about performance feedback Judgment: voluntary anticipation and adoption of lessons learned by public executives
Governance	Information Debate Judgment	Power Rules Sanctions	<i>Governance perspective:</i> Information: institutional countervailing powers monitor executive behavior Debate: conform to domestic rules, regulations, and norms Judgment: credible sanctions to punish and deter executive misbehavior
Empowerment	Information Debate Judgment	Rights Interests Incentives	<i>Empowerment perspective:</i> Information: rights-based participation of citizens in political decision-making Debate: in accordance with the needs and interests of those being affected Judgment: significant incentives for government to respect and deepen citizen rights and control of political decisions

Following Bovens et al. (2008), accountability practices may be assessed according to three normative perspectives on the rationale of public accountability. Adapting these three perspectives to the development context, I speak of the effectiveness perspective, the governance perspective, and the empowerment perspective.

First, in the “effectiveness perspective”, efforts aimed at strengthening transparency and accountability around aid should enhance the effectiveness of aid delivery. The basic idea is that accountability ar-

rangements provide donors and recipients of foreign aid “with feedback-based inducements to increase their effectiveness and efficiency” (Bovens et al. 2008: 232). The focus lies very much on achieving desirable development outcomes, most prominently, poverty reduction. To identify this perspective in practice, we may ask first, whether the accountability arrangement in question yields an accurate, timely and clear diagnosis of the executive actors’ development performance; second, whether the accountability arrangement induces ongoing, consequential dialogue among the three key groups in aid delivery – donor community, recipient state and organized society – about performance feedback; and third, whether the accountability arrangement makes executive actors voluntarily anticipate good practices and adopt “the lessons learned from performance feedback and stakeholder dialogue” (Bovens et al. 2008: 232). In sum, accountability arrangements that stimulate public executives and aid agencies to focus consistently on achieving desirable development outcomes are key to the effectiveness perspective.

In the second perspective, what I call the “governance perspective”, initiatives aimed at strengthening transparency and accountability around aid should improve the quality of governance within – and increasingly beyond – the recipient state. The basic idea is that accountability arrangements are essential in order “to withstand the ever-present tendency toward power concentration and abuse of powers in the executive branch” (Bovens et al. 2008: 231). The focus thereby lies heavenly on strengthening the rule of law as well as the democratic process in order “to prevent or at least uncover and redress abuse of public authority and public resources” (Bovens et al. 2008: 232), including foreign aid, on the part of the executive branch of government. To identify whether accountability practices contribute to good governance and procedural democracy within recipient countries, we may ask, first, whether the institutional countervailing power that monitors executive behavior has enough investigative powers and information-processing capacities to credibly check executive behavior; second, whether the debate between the actor and the forum centers on the conformity of executive behavior with domestic rules, regulations and norms; and last but not least, whether the forum that judges executive behavior has enough sanctioning power at its disposal to credibly punish and deter executive misbehavior (Bovens et al. 2008: 231). In sum, central to the governance perspective is “the extent to which an accountability arrangement curtails the abuse of executive power and privilege” (Bovens et al. 2008: 231).

A third perspective has been called the “empowerment perspective” because strengthening transparency and accountability around aid should empower the people of recipient countries, particularly the disadvantaged and vulnerable groups in society. At the center of this logic of accountability is that public accountability arrangements legitimize government actions by including all those being significantly affected by them in the process of discussion and decision-making. The focus thereby lies very much on building an enabling environment, consistent with agreed international rights and fundamental freedoms, so as citizens can assume an active role in the policy dialogue with their governments.

Questions to identify this perspective include, first, whether citizens and their representatives have the right to be informed about the conduct of those who make the political decisions and the social consequences of that conduct; second, whether the debates between the accountability forum and the actor concentrate on the accordance of these decisions with the needs and interests of national citizens; and third, whether the judgment by the forum provides sufficient incentives for political decision-makers to respect and deepen citizens' rights and control of political decisions (Bovens et al. 2008: 231). In sum, what matters, in the end, is whether an accountability arrangement gives all citizens and their representatives the right to participate equally in policy formulation and implementation (Bovens 2008: 238).

#### **4.6.2. Accountability standards: normative rationales used by aid practitioners**

The focus of this subsection is on the normative standards of accountability that provide a rationale for the World Bank's effort at promoting transparency and accountability around their assistance. In particular, it analyzes – based on the three perspectives outlined above – the perceived impact of the World Bank's intervention under the PRS approach and the recommendations that have been given in this regard by the interviewed World Bank staff. Assuming that political goals do not figure on their institution's development agenda, World Bank staff were asked directly whether they think that their assistance has had a direct impact on good governance and/or democratization in their countries during the last decade. Based on their experience, the follow-up question was which recommendations the World Bank and the IMF can draw from this experience in terms of increasing country ownership of the national development strategy (see Annex 4-2, questions 6.3. and 6.5).

Combined results to these two questions are presented in Table 4-10. This table shows that despite its economic mandate all three perspectives figure in the World Bank's strategic discourse. However, individual assessments of accountability practices and corresponding recommendations do differ strongly. In the following, I will describe these positive and negative appraisals of the PRS approach, which have been grouped according to, first, the normative perspective on public accountability, second, the operational phase of a standard accountability process.



Table 4-10: Recommendations for country ownership according to public accountability standard

<i>Standard</i>	<i>Governance</i>	<i>Effectiveness</i>	<i>Empowerment</i>
<i>Information</i>	<p><i>Forum has enough investigative powers and information-processing capacities to credibly check executive behavior?</i></p> <p>Yes: continue to strengthen domestic financial systems No: strengthen real political checks and balances</p>	<p><i>Forum yields an accurate, timely and clear diagnosis of important dimensions of development actors' performance?</i></p> <p>Yes: share knowledge and advice; strengthen PRS links to the budget No: drop link between PRS and budget operations; align budget support to the country vision instead</p>	<p><i>Forum has the right to claim information from decision-makers about their conduct and the social consequences thereof?</i></p> <p>Yes: continue to account for local circumstances in setting standards No: adhere to the principles of the approach, but put nationals in charge of the process</p>
<i>Debate</i>	<p><i>Interaction concentrates on the conformity of executive behavior with domestic laws and norms?</i></p> <p>Yes: ensure gradual convergence of domestic and external systems; talk with governments about anti-corruption plans No: focus on real priorities in public investment to know where the money is spent</p>	<p><i>Ongoing dialogue with external partners and domestic stakeholders is about performance feedback?</i></p> <p>Yes: reinforce regular monitoring; broaden stakeholder participation No: stop pushing stakeholder participation; support sector strategies that also bring in other partners</p>	<p><i>Discourse centers on the accordance of political decisions with the needs and interests of citizens?</i></p> <p>Yes: support in-country dialogue on development priorities; align the PRS cycle better to political cycle No: do not support a PRS blueprint; pay attention to programs of political parties</p>
<i>Judgment</i>	<p><i>Credible sanctions to punish and deter executive misbehavior?</i></p> <p>Yes: increase donor knowledge; improve donor coordination No: use conditionality again; be selective</p>	<p><i>Voluntary anticipation and adoption of lessons learned from stakeholder dialogue?</i></p> <p>Yes: build technical capacities; let nationals define development priorities No: conduct retrospective; change approach</p>	<p><i>Sufficient incentives to respect the political and civil rights of citizens?</i></p> <p>Yes: promote domestic demand for good governance; support governance reforms with local support No: do not impose ownership requirements</p>

#### 4.6.2.1. The effectiveness perspective

The first perspective focuses on increasing the effectiveness of aid and the question, whether the new aid modalities under the PRS approach stimulate aid intermediaries to focus consistently on achieving desirable development outcomes.

### *Information phase*

Optimists within this perspective claim that the PRS approach has yielded an accurate, timely and clear diagnosis of the government's development performance. In particular, they argue that the international financial institutions' new development approach has introduced a charter of shaping government policies around one specific document. This has facilitated the discussion of development issues because in the past there were just government statements on development, but nothing like a full-fledged national development strategy. To make these national strategies more realistic and to ensure that finances are used efficiently and effectively, optimists recommend that the IMF and World Bank should provide technical assistance and sound economic policy advice to assist governments in designing evidence-based development programs. The international financial institutions should help their country partners to define realistic growth scenarios, to identify trade-offs, and to develop a standard program classification. Above all, it is recommended that the Bank and the Fund work with the government to align national and sector strategies more closely to the budget.

By contrast, pessimists within the effectiveness perspective claim that the PRS approach does not have to yield an accurate, timely and clear diagnosis of the government's development performance. While it has brought some rationalization in terms of preparing and aligning different sector strategies, national poverty reduction strategies have not been seen as essential. Instead, a country's own development vision is seen as more important than the international financial institutions' poverty reduction initiative. Therefore, pessimists recommend that the IMF and World Bank should drop the link between their lending instruments and the national poverty reduction strategies and align their financial support with existing national strategies. Pre-PRS national development plans and long-term country visions should be accepted and supported by international financial institutions if they are viable and well prepared.

### *Debate phase*

With regard to the debate phase, optimists within the effectiveness perspective agree that the PRS approach has enriched and facilitated the dialogue about development performance feedback. In particular, domestic stakeholders are said to participate more in the in the definition of priorities, in the design of policies, and in the methodology of poverty reduction programs than with earlier structural adjustment programs. Moreover, the government is said to be more accountable to citizens and donors, since there is "constant reporting on PRS outcomes" (R9). To improve the dialogue among domestic stakeholders, optimists recommend that external partners should improve the reporting and reinforce the monitoring and evaluation of the content of poverty reduction strategies. Moreover, external partners should keep on emphasizing the need to carry along other domestic stakeholders and support them directly by providing information in due time and engaging in systematic outreach activities. In

the end, greater trust and coordination among all stakeholders will help to define the appropriate path towards poverty reduction.

However, pessimists within the effectiveness perspective counter that the dialogue about development performance feedback has not improved. Quite to the contrary, “interacting with civil society and all of this ownership debate” (R6) is seen to have weakened the way the World Bank works and has not brought any results at the domestic level. While pessimists do not deny that the process of preparing a national development strategy should be participatory and broadly representative of the diverse viewpoints among organized society, they call attention to the fact that there are very few “carrots and sticks” that the World Bank and other partners can use today to force governments to do it. Moreover, they call for more pragmatism among external partners with regard to broad-based consultation processes, because they can become much too expensive very quickly. Since aid delivery has become increasingly ineffective, pessimists thus recommend that the World Bank should stop pushing stakeholder participation and, instead, support sector strategies that also bring other development partners to the negotiation table. In particular, the Bank should pick politically non-contentious, sound sector strategies in areas such as infrastructure, basic health interventions, and nutrition that provide a base for economic growth. It may even be more effective to move external funding to those competing sectors that show more progress on policy reforms and are then rewarded.

### *Judgment phase*

Finally, with regard to the judgment phase, optimists within the effectiveness perspective argue that under the PRS approach development partners voluntarily anticipate and adopt the lessons learned from performance feedback and stakeholder dialogue. For example, optimists argue that there has been a constant learning process at the World Bank that allowed them to reinforce even further the aid modalities available today. Correspondingly, there has been an improvement in aligning national poverty reduction strategies to the MDGs, since recipient governments used the PRS approach as a tool for delivering on its development programs. Optimists cite a broad range of lessons they learned over the past years. One lesson is to find the “government champions” (R5), that is, the key people to get involved in aid delivery because they share with the Bank the poverty reduction objective and want to achieve it in a manner the Bank believes is a good one. In turn, this implies that the Bank should make limited use of external consultants but develop the capacities at the recipient country level. This involves not only building appropriate technical capacities of the national agencies that manage the delivery of aid but also developing national capacities over the medium to long term, “starting with training young people in universities across the world” (R32), because they would then be able to transform their countries’ way of doing business. Another lesson is that the Bank should listen to the go-

vernment and other stakeholders in the country in order to make sure that it supports a process or strategy “that really reflects the priorities of the beneficiaries” (R3).

Pessimists within the effectiveness perspective question that governments are committed to continuous improvement by stakeholder dialogue-induced focus on pro-poor results. They claim that they felt strong resistance of their partners in government who only responded to what the Bank wanted to hear. In their opinion, the PRS approach should be changed. However, since external partners base their assistance on poverty reduction strategies, they think that it is hard to omit these documents. Pessimists thus recommend that the Bank should conduct a retrospective in order to learn whether poverty reduction strategies still hold value today.

In sum, World Bank staff in support of the effectiveness perspective recommend that development partners should help build the technical capacities of domestic stakeholders so they can define their own priorities by their own approaches, while critics of the effectiveness perspective recommended an end to pushing broad-based stakeholder participation, and, instead, to support sector strategies that also bring in other development partners.

#### ***4.6.2.2. The governance perspective***

The second perspective focuses on improving the quality of governance within the recipient state and the question, whether the new aid modalities under the PRS approach curtail the abuse of executive power and privilege.

##### *Information phase*

Optimists within this perspective claim that it is not broad-based consultation of domestic stakeholders, but general budget support by external partners that helped to gather information on executive behavior. In particular, the GBS operations surrounding the PRS approach are said to have added much value to the work of the World Bank, because they helped to put in place new institutions or have strengthened existing ones that address poor governance within recipient countries. The process of providing annual budget supports is perceived to have improved the level of accountability in the management of public resources because within the domestic budget process public oversight institutions were involved “to assert their authority and see themselves in achieving the expected results” (R42). And while their effectiveness remains to be seen, their creation and the fact that there is much greater interest in good governance with the new aid dynamics must be appreciated. Given that the multiplier effect of any small improvement in national systems is actually quite large, optimists within the governance perspective recommend that donors providing general budget support should continue

to work with governments to strengthen these systems, such as building capacities of external audit institutions and improving public financial management.

The pessimists within the governance perspective counter that external efforts for strengthening domestic systems had only a minimal effect on the governance environment because governance issues cannot properly be distinguished from the political process. Many things contribute to good governance in recipient countries and while recipient governments seem to be more accountable to their people, it is questionable if it has something to do with the PRS approach because it is difficult to separate the forces. Moreover, pessimists hold that even if the PRS approach has achieved good economic governance, it surely has not resulted in improved political governance. To strengthen real political checks on executive behavior, pessimists within the governance perspective recommend that stronger institutions need to underpin the PRS approach: involving parliament in the monitoring and approval of the executive's national development strategy.

#### *Debate phase*

With regard to the debate phase, optimists within the governance perspective claim that the interaction between the executive branch of government and those monitoring its behavior has focused a lot on public financial management and oversight, auditing and control. While pro-poor programs and projects by the World Bank existed before, in many recipient countries donors felt the need "to fix the pipes" (R3), that is, the necessity to improve the quality of the national governance system through which their money flows. And even though political issues are not (and cannot be) explicitly targeted due to its mandate, the World Bank has focused much more on resource allocation, accountancy mechanisms and broader governance concerns under its new development approach. In line with this new focus, optimists within the governance perspective recommend that the World Bank should try to talk with the executive branch of government about their management of public resources and their anti-corruption plans. In countries where the PRS approach is the norm, they stress the importance of a "gradual convergence with the domestic political and accountability processes" (R33). If the World Bank succeeds in getting the principles of the approach, like sector alignment, budgeting strategies, monitoring of implementation and results, enshrined into their budget systems, then the PRS approach is not needed anymore.

Again, pessimists within the governance perspective contend that the interaction between the executive branch of government and the donor community has improved the debate on the conformity of actions with principles of good governance. According to them, the influence of the PRS approach was not very visible, because it permeated the governance structures of the recipient state, where enforcement of the rule of law is often weak. Alternatively, pessimists recommend that the World Bank

should focus on decisions for public investments to know where the government actually spends the money.

### *Judgment phase*

Regarding the judgment phase, optimists within the governance perspective affirm that donors were able to exercise credible deterrence vis-à-vis the executive with their GBS operations. In particular, donors providing general budget support have “pushed a lot for transparency, accountability, and good financial management” (R12). Also, the World Bank is getting more and more interested in improving the quality of governance through increasing the accountability around aid. World Bank decisions are increasingly seen to have political consequences and the Bank is more and more mindful of this effect and tries to improve its approach. Optimists thus recommend that the World Bank should deepen its knowledge on governance and accountability in order to adapt to changing circumstances and practices. In addition, they recommend that donors providing budget support should increase their coordination. In particular, they recommend that the IMF should insist more that “governments implement their budgets the way they are written” (R9) and not override their deficits. To have more leverage, it would be useful to have the two sister institutions giving the same message in the sense that both institutions should write the message in their staff reports and then send it to their respective Boards.

By contrast, pessimists within the governance perspective challenge the notion of credible deterrence of budget-supporting donors vis-à-vis recipient governments. According to them, donors have given up their leverage view, as they are trying to build good governance together with their country partners. The World Bank is said to be “a bit schizophrenic” (R6) since it oscillates between leveraging reforms and feeling the pressure to disburse. Pessimists within the governance perspective thus recommend that the World Bank should focus more on its own goals and take up a leveraging view again, such as using policy conditions. The World Bank should also be more selective and prepare for the eventuality where there will be no agreement. This is exactly what ownership implies.

In sum, World Bank staff in support of the governance perspective recommends that the international financial institutions should improve their knowledge and coordination in providing general budget support, while critics of the governance perspective recommend that the World Bank should focus more on what the Bank itself wants to do, and to return to their traditional lending approach.

#### ***4.6.2.3. The empowerment perspective***

The third perspective focuses on strengthening political and civil rights of organized society, and the question, whether the new aid modalities under the PRS approach give all citizens and their representatives the right to participate equally in the political decision-making process.

### *Information phase*

Optimists within this perspective argue that the PRS approach had a modest impact on increasing civil liberties because people are better informed than they used to be and as a result, “scandals are blown out in the public” (R9). In particular, the broad-based consultation of civil society is said to have created a “social infrastructure” (R19) that was not available before, which raised people’s hopes and made them pay more attention. Moreover, it made the national development strategy serve the political cycle. The corresponding recommendation for the World Bank is rather simple: continue to account for local circumstances when setting standards.

In contrast to the optimists, pessimists within the empowerment perspective do not perceive the PRS approach to have increased civil liberties in recipient countries. Its contribution is said to be marginal because degrees of civil liberties came before that with the change of regime. Political and civil rights have not improved or even deteriorated depending on a country’s participation in the PRS approach. Rather, political governance in recipient countries is said to have improved in response to the pressure of donors. Accordingly, pessimists recommend that the World Bank and other donors should adhere to the principles of the approach, but stop driving the process. Country nationals should be put in charge of the process and define their own development priorities by their own development approaches.

### *Debate phase*

With regard to the debate phase, optimists within the empowerment perspective claim that the government’s discourse with the people has improved or is improving. Particularly in countries that were closed, the PRS approach has helped to allow for dialogue between domestic authorities and their constituencies. It has provided more information on pro-poor policies as the basis of this dialogue and has thus strengthened the democratization process in these countries. In other words, it has created a feedback loop to let the government know what kind of policies the people at the local level were interested in and how they saw their implementation. In particular, locally elected representatives were said to have “felt the hot seat” (R9), because people were asked to vote on things within their line of sight, like electricity and water services. According to the optimists, the PRS approach has thus instituted this culture that recipient governments have to deliver instead of waiting for the donors to pay because the electoral rhetoric shows that governments sense that citizens will judge them according to whether things are better. However, optimists are realistic enough to see that citizens are not yet at the point of using their vote to reward or punish policy, because “democratization is kind of a hard thing to put together in many places” (R9). Optimists within the empowerment perspective recommend that external actors should support the policy dialogue in the country and try to figure out how to make the PRS process more participative, since recipient countries may have different forms of political exclusion. In addition, they recommend aligning the PRS process to the national political cycle.

By contrast, pessimists within the empowerment perspective do not perceive that the government's discourse with the people has improved in terms of focusing on their needs and interests. Rather, governments or people within the government are said to follow their own agenda. In order to increase their standing in the world, they were more interested in "majoring progress in improving the MDGs than in accounting to anybody" (R13). Due to peer pressure, the PRS approach thus may have increased governments' efforts at increasing transparency, but not their accountability towards domestic constituencies. The only way out is seen in discontinuing the PRS approach. Pessimists argue that while a government in an authoritarian country can enact a blueprint for development, these are empty documents because citizens have no mechanisms to hold the government accountable to its own strategy. Pessimists thus recommend stopping pushing PRS blueprints, because the World Bank cannot have a policy framework that it can sell to everybody. As an alternative, pessimists suggest that the World Bank and other donors should pay more attention to the ruling party's program – while respecting opposition's demands to the greatest degree possible – when setting out their strategic direction and embarking on new projects.

### *Judgment phase*

Regarding the judgment phase, optimists argue that the PRS approach can provide incentives for national decision-makers to respect and deepen citizens' rights and their control of political decisions. While the domestic context is clearly most influential, external actors can play a catalytical role at best. Particularly when aligned to the domestic context, donors can help to contribute to good governance in recipient countries. The most promising channel is seen in strengthening domestic demand for good governance. However, the World Bank should not be "naïve in thinking that only the PRS process will bring about change" (R26), but it should actively promote the demand side of governance through transparency and support of political reforms for which there is local support. For example, many respondents report that the PRS approach had an indirect positive influence on good governance through its promotion of ongoing decentralization reforms.

Pessimists within the empowerment perspective rather perceive the opposite to be true. According to them, democratization and good governance are all domestically determined. There is nothing that donors or the international community can do to influence political processes from the outside. Democracy is a "local dish" (R31) and demands its own narrative to be sustainable. Moreover, pessimists within this perspective are not aware that the PRS process should or could be linked to democratic transitions in recipient countries. They highly doubt the PRS process has this transformative potential. Consequently, pessimists recommend not making civic participation in the preparation of a PRSP a donor requirement. A voluntary approach towards citizen inclusion in national decision-making would be better because the compulsory participatory process created incentives for autocratic governments



to do a “wrong kind of consultation” (R10). While it probably had been a mistake on part of the international community to insist on the participatory process, a voluntary participatory process would at least give clear signals to donors about the government’s intent to be responsive to its citizens. In general, however, pessimists hold that the international financial institutions can do “very little in terms of increasing country ownership” (R16) because their mandate is limited to economic issues, but ownership is a political issue that has to be sorted out domestically.

In sum, World Bank staff in support of the empowerment perspective recommends that the World Bank should continue to promote the demand side of governance but only if there is also local support, while critics of the empowerment perspective recommend that the Bank should adhere to the principles of the PRS approach but not impose them on recipient countries.

**4.6.3. The transformative potential of the PRS approach**

The focus of this subsection is on the transformative potential that may underlie the World Bank’s new development approach. In particular, it analyzes the relative importance of the goals that follow from these normative perspectives in different country contexts and ten years after the PRS approach has been introduced. In the following analysis, it will be shown that, parallel to the tension of the PRS approach, its potential also lies at the interfaces of spaces where domestic stakeholders and external partners interact, and their embeddedness in the broader field of democratic accountability in recipient countries. The analysis is based on information provided by the answers to two questions that concentrate on the normative content of the PRS approach. First, World Bank staff was asked whether they would say that the PRS approach is more successful in achieving good governance in countries with a higher or, rather, with a lower starting level of democracy and/or sophistication of institutions. Given that the PRS approach has been implemented now for more than ten years, World Bank staff was further asked whether they think that the PRS approach still holds value for the IMF and World Bank or whether they think that it needs to be changed (see Annex 4-2, questions 6.2. and 6.4.).

Table 4-11 presents aggregate numbers with regard to the transformative potential, respectively value seen by World Bank staff ten years after the PRS approach made its entrance in the global aid architecture (question 6.4.).

*Table 4-11: Potential of the PRS approach in recipient countries*

<i>Potential</i>	<i>DEM-GBS</i>	<i>GBS-PRS</i>	<i>PRS-DEM</i>	<i>Number of responses</i>	<i>Percentage of total</i>
Yes	11	23	6	40	80%
No	3	5	2	10	20%
Total	14	28	8	50	100%

Note: N=50; 6 missing; 4 respondents without reason-giving; 3 respondents with a change in value at one interface; 5 respondents with value at two interfaces, and 1 respondent with value at three interfaces, number of responses is thus 50.

Results show that a clear majority of the interviewed World Bank staff (80%) still see value in the PRS approach based on their experience of the first ten years of formulating and implementing national poverty reduction strategies. Furthermore, the interplay of different accountability fields is not only where the tension are but also where the potential of the PRS approach lies, namely in a country-owned poverty reduction strategy that also serves as basis to forge development partnerships (PRS-GBS); in a government-controlled domestic budget process that is also externally monitored (DEM-GBS); and in a rights-based development approach that is increasingly being claimed by a nascent civil society (PRS-DEM).

In contrast to the subsection before, which described three distinct normative perspectives held by World Bank staff to promote transparency and accountability around development assistance, this subsection focuses on the particular goals of the PRS approach that are derived from these three perspectives and on the conditions under which these goals could be achieved. In the following, I will analyze these goals and conditions based on evidence from the World Bank experts.

#### ***4.6.2.1. GBS-PRS field potential***

In line with the institutional view of the World Bank, the majority of the interviewed staff (28 respondents) sees the primary goal of the PRS approach in reducing poverty and promoting growth in developing countries.

According to the advocates of the new development approach, the key value of the PRS approach is that it has strengthened the pro-poor focus of the World Bank's development efforts. One respondent puts it as follows:

*"It is critical for countries to have a development strategy, and to know how they intend to reduce poverty. It is not important what the document is called. What important is that it should be a viable strategy and have good buy-in within the country." (R30)*

Developing countries need to have an integrated strategy to address the challenges of underdevelopment, especially if they depend on external assistance. PRSPs provide the first point of reference for the IMF and World Bank to discuss with the government what they are going to support within the national development strategy. They thus provide the basis to forge partnerships with development partners. More specifically, respondents value that PRSPs and their underlying principles have shifted the focus towards the poor and the provision of basic social services, because, with PRSPs, domestic stakeholders participate more in the definition of the objective, the policy, and the methodology than with the former structural adjustment programs. World Bank support is said to have changed in terms of strengthening results-orientation and internal consensus-seeking regarding the long-term development. However, it is crucial that the government also uses the PRSP as a development tool. According

to the majority of World Bank staff, these documents possess value only if the government is committed to achieving results under the PRS approach and does not hold itself accountable to any other plan. Success of the PRS approach thus depends ultimately on government leadership and what the governments make out of it (with GBS-PRS potential: R1, R3, R4, R5, R9, R10, R11, R13, R14, R16, R19, R26, R27, R29, R30, R32, R34, R37, R41, R43, R44, R45, and R46).

By contrast, critics of the PRS approach that refer to the poverty reduction goal claim that poverty is still a challenge on the African continent and more effort is needed by development partners for eradicating poverty in all its forms everywhere. These critics argue that the main problem is that the World Bank has been very ideological on the PRS approach, as opposed to its pragmatic approach with former structural adjustment lending. PRSPs are not as essential as some people within the World Bank believe (or wanted to believe) because poverty reduction has been a goal that was externally imposed, but did not figure among the countries' own development priorities. Moreover, PRSPs may look good on paper, but they are not very useful for the Bank to identify areas to support. Preparing a national strategy for reducing poverty means making choices, but PRSPs do not make choices. Due to the internal consensus-seeking process, PRSPs are relatively general and vague and politically acceptable, but not very contentious or disciplining or prioritized. While the PRS approach used to be strong, given its pro-poor focus and financial leverage, critics hold that it is becoming weaker now. The PRS approach thus needs to change in order to be adapted to a changing world where global interaction plays a very significant role (without GBS-PRS potential: R6, R12, R27, R31, and R42).

Bringing these two perspectives together, we can look at the conditions under which the goal of poverty reduction may be achieved. Advocates and critics agree that the PRS approach is more successful in countries with higher levels of democracy and matured institutions at the start of the PRS process because democratic institutions and processes create the right conditions for developing a sound PRSP and implementing it effectively. The government is more accountable to the poor when people are able to vote and level power, which in turn causes better monitoring of the implementation of pro-poor policies. However, as a reference document for donors, the elaboration of a PRSP is not seen to be dependent on the type of political regime. The process of preparing a national poverty reduction strategy and implementing pro-poor policies can be also very efficient in autocratic regimes that do not allow for any stakeholder participation in national decision-making. It does not need a democratically elected government per se to implement the PRS approach. Rather, PRSPs can play a useful role in both country contexts. While PRSPs cannot replace democracy, they are said: "to blossom in a democratic setting" (R14). By contrast, in countries with dysfunctional institutions, PRSPs can help to build a national consensus around a policy agenda, which will help in framing donor intervention. More important than the political regime are the technical capacities available in a country. Advocates of the PRS approach thus argue that there is no need to change the approach but to improve the PRSPs in

terms of their realism, their presentation, and their link to poverty reduction lending. The national development strategy should be viable in order to achieve poverty reduction.

#### **4.6.2.2. DEM-GBS field potential**

Beyond poverty reduction, a second goal of the PRS approach that is often wrapped in financial terms is to strengthen the democratic process in recipient countries. This goal was mentioned by only half as many respondents who referred to the economic goal dimension of the PRS approach (14).

According to the advocates of the political goal dimension, the PRS approach still holds value ten years after its introduction, because today the international financial institutions are essentially supporting the government's own budget process and domestic accountability institutions. The important innovation that had a substantial impact is that the donor community told the government to get all sectors together, to formulate a national development strategy, to link this strategy with the general budget, and that then donors would directly support and monitor budget execution. The following quote is typical for the political agenda related to the domestic budget process:

*"It is the budget process, that is in a sense the beginning of a serious discussion of the budget as a national instrument of economic policy. Depending on the level of democracy or participation within the country, this means that everyone – through the parliament – gets inside or gets at least to be involved in how the money is spent." (R8)*

In particular, GBS operations are breaking with past aid practices. Before, both line ministries and donors felt much more comfortable in dealing directly with each other. It was easier for line ministries to go directly to donor agencies for funding and get an own sort of budget support arrangement. But as a result, this bilateral way of delivering aid bypassed all domestic accountability institutions at the recipient country level. Today, all donors sit around a table with the government at big conferences where they deliberate and coordinate their general budget support. Line ministries, in turn, are told that they need to go to the Ministry of Finance, and to the Cabinet, and to the Parliament, or whatever institution is there, and actually jump into the fight and debate their own budgets. This is "sometimes ugly, sometimes painful, but *that's* the democratic process" (R8). Opening the national budget process to outsiders is by far the most important initiative for these countries, because one project will make no difference, but changing the budget process in recipient countries does, because governments have complete ownership over their budgets, for better or for worse (with DEM-GBS potential: R4, R5, R6, R7, R8, R9, R11, R12, R15, R35, and R36).

By contrast, those respondents who do not perceive the PRS approach as having strengthened democratic institutions and processes, argue that originally, when PRSCs were designed, there was the belief that these are effective aid or assistance tools to execute the PRSPs and thereby strengthen domes-

tic political systems given the quality of public financial management. But today, PRSCs have become “a machine” (R12) which is, once institutionalized, difficult to stop. Donors have forgotten why they have exactly supported domestic budgets in the first place. Today, general budget support is only a nice way for donors to disburse vast amounts of money. Looked at from the recipient side, PRSCs have become “entitlements” (R38) prompting little impetus on policy and institutional reforms. These critics thus see no value anymore in this type of donor assistance tool (without DEM-GBS potential: R12, R38, and R39).

Critics and advocates of the political goal dimension agree that donors’ use of the instrument is crucial for its success. In particular, they argue that external forces definitely can have an impact, especially in highly aid-dependent countries with stable institutions and a long-standing relationship with the World Bank. In such an environment, multi-donor general budget support is surely more effective. But its impact is probably higher in countries, where there is a lower level of democracy. General budget support should thus be given first and foremost to countries with weak institutions and bad governance because it comes with many efforts to improve the system. While advocates argue that the PRS approach is more needed in countries starting with a low level of democracy, because even a dictator should be held accountable, critics put it the other way round in saying that the PRS approach is rather useless in any country with any kind of elections, because the ruling party has its own program for which it is held accountable by the electorate.

#### ***4.6.2.3. PRS-DEM field potential***

A final goal of the PRS approach that appeared inherently in the answers of the smallest fraction of the interviewed World Bank staff (8 respondents) is to deepen democratic rights and practices in recipient countries.

The compulsory participatory process is crucial to this perspective, as the following quote shows:

*“So, what I found was that the PRSP process had more important benefits than the actual PRSP, which is very difficult to do anyway. I mean, it is very hard for any country writing, basically, a blueprint for the next four years for development. But the process itself had all these important benefits, like being more open [...] and transparent, and actually giving information and showing what the trade-offs are and how decisions are made.”*

*(R2)*

According to the advocates within this perspective, the participatory process holds value in itself in terms of empowering domestic constituencies. Particularly in the first-generation of PRSPs, interviewees report that they have witnessed a fascinating process with the result that they became actual converts of the whole approach. In countries that have been relatively closed historically, the PRS process

is said to have had important benefits like opening a “window of opportunity” (R2) for civil society to participate and for government to be more open and transparent in its policy-making. In particular, the change in donor reporting from joint assessments to advisory notes written by Bank and Fund staff reflects this change in audience towards citizens in recipient countries (with PRS-DEM potential: R2, R5, R18, R20, R21, and R33).

By contrast, those respondents who do not perceive the PRS approach as having strengthened democratic rights and practices claim that the PRS approach is dated and its value eroding. While they acknowledge that there used to be a positive value in the first rounds of PRSPs, with the second rounds, the participatory process become degenerate. In its present form, the PRS approach brings little added value “as long as it remains a requirement for the Bank and the Fund” (R17). Aid-dependent countries are preparing their PRSPs only because the internal financial institutions are insisting on it. But civil society participation is not truly home-grown, and is not claimed by domestic constituencies. Donors are driving the process, as shown by all the money that is wasted on the preparation of PRSPs (without PRS-DEM potential: R2 and R17).

Advocates and critics of the PRS approach agree that the value of the PRS approach depends on the political regime. On the one hand, advocates assume that in less democratic countries there could be a demonstration effect by the PRS approach. If the participatory process is done well and genuinely, it could have a positive impact on the government to be more responsive to the needs and interests of its citizens. On the other hand, critics tend to think that in already highly democratic countries, an entirely donor-driven participatory process could have a counterproductive effect. However, both groups generally agree that it is not clear whether it can have an impact at all.

To sum it up, the transformative potential of the PRS approach lies at the interfaces of different accountability forums, encouraging (or impeding) domestic efforts aimed at achieving poverty reduction, procedural and/or substantive forms of democracy. While critics affirm that the approach has generally lost value over time, advocates, in turn, counter that the potential of the PRS approach can – depending on specific goal dimension – be especially valuable in high-capacity countries (poverty reduction), in aid-dependent countries (procedural democracy) and/or non-democratic countries (substantive democracy).

## 4.7. Discussion

The question this chapter wanted to answer was *if and how the Poverty Reduction Strategy approach has changed the relations between donors and recipients of foreign aid as compared to earlier development efforts.*

Previous research approached this question from an economic perspective derived from the official goal of reducing poverty in developing countries. While sympathetic insiders claimed that aid relations have changed in terms of strengthening recipient government's responsibility to its citizens, critics counter that this change has not been to the benefit of the impoverished populations in the developing world (see Hickey and Mohan 2008; Komives 2011; Malena et al. 2004; Winters 2010; World Bank and GTZ 2008; World Bank and IMF 2005). Through using the concept of surrogate accountability as an analytical lens, this chapter has provided a more comprehensive and democratic understanding of accountability than the previous concept that has shaped scholarly debate and development practice. It has not focused on assessing the pro-poor impact of the aid modalities under the PRS approach, but rather on understanding the new aid-accountability dynamics from a more political perspective.

Given that many of these new dynamics are hidden from the public eye, empirical evidence of this chapter has been based on the expert knowledge and subjective experiences of those being directly involved in the new aid practices. More specifically, insights have been derived from people at the African Region Department of the World Bank who shared their knowledge on how they perceived aid delivery under the PRS approach and whether World Bank's operational procedures have changed as compared to past aid practices. Using interview and survey data from a sample of 50 World Bank experts who have worked in 20 African countries with second-generation poverty reduction strategies, the qualitative analysis of this data has offered general and comparative evidence on the World Bank's strategic discourse, but also on its changing operational practice under the PRS approach. In particular, aid relationships between the Bank and borrowing countries were found to have changed in three different ways.

First, the qualitative analysis was able to show that when the PRS approach was introduced, the World Bank followed a direct strategy based on the use of positive and negative incentives for building the capacities of social and administrative accountability forums at the recipient country level. However, as a way of reducing the tension between surrogate and democratic accountability demands, the Bank increasingly used a more indirect strategy based on a mix of technical support and political dialogue aimed at strengthening the answerability of recipient governments within the domestic electoral and political arena. This finding speaks directly to previous research on social accountability mechanisms as a means of securing the interests of the poor beneficiaries and of those who claim to speak in their name (see Malena et al. 2004; Komives 2011). Both, sympathetic insiders and critical outsiders, have not looked beyond the compulsory participatory process in aid-receiving countries that has institution-

alized an accountability arrangement giving citizens (especially poor citizens) voice to directly demand greater responsiveness from service providers, but that has also provided an opportunity for civil society organizations to access resources and thereby secure their own organizational interests. Neither the “PRSP derivatives” (GTZ 2005: 15) for implementing national poverty reduction strategies nor their interplay with existing domestic accountability mechanisms have been considered by these scholars in the cited literature. By contrast, findings from this chapter suggest that different spaces or fields of accountability co-exist under the PRS approach and that their interaction causes tension in development practice. World Bank staff indicate that they felt contradictions under the PRS approach at the interface between the formulation and the implementation of the national poverty reduction strategy (PRS-GBS); also, at the interface between the domestic budget process and the harmonization and alignment of external operations in support of domestic budgets (DEM-GBS), and finally, at the interface between the externally-induced poverty reduction strategy cycle and the domestically-driven electoral cycle (PRS-DEM). As a way of reducing this tension, the Bank increasingly used a more indirect strategy based on a mix of technical support and political dialogue aimed at strengthening the answerability of recipient governments within electoral and political arenas at the recipient country level.

A second result from the qualitative analysis is that this shift in strategic orientation went along with the introduction of increased participatory mechanisms for holding recipient governments accountable. While a broad range of theoretical models of democratic accountability is simultaneously used in the Bank’s strategic discourse to legitimize accountability arrangements surrounding aid, the analysis found that over time, the operational practice moved from the delegation logic inherent to traditional aid delivery to broad-based participation of domestic stakeholders *and* external partners in the governance of aid. This result may be compared with those internal reviews and outside critics that use the notion of mutual accountability to describe the PRS approach from an aid effectiveness perspective (see World Bank and IMF 2005; Winters 2010). While the international financial institutions claim that there is no inherent tension between domestic and external demands for better financial management and results-oriented performance, critics do not see much change in the current aid architecture as donors’ own accountability towards governments and end users in recipient countries has not changed. Echoing the findings of the internal reviews, critics often adopt the language of the international financial institutions as well. Unlike these earlier reviews of the PRS approach, this chapter has tried to go beyond the rhetoric of mutual accountability and has focused on the practical mechanisms by which development actors hold each other accountable. In particular, it showed that in the first iteration of the approach, in which public accountability was based on a delegation model, the particular accountability mechanisms granted legitimacy to donors for letting recipient governments define their own development priorities while being instrumental for recipient governments in reducing the number of conditions on multi-donor budget support. Over time, however, the legitimacy function changed. With the second iteration of the approach, in which public accountability in the PRS field



was based more on a participation model, the specific accountability mechanisms granted legitimacy to recipient governments for taking the interests of local populations into account, while they became instrumental for donors in allowing them to participate in national policy-making.

Finally, qualitative results also showed that the goals to be achieved by the World Bank's new aid modalities were found to have changed as compared to past aid practices. Today, development assistance by the World Bank is evaluated primarily on basis of its contribution to reducing poverty in a developing country. However, by analyzing the perceived impact and recommendations related to particular phases of the surrogate accountability process, the more hidden democratic agenda comes into view. Beyond poverty, the analysis showed that the new aid practices also serve to strengthen the democratic process and citizens rights in developing countries through improving the quality of governance institutions and deepening democratic practices. This final result may be compared with previous research on general budget support and the role donors have played in internal accountability systems of recipient states (World Bank and GTZ 2008; Hickey and Mohan 2008). While sympathetic insiders argue that general budget support provides the necessary incentives at the operational level of public administration for a recipient state to be accountable to its citizens, outside critics contend that the lines of accountability between governments and citizens have become blurred and confused through donors who are directly supporting the general budget. Empirical evidence of the last part of the qualitative analysis shows the necessity to clearly separate between normative standards and institutionalized arrangements of accountability. While both insiders and outsiders describe the same institutionalized arrangement within recipient states, they may evaluate these arrangements according to different normative perspectives – but this is often not made explicit. In general, previous reviews took the economic goal dimension as a benchmark for evaluating the new development approach. By contrast, this research revealed the more hidden democratic agenda underlying the PRS approach. In particular, the qualitative analysis showed that the interplay of different accountability fields at the recipient country level is not only where the tension, but also where the potential of the PRS approach lie, namely in a country-owned poverty reduction strategy that also serve as basis to forge development partnerships (PRS-GBS); in a government-controlled domestic budget process that is also externally monitored (DEM-GBS); and in a rights-based development approach that is increasingly being claimed by a nascent civil society (PRS-DEM). Among these three interfaces, the last two interfaces clearly aim at strengthening democratization processes in recipient countries.

In sum, results from the empirical analysis suggest that the transformative potential of the PRS approach is not related to one specific aid modality, but lies at the interfaces between different aid modalities and national political systems. The two central aid modalities of the PRS approach represent different fields of accountability where donors may act as surrogates of citizens in holding governments accountable. Correspondingly, there is not one strategy or one mechanism or one goal, but different strategies and different mechanisms and different goals that the IMF and World Bank have used

for demanding accountability from aid recipient. These fields where donors hold recipient governments accountable are embedded within broader domestic accountability systems where accountability runs both vertically and horizontally between the recipient state and organized society. Depending on the specific interaction of the surrogate accountability process with the standard accountability process in recipient countries, the democratic potential of the PRS approach may thus differ.

Based on these insights from the inner circle of the PRS approach, the next chapter will assess the impact of different types of multilateral development assistance on democratization processes in recipient countries.

## 5. Development practice II: impact on democratization?<sup>69</sup>

### 5.1. Introduction

For decades, the IMF and World Bank have provided large volumes of foreign aid for implementing a specific set of policy reforms aimed at modifying the economy in developing countries. These economic policies were often forced on recipient governments without taking the needs and interests of the affected populations into account (Przeworski 1991: 182-183). However, the way how the IFIs deliver aid to developing countries has fundamentally changed with the introduction of the PRS approach. The reform agenda is not imposed from the outside anymore but is derived from a broad-based participatory process within recipient countries themselves, by which domestic stakeholders define their own development priorities. Furthermore, aid modalities do not bypass democratic institutions and procedures. General budget support is viewed as an important aid coordination and harmonization device that builds on and reinforces domestic accountability systems (de Renzio 2006: 629; Driscoll, Christiansen and Booth 2005: 34). Given that the new aid modalities rely on country systems and procedures, the question this chapter wants to answer is, *whether and under which conditions this new type of aid, as opposed to other types of IMF and World Bank support, has made any meaningful difference in terms of strengthening democracy in recipient countries.*

International development aid has many important benefits such as providing goods and services to impoverished populations. However, development resources can also be problematic when they create cash flows that autocratic rulers find easy to appropriate for their own purposes (Bader and Faust 2014; Boone 1996; Kosack and Tobin 2006). Taking an explicit “democratic accountability” perspective, this chapter proposes that the fundamental problem with foreign aid is that poor people, or the *demos*, in unstable and/or autocratic countries are often too weak to hold their governments accountable. They lack the capacity to sanction their rulers in case of poor performance. If democratic accountability in recipient countries does not work, then donors who seek to strengthen popular control in recipient countries have two options. They may either directly empower democratic accountability holders in order that they achieve the capacity to sanction their governments themselves or they may sanction recipient governments on behalf of the original accountability holders in surrogate accountability forums (Rubenstein 2007: 624).

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<sup>69</sup> A shorter version of this chapter has been published as “Aid Modalities Matter: The Impact of Different World Bank and IMF Programs on Democratization in Developing Countries”, in *International Studies Quarterly* 60 (3): 427-439 (Sophia Limpach, together with Kassandra Birchler and Katharina Michaelowa). For the sake of consistency, plural verb forms concerning this publication have been replaced with singular forms, notably in the sections on data and operationalization (5.5.), research design (5.6.), and the first part of the statistical analysis on the general impact of different aid types on democratization (5.7.1 and 5.7.2.).

Recent field experiments in developing countries confirm that donor strategies aimed at enhancing the transparency of public policy and providing opportunities for public scrutiny can have substantial effects on political behavior (for an overview, see Humphreys and Weinstein 2009). Those studies find, for instance, that the threat of an audit reduces corruption (Olken 2007), and that citizen oversight has a powerful effect on the quality of local health-care delivery (Bjorkman and Svensson 2009). These findings suggest that when more information on politicians' performance is available (e.g., relative to neighbouring communities), and also when voters' knowledge of standards for evaluating local politicians' performance improves (e.g., through information about budget size and mandated responsibilities), citizens are indeed more likely to sanction poor-performing officials on election dates and, as a result, politicians' performance in fear of electoral sanctioning improves (Gottlieb 2016; Grossman and Michelitch 2018).

An alternative strategy is that donors – as a surrogate – substitute for democratic accountability holders in one or several phases of the accountability process: setting standards, collecting information, going into the debate, and most importantly, passing judgment followed by sanctions (Rubenstein 2007: 621-622). Given that sanctions are the weakest link under conditions of extreme inequality that are typical for many aid-receiving countries, the role of donors is most important in the last phase. International financial institutions sanction recipient governments by attaching conditions to the development resources they provide. Defined as “a mutual arrangement by which a government takes, or promises to take, certain policy actions, in support of which an international financial institution or other agency will provide specified amounts of financial assistance” (Killick 1998: 6), aid conditionality mainly serves as a sanctioning device in surrogate accountability forums where domestic stakeholders and external partners interact. Like the power of elections in the domestic realm, the power of conditionality as a sanctioning device may stem both from its actual use (‘corrective effect’) and from the belief that it might be used (‘deterrent effect’).

In this chapter, I take insights from the mutual accountability and global governance literature, and introduce both into the aid and democratization literature. Regarding the latter, I extend a recent trend in the aid and democratization literature that adopts a more nuanced approach than that of prior scholarship. It includes going beyond a general assessment of the actual impact of aid by differentiating between different institutional and political contexts on both sides of the relationship (see, e.g., Beazer and Woo 2016; Dietrich and Wright 2015; Marchesi and Sabani 2014). Regarding the former, I build on preliminary research on mutual accountability showing that aid intermediaries hold each other accountable either for the content of aid or the process of delivering aid (see Steer et al. 2009). I also build on the distinction between standard and surrogate accountability in the global governance literature (Rubenstein 2007). As a concept, surrogate accountability differs from mutual accountability in that it recognizes the primacy of domestic accountability holders in the governance of aid and thus perceives accountability arrangements around aid from a more democratic perspective.

In line with these strands of the literature, I do not treat all aid-giving as the same but distinguish between different aid types, characterized by different strategies and modalities concerning democratic accountability. I argue that the impact of development aid on democratization in recipient countries is depending on the political context and the specific targets of the intervention strategy. I also argue that aid modalities can themselves influence relevant institutional and political settings at the recipient country level. Jointly, these characteristics of aid imply greater responsibility on the part of the donors who substitute for citizens during one or more phases of the standard accountability process.

Whether donors can credibly fulfill this role as sanctioning authority on behalf of citizens in aid-receiving countries depends on their power vis-à-vis recipient governments. Among all donors, the IMF and World Bank probably possess the highest leverage. Both are large donors, and their assistance often comes with specific conditions that, despite statutory prohibition of political interference, entail strong political consequences for recipient nations (see Killick 1995). Since they also serve as role models for many bilateral donors, their influence may even extend beyond the effect of the international financial institutions' own resources.

Given the broad range of lending instruments specifically available to them for fulfilling their role as surrogate accountability holder, I also expect some variation in the impact of their development assistance on democratization in recipient countries. Those aid types that strategically engage or at least do not bypass democratic accountability holders in the development process should positively affect democratization in recipient countries. In contrast, those aid types that actively undermine or simply neglect their authority in defining the content of development strategies should negatively affect democratization. To examine these differences, I sort the different aid activities into four major categories of lending instruments: (i) World Bank investment projects, (ii) IMF stabilization programs, (iii) the IFIs' structural adjustment programs and (iv) their more recent lending programs based on poverty reduction strategies.

Using panel data for a sample of 100 developing countries over a period of 30 years, and controlling for a number of alternative explanations, the statistical analysis offers suggestive, but robust evidence for the impact of development aid on democratization conditional on aid type, recipient regime, and donor coordination. Empirical findings show that among all aid types of IMF and World Bank support, program-based aid under the PRS approach indeed has the strongest impact on democratization in recipient countries since this aid type both targets and respects democratic accountability more than other types of financial support. Furthermore, statistical results emphasize the relevance of the initial level of human rights in recipient countries, if aid is targeted at strengthening citizen empowerment; it could not find a similar effect of the prior level of democracy in recipient countries, if aid is targeted at improving governance quality. Instead, the degree of donor coordination seems central if the purpose is to strengthen democratic accountability in recipient countries. Despite their individual positive effects, poverty reduction programs jointly have a negative effect on the recipient's democratic institu-

tions and procedures, suggesting political costs for recipient countries due to the international financial institutions' failure to coordinate.

This chapter proceeds as follows: It first reviews important contributions of the aid and democratization literature. Next, the theoretical framework and its implications for the relationships between the four different lending types and democratization are presented. The following three sections discuss the data and operationalization of the hypotheses, introduce the econometric estimation strategy, and present the aggregate and disaggregate results. In the last two sections, the statistical results are compared with the practical insights from World Bank experts and discussed in light of the previous research:

## **5.2. Previous research**

Existing research on aid and democratization can be divided into three, partially overlapping, strands: pessimistic, optimistic, and conditional.

Aid pessimists argue that foreign aid has a negative effect on democracy because it makes governments less accountable to their citizens. They assert that foreign aid is similar to other forms of non-tax revenues, particularly oil, and other rents from mineral extraction. Tax revenues usually draw higher levels of public scrutiny and cannot easily be appropriated by the ruling elite. Foreign aid, however, reduces a government's reliance on taxation, thereby replacing a relatively opaque resource flow for a more transparent one (see, e.g., Djankov, Montalvo and Reynal-Querol 2008; Knack 2004; Wright and Winters 2010).

Conversely, aid optimists argue that aid is different from oil and other non-tax revenues. While these scholars generally acknowledge the negative baseline effect of non-tax revenues (including aid) on democratization, they claim that aid agencies can influence the impact of the resource transfer by imposing specific targets and choosing particular tactics that make aid money less vulnerable to appropriation by the state elites than the rents generated from natural resources (Bermeo 2011, 2016; Collier 2006; Dietrich 2013; Dietrich and Wright 2015; Dunning 2004; Goldsmith 2001). In particular, aid specifically intended to improve government accountability and strengthen democratic institutions appears to have a positive effect (Carnegie and Marinov 2017; Finkel, Pérez-Liñán and Seligson 2007; Kalyvitis and Vlachaki 2010; Nielsen and Nielson 2010; Scott and Steele 2011).

Many of these more optimistic studies belong to the conditional strand within the aid and democratization literature. They suggest that the impact of aid on democratization depends on aid type, the recipi-

ent regime, aid-giving by other donors, and the time period allowed for aid to become effective (see Bermeo 2011; Dutta et al. 2013; Kersting and Kilby 2014; Kono and Montinola 2009; Licht 2010; Montinola 2010; Morrison 2007, 2009; Wright 2009). According to these scholars, past research on aid and democracy is flawed because it does not consider the conditions under which aid may have an impact on democracy. In particular, the willingness of the recipient regime to respect internationally agreed human rights and the cooperation among donors themselves stand out in this view. Moreover, timing is perceived as crucial in assessing the effects of aid on democracy.

Analysis of the way how aid interacts with political regimes in recipient countries and the conditions under which aid can be more effective in fostering democracy is particularly relevant for the international financial institutions because these institutions have the power and the means to intervene. First, their leverage capacity is presumably high, because the combination of their considerable resources with their use of conditionality gives the international financial institutions extraordinary power within the donor community at large. Since the IMF and World Bank do not have to bother about competing foreign policy agendas, their conditions are probably “much more extensively and consistently applied” across the developing world than those of bilateral donors (Nelson and Eglinton 1992: 2, 33). In fact, bilateral donors often make financial commitments subject to countries being “on track” with IFI policy reforms, so that IFI interventions can have considerable leverage (Montinola 2010: 358). Second, beyond their use of hard conditionality, the international financial institutions can also use softer means rooted in their sheer size and professionalism. Especially their new roles as “knowledge provider” and “active coordinator” of joint development efforts in recipient countries have enabled them to play a leadership role within the broader donor community (Brown and Fox 1998: 474-475; Kra-marz and Momani 2013: 409; Olsen 2001: 147-148; White and Dijkstra 2003: 3).

The effect of IFI lending on democratization has only been examined in few academic studies, perhaps because of the politically neutral appearance cherished and cultivated by these institutions. Barro and Lee (2005) examine the effect of the IMF’s stabilization programs on a number of different economic and political outcome variables, including democracy. Looking at the development of these variables over a period of five years, they find a small negative effect (Barro and Lee 2005: 1266). In contrast, econometric results by Nelson and Wallace (2005: 22-23) suggest that countries undergoing IMF programs show significantly stronger democratization and an increasingly positive trend over time. Finally, Abouharb and Cingranelli’s (2006, 2007, 2009) pioneering analyses on the impact of IMF and World Bank lending on human rights finds that more prolonged exposure to structural conditionality is positively correlated with procedural democracy. However, it is negatively correlated with a wide range of civil, worker, and human rights that may be associated with substantive democracy. Some additional studies on the impact of the World Bank and the IMF on democratization exist, but they are constrained by more limited data coverage regarding time and geographical focus (Brown 2009; Moore and Scarrit 1990).

This research contributes to the literature by arguing that some of the seemingly contradictory effects observed in the existing studies could be related to specific types of IFI lending. More specifically, I argue that lending types differ in their set-up of surrogate accountability concerning democratic accountability and – in line with the conditional strand in the aid and democratization literature – to political conditions at the donor and recipient side of the aid relationship. Like any accountability arrangement, surrogate accountability arrangements display two characteristics: first, they set normative standards for evaluating the conduct of the power wielder, and second, they provide specific institutionalized mechanisms to hold power wielders accountable for their conduct. If donors act as surrogates of citizens, they hold recipient governments accountable according to specific targets that define their intervention strategy, and they are doing so, within particular aid modalities. If we want to assess the democratic outcomes of foreign aid in recipient countries, we need first to know what the strategic focus and the modalities of a specific aid type are and under which conditions certain intervention strategies are most effective. In the following, I will thus first review how the literature has addressed these issues and then set forth a surrogate accountability framework to analyze the impact of different types of IFI lending on democratization in recipient countries.

### **5.3. Theoretical framework**

#### **5.3.1. Democratic targets**

The political effects of foreign aid may be based on different democratic targets that define donors' intervention strategies. The empirical literature on aid and democracy has generally distinguished between two types of aid: “development aid”, i.e., general development assistance aimed at enhancing economic growth and general welfare, as opposed to “democracy aid”, i.e., targeted democracy assistance aimed at fostering fundamental freedoms and political rights in recipient countries. According to aid pessimists, development aid has no effect or a negative effect on democracy and the quality of governance in recipient countries (Bräutigam and Knack 2004; Knack 2004; Rajan and Subramanian 2007), since it provides state elites with a source of unaccountable revenue similar to or even worse than other non-tax revenues such as oil (Bueno de Mesquita and Smith 2010; Djankov et al. 2008; Morrison 2009). By contrast, aid optimists confine their arguments to democracy aid whose delivery is associated with higher levels of democracy and civil liberties in their research (Finkel et al. 2007; Kalyvitis and Vlachaki 2010; Scott and Steele 2011). It was only with the end of the Cold War and the diminution of geopolitical concerns that this type of political aid realized its full potential (Bermeo 2011; Dunning 2004; Wrights 2009).



Scholars within the conditional strand of the literature suggest that both donor intent and delivery tactics matter. For example, some argue that aid from democratic donors is given with the intent to trigger democratic reforms, while the same is not true for aid from authoritarian donors (Bermeo 2011; Scott and Steele 2011). Others maintain that donors apply different tactics of delivering aid to recipients that may either come with or without the consent of the incumbent government (Dietrich 2013; Dietrich and Wright 2015). Thus, once these scholars take these differences into account, their findings “do not fit neatly with ‘aid curse’ or ‘aid blessing’ labels” (Dietrich and Wright 2015: 232). Moreover, scholars within the conditional strand emphasize the need to disaggregate the dependent variable, since not all democracy aid is the same. To date, most research on aid and democratization estimates the impact of foreign aid on highly abstract, global indices of democracy (or a combination thereof), such as the regime indicator in the Polity database or Freedom House’s ratings of political freedom around the world. However, these broad indices are unable to capture more specific targets of donors’ democracy and governance assistance programs (Dietrich and Wright 2015: 217; Kalyvitis and Vlachaki 2010; 192).

Exploring increasingly fine-grained data, a handful of studies estimate the impact of different types of foreign aid on a variety of democratic outcomes. Once they control for potential selection effects, an interesting picture emerges: Development aid (that comes with the consent of the recipient government) may help to buy democratic reforms that are “largely procedural in nature, such as legalizing opposition parties and holding multiparty elections” (Dietrich and Wright 2015: 217). On the other hand, democracy aid (that comes against the will of the incumbent regime) may have a counterproductive effect on the human rights situation in a country, suggesting that authoritarian regimes facing international pressure “become more zealous and intensify their efforts against the opposition” (Finkel et al. 2007: 434). The impact of democracy aid thus seems to depend on the specific target of this type of intervention strategy, and whether aid is delivered with the consent of recipient governments (donor-to-government) or against the will of the incumbent regime (donor-to-civil society) (Dietrich and Wright 2015: 218; see also Carothers 2009).

The IMF and the World Bank’s financial assistance to borrowing countries is delivered – by design – with the consent of recipient governments. Traditionally, it has come in the form of development aid aimed at promoting economic growth and general welfare. With the general move towards program-based aid modalities in support of country-owned programs, however, multilateral development assistance has also increasingly featured characteristics of democracy aid, for example, by focusing on improving bureaucratic capabilities, enhancing accountability in service delivery, and strengthening national check and balance institutions (World Bank 2006). Especially the delivery of development resources via national budgets is said to have a democratizing effect not only by reducing transaction costs generated by aid management but also by increasing governments’ accountability (Booth and Fritz 2008: 1; de Renzio 2006: 629; Driscoll et al. 2005 34; Meyer and Schulz 2008: 25). However,

whether this new delivery tactic has effectively strengthened democratic accountability in recipient countries has not been considered in the existing empirical literature that shies away from the political goal dimension of programmatic IFI lending.

### **5.3.2. Aid modalities**

Different modalities of aid may themselves have political effects in recipient countries. In an excellent review of the empirical literature, Kersting and Kilby (2014) describe three different roles for aid in the promotion of democracy that differ in their time horizon.

Over the course of decades, aid may act as a general input to democratization (Kersting and Kilby 2014: 126). Foreign aid constitutes an important source of income for many developing countries. With this income, recipient countries can transform the structural conditions of their societies by promoting growth, education and the expansion of civil society. These are key aspects of the modernization account often believed to strengthen democracy in the long term, as discussed in the literature building on the modernization thesis (Boix and Stokes 2003; Epstein et al. 2006; Lipset 1959; Przeworski, Alvarez, Cheibub and Limongi 2000).

Over the short run, aid may act as a specific input to democratization (Kersting and Kilby 2014: 126). By providing technical assistance and funding to activities aimed at strengthening the internal governance and political efficacy of civil society, foreign aid can influence the political environment in recipient countries. For example, aid targeted at public oversight institutions, such as ombudsmen, supreme audit institutions, anticorruption commissions, and the national legislature, may have a direct effect on the quality of governance in recipient regimes. But also aid that is directly targeted at those individuals, social organizations and independent media that challenge the incumbent regime can have a catalytic effect through increasing their ability to engage effectively with state institutions (Carothers 2009: 7; Dietrich and Wright 2015: 217; Kalyvitis and Vlachaki 2010: 189; Finkel et al. 2007: 410).

Finally, aid may act as an incentive for democratization if it is conditioned on democratic reforms (Kersting and Kilby 2014: 126). In this last role, donors use foreign aid to induce the government or elements of civil society to undertake or advocate for democratic reforms. Donor leverage works via political conditions attached to economic aid flows. Unlike the other two roles, aid is not used as an input but as an incentive for democratization. While conditionality may come in the form of positive and negative sanctions, key to this last mechanism is that donors can credibly withhold aid when recipients do not comply with democratic reforms (Dietrich and Wright 2015: 217; Dunning 2004: 412; Kalyvitis and Vlachaki 2010: 189; Kersting and Kilby 2014: 126).

The IMF and World Bank usually attach policy conditions to their financial support. Since they do not have to bother about competing foreign policy agendas, their use of conditionality has been regarded

“as a rough gauge of the maximum potential of the approach” (Nelson and Eglinton 1992: 2, 33). Moreover, the incentive effect is probably large, as their “seal of approval” attracts funding from other sources (Brown and Fox 1998: 474-475). However, prior scholarship on the role of IFI lending as an incentive for policy reform has found “no clear association between the intensity of conditionality and success in implementation of promised reforms” (Santiso 2001b: 9). Multiple reviews of structural adjustment lending in different parts of the World have demonstrated the inability of the IFIs’ traditional form of *ex-ante* conditionality to act as a credible commitment device in having a deterrent effect on aid recipients (see, e.g., Collier 1999; Kahler 1992; Killick 1998; Mosley et al. 1991).

As a result of this critique, a new type of policy conditionality entered the stage of multilateral development assistance. In place of conditions stated *ex-ante*, selective conditionality is only applied *ex post* (thereby, having a corrective effect). The idea behind selective conditionality is that the international financial institutions do not leverage things that the recipient country does not want to do and – if there is still a role to play for conditionality – only the results of these policies and not the instruments themselves are to be assessed (Booth and Fritz 2008: 14). Recent scholarship on the effectiveness of *ex-post* rewards of reforms provides evidence that performance-based aid may succeed where traditional forms of conditionality have failed, but may be rather weak, or even absent, under several circumstances related to both the donor and recipient side (see, e.g., Adam, Chambas, Guillaumont, Guillaumont Jeanneney and Gunning 2004; Beazer and Woo 2016; and Dreher, Öhler and Nunnenkamp 2012).

### **5.3.3. Political context**

Beyond the specific targets and aid modalities of the intervention strategy, the political effect of aid may also be conditional as to the political context on both sides of the aid relationship. On the recipient's side, there is abundant research on the political impact of development aid conditional on the type of recipient regime. A vast literature, highly reliant upon Bueno de Mesquita and colleague’s selectorate theory (Bueno de Mesquita, Smith, Siverson and Morrow 2003) finds that aid improves political leader survival (Bueno de Mesquita and Smith 2010; Kono and Montinola 2009; Licht 2010), thereby stabilizing the incumbent regime (Dutta et al. 2013; Morrison 2007, 2009; Wright 2009). While current aid helps democratic leaders more than autocratic ones to remain in power, accumulated aid helps autocratic leaders more than democratic ones to survive (Kono and Montinola 2009; Licht 2010). The general conclusion that can be drawn from these studies is that foreign aid has an amplification effect, that is, “it makes dictatorships more dictatorial and democracies more democratic” (Dutta, Leeson, and Williamson 2013: 211).

By contrast, selection effects may play a significant role in the allocation of targeted democracy and governance assistance. For instance, Nielson and Nielson (2010) argue that donors engage in “democ-

racy triage”, that is, they target democracy assistance to countries where they believe it works best, what may explain the mostly positive effects of previous studies on democracy aid (Nielsen and Nielson 2010: 3). However, there is no consensus in the literature on how to deal with this problem. While the standard approach has been to address potential selection bias in democracy aid via instrumental variables analysis (Dietrich and Wright 2015; Finkel et al. 2007; Kalyvitis and Vlachaki 2010), other studies partly evade this problem by using sub-sample analysis (Bermeo 2011), quasi-experimental research designs (Carnegie and Marinov 2017), and matching techniques (Nielsen and Nielson 2010).

Regarding the political context on the donor side, little is known on how the global aid regime affects the relationship between development aid and changes in the recipients’ political regime. The international high-level forums on aid effectiveness repeatedly called on donors to better coordinate their aid (Monterrey in 2002) and to harmonize their operational policies, procedures, and practices (Rome in 2003). In doing so, donors were encouraged to specialize, for example, by delegating, where appropriate, authority to lead donors for the execution of programmes, activities, and tasks (Paris in 2005). However, most observers think that donors generally failed to keep their promises made at these meetings. In particular, the existing literature on donor coordination and specialization finds that aid fragmentation has persisted and aid overlap increased, suggesting that donor coordination has not improved but continues to worsen under the current global aid regime (Aldasoro, Nunnenkamp and Thiele 2010; Nunnenkamp, Öhler and Thiele 2013; OECD 2011b).

Academic research increasingly points to the potential damage of donor proliferation and fragmented aid flows for the quality of governance and public sector capacity in recipient countries (e.g., Acharya, Fuzzo de Lima and Moore 2006; Bigsten 2006; Knack and Rahman 2004). As a research topic, however, donor coordination remains somewhat elusive. While donor specialization seems to be a necessary (though not sufficient) condition for better coordination, a larger overlap of aid, in turn, does not necessarily imply less coordination (or more competition). The general conclusion that comes out of this literature is that more systematic academic research is needed to answer the question how the overlap of aid and the interaction of multiple donors affects the incentives of recipient governments and general development outcomes.

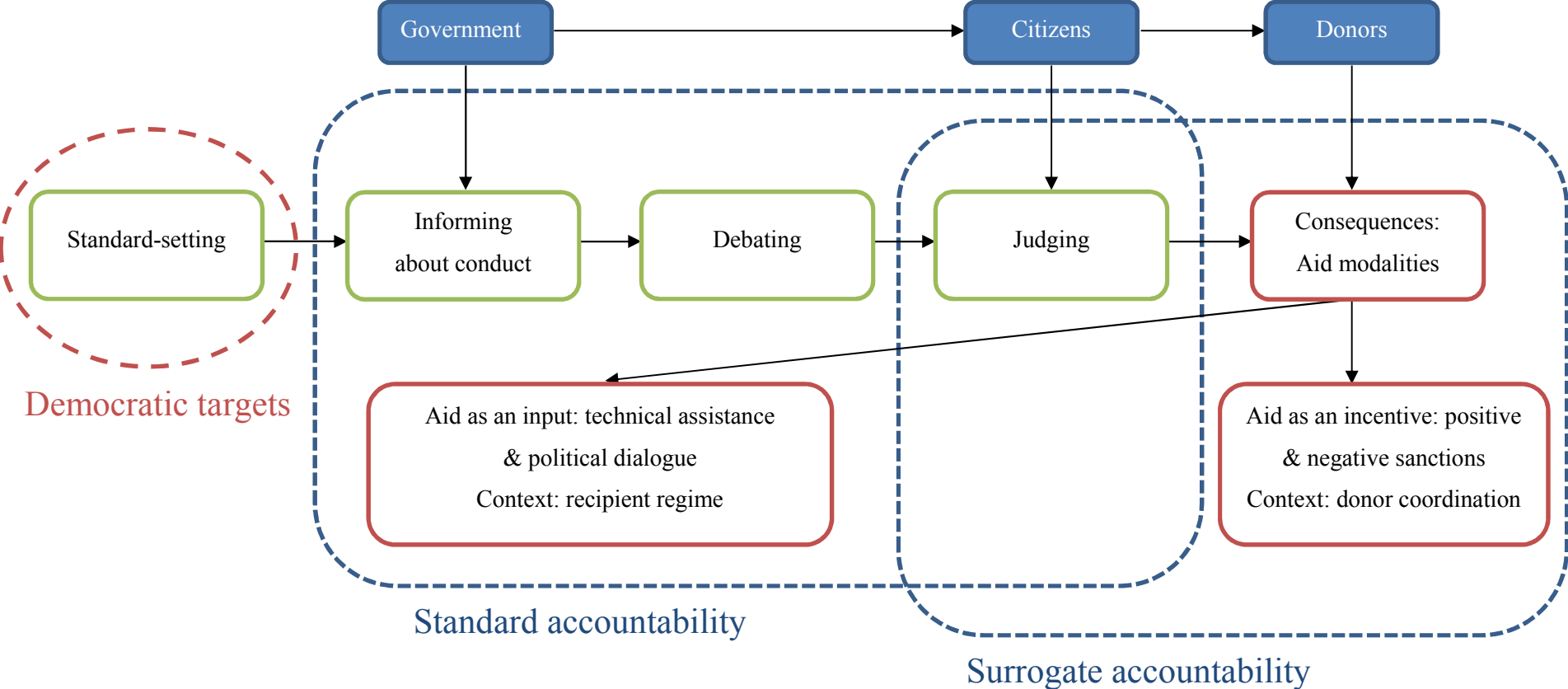
This call for more research on donor coordination (or the lack thereof) is particularly relevant for the IMF and World Bank, who provide a form of donor coordination by themselves, as they were set up and given the mandate to coordinate aid of their member countries (Bigsten 2006: 7). Despite the fact that their joint presence in individual countries and their overlap in working areas have been increasing over time, surprisingly, there has been only one econometric study that systematically analyzes the interaction between the IMF and World Bank (see Marchesi and Sirtori 2011). Using the simultaneous presence of both institutions in the same country as a proxy for Bank-Fund interaction, the authors find that the interaction between these two organizations has a positive and significant effect on economic growth, suggesting that greater cooperation leads to improved development outcomes (Marchesi and

Sirtori 2011: 287). This hypothesis is researched further in a follow-up study that examines the conditions under which Bank-Fund interaction is beneficial to growth. Drawing on insights of field research by Fabricius (2007), empirical findings show that beneficial effects of joint interventions increase if the Bank and the Fund share information on behavior of power wielder, if they are not dependent on knowledge of local context but on their own specialized knowledge for going into debate with power wielder, and if they collaborate in sanctioning power wielders in case of poor performance (Marchesi and Sabani 2014: 27).

#### **5.3.4. Assessing the impact of surrogate accountability**

Bringing these variations in aid together, I propose to analyze the link between aid and democracy through a surrogate accountability framework. By conceptualizing donors as surrogates who intervene on behalf of weak citizens in the domestic political process in aid-receiving countries, this research provides a more comprehensive understanding of the causal mechanisms through which aid might influence democratization in recipient countries. In particular, I make three arguments that are clearly shown in Figure 5-1.

Figure 5-1: Democratic targets and the interplay of standard and surrogate accountability



First, I argue that donors hold recipients accountable according to different accountability standards – aid effectiveness, improved governance, and citizen empowerment – that result in different democratic outcomes in aid-receiving countries. If standard accountability mechanisms do not work, donors must decide whether they want to act as surrogates for weak citizens in their capacity for holding recipient governments accountable, or whether they want to help to develop the capacities of citizens in order that they can hold their governments accountable themselves. In the former case, donors may help to improve the quality of governance in recipient states, while in the latter case, donors may help to empower organized civil society. Different aid types thus reflect specific intervention strategies that may differ in democratic outcomes. To distinguish between different democratic targets, I measure the impact of development aid both on procedural and substantive democracy. Procedural democracy thereby measures outcomes of an intervention strategy aimed at improving the quality of governance, while substantive democracy measures the success of donor efforts to target their aid at citizen empowerment. However, the degree to which these external intervention strategies can realize their democratic potential depends also on the manner how aid is delivered.

Therefore, a second argument brought forward is that we need to look not only at the democratic targets but also at the interplay of different accountability processes – surrogate accountability and standard accountability – and how this interaction affects democratization in recipient countries. More specifically, I argue that the IMF and World Bank – in their role as surrogates of citizens – may hold governments accountable not only for their public policies, but also for their public financial management, and their respect for adequate public processes via political conditionality. Beyond conditioning aid according to specific policy reforms (*ex-ante* or *ex-post*), the IFIs also condition their aid to institutional reforms aimed at improving financial and procedural management of policy reforms: Whether or not aid can act as an incentive for democratization depends – as argued above – on the type of accountability standards donors apply. If donors hold recipients accountable for their efforts aimed at improving governance quality (and thereby strengthen procedural democracy), political conditions attached to economic aid can have an impact, but this impact may work in both directions. Aid modalities where donors substitute for citizens' authority in defining the content of public policies are expected to have a negative impact, while aid modalities where donors substitute only for citizens capacity in sanctioning poor financial performance and a bad process by recipient governments are expected to have a positive impact on procedural democracy. Donor conditionality works best, when judgment if the power wielder has fulfilled his or her obligations towards accountability holders is not dependent on the subtle interpretation of local context, and when the power wielder is held accountable for moral obligations that pertain to large groups of marginalized people (Rubenstein 2007: 629). By contrast, if donors want to directly empower citizens (and thereby deepen substantive democracy in the end), it is questionable whether political conditionality can have an impact at all, because standard accountability holders (i.e., citizens in recipient countries) outperform surrogate accountability holders (i.e., aid agencies intervening on their behalf) in all phases of the accountability process. Even

worse, if aid delivery neglects citizen rights and democratic practices, it may undermine the capacity of citizens to hold their governments to account, resulting in a deterioration of substantive democracy. However, as argued by Rubenstein (2007: 630-631), surrogate accountability holders can mitigate some of the most detrimental effects of domination, if donors attach conditions to their financial support that directly help to promote citizen empowerment, such as conditioning aid on citizen involvement and democratic practices.

Third, I argue that the success of donor strategies aimed at promoting democratic accountability in aid-receiving countries depends not only on the specific democratic targets but also on the general political context. In line with the conditional strand of the literature, this research takes recipient and donor characteristics into account as political conditions that affect the link between aid and democracy. Despite the fact that democratic targets do not figure on the international financial institutions' official agenda, this research argues that the impact of aid that is targeted at empowering citizens in recipient countries (i.e., substantive democracy) is conditional on the recipient regime. By contrast, the impact of aid that is targeted at improving governance in recipient countries (i.e., procedural democracy) is conditional on the coordination of donors. Finally, the political impact of aid that comes only with economic motives should not depend on recipient or donor characteristics.

## 5.4. Hypotheses

Based on common characteristics of their strategic focus and aid modalities, I identify four types of lending programs and use these to categorize the multiple financial instruments. Two questions guide this classification. First: is the content of development strategies defined by democratic accountability holders in order to make the government accountable to democratic constituents or do surrogate accountability holders determine the policy content, in short, are accountability standards *demos-* or *donor-*defined? Second: does the process of aid delivery take standard accountability arrangements into account, or do aid modalities rely on surrogate accountability arrangements that bypass democratic constituencies, in short, are democratic accountability arrangements respected or neglected? Using these guiding questions I identify four general program types: (1) *World Bank Investment Projects (WB-INV)*, (2) *IMF Stabilization Programs (IMF-STB)*, (3) *the International Financial Institutions' Structural Adjustment Programs (IFI-SAP)*, and (4) *the International Financial Institutions' Poverty Reduction Strategy Programs (IFI-PRS)*. Table 5-1 provides an overview of their different characteristics and the individual lending instruments included in each group. For further details on my classification procedure, and on the various financial instruments included in this account, see Annex 5-3.



The four program types differ in strategic focus and modalities of aid delivery. These have clear implications for democratization processes in recipient countries.

*Table 5-1: Types of IMF and World Bank Lending*

<i>Introduced</i>	<i>Type</i>	<i>Eligibility</i>	<i>Purpose</i>	<i>Modality</i>	<i>Duration</i>	<i>Instruments</i>
1946	Investment project (WB-INV)	All WB members	Infrastructure & production	Project aid (foreign investment)	5-10 years	WB: Specific Investment Loan, Sector Investment and Maintenance Loan, Financial Intermediary Loan and Technical Assistance Loan
1952	Stabilization program (IMF-STB)	All IMF members	Balance of payments	Policy support (fiscal reforms)	1-3 years	IMF: Stand-by Arrangement, Extended Fund Facility, Flexible Credit Line
1980	Structural adjustment program (IFI-SAP)	Only low-income countries	Economic growth	Sector support (structural reforms)	3-4 years	WB: Sector Adjustment Loan, Structural Adjustment Loan, Programmatic Structural Adjustment Loan, Special Structural Adjustment Loan; IMF: Structural Adjustment Facility, Enhanced Structural Adjustment Facility
1999	Poverty reduction strategy program (IFI-PRS)	Only low-income countries	Poverty reduction	Budget support (governance reforms)	3-4 years	WB: Poverty Reduction Support Credit; IMF: Poverty Reduction and Growth Facility, Extended Credit Facility

#### **5.4.1. World Bank Investment Projects (WB-INV)**

The World Bank's investment project financing (WB-INV) represents a majority of the Bank's lending portfolio and has constituted its core business since 1946. Investment projects aimed at building the physical and social infrastructure of a country have a medium- to long-term focus (5-10 years). Like most bilateral aid funds, investment projects provide funding to the government for general de-

velopment purposes, for example, to cover specific expenditures related to the implementation of the project or the quality of assets being financed. Investment project financing is most widely used in the infrastructure, human development, agriculture, and public administration sectors.

Despite these broad social implications, the affected population is usually not consulted with the definition of development priorities. Quite to the contrary, these big capital-intensive projects, such as the construction of a hydroelectric dam, have often led to expropriation and forced displacement of already marginalized social groups in remote areas singled out for foreign investment in the past (see case studies in Fox and Brown 1998). Given that citizens in recipient countries often lack channels for holding their own governments accountable, projects with high social (and environmental) costs are “often most likely to proceed where those most affected are denied basic rights” (Fox and Brown 1998: 16). Furthermore, project aid bypasses democratic accountability institutions and procedures within recipient countries. Investment projects are negotiated between the executive and World Bank representatives, and legislatures typically do not participate in these discussions (Abouharb and Cingranelli 2007: 204). As a result, these projects are often funded outside the budget and therefore exempt from parliamentary review, which reinforces already-existing deficiencies in democratic oversight and procedure.

Although investment projects may have beneficial effects by modernizing recipient countries’ infrastructure in the long term, I expect that development aid in the form of investment project financing leads to deterioration of the quality of substantive democracy and worsens procedural democracy in recipient countries in the short to medium term.

#### **5.4.2. IMF Stabilization Programs (IMF-STB)**

The IMF’s core business (IMF-STB) is traditionally centered on financial assistance to member countries during a crisis, when they face a temporary balance of payment difficulties. The program duration of these financial instruments is thus usually restricted to 1-3 years. In return for the balance of payments support, the IMF typically requires that the borrower government initiates fiscal, monetary, and social reforms aimed at restoring the balance of payment viability and maintaining macroeconomic stability. In line with their economic targets, countries under financial stabilization programs need to reform their economy first, before they address political problems (Bueno de Mesquita et al. 2003: 477). Fiscal austerity measures advocated by the Fund typically include tax increases and expenditure cuts, currency devaluations, and pension reforms. These “unpopular but necessary” reforms (Kalinowski 2007: 346) are likely to cause political protest, as they cause hardship for the poorest and most vulnerable sections of society that are most dependent on state subsidies and valuable public services such as health and education (Nooruddin and Simmons 2006: 1003).

Given that some of these policy measures were thought to be most successful if they were introduced without warning (Przeworski 1991: 182-183), traditionally, the policy content of these programs has been defined behind closed doors. In this role, the IMF substitutes for national citizens in defining what the country (as a whole) needs, thereby limiting the national policy space. Besides, the crisis character of stabilization programs leaves no room for the involvement of democratic accountability institutions and due respect for the democratic process. The Fund primarily works with the finance ministry and other parts of the techno-managerial elite who are thought to need political protection against the manifold resistance of society (Przeworski 1991: 183-184; O'Donnell 1994: 60-61). As a result, governments facing a financial crisis often rule per emergency law. Decisions are taken by presidential decree or rammed through legislature (Przeworski 1991: 184).

Similar to World Bank's investment projects, I therefore expect that the resource inflow associated with the IMF's stabilization programs negatively affects substantive and procedural dimensions of democracy by limiting the space for genuine political action and undermining the democratic process.

#### **5.4.3. Bank-Fund Structural Adjustment Programs (IFI-SAP)**

Collaboration between the World Bank and the IMF to support their member countries' structural adjustment programs started in the 1980s and has increased since then. Joint guidelines help to ensure consistent support by combining the specific expertise and financial resources of each institution.<sup>70</sup> Structural adjustment programs can be stand-alone, but more often form part of a programmatic series of operations providing sector-wide support to borrower governments for a medium-term program (3-4 years) of policy or institutional reform. The World Bank and the IMF disburse funds against the promise of structural reforms that traditionally cover the sectors of trade and economic management, agriculture and infrastructure, and financial and private sector development (Koeberle et al. 2005: 63; IEO 2007: 5; World Bank 2007: 6).

From a democratic perspective, structural adjustment lending features both positive and negative characteristics. On the negative side, it has been argued in the literature that market-oriented reform policies tend to weaken the role of the state and organized labor in economic activities through privatization of state-owned enterprises and liberalization of labor markets. As implied by the term "Washington Consensus", the international financial institutions largely define these market-oriented reforms, which do not necessarily reflect the views and interests of borrowing governments. Moreover, these market-oriented policies are also said to embody a neo-liberal perspective that tends to undermine collective labor rights of citizens because they represent potential obstacles to economic reform (Blanton, Blanton and Peksen 2014: 326).

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<sup>70</sup> See Koeberle, Bedoya, Silarszky and Verheyen (2005: 76) and the report of the external review committee on Bank-Fund collaboration (IMF and World Bank 2007), which survey the evidence.

On the positive side, structural adjustment programs often stipulate institutional reforms that are intended to support the implementation of policies, for example, by introducing transparency and increasing efficiency in the public and private sectors. The IMF and World Bank possess significant leverage in this regard, as they can credibly commit to withholding funds in case of non-performance, particularly when they coordinate their interventions. Structural adjustment lending may thus also have beneficial effects on the quality of governance and public sector capacity (Brown 2009: 477; Cull and Efron 2008: 316). Moreover, recipients of adjustment lending typically face prolonged financial distress, rather than a temporary balance of payment problems. These governments cannot manage such a situation through emergency rule and executive decree but must open adequate domestic political debate.

I therefore expect that structural adjustment lending simultaneously has a positive effect on procedural democracy by conditioning aid on governance reforms, but a negative effect on substantive democracy by limiting the government's policy space and undermining collective workers' rights at the recipient country level.

#### **5.4.4. Bank-Fund Poverty Reduction Strategy Programs (IFI-PRS)**

Over time, the collaboration between the World Bank and the IMF on poverty-focused lending instruments has become more systematic. Poverty reduction strategy-based lending is similar to structural adjustment lending in that these lending instruments also take the form of programmatic support for medium-term policy and institutional reforms. However, their underlying strategic targets are different. Poverty reduction programs differ significantly from adjustment operations in that they support country-owned strategies aimed at achieving sustainable growth and, in particular, poverty reduction. With lending based on recipient countries' poverty reduction strategies, both the World Bank and the IMF have moved away from a focus on donor-driven economic reforms, shifting focus on public sector governance and the domestic political process (see Koeberle et al. 2005: 62-3; IEO 2007: 5 and 16-17; World Bank 2005b: 8-9).

Aid modalities also show a greater variation than under structural adjustment lending. At least in principle, support to the general budget is made on the condition of broad-based citizen involvement in the preparation and monitoring of national poverty reduction strategies. Societal actors can exploit this political space to engage in policy dialogue and oppose the arbitrary use of state power. Furthermore, general budget support comes with many efforts to improve public financial management and the national budget process. For example, the IMF and World Bank (in conjunction with the broader donor community) provide technical assistance and political advice on revenue administration, expenditure auditing, accounting, fiscal transparency, and parliamentary review. All these measures aim to make

public financial flow more transparent and to install appropriate checks and balances on executive behavior.

Among all program types, poverty reduction strategy-based programs are the only type that is based on country-owned development strategies. Moreover, this aid type directly supports mechanisms for rule-following of the government and respect for the democratic process, which should increase the accountability of the government to democratic constituencies. I thus expect poverty reduction strategy-based lending to have a positive effect on both procedural and substantive democracy.

Table 5-2 presents the expected theoretical impact of program types on democratization in recipient countries. The causal mechanisms here are embedded in a framework of evaluating surrogate accountability arrangements in terms of their impact on procedural and substantive democracy.

*Table 5-2: Expected theoretical relationships between development aid and democratization*

<i>Type</i>	<i>Surrogate accountability</i>		<i>Procedural democracy</i>	<i>Substantive democracy</i>
	<i>Strategic focus</i>	<i>Aid modality</i>		
WB-INV	Foreign investments	Project aid	Negative	Negative
IMF-STB	Fiscal reforms	Policy support	Negative	Negative
IFI-SAP	Economic reforms	Sector support	Positive	Negative
IFI-PRS	Governance reforms	Budget support	Positive	Positive

The “traditional” lending approaches (WB-INV and IMF-STB) should have a negative effect on democratization, as project-like and crisis-induced aid neither respects nor targets democratic accountability.

Poverty reduction strategy-based programs (IFI-PRS) are expected to have a positive effect on democratization, as general budget support strategically targets and simultaneously respects democratic accountability.

The effect of structural adjustment programs (IFI-SAP) on democratization is expected to be positive for procedural democracy but negative for substantive democracy, as sector-wide financial support does respect but does not target democratic accountability.

## **5.5. Data and operationalization**

To explore the impact of different types of IMF and World Bank lending, I undertake a panel data analysis based on annual data from 1980 to 2011 for approximately 100 low- and middle-income countries (see Annex 5-1 for a list of countries in the sample). Some data are not available for all

countries or years, so that the panel is unbalanced and the exact number of observations depends on the choice of variables. In the following discussion, I will only briefly discuss the different variables used. More detail can be found in Annex 5-2.

### 5.5.1. Dependent variables

In the first part of the analysis, I use a broad democracy index to compare the general impact of different aid types on democratization. Democratization here is best understood as an incremental process, whereby a political regime shifts from autocracy towards democracy. From a theoretical perspective, it is difficult to define threshold values for democracy, autocracy, or hybrid regimes. Moreover, change can also happen in the opposite direction, namely towards greater autocracy. I therefore rely on the *polity2* regime indicator, which measures the quality of a political regime on a continuous scale, which has been rescaled here to range from 0 (strongly autocratic) to 20 (strongly democratic). This measure of democracy is taken from the Polity IV data series, as described by Marshall and colleagues (Marshall, Jaggers and Gurr 2011). As I am interested in explaining a move towards democracy, rather than a given level of democracy, I need to specify a dynamic model. I do so by introducing the lagged dependent variable as a control for the level of democracy at the beginning of each period.

In the second part of the analysis, I disaggregate the *polity2* regime indicator to take a closer look at its original concept variables. Following recent calls to unpack composite democracy indices (see Coppedge and Gerring 2011), I measure the impact of development aid on different concepts and dimensions of democracy. A tripartite concept of procedural democracy stands behind the *polity2* regime index, including the three concept variables executive recruitment, executive constraints, and political competition. Jointly, they measure the existence of institutions and procedures through which citizens can hold power wielders democratically accountable (Marshall et al. 2011: 14). The scale of the three procedural democracy variables ranges from 1-8 (executive recruitment), 1-7 (executive constraints), and 1-10 (political competition), all from least to most democratic.

To measure the impact of different aid types on substantive democracy, I rely on the *empowerment* rights index from the Cingranelli-Richards (CIRI) Human Rights dataset (2014). This broad index of human empowerment measures government human rights practices on a continuous scale from 0 (no government respect) to 14 (full government respect).<sup>71</sup> Among its seven composite variables, I focus on freedom of speech, freedom of assembly and association, and workers' rights.<sup>72</sup> These three variables most closely approximate the extension of democratic rights and practices that are defining the

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<sup>71</sup> For more details on the dataset, see Cingranelli and Richards (2010).

<sup>72</sup> The other four composite variables of the CIRI human empowerment index are foreign movement, domestic movement, electoral self-determination, and freedom of religion.

concept of a substantive democracy.<sup>73</sup> The scale of all three substantive democracy variables ranges from 0 (frequently violated rights) to 2 (fully respected rights).

### **5.5.2. Explanatory variables**

In the first part of the analysis, participation in IMF-STB, IFI-SAP, or IFI-PRS is measured by a dichotomous variable for each program type in any specific year. The variable equals 1 if a country is financially supported by at least one of the lending instruments included in this program type (at any time of the year), and 0 otherwise. With this dichotomous coding scheme, I follow Vreeland (2003: 18), as do many others (e.g., Nooruddin and Simmons 2006; Sturm et al. 2005). Unlike the other three program types, there is little variation in the dummy variable for WB-INV, with an average of 83 countries participating per year. This particularity can be attributed to the combination of long investment duration with high frequency of project occurrence. I deal with this problem by recoding WB-INV as a categorical variable, regrouping investment projects into four types of financial instruments covered by the Bank's Operational Policy (i.e., Specific Investment Loan, Sector Investment and Maintenance Loan, Financial Intermediary Loan, and Technical Assistance Loan) and reporting the sum of the types used for a country in any specific year. More details on the construction of the different program types can be found in Annex 5-3.

In the second part of the analysis, participation in any of these program types is measured under different conditions that may affect its impact. To measure the impact of program lending conditional on the type of recipient regime, I use an interaction term between program participation and the lagged dependent variable measuring recipient regime either in terms of governance quality (procedural democracy) or citizen empowerment (substantive democracy) prior to program participation. I hereby join a growing number of scholars who use interaction terms to assess the conditional impact of general development assistance by bilateral donors (e.g., Dutta et al. 2013; Kono and Montinola 2009; Morrison 2009; Wright 2009) and multilateral donors depending on initial conditions in recipient countries (e.g., Beazer and Woo 2016; Montinola 2010). Likewise, I use an interaction term between individual Bank and Fund lending under the same lending type to measure the impact of programmatic lending conditional on Bank-Fund interaction. Given that traditional lending approaches (IMF-STB and WB-INV) do not overlap assuming interaction between the Bank and the Fund is not plausible. However, in response to changing realities of the global economy, overlap of activities and institutionalized collaboration between the two sister organizations has increased (Fabrizius 2007: 3). I therefore code the newer lending types separately for the IMF (IMF-SAP and IMF-PRS) and the World Bank

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<sup>73</sup> For similar arguments concerning the civil liberties dimension of the Freedom House index, see Kalyvitis and Vlachaki 2010: 192.

(WB-SAP and WB-PRS) in order to assess their individual and joint effects on procedural and substantive democracy.

### **5.5.3. Control variables**

In selecting control variables for this study, I rely on prior theory and research on structural conditions for democratic transitions (Doorenspleet 2004; Epstein et al. 2006; Gasiorowski 1995), on democratic diffusion (Brinks and Coppedge 2006; Rudra 2005; Wejnert 2005; Starr 1991; Starr and Lindborg 2003), and on democracy promotion by foreign actors (Bräutigam and Knack 2004; Finkel et al. 2007; Knack 2004; Pevehouse 2002; Schimmelfennig and Scholtz 2008). For details on the selection of each of these explanatory variables see Annex 5-4.

To account for modernization effects, I use GDP per capita, GDP per capita change, and the urbanization rate. Democratic diffusion processes can be thought of as global and/or regional phenomena. I measure global diffusion by the sum of imports and exports as a percentage of GDP, and regional diffusion by calculating the change in the regional average value of the *polity2* regime indicator over a given period of years for each of the five regions in my sample. To proxy economic and political instability, I include the index of consumer prices and an index measuring a change in the level of armed conflict intensity.

There are a number of other controls in cross-country analysis of democratization, such as dummies for the particular historical and cultural heritage of developing countries (see Clague, Gleason and Knack 2001; Linder and Bächtiger 2005). As long as these variables are time-invariant, their influence will be captured by individual country fixed effects (see below).

## **5.6. Research design**

In order to take into account the nested structure of my data, I use panel estimation with fixed effects. This has the virtue of addressing omitted variable bias of cross-section data by controlling for unobservable country-specific variables that are correlated with one or more of the explanatory variables. A Hausman test strongly rejects random effects for all program types, confirming the need for fixed effects. My main specifications include fixed effects both for countries and for years (two-way fixed effects). Alternative estimation strategies based on panel-corrected standard errors (PCSE) are discarded, as the cross-country dimension of my sample clearly dominates. Remaining within-cluster



correlation is taken into account through robust estimation clustering at the country level. All estimations were done by using Stata 11 software (StataCorp 2009).

As my dynamic specification requires the inclusion of the initial level of democracy, simple fixed-effects regression faces the problem of Nickell bias (Nickell 1981). While Monte Carlo analysis by Judson and Owen (1999: 12) shows that this bias is largely concentrated on the coefficient of the lagged dependent variable, doubts about the value of this coefficient affect the interpretation of the other coefficients even if they are consistently estimated (Birchler and Michaelowa 2016: 40). This implies that the interpretation of these fixed-effects models should focus on the direction and the significance of the observed effects, rather than on their exact value.

Like the aid and democratization literature in general, I also face a large number of other endogeneity problems. If the World Bank and the IMF prefer lending to democracies (which would violate their formal rules, but may still be plausible), then my model suffers from reverse causality with respect to all aid-related variables. The same problem arises if the level of democracy drives the demand for IMF and World Bank lending. This would be true, for instance, if IMF and World Bank programs were more common in less democratic countries because such countries have fewer veto players who can oppose these programs.

Moreover, democracy likely affects some of the control variables, such as GDP. These problems are usually addressed by employing two-stage least squares (2SLS) estimation with instrumentation of the endogenous variables. Unfortunately, convincing instrumental variables are very hard to find. According to Clemens and colleagues (2012), the instruments used in the literature are generally so bad that it is more convincing to apply ordinary least squares (OLS) estimation while using first differences (or fixed effects), and an appropriate distinction between different types of aid. They further argue that using two-way fixed effects can take care of most of the endogeneity concern plaguing the aid and democratization literature. This suggests that additional instrumentation may be not only misleading but also unnecessary.

In my case, instrumentation is even more unreliable than in the cases Clemens et al. (2012) consider because I simultaneously need to instrument for four different aid variables. Hence, all attempts to obtain reasonable model specifications in this setting, using 2SLS, were bound to fail. As in most cases of this nature, there remains considerable concern about the strength and the exogeneity of the instruments. In terms of the sign and significance of coefficient estimates, I can easily produce results in line with my hypotheses, but the validity of the overall results remains questionable when using instrumentation. My main analysis therefore follows Clemens et al. (2012) who rely on simple two-way fixed effects without instrumentation.

Another important issue is to distinguish whether any effect I observe for the different lending programs is truly due to the nature of aid programs, or to the political climate during the period in which

this instrument was primarily employed. Bearce and Tirone (2010), for instance, argue that reduced geopolitical constraints after the end of the Cold War made it easier to enforce conditionalities, so that all types of aid may have become more effective. In this case, a program like the PRS may wrongly appear more effective than others, simply because it was introduced only in the late 1990s whereas other lending instruments were available throughout the whole period of analysis, including the difficult Cold War period. To avoid this problem, the main regression was rerun only for the period during which I actually observe PRS in the data (i.e., from 1999 onwards).

Finally, as emphasized by Clemens et al. (2012), it is important to carefully consider the time frame within which any impact of aid should be expected. The effect of the international financial institutions' lending on democracy is unlikely to be immediate. Changes in political decision-making procedures and economic policies take time, and this adjustment is what I hypothesize to bring about potential democratization (see also Kersting and Kilby 2014). I consider a time horizon of five years a reasonable approximation. However, as there is little theoretical guidance on how long the period should be, I first compute some preliminary regressions, estimating my main specification over various time horizons ( $t+1$ ,  $t+2$ ,  $t+3$ ,  $t+4$ ,  $t+5$ ). The results confirm that a five-year lag is appropriate. For all lending types except WB-INV, the absolute size of the coefficient and the level of precision (whether significant or not) increases with the number of years these programs are in place. When change is measured within only one or two years, the overall regression is entirely dominated by the effect of the lagged dependent variable (see Annex 5, Table A5-1).

## **5.7. Statistical results**

### **5.7.1. General impact of program lending on democratization**

The first part of the analysis assesses the general impact of different IMF and World Bank programs on democratization. Democratization thereby refers to changes in the quality of procedural democracy. Possible results in terms of substantive democracy and the conditions under which IFI lending may be more effective in promoting democratization are left for the second part of the analysis below.

In Table 5-3, I present my results based on a five-year time lag between all explanatory variables (and controls) and the dependent variable.

Table 5-3: The general impact of different IFI programs on democratization

Variables	Two-way FE	Two-way FE	Two-way FE	Country FE ≥ 1999	Two-way FE ≥ 1999	Country and Period Dummies
WB-INV (t-5)	-0.01 (0.94)	-0.11 (0.59)	-0.13 (0.47)	-0.21 (0.38)	-0.17 (0.46)	-0.13 (0.47)
IMF-STB (t-5)	-0.68 (0.12)	-0.51 (0.25)	-0.46 (0.29)	-0.31 (0.44)	-0.30 (0.47)	-0.59 (0.17)
IFI-SAP (t-5)	1.26*** (0.00)	0.72* (0.07)	0.58 (0.12)	0.21 (0.48)	0.22 (0.47)	0.73* (0.05)
IFI-PRS (t-5)	1.92*** (0.00)	1.31** (0.02)	0.99** (0.04)	0.68* (0.10)	0.59 (0.16)	0.97** (0.02)
Polity (t-5)			0.26*** (0.00)	-0.03 (0.65)	-0.03 (0.64)	0.26*** (0.00)
GDP per capita, log (t-5)		-1.76** (0.01)	-1.19** (0.05)	-0.10 (0.90)	-0.33 (0.71)	-1.06* (0.06)
GDP per capita change (t-5)		-0.01 (0.49)	-0.01 (0.35)	-0.00 (0.61)	-0.00 (0.51)	-0.01 (0.42)
Urbanization rate (t-5)		-0.02 (0.76)	-0.02 (0.71)	0.09 (0.38)	0.04 (0.71)	0.00 (0.95)
Price level, log (t-5)		-1.16* (0.05)	-1.04** (0.04)	-0.15 (0.76)	-0.12 (0.83)	-0.96** (0.04)
Trade openness, log (t-5)		0.24 (0.77)	0.11 (0.88)	-0.71 (0.34)	-0.83 (0.33)	0.25 (0.72)
Conflict intensity (t-5)		-0.39 (0.19)	-0.33 (0.25)	-0.22 (0.35)	-0.22 (0.34)	-0.27 (0.32)
Regional diffusion (t-5)		0.05 (0.76)	-0.03 (0.83)	0.14 (0.66)	0.09 (0.80)	0.01 (0.89)
1990-1999						2.50*** (0.00)
2000-2011						2.85*** (0.00)
Countries	107	100	100	98	98	100
Observations	3234	2381	2374	1140	1140	2374
R-squared	0.33	0.31	0.36	0.05	0.05	0.35

Note: robust p-values (based on standard errors clustered at country level) in parentheses. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

In the first column, I start with a simple linear regression without control that is in line with my expectation about the positive link between IFI-SAP and IFI-PRS and the level of procedural democracy. WB-INV and IMF-STB have negative coefficients, but are insignificant. When I add my control variables, these results remain unchanged, but I observe some drop in the coefficients of IFI-PRS and IFI-SAP. When I add the lagged dependent variable in regression 3, in order to generate a dynamic model that controls for the initial level of democracy, these coefficients drop further, and IFI-SAP falls slightly below conventional significance levels ( $p$ -value=0.12). PRS programs have still a significant effect, and it remains when I restrict the time period to the years during which all the different lending programs have simultaneously been in place (regression 4), unless I additionally enter year fixed effects as in regressions 1-3 (regression 5). In regression 6 I use the full set of observations since 1980,

omit the year fixed effects, and include period dummies for the decade after the end of the Cold War (1990-1999) as well as the period with IFI-PRS fully established as a new lending instrument (2000-2011). Here I recover the positive and significant effect of both IFI-PRS and IFI-SAP. The period dummies are significantly positive, which is in line with the generally higher level of democracy in these years in comparison to years of the Cold War period. Throughout all regression specifications in Table 5-3, the coefficients of WB-INV and IMF-STB remain negative but insignificant.

To some extent, these insignificant results may be driven by the opposing effects of financial stabilization programs (IMF-STB), and the democracy-enhancing effects of improved economic development (notably for WB-INV). Similarly, the negative and significant coefficients for GDP per capita and economic downturn suggest that the international financial institutions respond to recipient needs, i.e., allocating economic aid to countries where income is lower and prices are higher. However, it should be noted that generally, the inclusion of two-way fixed effects and a lagged dependent variable leaves little variation in the model to be explained. This is also obvious from the lack of significant coefficients for the control variables. It is even more remarkable that IFI-PRS remains positively significant throughout, except if the period of observation is additionally shortened to the years after 1998, in which case the  $p$ -value increases to 0.16. These results provide me with some confidence that PRS-based lending shows some positive effect on the level of democracy, and that the positive coefficient for IFI-PRS captures more than just a favorable change in the general environment.

### **5.7.2. Robustness tests**

In order to increase the confidence in my results, I carry out a number of additional regressions that are presented in Table 5-4. My main interest is to verify the results for IFI-PRS.

As a first step, I rerun regression 3 of the previous table, but I omit the years during which countries have received only PRS-based lending and have not benefited from any other of the four lending program types. This does not change the results. In the second regression, I examine whether the amount of lending or the type of lending influences democratization. I add an additional control for the volume of all lending received through the four program types. This additional variable is insignificant while IFI-PRS remains significant (with an almost unchanged coefficient). As the World Bank is often considered a lead donor, the PRS dummy could also capture bilateral aid. In the third regression, I therefore include a control for the volume of bilateral aid. This alternative aid variable is also insignificant, and although the size of the IFI-PRS coefficient is reduced to 0.85, it is still relatively close to the initial value and remains significant. The fourth regression controls for geopolitical considerations that may influence IFI lending (see, e.g., Dreher, Sturm and Vreeland 2009a, b; Kilby 2006, 2011, 2013; Stone 2002, 2004) and democratization simultaneously. I do not observe any relevant changes in the results.

Table 5-4: Robustness tests

<i>Variables</i>	<i>"Only PRS" excluded</i>	<i>Including lending volume</i>	<i>Including bilateral aid</i>	<i>Including geopolitics</i>	<i>Placebo</i>	<i>System GMM</i>
WB-INV	-0.14 (0.43)	-0.16 (0.44)	-0.19 (0.28)	-0.13 (0.51)	0.03 (0.58)	1.42** (0.01)
IMF-STB	-0.47 (0.28)	-0.47 (0.29)	-0.49 (0.25)	-0.44 (0.31)	0.07 (0.62)	-2.43 (0.21)
IFI-SAP	0.58 (0.12)	0.49 (0.20)	0.56 (0.14)	0.49 (0.19)	0.04 (0.77)	-2.11 (0.38)
IFI-PRS	0.94* (0.06)	0.97* (0.07)	0.85* (0.08)	1.00* (0.06)	0.19 (0.37)	4.94* (0.06)
Polity (lag)	0.26*** (0.00)	0.25*** (0.00)	0.24*** (0.00)		-0.42*** (0.01)	0.72*** (0.00)
GDP per capita, log	-1.22** (0.04)	-1.34* (0.06)	-1.12* (0.08)	-1.32 (0.10)	-0.00 (1.00)	-0.08 (0.92)
GDP per capita change	-0.01 (0.34)	-0.01 (0.32)	-0.01 (0.48)	-0.01 (0.36)	-0.35** (0.05)	-0.05 (0.49)
Urbanization rate	-0.03 (0.66)	-0.03 (0.64)	-0.05 (0.46)	-0.04 (0.62)	0.08 (0.71)	0.01 (0.79)
Price level, log	-1.08** (0.03)	-1.00* (0.06)	-1.03* (0.07)	-0.98* (0.06)	-0.05 (0.68)	-1.27 (0.38)
Trade openness, log	0.04 (0.95)	-0.04 (0.96)	0.10 (0.89)	0.11 (0.89)	0.04 (0.44)	-1.55 (0.38)
Conflict intensity	-0.32 (0.26)	-0.30 (0.32)	-0.35 (0.24)	-0.39 (0.17)	0.83*** (0.00)	-0.29 (0.76)
Regional diffusion	-0.02 (0.88)	-0.04 (0.82)	-0.01 (0.92)	0.01 (0.97)		0.11 (0.54)
Lending volume (INV+STB+SAP+PRS)		4.32 (0.15)				
Bilateral aid			2.53 (0.32)			
US military aid				0.003 (0.45)		
UNGA voting with US				1.68 (0.37)		
UNSC rotating member				-0.17 (0.64)		
Countries	100	87	100	87	100	100
Observations	2367	2111	2345	2096	2670	2374
R-squared	0.37	0.35	0.35	0.38	0.81	

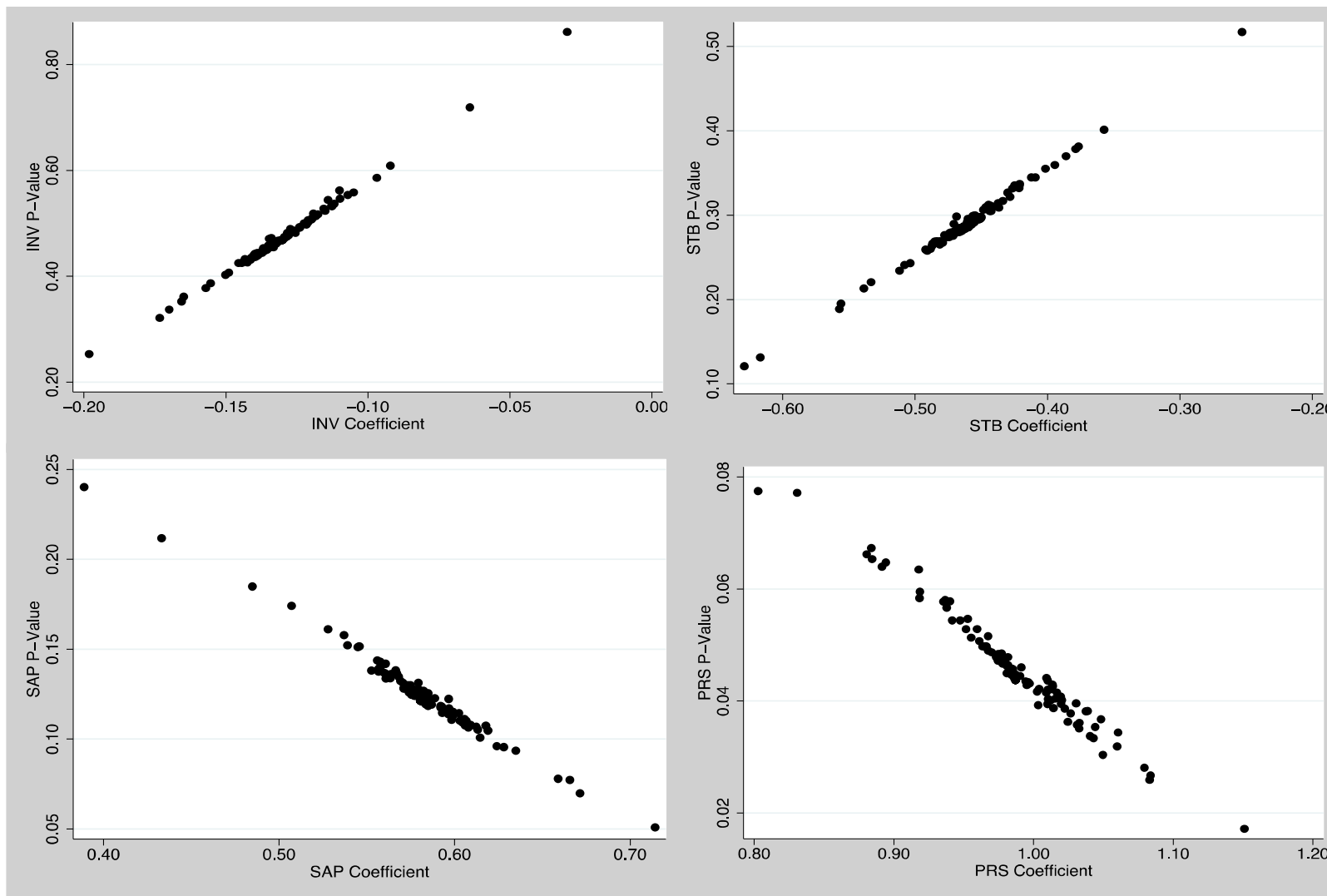
Note: robust p-values (based on standard errors clustered at country level) in parentheses. \*\*\*p<0.01, \*\*p<0.05, \*p<0.1. Regressions 1–4 and 6: Independent variables lagged by five years. In regression 1, for all countries, those years in which they received only PRS lending are excluded (7 observations lost as compared to Table 3, regression 3). Regression 5: Dependent variable (Polity)<sub>t-1</sub>, aid programs (INV, STB, SAP, and PRS)<sub>t</sub>, control variables<sub>t-2</sub>. Regression 6: Hansen test for over-identifying restrictions: p=0.70, Arellano-Bond AR(2) test for the differenced residuals: p=0.95, number of instruments=77. To avoid an excessive number of instruments, I collapsed them and limited the number of lags to 2 (using the Stata commands provided by Roodman 2006). Note, however, that results are extremely sensitive to changes in the specification, notably in the lag structure for the instruments.

The final two regressions take up remaining concerns with endogeneity. Regression 5 uses a placebo test to examine potential issues of reverse causality or co-determination for the lending programs. While I keep the control variables for the period before I measure democracy, I exchange the timing of the lending interventions and the democracy measurement. As a result, the dependent variable is measured before the international financial institutions' interventions. If my previous result was the outcome of the World Bank and the IMF selectively providing aid to democratic countries, rather than promoting democratization through their interventions, the coefficient should still be significant. This is not the case. The results suggest that—in line with their formal rules—the World Bank and the IMF do not distinguish between political regimes when they make their lending decisions. This is also consistent with Reinsberg's (2015) finding that bilateral donors react to regime change by adjusting aid allocation, while the World Bank does not.

Regression 6 presents an attempt to instrument all potentially endogenous variables. As I could not find convincing external instruments for a 2SLS model, I use system generalized method of moments (GMM), a method that has the additional advantage of being designed specifically for dynamic panel models (Blundell and Bond 1998). System GMM instruments the different variables considered as endogenous (including the lagged dependent variable) by their lagged levels and differences. The results on IFI-PRS remain in line with my previous estimations, with the coefficient becoming much larger. IFI-SAP and IMF stabilization programs remain insignificant. World Bank investment projects now show a positively significant coefficient. However, slight variations in the number of lags included for the instruments or other minor changes in the specification strongly affect the coefficient estimates in this model. Therefore, I urge caution in interpreting these results.

My final robustness test examines the potential influence of outliers through cross-validation. I rerun Table 5-3, regression 3 one hundred times, each time omitting the observations for a different country. The resulting coefficient estimates and *p*-values for the four different lending types are presented in Figure 5-2.

Figure 5-2: Estimation results after case-wise deletion of countries



Note: figure based on the regression specification of Table 5-3, regression 3 (i.e., two-way fixed effects, and sample covering the full period).

There is no evidence that the omission or inclusion of any individual country could change the general thrust of my argument. For World Bank investment projects and IMF stabilization programs, coefficients are always negative and insignificant (upper two panels of Figure 5-2). For the international financial institutions' structural adjustment programs, the coefficient estimates are always positive and turn significant when their values exceed about 0.60. For the international financial institutions' PRS-based lending, all coefficient estimates are positive and significant to at least the 10% level. Their values range from +0.80 to +1.15.

These robustness tests reinforce confidence in the results of Table 5-3. They confirm the positive relationship between poverty reduction strategy programs and democratization. They equally confirm the less-clear, but nonetheless positive, role of structural adjustment programs. And they generally reproduce the negative, but insignificant, results for IMF stabilization and World Bank project lending. Except for the insignificance of the traditional lending approaches (IMF-STB and WB-INV), these results are in line with my hypotheses about the effect of different types of IFI lending on changes in procedural democracy.

While aid types that directly target and simultaneously respect democratic accountability seem most successful, aid types that do not target, but at least respect democratic accountability can also have a limited positive effect.

### **5.7.3. Impact of program lending on different democratic outcomes**

The second part of the analysis assesses the impact of different IMF and World Bank programs on different democratic outcomes. Furthermore, this part of the analysis examines the conditions under which IFI program lending may be more effective in promoting democratization.

Table 5-5 presents the disaggregate results for the procedural and substantive dimensions of democracy.<sup>74</sup>

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<sup>74</sup> For ease of presentation, I do not show estimated effects for the control variables but focus instead on the effects of my primary variables of interest, namely the participation in different program types. Full models with controls are available on request.



Table 5-5: The specific impact of different IFI programs on different democratic outcomes

<i>Variables</i>	<i>WB-INV</i>	<i>IMF-STB</i>	<i>IFI-SAP</i>	<i>IFI-PRS</i>	<i>R2</i>	<i>Countries</i>	<i>Observations</i>
<i>Procedural democracy</i>							
<i>1980-2011</i>							
Polity	-0.13 (0.47)	-0.46 (0.29)	0.58 (0.12)	0.99** (0.04)	0.36	100	2374
Executive recruitment	0.01 (0.92)	-0.16 (0.23)	0.16 (0.19)	0.45** (0.03)	0.23	100	2204
Executive constraints	-0.07 (0.23)	-0.09 (0.58)	0.13 (0.40)	0.28 (0.13)	0.26	100	2204
Political competition	-0.08 (0.45)	-0.17 (0.45)	0.38** (0.02)	0.50** (0.03)	0.44	100	2204
<i>Year ≥ 1999</i>							
Polity	-0.21 (0.38)	-0.31 (0.44)	0.21 (0.48)	0.68* (0.10)	0.05	98	1140
Executive recruitment	-0.03 (0.79)	-0.03 (0.80)	0.07 (0.51)	0.26 (0.15)	0.04	97	1060
Executive constraints	-0.02 (0.83)	-0.13 (0.37)	0.01 (0.95)	0.19 (0.19)	0.04	97	1060
Political competition	0.00 (0.99)	-0.11 (0.62)	0.20* (0.05)	0.32 (0.14)	0.05	97	1060
<i>Substantive democracy</i>							
<i>1980-2011</i>							
Empowerment	-0.07 (0.52)	0.09 (0.69)	0.25 (0.17)	-0.10 (0.72)	0.17	102	2157
Freedom of speech	0.00 (0.95)	0.04 (0.33)	0.07* (0.10)	-0.04 (0.57)	0.11	102	2175
Freedom of assembly & association	-0.01 (0.82)	-0.02 (0.69)	0.06 (0.17)	-0.04 (0.58)	0.13	102	2167
Workers' rights	0.00 (0.94)	-0.01 (0.85)	0.01 (0.81)	0.00 (0.99)	0.16	102	2172
<i>Year ≥ 1999</i>							
Empowerment	-0.02 (0.87)	0.16 (0.52)	0.36* (0.05)	-0.50* (0.08)	0.08	100	1,092
Freedom of speech	0.04 (0.29)	0.07 (0.25)	-0.01 (0.83)	-0.16** (0.05)	0.10	100	1095
Freedom of assembly & association	-0.04 (0.36)	0.03 (0.69)	0.09 (0.15)	-0.19** (0.01)	0.04	100	1095
Workers' rights	0.05 (0.13)	-0.01 (0.93)	0.02 (0.72)	-0.11* (0.05)	0.11	100	1094

Note: robust p-values (based on standard errors clustered at country level) in parentheses. \*\*\*p<0.01, \*\*p<0.05, \*p<0.1. Estimates based on Table 5-3, regression 3 (i.e., two-way fixed effects, and sample covering the full period) and regression 4 (i.e., country fixed effects, and sample covering the period with IFI-PRS fully established as a new lending instrument (1999–2011)).

Disaggregate results for the *polity2* regime index show that the effects of development aid on the institutional and procedural features of democracy are stronger in the full period (1980-2011) than in the restricted time period (1999-2011). Confirming the aggregate results, estimation coefficients of traditional

lending programs (WB-INV and IMF-STB) are still insignificant and mostly negative for all three concept variables of the polity regime index. By contrast, estimation coefficients of IFI-SAP and IFI-PRS are positive in all estimations, but they differ in significance for different indicators of procedural democracy. While IFI-SAP demonstrates a positive and significant impact on political competition, IFI-PRS programs exhibit an additional positive and significant effect on executive recruitment and thus on the composite democracy index in the full period. When I restrict the sample to the years following the introduction of the PRS approach ( $\geq 1999$ ), the size and significance of the coefficient estimates decrease. The overall variance explained by the different models also decreases. Still, IFI-SAP's positive impact on political competition and IFI-PRS's overall positive impact on the *polity2* regime indicator stay significant.

If I compare these results with the disaggregate results for the CIRI human empowerment index, I find that the effects of development aid on the substantive dimensions of democracy are significant only when I restrict the time period ( $\geq 1999$ ). To start with, I find no significant association between traditional lending programs and citizen empowerment. If I look at the newer lending programs, I find that IFI-SAP positively affects citizen empowerment in recipient countries, whereas IFI-PRS negatively affect citizen empowerment in the period following the turn of the millennium. These significant results are not dependent on model specification, as I receive similar results in country-fixed effect regressions with period dummies and country-fixed effect regressions for the restricted time period (see Annex 5-5, Table A5-2). Moreover, while IFI-SAP show no significant impact on any single dimension of human empowerment, IFI-PRS exhibit a negative and significant impact on all dimensions of substantive democracy – contrary to the poverty reduction strategy approach's official rationale of giving voice (freedom of speech) by civil society participation (freedom of assembly and association) to the poor (workers' rights). Although these results may seem at odds with intuition, they are predominantly in line with my theoretical framework suggesting that surrogates cannot promote democratic practice and substantive rights. Original accountability holders themselves must claim them. However, these negative, significant results might also be explained by the prior human rights record of an average country participating in PRS-based lending. To take possible selection effects of the IFIs' new rights-based development approach into account, I evaluated its impact conditional on the initial level of citizen empowerment and government respect for human rights.

#### **5.7.4. Impact of program lending conditional on recipient regime**

Table 5-6 presents the results of different types of IFI lending conditional on the prior level of substantive democracy.

Table 5-6: Effects on substantive democracy conditional on recipient regime

<i>Variables</i>	<i>Baseline</i>	<i>Only autocracies</i>	<i>Only democracies</i>	<i>Traditional x CIRI</i>	<i>Newer x CIRI</i>	<i>All x CIRI</i>
WB-INV (t-5)	-0.02 (0.87)	0.15 (0.24)	-0.24* (0.09)	-0.81*** (0.00)		-0.72*** (0.00)
IMF-STB (t-5)	0.16 (0.52)	-0.08 (0.76)	0.95** (0.04)	0.48 (0.40)		0.55 (0.38)
IFI-SAP (t-5)	0.36* (0.05)	0.39* (0.06)	0.22 (0.39)		0.27 (0.53)	0.40 (0.30)
IFI-PRS (t-5)	-0.50* (0.08)	-0.75** (0.03)	0.22 (0.62)		1.22* (0.06)	1.06* (0.10)
WB-INV x Empowerment (t-5)				0.09*** (0.00)		0.08*** (0.00)
IMF-STB x Empowerment (t-5)				-0.02 (0.75)		-0.04 (0.52)
IFI-SAP x Empowerment (t-5)					0.01 (0.80)	-0.01 (0.87)
IFI-PRS x Empowerment (t-5)					-0.21*** (0.00)	-0.18*** (0.00)
Empowerment (t-5)	0.03 (0.56)	-0.03 (0.66)	0.04 (0.53)	-0.17** (0.02)	0.06 (0.24)	-0.12 (0.10)
GDP per capita, log (t-5)	-0.54 (0.63)	-2.91** (0.01)	1.50 (0.26)	-0.65 (0.55)	-0.55 (0.62)	-0.48 (0.65)
GDP per capita change (t-5)	-0.01 (0.32)	-0.00 (0.61)	-0.01 (0.24)	-0.01 (0.25)	-0.01 (0.25)	-0.01 (0.19)
Urbanization rate (t-5)	-0.07 (0.17)	-0.13** (0.04)	-0.05 (0.38)	-0.10** (0.04)	-0.08 (0.12)	-0.09* (0.06)
Price level, log (t-5)	-0.28 (0.49)	0.28 (0.61)	-0.21 (0.73)	-0.19 (0.63)	-0.21 (0.60)	-0.14 (0.71)
Trade openness, log (t-5)	-0.79* (0.07)	-0.44 (0.51)	-0.59 (0.27)	-0.72* (0.09)	-0.69 (0.10)	-0.66 (0.11)
Conflict intensity (t-5)	0.36* (0.06)	0.13 (0.67)	0.30 (0.19)	0.37* (0.09)	0.34* (0.07)	0.31 (0.12)
Regional diffusion (t-5)	0.01 (0.96)	-0.13 (0.48)	-0.04 (0.80)	-0.08 (0.54)	-0.01 (0.95)	-0.02 (0.87)
Countries	100	69	53	100	100	100
Observations	1092	636	456	1092	1092	1092
R-squared	0.08	0.22	0.06	0.09	0.10	0.12

Note: robust p-values (based on standard errors clustered at country level) in parentheses. \*\*\*p<0.01, \*\*p<0.05, \*p<0.1. Estimates based on Table 5-3, regression 4 (i.e., country fixed effects, and sample covering the period with IFI-PRS fully established as a new lending instrument (1999–2011)).

As a first step, I rerun the last regression of the previous table. Results show the baseline model estimating the general impact of different types of IFI lending on a country's human rights record in the 1999-2011 period when IFI-PRS was fully established as a lending instrument (regression 1). In the following two regressions, I examine whether the type of recipient regime influences the impact of IFI lending on civic empowerment in recipient countries. To this end, I split the sample into two groups roughly representing

“democracies” with original *polity2* scores greater than zero and “autocracies” with scores equal to or less than zero (see Persson and Tabellini 2006). Results indicate that democratic or authoritarian group membership does indeed influence the impact of IFI-PRS lending on democratic practices and rights in recipient countries since estimation coefficients are negative and significant in the autocratic group (regression 2), but not in the democratic group (regression 3). The impact of other program types on citizen empowerment also seems to be sensitive to the type of recipient political regime. While IFI-SAP lending scores better in autocratic countries, traditional lending approaches show significant positive (IMF-STB) and negative effects (WB-INV) in more democratic countries.

Taking into account that the estimation of separate models for each group can result in a loss of statistical power, in the remaining regressions I allow all coefficients to vary across all recipients, and test whether a country’s participation in different program affects its human rights record conditional on the starting level of human rights. Regression 4 shows the results for the IMF and the World Bank’s traditional lending approaches. In line with most research on bilateral aid, I find a negative baseline effect of project-like interventions (WB-INV), which increases with the level of human rights in a country, but no effect of crisis-induced interventions (IMF-STB) or its interaction with the extent of government respect for human rights. Turning to my variables of interest, regression 5 shows the conditional impact of the newer types of financial support by the international financial institutions. The estimation coefficient for IFI-PRS lending turns positive and remains significant, while the coefficient for IFI-SAP lending loses its significance, but remains positive. Moreover, the negative interaction term between IFI-PRS lending and human rights is highly significant, suggesting that this type of rights-based development approach is more effective the lower the recipient regime’s human rights record is. Finally, in regression 6 I include the full set of financial instruments used by the IMF and World Bank since 1999. Results largely confirm individual effects. Here I recover the positive and significant effect of IFI-PRS as well as the negative and significant effect of WB-INV. While the beneficial effects of IFI-PRS are stronger in countries with low respect for human rights, the harmful effects of WB-INV become worse if government respect for human rights was high prior to the start of investment project lending. By contrast, the effects of financial stabilization and structural adjustment programs are not conditional on prior empowerment of citizens, suggesting that they come without any hidden democratic motives.

Finally, I re-run the regressions in Table 5-6 but replace the CIRI human empowerment index with the *polity2* regime index estimating the conditional impact on procedural democracy (see Annex 5-5, Table A5-3). In line with my theoretical expectations, I find that the impact of PRS lending on democratization is not conditional on the type of recipient regime. Neither a sample split nor the use of an interaction term yields significant results. However, what I do find is a negative and significant effect of financial stabilization programs (IMF-STB) on procedural democracy conditional on recipient regime type. This effect is

highly significant and seems to become worse the higher the level of procedural democracy is, consistent with my theoretical prediction.

### **5.7.5. Impact of program lending conditional on donor coordination**

Having looked at the dependent variable and its interaction with the lagged program type variables, I will now disaggregate the explanatory variables among donors and look at their individual and joint impact on democratization. Table 5-7 presents the disaggregate results for IMF and World Bank lending when their financial instruments subsumed under the same program type are kept separate.

Since collaboration between the IMF and World Bank already started under structural adjustment programs in the 1980s, estimation results are based on the baseline specification with two-way fixed effects for the full time period (1980-2011). My focus thereby lies on the newer lending types (IFI-SAP and IFI-PRS) that brought more overlap and institutionalized collaboration between the two sister organizations. I start with the first regression of Table 5-5 estimating the general impact of different types of IFI lending on a country's quality of political governance in the full sample (regression 1). When I keep Bank and Fund lending apart, results indicate that lending from both institutions has a positive effect on procedural democracy, though this effect is weaker for the Bank (regression 2) than the Fund (regression 3). While the coefficients for PRS-based lending are positive and significant for both institutions (WB-PRS and IMF-PRS), the coefficient for WB-SAP is slightly below conventional significance levels ( $p$ -value=0.12).

Given that donor coordination is key to program-based aid modalities in support of country-owned development strategies, one might expect the effect of aid modalities that respect democratic accountability mechanisms to be much stronger if donors coordinate their assistance. Following this logic, I add an interaction term for the same type of lending by the IMF and World Bank within an individual country. Looking first at program-based aid framed as structural adjustment lending, the interaction term that measures the composite outcome of a country's participation in structural adjustment programs from both institutions is insignificant, while all coefficients of the individual lending programs drop further and only the Fund's PRS-based lending remains significant (regression 4).

Table 5-7: Effects on procedural democracy conditional on donor coordination

<i>Variables</i>	<i>Baseline</i>	<i>Only WB programs</i>	<i>Only IMF programs</i>	<i>WB x IMF interaction SAP</i>	<i>WB x IMF interaction PRS</i>	<i>WB x IMF interaction SAP &amp; PRS</i>
WB-INV (t-5)	-0.13 (0.47)	-0.16 (0.38)		-0.15 (0.38)	-0.15 (0.39)	-0.15 (0.39)
IMF-STB (t-5)	-0.46 (0.29)		-0.26 (0.54)	-0.33 (0.47)	-0.35 (0.42)	-0.32 (0.48)
IFI-SAP (t-5)	0.58 (0.12)					
IFI-PRS (t-5)	0.99** (0.04)					
WB-SAP (t-5)		0.54 (0.12)		0.37 (0.34)	0.45 (0.20)	0.36 (0.35)
WB-PRS (t-5)		1.13* (0.06)		0.88 (0.17)	2.04*** (0.01)	2.17*** (0.00)
IMF-SAP (t-5)			0.96* (0.07)	0.36 (0.67)	0.85 (0.11)	0.33 (0.70)
IMF-PRS (t-5)			1.33** (0.03)	1.11* (0.08)	1.19* (0.07)	1.24* (0.05)
WB-SAP x IMF-SAP (t-5)				0.63 (0.45)		0.68 (0.41)
WB-PRS x IMF-PRS (t-5)					-1.51* (0.09)	-1.63* (0.06)
Polity (t-5)	0.26*** (0.00)	0.26*** (0.00)	0.25*** (0.00)	0.25*** (0.00)	0.25*** (0.00)	0.25*** (0.00)
GDP per capita, log (t-5)	-1.19** (0.05)	-1.40** (0.03)	-1.18* (0.05)	-1.20** (0.05)	-1.16* (0.05)	-1.20** (0.04)
GDP per capita change (t-5)	-0.01 (0.35)	-0.01 (0.47)	-0.01 (0.35)	-0.01 (0.38)	-0.01 (0.38)	-0.01 (0.37)
Urbanization rate (t-5)	-0.02 (0.71)	-0.03 (0.59)	-0.02 (0.72)	-0.02 (0.73)	-0.02 (0.74)	-0.02 (0.74)
Price level, log (t-5)	-1.04** (0.04)	-1.07** (0.03)	-0.99** (0.05)	-0.97* (0.05)	-0.94* (0.06)	-0.96* (0.06)
Trade openness, log (t-5)	0.11 (0.88)	0.11 (0.88)	0.07 (0.92)	0.12 (0.87)	0.14 (0.85)	0.13 (0.86)
Conflict intensity (t-5)	-0.33 (0.25)	-0.33 (0.24)	-0.25 (0.37)	-0.31 (0.28)	-0.31 (0.29)	-0.30 (0.29)
Regional diffusion (t-5)	-0.03 (0.83)	-0.02 (0.89)	-0.01 (0.93)	-0.03 (0.85)	-0.03 (0.85)	-0.03 (0.84)
Countries	100	100	100	100	100	100
Observations	2374	2374	2374	2374	2374	2374
R-squared	0.36	0.36	0.36	0.37	0.37	0.37

Note: robust p-values (based on standard errors clustered at country level) in parentheses. \*\*\*p<0.01, \*\*p<0.05, \*p<0.1. Estimates based on Table 5-3, regression 3 (i.e., two-way fixed effects, and sample covering the full period).

Considering that collaboration between the IMF and World Bank was only institutionalized under the PRS approach, I compare these results with those I receive when I add an interaction term for joint PRS-based lending (reflecting simultaneous participation of a country in poverty reduction programs by the IMF and World Bank) in regression 5. Here I recover the positive and significant effect of both WB-PRS and IMF-PRS. Especially the increase in the coefficient of the Bank's poverty reduction programs is remarkable as it almost doubles in size and becomes highly significant ( $p=0.001$ ). PRS-based lending by the Bank thus seems highly sensitive to aid-giving by the Fund. By contrast, the coefficient of the Fund's poverty reduction and growth facility remains remarkably stable across all regressions in the table, suggesting that its impact on the quality of a political regime is not conditional on the Fund's collaboration with the Bank. Last but not least, I observe a negative and significant impact of Bank-Fund interaction under the PRS approach, suggesting that a lack of cooperation leads to adverse democratic outcomes. These results are still significant, and remain so when I examine individual and joint effects of all newer lending types together (regression 6). While the simultaneous presence of the IMF and World Bank within an individual country under the Washington Consensus does not affect governance quality in this country, overlap and interaction under the PRS approach appear to have a negative impact on procedural democracy (notwithstanding their individual programs' beneficial democratic outcomes).

By contrast, I find no significant results for Bank-Fund interaction when I replace the *polity2* regime indicator with the CIRI human empowerment index estimating the conditional impact of development aid on substantive democracy (see Annex 5-5, Table A5-4). Bank-Fund interaction does not influence the link between programmatic lending and substantive democracy. Except for the positive and significant effect of the Fund's structural adjustment programs (probably caused by their gate-keeping role for aid-giving by other donors), newer program types by the IMF and Fund do not have any individual positive effects. These results are consistent with the IFIs' apolitical mandate and expected theoretical relationships.

## **5.8. Comparison with insights from expert interviews and online survey**

The first part of the econometric analysis has focused on different types of IMF and World Bank lending and has shown that their impact on democratization varies depending on the type of financial assistance. In the second part, the analysis has concentrated on poverty reduction strategy-based lending and examined the conditions under which this aid type contributes to democratization in recipient countries. As part of an iterative research process, I will now re-examine the findings of the qualitative analysis in light of the statistical results in order to deepen my understanding of how aid impacts on democratization in recipient countries.

### **5.8.1. Democratic intervention strategies and time horizon**

Results of the statistical analysis indicate that the impact of IFI-PRS lending differs in terms of the democracy concept and the time period under consideration. The qualitative analysis helps to explain these contrary tendencies of poverty reduction programs. In particular, it has identified two fields of surrogate accountability that are subsumed under the PRS approach and through which donors potentially influence democratization in recipient countries.

In the PRS field, the World Bank follows a strategy of empowering citizens in recipient countries, which is seen as instrumental for reducing poverty and deepening democracy. As a surrogate of weak citizens, the World Bank holds corporate government actors accountable in the PRS fields for their formulation of national reform agenda and their consultation of domestic stakeholders. As a result, it is hoped that the government agenda also reflects what the society at large wants.

In the GBS field, the strategy of the World Bank aims at improving governance quality in recipient countries, which is seen as beneficial both from a development and democratic perspective. As a surrogate of weak governance institutions, the World Bank holds collaborative government actors accountable in the GBS fields for their implementation of the national reform agenda via the use of general budget support and their coordination of external partners. As a result, it is hoped that the government budget is submitted to public scrutiny.

These two fields of surrogate accountability interact with the broader field of democratic accountability in recipient countries. In the DEM field, representative government actors are held accountable by electoral and political accountability forums at the recipient country level. While the World Bank does not directly intervene in the DEM field, it does hold representative government actors accountable for the outcomes of the surrogate accountability process, thereby influencing the democratic process. More specifically, the Bank holds representative government actors responsible for their political ownership of the national reform agenda and their financial performance in the use of public resources.

Regarding these two outcomes, the quantitative analysis finds empirical evidence for an IFI strategy aimed at improving governance quality, but could not detect any impact (or even finds a counterproductive effect) of IFI efforts aimed at empowering citizens in recipient countries. Results indicate that poverty reduction lending simultaneously had a strong and positive impact on procedural democracy in the full time period (1980-2011), but a negative impact on substantive democracy when the sample was restricted to the post-1999 period. These results suggest that two broad strategies guide PRS-based lending and its democratic targets, since its impact significantly differs between the indices for procedural democracy and substantive democracy, but not between the composite variables of these indices themselves. All concept



variables have the same direction, even though they are not significant all the time. What matters more in terms of strategy, seems to be time horizon allowed for targeted aid to become effective. Aid that is targeted at governance reforms, such as external audit of the general budget, becomes effective only in the medium to long term, while aid that is targeted at civil society support, such as participatory priority-setting in national development strategies, has an effect (or none at all) only in the short term.

### **5.8.2. Democratic targets and recipient regime**

Moreover, the qualitative analysis examined the initial conditions in recipient countries under which these two intervention strategies could realize their democratic potential.

In line with its primary goal of reducing poverty worldwide, most respondents thought that – from an effectiveness perspective – the elaboration of a national poverty reduction strategy is not dependent on the type of political regime, but rather depends on government commitment and the technical capacities available in a country. While poverty reduction strategies build on and strengthen democratic accountability institutions and procedures, they can at least help to build a national consensus around one single document framing donor intervention and external capacity building efforts in countries with weak democratic accountability. According to these respondents, poverty reduction strategies can thus play a useful role in both political contexts.

A second group of respondents argued that – from an empowerment perspective – the donor requirement to solicit inputs from civil society in elaborating this strategy brings little added value because donors are driving the process. While there could be a demonstration effect in less democratic countries, if the participatory process is done well and genuinely, an entirely donor-driven participatory process could also have a counterproductive effect, if it comes against the will of the incumbent regime. The type of political regime thus matters, but the direction of impact remains unclear.

A third argument finally was that – from a governance perspective – the impact of PRS-based lending is not dependent on the starting level of democracy and good governance in a country, because, as one interviewee puts it, “wherever you are, it takes you to a better place on accountability”. Program-based aid in support of the general budget is seen as a great way to introduce or improve accountability between state agencies and to build the basic level of capacity that civil service needs to function. While general budget support surely is more effective in achieving economic goals in democratic settings, the political impact of delivering aid through national budgets probably is much higher in recipient countries with less matured institutions and lower levels of democracy.

If I compare these insights of World Bank experts with the results of the statistical analysis, I find empirical support for democratic targets of PRS-based lending as expressed in the governance and empowerment perspectives, while leaving the empirical test of economic motives as shown by the effectiveness perspective to further research. First, regression results confirm that if we look at the prior level of human rights and civic empowerment in a country (substantive democracy), then the impact of donor strategies aimed at involving civil society in political decision-making is conditional on the type of political regime. While a simple sample split indicates that PRS-based lending may have a negative impact in more autocratic regimes (i.e., a counterproductive effect), the use of an interaction term overrules this finding by suggesting that it rather has a positive impact that becomes stronger the more autocratic a regime is (i.e., demonstration effect). Second, regression results also confirm that if we look at the starting level of democratic institutions and procedures in a country (procedural democracy), then the impact of donor strategies aimed at opening the budget process to formal review and public control is not conditional on the type of political regime. Neither a sample split nor the use of an interaction term yields significant results.

These results thus support the broad consensus among World Bank staff that PRS-based lending may be more useful in countries with dysfunctional institutions and low quality of the political regime, as it comes with many efforts to improve the system.

### **5.8.3. Aid modalities and donor coordination**

Finally, the qualitative analysis demonstrated that the aid modalities through which donors hold domestic power wielders accountable involved an increasingly larger number of participants. This shift towards participatory accountability mechanisms was judged as positive in the PRS field, where the involvement of new domestic stakeholders, and in particular civil society, is associated with more country ownership of national development strategies. In this regard, it is seen as crucial that national development strategies and visions emerge from domestic struggles and are not imposed by foreign actors. However, perceptions differ with regard to the increase in numbers of external development partners in the GBS field.

According to the advocates of general budget support, the important innovation (or “true revolution”) of PRS-based lending has been that everyone is getting involved. The original value of the PRS approach is seen in that the donor community told the government to get all sectors together, to formulate a national development strategy, to link this strategy with the general budget, and that then donors would directly support and monitor budget execution. Opening the national budget process to outsiders, as one respondent puts it, is by far the most important initiative for these countries, because governments have complete ownership over their budgets, for better or worse.

By contrast, critics of general budget support propose that particularly in countries with large donor communities, these new participatory aid modalities came along with more bureaucracy and inconsistency among external partners. For example, respondents report that the processes of donor harmonization and alignment are difficult to combine with budget preparation as in the books. Although the provision of multi-donor budget support has become one of the hallmarks of the PRS approach, there is a tendency for participation from the early stages of writing the action matrix for budget support. This “participation bureaucracy” hampers the predictability of aid and the execution of the general budget. What is more, the simultaneous presence of donors in the same country does not mean that they cooperate. In particular, the ownership principle creates inconsistencies in message-making between the international financial institutions.

The disaggregate – and partly ambiguous – results support both advocates and critics of general budget support. On the one hand, individual outcomes of Bank and Fund lending indicate that sectoral alignment to the national poverty reduction and donor coordination around general budget support increased the impact of World Bank lending, but did not affect outcomes of IMF lending. This may be explained by their individual specialization. While the Fund’s primarily focuses on the macroeconomic framework, the Bank’s activities cover a broader spectrum of policies ranging from social measures to institutional reforms. Since these sectoral policies need approval by the government and all other donors at the negotiation table, donor alignment and harmonization is thus much more fundamental for the World Bank than for the IMF, who depends less on other donors for its overall balance of payment support. Unlike the IMF, the World Bank achieves more weight in its area of specialization when the Bank is joined by as many development partners as possible – including the IMF whose approval of the macroeconomic framework is often a necessary condition for other donors to join multi-donor budget support operations. The stronger individual effect of World Bank lending when a country simultaneously participates in IMF lending shows precisely this effect.

On the other hand, statistical results cannot support the argument that donor harmonization and alignment has led to more local demand for good governance and broader country ownership of strategies, because Bank-Fund interaction does not have any significant effect on substantive democracy. Rather, empirical findings lend support to the arguments of more bureaucracy and inconsistency between donors. Although the Bank and Fund individually have a positive impact on the quality of governance in recipient countries, results show that their joint impact on procedural democracy is negative and significant. This result indicates that increased overlap of aid is not equivalent to increased cooperation among donors. Instead, qualitative evidence from the interviews and the survey suggests that the bureaucracy involved in coordinating aid among multiple budget-providing donors have caused the IMF and World Bank to focus on their own areas of specialization and, as a result, inconsistencies in message-making between the two sister organi-

zations have increased under the current aid architecture. To increase consistency between their development efforts, Bank staff thus recommended that IMF staff should insist more that budgets are executed the way they are written and should not allow governments to override their deficits. To have more leverage, it would be useful to have the two organizations give the same message in the sense that both organizations should write this message in their staff reports and then send it to their respective Boards. Thus, while a clear specialization and division of labor may theoretically lead to synergies among donors involved in poverty reduction lending, both the qualitative and quantitative analyses show that the interaction between the World Bank and the IMF in practice rather leads to conflicts regarding their common stance vis-à-vis recipient governments and may even have a negative effect on the quality of political regimes in recipient countries.

#### **5.8.4. Summarizing the empirical evidence**

The main results are the following:

First, the qualitative analysis identified two surrogate accountability forums where domestic stakeholders and external development partners interact, that is, the PRS and GBS fields, whose intervention logic was said to differ in terms of their democratic targets. While World Bank staff associated the PRS field more closely with the direct promotion of citizen empowerment and human rights in recipient countries, they saw the Bank's intervention in the GBS field as consisting of many small steps towards the strengthening of democratic governance in recipient countries. Confirming the existence of two parallel, but distinct intervention strategies, the quantitative analysis showed that poverty reduction lending simultaneously had a strong and positive impact on procedural democracy in the 1980-2011 period, but a negative impact on substantive democracy when the sample was restricted to the post-1999 period. Participatory priority-setting in PRS processes thus seems to be associated with a worsening of substantive democracy in the short term, while programmatic lending in support of national or sector budgets (starting with structural adjustment lending) seems to improve procedural democracy over the long run.

Second, many respondents in the qualitative analysis thought that the success of the Bank's strategy for broadening political ownership beyond the government in the PRS field depends ultimately on recipients' prior level of democracy and good governance because ownership means that the government leads the process. By contrast, they considered the Bank's strategy for improving financial performance in the GBS field to be independent of the previous level of democracy and good governance in a country because, in their view, general budget support comes with many efforts to improve the system. The quantitative analysis partly confirmed that if we look at substantive dimensions of democracy, then the impact of donor

strategies aimed at involving civil society in political decision-making is conditional on the recipients' initial level of government respect for human rights and may turn positive in less democratic regimes (as opposed to its negative impact if the interaction with recipient regime is not taken into account.). However, if we look at procedural democracy dimensions, then the impact of donor strategies aimed at opening the budget process to formal review and public control is independent of recipients' quality of democratic institutions and procedures at the start of the process.

Third, the qualitative analysis showed that there has been a shift from delegation to participatory mechanisms in both surrogate accountability forums, marked by an increase in the number of participants. This increase in participation was judged positively in the PRS field, where the involvement of new domestic stakeholders is associated with more country-owned development strategies. However, particularly in countries with large donor communities, respondents felt that in the GBS field participatory development mechanisms also come with more bureaucracy and inconsistency in message-making among external partners. The quantitative analysis lends support for the argument of a participation bureaucracy at the donor side by showing that the interaction between the IMF and World Bank in individual countries is negatively associated with procedural democracy, consistent with the qualitative evidence from the interviews and the survey. However, the quantitative evidence cannot support the argument of broader country ownership of strategies at the recipient side, as Bank-Fund interaction does not have any significant effect on substantive democracy.

## **5.9. Discussion: democracy strengthened through the PRS approach?**

The question this chapter wanted to answer was *whether and under which conditions the new type of PRS-based lending, as opposed to other types of IMF and World Bank support, has made any meaningful difference in terms of strengthening democracy in recipient countries.*

Previous research generally distinguished between two types of aid: development aid (or economic aid) and democracy aid (or political aid). While IFI lending traditionally is perceived to belong to the category of development aid, this chapter argued that newer types of lending programs additionally display certain characteristics of democracy aid, as they come with many efforts to improve national governance systems.

The theoretical framework proposed to analyze the issues by looking both at the underlying democratic targets and the way in which development aid interacts with democratic accountability in recipient coun-

tries. By using the concept of surrogate accountability as an analytical lens for categorizing different aid modalities in terms of their interaction with democratic accountability, the argument was made that not only the strategic targets that define external intervention strategies but also the modalities of aid delivery matter. Taking these differences in strategic targets and aid delivery into account allows us to reconcile seemingly contradictory results of the handful of studies on the democratic outcomes of multilateral aid (see Abouharb and Cingranelli 2007; Barro and Lee 2005; Nelson and Wallace 2005).

Using panel data for a sample of 100 developing countries over a period of 30 years, and controlling for a number of alternative explanations, the statistical analysis showed that the new type of PRS-based lending has indeed made a meaningful difference in terms of strengthening democratization in recipient countries. However, the empirical evidence also indicates that the democratic outcomes of IFI lending depend on the specific aid type as well as the political context on both sides of the multilateral aid relationship, which must be taken into account. Accordingly, this research situates itself firmly within the conditional strand of the literature, which it supports and extends in several respects.

### **5.9.1. Impact varies with aid type**

The empirical findings support the view that the impact of development aid on democratization varies according to the purpose of aid and the particular channel through which aid is delivered. My findings must be seen within a recent trend in the aid and democratization literature to disaggregate explanatory aid variables and democratic outcome variables (Bermeo 2011; Carnegie and Marinov 2017; Dietrich and Wright 2015). These scholars were able to show that different channels of aid delivery differ in their impact on democratization in recipient countries depending on donor motives for providing targeted democracy assistance.

Statistical results for IFI lending show that development aid by the IMF and World Bank also comes via different channels, which in the case of poverty reduction lending seem to exert a positive impact on procedural democracy, but a negative impact on substantive democracy, thereby confirming earlier research on structural adjustment lending with similar contradictory propensities (see Abouharb and Cingranelli 2007).

My results also underpin the insignificant or even negative effects from sub-programs of U.S. democracy assistance specifically targeted at improving the human rights situation in recipient countries. These results essentially contradict the overall positive effect of targeted democracy assistance as found by the same authors (see Scott and Steele 2005, 2011; Finkel et al. 2007, 2008).

My theoretical framework solves this apparent contradiction by interpreting the negative effects on human rights as a result of donors' paternalistic promotion of citizens' preferences. Surrogate accountability arrangements around aid bear the greatest potential when they strengthen procedural norms and rule-following of recipient governments (as with general budget support operations), but they seem less suited to advance policy preferences of citizens vis-à-vis their own governments (as with broad-based consultation processes on poverty reduction strategies).

Radical critics of the PRS approach provide similar support to this line of reasoning by showing – from a developmental perspective – that neither governments nor donors or civil society actors have become more responsive to citizens' preferences through participatory priority-setting, but rather pursue their own material, ideological or organizational interests (see Hickey and Mohan 2008; Komives 2011; Winters 2010).

### **5.9.2. Impact depends on recipient and donor characteristics**

Findings from the statistical analysis emphasize the need to analyze the effects of development aid on democratization conditional on donor and recipient characteristics. According to the conditional strand of the literature, the type of political regime affects the relationship between aid and democratization but must be analyzed separately for general development assistance and targeted democracy assistance. Findings from this literature show that general development assistance stabilizes or even amplifies the existing political regime but cannot make autocratic regimes more democratic. By contrast, the effects of democracy aid vary across recipient regimes, but selection effects may play a larger role making it difficult to draw general conclusions.

My results respond to those studies that found a stabilizing effect of development aid on recipients' political regime (Dutta et al. 2013; Morrison 2007, 2009; Wright 2009), as they show that the type of political regime also affects the impact of traditional lending approaches (IMF-STB and WB-INV) that come closest to bilateral forms of development aid. While these traditional lending types did not show any significant impact in the baseline models estimating their general impact on democratization, their negative effects became visible when I took their interaction with the political regime into account. Accordingly, WB-INV lending worsens democratic rights and practices in democratic regimes, whereas IMF-STB bypasses democratic institutions and procedures in autocratic regimes, consistent with their different intervention strategies.

My results also respond to previous studies that found selection effects at play in the allocation of targeted democracy and governance assistance (see Bermeo 2011; Dietrich and Wright 2015; Nielsen and Nielson

2010). However, the results of these studies differ highly across estimation methods and democratic outcomes, which makes their common interpretation difficult and the theoretical argument especially important (Nielsen and Nielson 2010: 7).

According to my theoretical framework, democracy aid comes with different democratic targets. Donors may either target governance or empowerment standards of democratic accountability and, correspondingly deliver aid either via the recipient government channels or circumvent these governments by channeling their assistance directly to organized civil society. Given that the former type usually comes with the consent of incumbent regimes, only the latter type that comes against the will of incumbent regimes is expected to be dependent on the type of regime. Statistical results for IFI-PRS lending that approximates bilateral democracy aid in many respects confirm that we need to differ between conflictual and consensual strategies.

In particular, the inclusion of an interaction term between aid and procedural democracy does not significantly change the results, suggesting that the more consensual strategy of democracy aid – governance assistance – does not depend on the type of political regime. By contrast, when I include an interaction term between aid and substantive democracy, results differ significantly. While estimation coefficients for IFI-PRS lending were negative and significant in the baseline specifications, they show a significantly positive impact on human rights and civil liberties, indicating that a conflictual intervention strategy aimed at “leveling the playing field between incumbent governments and opposition groups and allows for bottom-up pressure to occur” (Dietrich 2013: 708) depends on a recipient regime’s human rights record. Given the big differences in impact, once I take initial political conditions into account, this finding underscores the need to disaggregate the dependent variable, in line with much of the literature.

As regards donor characteristics, my results are related to previous research on the link between donor coordination (or the lack of it) and development outcomes. Following the pioneering work by Marchesi and Sirtori (2011), I approximate Bank-Fund interaction with their simultaneous presence in the same country but distinguish according to program types. My results show that the interaction between these two sister organizations has no effect for IFI-SAP lending, but that IFI-PRS lending has a significant negative effect on procedural democracy. This result suggests that simultaneous presence within a single country does not lead to more beneficial democratic outcomes. I thereby contradict Marchesi and Sirtori (2011) who found a positive effect of Bank-Fund interaction on economic growth that increases with their degree of information-sharing, their specialized knowledge, and their scope of conditionality (Marchesi and Sabani 2014).

My results must be seen as more in line with the rather pessimistic conclusions of the general literature on donor coordination and specialization. The limited evidence available suggests that changes in the global



aid regime have not led to greater cooperation among major bilateral and multilateral donors (Aldasoro et al. 2010: 935; Nunnenkamp et al. 2013: 557). However, I do find indication for greater specialization, as shown by the strong significant positive effects of World Bank lending as compared to IMF lending once Bank-Fund interaction is taken into account, suggesting that increased overlap of areas has led to more specialization (as a necessary, but not sufficient condition for greater cooperation).

In sum, empirical findings from both the quantitative and qualitative analysis support the idea that the intervention logic of program-based aid bears great potential for promoting procedural democracy, but only when donors overcome their collective action problems in practice (e.g., Collier 2006; Emmanuel 2010). In this context, political conditionality attached to multi-donor general budget support operations arises as a promising area of future research (for an outline of this research agenda, see Molenaers et al. 2015).

### **5.9.3. Impact measured by a conservative research strategy**

Empirical research designs on aid and its impact on democratization are highly sensitive to their handling of endogeneity issues, measurement choices and estimation strategies, of which this analysis makes no exception. To account for the problem of endogenous aid-giving, some of the most exciting studies exploring the causal mechanisms underlying the aid-democracy nexus find that their results strongly differ (and even change prefix), when they use an instrumental variables approach (e.g., Carnegie and Marinov 2017; Dietrich and Wright 2015; Marchesi and Sirtori 2011). However, the aid and democratization literature has been largely unable to find appropriate instruments for democracy aid (and to a lesser extent, economic aid) that do not violate the exclusion restriction. Even more, it has been argued that if the role of aid is to provide an economic incentive to recipient governments for initiating democratic reforms, this necessarily implies that aid follows reform. The use of an instrumental variables approach is considered to eliminate precisely this kind of endogeneity and thus the entire incentive effect (Kersting and Kilby 2014: 135). To stay on the safe side, this research thus applied a conservative estimation strategy in line with the latest trends within the relevant literature (see Clemens et al. 2012).

In addition to choosing a cautionary statistical approach, this analysis also goes beyond most of the previous research (for a notable exception, see Harrigan et al. 2006) in that the quantitative results were additionally cross-checked with insights from the qualitative analysis. Combining the quantitative results with the qualitative evidence of the previous chapter provides a more robust and generalizable picture of the PRS approach than is found in the literature so far. Still, despite the exhaustive robustness checks in the first part and the cross-checking with expert interviews in the second part, I cannot fully preclude the pos-

sibility that the results of the quantitative analysis are driven by omitted variable bias, which urges me to interpret these results with caution. The consideration of additional factors that may be closely related to separate IMF and World Bank program types in general and to their joint lending, in particular, remains a challenge for future research on the new global partnership for effective and sustainable development cooperation.

## **6. Conclusions**

### **6.1. Results**

#### **6.1.1. Core statement and contributions to the academic debate**

Over the last two decades, there have been far-reaching changes in the strategic targets of foreign aid and the modalities how donors deliver aid to recipient countries. Introduced in 1999, the Poverty Reduction Strategy (PRS) approach by the IMF and the World Bank has represented the centerpiece of this new aid agenda towards which the international community has turned of late. Signaling a clean break with the technocratic decision-making model that characterized earlier development efforts, the PRS approach became the main instrument for access to debt relief and for financial assistance from both institutions.

This study argues that the promotion of mutual accountability between donors and recipients of aid, which lies at the heart of the international aid effectiveness agenda, has added an inherently political logic to the IFIs' predominantly economic reform agenda. Moreover, this study argues that this new political logic also affects democratic institutions and procedures in aid-receiving countries. Thus, despite the PRS approach's frame of largely apolitical terms (which is not surprising considering the economic mandates of the IMF and World Bank), some of the changes involved in the new aid agenda, as argued here, have turned out to be strongly political and have even influenced democratic change at the recipient country level.

Previous research on the PRS approach remained surprisingly silent as to the political, let alone the democratic dimensions of the international aid effectiveness agenda. Primarily informed through case studies on the nature of participation within the new governance of aid, the academic debate has been organized around the two principles of local ownership and global partnership as the central axes of dispute. In line with the two "promises" made by the architects of the new development approach, Chapter 1 divided the existing PRS literature into a governance and a participation strand. The governance strand focuses on the development potential of the PRS approach and asks whether it has transformed aid relationships at the donor-recipient level (for summaries of the debate within the governance strand, see Driscoll and Evans 2005 as well as Whitfield and Fraser 2009). The participation strand investigates whether the democratic potential inherent to the PRS approach has mitigated the democratic deficits at the state-society level in aid-receiving (Lazarus 2008 and Siebold 2005 provide reviews of the debate within the participation strand). However, very few attempts have been made to examine the development and democracy perspective within one common analytical framework.

The present study used the concept of accountability as an analytical lens to bridge this gap in the PRS literature. In particular, it shed light on the different intervention strategies, accountability mechanisms and underlying goals according to which donors are holding recipients accountable and their interaction with democratic accountability in recipient countries. On a more general level, this study contributes to the academic debate on the aid-democracy nexus in the following way.

First, this research provides a more comprehensive and democratic conceptual framework taken from democratic theory than the one previously sketched in the global aid architecture, where the principle of mutual accountability has been reduced to joint monitoring by donors and recipients of mutual progress in implementing agreed commitments on aid effectiveness. By contrast, this research proposes to analyze aid modalities as institutionalized accountability forums or spaces of actual confrontation between the new aid partners, including organized civil society, which makes it possible to explore how mutual accountability relations at the donor-recipient level interact with domestic accountability relations at the state-society level in aid-receiving countries. Furthermore, the theoretical framework proposed here recognizes the primacy of democratic accountability holders by defining donors as surrogates of citizens when they hold recipient governments accountable for their development performance, and thus sees civil society participation in the new governance of aid from a more democratic perspective.

Second, this research describes an empirical trend towards more political and rights-based aid policies in the domestic and mutual accountability domains. In particular, chapter 3 highlights how the institutionalized accountability relationships at the state-society level, where development actors submit to public scrutiny ('oversight triangle'), and the normative accountability standards at the donor-recipient level to which development actors voluntarily agree ('shared agendas') have both increasingly been linked to an international framework of human rights, democracy and good governance. A desk review of relevant policy documents by bilateral and multilateral donors alike finds substantive evidence for the hypothesis that over the past two decades a more "political spirit" has been introduced into the global aid architecture.

Last, this research contributes to the empirical literature on aid and democratization by demonstrating that not only the democratic targets of aid matter, but that also the modalities of development aid have a significant impact on democratization in recipient countries. While chapter 4 traces the shift in aid relations between donors and recipients of foreign aid under the PRS approach as perceived by World Bank staff which has been engaged in these new aid modalities, chapter 5 statistically assesses the democratic impact of PRS-based lending by the IMF and World Bank and compares it to more established types of IFI lending. Together, the qualitative and quantitative analyses performed by this research contribute to a more robust and general picture of the PRS approach than is found in the literature so far.

### **6.1.2. Main findings for each chapter**

In the following, I will first review the main findings for each chapter before I give a conclusive answer to the two questions that guided this thesis.

The literature review in chapter 1 showed that previous research on the PRS approach has been divided between two streams of scholarship that focused either on the developmental or democratic potential of the new approach, but which generally did not take the empirical findings of the other strand into account. Accordingly, the objective of Chapter 2 was to bring these different strands of literature into a dialogue with each other. The central question that guided this theoretical exchange of ideas was how democratic theory helps us to understand the new development approach.

A first way in which democratic theory can help is by pointing at two different conceptions of accountability that have been used in parallel. The literature review showed that accountability in the development literature was generally understood as an normative concept to evaluate the performance of an actor against a certain set of standards, while democracy scholars usually referred to accountability as a social concept to describe the feature of institutional structures, more precisely, the interaction between different actors within institutionalized accountability arrangements. The conceptual framework of this research draws on both strands as it describes the interaction of development actors within institutionalized accountability forums and then evaluates the impact of these surrogate accountability forums according to democratic accountability standards.

A second way how democratic theory is helpful is by uncovering the theoretical roots of today's frame of accountability used in the governance of aid. More specifically, the theoretical chapter showed that aid has traditionally been framed along the lines of a principal-agent model ('aid as contract'), whereas newer aid frames, which are related to reforming accountability mechanisms along the aid chain, refer to models of stakeholder democracy ('aid as entitlement') or to a pluralist-institutionalist model of global accountability ('aid as partnership'). Over time, as the combined review of the democracy and development literature reveals, there has been a shift in accountability mechanisms from a traditional model based on delegation towards increasingly participatory accountability mechanisms used in development cooperation today. As a result, new "domestic stakeholders" at the recipient country level, respectively "external partners" at the global level have been added to the basic aid frame in the mainstream development discourse.

Finally, the theoretical chapter also showed that democratic theory can help to classify foreign transparency and accountability initiatives in terms of their strategic targets and aid modalities. By examining typologies of public accountability in the democracy and development literature, this chapter proposed to describe the different intervention strategies for promoting domestic accountability according to the type of

domestic accountability forum they support. In turn, the examination of aid modalities suggests that donors either directly support these domestic accountability forums or indirectly support them by acting as surrogates of weak citizens in surrogate accountability forums whose interventions must be evaluated according to the normative accountability standards – democratic or otherwise – that have been set.

In sum, by comparing the concepts, the theories, and the typologies of accountability across the democracy and development literature, chapter 2 provided a more comprehensive understanding of accountability than the one that has shaped the current aid architecture. The concept of surrogate accountability thereby served as a means to make the democratic dimension of the new aid agenda explicit.

Chapter 3 presented policy-based evidence that the promotion of mutual accountability in the international aid architecture has added an inherent political logic to the IFIs predominantly economic reform agenda. The objective of this chapter was to describe the historical and political context of the PRS approach. The central question that guided this context analysis was whether development policies have become more political over the last two decades. In line with the conceptual framework introduced in chapter 2, aid policies were analyzed with regard to accountability relationships at the state-society and donor-recipient level.

First, an analysis of the way how the World Bank monitored and supported “national governance systems” under the PRS approach showed that the Bank’s direct intervention strategy for enhancing domestic accountability at the state-society level has become increasingly more “political” over the last two decades. The political character manifests itself in the strategic focus of World Bank policies, which moved from empowering individual “domestic stakeholders” to a system-wide approach for enhancing domestic accountability. In particular, evidence from the World Bank’s (2006) *Global Monitoring Report* indicates that the Bank’s effort for enhancing domestic accountability between recipient state and organized society has gone through three generations targeting three different types of institutionalized accountability relationships within the domestic arena, namely oversight and auditing institutions (administrative accountability), civil society organizations (social accountability), and national parliaments (political accountability). By tracing the strategic focus of World Bank policies over time, the chapter demonstrated that these three types of public accountability jointly and progressively contributed to deepen the extent to which democratic constituencies can hold their governments accountable.

Second, an analysis of the international agreements and global initiatives that built the aid architecture in its current form found that donors’ indirect strategy for promoting domestic accountability via the normative standards to which they hold recipient governments accountable at the donor-recipient level have also become more “political”. By comparing the World Bank’s (1999) Comprehensive Development Framework with subsequent landmark agreements by the United Nations and the Organization of Economic Co-

operation and Development, this analysis brought the mutual accountability standards, as embodied in shared agendas and reciprocal commitments voluntarily agreed by donors and recipients, to the front. In general, the policy analysis showed that recipient governments of development aid must account for three things within the global aid architecture: good policies, good finances, and good processes. As the adjective “good” signals, the conduct expected from “development partners” is measured against certain internationally agreed rights and norms. While early agreements established aid effectiveness as a norm, evidence from more recent ones rather points to more “political” norms guiding foreign aid delivery. In particular, aid policies with regard to “good processes” increasingly referred to democratic standards firmly embedded within an international human rights-based development approach. The findings of this policy desk review thus suggest that not only compared to their own previous lending approach, but also in concert with other donors the IMF and World Bank have increasingly relied on democratic standards and types of public accountability in recipient countries.

In sum, through tracing the shift in policies in the in the national and global governance of aid, evidence from these two analyses shows that the PRS approach does indeed differ from earlier development efforts in terms of enhancing the scope for domestic accountability. However, since these changes captured here relate to aid policies enacted by the heads and high representatives of global aid agencies, the next chapter addressed the open question how far aid relationships have actually changed in the daily practice of these agencies.

To answer this question, chapter 4 compared the different experiences and perceptions of World Bank staff – assuming that they should know, since they implement these policies – about the extent of change brought by the PRS approach. The objective of this chapter was to explore the interplay of surrogate and democratic accountability under the PRS approach and to find out whether the World Bank’s intervention strategy, accountability mechanisms, and underlying goals have actually changed over time.

To get to grips with the highly technocratic language used by World Bank experts, chapter 4 applied the conceptual framework outlined in chapter 2 to analyze the strategic domains (i.e., accountability fields) the specific mechanisms (i.e., accountability models) and the normative goals (i.e., accountability standards) of the aid modalities promoted under the PRS approach.

First, the analysis challenges the long-standing notion that IMF and World Bank strategic intervention is predominantly technocratic and apolitical in character. Evidence from a mapping exercise of the accountability fields surrounding the PRS approach demonstrates that the World Bank’s strategy for promoting domestic accountability has changed over time. The analysis found a slow, but steady shift both in terms of targets and instruments of the World Bank’s direct intervention strategy. In particular, the type of accountability forum targeted in aid-receiving countries signals a marked departure from earlier technocratic

decision-making. The two main channels for promoting domestic accountability under the PRS approach, that is, the PRS process and the GBS operations originally served to incorporate social and administrative accountability holders in the governance of aid. Today, however, they serve as public forums for donors to start a dialogue with recipient governments on national governance systems. The focus of this dialogue thereby lies on making recipient governments accountable to electoral and political accountability holders. Moreover, the strategic use of political dialogue as an instrument that respects the domestic process has become more important in comparison with other donor instruments that bypass domestic accountability institutions and procedures. While hard measures, such as positive and negative conditionalities have decreased over time, softer and less visible tools and methodologies, such as political dialogue and technical support have been increasingly used.

Second, the analysis of the development discourse around the new ownership philosophy unveils the theoretical roots of the IMF and World Bank's new mechanisms for holding borrowing governments accountable. Evidence from personal interviews and an online survey points to the relevance of two accountability models (i.e., delegation and participation model) that frame not only the World Bank's strategic discourse, but also influence the World Bank's operational practice. A closer analysis of the two main channels for promoting domestic accountability under the PRS approach (i.e., the PRS process and GBS operations) showed that there has been a shift in the way the World Bank holds recipient governments accountable. When the PRS approach was introduced, World Bank interventions were still regulated by a delegation model of public accountability, which proved to be instrumental for recipient governments (who were able to reduce external influence on domestic policies), while it granted legitimacy to donors (who allowed recipient governments to define their own development priorities). However, with the second iteration of the PRS approach, the World Bank shifted to a participation model of public accountability and the legitimacy function changed. Since then, the mechanisms by which development actors held each other accountable lend legitimacy to recipient governments (who derive reputational benefits from a technocratic form of citizen participation that does not allow for real popular control) and appear to be instrumental for donors (who can effectively insert themselves into policy-making at the recipient country level).

The final part of the analysis focused on the political goal dimension of the World Bank's new development approach that may be hidden behind the new rhetoric of aid. An assessment of the perceived effects of the new aid modalities under the PRS approach identified three normative perspectives underlying the World Bank's PRS approach. The majority of World Bank staff sees the original (and present) value of the PRS approach in that it makes aid delivery more effective by shaping government policies around one specific document that also serves as framework for donors to address the challenges of underdevelopment. Independent of donor and recipient characteristics, a single document to forge development partnerships is seen as valuable as it strengthens common efforts toward reducing poverty. Over time, however,



as argued by a smaller part of staff members, these government-driven documents have lost much of their original value and joint donor efforts aimed at improving the quality of national governance in recipient countries have, in relation, become more important. Depending on the degree of Bank-Fund coordination, GBS operations are perceived to be valuable as they strengthen democratic institutions and processes in recipient countries through forcing the government to align all sectors to its national development plan, to link it then with the government budget, and finally to monitor and evaluate its implementation. Finally, the smallest number of World Bank staff argued that the PRS approach has lost so much value because the type of civil society consultation done routinely today does not empower citizens vis-à-vis their governments in recipient countries. Depending on the nature of the recipient regime, the PRS process may have value if it can serve as a catalyst for introducing democratic practices and rights that were not available before.

In sum, through a democratic theory-guided exploration of the fields, the models, and the standards of surrogate accountability arrangements under the PRS approach, the analysis was able to show that the PRS approach has changed strategic discourse and operational practice at the World Bank. Moreover, empirical findings from interviews and an online survey further showed that both the operational tension and the strategic potential of the PRS approach lie at the interfaces of democratic and surrogate accountability fields.

To evaluate the democracy-enhancing potential of these interfaces under the PRS approach, chapter 5 compared PRS-based lending with other types of IFIs' financial support. In doing so, this chapter both differs from, but also builds on the extensive literature on aid and democratization.

Theoretically, it differs from the existing literature through its use of a triadic concept of surrogate accountability that matches the interplay of the triangular forces who are involved in multilateral development aid – IFIs, recipient governments, and organized civil society – more closely than the simple but widespread notion of aid as a bilateral contract between donors and recipients of foreign aid. While previous research has tended to focus on foreign aid as a source of unaccountable revenue that can be appropriated by incumbent governments for their own survival, the concept of surrogate accountability emphasizes both the role of citizens (as democratic constituencies) and donors (as their surrogates) for holding recipient governments accountable under the new program-based aid modalities that are at the center of the contemporary aid architecture.

Empirically, this chapter builds on the existing literature by distinguishing between different aid types and different conditions under which these types can have an impact on democratization in recipient countries. With regard to IFI lending, this chapter identified four general types of development aid. Depending on their strategic focus and modalities, it has been argued that traditional lending types in the form of IMF

stabilization programs and World Bank investment projects should have a negative effect on democratization, as surrogate accountability arrangements of crisis-induced, respectively, project-like forms of interventions neither strategically target nor do their modalities respect democratic accountability. By contrast, poverty reduction strategy programs are expected to have a positive effect on democratization, as general budget support directly targets and simultaneously respects democratic accountability. The effect of structural adjustment programs on democratization is expected to be positive for procedural democracy, but negative for substantive democracy, as sector-wide financial support does respect but does not target democratic accountability.

The aggregate results confirm the positive relationship between poverty reduction strategy programs and changes in procedural democracy. They equally confirm the less-clear, but nonetheless positive role of structural adjustment in improving procedural democracy. And they generally reproduce the negative, but insignificant, assumptions for IMF stabilization and World Bank project lending in terms of procedural democracy. Except for the findings of insignificance of traditional types of multilateral aid, these results are in line with hypotheses about the general effect of different types of IMF and World Bank lending on democratization.

The disaggregate results could explain some of these insignificant effects and they made some additional qualifications.

First, they showed that the impact of IFI lending differs depending on democratic target, respectively accountability standard – improving governance or empowering citizens – that guides development efforts. Results for substantive democracy indicate that those aid types that do not directly target the authority of democratic accountability holders do not impact on the level of human rights and citizen empowerment in recipient countries. By contrast, those aid types that actively undermine or directly promote the involvement of citizens in the definition of development priorities have a significant impact on human rights and civic empowerment – once the original level of substantive democracy is taken into account.

Second, results showed that the impact of IFI lending on substantive democracy – capturing external efforts in terms of citizen empowerment – vary with the type of recipient regime. Empirical findings show that PRS-based lending that is conditioned on civic participation in the definition of national development strategies cannot be judged independently from the overall legitimacy of the political regime. While its general impact on government's respect for human rights is negative, the impact of poverty reduction strategy-based lending turns positive and seems to perform better in more autocratic countries, when the initial human rights record in recipient countries is taken into account. By contrast, the impact of PRS-based lending on procedural democracy – capturing donors' effort in terms of improving governance quality – does not seem to depend on the type of recipient regime. While not being significant in the baseline

specifications, disaggregate results found a negative impact both for World Bank investment lending on substantive democracy and for IMF stabilization program on procedural democracy, if the prior level of democracy is taken into account.

Third, disaggregate results for similar IMF and World Bank programs showed that individual and joint impact on procedural democracy differ. In line with the aggregate results, empirical findings for the IMF and World Bank confirm the positive relationship between individual poverty reduction strategy programs and procedural democracy, and they equally confirm the somewhat smaller, but nonetheless positive, role of individual structural adjustment programs. However, if a country participates simultaneously in a PRS-based IMF and World Bank lending program, results show that Bank-Fund interaction has a negative and significant effect on procedural democracy in recipient countries as opposed to their individually positive effects. These contradictory results suggest that the simultaneous presence of comparable poverty reduction programs does not imply that the IMF and World Bank collaborate, but may be understood as a retreat to their own spheres of influence aiming probably at increasing their returns on investment. From a recipient's point of view, the negative impact of joint Bank-Fund participation in the national budget process can thus be interpreted as the political cost of external coordination failure.

In sum, by assessing the general impact of PRS-based lending on democratization as compared to other types of IFI financial support, empirical findings showed that the PRS approach has been more than just "nice words". Moreover, by disaggregating data not only by type, but also by purpose, recipient and donor, the statistical analysis was able to pinpoint the conditions under which this new type of development aid made any meaningful difference in terms of strengthening procedural and/or substantive democracy.

### **6.1.3. Answering the two principal questions**

In terms of the two questions that guided my research, I may summarize the above discussion as follows:

First, this research asked *if and how the Poverty Reduction Strategy approach has changed the relations between donors and recipients of foreign aid as compared to earlier development efforts*. Aid relationships were found to have changed under the PRS approach inasmuch as they have increased the scope for domestic accountability as compared to past aid practices. By employing an analytical framework based on the concept of surrogate accountability, the qualitative analysis in chapter 4 was able to capture different political aspects as well as important dynamics over time of this shift in aid relationships. In particular, changes in multilateral aid were found to be three-fold:

First, when the PRS approach was introduced, the World Bank followed a direct strategy based on the use of positive and negative incentives for building the capacities of social and administrative accountability forums at the recipient country level. However, as a way of reducing the tension between democratic and surrogate accountability demands, the Bank increasingly applied a more indirect strategy based on a mix of technical assistance and political dialogue aimed at strengthening the answerability of recipient governments within the domestic electoral and political arena.

Second, this change in strategy occurred simultaneously with a change in mechanisms for holding aid recipients accountable. With the second generation of poverty reduction strategies, the World Bank's operational practice moved from a delegation logic of "aid as contract" to a participation logic framing World Bank intervention in staff's strategic discourse in terms of "aid as entitlement" and "aid as partnership", which called for broad-based participation of both domestic stakeholders and external partners in the governance of aid.

Third, the goals to be achieved by the World Bank's new development approach have also changed. Currently, development aid by the World Bank is primarily evaluated on the basis of its contribution to reducing poverty in developing country. By analyzing, the distinct functions ascribed to particular phases of the surrogate accountability process, the more the hidden democratic dimension of the international aid effectiveness agenda comes to the fore. Beyond reducing poverty, empirical evidence from interviews and the survey showed that the new aid practices also serve to strengthen democratic institutions and practices in developing countries through improving the quality of governance and empowering citizens in recipient countries.

In sum, the changes in strategy, mechanisms, and goals of development aid as provided by the World Bank under the PRS approach point to a shift in surrogate accountability arrangements that has increased the scope for domestic and in particular, democratic accountability as compared to earlier development efforts.

Second, this research asked *whether and under which conditions this new type of aid, as opposed to other types of IMF and World Bank support, has made any meaningful difference in terms of strengthening democracy in recipient countries*. Statistical results showed that among all types of IMF and World Bank support, general budget support under the PRS approach has indeed has the strongest impact on democratization in recipient countries. However, policies advocating this type of aid should consider the conditions under which general budget support is thought to be most effective. Complementing the conditional strand of the aid and democratization literature, three conditions were found to be of central importance:

First, democratic targets matter. Research on foreign aid generally distinguishes between development aid (donor-to-government) given as an incentive for governance reform, and democracy aid (donor-to-civil society) given for civil society targets. The PRS approach is ambiguous as it combines two democratic targets under one conceptual roof. To differ between these two democratic targets of development aid, the impact of poverty reduction strategy-based programs has been measured with respect to different dimensions of democracy. Results show positive effects if these programs are evaluated against their success in promoting democratic institutions and procedures, but negative effects if these programs are evaluated in terms of their contribution to fostering government's respect for human rights and empowering civil society.

Second, there is abundant research that points to the relevance of recipient regimes on bilateral aid given for democratic purposes. To take the initial conditions in recipient countries into account, an interaction term between aid type and recipient regime has been included in additional regressions. The statistical results provided support for the relevance of initial level of human rights in recipient countries, if aid is given for civil society building purposes, i.e., deepening substantive democracy. Conversely, results do not show any significant effect through the prior level of democracy in recipient countries, if aid is given for domestic governance reform, i.e., strengthening procedural democracy. In particular, results showed that when recipient's initial human rights record is taken into account, the poverty reduction strategy-based lending positively influences human empowerment, but only in countries with previously low human rights.

Third, some research does exist that suggests that donor coordination around multi-donor budget support matters for the outcome of multilateral aid given for development purposes. To assess the relevance of the participatory logic for external development partners, an interaction term between similar forms of multilateral aid has been included in the final regressions. Empirical evidence points to a strong impact of Bank-Fund interaction, i.e., joint participation in general budget support operations, on procedural democracy, whereas no impact on substantive democracy was found, this is in accordance with the IMF's absence from broad-based civil society consultations. While individual poverty reduction strategy-based programs show positive effects, results also showed that joint participation in general budget support negatively impacts on recipient's democratic institutions and procedure suggesting political costs for recipient countries due to the international financial institutions' failure to coordinate. In sum, the statistical analysis provided suggestive, but robust evidence that beyond the new rhetoric of aid, the PRS approach indeed has strengthened democracy in practice. While evidence from disaggregated data supports this general conclusion, it also shows that the impact of the PRS approach may differ according to the democratic targets, the nature of the recipient regime, and the extent of donor coordination.

## **6.2. Policy implications**

### **6.2.1. Encouragement through empirical results**

These results have important implications for policymakers who are interested in the promotion of democracy and good governance across the developing world and for program managers at the international financial institutions and beyond who are working on transparency and accountability initiatives. By shedding light on the central accountability forums under the PRS approach this study shows both the different strategies whereby foreign actors can promote domestic accountability at the recipient country level and the different conditions under which such strategies successfully strengthen democracy in practice. It finds that an indirect strategy of fostering democratic accountability through using aid modalities that respect and build upon domestic accountability systems can have a substantial impact on procedural democracy, conditional on donor coordination. By contrast, donors' direct efforts for promoting democratic accountability do more harm than good to substantive democracy in countries that already have a social infrastructure capable of holding power wielders accountable. These processes may have a small but robustly positive impact in countries where government respect for human rights is low. Since the impact of the PRS process seems to have worsened the situation for civil society in some countries but not in others, a first general implication of this research is to separate GBS operations from the PRS process in its present form and to focus on GBS operations instead, which have remained largely in the shadow of the former aid modality so far. Due to the participatory logic inherent to multi-donor GBS, a second general implication for the IMF and World Bank is that they need to improve their collaboration.

### **6.2.2. Implications for donors in general budget support**

Empirical results have shown that the impact of general budget support on procedural democracy is conditional on donors' own behavior. This raises some interesting questions about organizational behavior. In particular, we may ask in which ways the IMF and World Bank can support the domestic budget process in recipient countries in order to enhance democratic accountability and in which ways can they adjust their own lending operations in order to reduce accountability demands from foreign actors. The proposed theoretical framework suggests looking at these questions through the lens of a triadic concept of accountability. Accordingly, donors act as surrogates of citizens in surrogate accountability fields where borrowing governments are held accountable for their management of public revenues. Consequently, policy implications for aid agencies can be drawn based on the evaluation of how close they come to what democratic accountability holders would have done in each phase of the process.

Regarding the information phase, there is a widespread perception among citizens that broad-based consultations in PRS forums are only public “theaters”, while the “real deal” regarding donors’ support of the government budget are made in secrecy without any participation of the general public (CIDSE-Caritas 2004). To shift the answerability of the government from donors towards citizens, a first policy implication for donors providing direct budgetary support thus is that donors should actively support transparency and openness in recipient countries and disclose all information on their budget-supporting operations to democratic constituencies at the donor and recipient country level. There is widespread agreement among the international development community that transparent practices form the basis for enhanced accountability, as shown by donors’ reiterated commitment to provide more accurate, timely and comprehensive information on aid flows such as to enable recipient governments to present comprehensive budget reports to their legislatures and citizens (OECD 2005a, 2008b, 2011a). The International Aid Transparency Initiative launched at Accra 2008 provides a hopeful example in this regard. However, more steps are needed to ensure that this information reaches the general public on both sides. On their part, donors could also strengthen their efforts to ensure that their financial assistance (and corresponding reporting cycle) is fully aligned to the domestic budget cycle and that their operational practices are specified in legal rules that are publicly available (and easy to find for those interested).

With regard to the debate phase, one of the main insights from research on traditional forms of *ex-ante* conditionality has been that donors can never replace citizens’ own assessment of their needs. However, donors may be better than citizens in assessing compliance of government behavior with human rights and other internationally recognized norms, such as gender equality or corruption control. To strengthen the focus on rule-following and conformity of government behavior with valuable substantive and procedural norms, a second policy implication of this study is that donors should intensify the dialogue with recipient governments on the rules and norms of good governance and encourage broad-based dialogue with citizens. For example, donors could insist through political dialogue with the government that the parliament (or a similar political assembly fulfilling a balance function within the recipient state) approves and monitors the government budget (including donor operations) as a way to create more transparency and accountability around foreign revenues of the state. Furthermore, the government is accountable to both citizens and donors (as their surrogates) for “delivering” on GBS. Thus, donors could exploit synergies between themselves and original accountability holders through involving representatives of organized society in joint donor-citizen forums for improving the political dialogue on GBS operations.

Finally, during the last phase of the accountability process, donors substitute for citizens in their capacity to sanction recipient governments through attaching conditions to money flows, but this should not mean that they also replace them in their authority for defining public policies. According to the international aid effectiveness agenda, citizens and recipient governments have the right to define their own policy pri-

orities. Conversely, third parties, such as foreign aid agencies have to respect the political process in recipient countries which may change with every new government coming to power. To avoid donors engaging in unwarranted paternalism by sanctioning (or rewarding) governmental policies that are not owned by the citizens of recipient countries, a third implication of this study is that donors should only enforce accountability standards related to rule-following (fiscal accountability) and compliance with procedural norms (process accountability), but restrain from defining public policies (program accountability) via GBS operations. This means that donors should not use policy conditionality based on PRS blueprints that have sidelined the democratic chain of delegation, but instead let nationals define their own development priorities by their own approach. For example, donors could take the government agenda, the program of the ruling party program, the country's long-term vision, or similar country-owned document, and then strive to align their financial support to whatever policy agenda there is. While accepting the right of nationals to draw their own, politically informed conclusions, donors should condition their GBS operations on the domestic process. This implies that they work with a flexible approach to permanent adaption to the political realities in recipient countries (what to a certain degree, they already have done), for example, by rewarding good financial practice and an open, democratically owned process, while waiting as long as necessary, if financial and procedural standards of accountability have not yet been met.

Above all, the key to a renewed aid relationship aimed at strengthening public accountability is that donors take their political role as surrogates for democratic accountability holders more seriously and that they strengthen their interaction with citizens in aid-receiving countries within and beyond the national budget process. As shown above, many entry points do exist along the phases of a typical surrogate accountability process for strengthening donors' interaction with citizens around GBS operations that can work as incentives for recipient governments to induce democratic change. Most importantly, however, this study suggests that the necessary changes in procedural democracy will come about only if donors can improve their coordination and harmonization in setting democratic accountability standards that can guide their behavior vis-à-vis recipient governments and citizens in institutionalized surrogate accountability forums. Empirical findings from both the quantitative and qualitative analysis support the idea that the intervention logic of general budget support bears great potential, but only when donors can agree on shared targets in terms of procedural democracy related to the rule of law and valuable procedural norms in recipient countries. In this context, political conditionality arises as a promising area of future research (for an outline of this agenda, see Molenaers et al. 2015).



### **6.2.3. Role of citizens in multi-donor budget support**

Advocating donor interventions in surrogate accountability forums does not mean that donors should not directly target democratic standards of citizen empowerment anymore. On the contrary – it has been one of the most important lessons from the third wave of democratization that a strong civil society plays a pivotal role in fostering democratization (Diamond 1999; Young 2000). However, the depoliticized manner in which civil society has participated in the PRS process has often bypassed the formal political process and the representative bodies of broader societal concerns. What is needed are better donor-society linkages that open the budget process to the general public and embed GBS operations in a democratic environment. Still, the danger is real that the international financial institutions – in line with their economic mandate – fear the interaction with more political sections of organized society and therefore choose to retreat into their own professional spheres of interests based on close working relations with sympathetic insiders of the recipient state administration. To avoid the risk that civil society participation merely serves as (local) validation exercise of predetermined policy agendas, more knowledge is needed on how to adapt the principles of the aid effectiveness agenda (i.e., respecting country ownership, recognizing inclusive partnerships, focusing on results and enhancing mutual accountability) to targeted substantive democracy assistance.

### **6.3. Future research**

The present study has demonstrated that aid relations between donors and recipients of foreign aid have changed with the introduction of the PRS approach whose aid modalities have significantly increased the scope for democratic accountability. This requires an expansion of the current research agenda. Previous research focused on questions of aid effectiveness and development outcomes. However, there is also a need to shed more light on accountability dynamics and democratic outcomes of the global aid regime, because surrogate accountability arrangements may both hamper or facilitate democratic accountability in aid-receiving countries. The analysis of the aid-democracy nexus presented here could be continued in several different directions.

### **6.3.1. Empirical level: economic-political divide**

The empirical analysis could be continued to research the interaction of different types of aid and their joint impact on different dimensions of democracy. This study has shown the value of differentiating aid modalities and precisely measuring democracy in a way that most closely matches the democratic targets of the intervention strategy. In particular, it demonstrated that the impact of PRS-based lending significantly differs from other program types of the IMF and World Bank, since these programs intend to empower citizens in aid-receiving countries directly. While this research has assessed the impact of four different types of IMF and World Bank programs on democratization, the effects of their interaction among each other and with other categories of foreign aid are still unexplored. More precisely, development aid and democracy aid apply different standards of public accountability; yet, they are linked inextricably as democratic expectations are often rooted in demands for better living conditions (Przeworski et al. 2000). However, since the indirect effect of development aid on democratization is said only to become effective over the long run, a longer time period might thus be required to assess these combined effects of different aid types. Furthermore, novel datasets for sophisticated quantitative analysis have recently become available, which enable finer disaggregation of aid by different strategic rationales and distinct modalities of aid delivery (e.g., the AidData research lab and website). Future research will benefit from examining new datasets with increasingly fine-grained data and the longer time periods available in order to explain how different aid categories affect one another and interact to impact on different concepts and dimensions of democracy (for recent approaches in this direction, see Gibson et al. 2014; Jones and Tarp 2016).

In addition, research needs to address the interplay of the IMF and World Bank with other donors, who may pursue competing foreign policy goals that prevent them from making a more positive contribution. The Global Partnership for Effective Development Co-operation launched at Busan 2011 has seen the emergence of a broad coalition of development partners ranging from governments over international organizations and non-governmental organizations to the private sector in donor and recipient countries. The principles who were agreed on by more than 160 countries and 50 organizations are said to guide actions of all these partners towards deepening, extending and operationalizing “the democratic ownership of development policies and processes” (OECD 2011a, para. 12). However, as this study has shown, even for two donors who are most similar in kind (‘sister institutions’), aid fragmentation and coordination failure around general budget support operations have major implications for the democratic process in recipient countries. To be effective, conditions attached to multi-donor budget support need to be based on some degree of unity among donors. If governments have access to financial support from other foreign actors, the international financial institutions’ leverage is reduced (for a recent examination of the credible commitment hypothesis, see Li 2017). By including other donors in their analyses, future research on the

influence of these new and diverse foreign actors will become challenging given the new development partners' rather contradictory reputation in terms of their (dis-)regard for human rights and democracy.

Complementary to the inclusion of other donors in future analyses, the influence of other recipient characteristics on the relevance of aid for different aspects of democratization should be further explored. There is now a substantial literature on the impact of different sources of state revenue, including foreign aid, on processes of state formation, regime stability, and the quality of governance in developing countries (Moore 2004; Morrison 2009). According to this literature, countries with alternative sources of income, particularly from oil and other natural resources are less likely to be influenced by conditions attached to aid flows. If some degree of aid dependence is taken as a prerequisite for effective conditionality, then, the availability of other revenues without any strings attached and their interaction with foreign aid seems particularly relevant to explore in the case of political conditionality around multi-donor budget support. The DAC guidelines on accountability and democratic governance suggest that there is a general interest in more detailed information on how external budget support can be tailored to specific country contexts in order to “to move beyond narrow revenue collection targets to include other governance and social objectives” (OECD 2014: 127). Future research could make an important contribution by taking other recipient characteristics into account, foremost the interaction of general budget support with domestic taxation along with the capacity of the recipient government in managing the domestic budget process (for recent contributions to the debate, see Eubank 2012 and Asongu 2015).

### **6.3.2. Theoretical level: global-local divide**

Future research could also extend the theoretical framework used here by analyzing what standard accountability holders can do when surrogates do not act in their interest. In particular, future research could focus on the basic problem of any accountability relationship, namely the challenge of second-order accountability or – in other words – the long-standing dilemma how those who hold others accountable can be held accountable themselves. Applied to the international development context, the question arises who is entitled to hold aid agencies (i.e., surrogate accountability holders) accountable when they do *not* act in citizens' (i.e., original accountability holders) interest (for recent research on second-order surrogate accountability in the humanitarian aid and peacekeeping sector, see Chynowth, Zwi and Whelan 2018; Hirschmann 2019). This problem seems particularly pressing with the kind of political role fulfilled by donors in the domestic budget process. Previously, donors remained in the dark as they saw themselves fulfilling only a supervisory role with regard to recipients' implementation of individually agreed aid projects. By contrast, as financier of national budgets, they fulfill an accountability function for which they must open themselves to the general public they jointly substitute in the process. Like other activities in-

volving the crossing of national borders, aid operations in support of national budgets involve two publics, namely citizens who donate aid and citizens who receive aid. Accordingly, two pathways for future research on accountability relations surrounding general budget support may be sketched out, which may be called “second-order” since sanctioning of donors (i.e., the surrogates of democratic accountability holders) and not of the recipient state (i.e., the power wielder) stands at the center (as discussed by Rubenstein 2007).

The first of these would address accountability mechanisms at the global level that citizens in aid-receiving countries can use to sanction donors for their performance as surrogate, i.e., for sanctioning recipient governments on their behalf (*second-order standard accountability*). For example, although disempowered citizens cannot sanction their political oppressors at the recipient country level, they might possibly sanction their financiers at the global level by publicly denouncing them for supporting an illegitimate political regime. Since donors establish legitimacy for general budget support through claiming that they are acting in the interests of whole populations, sanctioning efforts by exactly these beneficiaries (and their stakeholders in transnational civil society) are particularly successful if they can show that budget-supporting donors are not acting in their interests. While the IMF and World Bank are particularly vulnerable to charges that they are undemocratic and unaccountable to the world’s poor given their mission and membership base (Woods and Narlikar 2001), a strategy of “naming and shaming” should generally work for all aid agencies and interventions that derive their legitimacy from claiming to support democratically owned development results (OECD 2011a, para. 12).

Second, future research could shed more light on domestic accountability mechanisms that citizens in aid-donating countries can use to sanction donors for their performance as surrogate, i.e., for sanctioning governments on behalf of citizens in aid-receiving countries (*second-order surrogate accountability*). As argued by global governance scholars, the international financial organizations may be held accountable either by the financially strong and powerful states who entrusted them with powers – whether they are democratic or not (see Grant and Keohane 2005) or by the most poor and vulnerable people around the world – whether they are represented through governments or not (see Scholte 2005). Theoretically, these two fields of public accountability can be imaged to interact. If the international financial institutions fail to meet their obligations to poor people being affected by their policies, rich people in donor countries might act as second-order surrogates for their counterparts in aid-receiving countries. For example, they could sanction the international financial institutions by a reduction of their government’s contribution to their budget. However, because of the physical distance, the taxpayers in donor countries often do not know if their money is well spent by the international financial institutions and aid-receiving governments, whereas the poor beneficiaries who know about the performance of these two aid intermediaries often have only limited mechanisms for sanctioning either or both of them.

To bring perspectives of poor and rich publics on aid together, more theory-guided and field-proven research is needed to understand how different fields of accountability interact at the recipient country, at the donor country, or at the global level. Along these lines, recent research has shown that efforts by states and non-state actors to hold surrogate accountability holders accountable are more successful, if they combine their abilities in sanctioning and monitoring (Buntaine 2015). Yet, the problem with surrogate accountability holders in international development aid is not their lack of accountability, but the fact that ordinary citizens at both ends of the aid chain are not heavily involved in these processes. Besides analyzing how different fields of accountability interact, more research is further needed to find out how to make surrogate accountability arrangements more democratic. Both of these questions remain to be more closely investigated in the future.

### **6.3.3. Methodological level: insider-outsider divide**

There is a third path for future research that is focused on methodological issues and possible ways to address the gap between academic debate and policy domain that has for a long time characterized the study of foreign aid. As highlighted by Green and Kohl (2007), any attempt to evaluate the impact of foreign aid faces considerable methodological challenges, such as the difficulty of demonstrating causality, the paucity of operational indicators, the possibility of time and period effects among others. While these issues are common to the evaluation of general development assistance, they are particularly daunting in evaluating targeted democracy and governance assistance due to “the more qualitative nature of the dependent variable” (Green and Kohl 2007: 163). This study has demonstrated the usefulness of combining different methods to address some (but not all) of these problems. More specifically, it has followed a research strategy of combining micro-level knowledge embodied in field personnel with traditional macro-oriented analysis based on aggregate measures and statistical methods to evaluate the impact of the PRS approach. However, mixing methods is not enough. More country-specific knowledge is needed for understanding the mechanisms through which aid impacts political systems, including the evaluation of transparency and accountability initiatives and their impact on democratization in aid-receiving countries. To this end, more work needs to be done on both sides of the insider-outsider divide.

More scientific and applied research is needed by development and democracy scholars alike that can document influence of accountability support by foreign actors on democratic decision-making. For example, scholars could focus on research questions with practical relevance, such as determining criteria and benchmarks to measure impact of transparency and accountability initiatives in practice. Moreover, they could use qualitative research methods, including participant observation, ethnographic techniques and interviews to accumulate in-depth knowledge of cases. Lastly, future research might rely on a more recent

trend towards large-scale field experiments to shed more light on the causal mechanisms between foreign aid and political accountability (see, e.g., de la Cuesta 2017; Guiteras and Mobarak 2015). The emergence of accountability as a means for maximizing the impact of aid, stimulated by the OECD's series of high-level fora on aid effectiveness since 2002 has matured into a goal in its own right for many bilateral and multilateral donors all over the world. Since the promotion of accountability became so central to the policy domain, it is all the more important to evaluate the impact of this type of foreign aid. Given the United Nations' recent commitment to develop effective, accountable and inclusive institutions at all levels over the next 15 years, as agreed upon within the 2030 Agenda for Sustainable Development, additional research and academic thinking in this area would be particularly timely.

More work needs to be done by aid practitioners to link scholarly findings on the external promotion of democratic accountability to their operational practice. For example, we may expect the self-ascribed "knowledge Bank" (and its sister institution) to take new scholarly insights into account when changing development strategies and activities. Particular attention should be paid to the tension and potential that might arise from simultaneously using different goals, mechanisms and strategies for promoting domestic accountability, which cannot simply be explained by the principal-agent model that has been dominant in development circles (see, e.g., World Bank and GTZ 2007). At the same time, practitioners could also invest resources and time in experimenting with these different concepts, models and typologies of public accountability (along the lines suggested, for example, by Behn 2001). By definition, these "experiments" in public accountability must involve citizens. After all, the rationale for involving citizens in the governance of aid is to achieve better results from a welfare and democracy perspective. These "experiments" should be conducted with a view to understanding how to mitigate the democratic deficits both at the donor-recipient level and at the state-society level in aid-receiving countries, through identifying practical and feasible steps towards enhancing democratic accountability along the aid chain.

Gaining more detailed information on transparency and accountability initiatives is relevant for the international financial institutions and other aid intermediaries who are constantly in need of feedback on the effectiveness and impact of their aid programs for a variety of internal purposes. However, the relevance is also high for citizens around the world who increasingly require that aid agencies along the aid chain have to render an account themselves, thereby demonstrating receptiveness to citizens' interests that would grant some democratic legitimacy to their past and future interventions abroad. To improve human welfare and empowerment, a better understanding of the models and types of accountability by scholars, but also a higher commitment by practitioners to their own accountability standards in terms of creating and sustaining an effective, transparent and inclusive governance of aid are required.

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## Annex

### *Annex 4-1: List of World Bank experts included in the sample*

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*Respondents (in alphabetical order)*

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Addison, Douglas	Kwawukume, Smile
Alfandari, Gilles	MacWilliam, Cal
Bado, Celestin Bepio	Mbowe, Appolenia
Bakayoko, Siaka	Mossi, Dante
Benito-Spinetto, Maria	Murphy, Daniel
Benjamin, McDonald	Ndione, Mamadou
Benjamin, Nancy	Nucifero, Antonio
Bidani, Benu	Nthara, Mwima
Binkert, Gregor	Nelsson, Adam
Cavalcanti, Carlos	Omer, Jemal M.
Dalsten, Kasper	Oppong, Felix
Dessus, Sébastien	Ould Cheikhna, Sid' Ahmed
Diawara, Alassane	Owens, Janet
Douglas, Addison	Revilla, Julio
Engelke, Wilfried	Richaud, Christine
Fengler, Wolfgang	Sackey, James
Funk, Kathryn	Saponara, Miguel J.
Grieve, Bronwyn	Sebudde, Rachel
Harasty, Claire	Seck, Abdoulaye
Ibrahim, Amadou	Sousa, Clara de
Kapoor, Kaqpil	Utz, Robert
Konate, Abdoulaye	Walliser, Jan
Koulibaly, Mamady	Zacchia, Paolo
Koyasse, Faustin-Ange	N.N.
Kwalingana, Samson	N.N.

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## **QUESTIONNAIRE**

### **INTRODUCTION**

#### **1.1. Country**

What is the country you were involved in the PRS process?

#### **1.2. Expertise**

Please indicate the stages of the PRS process you are familiar with in your country:

- PRS I (first generation): formulation of the national development strategy
- PRS I (first generation): implementation of the national development strategy
- PRS II (second generation): formulation of the national development strategy
- PRS II (second generation): implementation of the national development strategy
- PRS III (third generation): formulation of the national development strategy

### **FIRST PART: PRS FORMULATION PROCESS**

#### **2. PRS Formulation Process at the Country Level**

##### **2.1. Principle of Ownership**

Ownership of the national development strategy is one of the key principles of the World Bank's Comprehensive Development Framework (CDF), which was introduced in 1999 and later on operationalized through the PRS approach. In this context, what does ownership mean to you personally?

Could you please define it or give an example:

##### **2.2. Owners of the PRS Process**

In principle, which stakeholders should have first priority, second, third, and so forth in having ownership over the PRS process?

- The general public: particularly the poor and vulnerable groups, such as youth, women's groups, disabled
- The government: civil servants and elected representatives in central ministries, line ministries, local government bodies, parliament, cabinet, and general assemblies
- Civil society organizations: networks, NGOs, community-based organizations, trade unions and guilds, academic institutions, and research groups
- Private sector: umbrella groups representing groups within the private sector, professional associations
- Donors: multilateral and bilateral

##### **2.3. Expression of Political Will by Top Leadership**

In practice, how strong has the degree of commitment to and support of the PRS process by the top political level been in your country?



Degree of commitment:	PRS I (first generation)	PRS II (second generation)	PRS III (third generation)
very high	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
high	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
rather high	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
rather low	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
low	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
no	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
don't know	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please specify your rating.

Why has there been high / low degree of government commitment (in relation to PRS I and/or PRS II)?

#### 2.4. Pre-existing National Development Plans

Has there been a pre-existing (i.e., before the PRS) national development plan in Your Country?

- Yes, namely: \_\_\_\_\_
- No
- Don't know

#### 2.5. Development Over Time

If yes:

Which of the following situations apply?

- The national development plan evolved into the PRS over time.
- The PRS replaced the national development plan over time.
- The pre-existing national development plan and the PRS ran in parallel over time.
- Other: \_\_\_\_\_

If no:

Has the PRS evolved into the country's truly owned national development plan over time?

- Yes
- No, why not? \_\_\_\_\_

#### 2.6. Other Government Initiatives

Have there been any other specific and dramatic up-front actions initiated by the government in Your Country either before or at the inception of the PRS process providing evidence-based signals about its future commitment to a national PRS?

For example:

- Pro-poor program initiated by government
- Significant increase in the share of pro-poor expenditures over total expenditures
- Sharp reduction in the share of military expenditures over total expenditures
- Anti-corruption campaigns
- Specific macro-economic / trade policies
- Decentralization reform
- Other: \_\_\_\_\_

## 2.7. PRS and Electoral Cycles

Did the timing of elections play a role for the formulation of the PRS in Your Country (e.g., was the PRS intentionally developed by the government before or after the national elections)?

	PRS I (first generation)	PRS II (second generation)
Yes	<input type="checkbox"/>	<input type="checkbox"/>
No	<input type="checkbox"/>	<input type="checkbox"/>
Don't know	<input type="checkbox"/>	<input type="checkbox"/>

## 2.8. Timing of Elections

If no:

Why was the PRS process not aligned to the national electoral cycle?

If yes:

In which manner did the timing of elections play a role (e.g., was it intentionally developed before or after the parliamentary / presidential election)?

## 2.9. PRS Coordination

On a technical level, which has been the main government unit to coordinate and prepare your country's national PRS document(s)?

## 2.10. Creation of New PRS Coordination Unit

Has this PRS coordination unit set up outside of traditional government structures in your country?

	PRS I (first generation)	PRS II (second generation)
Yes	<input type="checkbox"/>	<input type="checkbox"/>
No	<input type="checkbox"/>	<input type="checkbox"/>
Don't know	<input type="checkbox"/>	<input type="checkbox"/>

## 2.11. Institutionalization of PRS Coordination Unit

If yes:

Have these PRS units been disbanded after PRS formulation or do they still exist?

	PRS I (first generation)	PRS II (second generation)
Yes	<input type="checkbox"/>	<input type="checkbox"/>
No	<input type="checkbox"/>	<input type="checkbox"/>
Don't know	<input type="checkbox"/>	<input type="checkbox"/>

## 2.12. Hiring of External Consultants

Have (domestic and/or international) consultants been hired by the government in your country to formulate a coherent national PRS?

	PRS I (first generation)	PRS II (second generation)
Yes	<input type="checkbox"/>	<input type="checkbox"/>
No	<input type="checkbox"/>	<input type="checkbox"/>
Don't know	<input type="checkbox"/>	<input type="checkbox"/>

### 2.13. Stakeholder Participation in PRS Formulation

Please indicate how much the following stakeholders participated in the PRS formulation process:

Reference (below):       PRS I (first generation)       PRS II (second generation)

Degree of participation	very high	high	low	very low	don't know
The Cabinet (the Council of Ministers)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Core Ministries (Finance, Planning)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Line Ministries in priority sectors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Local Governments (sub-national level)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Parliament	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Civil society (NGOs, CBOs, think-tanks)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Private sector (professional associations)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### 2.14. Exclusion of Stakeholders

According to your opinion, were there any relevant stakeholders excluded from participation in the PRS formulation process in Your Country? Multiple answers are possible.

Reference (below):       PRS I (first generation)       PRS II (second generation)       Don't know

For example:

- Political parties (in general)
- Political opposition
- Religious organizations
- Ethnic groups
- Representatives from different regions of the country
- Traditional institutions / leaders
- The "real" poor
- Other: \_\_\_\_\_

### 2.15. Non-governmental Stakeholder Consultation Process

Could you please describe in what manner civil society and private sector actors participated in the PRS formulation process (e.g., was it more a direct / indirect process, organized on a geographical / functional basis, mainly government-led with / without alternative consultations)?

### 2.16. Approval of PRSP document by Parliament

Was there a formal vote of approval in parliament on the PRS document (i.e., PRSP), consistent with its constitutional or traditional mandate?

	PRS I (first generation)	PRS II (second generation)
Yes	<input type="checkbox"/>	<input type="checkbox"/>
No	<input type="checkbox"/>	<input type="checkbox"/>
Don't know	<input type="checkbox"/>	<input type="checkbox"/>

**2.17. Language of PRSP document**

Reference (below):     PRS I (first generation)     PRS II (second generation)     Don't know

In which language has the original PRS document (i.e., PRSP) in your country been written?

**2.18. Translation of PRSP document**

Has the PRS document or a simplified version of it been translated into local languages?

- Yes
- No
- Don't know

**3. Role of World Bank in PRS Formulation Process**

**3.1. Level of Bank Engagement in PRS Formulation**

In your country, did the World Bank take more of a passive, hands-off approach (i.e., an observer's role) or did it actively participate in and support the formulation of the national PRS?

	PRS I (first generation)	PRS II (second generation)
Passive approach	<input type="checkbox"/>	<input type="checkbox"/>
Active approach	<input type="checkbox"/>	<input type="checkbox"/>

**3.2. Reasons for Hands-off Approach**

If passive approach: Why?

**3.3. Type of World Bank Support in PRS Formulation**

If active approach: What type of support did the World Bank provide in Your Country? Multiple answers are possible.

Reference (below):     PRS I (first generation)     PRS II (second generation)

For example:

- Policy dialogue before and during the PRS formulation process
- Assistance in drafting the PRS document (e.g., selection and monitoring of indicators)
- Analytical work (e.g., involvement in poverty analyses)
- Technical assistance (e.g., facilitation of workshops, training of staff)
- Finance (e.g., funding for various activities within the PRS formulation process)
- Other: \_\_\_\_\_

**3.4. Bank Assessment of Participatory Processes**

How does the World Bank keep track of the degree of participation in Your Country's PRS process?

- Through the country's PRS documents (i.e., PRSPs) / Annual Progress Reports (APRs)
- Through own Joint Staff Advisory Notes (JSANs) / Joint Staff Assessments (JSAs)
- The World Bank does not track the degree of participation in the PRS process
- Other: \_\_\_\_\_

## SECOND PART: PRS IMPLEMENTATION PROCESS

### 4. PRS Implementation Process at the Country Level

#### 4.1. PRS Implementation

Based on previous experiences, several good practices in implementing the national PRS have been brought forward. How much would you agree that the following have been realized in your country?

Reference (below):  PRS I (first generation)  PRS II (second generation)

Implementing good practices:	strongly agree	agree	rather agree	rather disagree	disagree	strongly disagree	don't know
(a) There is a strong mechanism for inter-ministerial coordination at the policy level.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(b) Line ministries systematically align sector action plans with PRS priorities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(c) Local development plans are compatible with PRS priorities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(d) PRS implementation is linked to the national budget process.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(e) PRS monitoring system is integrated into existing domestic systems of oversight and control.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

#### 4.2. Institutionalized Stakeholder Participation

In your country, how much would you agree that the government is involving stakeholders in systematic dialogue on PRS implementation, through permanent institutions (e.g., standing committees), with mutually agreed objectives and timetables?

Reference (below):  PRS I (first generation)  PRS II (second generation)  Don't know

With regard to...	strongly agree	agree	rather agree	rather disagree	disagree	strongly disagree
(a) ...parliament	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(b) ...civil society	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(c) ...private sector	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

#### 4.3. Media Coverage

In your country, have the national media regularly and widely monitored the PRS process?

Reference (below):  PRS I (first generation)  PRS II (second generation)  Don't know

Please assess the extent of media coverage:

- very high
- High
- Low
- No

#### **4.4. Alignment with Existing Systems**

In general, how much would you agree that the monitoring system of the PRS process is integrated into existing domestic systems of oversight and control in Your Country?

Reference (below):     PRS I (first generation)     PRS II (second generation)     Don't know

- strongly agree
- Agree
- rather agree
- rather disagree
- Disagree
- strongly disagree

#### **4.5. PRS Monitoring**

Which domestic stakeholders have been involved in the monitoring of the PRS process?

- Parliament
- Civil society
- Private sector
- National audit office
- Other: \_\_\_\_\_

### **5. Role of World Bank in PRS Implementation Process**

Reference (below):             PRS I (first generation)             PRS II (second generation)

#### **5.1. Type of Lending Instrument Used**

Why did the World Bank decide to support your country's national PRS with a PRSC series?

#### **5.2. Alignment of PRSCs with national PRS in terms of content**

In your country, please indicate to what extent the PRSC series has been aligned with the PRS or its national equivalent in terms of content?

- Full alignment
- The majority of policy measures aligned
- Aligned in terms of objective and overall direction
- Somewhat aligned
- Not aligned

### 5.3. Alignment of PRSCs with national PRS in terms of process

In your country, is the PRSC series aligned to the government's budget cycle?

- Yes, since (year): \_\_\_\_\_
- No

### 5.4. PRSCs Flexibility and Country Program Implementation

PRSC series in support of your country's PRS are expected to provide regular and predictable funding to the recipient government.

To what extent has the need to ensure predictable financing resulted in pressures to move ahead with the PRSC series even when there was limited program progress?

- Was never an issue
- No pressure to move ahead just to ensure regularity of financing
- Some pressure
- Substantial pressure

### 5.5. PRSCs and Program Changes

Could you please answer the following questions regarding financial changes made to the World Bank's development policy lending in Your Country?

	Yes	No
(a) Has the PRSC series ever been discontinued early?	<input type="checkbox"/>	<input type="checkbox"/>
(b) Has the PRSC loan amount ever been adjusted downward compared to initial notional allocations?	<input type="checkbox"/>	<input type="checkbox"/>
(c) Has the PRSC loan amount ever been adjusted upward compared to initial notional allocations?	<input type="checkbox"/>	<input type="checkbox"/>
(d) Has the disbursement of PRSC loan amounts ever been delayed compared to initial schedule?	<input type="checkbox"/>	<input type="checkbox"/>

## THIRD PART: OPEN-ENDED QUESTIONS

### 6. General Questions related to the PRS Approach

#### 6.1. Country Ownership and Bank Intervention

Previous research often speaks of a general dilemma regarding the PRS approach, namely that there is an inherent tension between the World Bank's requirement of a PRS for concessional lending and – at the same time – requiring country ownership of the PRS. Based upon your work experience, did you personally feel this tension between country ownership and Bank intervention?  
If yes, how did you handle it?

#### 6.2. Initial Conditions and Good Governance

In general, would you say that the PRS approach is more successful in achieving good governance in countries with a higher level of democracy / sophistication of institutions at the start of the PRS process; or would you say that it has the biggest potential in countries with a lower starting level of democracy / sophistication of institutions (i.e., more nascent political institutions)?

**6.3. PRS and Good Governance**

Do you think that the PRS process has had a direct impact on good governance / democratization in Your Country during the last decade; or would you say that good governance / democratization cannot be imposed externally and has solely been determined by the domestic context?

**6.4. Prospects of the PRS Approach**

After ten years of implementing the PRS approach, do you think the PRS approach still holds value for the IMF and World Bank or does it need to be changed?

**6.5. Recommendations for Bank Assistance**

Based on your experience, what recommendations in terms of increasing country ownership of the national development strategy can be drawn for the World Bank and the IMF?

**7. Respondent’s Information**

What is your name?

How many years have you been working for the World Bank?

What years have you worked in / on your country? From (year) to (year)

What is/was your formal position within the country team unit at that time?

On which PRSC(s) have you been working in Your Country?

- PRSC (1)
- PRSC (2)
- PRSC (3)
- PRSC (4)
- PRSC (5)
- PRSC (6)
- PRSC (7)
- PRSC (8)
- PRSC (9)
- PRSC (10)

Have you worked on other Policy-Based Lending before?

- PRSCs
  - SACs
  - HIPC
  - Other DPL
  - None
- in country: \_\_\_\_\_
- in country: \_\_\_\_\_
- in country: \_\_\_\_\_
- in country: \_\_\_\_\_

**Concluding Remarks**

Would you like to add something?

Who else would you recommend me to consult on the PRS approach in your country (name, email)?

**Thank you for your cooperation!**



*Annex 5-1: List of countries included in the sample*

The sample includes all countries with the exception of traditional OECD members and all countries who did not gain independence before 1990. Therefore, all countries in Europe and Central Asia, North America, Australia, and New Zealand, as well as a handful of countries in Africa and Asia, are excluded.

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*Countries (in alphabetical order)*

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Afghanistan	Gambia, The	Nicaragua
Algeria	Ghana	Niger
Angola	Guatemala	Nigeria
Argentina	Guinea	Oman
Bahrain	Guinea-Bissau	Pakistan
Bangladesh	Guyana	Panama
Benin	Haiti	Papua New Guinea
Bhutan	Honduras	Paraguay
Bolivia	India	Peru
Botswana	Indonesia	Philippines
Brazil	Iran, Islamic Rep.	Qatar
Burkina Faso	Iraq	Rwanda
Burundi	Israel	Saudi Arabia
Cambodia	Jamaica	Senegal
Cameroon	Jordan	Sierra Leone
Cape Verde	Kenya	Singapore
Central African Republic	Korea, Dem. Rep. (North)	Solomon Islands
Chad	Korea, Rep. (South)	Somalia
Chile	Kuwait	South Africa
China	Lao PDR	Sri Lanka
Colombia	Lebanon	Sudan
Comoros	Lesotho	Swaziland
Congo, Dem. Rep.	Liberia	Syrian Arab Republic
Congo, Rep.	Libya	Taiwan
Costa Rica	Madagascar	Tanzania
Cote d'Ivoire	Malawi	Thailand
Cuba	Malaysia	Togo
Djibouti	Mali	Trinidad and Tobago
Dominican Republic	Mauritania	Tunisia
Ecuador	Mauritius	Uganda
Egypt, Arab Rep.	Mexiko	United Arab Emirates
El Salvador	Mongolia	Uruguay
Equatorial Guinea	Morocco	Vanuatu
Ethiopia	Mozambique	Venezuela, RB
Fiji	Myanmar (Burma)	Zambia
Gabon	Nepal	Zimbabwe

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*Annex 5-2: List of variables, indicators, and sources*

<i>Variable</i>	<i>Indicator</i>	<i>Source</i>
Polity	Polity2 is the revised and transformed combined regime indicator of the Polity IV data series ranging from -10 (strongly autocratic) to +10 (strongly democratic). According to the Polity IV manual, the unified polity scale was revised by applying a simple treatment to the following standardized authority scores of the original polity variable in order to facilitate its use in time-series analyses: Cases of “foreign interruption” (-66) are treated as “system missing”, cases of “interregnum” (-77) or anarchy are converted to 0, and cases of “regime transition” (-88) are prorated across the time span of the transition	Marshall, Monty; Keith Jagers; and Ted Gurr (2011)
Executive recruitment	Executive recruitment is the revised concept variable “EXREC” of the Polity IV data series ranging from 1 (ascription) to 8 (competitive election). Revision followed the same procedure as with the Polity2 regime indicator	Marshall et al. (2011)
Executive constraints	Executive constraints is the revised concept variable “EXCONST” of the Polity IV data series ranging from 1 (unlimited authority) to 7 (executive parity or subordination). Revision followed the same procedure as with the Polity2 regime indicator	Marshall et al. (2011)
Political competition	Political competition is the revised concept variable “POLCOMP” of the Polity IV data series ranging from 1 (suppressed) to 10 (institutionalized electoral). Revision followed the same procedure as with the Polity2 regime indicator	Marshall et al. (2011)
Empowerment	Empowerment rights index is the additive index of the Cingranelli and Richards (CIRI) Human Rights dataset that measures government human rights practices. It is constructed from the foreign movement, domestic movement, freedom of speech, freedom of assembly & association, workers’ rights, electoral self-determination, and freedom of religion indicators. It ranges from 0 (no government respect for these seven rights) to 14 (full government respect for these seven rights)	Cingranelli, David; David Richards; and Chad Clay (2014)
Freedom of speech	This variable indicates the extent to which freedoms of speech and press are affected by government censorship. Values are 0 (complete censorship), 1 (some censorship), and 2 (no censorship)	Cingranelli et al. (2014)
Freedom of assembly & association	This variable indicates the extent to which the freedoms of assembly and association are subject to actual governmental limitations or restrictions (as opposed to strictly legal protections). Values are 0 (severely restricted), 1 (limited for all or severely restricted for select groups), 2 (freely enjoyed)	Cingranelli et al. (2014)
Workers’ rights	This variable indicates the extent to which workers enjoy internationally recognized rights at work. Values are 0 (severely restricted), 1 (somewhat restricted), and 2 (fully protected)	Cingranelli et al. (2014)

Investment project (WB-INV)	For any specific year investment lending by the World Bank is captured by a categorical variable that counts the number of lending categories within the four financial instruments covered by the Bank's Operational Policy BP 10.00: Specific Investment Loan (SIL), Sector Investment and Maintenance Loan (SIM), Financial Intermediary Loan (FIL), and Technical Assistance Loan (TAL)	World Bank (2013a)
Stabilization program (IMF-STB)	Stabilization lending by the IMF is captured by a dummy variable that is coded 1 for the country-years when there was an IMF stabilization program in force, 0 otherwise; the financial instruments included in this program variable are the IMF's Stand-by Arrangement (SBA), the Extended Fund Facility (EFF), and since 2009, the Flexible Credit Line (FCL)	Vreeland, James. (2003) IMF (various years) IMF (2013)
Structural adjustment program (IFI-SAP)	Structural adjustment lending is measured by a dummy variable coded 1 for the country-years when there was either an IMF or a World Bank structural adjustment program in force, 0 otherwise; this program variable includes four financial instruments by the World Bank (Sector Adjustment Loan (SAD), Structural Adjustment Loan (SAL), Programmatic Structural Adjustment Loan (PSAL), Special Structural Adjustment Loan (SSAL)) and two financial instruments by the IMF (Structural Adjustment Facility (SAF) and Enhanced Structural Adjustment Facility (ESAF))	Vreeland (2003); IMF (various years); IMF (2013); World Bank (2013a)
Poverty reduction program (IFI-PRS)	Poverty reduction lending is measured by a dummy variable coded 1 for the country-years when there was either a World Bank or an IMF poverty reduction program in force, 0 otherwise; the World Bank's Poverty Reduction Support Credit (PRSC) and the IMF's Poverty Reduction and Growth Facility (PRGF), which was succeeded by the Extended Credit Facility (ECF) in 2010, are included	Vreeland (2003); IMF (various years); IMF (2013); World Bank (2013a)
Bank structural adjustment program (WB-SAP)	Structural adjustment lending is measured by a dummy variable coded 1 for the country-years when there was a World Bank structural adjustment program in force, 0 otherwise.	World Bank (2013a)
Fund structural adjustment program (IMF-SAP)	Structural adjustment lending is measured by a dummy variable coded 1 for the country-years when there was an IMF structural adjustment program in force, 0 otherwise	Vreeland (2003); IMF (various years); IMF (2013);
Bank poverty reduction program (WB-PRS)	Poverty reduction lending is measured by a dummy variable coded 1 for the country-years when there was a World Bank poverty reduction program in force, 0 otherwise	World Bank (2013a)
Fund poverty reduction program (IMF-PRS)	Poverty reduction lending is measured by a dummy variable coded 1 for the country-years when there was an IMF poverty reduction program in force, 0 otherwise	Vreeland (2003); IMF (various years); IMF (2013);
GDP per capita	GDP per capita measured in PPP and constant 2005 US dollars, log	World Bank. (2013b)
GDP per capita change	Growth rate of real GDP per capita (constant prices: chain series)	Heston, Alan; Robert Summers; and Bettina Aten. (2011)

Urbanization rate	Urban population as a percentage of the total population	World Bank (2013b)
Price level	PPP over consumption/exchange rate, log	Heston et al. (2011)
Trade openness	(Imports+exports)/GDP, log	Heston et al. (2011)
Conflict intensity	Combined index of the maximum level of conflict intensity across the following four types: extrasystemic, interstate, internal and internationalized armed conflict; 3-point ordinal scale with the categories “no conflict” (0), “minor conflict: between 25 and 999 battle-related deaths in a given year” (1), and “war: at least 1,000 battle-related deaths in a given year” (2)	Gleditsch, Nils; Peter Wallensteen; Mikael Eriksson; Margareta Sollenberg; and Håvard Strand. (2002)
Regional diffusion	Regional democracy diffusion is captured by an index that measures the average regional value of the polity2 regime indicator in the following five regions: East Asia and Pacific, Latin America and the Caribbean, Middle East and North Africa, South Asia, and Sub-Saharan Africa; note that the country the observation itself refers to is excluded in order to avoid endogeneity issues.	Marshall et al. (2011)
Population	Total population (in thousand), log	Heston et al. (2011)
Lending volume	This variable reflects the volume that provides the best approximation of financial flows related to the different aid variables indicated in Table 1: (1) WB-INV: net financial flows by IBRD + IDA; (2) IMF-STB: IMF non-concessional; (3) IFI-SAP: IDA + IMF concessional; (4) PRS: IDA + IMF concessional.	World Bank. (2013)
Bilateral aid	Bilateral aid as a share of recipient GDP	World Bank. (2013)
US military aid	US Military Aid, obligations, in constant 2005 US dollar millions	USAID (2015)
UNGA voting with US	Alignment with the United States on votes in the UN General Assembly	Strezhnev and Voeten (2012); U.S. State Department (1984-2012); cleaned version as used by Kilby (2011)
UNSC rotating member	UN Security Council non-permanent member (dummy variable coded 1 for years of temporary membership)	UN (2014)

### *Annex 5-3: Construction of the IMF and World Bank variables*

Data on the different financial instruments of the World Bank comes from the World Bank's (2013a) Project Database providing information on all Bank operations from 1947 to the present. Regarding the various financial instruments of the IMF, I use Vreeland's (2003) data on IMF lending activities from 1974 to 2000. I updated his data up to 2011 by consulting the IMF Annual Reports.<sup>75</sup> This information was cross-checked with the data in the IMF's (2013) MONA database starting in 2001.

As of June 2013, the World Bank's Project Database lists 10 lending instruments, while the IMF's Monitoring of Fund Arrangement database counts 11 regular financial arrangement types currently in use. When previous financial instruments, specific combinations of financial instruments as well as non-financial and non-regular instruments are included, the total number rises to (at least) 17 lending instruments for the World Bank and 18 for the IMF. As far as any information is available on these instruments, I consider them for inclusion into my classification system. More details on which financial instruments were included, respectively excluded, from my program types variables are given below.

(1) WB-INV: In the World Bank's Project Database, there is a broad range of financial instruments coded as "investment project financing", but not all of them are included in my program variable of investment lending. I exclude all lending operations with a grant element (predominately environmental projects, recipient executed actions, guarantees, debt reduction facilities, and other special financings) and only keep regular lending operations in my dataset. Of these, I consider only Bank operations falling under the four financial instruments, to which the World Bank's Operational Policy on investment lending applies, namely Specific Investment Loan (SIL), Sector Investment and Maintenance Loan (SIM), Financial Intermediary Loan (FIL), and Technical Assistance Loan (TAL). By contrast, Adaptable Program Loan (APL), Learning and Innovation Loan (LIL), and Emergency Recovery Loan (ERL), all of which have also been coded as investment-type lending in the Project Database, are not included in my measure of World Bank investment projects.<sup>76</sup>

(2) IMF-STB: My variable on IMF stabilization programs (IMF-STB) includes the traditional lending instrument of Stand-by Arrangements (SBA) starting in 1952 and the Flexible Credit Line (FCL), which

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<sup>75</sup> Various years, online since 1996.

<sup>76</sup> The World Bank's Operational Policy 10.00 („Investment Lending: Identification to Board Presentation”) was replaced with a new Operational Policy 10.00 (“Investment Project Financing”) in April 2013. As a result, the Bank's financial instruments were clarified and consolidated. Basically, this reform brought two important changes, which resemble the way the WB-INV program variable was operationalized: first, only a single investment lending instrument was kept, because the additional submenu of investment lending did not bring about any additional value in practice; second, exceptional provisions in response to financial crises and natural disasters as well as support in high-risk contexts was phased out and not included in this new, single investment lending instrument. The existing financial instruments were streamlined, i.e., SIL, SIM, FIL, TAL, and APL were all brought under the single umbrella of investment project financing, LIL and ERL were eliminated (for more details, see World Bank. (2012, 10-12).

has been introduced in 2009 and comes at the same financing terms as SBAs. Although the Extended Fund Facility (EFF) addresses a protracted balance of payment problems over a 3-4 year period, it is also included in my measure of IMF stabilization programs, because it belongs to the Fund's main business operations since 1974. By contrast, among the more recent IMF lending instruments, those providing rapid financial assistance with limited conditionality to members dealing with urgent balance of payment needs were not included. This concerns the Rapid Financing Instrument (RFI) available for all member countries, and the Rapid Credit Facility (RCF) available only for low-income countries. The Stand-by Credit Facility (SCF), and its predecessor, the Exogenous Shocks Facility (ESF), were not included in my IMF-STB program variable, either, because their financing terms are very different from those of SBAs and they are available only to low-income countries. SCF certainly provides more flexibility in the Fund's lending practice, but it falls in-between my four "theoretical" program types and is thus not considered in my explanatory variables. Finally, the IMF's Policy Support Instrument (PSI) effective since 2005 is excluded from my analysis due to its non-financial character.

(3) IFI-SAP: Both IFIs have various adjustment lending instruments in their portfolio. Therefore, my structural adjustment program variable (IFI-SAP) is coded in a way that unites four financial instruments by the World Bank, i.e., Sector Adjustment Loan (SAD), Structural Adjustment Loan (SAL), Programmatic Structural Adjustment Loans (PSAL) and Special Structural Adjustment Loan (SSAL), with two financial instruments by the IMF, i.e., the Structural Adjustment Facility (SAF) and the succeeding Enhanced Structural Adjustment Facility (ESAF), under one roof. All of these financial instruments provide budget support to low-income countries with heightened risks of debt distress. Funds are disbursed upon a satisfactory assessment of performance in implementing policy and institutional reforms.

(4) IFI-PRS: Structural adjustment and poverty reduction lending instruments are grouped together in the same lending category, which is "development policy lending" by the World Bank and the concessional lending facilities to low-income countries by the IMF. Unlike structural adjustment programs, however, poverty reduction programs are conditioned not only on the implementation of specific reforms but also on the inclusion of civil society, in particular, the poor, in the formulation of the national policy frameworks (also called Poverty Reduction Strategy Papers or PRSPs). My variable on poverty reduction program type (IFI-PRS) thus includes only the following financial instruments based on this particular type of "democracy aid": the World Bank's Poverty Reduction Support Credit (PRSC) and the IMF's Poverty Reduction and Growth Facility (PRGF), which was succeeded by the Extended Credit Facility (ECF) in 2010. It must be noted that other financial instruments, which have also been coded as "development policy lending" in the World Bank's Project Database are not included in my variable, namely Debt and Debt Reduction Loan (DRL), Rehabilitation Loan (REL), and Development Policy Lending (DPLI), i.e., the

financial instrument, not the lending type, because these are typically stand-alone operations that do not share the inherent democratizing logic of the previously mentioned instruments.

#### *Annex 5-4: Selection of the control variables*

A first explanation originating in modernization theory focuses on different levels of domestic socio-economic development and their impact on democracy. Countries with higher levels of wealth, industrialization, urbanization, and education are expected to be more prone to democratization (Lipset 1959). The strong correlation between economic development and political democracy is one of the most robust empirical findings of the democratization literature (for a good overview, see Doorenspleet 2004, and for a recent application, see Epstein et al. 2006). To take the level of socio-economic development into account, I include a country's real GDP per capita and the corresponding growth rate into my empirical analysis. Both measures are taken from the Penn World Tables (PWT) 7.0 dataset, as described by Heston et al. (2011), while the data on my third modernization proxy, the percentage of the total population who lives in cities, is taken from the World Bank's (2013b) World Development Indicators (WDI) database.

A second explanation relates to diffusion processes at the global and regional level. According to the democratic diffusion literature, integration into the global economy promotes the dissemination of democratic ideals and values (Starr 1991; Rudra 2005; Brinks and Coppedge 2006). Among the causal mechanisms that have been proposed are bilateral trade, media exposure through different communication channels, and membership in international networks. Among these, I focus on a country's trade openness by measuring it with the sum of imports and exports as a percentage of GDP. Trade data is readily available in the PWT 7.0 dataset. Other studies have found that diffusion of democratic ideals and values is more a regional than a global phenomenon (Starr and Lindborg 2003; Doorenspleet 2004; Wejnert 2005) and should thus be operationalized with an indicator of democratic change in neighboring countries rather than with the level of a country's world market integration (Brinks and Coppedge 2006; Houle et al. 2009). To control for this alternative aspect of diffusion, I construct an index of regional democratic diffusion by calculating the average value of the *polity2* regime indicator in each of the following four regions: Sub-Saharan Africa, North Africa, and the Middle East, South Asia, as well as East Asia and Pacific. I then compute the change of these regional averages over time.

A third explanation for democratization (or the lack of it) relates to unstable conditions in the developing world. Diffusion processes may also have a negative connotation. Cross-border and regional diffusion occurs as the "disease" of violent conflict is spread through contagious contact (Starr 1991). Since inde-

pendence, many developing countries have experienced political instability and war, including civil war and internal strife (Bräutigam and Knack 2004). In particular, semi-democratic regimes seem to be more prone to political conflict (Mansfield and Snyder 1995; Epstein et al. 2006). Similarly, many scholars argue that economic downturn involving slow or negative growth or high inflation may be most threatening to countries in the “dangerous middle stages” of development, where commitment to democracy is weak (Chiot 1977; Gasiorowski 1995; Gasiorowski and Power 1998). Following these arguments, I control for both economic and political instability. Failing to control for these instabilities could produce a spurious correlation between a country’s participation in various types of IMF and World Bank programs and a decline in either procedural or substantive democracy (Haggard and Kaufman 1992; Pevehouse 2002; Bräutigam and Knack 2004). I operationalize political conflict with an index measuring a change in the level of conflict intensity over a given period of years, including both domestic and foreign conflicts. Conflict data is provided by Gleditsch et al. (2002). Additionally, considering its large impact on the poorest sections of the population, I include the consumer price index taken from PWT 7.0 dataset as an indicator for economic downturn in my set of controls.



Annex 5-5: Additional econometric results

Table A5-1: The general impact with different lags

<i>Variables</i>	<i>(t-1)</i> <i>Two-way FE</i>	<i>(t-2)</i> <i>Two-way FE</i>	<i>(t-3)</i> <i>Two-way FE</i>	<i>(t-4)</i> <i>Two-way FE</i>	<i>(t-5)</i> <i>Two-way FE</i>
WB-INV	0.05 (0.25)	0.05 (0.55)	0.01 (0.95)	-0.06 (0.69)	-0.13 (0.47)
IMF-STB	-0.03 (0.81)	-0.18 (0.45)	-0.34 (0.30)	-0.50 (0.21)	-0.46 (0.29)
IFI-SAP	0.03 (0.84)	0.13 (0.61)	0.26 (0.41)	0.55 (0.12)	0.58 (0.12)
IFI-PRS	0.12 (0.40)	0.33 (0.21)	0.60 (0.11)	0.87* (0.08)	0.99** (0.04)
Polity (lag)	0.83*** (0.00)	0.66*** (0.00)	0.50*** (0.00)	0.36*** (0.00)	0.26*** (0.00)
GDP per capita, log	-0.42*** (0.01)	-0.67** (0.02)	-0.82** (0.04)	-0.98* (0.06)	-1.19** (0.05)
GDP per capita change	-0.00 (0.84)	-0.02** (0.04)	-0.01* (0.07)	-0.01 (0.11)	-0.01 (0.35)
Urbanization rate	-0.00 (0.97)	-0.00 (0.88)	-0.01 (0.84)	-0.01 (0.79)	-0.02 (0.71)
Price level, log	-0.34* (0.06)	-0.55* (0.10)	-0.70 (0.10)	-0.92* (0.06)	-1.04** (0.04)
Trade openness, log	0.09 (0.65)	0.08 (0.83)	0.00 (1.00)	0.06 (0.93)	0.11 (0.88)
Conflict intensity	-0.05 (0.65)	-0.14 (0.34)	-0.20 (0.31)	-0.29 (0.23)	-0.33 (0.25)
Regional diffusion	0.05 (0.25)	0.06 (0.45)	0.06 (0.63)	0.02 (0.87)	-0.03 (0.83)
Countries	100	100	100	100	100
Observations	2771	2672	2573	2474	2374
R-squared	0.81	0.65	0.52	0.43	0.36

Note: robust p-values (based on standard errors clustered at country level) in parentheses. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1. Computations based on Table 5-3, regression 3, which is reported again for comparison in the last column of this table. Regressions 1-4 consider the explanatory variables and controls in years closer to the measurement of the dependent variable (t-1 to t-4).

Table A5-2: The specific impact with period dummies and two-way FE for 1999-2011 period

<i>Variables</i>	<i>WB-INV</i>	<i>IMF-STB</i>	<i>IFI-SAP</i>	<i>IFI-PRS</i>	<i>R2</i>	<i>Countries</i>	<i>Observations</i>
<i>Procedural democracy</i>							
<i>Period dummies</i>							
Polity	-0.13 (0.47)	-0.59 (0.17)	0.73* (0.05)	0.97** (0.02)	0.35	100	2374
Executive recruitment	0.01 (0.85)	-0.18 (0.19)	0.18 (0.15)	0.41** (0.03)	0.22	100	2204
Executive constraints	-0.07 (0.27)	-0.11 (0.46)	0.16 (0.27)	0.26 (0.11)	0.25	100	2204
Political competition	-0.05 (0.59)	-0.25 (0.27)	0.47*** (0.00)	0.41* (0.05)	0.43	100	2204
<i>Two-way FE ≥ 1999</i>							
Polity	-0.17 (0.46)	-0.30 (0.47)	0.22 (0.47)	0.59 (0.16)	0.05	98	1140
Executive recruitment	-0.03 (0.81)	-0.03 (0.81)	0.07 (0.54)	0.24 (0.15)	0.04	97	1060
Executive constraints	-0.02 (0.79)	-0.14 (0.37)	0.01 (0.90)	0.22 (0.16)	0.05	97	1060
Political competition	0.01 (0.93)	-0.12 (0.60)	0.22** (0.04)	0.29 (0.15)	0.06	97	1060
<i>Substantive democracy</i>							
<i>Period dummies</i>							
Empowerment	-0.02 (0.82)	0.04 (0.85)	0.33* (0.07)	-0.53** (0.05)	0.13	102	2157
Freedom of speech	0.02 (0.36)	0.03 (0.49)	0.09** (0.02)	-0.22*** (0.00)	0.05	102	2175
Freedom of assembly & association	-0.00 (0.95)	-0.03 (0.54)	0.07* (0.10)	-0.11 (0.11)	0.10	102	2167
Workers' rights	0.02 (0.51)	-0.02 (0.69)	0.03 (0.40)	-0.15** (0.03)	0.08	102	2172
<i>Two-way FE ≥ 1999</i>							
Empowerment	-0.13 (0.20)	0.19 (0.37)	0.35** (0.04)	-0.05 (0.86)	0.21	100	1092
Freedom of speech	0.00 (0.91)	0.08 (0.17)	-0.01 (0.81)	-0.04 (0.57)	0.17	100	1095
Freedom of assembly & association	-0.05 (0.24)	0.03 (0.60)	0.10 (0.12)	-0.11 (0.17)	0.11	100	1095
Workers' rights	0.01 (0.76)	-0.04 (0.58)	0.02 (0.66)	-0.01 (0.92)	0.23	100	1094

Note: robust p-values (based on standard errors clustered at country level) in parentheses. \*\*\*p<0.01, \*\*p<0.05, \*p<0.1. Estimates based on Table 5-3, regression 5 and regression 6.

Table A5-3: Effects on procedural democracy conditional on recipient regime

<i>Variables</i>	<i>Baseline</i>	<i>Only autocracies</i>	<i>Only democracies</i>	<i>Traditional x Polity</i>	<i>Newer x Polity</i>	<i>All x Polity</i>
WB-INV (t-5)	-0.21 (0.38)	-0.30 (0.33)	0.01 (0.98)	-0.50 (0.26)		-0.49 (0.24)
IMF-STB (t-5)	-0.31 (0.44)	-2.04** (0.03)	0.20 (0.52)	-2.12** (0.04)		-1.95* (0.05)
IFI-SAP (t-5)	0.21 (0.48)	-0.03 (0.95)	0.21 (0.53)		-1.02 (0.15)	-0.71 (0.26)
IFI-PRS (t-5)	0.68* (0.10)	0.54 (0.39)	0.06 (0.85)		1.85* (0.08)	1.82* (0.08)
WB-INV x Polity (t-5)				0.02 (0.37)		0.02 (0.35)
IMF-STB x Polity (t-5)				0.13** (0.04)		0.11* (0.07)
IFI-SAP x Polity (t-5)					0.09* (0.08)	0.07 (0.13)
IFI-PRS x Polity (t-5)					-0.10 (0.14)	-0.09 (0.16)
Polity (t-5)	-0.03 (0.65)	0.31 (0.10)	0.12 (0.19)	-0.11 (0.13)	-0.06 (0.37)	-0.13 (0.11)
GDP per capita, log (t-5)	-0.10 (0.90)	0.53 (0.55)	0.33 (0.82)	-0.11 (0.90)	-0.08 (0.91)	-0.14 (0.88)
GDP per capita change (t-5)	-0.00 (0.61)	0.00 (0.96)	-0.00 (0.84)	-0.00 (0.69)	-0.00 (0.59)	-0.00 (0.57)
Urbanization rate (t-5)	0.09 (0.38)	0.20 (0.27)	-0.11 (0.25)	0.11 (0.30)	0.11 (0.28)	0.08 (0.46)
Price level, log (t-5)	-0.15 (0.76)	-0.07 (0.92)	-0.70 (0.29)	-0.22 (0.63)	-0.03 (0.95)	0.01 (0.98)
Trade openness, log (t-5)	-0.71 (0.34)	-0.47 (0.64)	-2.00** (0.03)	-0.67 (0.37)	-0.68 (0.37)	-0.63 (0.39)
Conflict intensity (t-5)	-0.22 (0.35)	-0.04 (0.91)	-0.74** (0.04)	-0.20 (0.38)	-0.21 (0.38)	-0.20 (0.36)
Regional diffusion (t-5)	0.14 (0.66)	-0.50 (0.25)	0.53* (0.06)	0.19 (0.53)	0.14 (0.63)	0.10 (0.75)
Countries	98	56	66	98	98	98
Observations	1140	492	648	1140	1140	1140
R-squared	0.05	0.16	0.08	0.05	0.06	0.07

Note: robust p-values (based on standard errors clustered at country level) in parentheses. \*\*\*p<0.01, \*\*p<0.05, \*p<0.1. Estimates based on Table 5-3, regression 4 (i.e., country fixed effects, and sample covering the period with IFI-PRS fully established as a new lending instrument (1999–2011)).

Table A5-4: Effects on substantive democracy conditional on donor coordination

<i>Variables</i>	<i>Baseline</i>	<i>Only WB programs</i>	<i>Only IMF programs</i>	<i>WB x IMF interaction SAP</i>	<i>WB x IMF interaction PRS</i>	<i>WB x IMF interaction SAP &amp; PRS</i>
WB-INV (t-5)	0.02 (0.87)	0.03 (0.80)		0.01 (0.96)	0.01 (0.95)	0.01 (0.95)
IMF-STB (t-5)	0.11 (0.63)		0.27 (0.19)	0.26 (0.28)	0.25 (0.29)	0.26 (0.28)
IFI-SAP (t-5)	0.28 (0.19)					
IFI-PRS (t-5)	-0.12 (0.69)					
WB-SAP (t-5)		0.26 (0.18)		0.03 (0.88)	0.06 (0.79)	0.03 (0.90)
WB-PRS (t-5)		-0.67 (0.14)		-0.64 (0.16)	-0.29 (0.40)	-0.25 (0.49)
IMF-SAP (t-5)			0.85*** (0.00)	0.64* (0.08)	0.81*** (0.01)	0.63* (0.09)
IMF-PRS (t-5)			0.30 (0.41)	0.42 (0.27)	0.44 (0.25)	0.46 (0.24)
WB-SAP x IMF-SAP (t-5)				0.21 (0.60)		0.22 (0.58)
WB-PRS x IMF-PRS (t-5)					-0.45 (0.48)	-0.49 (0.44)
Empowerment (t-5)	0.12*** (0.00)	0.12*** (0.00)	0.11*** (0.00)	0.11*** (0.00)	0.11*** (0.00)	0.11*** (0.00)
GDP per capita, log (t-5)	-0.52 (0.31)	-0.48 (0.35)	-0.47 (0.33)	-0.44 (0.37)	-0.43 (0.37)	-0.44 (0.37)
GDP per capita change (t-5)	-0.00 (0.68)	-0.00 (0.63)	-0.00 (0.68)	-0.00 (0.65)	-0.00 (0.63)	-0.00 (0.64)
Urbanization rate (t-5)	0.00 (0.87)	0.00 (0.87)	0.01 (0.81)	0.01 (0.81)	0.01 (0.80)	0.01 (0.80)
Price level, log (t-5)	-0.44 (0.12)	-0.47* (0.10)	-0.37 (0.20)	-0.38 (0.18)	-0.37 (0.19)	-0.38 (0.19)
Trade openness, log (t-5)	-0.35 (0.44)	-0.34 (0.45)	-0.33 (0.44)	-0.32 (0.46)	-0.32 (0.47)	-0.32 (0.47)
Conflict intensity (t-5)	-0.19 (0.43)	-0.19 (0.42)	-0.17 (0.48)	-0.17 (0.48)	-0.17 (0.48)	-0.17 (0.48)
Regional diffusion (t-5)	0.03 (0.73)	0.03 (0.69)	0.03 (0.71)	0.03 (0.67)	0.03 (0.67)	0.03 (0.67)
Countries	100	100	100	100	100	100
Observations	2284	2284	2284	2284	2284	2284
R-squared	0.14	0.14	0.15	0.15	0.15	0.15

Note: robust p-values (based on standard errors clustered at country level) in parentheses. \*\*\*p<0.01, \*\*p<0.05, \*p<0.1. Estimates based on Table 5-3, regression 3 (i.e., two-way fixed effects, and sample covering the full period).

## CURRICULUM VITAE

### Sophia Melody Limpach-Hännny

\*May 29, 1977 in Zurich, Switzerland

Married, two sons (2012 and 2014)

#### EDUCATION

- 2007 – 2019 **PhD candidate** at the University of Zurich and the Center for Comparative and International Studies (CIS), ETH Zurich and University of Zurich, Switzerland  
PhD thesis: “*Aid and Accountability: The Modalities of Poverty Reduction Strategies and their Impact on Democratization*”  
Supervisors: Prof. Daniel Bochsler and Prof. Frank Schimmelfennig
- 2011 – 2012 **Visiting scholar** at the International Institute of Social Studies (ISS) in The Hague, Erasmus University Rotterdam, Netherlands (on invitation of Prof. Wil Hout and Prof. Arjun Bedi)
- 2010 **Field research** at the IMF and World Bank in Washington, DC, USA
- 1998 – 2006 **Licentiate (equivalent to MA) in Political Science (major) and Social Anthropology (minor)**, University of Bern, Switzerland  
MA thesis: “*Korruption in Afrika. Eine Untersuchung der kulturellen, ökonomischen und politischen Ursachen von Korruption in den Jahren 1960-95*” (summa cum laude)  
Supervisor: Prof. Wolf Linder
- 2003 **International exchange student** at the Vrije Universiteit Amsterdam, Netherlands
- 1992 – 1997 **Matura Typus B** (including Latin), Kantonsschule Schaffhausen, Switzerland

#### PROFESSIONAL EXPERIENCE

- 2008 – 2010 **Research assistant** at the Chair of Political Economy and Development of the Department of Political Science, University of Zurich, Switzerland
- 2008 – 2010 **Project manager** at Cooperaxion, a Swiss non-governmental organization for sustainable development and intercultural exchange, Bern, Switzerland  
Project: “*Kick for Your Future!*”, a community-based slum youth development project in Monrovia, Liberia (West Africa)
- 2006 – 2007 **Scientific assistant** at Cooperaxion, Bern, Switzerland
- 2000 – 2005 **Student assistant** at the Chair of Swiss Politics of the Institute of Political Science, University of Bern, Switzerland
- 2001 – 2002 **Intern** at the project office of the Swiss Solidarity Foundation, Federal Ministry of Finance, Bern, Switzerland

## GRANTS AND AWARDS

- 2011 Swiss National Science Foundation (SNF), one-year grant for young researcher
- 2010 Parliament of the Swiss Canton Schaffhausen, annual award for development cooperation
- 2010 University of Zurich, CANDOC research grant (3rd year)
- 2010 University of Zurich, grant for the peer mentoring group *PoliNet* (second term)
- 2009 Swiss Academy of Humanities and Social Sciences, travel grant
- 2008 University of Zurich, grant for the constitution of the peer mentoring group *PoliNet* at the Center for Comparative and International Studies (CIS)
- 2008 University of Zurich, CANDOC research grant for the project “*The Impact of World Bank and IMF Policies on Democratization in Developing Countries*” (2 years)
- 2008 Swiss National Science Foundation (SNF), travel grant
- 2006 Swiss Society of Administrative Sciences (SSSA) and the Swiss Graduate School of Public Administration (*idheap*), special mentioning of the MA thesis at the award ceremony for the “Excellence” price in the public sector
- 2006 University of Bern, award for the year’s best Licentiate (MA thesis) at the Faculty of Economic and Social Sciences

## FURTHER TRAINING

### Research-associated skills

- 2011 Seminar “*NGOs and Civil Society Building*”, International Institute of Social Studies
- 2010 Postgraduate course “*Academic Writing and Publishing*”, University of Zurich
- 2009 Postgraduate course “*Writing Research Papers for Publication (Arts & Social Sciences) (English)*”, University of Zurich
- 2008 Essex Summer School in Social Science Data Analysis and Collection, course “*Panel Data Analysis*”, University of Essex
- 2007 ECPR Summer School in Methods and Techniques, course “*Comparative Research Design and Configurational Comparative Methods*”, University of Ljubljana

### Management and finances

- 2009 Postgraduate course “*Introduction to Planning and Monitoring*” at the NADEL, ETH Zurich
- 2009 Postgraduate course “*Introduction to Financial Management of Development Projects*” at the NADEL, ETH Zurich

### Mentoring and teaching

- 2008 – 2011 Member, participant and co-organizer of several events for the peer mentoring group *PoliNet* at the CIS, ETH Zurich and University of Zurich
- 2008 Course lecturer of BA seminar “*Poverty Reduction Strategies and Democratization in Developing Countries*” at the Department of Political Science, University of Zurich
- 2004 – 2005 Project coordinator of the mentoring program for students at the Institute of Political Science, University of Bern

### Language skills

- German mother tongue
- English excellent knowledge (written and spoken)
- Dutch fluent (spoken), good knowledge (written)
- French good knowledge (written and spoken)

### PUBLICATIONS

- 2016 “Aid Modalities Matter: The Impact of Different World Bank and IMF Programs on Democratization in Developing Countries”, in *International Studies Quarterly* 60.3: 427–439 (together with Cassandra Birchler and Katharina Michaelowa).
- 2010 “Switzerland”, in *Elections in Europe: A Data Handbook*, edited by Dieter Nohlen and Philip Stöver, Baden-Baden: Nomos (together with Wolf Linder, Georg Lutz and Christian Bolliger).
- 2008 *Korruption in Afrika. Eine Untersuchung der kulturellen, ökonomischen und politischen Ursachen von Korruption in den Jahren 1960-95*, Saarbrücken: VDM.

### Working paper

- 2006 “Korruption in Indonesien. Strategische Gruppen, koloniales Erbe und kulturelle Legitimationsmuster”, Working Paper 32 of the Department of Social Anthropology, University of Bern.

### PROFESSIONAL AFFILIATIONS

- 2009 to date Member of the American Political Science Association (APSA)
- 1999 to date Member of the Swiss Political Science Association (SVPW)

The Hague October 15, 2019