

## TRANSPARENCY IN DEVELOPMENT AID: TOWARDS A MUTUAL ACCOUNTABILITY SYSTEM<sup>?</sup>

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For Transparency International Nepal (TIN) this Seminar is not a one-off event. We want it to be a part of a process for reversing, transforming and building whatever has gone wrong, for lack of transparency and accountability, in our development and in the frameworks of national and international relations governing aid effectiveness. TIN looks forward to working together with all concerned to that end as we move along the difficult, tension-ridden path of reconciling aid and development with transparency and integrity in a political culture that is not too propitious for this task.

As we engage in discourses and dialogues on transparency, we should be contributing not only to transparent governance and related processes that go with it. After all governance, even transparent governance, is only a means to an end. We also want to support, howsoever indirectly it might be, the process of achieving the kind of development that is socially relevant and nationally just and cohesive for the people. This is an enormous task because such development has been elusive in Nepal thus far, and there must be good (or rather "bad") reasons behind this. We have to reflect on why is this so and search for possible answers, even as we wish to concentrate on more specific topics like transparency and corruption. This requires us to position the Seminar in the larger context of development we as a society face as, indeed, people in many other countries in the developing world do. Taking this need as the point of departure, this paper tries to put together the thoughts and concerns that have at least partially inspired this Seminar.

### **The Larger Issue**

Like so many other words in fashion today, transparency has become a catchword for the seminars, for the media and, above all, for fuelling the growth of the concerned professions and vocations. The challenge is to understand the concept and use it honestly for the purpose we peddle it, that is, to make it serve the public purpose. In order to do this, we have to agree on what the public purpose is, and which actors in the development arena are primarily responsible for pursuing it. The latter question is important, especially as we will see later, in the increasingly diluted domain of public responsibility we face in the country. If we try to do so, we can see that the importance of transparency goes way beyond the immediacy of the requirements of our mission as functionaries in our respective organisations. This applies to Transparency International Nepal and its strivings against corruption as well. And obviously this holds true also for other organisations represented here that are exercised by the problem of corruption, and wish to do something about it.

Fighting corruption is very important, but we can't fight it in a cultural and moral vacuum. To be effective in our work, first, we have to accept transparency not merely as a management practice but as a culture encompassing our personal behaviour, organisational approaches and the rules we use for decisions in our workplaces. It is this culture that, in the end, affects the efficacy of the institutions we wish to build, practices we wish to establish and technology we want to adopt or adapt for a better life and livelihood of the people of Nepal. In other words, situated as we are in the midst of a critical time in the history of our nation, what really matters is if a new conceptual formulation affects the culture, commitment and conduct we display as individuals and organisations, not the intentions no matter how well meaning they might be.

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This holds true naturally more for those people who are in charge of common resources and are in a position to influence the outcomes of their uses. Whether the long-pending realisation of development aspirations of our diverse people will be realised depends very much on whether such individuals and groups who have access to public and common resources are prepared to change themselves in their "culture" in their thinking about economic rationality, if you line in their conduct, as necessary. The topic of today's Seminar underscores the fact that such individuals and groups are situated on both sides of the threshold that divides the donor and recipient organisations even in this age of partnership. And within the recipient society, there are further divisions that also need to reconcile their roles and expectations to the public postures they take in the society. It merits adding, at least, in passing that that what is said about the relationship between culture and conduct and transparency applies to the related but broader concept, governance, which is also very much in fashion in the practice of development today.

### ***The Public Purpose***

For a long time, those of us who are engaged in development policymaking or policy advising, especially the development economists and managers amongst us, felt that what mattered in development was the physical inputs -- *capital, labour* and *technology* and the optimum combinations thereof. Even when *organisation* was accepted as a critical element of development at the micro and macro level, the economists generally looked at it merely as an amoral, apolitical, value-neutral mechanism needed for collective action to maximise the organisational outcomes for its "membership". There was for some time a considerable degree of effort in the other direction where the leaders and advisors of many third world countries sought planned development according to politically derived public priorities. But mostly, they goofed in their intentions as well as actions. With the much-touted end of the cold war, we went further – in the pursuit of apolitical, value-free development. We even started to celebrate the so-called end of ideology, not always realising that ideology, unlike dogmatism, perhaps, is not a dirty word. Ironically we did so at the behest of a tendency that promoted, strangely enough, an *ideology* – their ideology -- that was aspiring for global hegemony by pooh-poohing all other potentially competing belief systems, intellectual articulations and forms of social engagements.

Driven, thus, by the energy of the all-powerful ideology in the presumably ideology-free world, economic determinism rose to give supreme importance to the role of capital, incentives for its accumulation and to technology that "rationally" recognised capital but rejected not only labour but many important human and social concerns as well. This has led to many problems that are now being increasingly realised even in the bastion of this "supreme" ideology. So much so that, one can now sense, if not observe in concrete terms as well, a tendency towards a reversal to the much needed "middle path".<sup>1</sup> We still recognise, for example, the importance of economic efficiency and the need for incentives and disincentives so that production can ultimately match or approximate consumption, and savings with investment and so on. But now there is also a rush for confessing that the people as human persons, not mere economic animals, who are the end-all and be-all of development are not forgotten in this scheme of things.<sup>2</sup> This means a recognition that in the complexity of today's world, economic and social development cannot be studied and understood, let alone effected, by being politically agnostic, socially amoral and ideologically numb or opportunistic.

In the development discourses today, social capital has suddenly become important. Economists talk about "governance", not just about firms and enterprises and the slopes of the "curves" they generate; the donors talk about "civil society", not just the state; investors talk about the environment, not just the profit line. Similarly, the high-flying consumers complain not so much about prices as about consumerism that is destroying the indigenous traditions, social values and

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<sup>1</sup> One is tempted to digress further and talk about Lord Buddha and try to explain His middle path. But the use of the idea here is only to avoid plagiarising lesser folks and call it "the third way". The middle path in our context is the path where social concerns and relations that together complement democracy, as a political system, and guarantee the welfare of humanity -- the only rational path as far as we are concerned

<sup>2</sup> Witness the popularity of human development discourse or, for that matter, the resurrected love of the World Bank for poverty reduction now embraced by the International Monetary Fund as well.

political culture, if not the economy as well. The point is that equity, justice and related social causes are no longer considered dirty words. If this is the case, our deliberations on transparency must also contribute, in the end, to a better articulation of the mission and the processes of development and facilitation of commensurable outcomes.

## **The Issue for Today**

As already alluded to, the concept of transparency is closely associated in our minds with corruption. This is natural, and one can expect that there will be a good deal of discussions on this issue in the course of the Seminar. But then, if we internalise the meaning of the word, transparency in too narrow a sense, we may not get full mileage out of our efforts. Transparency is not just about corruption; it is also about effective policymaking and about executing the policies in an accountable manner. A broader cognitive frame is also necessary to properly explain why we find it useful to have a discussion on aid and transparency at a time when major problems appear to reside in the front yards of our domestic actors.

Transparency, in the sense in which it attracts our attention and energy, is about openness in public affairs and affairs of all people and organisations that exercise "entrusted authority". Such authority is exercised in every organisation where the people who give it the legitimacy and the authority to function do not run those organisations directly. If this is true of a democratic government, it is true of a joint stock company in the private sector as well. Transparency, thus, concerns the organisational processes where resources are used in the name of the people through decisions made not by them but by their representatives and which can have an outcome not anticipated by them and therefore possibly inimical to their interests. Transparency is about ensuring that the "agents" who are authorised by their "principals" to take decisions on their behalf do so, keeping the interest of the latter or the agreed collective agenda uppermost in mind. In that sense transparency is about democracy, not simply electoral democracy but democracy that is functional from the point of view of the demos. Such democracy needs to be reflected by the governance culture in private corporations as well.

More concretely, for our purpose, transparency is about creating a condition where the principals, that is the people, have a say in the decision rules that affect the use of their resources as stated and in monitoring the way they are executed. In a way, the organisational mechanism for this is provided in the country's constitution. There is nothing new in it, except that we stress the rights of the principals, the sovereign citizens of Nepal that often get ignored no matter what the theoretical provision. We bring up the concept of transparency in this context mainly to establish premises and conditions whereby the authorities will be required to behave in accordance with the provisions of the constitution as far as their accountability to the people is concerned.

Every one of us engaged in international partnership, too, needs to think if our own agenda and the style of functioning meet these requirements. In this Seminar, we have chosen to concentrate on transparency in development aid for this reason. I will try to elaborate my points by focusing on two areas the first of which I loosely call philosophical/conceptual. The other area I shall focus on is the substantive/operational part of the work and the style of cooperation between the donors and the host institutions and actors.

### ***Philosophical/Conceptual***

First, we have recently seen two major developments in what may be called the political culture of international aid. One, the domain of policy intercourse or even policymaking related to the use of aid has broadened to include actors in a manner that was inconceivable some years ago. Whoever had thought in Nepal that one day we will see donors dialoguing with the civil society, UN experts working directly with the local bodies and INGOs/NGOs running all over the countryside, not to mention the urban metropolis, as "near sovereign" entities dabbling not only in development in the "conventional" sense but also sensitive programmes of social change. This means that the donors no longer feel obliged to take the host state as the sole representative of the people for whom the aid is intended. The emphasis on civil society has become popular in this context. The other development is that, even where the state is conceded an important role in the allocation of

aid resources, it has lost its old aura and influence as an equal partner because, among other things, state sovereignty itself is no longer sacrosanct. That the state functionaries also seem to have lost much of their moral authority to assert due to their own acts of omission and commission is an additional factor contributing to this anomaly. Whether this is really an anomaly in corruption-ridden Nepal is a moot point.

This shift signals a profound change in the location of the donors in the political map of the country. In other words, they are political actors, elected or appointed not by the people of Nepal but by their own principals in their respective countries and institutions. If so, it is imperative that there is also an equally profound change in the attitude and behaviour of the donor community regarding transparency and accountability in their own affairs. One must say that there has been some shift in this direction already. One indication is the emergence and a wide use of the concept of "partnership" replacing the old and dichotomous relationship of a donor and a recipient. The moment a donor accepts the role of a partner in place of a benevolent friend who only wanted to help the government and the people in the host country, the character of mutual accountability changes too. They now share the credit as well as the blame with the government and now the civil society as well, as partners. When this is the case, the donors cannot feel accountable just to their "principals" back home; they have to be so to the people and the government of Nepal as well. The latter (i.e., the government), too, cannot be ignored because it is the government that faces the parliament, the elections and even the occasional coup d'etat in a developing democracy, much as we may belittle it or the nation-state that it is embedded in.

To put it all this differently, if development aid is a public resource, and if this resource is to be used effectively in the spirit of partnership, the donors have to be accountable to the "local principals" as well. The two partners, especially the government of Nepal and the donors, must discuss and devise an organisational framework of mutual accountability that serves the best interests of the two principal stakeholders or two principals, if you like – the taxpayers in the donor countries and the intended beneficiaries in our land. Transparency, in my view, needs to be looked into from this angle as well. Without this, even an initiative on decentralisation and local governance, which on the face of it, takes the local elected bodies as partners can be deceptive in content. This can happen because, in Nepal's context, we first have to make sure that the local elected bodies, as agents, are accountable to their own "principals", the people or their constituency. There is plenty of literature on how corruption and decentralisation can go hand in hand if the search for a short cut covers up the systemic problems of power and its distribution that need to be addressed, no matter how difficult the task might be.

What has been stated is nothing more than what is expected in a democracy or a democratic relationship. Given the fact that many important donors are interested in helping Nepal to institutionalise democracy, the concept of mutual accountability just enunciated, or a compact, if one prefers that word, should not be far from their own trend of thought or purview of policy deliberations. The donors understand, one can be sure, that it is their style of functioning and building of democratic institutions and traditions, not just their project profiles, that will ultimately matter when it comes to meeting the requirements of democratic development.

Whether the aid resources are channelled to "agriculture" or democracy and governance, the concern in the context of Nepal's past experience has to be their effectiveness. In order to ensure this in a manner consistent with our commitment to democracy, it would be useful to work towards the development of a system where all agents are mutually accountable to one another on behalf of their principal or principals. We talk a lot about civil society these days. In the same vein, it would be nice to see the civil society, too, developed not as mere service providers or even knowledge providers, but as an active party to this framework of accountability.

### ***Substantive/Operational***

On the substantive side, the emphasis by the major donors on transparency and other elements of anti-corruption focused agenda is a welcome departure. There is a potential here for doing a lot of good to Nepali institutions and practices. Be it refurbishing the concerned organisations or rationalising the legal and procedural framework, the donors can provide useful assistance. The

same is true for sensitising and raising awareness of the people about their rights, responsibilities and potential at the national as well as local level. But here too, it is befitting the spirit of transparency and the rationale for seeking it that the initiative in reality, not in rhetoric, comes from the domestic actors, not the donors, notwithstanding the principles of partnership as currently applied. My point is that the donors, with all their sincerity, can contribute on their own to making the body strong, but they cannot put soul in the system that may be missing. There is no evidence so far that the local leaders and the development agents, for that matter, are any better at it. But it is better that the donors leave the burden where it belongs.

The actual effectiveness of the measures initiated in these spheres can be enhanced by adhering, as far as possible, to what has been stated above on the conceptual/philosophic aspects of the issue and also on the operational culture of the donors, not to mention that of our own powerful functionaries. For lasting results, all parties need to demonstrate that even as they implement such discrete reforms, they are truly committed to the principles of sustainability (of reforms) that they swear by. If this is not the case, there is a danger here, too, that I must be pointed out.

Even autocrats who resist any change can be receptive to some proposals for reform, in the margin for legitimacy and for placating the donors. There are examples on this from Marcos' Philippines and Suharto's Indonesia to Mobutu's Zaire.<sup>3</sup> In such scheme of things, aid administrators can be happy that they have now projects they can design and execute in accordance with their "country framework". But they can meet with serious disappointment soon thereafter. Unless we attend to the systemic factors, governing the conduct on the recipient as well as the donor side, any outcome of such discrete attempts may be transient or it may even turn out to be perverse ultimately. On this we cannot fault the donors very much however. Though many of them might not have understood it yet, it is not their job to bring about fundamental changes that may be necessary in the way we wish to govern ourselves.

Also on the substantive side, the donors may wish to think about the possibilities of some unilateral action they can take on their own, regardless of how perverse or disorganised their host partners are. At the international level, important achievements are being made already. I will rank the OECD Convention against the Bribery of Foreign Public Officials as the most important of them. The multilateral development finance institutions have also made significant progress in further reforming their procurement procedures in the interest of transparency and competitive bidding. The other developments that are taking place internationally are in the area of money laundering, bank secrecy laws, preparation of "tool kits" on the basis of acknowledged best practices, and so on. One of such tools, as developed by Transparency International is the idea of "integrity pact" to be executed among the bidders, the procuring agency, possibly witnessed by the financing institution supporting the project in question. Such pact is being implemented in some countries, especially in Latin America with positive outcomes. Nearer home, there are now reports that the Government of India has asked the Transparency in Berlin to help it in introducing the integrity process in the sensitive area of arms purchases. It would be nice if we could try this out in Nepal, too, a country where every procurement event evokes controversy and allegations of corruption.

In any case, even without directly drawing inspiration from what is happening internationally, there is a case, I believe, for making serious attempts for collaborative work to develop right practices against corruption at the "local" level here in Nepal. For one thing, the donors can cease to become condescending about their corrupt partners in the government that they run into in their day-to-day work. Since it will be difficult for any one donor to be a crusader, a like-minded group of donors can emerge as champions. There is plenty of anxiety among honest public officials and other responsible citizens about how officials and experts in Nepal, who appear useful to the donors, in a formal or informal setting, are rewarded by them, even transcending at times the ethical and legal boundaries. I know that the individual project managers or advisors on the donor side do not feel so good about it either. Another source of anxiety is about the relationship between the donors and their civil society partners or, more specifically, the NGOs. Why not,

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<sup>3</sup> See Rose-Ackerman, Susan, *Corruption and Government: Causes, Consequences and Reform*, Cambridge: Cambridge University Press, 1999, pp. 206-7.

therefore, try to make everything, especially the full accounts showing aid appropriated to Nepal and the uses made thereof transparent?

Transparency and accountability, in operational terms, require that the due process be not undermined by any side. In discussions on aid effectiveness, there is usually a lot of mention, and rightly so, about the way the host country authorities ignore the due process. In the spirit of partnership that I have talked about we should also understand and accept, however, that this syndrome may be prevalent on the donors' side too. Let me just make a few suggestions for reform, without further elaborating the condition unproductively.

First, the donors need to reject any thought they may have in their mind that the neglect of the due process is a part of Nepal's political, administrative or civic culture. The current perversion that they unfortunately have to wrestle with is not our culture. Hence they must resist doing in Nepal what the Nepalis, in the understanding of the donors, do. The most important "technical assistance" that the donors can provide us without even a project document and without even incurring any expenditure at that, is to demonstrate through personal examples how public affairs are conducted in a "modern", developed society or setting. This would entail in my view discouraging the kind of negative synergy that builds up among partners even as they together contemplate reform.

Second, one gets discouraged at times by the working style of some important donors that undermines some of the most important considerations in development, namely the motivation of development agents (if the bureaucrats can be so called, indeed) and the competence of the host institutions. For all the emphasis placed on building institutions, not enough sensitivity is shown in emphasising what institutions are really about. An institution has a programme of its own, values of its own and a leader of its own that binds the two together. In Nepal, the government organisations are becoming less and less ready to act autonomously and according to the established procedures because of alleged donor intervention, even when the public servants themselves do not wish to exercise the authority and judgement they could.

The donors are known to pay less heed than ever to matters of protocol, the spirit of professional counterpart cooperation, and so on, sending unwittingly the machinery of the government in a disarray. If, for example, the donors are enamoured by the ministers and prime ministers they meet and develop a habit of getting sanctions for their programmes from them, one can forget about any notion of transparency. One might as well forget about democracy, too, because commitments that are not subjected to due process cannot be transparent and, therefore, become inimical to democracy. This is not to suggest that in urgent matters of high priority the donors should not have access to the political level, including the prime minister. But if such access is to be used in a routine manner for bureaucratic purposes or self-aggrandisement, we cannot help reform civil service or build an effective bureaucracy championed by competent and motivated officials. If the ministers are to make decisions, on the basis of formal and informal chats they have with donor representatives, there is no need, in fact, for any professional contribution from within the government. Obviously, this is a matter that needs the attention and appreciation of the ministers and other national leaders as well.

## **In the End**

This paper has not directly gone into the titillating subject of corruption for various reasons. First, there will be the main contributions for the Seminar that may take this subject up more specifically. Second, I know that as far as general corruption is concerned, the problem has to be addressed, first and foremost, by the domestic actors, not the donors. Unless we clean up our politics first, and follow this up by restoring a respect for the rule of law, for the sanctity of civil service and for the rights of the citizens, concrete results cannot be achieved. Besides, transparency is not a virtue that we, even in the civil society, are holding high and exhibiting it as forthrightly as we expect others to do.

The Seminar is organised mainly to discuss the role of the donors in enforcing transparency in aid. Obviously, therefore, we have to concentrate on that. But this is not to say that the donors are the beginning or the end of the problem. Our problems as Nepalis are largely of our own making; we must accept that. And, as stated, we have to change many things – our values, ethics, social relations, sense of personal honour and so on – internally in the country. The donors can do little about that, except to make it worse, perhaps, because of the perverse outcomes that sometimes aid generates.

I believe that aid has one unique quality. It reinforces whatever tendency is dominant in the recipient society. If we are serious about development and are prepared to handle it with courage and conviction, aid gives us the resources to do it with. If we are not, we land in trouble as we can see clearly after fifty years of aid. More bluntly, if we are corrupt, it seems that aid makes us more corrupt.

As an epilogue, as it were, to this presentation, let me cite two sets of quotations that may at least partially illustrate what we, as people of Nepal, and the donors as our partners, may want to think about as we work together in the interest of transparency and integrity. Interestingly, the situations being described are not from Nepal but from two faraway countries in Europe and Africa.

In the early 1990s, when Italy and its Milan magistrates were fighting corruption in high places, one widely read commentator was particularly sceptical. This is what he wrote in his column after the Craxi and the Andreotti were indicted and prosecuted:

Who voted for Andreotti? Some little clique of communists? These days at least 95 per cent of Italians are indignant and cry when a legislator passes on the street. What did they do in the past? Did they get indignant then? Did they form public health committees or vote radical? The Italians knew who you needed to see for a favour and how much it cost to get out of a traffic line, how to win a contract without too much competition, how to get an easy job with the right letter of recommendation. In short it suited people enough and so they held their noses and voted.

If this sounds familiar, it might be worthwhile to remember that we could add to this many more painful insights from Nepal.

From a source in Kenya, there is the following set of “quotable quotes” as found in the *Report of the Group of Independent Advisors on Development Cooperation Issues between Tanzania and its Aid Donors*, published by Royal Danish Ministry of Foreign Affairs, 1995.

“We want them to take ownership. Of course, they must do what we want. If not they should get their money elsewhere.”

“We have to pressure the local government to take ownership.”

“Ownership exists when they do what we want voluntarily”.

“We have to be realistic. Our taxpayers want to be sure that their money is being used well. They want to know there is someone they can trust, a national of their own country, in charge”.

If this set of quotations, too, strikes a familiar chord, we should know what to do and what not to do in the very, very difficult situation in Nepal.