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The Politics of Aid

African Strategies for Dealing with Donors

Edited by Lindsay Whitfield

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The Global Economic Governance Programme was established at University College in 2003 to foster research and debate into how global markets and institutions can better serve the needs of people in developing countries. The three core objectives of the Programme are:

- to conduct and foster research into international organizations and markets as well as new public–private governance regimes;
- to create and maintain a network of scholars and policymakers working on these issues; and
- to influence debate and policy in both the public and the private sector in developed and developing countries.

The Programme is directly linked to Oxford University's *Department of Politics and International Relations* and *Centre for International Studies*. It serves as an interdisciplinary umbrella within Oxford drawing together members of the Departments of Economics, Law, and Development Studies working on these issues and linking them to an international research network. The Programme has been made possible through the generous support of Old Members of University College. Its research projects are principally funded by the MacArthur Foundation (Chicago) and the International Development Research Centre (Ottawa).

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‘ “Paternalism is the greatest despotism imaginable.” This is so because it is to treat men as if they were not free, but human material for me, the benevolent reformer, to mould in accordance with my own, not their, freely adopted purpose.’

Isaiah Berlin, *Two Concepts of Liberty* (1958), Oxford: Clarendon Press, p. 22, quoting Immanuel Kant

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Foreword

At the same time as the Global Economic Governance Programme was founded in 2003, a serious debate was taking place among aid agencies about 'reforming the international aid architecture'. In the Development Assistance Committee (of the OECD) donors were discussing how they should better coordinate their aid efforts. International agencies were taking seriously the suggestion that they should better define their respective roles and find more ways to work together. Donors across the world were focused on how to improve the quality of their aid. Having established the Global Economic Governance Programme to focus research on how international institutions could better meet the needs of people in developing countries, the aid debate was not one we could avoid. That said, it provoked us to think hard about how university-based research might contribute to shifting areas of policy such as this.

It soon struck us that beyond the immediate day-to-day concerns of policy-makers and commentators lay a more fundamental question about the way the debate was being framed. If coordination was so obviously beneficial for donors and their development partners, why was it not already occurring? What were the deeper incentives which kept aid uncoordinated? A close look at the political economy of aid led us to the view that focusing on greater coordination among donors as envisaged in the OECD DAC process was unlikely to lead to a rapid improvement in the quality of aid. We chose instead to focus on the role that aid-receiving countries can or might play in improving the quality of aid. In our early discussions about the project, Sarah Mulley coined the term 'reverse conditionality' to describe an approach which would turn the aid debate upside down, examining whether the quality of aid could be improved by aid-receiving countries setting aid-enhancing conditions on donors – a focus on the demand-side rather than the supply-side of aid. It is this focus which Lindsay Whitfield has amplified, using her own extraordinary skills and background in African politics successfully to bring together an ambitious, highly successful project.

At the Global Economic Governance Programme, we are hugely fortunate to have research funders who support this type of research and understand the importance of approaching international arrangements with a close ear

to developing countries. In particular, we would like to acknowledge the funding of the International Development Research Centre, the John T. and Catherine D. MacArthur Foundation, the alumni of University College who so generously funded the research scholarship held by Lindsay Whitfield throughout this project, the staff and Fellows of University College, and our colleagues at the Department of Politics and International Relations.

Ngaire Woods

Oxford
May 2008

Preface

The Politics of Aid is the outcome of a three-year-long team effort at the Global Economic Governance Programme (University of Oxford). While it started off as an attempt to take a different look at aid coordination efforts, the project evolved into something more ambitious – an attempt to challenge dominant perspectives on aid to Africa and to move beyond a jargon-heavy debate about how to make it 'work better'.

The project began in early 2005 and merged two ideas. The first was Sarah Mulley's proposal for a project to reframe the aid coordination debate. Sarah suggested that it seemed unlikely that donors would ever overcome the institutional barriers which make it difficult for them to coordinate with each other. In line with the recent focus on ownership, she thus suggested that we look at whether there was any hope of aid recipients leading the new harmonization and alignment agenda. The idea was born for a project that shifted the focus from what donors should do and the rules they should follow to look at what recipient governments could do. The proposed project, at that point in its conceptual phase, was dubbed Reverse Conditionality. It asked how recipient governments that are very dependent on foreign aid could set their own conditions for the *acceptance* of aid, and thus encourage different sorts of behaviour by donors. We wondered whether it was possible to identify golden rules, distilled from the experience of a number of case study countries that were being described in the literature as successfully 'taking ownership'. The second idea that fed into the project's conceptualization reflected a scepticism about these examples of 'best practice': were countries such as Afghanistan and Tanzania really reclaiming sovereignty by challenging their donors, or were they, as in previous times, fulfilling a new role in the aid system that was required of them by donors to make a reformed system 'work better'? This question gave the project a different focus: could we describe the complex forms of new aid relationships that were emerging in highly aid-dependent countries, and could we assess the impact of both old and new strategies adopted by aid-recipient countries to try and regain control from donors? As a result, the nascent project became known as Managing Aid Dependency.

Sarah Mulley led the first year of the project, as we began to think about the key research questions and methodology. At that time the project team consisted of Alastair Fraser, Sarah, and I, with the guidance of Ngaire Woods. In the first phase of the project, David Williams and Alastair Fraser wrote conceptual papers which helped tremendously in developing our thinking on the interrelation between aid, ownership, and sovereignty. Both conceptual papers were discussed at a meeting in Oxford, in which Gavin Williams and Jeremy Gould also participated and their comments helped the project along its way. Fraser's paper forms the base of Chapter 2 and parts of Chapters 1 and 3 in this book. It is Fraser's focus on aid as negotiation in this conceptual paper which gave the project its third and final title, Negotiating Aid. We realized that in the vast literature about aid very little has been written on aid as the outcome of negotiations, and the project became focused on identifying and assessing the negotiating strategies of aid-receiving governments.

This first phase of the project also involved selecting countries as cases and finding researchers to undertake these country studies. The initial countries included Afghanistan, Vietnam, Zambia, Rwanda, Ethiopia, and Tanzania. At a later stage in the project, it was decided to focus the book only on African countries, but the case studies of Afghanistan and Vietnam were important in shaping our thoughts on negotiating aid and the factors that give recipients and donors leverage in negotiations. We owe a great deal to Clare Lockhart (Afghanistan) and Irene Norlund (Vietnam) for their contributions to the project, as well as Arabella Fraser and Bruno Versailles who worked on the first Rwanda paper.

In September 2006, just after Sarah Mulley left Oxford and I took over as project leader, the Programme organized a workshop in Oxford to discuss the first drafts of the country case studies. We thank all the participants of that workshop for the extremely useful discussions that took place. In particular, we thank the discussants on the papers: Getachew Adem Tahir (Head of Economic Policy and Planning Department, Government of Ethiopia), Ngosha Magonya (Commissioner for External Finance, Government of Tanzania), Dominic Mulaisho (Former Governor of the Bank of Zambia), Hop Dang, Sergio Mathe, and Karin Christiansen. We also thank Louis Kasekende, Chief Economist at the African Development Bank, for giving a keynote speech and chairing the closing discussion. This workshop marked a milestone in the project. It forced the project team to elaborate and revise the conceptual framework and methodological approach, produced suggestions for revising the country case studies, and led me to focus the project on Africa and to add a few more cases.

The authors of the country studies are the ones who have made this book possible, especially their willingness to pull together their knowledge, experience, and current research on these countries to address the specific questions posed by the project. As a country author myself, I know how difficult it was to cover the numerous and complex issues detailed in the case study terms of reference and to present it coherently and succinctly in the country chapters.

I am also aware of the difficulties of doing research on this particular topic, an issue which I felt so strongly about that it is discussed in the Introduction of the book. Again, I thank all the contributors for their momentous effort, those who came in late in the project as well as those who have continued patiently since its beginning. The country chapters have gone through many rounds of comments and revisions, and I am grateful to the authors for bearing with me and my editing.

It is important to emphasize that this book is the product of a team effort. Although I was the project leader during the second and third year who kept it going and the editor who pulled it all together, the project would not have begun or been completed without the others on the project team: Alastair Fraser, Paolo de Renzio, Isaline Bergamaschi, Sarah Mulley, and Ngaire Woods. Sarah's key role has already been acknowledged. When Sarah left in the summer of 2006, Alastair was in Zambia and would remain there for several more months of field research. I was on my own with the project and book that was beginning to come together. Paolo and Isaline joined the team in October 2006, a perfect time to inject fresh inspiration and a much-needed avenue for discussion and sounding ideas. Ngaire Woods has been a mentor for the project team, giving crucial advice when it was most needed. But I am most indebted to Alastair Fraser for his huge contribution to this project and the book and to his ability to work with me throughout the last year of writing the manuscript. The chapters of the book that are co-authored by Alastair and I are truly the product of working together. They could not have been written by either of us on our own. They are the result of not only combining our ideas, but also producing new ones through engaging each other in constant discussions and revision of texts.

There is a final list of people to acknowledge. Christopher Adam and Matthew Martin provided advice during formative stages of the project. Many people gave invaluable comments on the early country papers and draft chapters along the way: Louis Pauly, Antonio Donini, Chris Cramer, Peter Uvin, Johan Pottier, Graham Harrison, Lise Rakner, Rahul Rao, Ole Therkildsen, Desmond McNeil, Devi Sridhar, Arunaba Ghosh, Christopher Bickerton, Philip Cunliffe, Jean-François Drolet, Carolyn Haggis, Lee Jones, and Peter Ramsay. In particular, I am indebted to Christopher Clapham for his help in a variety of ways, particularly his comments on the first full draft. I also especially thank Stuart Simpson. Having no direct relationship to the Programme or the project, both Christopher and Stuart allowed me to pick their brains, always answering my emails in an amazingly speedy manner. Deborah Brautigam and Nicolas van de Walle also provided useful comments during a critical phase of putting the manuscript together. Finally, I am grateful to the anonymous reviewers for Oxford University Press who provided insightful comments that undoubtedly helped to strengthen the manuscript.

We hope that this book is not just another interjection into the current debate about aid effectiveness. Its aim is to challenge some of the fundamental conceptions that dominate that debate and to provide a new and fresh way of looking at aid and aid-receiving African countries. In particular, we put the issue of sovereignty back on the table, and in doing so, hope to spark a new line of debate and reconsideration of the issue. 'Whose development?' was a question commonly posed and researched in development study circles in the 1990s. This question remains pertinent, and it should still cause aid practitioners to stop and think. Official aid agencies and development finance institutions (and even international NGOs) have developed an aid system that sometimes looks as if it is trying to refashion wholesale the objectives and modes of operation of African states, and even African societies, remaking them in the donors' own images and according to their models of development. In response to that system, we pose in this book a rather fundamental question: Why not relinquish the role of 'benevolent reformer' and allow people in Africa the freedom to pursue their own purposes? We have faced challenges in producing this book precisely because many people are uncomfortable considering a question that brings to the surface the paternalism underlying the aid system. We have been accused by some committed to reform of the aid industry of irresponsibility: just when the most progressive donors are winning support for a new partnership model of development, they need African governments to work with them to bring the old-fashioned donors on board. Why stir the pot now? We leave it to our readers to find their own answers to that question.

Lindsay Whitfield

Oxford
May 2008

List of Abbreviations

ACP	Africa, the Caribbean, and the Pacific
ADEMA	*Alliance pour la Démocratie au Mali*
AU	African Union
BDP	Botswana Democratic Party
CCM	Country Coordinating Mechanism (Global Fund)
CCM	*Chama Cha Mapinduzi* (Tanzanian political party)
CDF	Comprehensive Development Framework
CMDT	*Compagnie Malienne pour le Développement du Textile*
CPIA	Country Policy and Institutional Assessment
DAC	Development Assistance Committee (of the OECD)
DPCG	Development Partners Coordination Group
DFID	Department for International Development
DRC	Democratic Republic of Congo
EDF	European Development Fund
EPA	Economic Partnership Agreement
EPRDF	Ethiopian People's Revolutionary Democratic Front
EU	European Union
FNDP	Fifth National Development Plan
G77	Group of 77 countries
GCB	Ghana Commercial Bank
GDP	Gross Domestic Product
GNI	Gross National Income
GNP	Gross National Product
GPRS	Ghana Poverty Reduction Strategy
HIPC	Heavily Indebted Poor Countries
IDA	International Development Association
IMF	International Monetary Fund

JAS	Joint Assistance Strategy
JICA	Japan International Cooperation Agency
MCA	Millennium Challenge Account
MDBS	Multi-Donor Budget Support
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MFDP	Ministry of Finance and Development Planning
MMD	Movement for Multiparty Democracy
MOFED	Ministry of Finance and Economic Planning
MoFNP	Ministry of Finance and National Planning
MSME	Micro, Small, and Medium Enterprises
NACA	National AIDS Coordinating Agency
NATO	North Atlantic Treaty Organization
NDC	National Democratic Congress
NEPAD	New Partnership for Africa's Development
NERP	New Economic Recovery Programme
NGOs	Non-governmental Organizations
NIEO	New International Economic Order
NPP	New Patriotic Party
OECD	Organization for Economic Cooperation and Development
ODA	Official Development Assistance
OPEC	Organization of the Petroleum Exporting Countries
PAF	Performance Assessment Framework
PARPA	*Plano de Acção para a Redução da Pobreza Absoluta*
PDES	*Programme pour le Développement Economique et Social*
PF	Patriotic Front
PNDC	Provisional National Defence Council
PRGF	Poverty Reduction and Growth Facility
PRODESS	*Programme de Développement Sanitaire et Social*
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSIs	President's Special Initiatives
RPF	Rwandan Patriotic Front
SIDA	Swedish International Development Agency
SNLP	*Stratégie Nationale de Lutte contre la Pauvreté*

SWAP	Sector-wide approach
TAS	Tanzanian Assistance Strategy
UNDP	United Nations Development Programme
UNIP	United National Independence Party
USAID	United States Agency for International Development
WHIP	Wider Harmonization in Process
WTO	World Trade Organization

Notes on Contributors

Isaline Bergamaschi is a doctoral candidate in Politics and International Relations at Institut d'Etudes Politiques in Paris (Sciences-Po). She is preparing a dissertation on the impact of aid dependence on recipient-state capacities, donor–beneficiary relationships, and the potential for recipient ownership in the context of the new aid paradigm in Mali. She is also interested in policymaking and change in donor agencies, and especially the French aid agencies.

Alastair Fraser is a doctoral candidate at the Department of Politics and International Relations, University of Oxford. He is preparing a dissertation on the impact of donor agency and NGO interventions on the political economy of Zambia. He is also a Research Associate of the Global Economic Governance Programme. Before coming to Oxford, he worked for Action for Southern Africa, a British campaign group that grew out of the Anti-Apartheid Movement.

Xavier Furtado is with the Canadian International Development Agency (CIDA). From 2004 to 2006, he was First Secretary (Development) at the Canadian Embassy in Ethiopia where he was responsible for CIDA's general budget support programme, held field-based responsibilities for CIDA's governance projects, and was involved in the design of the Protection of Basic Services project. He is now Assistant Director responsible for policy and planning issues with CIDA's China and Northeast Asia Division.

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Graham Harrison is Reader in Politics and Director of the Political Economy Research Centre at the University of Sheffield, UK. He is an editor of *Review of African Political Economy* and *New Political Economy*. His recent publications include: *The World Bank in Africa*, *Global Encounters: International Political Economy, Development and Globalisation* (editor), *Issues in the Contemporary Politics of Africa*, and *Grassroots Governance: Democratisation in Mecúfi, Mozambique*. He is currently working on local politics in Tanzania, and Africa campaigning in the UK.

Rachel Hayman is a post-doctoral fellow at the School of Social and Political Studies, University of Edinburgh funded by the Economic and Social Research Council. She completed her doctorate in 2006 on 'The complexity of aid: Government strategies, donor agendas and the coordination of development assistance in Rwanda 1994–2004'. From November 2006 to April 2007, she held a temporary lecturership in African Politics at the University of Edinburgh.

Duncan Holtom is a Senior Researcher at the People and Work Unit, a voluntary sector organization based in the UK. Duncan worked as a researcher on a social development research capacity-building programme in Tanzania and completed his doctorate, *The World Bank in Tanzania, 1970–2001*, at the Centre for Development Studies, at the University of Wales Swansea in 2001.

Emily Jones is a doctoral candidate in the Department of Politics and International Relations, University of Oxford. She previously worked as trade policy adviser for Oxfam GB. She worked in Ghana for five years prior to joining Oxfam, including nearly three years for the Ghanaian Ministry of Trade and Industry. She has also worked for the UK Department for International Development in Brazil. Emily holds an MSc in Development Economics from SOAS, University of London, and a BA in Politics, Philosophy, and Economics from Oxford University.

Gervase Maipose is an Associate Professor and currently Head of the Department of Political and Administrative Studies at the University of Botswana. Before taking up the appointment in Botswana, he worked at the University of Zambia as a senior lecturer and headed a similar department for three years. Professor Maipose's research interest is in Development Policy and Management mainly within the context of Botswana and Zambia, focusing on public finance, public sector reforms, governance, foreign aid, and recently on growth.

Sarah Mulley is coordinator of the UK Aid Network, a coalition of NGOs advocating for more and better aid. She carried out graduate research on the international political economy of aid, and coordinated work on managing aid dependency with the Global Economic Governance Programme. Prior to this, she was a senior policy analyst at the UK Treasury, working in policy areas including international financial institutions, migration, and public service delivery.

Paolo de Renzio is a doctoral candidate in the Department of Politics and International Relations, University of Oxford, and a Research Associate of the Centre for Aid and Public Expenditure at the Overseas Development Institute. He previously worked as an economist and policy adviser in Papua New Guinea, and as a public sector specialist, lecturer, and independent consultant in Mozambique. His research focuses on the interplay between aid policies and modalities and public finance management systems in developing countries.

W. James Smith is retired following a twenty-four-year career at the World Bank dealing with aid and poverty issues, where his last position was Lead Economist for Poverty Reduction and Economic Management in Africa. He has also worked in the governments of Papua New Guinea, Indonesia, and Canada. He now holds a part-time appointment at the International Development Research Centre (IDRC), and also serves as an adviser to developing country governments on development, poverty, and donor relations.

Lindsay Whitfield was a Research Fellow at the Global Economic Governance Programme (2005–8), and is currently a Research Fellow at the Danish Institute for International Studies, Copenhagen, Denmark. She completed her doctorate in 2005 in Politics at the University of Oxford on democracy and the political economy of aid in Ghana. Her research interest is the intersection between African politics and foreign aid. She is writing a book on economic development and the politics of foreign aid in Ghana.

Introduction: Aid and Sovereignty

Lindsay Whitfield and Alastair Fraser

A coalition of priests, politicians, and pop-stars are campaigning to 'make poverty history'. They claim that rich countries have a responsibility to provide the money to do so. As a result, international development policy now has a higher public profile than ever before. Books on foreign aid have moved from the shelves of university libraries into the best-seller lists.[1] Two of these best-sellers by Jeffrey Sachs (2005) and William Easterly (2006) present competing perspectives. While Sachs' *The End of Poverty: How We Can Make It Happen in Our Lifetime* argues that ending world poverty requires a doubling of aid, Easterly's *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good* argues that aid is part of the problem, rather than the solution to poor countries' problems. Aid practitioners typically find themselves somewhere between these two positions, arguing that aid has made a positive difference but, with some changes in the way it is delivered, could be far more effective (e.g. Riddell 2007).[2]

Aid critics and those concerned to improve its effectiveness typically have two major concerns about the current arrangements. Firstly, they point out that the 'aid architecture' is in chaos. Over the years, hundreds of agencies have got into the aid business and their multiple competing agendas now jostle for space in poor countries that are administratively and financially swamped by donors hungry for information, plans, reports, and success stories. The situation is only getting worse as new concerns such as the war on terror, new philanthropic foundations, new funds for challenges like HIV/AIDS, and the expanding activities of non-Western donors such as China and India emerge into an already chaotic setting.

Secondly, they worry that Western aid agencies have constrained the policymaking options of aid-receiving governments by demanding that their money is spent on their priorities and particularly by insisting that, in return for much needed finance, recipient governments change their economic and social policies. Critics argue that imposing policies, sequences of reforms, and spending priorities has done more harm than good, overriding national sovereignty, damaging democracy, and displacing local concerns and solutions.

To the extent that donors themselves recognize these problems of chaos and conditionality, attempts at centralized coordination or reform of the many major aid-giving organizations have thus far failed to overcome them. Partly as a result, a solution long proposed by a critical minority is now winning significant support, including from donors. Rather than waiting for donors to reform themselves, recipient governments are being urged to 'take ownership' of aid activities, to establish their own national systems for managing and coordinating donors, and only to accept aid that comes on their terms and accords with their policies. In aid-industry shorthand, this is known as *country ownership*, and is now being promoted as the solution to both aid chaos and aid conditionality.

While donor coordination remains a central objective of efforts to reform the international aid system, it has now been joined by ownership. This emerging consensus was codified in the 2005 Paris Declaration on Aid Effectiveness, signed by over one hundred donor agencies and recipient governments. The Declaration adopts ownership as the key pillar of a new aid paradigm, proposing a shift away from donor fragmentation and externally imposed conditionality. Instead it encourages donors to align their efforts with recipient governments' own development strategies and administrative systems.

There are many reasons to be sceptical of the Paris Declaration's ability to deliver real change. Firstly, it is an international agreement rife with diplomatic compromises. Although all major donors signed the Declaration, it is not clear that all are equally committed in practice. The attempt to enforce the Paris principles is being driven by the Secretariat of the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD – the rich countries' club), encouraged by a group of broadly 'like-minded' donors: the list typically includes the European Commission, Scandinavian countries, the Netherlands, the UK, Canada, and the World Bank. As a result, the process can be interpreted as an attempt to encourage a 'recalcitrant' group – perhaps including the US, Japan, France, and the IMF – to accept a wider set of principles shared by the like-minded group. Secondly, as discussed in Chapter 3, since the Declaration was signed, the behaviour of donors has not changed significantly. In spite of shifting rhetoric and some reforms, substantial conditions are still attached to aid from most donors.

If we are to see any significant change in the way aid is delivered, the onus appears to be on recipient countries to take the initiative and, in so far as they can, to remake the aid system to suit their own needs. This book assesses a range of strategies pursued by African countries to reshape their aid relationships. It uses the notion of ownership as a metric for judging the success of these strategies. However, ownership is a vague term which appeals to people for different reasons. We must therefore be clear about how others use it, how we define it, and why this definition is important for us.

Use of the term 'ownership' in discussions of aid can be traced back at least to donor concerns in the mid-1980s that recipient governments were signing up to all sorts of policy conditions as part of aid agreements, particularly World Bank structural adjustment programmes, but were failing to implement them. Two explanations for this problem appeared in the literature at the time. In one version, researchers claimed that, although key African decision-makers recognized the need for the free-market economic 'reform' donors were promoting through structural adjustment, they did not have the political will to push through contentious programmes in the face of domestic opposition (see Haggard and Kaufman 1992; Nelson et al. 1989). Many donors wanted to see African leaders emulate what they saw as positive experiences in both the rich world – Margaret Thatcher's head-on challenge to the British trade unions stood as one model – and in the Latin American cone, where 'strong' leaders such as Chilean dictator Augusto Pinochet insulated intellectually committed reformers known as the Chicago Boys from popular pressures by limiting democratic space and oppressing resistance (Veltmeyer, Petras, and Vieux 1997). In the other version, researchers worried that state elites were not in fact committed to free-market policies, but accepted donor conditions in order to access funds (see Collier 1997).

In both cases, symptoms such as hesitant, failed, or stalled economic reform processes were identified (see van de Walle 2001). The World Bank diagnosed the problem as insufficient 'ownership' of the policies, on the part of either local elites or local populations to whom they were more or less answerable (see Devarajan, Dollar, and Holmgren 2001). The understanding of ownership that developed in this context was thus best understood as shorthand for the degree of commitment shown by recipient governments to implementing the reforms that donors encouraged them to adopt. Johnson and Wasty's (1993) World Bank discussion paper proposed a set of four measures of the 'intensity of ownership' by recipients of Bank-supported programmes. The measures consider whose idea a particular policy was in the first place, how much politicians say that they agree with the policies in public, what effort they put into selling the policies to their publics, and how hard they work to build coalitions to support them. Here two competing, and potentially contradictory, concepts coexist: *ownership as commitment* to policies, however they were arrived at; and *ownership as control* over the process and outcome of choosing policies. In much of the current literature, these two distinct and potentially contradictory concepts are still confused.[3] Johnson (2005) is aware of this elision and notes two possible definitions: (*a*) a right to choose the policies to be implemented; and (*b*) an obligation to accept responsibility for implementing them. However, he argues that assessing the ability of aid recipients to claim their right to choose is too difficult because their choice is constrained by so many other factors that understanding how any particular negotiation affects their choices would require detailed contextual and historical knowledge. Johnson concludes that it is simpler to focus on their willingness to accept responsibility for implementation.

Recognizing that it is a complex question, this book takes on the challenge of assessing the degree of control recipient governments are able to exercise over the implemented policy outcomes of aid negotiations. We construct a methodology that responds to the challenges recognized by O. Johnson and other scholars. Through a series of country cases, we aim to understand complex aid relationships from the viewpoints of recipient governments, investigating *what strategies* African states have adopted to identify – and advance – their objectives in aid negotiations, and *how successful* their efforts have been. This book is concerned only with sub-Saharan African countries (and uses Africa throughout as shorthand for sub-Saharan Africa). We recognize that donors are always likely to try and influence the use of aid, not least because they need to account to their own taxpayers and parliaments. The book is therefore also concerned with changes over time in the extent and nature of donor efforts to influence African governments. Only in relation to changing donor policy can we assess different strategies of resistance adopted by recipients. In assessing how much control an African government achieves, we look at how much of its implemented policy agenda

- is decided by the recipient government without factoring in what donor preferences might be;
- results from a compromise between recipient and donor with each taking into consideration what they think the other's preferences might be; and
- is accepted reluctantly by recipient governments as a necessary price to pay to access financial aid in spite of conflicting policy preferences.

We define ownership as *the degree of control recipient governments are able to secure over implemented policy outcomes*. We have noted that this is a significantly more restrictive definition than that which many use. Ownership is sometimes used to refer to 'commitment' to a predetermined or externally determined economic reform agenda. The concept is also increasingly used by development NGOs and some donors to discuss the inclusiveness of the domestic process through which policies are decided, or the breadth and depth of consensus within recipient countries around the policy agenda. These multiple definitions make the term useful as a lubricant in development diplomacy. Recipient governments, donors, and NGOs all use 'ownership' as a proxy for the deference others show to *their* claimed right to influence policy. As such, they can all agree ownership is a good thing, and everyone can sign up to collective statements such as the Paris Declaration. However, this flexibility of definition has obvious implications. Firstly, the term requires significant clarification before it can be of any analytic use in answering questions about which of these actors are having the greatest influence. Secondly, the term remains a site of struggle over definitions even after consensus on it is achieved. All actors remain aware that the very haziness of their 'shared value' has enabled everyone to sign up. The continuing battle over what ownership might mean then becomes a means to try to hold others accountable for delivering things they never thought they had signed up for.

This presents us with a significant challenge. We could drop the reference to ownership altogether and just talk about control. However, by retaining the reference to ownership we are trying to do two things. The first is to establish some clarity; any definition that tries to have it all ways obfuscates the key questions: Who exercises political authority? Is that authority legitimate? The second is to remain politically engaged in a major contemporary debate over aid policy and practice. We are trying to measure how much control African governments have over policy because we believe that they *should* have it, and aim to convince readers of our case. We thus use the term ownership in part because aid practitioners themselves sometimes deploy the argument that we make. At other times they hedge their commitment to recipient control. We want to draw attention to this inconsistency and to challenge others to be more precise. The point here is that contemporary donor promotion of ownership is partly a discursive response to criticisms of dominant aid practices, especially the use of conditionality. Donors deploy the term partly because it implies recognition of, and apparent accommodation with, their critics' position. By claiming that policies will no longer be imposed on unwilling recipients, donors are searching for a renewed legitimacy for their activities. Where donors do not wish to allow aid recipients a free hand in deciding what to do with aid, we argue, they should refrain from using the term ownership and admit to, and justify, their own attempts at influence.

We acknowledge that focusing on ownership as we define it has two important implications. Firstly, we do not judge policy outcomes as good or bad. The only question we ask is whether they do or do not reflect a freely made choice on the part of recipients. This is likely to prove anathema to aid practitioners and scholars concerned with promoting 'best policy' and 'best outcomes' in terms of reducing poverty. Secondly, we do not assess whether the domestic decision-making processes by which recipient governments decide their policy preferences and negotiating strategies are rational, democratic, and participatory, or whether they result from elite self-interest, poor information, weak policy analysis, patronage, and corruption.

We can only hope that the following argument justifying ownership as control may convince readers that the question of whether a society can minimize foreign influence over its policymaking is logically and politically prior to questions about the quality of internal democracy and about the content of the policies themselves. As the development industry itself sometimes insists, decisions made without the active consent of those who are principally tasked with implementing them are unlikely to prove relevant, effective, and sustainable. We therefore argue that the case for government control over policies should not be grounded in a desire to make the aid system itself 'work better' or in the hope that it will encourage a more thorough implementation of donors' preferred political and economic reforms. In place of this instrumentalist reasoning, we advance a normative case for the right of African governments to define their own policies which is grounded in the notion of 'popular sovereignty', a concept imbued with the values of self-determination, democracy, and non-racialism.

Defending Sovereignty

In its European origin, the radical demand for popular sovereignty involved the rejection of the rule of kings and tyrants, and the assertion that the state's power to make and enforce laws should be rooted in a contract, more or less explicit, between the state and citizens. In Africa, the idea gained salience with political demands for decolonization. The contrast between the sovereignty of European nations and the denial of self-government for colonized peoples fuelled nationalist struggles after the Second World War, as native populations in Africa and other colonies asserted their racial and political equality. Claims of self-identifying political communities to collective freedom and autonomy were thus embodied in demands for sovereignty.

Although decolonization did not always involve popular resistance or the political defeat of the colonizers, the *argument* for self-government proved irresistible. After the experiences of Nazism and the Second World War, the racial thinking that underpinned colonialism had been discredited. America forcefully pointed out to the old European colonial powers the inconsistency of their support for liberation and autonomy for European nations, and the denial of the same rights in their own colonies. (America was equally afraid that colonial oppression would play into communist sympathies and aware of the economic opportunities it would gain from ending British and French commercial monopolies of markets in their colonies.) The colonial powers had attempted to justify their rule on the basis that they were acting in the best interests of colonized peoples, but as the allies pushed the case for free democracies in Europe they could not sustain a claim that they were *representatives* of colonized peoples; as such their political power was increasingly recognized as illegitimate (Williams 2003: 7).

The resulting international norm of self-determination, written into the United Nations Charter, involved outlawing external intervention into a protected physical realm, defined on the map. It also implied the protection of a political realm in which citizens would exercise their own agency and a political community would decide its own fate. Non-interference in domestic affairs became the means by which external powers respected the rights of these communities. Newly independent governments seemed at the time obvious repositories of sovereign authority and the concrete expressions of self-determination of populations living within the borders of new nation-states.

Importantly, this argument for sovereignty did not imply that outlawing foreign intervention *guaranteed* that relationships of representation and accountability would intensify between African states and citizens. Rather, sovereignty defined a realm of political action protected from foreign influence that was a necessary but not sufficient condition for the emergence of such relationships. Nonetheless, the power of the claim for sovereignty flowed at least in part from the idea, as John Stuart Mill argued, that non-intervention provided a protected space for societies to struggle for and amongst themselves:

> In fact, of course, not every independent state is free, but the recognition of sovereignty is the only way we have of establishing an arena within which freedom can be fought for and (sometimes) won. It is the arena and the activities that go on within it that we want to protect, and we protect them, much as we protect individual integrity, by marking out boundaries that cannot be crossed, rights that cannot be violated. As with individuals, so with sovereign states: there are things that we cannot do to them, even for their own ostensible good. (Mill, paraphrased in Walzer 1977: 89)

Mill thus saw self-determination as the right of a people to become free from tyrannical rule by their own efforts *if they can*. Sovereignty thus endorsed the principle of pluralism. Not every state would be organized domestically according to the same principles. Rather, specific cultural, social, and political dynamics would be respected. Mill was a committed democrat, but he emphasized that the 'arduous struggle' of a putative citizenry rather than external intervention should be the engine of freedom because it is through the process of struggling that we learn the virtues that will sustain the gains made:

> [T]he liberty which is bestowed on them by other hands than their own, will have nothing real, nothing permanent. . . . When a people has had the misfortune to be ruled by a government under which the feelings and the virtues needful for maintaining freedom could not be developed themselves, it is during an arduous struggle to become free by their own efforts that these feelings and virtues have the best chance of springing up. (Mill 1859, in Brown, Nardin, and Rengger 2002: 491)[4]

In arguing for sovereignty with a nineteenth-century philosopher, we are swimming against the twenty-first century political tide. For many Western donors, aid practitioners, and scholars, sovereignty is increasingly considered a suspect notion – a thin veneer justifying dictatorships and brutality within states. Particularly since the end of the Cold War, the willingness of powerful states to accept a plurality of domestic political arrangements and developmental visions has weakened and the 'right' to sovereignty for weaker states has gradually been made conditional upon meeting responsibilities imposed by 'the international community' (a concept which typically stands in for the preferences and agency of powerful states). In differing contexts, these responsibilities include the willingness to pursue terrorists, to forego nuclear technologies, to prevent drug cultivation, to adopt liberal democracy, and even in some contexts to resist electing 'inappropriate' politicians in those elections. This challenge to sovereignty covers a wide range of sectors and issues, and the development discourse is in part simply a reflection of these wider trends. Aid donors now insist on one key responsibility of recipient states: to promote the welfare of citizens by pursuing a project of national development. It is where African governments are seen to be failing to do so that their sovereignty is most aggressively challenged and aid conditions bite hardest (Williams 2001).

In spite of this trend, we remain committed to the principle of sovereignty for three main reasons. Firstly, many aid practitioners today argue that the large amount of financing provided by donors to African governments, in some cases almost half of a government's budget, gives donors the right to influence recipient policies. We argue that making financial transfers, no matter how large, does not grant the donor any right to impinge on the autonomous decision-making process of the recipient. We can understand aid contributions as something analogous to a welfare system, as recompense for the deliberate underdevelopment of Africa during colonialism, as compensation for the inequitable outcomes of the global economic system, or as part of a collective insurance scheme established by sovereign states. In any of these cases, conditionality appears hard to justify. As discussed in Chapter 2, when the Bretton Woods institutions were first established with European states as the original aid recipients, it was widely understood that the institutions should not impinge on the sovereignty of those offered assistance. It was only once 'Third World' states became the major recipients of aid that this norm was altered. Secondly, the modern case against respecting the sovereignty of African states is often grounded in claims that the ongoing dependence on aid of many African states results from the specific dysfunctional nature of African politics and political culture. This provides a justification for overruling the generalized principle of sovereignty described above. We do not accept that the economic marginalization of Africa results principally from the failings of African societies or that there are any relevant cultural or political phenomena on the continent that make Africans less deserving of their right to self-determination than any other peoples. Thirdly, a range of alternative modes of 'multilayered governance' are proposed as replacements for sovereignty. We argue that these alternatives tend to institutionalize and embed the material inequalities between African social and political formations (including the state) and foreign or 'international' actors, and thus that protecting sovereignty remains the most realistic means to achieve people's aspirations for greater control over their lives. It is still a precondition for bringing power closer to people.

Is Africa Fit for Sovereignty?

The turn against sovereignty is partly inspired by the academic literature. Just as the Cold War ended, Robert Jackson (1990) described African states as 'quasi-states' that had failed since independence to achieve the necessary attributes of 'positive' sovereignty, including the capacity to exercise effective power within their own territories. Jackson criticized the international community's willingness to buttress these governments by paying exaggerated respect to their 'negative' or 'juridical' sovereignty, extending the 'rights' and practical support that followed from being recognized as members of a community of states in spite of their failure to achieve 'positive' characteristics. He concluded that the effect of the 'negative sovereignty regime' had been to shelter African autocrats and implied that African states are unworthy of equal treatment as sovereign entities.

Responses to Jackson illustrate a crude but important dividing line in the debate on sovereignty. Those, like Jackson, who essentially blame African elites for the failings of post-colonial states tend to argue that these states were granted too much sovereignty too early, that they have made poor use of it, and that the best thing outsiders can do is to press 'universal' values and technical best practice, through economic, social, and governance conditions on aid. Others primarily attach blame for African underdevelopment to an unjust global economy and to the norms and systems established by hegemonic powers (see Grovogui 2001). Thus while James Ferguson (2006) shares Jackson's bleak assessment of what has been achieved by independent African states, he argues that Africans have never had sufficient influence to reshape global economic systems and thus that control over their own destinies has remained out of reach.

Debates over the internal and external causes of Africa's protracted political and economic crises continue to rage across different levels of analysis. There was a rebellion in academia in the late 1970s against dependency theory, which emphasized the role of external factors in precipitating economic crises in developing countries. The new dominant explanation for Africa's underdevelopment that emerged by the 1980s emphasized internal factors, especially inappropriate policies, and provided the intellectual basis for structural adjustment. By the 1990s, there was a new debate over whether contemporary problems in African countries stemmed from the 'wrong' policies pursued by African governments in the 1970s or from the structural adjustment policies advocated by international financial institutions since the 1980s. The failures of structural adjustment are also discussed in terms of whether the reforms themselves were a mistake or whether African governments just did not implement them correctly or fully.

In recent years the debate on the cause of Africa's underdevelopment has been fuelled by economic historians (rather than economic theorists) arguing that the policy advice offered by the Western donors and international financial institutions specifically excluded the very policies by which the rich countries themselves had got rich and through which East Asian countries have developed more recently (Chang 2002, 2007; Amsden 2007). For these authors, the role of the state in the development process, captured by the phrase 'developmental state', must be fully acknowledged in the case of Western countries and the Asian 'tigers', especially in trade and industrial policy.

In the political field, the internal–external dichotomy again frames debate: Is the main cause of weakly instituted democratic norms in Africa a neo-patrimonial political system or the post-colonial ties and Cold War interventions supporting dictators? A more compelling contribution to this debate on the internal and external causes of Africa's underdevelopment would require examining the differing interactions of internal and external factors in different cases. However, much of the current literature on aid tends heavily towards blaming African politics, especially African political leaders, and ignores both the variation between African states and the role of external actors, past and present.

This current emphasis on African politics is partially fuelled by a strain within African political studies which argues that Africa's poor economic and democratic track record results from the failings of African political systems and political culture characterized by 'neo-patrimonialism'. The notion suggests that most African states are hybrid regimes in which 'patrimonial' practices coexist with elements of a Weberian rational–legal system with distinct public and private realms and written laws and constitutions (van de Walle 2001: 51–2). In such systems, officials almost systematically appropriate public resources for their own uses and political authority is personalized and largely based on patron–client relations. Neo-patrimonial analyses see public corruption not only as part of the political logic of African states but also as the main factor undermining economic development (see Cammack 2007).

While the neo-patrimonial generalization has a strong following within African political studies, it is by no means uncontested and has been critiqued for over-generalizing and presenting an image of political systems that does not hold in most African cases. As Cheeseman (2006) argues, the framework assumes that all African states are affected to a similar (chronic) degree by the same problem, but in reality African states can be more or less patrimonial and patron–client relations differ in terms of the degree to which they are personalized.

In some interpretations, neo-patrimonial descriptions have been combined with cultural arguments. Chabal and Daloz (1999, 2006), among others, propose formulations of specific African cultural and political legacies which lie below the surface of formal institutions, survive processes of state reformation, and help to explain the 'subversion' of attempts to construct modern state institutions in Africa. These commentaries draw useful attention to the importance of placing political choices within a social context, but they tend to present a generalized African culture and politics with 'inherent' features. Meagher (2006) argues that this analysis provides little space for a dynamic relationship between human agency and historical circumstances. Furthermore, its characterization of African political action as dysfunctional forms of agency misrepresents their experience and loses sight of the creative dimension of indigenous institutions and of their capacity for innovation, hybridization, and resistance to political manipulation. These features have also been described by Jean-François Bayart through the lens of Africa's 'extraversion' (Bayart 1993, 2000). This is not to deny that 'cultural signifiers' play a role in much of African political rhetoric, but instead to recognize that the symbols politicians employ is the surface rather than the essence of politics (Szeftel 2000*b*).

The corollary of these analyses which see Africans trapped in poverty by their politics and culture is a focus on Western agency and supervision as necessary for any transformation. This view is exemplified in a recent book by Robert Calderisi (2006), a former World Bank spokesperson on Africa who spins an aggressive line that the Bank has been too politically correct, treating Africans thus far with kid gloves. *The Bottom Billion* by Paul Collier (2007), also a former senior World Bank employee, takes a more contradictory stance, and one which is closer to the current position of his former employer. Collier oscillates between arguing that the West must act now to save the 'bottom billion' of the world's population and acknowledging that only the bottom billion can save themselves. He attempts to resolve this tension by stating that in these societies there are struggles between 'brave people wanting change and entrenched interests opposing it' and that we have been bystanders in this struggle and should do more to 'strengthen the hand of the reformers' (p. xi). Both Calderisi and Collier call for more concerted efforts to tackle Africa's problems beyond the existing tools of aid. Having identified the problem as the politics and political culture of aid-recipient countries, they also call for more direct intervention in these societies at more intimate levels. If the problem is politics, the solution, it appears, is for Western states not only to depoliticize the policymaking process but also to engage directly, 'empowering' certain social groups and mediating between different actors in the institutional setting.

A more fruitful avenue for investigating the nature of African political systems than the neo-patrimonial framework is suggested by Chris Allen (1995). Allen seeks to understand the meeting between liberal institutions and African societies by reference not to immutable cultural factors or a disaggregated notion of 'African politics', but to the distinct historical paths which states have followed in the post-colonial period. Allen's approach challenges the notion that corruption and clientelism can be understood outside of the particular histories of the societies in which they arise. He identifies two overwhelming challenges that faced most post-colonial African states: how to generate mass political constituencies in the absence of established class or party systems, and how to meet popular pressure for the generation and redistribution of economic surpluses in the absence of an industrial economy? Under persistent conditions of underdevelopment, market-based accumulation remains highly risky and relatively unrewarding. These challenges have tended to result in patterns of political mobilization which rely on patron–client relations and in patterns of capital accumulation centred on elite access to state resources and redistribution through patron–client networks.[5] Allen argues that researchers must start by investigating the specific roots of post-independence 'political settlements' and the various ways in which these contradictions worked themselves out, in order to understand the extent to which these contradictions still enforce their logic in any particular setting.

An Alternative to Sovereignty?

Contemporary efforts by external actors to (re)construct or transform states through foreign aid tend to view the state as a purely administrative vehicle for development, and thus depoliticize it. They aim to create an alternative system of rule where a range of actors – states, donors, civil society, the private sector, supranational institutions – all take a slice of decision-making authority and play a role in the construction of multiple accountabilities. These modes of 'multilayered governance' are rarely defended as superior modes of representation to democracy. Rather, the emphasis is placed on their allegedly superior impact on economic policy. However, the absence of effective authority over development policy (with none of the various stakeholders exercising complete control in any realm) leads to fragmented policymaking and policy implementation processes (Williams 2006). Thus multilayered governance approaches trade with clear lines of accountability, and thus the possibility of representative politics, for the hope of 'policy stability'. By dispersing and depoliticizing decision-making authority, multilayered systems construct agencies of restraint on policy options. The same kind of approaches to governance are also visible in rich-country contexts, where state sovereignty has been 'pooled' in supranational organizations, such as the European Union and the World Trade Organization, and devolved to quangos and technocratic commissions (see Bickerton, Cunliffe, and Gourevitch 2007). Many of these developments are criticized on precisely the same terms that we worry about aid – they create democratic deficits, taking authority and accountability further from the people. The additional factor that makes the situation so much more biting in Africa is the imbalance in negotiating capital between the sovereign state and other 'stakeholders' with whom sovereignty is being 'shared'. The result is an even more profound externalization of decision-making power.

What is missing in the multilayered governance alternative is a sense of why politics matters. Where official aid agencies and international financial institutions currently claim to intervene in poor countries in the name of development or in the name of the poor, they face the same criticisms as past colonial rulers: they cannot claim to be representatives of recipient country populations and they cannot be held accountable by them. The very idea that external actors can create ownership hints at the way that, in defining ownership as commitment to externally defined reform agendas, donors have denuded the concept of the key source of its progressive content: its potential to attach to popular aspirations.

Here we return then to our defence of ownership as control. If African governments are to be accountable to their citizens, then they must determine their development strategy and priorities, the set of policies to achieve those priorities, the instruments to implement those policies, and the timing and sequencing of implementation. If recipient governments do not have sufficient room to do this due to donor demands, or if they cede responsibility for policy choices and their outcomes to donors, then aid creates additional obstacles for citizens in holding their governments accountable. The increasing influence of donors over the past decades has complicated efforts to identify who is responsible for defining and implementing policy. Currently, neither donors nor recipient governments are held fully responsible for their actions by the people whose lives are affected by them.

The alternative to multilayered governance, a domestic process of determining policy, can of course be messy and complicated. Indeed the nature of political contestation in economically underdeveloped countries, typically with short histories as unitary, independent states and even shorter histories of liberal democracy, is frequently marked by conflict. Respecting sovereignty can mean allowing such conflicts to run their course on the assumption that political settlements of domestic conflicts are more likely to reflect the will of the majority than settlements enforced by foreign powers. Nonetheless, international law (itself of course defined undemocratically and open to interpretation and contest) has become increasingly activist and interventionist in this realm, with the one exception to the non-intervention norm, genocide, increasingly being identified and used as a justification for intervention. The range of situations in which the international community believes it should intervene under the 'responsibility to protect' has expanded in recent years, creating a slippery slope from exceptional situations to a norm of early interventions whose political character is defined less by the facts on the ground than the interests and perspectives of powerful states.

Facing their own democratic deficits and dependence on the major powers to act, international institutions have little hope of presenting themselves as a legitimate channel for the expression of self-determination. As the editors of a recent book called *Politics Without Sovereignty: A Critique of Contemporary International Relations* argue: 'The sovereign state, however imperfect, still provides the best framework for the organization of collective political life' (Bickerton, Cunliffe, and Gourevitch 2007: 1). Ownership understood from the perspective of sovereignty thus means allowing space for domestic political processes: for struggles within recipient societies to define the national interest and for recipients to make their own policy choices and to draw their own lessons from their experiences, respecting that their own perceptions of their own problems and solutions are legitimate. In defining ownership as the degree of government control over the policy agenda, it necessarily follows that some governments will get it right and some will get it wrong, but importantly these outcomes are not predetermined or fixed but rather change over time. This argument leaves room for human agency to shape the future of political communities.

Seeing Like a Recipient Government

As we have seen, the current aid debate among Western scholars and aid practitioners is overwhelmingly sceptical both about the likelihood of Africans helping themselves and about the commitment of African elites to development. Of course, some African elites (as with elites all over the world) act principally to reproduce their elite status. Nonetheless, we challenge the dominant view that portrays African governments as inevitably anti-developmental or as driven by innate conditions to act in neo-patrimonial ways.

This book investigates a series of country cases in which African governments are attempting to negotiate the terms of their aid relationships. Each case reveals issues on which African leaders do not share donors' priorities or development visions. These differences emerge from legitimate disagreements about the best strategies of political and economic management to advance national development, as illustrated by the following quote from the former President of Mozambique, Joaquim Chissano:

In most cases foreign aid to Africa did not start in a healthy atmosphere. . . . Therefore, even today many Africans see the relationship with donors as still influenced by the colonial past, where donors 'know' what, how much and when recipients need. Furthermore, the behaviour of many donors may suggest the belief that because they provide resources, they have the right to dictate, in practice, the terms of use of that aid, which is done according to their own interests, irrespective of the views of the recipient. Thus, in some cases, the priorities of donors and recipients do not match: an example of this is the construction of infrastructure in Africa, viewed by the Africans as a high priority for their sustainable development and systematically dismissed by donors.[6]

President Paul Kagame of Rwanda made a similar point when he called on African leaders to replace donor-driven development visions and priorities with their own:

To realize our development vision, we in Africa must substitute *external conditionality* – that is, what the donors tell us to do – with *internal policy clarity* – that is, knowing ourselves what *we* need to do and articulating this clearly and consistently to our people and our development partners. . . . To achieve these imperatives, we in Africa must adopt a 'development through growth' mindset, as opposed to a 'development through aid' one. This requires that, among other things, we need to learn to 'say no' to donors whenever their priorities do not align with domestic objectives and agenda.[7]

How these disagreements are mediated and the outcomes of aid negotiation are highly political and relate to a range of economic and political interests, among which the maintenance of patrimonial transfers and informal political networks may sometimes be relevant. We do not, however, approach our cases as if that is all there is to uncover. Instead, this book aims to understand aid negotiations from the perspective of an African state.

Our empirical enquiries thus start by developing detailed descriptions of the relationships and processes that make up contemporary donor–recipient relations in particular countries. This involves a number of steps. The first is to consider the past and present economic, ideological, political, and institutional contexts of aid negotiations in particular African countries, and how these conditions shape the balance of negotiating capital between their governments and donors. We then aim to identify and describe the strategies used by the recipient governments to negotiate and manage aid, as well as to examine how these strategies are shaped by the country's conditions and how the government turns conditions into negotiating capital. Finally, we assess the impact of these strategies on the governments' control over the outcomes of aid negotiations.

By looking at aid relationships in detail the book also explores a number of apparent paradoxes. Aid-dependent African governments have long been criticized by their own citizens for being unwilling or unable to take the lead in their relationship with donors, for not negotiating harder. Increasingly donors are also making the same point: 'if only they stuck to their guns', meaning that if African negotiators did so, then donors would fold eventually. At the same time, academics have noted that donors have less bargaining power than recipients assume and that recipient governments have more bargaining power than they use. If this is true, we need to understand why African states feel less powerful than some claim they are. We thus ask how the aid system interacts with political systems in particular countries, the new political logics this interaction throws up, and their implications for country ownership. To date there have been few attempts to understand these interactions, and this book aims to fill the gap, showing how the existing aid system affects the capacity of aid-dependent African governments and how their development strategies are produced in the context of interactions with donors and domestic politics.

This book is the first attempt, to our knowledge, to take on these two tasks in the contemporary period within a comparative framework. Most country chapters have little existing literature upon which to draw. Mosley, Harrigan, and Toye (1991) and Carlsson, Somolekae, and van de Walle (1997) attempted something similar. Mosley et al. looked at aid negotiations in the 1980s, while Carlsson et al. examined recipient strategies for managing aid in the 1990s. Both used country experiences to test a set of hypotheses about the factors that determine the outcome of negotiations around conditionality. This volume has a different aim and adopts a different methodology. The cases do not test particular hypotheses, but rather combine the methodological tools of historical institutionalism, political economy, and ethnography in order to provide rich descriptions of contemporary aid relationships. We focus on the interaction between African political and administrative systems and the aid system in specific country contexts. We may not fully achieve the ambitious tasks that we set for ourselves, but we hope to have sparked a debate and a new research agenda that can continue where we left off.

There is an important caveat that we must make about the scope of the research question. Aid relations in African countries involve at least three sets of actors – aid agencies, governments, and the citizenry – and this results in a three-way relationship where each set of actors has a direct relationship with the other two. This book only focuses on one segment of this triangle: the relations between (a particular group of) aid agencies and the government. There are of course pressures from within recipient societies on political elites in government that can affect the way that elites behave and which are important to understanding the whole picture of aid relations in a particular country, but such pressures and their impacts are not directly considered here.

The first part of the book lays out our analytical approach to the study of aid. It argues that aid is always negotiated because there are necessarily conflicting interests between donors and recipient governments. Chapter 1 reviews the literature on aid negotiation and proposes a political economy framework that takes us beyond the game-theory orientation of much of this literature. It argues that factors outside of each 'game', the talks over any particular loan or grant, have a significant impact on the likelihood of success for any negotiating strategy. These factors include the economic basis of relations between donors and recipients, the ideological clarity of both donor's and recipient's preferred development strategies, and the political legitimacy that recipient governments are able to secure for themselves and their political projects. The relevance of this political economy approach is demonstrated in Chapter 2, which examines the history of recipient government strategies since the 1950s – the beginning of decolonization and the emergence of new states. It considers the sources of negotiating strength for developing countries at different points in history, placing African countries within the broader context of the developing world, and assesses the successes and failures of different approaches taken in negotiating with donors. Chapter 3 then sets out the parameters of the contemporary aid system, providing the context in which to situate the country studies as well as explaining the methodological approach adopted for them.

The second part of the book presents the experiences of eight countries based on new empirical research: Botswana, Ethiopia, Rwanda, Ghana, Mali, Mozambique, Tanzania, and Zambia. All the countries selected are African and are predominantly aid-dependent. They were selected because this dependence provides the greatest challenge in asserting ownership and leadership. Where they succeed we may discover strategies that recipients can adopt in spite of their dependence. Mozambique and Tanzania were selected because they have been heralded as model cases of country ownership.[8] We examine whether these models of successful country ownership are actually successes, and if so, what factors account for their success. Comparing the cases of Ghana, Mali, and Zambia, which have similar traits to many of the 'model cases', allows us to consider the factors which might make some countries more successful than others. Rwanda and Ethiopia were selected because preliminary research indicated that their governments had strong policy positions which they pursued regardless of their aid dependence and of donor disagreements. Finally, we compare this group of aid-dependent countries with Botswana, a country that is no longer dependent on aid, partly as a result of the negotiating strategy it has adopted over a long timeframe.

Each country chapter describes the political and economic factors affecting aid negotiations before considering the strengths and weaknesses of the different strategies being adopted by recipient governments. The authors repeatedly unpack notions of ownership, identifying its different meanings in different contexts, as well as barriers to the type of ownership as control that we are looking to identify. The first part of the book not only provides the background, the analytical framework for the book as a whole, and the methodology for the country chapters, it also sets out what we know (or think we know) based on secondary literature. The country studies provide a rich empirical account that extends and refines the initial arguments. In the process, they also contribute to filling a gaping hole in the literature about the political impacts of aid relationships.

It is important to note how difficult it was to carry out these research tasks. Few scholars have the combined skills necessary to answer the questions we are asking. Academics in area studies and comparative politics typically have the requisite knowledge of contemporary domestic politics and a historical perspective, but often lack a detailed understanding of the international aid system, contemporary modalities of aid, and how both operate at the country level. They also generally lack access to undocumented aspects of the aid process, and documents might not be available to outside researchers. On the other hand, the people who know about aid modalities are often those who have been directly involved in the aid process, either as donors, consultants employed by donors or recipient governments, or as recipient government officials and civil servants. However, these groups generally lack extensive knowledge of domestic politics *or* are too closely involved in the process to look at it critically or to be able to divulge their knowledge or views publicly. Furthermore, the research is on contemporary material, which is always difficult to capture and grasp, as events and processes are still being played out and their meanings are continuously evolving and still contested. We tried to overcome these problems by using co-authors, who together had the requisite skills and knowledge, and by choosing countries where we knew researchers working on these issues already and who were willing to undertake this research. If this book is the start of a conversation, it is clear that it will need to be a conversation both across intellectual disciplines and between academics and practitioners.

Lastly, the country studies predominantly examine recipient government relations with the so-called traditional aid system, which includes OECD bilateral aid agencies, the Bretton Woods institutions, United Nations agencies, and regional development banks and their collective institutions and processes. These official aid agencies are referred to collectively as *donors* throughout the book. The term ‘the donors’ is a convenient and almost unavoidable device for writing at a general level, but it is also rather imprecise because it portrays donors as a homogeneous and unified group, which is not usually the case. Donors do exhibit a degree of homogeneity in their discourse and actions as the result of their coordination through the OECD Development Assistance Committee (DAC). While donor motivations for giving aid and their aid management systems differ across donor countries, the DAC sets norms and standard practices for member countries and asserts peer pressure on members to adopt them (Lancaster 2007).

The book focuses primarily on what recipient governments are doing in the aid relationship and does not devote equal attention to exploring the motivations of donor agencies and individuals at the country level and headquarters.

This would require another whole book. The result is that the idiosyncrasies and motivations of different donors are not explored at the level of general discussion or in the country studies. However, the conceptual framework acknowledges, and many of the country chapters show, that different donors act differently, that both donors and African governments are composed of many interests and individuals, and that each forms alliances according to the specific circumstances.

The Conditions for Negotiating Success

How then do we understand contemporary aid negotiations, and what conclusions can we draw about which countries have most successfully negotiated with aid donors? The first thing to say is that, for all the talk of a brave new era, many of the cases describe aid relationships heavily informed by their recent history. Successive reforms of the aid system have been introduced on top of existing processes and instruments for delivering aid, rather than replacing them. As a result, the number of institutions and processes through which aid is delivered has increased, making the system more complex and unwieldy for recipient governments. Not only has it become more difficult for recipient bureaucracies to manage aid, but changes over the last decade have resulted in expanded donor participation and the increasing entanglement of donor institutions and recipient administrative systems. Expert advisers and consultants funded by donors – so-called technical assistance – are now so intimately enmeshed in the public administration in many African countries that it is sometimes difficult to identify who is negotiating on behalf of whom, and even where ‘recipient’ stops and ‘donor’ starts. This book shows that current efforts to improve aid effectiveness have frequently *increased* donor involvement in policymaking processes.

Instead of presenting a concrete measure of ownership as control, the eight country chapters provide thick descriptions which allow us to engage with this complex political terrain, and on that basis to attempt a comparison of the strengths and weaknesses of negotiating strategies adopted by the different countries. We took this approach because an effort to ‘measure’ a concept such as ownership or recipient control could not sensibly be attempted with the kind of quantitative scales, scorecards, and indicators increasingly common in the aid industry.

Nonetheless, Chapter 12 proposes a relative weighting of the eight country cases on an indicative scale from strongest to weakest in their ability to control their policy agenda and implemented outcomes, with Botswana at the end of the scale for the greatest control, Ethiopia in the strong half of the spectrum, and Rwanda somewhere in the middle. The similarities in the detailed, contextually rich stories our authors tell about the remaining five countries are striking. They all belong at the weak end of the spectrum. Rather than deciding an order among them, Chapter 12 investigates the characteristics that they share in common and which account for their limited success in aid negotiations. It concludes that the differences between the most successful, the partially successful, and the least successful country cases result principally from the differing structural conditions facing these countries, rather than from the differing strategic choices they have made. Chosen strategies seemed to us to have been heavily influenced by structural conditions. In particular, the negotiating capital of governments in Mozambique, Mali, Ghana, Tanzania, and Zambia was very weak principally because all these countries faced debt and balance-of-payments crises in the 1980s. The debt crisis presented an opportunity for donors to expand their influence over macroeconomic policies in the early structural adjustment period to a wide range of policy areas in the 1990s and then to the process of policymaking itself by the early 2000s. This generalized pattern did not apply so clearly in the other cases. Botswana and Ethiopia (after 1991) maintained more favourable political, economic, ideological, and institutional conditions, having avoided biting debt crises. Rwanda's partial success since 1994 in controlling its policy agenda, despite economic and institutional conditions similar to the weak group, seems to us to result largely from the rather unusual political and ideological conditions that emerged in the aftermath of the genocide.

We therefore offer a preliminary answer to the question of how some governments are able to retain their sovereignty in the face of aid or create policy space in spite of aid dependence. Economic conditions are critical, but what marks our more successful cases out is the confidence to translate a country's conditions into negotiating capital and deploying it effectively in aid negotiations. Confidence can come from different sources, such as ideology of the government, the background of the ruling political party and political leaders, and the degree of popular legitimacy and support that a government enjoys. Finally, institutions for managing aid matter. Those countries that have been most successful in negotiating aid have kept donors at arm's length while formulating their own policy positions and have largely kept them out of their domestic administrative systems. Thus, while the structural conditions within which governments must devise their negotiating strategies largely explain variation in recipient control across the country cases, a significant degree of variation is due to the confidence of recipient governments to turn their conditions into negotiating capital. In other words, our argument emphasizes the intersection between structural conditions and recipient agency.

The strategic adaptations of the weak group to the situation they found themselves in show marked similarities and have been typically highly defensive. These governments have, for more than twenty years, desperately needed foreign exchange and seem to have felt compelled to negotiate the terms of structural adjustment credits and debt rescheduling with the Bretton Woods institutions from a subordinate and vulnerable position. Recently, the imperative of accessing debt relief seems to have driven the governments in all of the weak group to more or less acquiesce to donor demands during the Heavily Indebted Poor Countries (HIPC) initiative process – formulating and implementing a Poverty Reduction Strategy Paper (PRSP), staying on track with an International Monetary Fund (IMF) arrangement, and meeting a series of other conditions negotiated with the IMF and World Bank (at least on paper).

However, the ineffective negotiating strategies adopted by the weak set of countries do not simply result from their economic dependence. Rather, the political, ideological, and institutional legacies of continuous engagement with the World Bank, IMF, and other donors since the 1980s have created a set of common characteristics: a state of permanent negotiation with donors, the gradual entanglement of donor and government institutions alongside the limited (re)building of the recipient's public administration, and the political dimensions of aid dependence. These characteristics have become key factors shaping the incentives facing many African governments. They help explain why governments in these countries often strive to maximize aid flows without necessarily maximizing control over the policy agenda.

The most common negotiating strategy adopted by the weaker group of countries through the 1980s and 1990s was non-implementation, which involves hoping that it will be possible to get away with not implementing, or reversing, policy commitments made during negotiation, and still getting the money from donors. Without access to alternative sources of finance or political will to risk losing aid resources, this strategy does not allow governments to set the policy agenda, although it gives them some control over what aspects of the donor-driven agenda get implemented and when. More recently a number of these countries have been attempting a different strategy, based on embracing donor interest in ownership, fully committing to new aid modalities and turning significant governmental energy towards the task of constructing the kind of depoliticized states and administrative systems to which donors find it easiest to 'align' and transfer 'ownership'. It is hoped that playing along with the ownership game will bring in less heavily conditioned assistance and will lighten the administrative burden of negotiating with a wide range of donors. These two strategies have something in common: they both start by recognizing the chronic subordination of the recipient state, and by doing so, they undermine the country's own negotiating strength, perpetuating weakness. Contrary to what donors argue, there is indeed a trade-off between recipient ownership on the one hand, and partnership with donors on the other (see also Jerve and Hansen 2002).

We also come to several conclusions about the new aid paradigm. Firstly, the country-led model embodied in the Paris Declaration requires two preconditions for donors to put it into practice: recipient governments must have sound public finance and administration and they must have credible processes for strategy design, as judged by donors. It is because donors generally doubt that such systems are in place and perceive that recipient governments lack the institutional capacities to develop and implement national development strategies that donors continue their practices of conditionality and micromanagement. (For the Bretton Woods institutions in particular, the idea of ownership means commitment to their reform agenda, so they do not see any contradiction between ownership and conditionality.) Donors typically suggest that recipients must act first by putting in place such systems and policies before donors can follow their lead. The irony is that donors see themselves playing a large part in putting these systems and policies in place, and thus bringing about recipient agency. However, recipient agency is not something that donors can help bring about, and so new aid practices seem to be further frustrating recipient agency rather than producing it.

Secondly, the new aid paradigm assumes that when recipient governments take the lead, donors will be willing to trust them and follow. However, donors often lack this trust. Our country studies show that on the occasions where recipient governments pursue particular policies and try to coordinate donors around them, donor responses have not been helpful. The ability of particular governments to succeed depends on the leverage that they have over donors and access to other sources of finance.

As our research project came to an end, one issue pressed itself more and more vigorously. Some of the structural conditions of African countries are improving. Many African economies are growing at higher rates than the world economy, driven by commodity prices that have been rising since the early 2000s and increased trade. As a result, there is increasing interest among investors in the African continent. Furthermore, debt relief has lifted the burden of servicing debt that has tied governments into Bank and Fund programmes through Paris Club rescheduling of debt and borrowing in order to pay debts without cutting public expenditure. On the international front, changes in the global economy are on the horizon as China and India enter the stage. Events in recent years hint at the resurgence of an assertive Third World nationalism among emerging economies, and the Bretton Woods institutions have lost their major clients, and thus their influence, both in Latin America and Asia. Lastly, alternative sources of finance are changing the possibilities for African countries. Increasing aid, trade, and investment from China, and to some extent India, has compelled some observers to talk about a new trilateral aid system. In the post-debt relief environment, raising finance through the international capital market is now an option for some African countries.

Although African governments are increasingly looking for alternative sources to finance their agendas, they currently still depend significantly on traditional donors. Could we be about to see a period of dynamic change in an aid system that has been rather static and gradually building on itself for so long? Our cases reveal some recent signs of a revival in the negotiating capital of the Ghanaian and Zambian governments, and a political distancing of these governments from their traditional donors and sponsors. The question now is whether African governments will act (and act quickly enough) to capitalize on these changing economic and ideological conditions in their aid negotiations. We are writing at a time when the full impact of these changes are not yet clear, but the concluding chapter explores their possible impacts.

Notes

1. Foreign aid (aid in shorthand) refers to official development assistance as defined by the Development Assistance Committee of the Organization for Economic Co-operation and Development (OECD-DAC). Official development assistance includes grants or loans to developing countries undertaken by the official sector at concessional financial terms (where loans must have a grant element of at least 25 per cent). This definition also includes technical cooperation, but excludes grants, loans, and credits for military purposes.
2. See the online debate between Steven Radelet and William Easterly on the Council of Foreign Relations website (www.cfr.org/publications/120777, last accessed 20 June 2007) and the exchange between Hilary Benn and William Easterly in *Prospect* magazine, issue 128, December 2006, where Radelet and Benn take the middle ground.
3. See, for example, Morrissey and Verschoor (2006) and Paloni and Zanardi (2006).
4. J. S. Mill famously limited his argument for non-intervention in the case of 'barbarous' peoples. Although the language jars now, this is a qualification worth noting because many of the contemporary arguments against Mill's general principle of non-intervention also draw on arguments about the nature of reason and will in African societies that relate to Mill's definition of barbarism. Our disagreement in this chapter is with widespread contemporary characterization of Africans as 'less reasoning'. An interesting critique of Mill's formulation is contained in Arthur Isaak Applbaum (2007). Applbaum questions why Mill assumes 'arduous struggle' will succeed, presumably because Mill believes that any people is capable of making itself ungovernable if it values freedom highly enough.
5. There is a significant amount of literature in African studies that examines how the processes of class formation and elite (re)production are bound up with the state and access to public office. See, for example, Szeftel (2000*a*, 2000*b*) and Crawford (1994).
6. 'Why we should "rethink" aid', statement by HE Mr. Joaquim Alberto Chissano at the Conference on 'New Directions in Development Assistance', University of Oxford, 10 June 2007.
7. 'Making aid work for Africa', HE Paul Kagame. Brenthurst Paper 7/2007. The Brenthurst Foundation.
8. The UK Department of International Development cites Tanzania as a model case (DfID 2005). Also in the case of Tanzania, see Elikana and Mapunjo (2004), and in the case of Mozambique, see Gerster and Harding (2004) and Killick, Castel-Branco, and Gerster (2005).

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1

Negotiating Aid

Lindsay Whitfield and Alastair Fraser

The literature on foreign aid consists predominantly of a debate between academics in donor countries and aid practitioners, with many key contributions written or commissioned by donors and focused on identifying 'best practices'. As a result, aid has been analysed mainly from the viewpoint of donors, focusing on the strategies they should adopt to secure their policy preferences. The sources of leverage for African governments, their perspectives, and the negotiating strategies they chose have been largely neglected. Our main aim is to redress this imbalance. This chapter lays out the framework for conceptualizing aid negotiations between recipient governments and donors. It reviews the models previously created to analyse donor–recipient relations, indicating what we have learned from them and explaining how and where our approach differs.

Let us start by establishing why it is that we should look at foreign aid as a negotiation. The idea of negotiating aid may raise objections from readers if they understand aid as a form of charity. After all, the *Oxford English Dictionary* defines aid as 'help, assistance, support, succour, relief', and rich-country politicians typically present their aid programmes to the taxpayers that fund them as equivalent to a gift given by one political community to another. We prefer to conceptualize relations between the 'donors' and 'recipients' of foreign aid as a negotiation for two reasons. First, aid-giving countries have more than simply altruistic motivations. Carol Lancaster (2007) emphasizes that donors give aid for many purposes: *diplomatic* (international security, international political goals, the management of relations between governments); *development* (to promote economic growth and poverty reduction); *commercial* (expanding exports and securing access to raw material imports); *humanitarian relief* (food aid and other support provided in emergency situations); and *cultural* (promoting language and values). Expanding on the commercial purpose of aid, Douglas Rimmer (2003: 481) reminds us that aid has provided business and jobs in donor countries, particularly in construction, manufacturing, and technical assistance, and that aid is perpetuated by interests in aid agencies themselves. Lastly, David Williams (2002) adds that a donor country's foreign aid policy is also a form of *autobiography* through which donor country elites construct and buttress both an operative ideology and a self-image that they project to domestic and international audiences. In understanding why and how donors negotiate over aid we therefore need to look at a complex mix of motives that include elements of solidarity, power politics, national and vested interests, moralism and paternalism, as well as concerns to promote development and technocratic questions about 'what works' in aid practices.

Second, aid-receiving countries are not passive recipients. Despite dependence, African governments almost always have a degree of choice over whether or not to accept aid from a particular source at a particular time. Much of the time, they want as much money as possible to spend as they wish, whenever they like, and with as few conditions and bureaucratic complications attached as possible. It is because this kind of assistance is not on offer that aid will always have to be negotiated. Even if there are no disagreements over fundamental policy questions, or if donor and recipient declare their objective (say poverty reduction) to be shared, there will at least be discussions over the size and manner of the transfer, the precise priorities to which it is targeted, and administrative and reporting procedures. This is not to suggest that African governments want aid only for developmental reasons any more than donors always have 'pure' motives. Motives for accepting or indeed soliciting aid can include supporting economic growth and funding development projects; building a state machinery capable of repressing opposition; securing popular support for the ruling party through 'delivery' of development outcomes; accessing funds needed to oil patronage networks; creating and maintaining an international reputation as a 'good partner' for donors in general or a 'success story' of aid in Africa; and cementing 'partnerships' that might be useful in a commercial, military, or diplomatic realm with former colonial powers and other powerful states in the international system. All these motivations can be found in the country studies in this volume.

The mix of both donor and recipient objectives for giving and receiving aid differs across countries, over time, and between the individuals and wings of government involved in the negotiations. To understand which motivations and actors are most important at any given time, one must interrogate the specific country context in detail. How then have academics previously gone about investigating aid negotiations?

Models of Donor–Recipient Relations

For the first two decades of aid, the 1960s and 1970s, academics paid limited attention to the process of negotiation. The topic became an issue of significance only after the turn towards policy-based lending in the 1980s. As discussed in Chapter 2, it was at this point that donors developed a much more ambitious project for the transformation of recipient policies. Academic studies of foreign aid thus increasingly focused on the successes and failures of *donor strategies* to encourage recipients to adopt economic and political reforms. This literature on the political economy of reform typically makes a number of assumptions which lead to the presentation of recipient government negotiating strategies not as one legitimate position in talks between two actors with opposed viewpoints and interests, but as the product of (dysfunctional) cultural and political repertoires or of the self-preservation strategies of African elites.

The dominant strain of thought starts with the assumptions that development failures in Africa arose in the first place principally from the bad policies of recipient governments, and that these failures could be reversed through the implementation of orthodox economic reform policies, known at the time as the Washington Consensus and often now referred to as neo-liberalism.[1] It was also widely assumed that donors should take an active role in informing recipients of these 'sound policies' and persuading, perhaps even coercing, African governments to implement them (Weeks et al. 2002: 27). Confidence that these policies were in some neutral and scientific sense obviously 'right' meant that in much of the literature, political leaders and civil servants in recipient countries that attempted to defend policies based on state-led economic development were viewed as motivated principally by personal gain or by the desire to retain power (see World Bank 1981). Similarly, states that have accepted conditioned aid but then failed to implement their commitments were typically viewed as incompetent, corrupt, or driven by the logic of neo-patrimonialism (see Hyden 1983; Callaghy and Ravenhill 1993). As a result, recipient objectives and strategies were considered as factors to be overcome rather than understood and learned from.

A variation on this argument held that key decision-makers in recipient governments did in fact recognize that reforms were necessary and would ideally have liked to implement donor-designed reform programmes. However, 'politics' then got in the way of a technocratic consensus as implementing agencies were unable or unwilling to take on negatively affected domestic constituencies. This argument turned on two key conceptual frameworks: neo-patrimonial and rational choice.

Neo-patrimonial frameworks focus on how African ruling elites cohere networks of support.[2] They typically see governments and bureaucracies undermined by logics of personal and particularistic (read ethnic in many cases) interest, rather than national betterment. They typically suggest that ruling elites resist donor-sponsored reforms and policies because they would undermine their ability to distribute patronage to a political support base and thus to retain their position in power. Van de Walle (2001) argues further that, even more than resisting reform altogether, political elites benefit from partial reform because they keep their sources of political power through patronage while implementing just enough reform to keep aid money flowing from donors.

Rational choice is a system for modelling human behaviour borrowed from micro-economics. It suggests that political actors select courses of action according to rational calculations about how to achieve their preferred outcomes, given the constraints facing them. Economists never claimed that any mathematical model could describe the reality of complex human interactions or predict the outcomes of particular cases. They argued instead that good models might help researchers to identify falsifiable hypotheses. Sadly, in the hands of political scientists, rational choice models are often developed as if they can describe or predict the realities of African governments' behaviour as if they were individuals. In the aid literature, rational choice frameworks have been extremely influential. They typically start with one key assertion about the preferences of African rulers: that their overriding preference is the maintenance of their own rule. Economic and social policy decisions are then assumed to reflect calculations on the part of rulers, not about which policy will benefit most people or facilitate economic development, but about their impacts on the balance of forces among politically effective interest groups in the country (see Bates 1981; Bates and Krueger 1993). Robert Bates held that failing economic policies in Africa reflected a preference amongst rulers to protect the interests of a politically threatening 'urban coalition' of industrial workers and consumers of agricultural produce at the expense of poorer and more populous (but less politically effective) rural agricultural producers. His research suggested to donors that they should use conditioned aid to prioritize the interests of 'rural coalitions', and 'reform coalitions' of private sector producers that had an interest in supporting 'sound policies' but had been ineffective in pressing their case. Rational choice has also been used to describe the personal incentives (typically the maximization of opportunities for corrupt transactions) that are held to shape individual African politicians' and bureaucrats' policy preferences.

Based on these strains of thought, scholars and donors have perceived recipient governments as knowing what 'should' be done (what the donors want), but lacking the requisite 'political will' or 'political commitment' to implement 'sound policies' or donor-sponsored reforms. What both neo-patrimonialism and rational choice theory share is a hostility to the actually existing relations between African rulers and African populations, which are seen to pollute modern or rational decision-making. The idea that recipient government actions might reflect the democratic wishes of their citizens, be economically (as opposed to politically) rational, publicly interested or based in a legitimate prioritization of policy goals other than the maximization of growth, is hardly considered.

A more recent adaptation of rational choice theory, particularly in the period after the end of the Cold War during which most African governments have accepted the dictates of the Washington Consensus, is the assumption that recipient governments are passive: that they do not even attempt to manage their relations with donors, simply bringing in as much funding as they can by telling donors they will do whatever the donor proposes. This trend has led to an emerging consensus on recipient passivity between critics of aid conditionality who have tended to see recipient governments as helpless victims, and scholars who believe that for the aid system to operate effectively recipient governments must be more willing and able to develop their own national strategies and coordinate aid towards their objectives, but who have often concluded that the 'political will' to do so is absent in many African countries (see Carlsson, Somolekae, and van de Walle 1997; Lancaster and Wangwe 2000).

It is not clear to us that assumptions of recipient passivity or a concept like 'political will' is helpful in understanding the contemporary situation. In some cases, researchers may be understating recipient government efforts to resist donors and to assert its own policy agenda. In others, apparent passivity may be a negotiating strategy: the recipient government lets donors decide policies on which the government knows its influence is limited and concentrates on shaping the implementation of policies where it has greater leverage and donor influence is much less.

The task we set each researcher for the country studies was to uncover and assess recipient negotiating strategies. In doing so, we were guided by, but aimed to go beyond, the research questions identified by the established literature. The dominant frameworks in this literature do offer important insights into donor–recipient relations. Our researchers do not discount individual incentives as an explanatory variable, but this is only one part of our approach. Our critique also stresses that individual politicians and bureaucrats, and more complex corporate bodies such as ministries, cabinets, and political parties, identify their preferences not simply with reference to their own interests and not simply through rational calculations. After laying out the previous models for understanding aid negotiations, we present an alternative framework based on a political economy approach. However, we do not attempt to create a new model of recipient–donor relations that can predict the outcomes of aid negotiations. Instead, we propose a general approach to the study of aid negotiations that helps us to identify factors shaping recipient government negotiating strategies.

The Strategic Game

Mosley, Harrigan, and Toye's influential contribution *Aid and Power* (1991) looked at the World Bank's experience of policy-based lending in the early years of structural adjustment. In two volumes, the authors detail a model of donor–recipient relations as a bargaining game, derive hypotheses from it, and then evaluate these hypotheses in country studies. In this model, conditions attached to loans are understood as bargaining counters in a game in which the donor (the World Bank) seeks both to influence economic policy in the recipient state and to protect its own financial position. The recipient, on the other hand, is expected to resist all such attempts at influence which do not harmonize with its own political priorities or where the political costs of reform are seen as too high (note here that the authors allow for policy preferences beyond simply self-interest). Thus, conditionality as practised is a strategic game, in which the two parties have at least partly opposed interests which they pursue by taking note of each other's likely behaviour and in which the outcome depends on the strategies pursued by each party.

Mosley et al. present bargaining as a two-player game with three stages: (*a*) making of agreements; (*b*) partial implementation; and (*c*) a new round of talks. They add a few extensions to this framework. Governments do not have homogenous interests, as some groups may be more concerned with raising external finance and others with resisting conditionality. A donor's strategy may then have to include inducements and threats relevant to both groups. Similarly, the World Bank is not homogenous, and there are conflicting views on negotiating strategy within the institution.

Mosley et al. note that the World Bank faced a serious problem of presenting a credible threat of refusing to disburse. External incentives to disburse loans even when the Bank was unable to achieve its policy objectives, or assure itself of a return, include pressure from shareholders within the Bretton Woods institutions, pressure from other international agencies, and tensions between different donors' conditions. Internal pressures on the Bank and Fund to continue to lend include protecting previous investments and securing debt repayments; securing their credibility through the eventual success of a government's adjustment efforts; avoiding economic destabilization; and leveraging policy influence. Bank staff tend to see individual incentives as sitting at the heart of the issue, identifying institutional pressures to get deals done and to get money out of the door. As an institution looking for development projects to invest in, no-one gets promoted for spending time negotiating a complex loan before deciding at the last moment that it should not be signed off. Mosley et al. thus note that recipients' awareness of the likelihood that the Bank will lend in the end means conditionality is in some cases a paper tiger. However, the threat not to disburse unless conditions are accepted remains effective against governments that expect to need the Bank's help in the long term. Here, conditionality can border on a coercive ultimatum in which the recipient is 'forced' to accept loan conditions in spite of disagreeing with the terms on offer. Most of our country cases fall into this category: they are aid-dependent countries with established relationships with the Bank that both sides expect to carry forward at least in the medium term.

Mosley et al. suggested that the Bank has always been aware of its disbursing dilemma and has adopted three strategies to mitigate it: (*a*) facilitation in the removal of obstacles to reform; (*b*) stiffening or employing measures to reinforce the position of those within the recipient government who are committed to the reform programme in relation to those who are less fully committed; and (*c*) bribery – the giving of overt or veiled promises of future finance if certain key conditions are met. This last strategy could be used to compensate those negatively affected by the reforms and thus co-opt opposition groups into accepting the reforms. The authors also describe negotiating strategies of the recipients: non-implementation, preference concealment, seeking out alternative sources of funding, and giving an ultimatum. These are discussed in Chapter 2.

Mosley et al. hypothesized that the less the donor needs the recipient (either as an outlet for funds or as a political ally), and the more the recipient needs the donor (because of the gravity of its debt or foreign exchange position or because it does not believe it can borrow from other sources), the less room for manoeuvre the recipient has in the negotiations, and thus the more likely the recipient is to accept more heavily conditioned loans. The authors found that the gravity of a country's economic crisis, dependency on the World Bank for external finance, and the absence of a large Bank lending programme weakened the borrower's negotiating position and caused tougher conditionality to be imposed. A continuing state of financial crisis also constrained governments, encouraging them to maintain high levels of nominal compliance. However, many recipients experiencing economic crisis failed to implement large proportions of conditions, even though they were financially dependent on the World Bank. This 'slippage' often went unpunished and new loans were even given.

This observation led Mosley et al. to ask how the Bank was able to maintain a credible threat. They found that high slippage was sometimes condoned, sometimes symbolically punished, and sometimes genuinely punished by the withdrawal of lending. The authors also found that if the Bank already had a large amount of capital invested in the country, recipients gained leverage from the Bank's strong imperative towards defensive lending (lending so that the government can use part of the loan to pay its debt-servicing obligations to the Bank). Recipients also gained leverage in aid negotiations from strategic geopolitical alliances with the United States.

In sum, when recipient governments took risks through non-compliance then other factors come into play in deciding whether future finance would be made available, particularly the donor's desire to disburse and the political leverage of the recipient country. The Bank's strategy was often to go for maximum conditionality in aid negotiations, but to be softer in implementation in order to retain good relations with recipient authorities.

As we will see, many of the country cases in this book reflect these dilemmas. The most effective negotiators amongst our case studies appear to be those countries where the authorities have reasons, outside of the aid relationship, to believe that they are too important to the donors to be let go. However, it is equally clear that the factors that create these impressions are not describable within the strategic game model. The findings of Mosley et al. reveal that aid negotiations do not take place between two actors, but are embedded in, and to some extent constituted by, global political and economic circuits. They also reveal that the conflicts of interests between donors and recipients are complex and cannot be adequately captured in a model of a repeating two-person game.

The Principal–Agent Model

Tony Killick's book *Aid and the Political Economy of Policy Change* (1998) undertakes a similar task of explaining the limited effectiveness of conditionality in getting recipient countries to implement structural adjustment programmes. Killick also starts from the premise of conflicting interests or objectives between donors and recipient governments. Even with shared general attitudes on the desirability of economic policy between donors and recipients, conflicts of interest still arise because they operate against the background of differing histories, traditions, and institutional constraints; they are answerable to radically contrasting constituencies; they are driven in separate directions by the exigencies of maintaining internal political balance; donors do not bear the full responsibility of outcomes; and recipient governments resent foreign intervention (Killick, Gunatilaka, and Marr 1998: 91–2).

Killick uses a different rational actor approach called the principal–agent model. This model considers the question of how to design a contract which embodies a structure of rewards and penalties that make it in one party's interest to act in ways which further another party's utility, and which punishes deviations from that course. In Killick's model, donors (the principals) seek through conditionality to induce recipients (the agents) to undertake certain actions desired by the donors, in return for access to international capital (including debt relief) through a cooperative activity known as policy reform. The basic premise of the agency approach is that outcomes are a result of calculations by governments and their officials of whether implementation will be in their own interests.

Killick derived hypotheses based on this framework concerning the benefits to recipients relative to costs of compliance with conditionality and regarding other influences on implementation. These hypotheses were tested in twenty-one countries by reviewing the materials on World Bank adjustment loans for the period 1980 to 1994. The results show that when objectives between donors and the recipient differed, the incentive system (rewards and punishments) is generally inadequate to ensure that recipient governments will implement policy conditions. In other words, conditionality did not work. In particular, non-implementation of agreed policy reforms was rarely punished effectively because new loans were quickly negotiated, except in cases of not meeting debt-servicing obligations on past Bank and Fund loans. Killick also found that there are internal and external pressures on the Bank and Fund to maintain the flow of financial support to some countries.

Killick acknowledges that the principal–agent model does not fit the implementation problem perfectly. First, it does not account for factors outside the donor–recipient relations which affect the implementation of conditionality. Second, it treats donors and recipients as single optimizing decision units, whereas each donor and recipient is actually a collective within which there are varying interests, viewpoints, and objectives. Each tends to pursue multiple objectives that may be contradictory and inconsistent over time, and each does not necessarily want only to maximize its utility. This encourages us to consider negotiations in the terms Robert Putnam describes as 'two-level games' in which recipient governments are working to negotiate simultaneously with at least two groups: the donor and domestic political constituencies.

Dijkstra (2004) confirms many of the hypotheses of this principal–agent model. However, Dijkstra argues that in order to explain better the country experiences, the model needs to be expanded to take into account the balance of power within the government and within society as a whole, as well as the power base of negotiators in government, the contents of policy conditionality (which can influence the credibility of the conditions), multiple and conflicting objectives of donors, and donor credibility. The author offers eight propositions as part of an *augmented* principal–agent framework. This study looks at experiences in eight countries with adjustment lending up to the year 1998. The findings also show that domestic factors were most important in explaining policy reforms, with the additional hypotheses helping to explain why compliance was often weak and why the threat of withholding aid was not effective in most cases. Dijkstra's framework takes into consideration some of the limitations of the first two models, going beyond the dichotomy of the two-actor game to look at some political dynamics in recipient societies. However, once we open up the 'game' in such a way as to accept the centrality of a field as complex as 'domestic actors', the model and its ability to predict are exposed as inadequate for the task at hand.

New Institutionalism

The Samaritan's Dilemma by Gibson et al. (2005) offers a different approach to the study of donor–recipient relations, although still firmly in the rational-choice mould. It focuses on the incentives generated by aid agencies using the analytical tools of new institutional economics. The authors also use the Samaritan's dilemma from game theory to model and predict donor and recipient behaviour more broadly. This model postulates that once a donor decides to give aid, the optimal strategy for recipients is to put as little effort as possible into ensuring that the aid is well spent or that agreed reforms are implemented. The Samaritan's dilemma assumes that donors are motivated by altruism, and that in this two-player game the donor is better off helping no matter what the recipient does, but the recipient is better off putting in low effort. The first obvious problem with this model is not only the limits to two-player games but that, as already mentioned, donors do not give aid only, or even predominantly, based on altruistic motivations.

As with game theoretic approaches, the authors propose a mathematical equation to model the incentives in donor–recipient negotiations. They posit three basic configurations of the relationship based on the relative bargaining power of each side: strong donor–strong recipient (corresponding to the Cold War period), strong donor–weak recipient (corresponding to the post-Cold War period), and enlightened donor–weak recipient configuration.

This framework is susceptible, however, to a standard critique of institutional economics applied to macro and non-economic situations. Individuals do not act only to maximize their individual welfare, and individual preferences are not as ordered and rational as rational-choice frameworks assume and may even be conflicting, which makes it impossible to model their behaviour on the assumptions of rational-choice theory (Leys 1996: 80–103). Furthermore, preferences and utility are not 'given'; they are constructed in particular social and ideological contexts. While it is important to understand the incentives at work in the aid system, this framework focuses on one conceptualization of incentives (utility maximization) and uses it as the overriding principle. Rational-choice theory by itself cannot govern the whole explanatory enterprise, because it does not consider a concept of the polity and issues of inequalities of political power, the non-material goals of politicians, and the role of ideology.

Nonetheless, Gibson et al. make two useful contributions. First, they attempt to unpack the different actors involved in the aid system, identifying eight main categories of players: donor government, aid agency, civil society organizations in donor countries, contractors, recipient government, sectoral ministry/agency, civil society organizations in recipient society, and beneficiaries. Gibson et al. note that many of these eight actors are themselves composed of multiple actors. Secondly, they stress the importance of understanding the structure of the arena in which aid negotiations take place: who the actors are, who they represent, the incentives of each actor in the context of their political institutions, how aid-related policies may affect their power, and the nature of the politician–aid bureaucrat relationship. These questions are similar to the propositions developed by Dijkstra (2004) and encourage us to move beyond a two-person-game model. As we have suggested in relation to each of these theories, existing game-theoretic accounts have typically been self-critical, recognizing the limits of the claims they can realistically make. Nonetheless, the reluctance to break from this methodological approach means that all they are able to concede is that there may be a need to consider further variables. We shift beyond modelling and prediction and instead use methods of interpretation designed to deepen our understanding of what is happening.

Beyond the Rational Actor Model

We propose a political economy approach to studying and conceptualizing donor–recipient relations, one which builds on the useful insights and findings of the models above, but attempts to overcome their limitations. Our approach differs in three critical ways. First, rational choice and game-theoretic models posit their 'players' as bundles of interests and capacities, rather than as political agents partially constituted by the ideas and memories of the communities from which they emerge. Previous studies do recognize that recipient domestic politics and geopolitical factors are significant in influencing the negotiating strategies of donors and recipients and in shaping their outcomes, but are unable to address them within the models they adopt. No matter how much we disaggregate the interests within donor agencies and the recipient state machinery, game-based models continue to treat these interests as purely material, individualistic, and 'given'. Negotiations are not just strategic games based on the choices of engaged agents; the interests and preferences of the actors are shaped by the global economic, political, and ideological contexts in which each actor and the negotiations themselves are embedded, and indeed by the vagaries of human consciousness.

Second, our approach identifies the particularities of the contemporary aid process, as well as considering the institutional legacies of the systems over which innovations are layered. The works of Mosley et al. and Killick looked at the lending practices of the World Bank and IMF and the effectiveness of conditionality in the 1980s and early 1990s. Much has changed in the aid system and aid relationships since then. We must consider these changes, and how they have affected the process and content of negotiations and the composition of actors involved in order to build a more adequate understanding of aid and power in the twenty-first century.

Third, our approach starts with the assumption that conflicts of interest between donors and recipient governments may well be based on real and legitimate political differences. Both neo-patrimonial and rational choice approaches recognize that conflicts of interest are at the heart of the implementation problem and that these conflicts occur between different groups within the recipient government as well as within the recipient society. However, these conflicts of interest are rarely discussed in a framework that sees them as the legitimate substance of a political decision-making which includes compromises, trade-offs, and consensus-building within both society and government. In sum, our approach differs from previous studies because it considers changes in the aid system and how these changes have structured donor–recipient relations in the contemporary period, and because it recognizes conflicts of interest between donors and recipient governments as legitimate, rejecting the idea of self-evident 'sound policies' that represent the real national interests of a country, but which are frustrated by special interests on the recipient side.

Our analytical framework posits that the outcomes of aid negotiations are the product of the encounter between recipient and donor preferences, and that the ability of each actor to successfully achieve their preferred outcomes is heavily constrained by the conditions under which each faces the other (the negotiating capital they can draw on) and the negotiating strategies they adopt to pursue their preferences. This framework is illustrated in Figure 1.1. This diagram represents an abstraction from reality: amongst other issues,

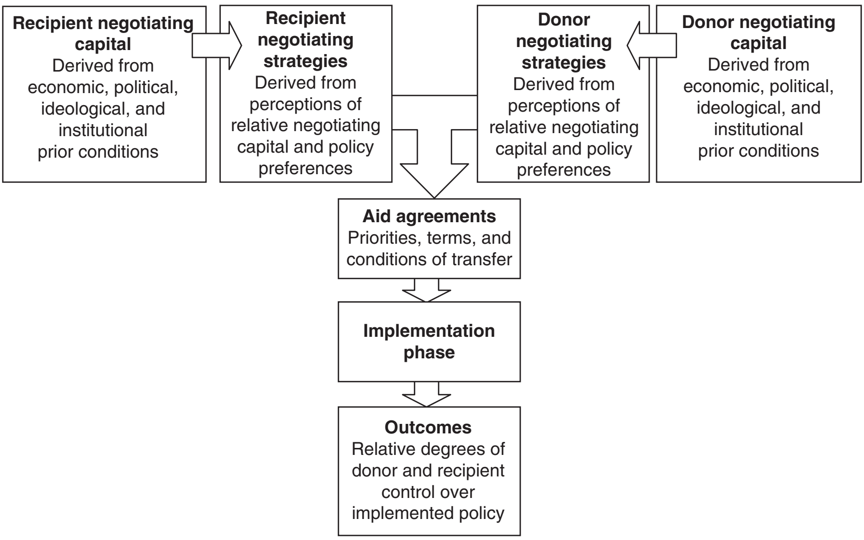

Figure 1.1. Simplified model of an aid negotiation

the ways in which recipients develop their strategies can themselves become aspects of negotiating capital. This diagram also represents just one iteration of a game that is played repeatedly. Behaviour and relations through the negotiation and implementation phase of any one negotiation have an impact on the prior conditions and strategy for any future talks. Furthermore, perceived successes and failures of any outcomes will reorient preferences and thus strategies for the next round.

The first step in analysing an aid negotiation is thus to develop a clear understanding of the ever-changing global and national *economic*, *political*, *ideological*, and *institutional* context within which donor and recipient define their preferences and select their strategies. We call these contexts the *structural conditions*. Such conditions do not determine the outcome of any negotiation in a mechanistic sense. Rather, they present donors and recipients with constraints to consider in deciding what they think can be achieved through the negotiation, and with resources to draw on to make their case in a way that compels the other to consider their preferences seriously. We use the term *negotiating capital* to refer to the leverage that a negotiator is able to derive from these structural conditions. In sum, a recipient government's negotiating strategy is chosen in the context of its given structural conditions and how it decides those conditions can be deployed in aid negotiations to meet its objectives.

This model is most obviously applicable to negotiations over the priorities, terms, and conditions of a particular financial transfer such as the talks Mosley, Harrigan, and Toye (1991) describe with regard to World Bank negotiations over structural adjustment loans. However, the model is also useful in thinking about larger processes. Aid relationships are not established either by donors or by recipients simply in talks over particular transfers – both sets of actors establish systems, institutions, and broad approaches to the management of their relationships with each other. Both understand that the form and dynamics of these interactions have important impacts on the ability to control implemented policy outcomes.

Whether in an individual negotiation or a process to establish wider aid management systems, the strategies adopted by African governments are unlikely to be explicitly stated and may well never be written down or consciously designed. They may be implicit and the overall consequence of several actions and choices by the government. They may never be clearly articulated by those engaged in the negotiations – they may only exist as personally defined tactics or as a general approach informed by previous experiences in the minds of the negotiators themselves. This clearly presents difficulties for any researcher and explains the heavy reliance of our country case studies on post hoc interviews with African negotiators.

This analytical framework recognizes the aid negotiation process as including the full policy cycle: agenda setting, policy formulation, implementation, evaluation, and revision. However, we focus particularly on the agenda-setting and policy formulation stages because these stages involve the strongest forms of recipient government control over its national development strategy and policies. Recipient strategies of non-implementation of the negotiated policies or ones that focus on leveraging influence during implementation in order to alter the policies to meet the recipient government's objectives or priorities are important. However, they are weaker forms of control. Nonetheless, these forms of leverage are considered in Chapter 2 and in the country studies.

How do we understand the effects of the structural conditions on a recipient's negotiating capital, and a recipient's negotiating capital on its ability to negotiate effectively with donors? We outline here some hypotheses about the relations between these factors based on the existing literature. These hypotheses formed the basis of the enquiry in the country case studies. The country studies then provide empirical evidence about these relations which we draw out and analyse in Chapter 12.

Economic conditions may include the degree of dependence of the recipient on markets in the donor country or the degree of dependence of the donor on access to resources being offered by the recipient. Other important economic conditions include the degrees of indebtedness and of aid dependence, measured, for example, in terms of the shares of state-government expenditure sourced from donors. The degree of aid dependence is broadly a function of the availability of alternative sources of funding. We might expect recipient governments with access to sources of finance such as foreign direct investment, the domestic tax base, and private lending to have more negotiating capital. Similarly, recipient governments that are able to access funds from a wider range of traditional donors and can play them off against each other are more likely to be able to secure their own preferences, whereas countries with few donors have more limited room for manoeuvre. For that reason, donor coordination, in so far as it means that donors take common policy positions or push funds through one common pool, can reduce recipient-government bargaining power. A caveat on the limits of the aid-dependence argument was already noted in the *Aid and Power* study: the World Bank's disbursing dilemma reduces the credibility of conditionality. However, this does not necessarily enable recipients to avoid conditions being written into loan agreements or to press for their own preferences. It simply keeps the Bank from enacting sanctions against recipients who do not implement these conditions and thus allows non-performers to keep acquiring loans. Lastly, the increasing role of non-traditional donors such as China may provide another source of funding that can be used to gain leverage in aid negotiations by threatening to turn to non-traditional donors which provide aid on better terms than the traditional donors.

The ideological resources on which both donors and recipients are able to draw in their negotiations vary across time and place. For donors, the purposes of their aid and the content of their policy preferences change over time in relation to developments in donor societies, in the developing world, and in internationally set norms and agendas. This presents a shifting challenge to recipients who might seek to appeal to donor prejudices in order to attract funding or to make links between currently favoured priorities and the recipients' own preferences. At certain moments, there is room for manoeuvre. At other moments, donors can become very assertive. Nonetheless, whether or not a recipient's ideological proclivities chime with those of donors, the ability of a recipient government to express a clear vision about where the country is going and about the contribution of public policy to achieving that outcome affects their ability to defend individual policies within a negotiation. Donors typically find it harder to challenge a recipient's priorities that are constructed within a coherent framework, particularly one that draws strength from links to a wider international discourse that might contradict donor preferences.

Every recipient government's negotiating mandate flows to some extent from recognition by donors of its unique ability as a sovereign authority to rule a particular territory and to mediate competing interests and views. Recipient governments with a high degree of political legitimacy at home may thus have more negotiating capital. On the other hand, recipient governments that are understood by donors to be constrained by domestic political considerations, such as a finely balanced coalition, powerful interest groups, or a weak electoral mandate, may also be able to use this constraint to gain leverage in negotiations if the existing government is seen as more committed to donor-sponsored reforms than the dominant political opposition or if the alternative to rule by the current government might prove destabilizing. However, donors may not always be swung by domestic political arrangements in their assessments of whether a particular country's sovereign authority should be respected. They also frequently fail to heed warnings that their policy preferences may in fact contribute to conflict or political instability.

Donor understandings of the legitimacy of any government do not relate only to the domestic politics of that country. Images of legitimacy and illegitimacy are also constructed in the international realm, through the vagaries of diplomacy, civil society, and media representations of particular governments. At any time in history, it is thus likely that certain recipients will be favoured, whether for ideological or geo-strategic reasons, or even simply because donors need to showcase a successful example of their prescribed reforms or aid interventions working. These showcases are often referred to as 'donor darlings'. Where recipients manoeuvre themselves into the position of being a key ally of a major donor or a donor darling, they may gain negotiating strength.

Lastly, there are a number of institutional conditions that affect the ability of a recipient government to negotiate effectively with donors. These include the effectiveness of state institutions in devising and defending development strategies and policies and the condition of the civil service which runs these institutions. The condition of the state bureaucracy affects the aid-management structure that emerges in a recipient country as well as the ability of the recipient government to shape its aid-management structure according to its wishes. van de Walle (2001: 59) argues that aid, by externalizing policymaking, has undermined the development of state institutional capacity and arrested processes of policy learning within the civil service. This argument is supported by a growing body of literature claiming that, while one of the main declared aims of foreign aid is to build effective public institutions, the aid system is undermining the achievement of that goal.[3] Thus the aid system itself can negatively affect the institutional conditions in aid-dependent countries. Another institutional condition is the impact of existing political and administrative systems on achieving a broad degree of political buy-in across government ministries, departments, and agencies and thus a high degree of unity within government on policy positions. In the case of more unified government policy positions, a donor is unable to search ministries looking for interlocutors that support the donor's position and that could be used to persuade key decision-makers in the government.

The aim of this book is to assess the degree of control that African governments have over the policy outcomes of aid negotiations in our country case studies and the factors accounting for this degree of control. Thus far we have laid out what those factors might be in the context of our analytical framework. Chapters 2 and 3 provide the background and explain the rationale behind the method that we use for assessing a government's degree of control over the outcomes of aid negotiations. Specifically, Chapter 2 demonstrates the importance of the structural conditions outlined above in shaping recipient negotiating strategies through a historical analysis of such strategies from the post-colonial moment around 1945 through the post-Cold War period until 2000. Chapter 3 considers the contemporary period since 2000, focusing on changes in the traditional aid system and in donor strategies and the ways in which these changes have affected the negotiating strategies of African governments and their outcomes.

Notes

1. The term Washington Consensus was coined in the late 1980s to denote a series of measures that were presumed to lead developing countries to greater wealth and prosperity. These prescribed measures were an outgrowth of the neo-liberal policy framework that already held sway in much of the Western world, particularly the

United States: fiscal and monetary austerity, elimination of government subsidies, moderate taxation, freeing of interest rates, lowering of exchange rates, liberalization of foreign trade, privatization, deregulation, and encouragement of foreign direct investment. The Washington Consensus dominated development theory and policy for most of the 1980s and 1990s (Fine, Lapavitsas, and Pincus 2001: x).
2. For a definition of neo-patrimonial, see the Introduction in this volume.
3. This literature is summarized in Moss, Pettersson, and van de Walle (2006). In particular, see Brautigam and Botchwey (1999) and Brautigam and Knack (2004).

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2

Aid-Recipient Sovereignty in Historical Context

Alastair Fraser

The previous chapter laid out a series of challenges to the rational actor model that has been widely used to analyse aid negotiations. It argued that the strategies recipients adopt in aid negotiations are heavily constrained by factors that go well beyond the economic dependence of the recipient on aid and debt relief. Geo-strategic questions as well as ideological and political developments in both donor and recipient states provide an influential context for negotiations. This chapter illustrates the argument by sketching a global history of donor–recipient relations. It also sets the stage for the country studies by clarifying, through contrast with the past, the constraints and opportunities facing recipients now.

The chapter is divided into four artificially neat time-periods: the post-colonial period, when much of the international aid architecture first developed (1945–75); the mid-1970s turn (1975–80); the early structural adjustment era (1980s); and adjustment after the Cold War (1990–2000). The 'partnership era' (2000 onwards) is dealt with in Chapter 3. No attempt is made here at a comprehensive coverage of the evolution of the entire aid system; rather particular strategies at particular historical moments are drawn out to illustrate the wider point being made: aid recipients, as much as donors, make history, but not in circumstances entirely of their own choosing. To illustrate this point, in each period connections are made between (*a*) the impact of developments in the global economic, geo-strategic, ideological, and political systems on the relative negotiating capital of donors and recipients; (*b*) the changing policies promoted by donors; and (*c*) the collective and individual responses of aid-receiving countries to the discourses and incentives that face them at particular moments in history.

The chapter argues that during the post-colonial period, economic, ideological, and political conditions were supportive of assertive developing-country negotiating strategies. Between 1975 and 1980, under the umbrella of a campaign for a New International Economic Order, developing countries attempted to take advantage of these conditions, and negotiated a range of policies that would not have been the first choices of the donors. However, the period after 1980 saw the gradual and consistent evaporation of the major sources of developing-country negotiating strength, resulting in the imposition of structural adjustment programmes (SAPs) in the 1980s and through the 1990s a gradual expansion of aid conditions from macroeconomics into realms including public sector reform, governance, and social policy. By 2000, a complex conditionality and surveillance regime had been developed and imposed on aid recipients, sucking away the initiative they might have taken in designing national policies and leaving them strikingly little room to manoeuvre across a wide range of policy areas. Understanding this situation serves as a caution against the common assumption that contemporary donor dominance in aid relations results from recipient passivity, and thus against the claim that, since 2000, a 'partnership era' has emerged in which country ownership could be achieved simply by recipient governments finding the 'political will' to present their own preferred programme in the form of a multi-year development plan, in order for it to be supported by donors committed to ownership and partnership.

By revisiting the wide range of strategies attempted by recipients in the past, and donor responses to them, this chapter shows how apparent passivity has, in part, been generated by past and present donor aid policies. The Conclusion of this volume considers whether recipient negotiating capital may have recovered somewhat in the last couple of years in response to improving material preconditions for recipients – principally rising commodity prices and increased 'South–South' investment and aid flows. Only with an understanding of the institutional, political, and ideological impacts of two decades of deepening conditionality can we make a realistic assessment of the potential of contemporary recipient negotiating strategies to take full advantage of any such changes.

The Post-Colonial Period (1945–75)

Between 1945 and 1966 the colonial world-order comprehensively collapsed, bringing into being a new set of extremely poor but politically independent states. Almost immediately many of them began to receive financial transfers from the former colonial powers. What economic, ideological, and political factors affected the outcome of these earliest aid talks?

In some countries, typically those in which the struggle was most bitter, the end of colonialism heralded significant political and economic change. However, in most countries the transition was negotiated, and colonial structures of ownership, production, and administration were left intact (Allen 1995). Many new states chose to remain on friendly terms with the industrialized powers, who reciprocated in order to safeguard their access to raw materials. Indeed, in most cases the former colonial powers recognized some sort of ongoing responsibility and became the first major donors. Underpinning these choices on both sides was the recognition that most post-colonial states, though now politically sovereign and formally equal in the nation-state system, were unable to guarantee even their own administrative existence without support. The extractive nature of the economic relationship central to colonialism also meant that most former colonies had 'extroverted' productive systems. Capital, technology, and expertise to keep the economy running had not typically been developed within the local community, and thus colonial ties could not easily be replaced. As a result, the motivations for receipt and donation of aid, from the very start, also involved collaboration not just between states but between social and economic interests on both donor and recipient sides. Managers, perhaps even workers, within extroverted economic sectors had a privileged position that was dependent on their links with foreign capital. Teresa Hayter raised early concerns that we could interpret 'aid as imperialism':

> The accessibility of 'official aid' increases the likelihood that the governments of the Third World countries will tolerate the continuation of massive outflows of private profits and interest on past debts. It may help to bolster up such governments by providing a few short-term solutions to their economic difficulties. It may also help to create and sustain, within Third World countries, a class which is dependent on the continued existence of aid and foreign private investment. (Hayter 1971: 9)

Despite these conservative dynamics, many of the nationalist movements that led independence struggles and then took power had explicitly socialist ideologies. Most faced high expectations from their populations of a wider distribution of social services, economic opportunities, and wealth, and they typically devised development plans to meet these demands. In defining new nations, new state elites were choosing from amongst a range of political projects, each of which could find both practical support and ideological sustenance from ideological movements of some global significance. These factors strengthened developing-country negotiating capital since, in spite of their dependence, most started with both a clear mission to build a nation and a degree of coherence in defining the projects with which they required assistance.

The international context that newly independent states faced was not simply economic; they emerged into a global system dominated by a Cold War contradiction. On the one hand, the strategic 'imperatives' of the Cold War meant that the superpowers intervened at will in unfortunately located states. On the other, for the majority of countries, donors from both Western and Eastern blocs were concerned to widen their spheres of influence by courting recipients' allegiances. The relatively recent context of the holocaust and the Second World War had tarnished the previously assumed moral and intellectual leadership credentials of the major global powers, and as former colonies claimed for themselves the right to define the development needs of the country, there was widespread acceptance of the legal norms of self-rule and state sovereignty. In most countries, donors accepted the principle of non-intervention and allowed considerable room for recipient states to define their own needs.

Nonetheless, the Western powers took time to come to terms with the loss of empire and, particularly in those wings of government tasked with implementing new aid systems, the political imagination about what aid might involve was heavily influenced by their historical experiences. The early aid system thus included loud echoes of the paternalistic assumptions underpinning colonial native welfare, the Mandates Commission in the League of Nations, and the Trusteeship Council of the United Nations. Donor countries themselves consistently described aid for development as something given in the interests of recipient-country populations, delivered by richer countries as a reflection of their largesse and civilizing mission (Fox 1950). A series of formative experiments in aid had also been carried out in the period immediately preceding decolonization; the de-Nazification of Germany, the Marshall Plan for reconstruction in Europe, and the occupation of Japan all informed later practice, involving assumptions of the moral superiority of the donors, and the political condemnation of recipients. In a few cases (the 'de-Baathification' of Iraq for example), drawing on these experiences has been an explicit process (Dobbins 2007). However, the general 'lessons learned' have also contributed to an understanding of post-conflict reconstruction as a process designed to secure, but also requiring for its success, consciousness and behavioural change amongst local populations and the supplanting of previous social authority structures that were assumed to have driven countries into a situation where they needed assistance with more modern, liberal forms of governance.

Donors and Donor Policies in the Cold War

A range of potential sources of support presented themselves to newly independent countries, including Western bilateral aid agencies, the Soviet Union, and multilateral agencies. Each adopted different aid policies and thus presented different opportunities and threats to recipients.

At the birth of the aid system, Britain and France took the lead in managing relations with their former colonies, while the United States focused on former Spanish, Belgian, and Portuguese colonies. While the Western powers took occasionally dramatic action to prevent the emergence of radical governments, diplomatic and financial aid was used to buy the support of states that might be tempted to join the Soviet bloc, to shore up perceived 'moderate' factions, and to assist governments in demobilizing radical demands (Westad 2005).

This strategy led to some surprising outcomes. For example, despite the 1952 revolution, the United States gave more aid per capita to Bolivia than any other country between 1953 and 1961 (Conduru 2001: 15). This was used initially to discourage a new radical government from turning to the Soviet bloc and then, having established a diplomatic foothold, to lever policy changes. Despite its ideological drive and clear popular mandate, Bolivia's negotiating capacity was weakened by dependence on the United States to buy half of all Bolivia's key export, tin. Taking advantage of a financial shortfall resulting from unstable global tin prices, the United States secured a series of agreements favourable to its investors, including compensation to firms that were nationalized and landowners that had seen their assets redistributed. The highpoints of donor influence were the adoption of the 1956 Bolivian Oil Code, written by lawyers paid for through US technical assistance, and a wide-ranging economic liberalization, imposed by the International Monetary Fund (IMF) in a loan attached to the 'Eder Plan', reversing many of the policy innovations brought in by the revolutionary government. Noting the similarities in content between this liberalization package and future structural adjustment measures, Veltmeyer, Petras, and Vieux argue:

> [T]he measures taken in Bolivia in the mid-1950s suggest that the policy agenda of the 1980s was readily available in Washington in the 1950s. The policy counter-revolution of the 1980s did not amount to a conceptual or intellectual breakthrough but a socio-political transformation of the balance of forces which would permit the implementation of the policies. (Veltmeyer, Petras, and Vieux 1997: 62)

In this understanding, the interests of donors, who Veltmeyer, Petras, and Vieux assume in some sense 'represent' Western capital, remain constant over time, while their assertiveness in promoting free-market policies varies according to their assessments of both the balance of negotiating capital between donors and recipients and on whether the balance of social forces within recipient states will allow for the imposition of their favoured policies.

In contrast to Western donors, the USSR presented itself as a natural anti-imperialist ally for the newly independent states, making links initially to those states that presented themselves as most radical and providing support mainly for infrastructure. In return, the USSR won access to naval bases and airports. However, the Soviets soon realized that regimes into which significant investments had poured could be toppled, as in Ghana in 1966, and they became increasingly concerned to understand and engage with political forces below the level of the regime. This often meant selecting and bolstering one movement or faction as against others. Although these close and political relationships irked some governments, which saw them as reflecting an arrogant tendency to meddle, they brought both technical and military assistance. In the medium term, the Soviet economic bloc proved insufficiently dynamic to support ex-colonial economies that still needed Western markets for cash crops. This was most clearly revealed when President Samora Machel's Mozambique applied for membership of the Soviet economic bloc in 1980, but was offered observer status only, as membership would have required the existing members to commit sufficient aid to bring the country up to their levels of development. Disenchanted, Mozambique soon signed up to the European Union's Lomé aid and trade deal.

The main multilateral sources of support for former colonies were the World Bank and IMF. These Bretton Woods institutions were not established with former colonies in mind. They were designed to finance post-war European reconstruction, and recipient sovereignty was given significant attention in the negotiations that established them. John Maynard Keynes who negotiated for the United Kingdom, on his return to London, 'assured Parliament that domestic policy would be "immune from criticism by the Fund" and that Great Britain would be able to borrow liberally while maintaining its independence' (Sidell 1988: 63).

A formal policy of neutrality over political models pursued by recipients was thus written into the Articles of Association of the Bretton Woods institutions. However, from the 1950s conditionality was implicitly incorporated into the IMF's lending policies, and by the 1960s, with the Bank and Fund focusing more heavily on newly independent states, resistance to conditionality from countries like Britain waned. The Fund's Charter was amended to explicitly include conditionality, and the exchange of 'advice', 'letters of intent', and 'statements of intent' became the concrete expressions of a patterned relationship for defining, negotiating, and imposing conditionality. The Fund was also increasingly being used to 'signal' policy stability to donors, investors, and banks involved in debt-rescheduling.

A similar process went on in the World Bank which started to insist on 'Memorandums of Understanding' with its borrowers. As early as 1962, World Bank President Eugene Black commented: 'we ask a lot of questions and attach a lot of conditions to our loans . . . we would never get away with this if we did not . . . render the language of economics morally anti-septic' (quoted in Nelson 1995: 112). By the end of the 1960s, the Bank was making overall macroeconomic assessments of each country and using this as a basis for evaluating and selecting projects. It actively encouraged change through increasing 'policy dialogue'. Nonetheless, throughout this period, the Bretton Woods institutions had few hard sanctions available and until the early 1980s most developing countries had yet to enter the cycle of macroeconomic instability, borrowing, and debt that was to seriously weaken their ability to negotiate. While keen to access concessionary finance, most recipients were still able to turn to alternatives.

The majority of non-military assistance from all donors in this period was in three areas: financing for major investment programmes (dams, roads, irrigation) often delivered by companies or agencies from the donor country, agricultural extension programmes, and training and technical assistance to build up new central administrations. The planning systems popular with newly independent states were initially accepted by donors as frameworks for external intervention. However, as donor agencies came under increasing pressure to ensure that their spending achieved the intended results, a new class of Western aid administrators came to the conclusion that new governments were weak and corrupt, and that more could be done by working around, rather than through, local authorities (Morss 1984; van de Walle 2001). As they did so, a proliferation of new UN and other multilateral agencies emerged with targeted, and often overlapping, objectives. Bilateral donors began favouring discrete projects over programme support, because projects permitted greater control over allocation decisions and the use of funds. The multiplication of donor agencies and projects made it increasingly difficult for developing countries to keep a close eye on what donors were up to. Nonetheless, the need for finance and the generally uncontroversial nature of the projects pursued meant recipients made little effort to control this fragmentation.

Recipient Responses

Most analysis of the role of aid during the Cold War has focused on the superpowers' competing strategies. Nonetheless, aid recipients have always also been actors in the relationship. They have both manipulated geopolitical contexts to attract more aid, and manipulated aid given to achieve their own objectives. What strategies then can we identify for negotiating with donors?

Because most aid during this early period arrived principally in the form of support for programmes and projects, donors felt that they had some ability to shape, or at least to selectively back, developing countries' objectives with which they agreed. However, recipients were able to manipulate this aid such that the incoming money could be used effectively for whatever recipients wanted to use it for. This is because aid is ultimately 'fungible' (Collier 1997). In other words, if the government can attract aid for a project that it would otherwise have funded itself, the incoming money allows it to fund any alternative priorities that the recipient has, but may not feel donors are likely to support. This strategy has always been part of the aid relationship, though as we will see, donors have increasingly tried to develop technologies to reduce aid fungibility.

In many cases, recipients used the context of superpower rivalry to try and attract aid, and even in areas of Africa that were strategically marginal, they played an active role in generating and feeding off the conflict. Even in Ethiopia, Somalia, and Sudan, whose proximity to the Middle East made them strategically relevant, Clapham (1996: 139) argues that 'external involvement was largely fuelled by a search for support (and especially armaments) on the part of regional combatants, rather than any superpower search for hegemony'. Superpower support was a resource, used by recipient governments to balance external and internal threats to their rule. Aid allowed a number of recipients to build new state infrastructures and to strengthen their juridical sovereignty over the domestic political space. It was precisely this tendency towards providing support to weak states in order to assist them in winning domestic struggles that led to a key feature of Third World political culture: the 'extraversion' of the state. Clapham (1996) defines this as the tendency of internal political forces addressing themselves principally towards external audiences, rather than seeking the support of domestic constituencies.

Competition between donors for clients in this Cold War context also offered some space for strategic approaches on the part of recipient countries. If recipient countries were able to convince both superpowers that they could 'swing either way', taking aid from one leveraged in support from the other and ensured that it came on friendly terms. Thomson (2000) describes this strategy as 'negotiated extraversion'. Thus, for example, a state such as Somalia which was in the eyes of the superpowers strategically located was able in the 1960s to effectively hold a bidding war between the USSR and the United States, with the Soviets winning but both remaining engaged. Following the Ethiopian Revolution in 1974, Ethiopia played the same game. As the new Derg regime waited to see if it could win Soviet support, it kept talking to the United States and taking American aid. The Americans were keen to remain engaged with Ethiopia to balance the Soviet-backed Somalis. However, once the Ethiopians had brought in significant Soviet support, Somalia was able to 'swap' superpower sponsors, winning more aid by offering the United States a non-communist ally with strategically located ports. As Somalia's subsequent history suggests, extraverting the state to serve the superpowers was a dangerous game. Chasing the donors left the links between state and society beyond repair and the end of the Cold War (and thus of external support) brought a rapid governmental and societal implosion.

The Mid-1970s Turn

In the mid-1970s, the economic context for aid negotiations changed. Core capitalist countries faced a major crisis that had severe effects in the developing world. The situation made clear the ongoing dependence of former colonies on rich world markets despite, in many cases, twenty years of political independence. It increased demands for a systematic restructuring of the global economic system, which seemed to offer little to poor countries. However, the crisis also coincided with the Vietnam War and the emergence of the Organization of the Petroleum Exporting Countries (OPEC). These events suggested that there was also a potential 'reverse dependence' of rich countries on poor ones, involving the reliance of Western producers on markets with purchasing power in the Third World, the dependence of the global economy on energy and mineral resources from Third World countries, and the ability of Third World countries to threaten international peace once they had broken the military monopoly of the rich world, including by acquiring nuclear capabilities.

The impact on negotiating capital of this shift in material relations was supported by political events of the late 1960s across the industrialized countries. In the 1970s the Western 'new left', frustrated by its own failure to achieve radical domestic change, invested major hopes in emerging social movements and radical states in China and other regions of the newly identified 'Third World'. In the mid-1970s a number of countries instituted new domestic economic orders, with large-scale nationalizations in Chile, Iraq, Peru, Libya, and Venezuela (Schrivjer 1995: 86). A powerful domestic constituency in the West emerged that was concerned with the plight of the poor and broadly committed to anti-imperialist ideologies which highlighted popular sovereignty and criticized rich country political and military interventions.

The Group of 77 countries (G77) attempted to use this economic, ideological, and political climate to drive a New International Economic Order (NIEO), most clearly laid out in the 1974 UN General Assembly Declaration on the Establishment of the NIEO and a Programme of Action for its implementation.[1] The NIEO involved a wide-ranging agenda in which the demand for 'more aid with less political conditions' was understood not only as a side payment on inadequate offers in other realms such as trade and disarmament negotiations, but also as compensation for the impacts of a failing global economic system on commodity producing Third World countries (Brown 2000: 372).

Donor Policies

A small number of specialized development agencies emerged from the NIEO debate with more equitable governance and decision-making structures than the Bretton Woods institutions, such as the Common Fund for Commodities and an International Fund for Agricultural Development, but they were mainly stillborn. The United States intentionally hobbled these initiatives, underfunding them and ensuring their institutional dependence on the World Bank and IMF.

The most significant concrete achievement of the NIEO debate was in the one area where the United States had little influence: relations between Europe and its member states' former colonies in Africa, the Caribbean, and the Pacific (ACP). In 1975, ACP countries demanded a comprehensive round of negotiations, tying agreements on trade, commodities, political relations, and unconditioned aid into one contractually binding treaty, the Lomé Convention. The contractual nature of the treaty highlighted the fact that aid given under Lomé was not understood on either side as 'charity' but was negotiated compensation for continued imbalance in benefits from the trade deal (Tibazarwa 1994: 68).[2] The new European Development Fund was thus the price Europe was prepared to pay for maintenance of the liberal international order, implying that the money should arrive without expectation of winning any further influence on domestic policy. Although the NIEO had little impact on inequitable economic relations or on the Bretton Woods institutions, Parfitt (1996: 53) notes, 'at the time the [Lomé] Convention was greeted with an almost millennial enthusiasm from those who thought it would lead to a more just North-South relationship'.

Recipient Responses

The period from 1975 to 1980 is thus typically understood as a high point of developing-country negotiating strength. Winning a contractual aid and trade deal through which European member states pooled their development funding and delivered it without conditions was the clearest 'win' for developing-country policy sovereignty.

Perhaps the most obvious strength of the Third World strategy was the *institutionalization of developing-country political unity*. Three key forums – the Non-Alignment Movement, the G77, and the ACP – provided a clear focus for an assertive Third World, allowing for the establishment of common positions, disciplining members to stick to the common line, and limiting the ability of rich countries to run a divide and conquer strategy.

Third World unity was not simply about organization; *ideological innovation* was also critical. Cox (1979: 259) notes particularly the framing of financial claims as indivisible from wider demands for reform of the global economy. Concessions won were not thus seen as acts of charity that might be withdrawn if recipients did not satisfy conditions.

The third lesson was that *domestic politics matters*. The NIEO had moral force. Its ideology and demands were understood to be legitimate because they were backed by powerful domestic social forces represented by governments that had recently come to power on the back of popular anti-colonial struggles and were striving to reorganize their economies.

Rich countries were thus forced to take G77 negotiating positions seriously, particularly in situations where the G77 demonstrated both the *readiness* *to disengage* from existing institutions and the willingness to go it alone in establishing new ones. For example, industrialized countries started to negotiate seriously on the International Fund for Agricultural Development at the point when they recognized that the plan would go ahead with or without them. OPEC had put their money on the table first, making clear that a new international institution would be born and that the choice facing other donors was whether to be around the table or not.

In the end, the NIEO achieved little. Its gains were quickly washed away in the 1980s. What then were the weaknesses and contradictions of their position and strategy that prevented aid-dependent countries from breaking with dependence, even at their peak? The ideological nature of NIEO demands may have meant that rich-country negotiators not only felt pressured to make concessions in talks, but also were less keen to implement them or to provide funding for the new institutions once established (Gauhar 1983: xii). The G77 soon came up against the limitations of the UN General Assembly, a forum which could not impose binding commitments on rich countries.

Political solidarity was easier to establish than the economic solidarity needed to drive it home. Enforcing 'reverse dependence' on commodity supplies had limited success because of the alternative range of sources for these goods. The unity of producer cartels was undermined by the ease with which individual members could be bought off. This reflected the fact that, despite China's efforts in the mid-1970s, donors were aware that there was no economy in the developing world sufficiently dynamic to supplant Western support.

Samir Amin argued at the time that on-running economic dependence was exacerbated by a contradiction that Third World nationalists failed to face. Leaders insisted they were working towards equality with the West, mobilizing their populations around hopes of industrialization and increased consumption. However, success relied on further development of exports to earn the necessary foreign currency to buy technology and goods, and thus also on access to aid, loans, and export markets. Amin advocated more South–South economic cooperation, but such a strategy meant delaying gratification of aspirations to modernity amongst both populations and elites (Cox 1979). Therefore, Cox (1979: 266) argued that breaking with dependence through mutual self-reliance was politically unlikely because it depended 'on the emergence of an autonomous "national" class in the Third World countries, whereas most Marxist analyses have pointed to the creation of local bourgeoisies dependent upon international capital'.

Veltmeyer, Petras, and Vieux (1997) claim that the collapse of Third Worldism in the 1980s saw 'comprador' classes, using relationships with international investors and donors to 'insulate' themselves from national constituencies and, particularly in the Latin American Cone, going further and faster along the Bretton Woods institutions' preferred policy lines than even the donors demanded. Similarly, Shihata (1983: 92–3) argues that the moral case for the NIEO was fatally weakened by the failure of Third World elites to reform their own national economies. Even where nationalization occurred, redistribution of wealth was often principally between old and new elites. Thus Veltmeyer, Petras, and Vieux (1997: 106) note, ‘the South’s demands for a new international economic order will be void of moral justification, and therefore of credibility, in the absence of new *domestic* orders’. Much of the legitimacy, and thus negotiating capital, that aid-recipient governments might have gathered from demonstrating to donors their ‘gatekeeper’ role between foreign capital and antagonistic domestic forces evaporated as elites protected their own position by repressing organized social forces, such as trade unions and mass unrest resulting from unfulfilled expectations of access to goods and services.

Finally, although developing countries attempted to construct the discussion on aid as one about the compensation they were due for the failure of wider global economic structures, at times they fell back on an argument that aid should be theirs as of *right*. This left space for considerable discretion on the part of donors to dispute to whom the duty to secure this right attached and to represent any aid they did *choose* to give to support the achievement of this right as taxpayers’ money, equivalent to charity, over which they have the right to expect control.

We come back to a number of these themes in the Conclusion. We note that contemporary donor rhetoric of ownership supports the key NIEO demand of ‘more aid with fewer conditions’. We identify shifts in the material relations between donors and recipients, noting that some of the factors that underpinned recipient negotiating strength are showing improved indicators. At the same time, we remain aware of the weaknesses that undermined the NIEO and consider to what extent things might be different this time around.

The 1980s – Early Adjustment

When a further economic crisis hit Western economies between 1980 and 1983, the G77 states again suffered badly, and the shift in economic fortunes between rich and poor countries was only the first symptom of a drawn-out ideological and political process that saw the context for negotiating aid become massively more challenging than during the previous period.

In the medium term the OPEC experience proved, more than anything, that the industrialized nations could survive a cartel of commodity producers. Moreover, keeping the oil price high forced the prices of many other commodities down, leading to major balance-of-payments crises in the developing world. At the same time, the raw materials’ intensity of industrial production had been in decline through the 1970s, reducing demand for poor-country goods such that rich countries could stop believing in developing-country threats to curtail their interests. With export earnings in decline and the debt crisis mounting, more and more countries at risk of default had little choice but to approach donors in a much more dependent pose.

There were also important ideological developments within those donor countries. By the early 1980s, it became clear that Europe had given more ground to the NIEO than other Northern powers. With a sharp electoral swing to the right, industrialized countries became much less open to discussions of global inequality, increasingly united ideologically and ever more willing to impose their model of the development process. By 1980 the high tide of Third World assertiveness was also undermined by the implosion of many radical political projects. The failure of command economies brought the role of the state in promoting development under sustained challenge. Latin American nationalization and import-substitution industrialization strategies seemed exhausted. In Africa, the social forces that had pressed a radical agenda were being systematically crushed by emerging military dictatorships. Wars raged in Mozambique, Angola, Guinea Bissau, Ethiopia, Liberia, Sierra Leone, Sudan, Chad, Uganda, and Zaire. Perhaps most importantly, there were distinct turns towards the market in the Soviet Union, China, and Indonesia. These events played a central role in discrediting and demoralizing radical nationalist and socialist movements.

The elections of Kohl, Thatcher, and Reagan foreshadowed a significant further assault on the organized Left in donor countries. At the same time, assertive right-wing dictatorships emerged in a range of recipient countries, particularly in Latin America where initial experiments with 'structural adjustment' began. These events were of course linked, with rich countries engaged directly in undermining Leftist regimes and backing new leaders. This combination of events meant that, just as the material and ideological factors underpinning recipient negotiating strength collapsed, the domestic social forces that might have been expected to lead resistance to donor agendas also suffered a series of debilitating defeats. The coalition of states pursuing the NIEO lost cohesion.

Donor Policies

Before the debt crisis the Bretton Woods institutions had limited means by which to make their prescriptions stick. However, the crisis allowed for the development of a new conditional lending process. The model dated back to 1956 when Argentina negotiated a debt-forgiveness plan by convening one meeting of all its various creditors in Paris. The process convinced creditors that, by cooperating and each agreeing to forgive some debt, they could prevent complete collapse of countries in difficulty thereby securing some repayments to all. The norms of this system were codified in the context of a 1978 crisis in Zaire when the 'Paris Club' agreed for the first time to refinancing on the condition that the 'International Monetary Fund and World Bank staff took over the internal management of the Zaire economy' (Cox 1979: 270). Empowered by the Paris Club, in the 1980s the Bank and Fund took a central role in managing a creditors' cartel and developed the conditionality regime that would come to be known as 'structural adjustment' and would apply across Africa.

Intellectually for the World Bank, the turning point was the Berg Report, which focused on Africa but had implications for global strategy (World Bank 1981). Berg argued that investment projects would inevitably fail in 'poor policy environments' and that the Bank should not only increase policy-based lending, but should tie even project-specific loans to macroeconomic conditions. The coincidence of this policy innovation and the debt crisis meant that 'adjustment lending' from the mid-1980s became the most rapidly increasing share of all Bank lending, rising from just 0.5 per cent between 1976 and 1980 to 26 per cent between 1986 and 1990 (Williams 1997: 155).

The combination of the debt crisis and the World Bank's increasing concern to drive reform confused a simple negotiating model in which the Bank had sought to buy reform in exchange for certain amounts of money, and in which the recipients' likelihood of accepting terms depended largely on the degree of their need, the presence of alternative sources of funding, and thus their willingness to risk losing Bank financing (Killick 1998: 12). As loans explicitly became understood as a means of 'buying a seat at the decision-making table', the Bank faced greater incentives to remain 'engaged' even in situations where it had failed in the short term to win influence through conditions. Indeed the failure of conditions could be said to have become a reason for the *continuation* of the lending relationship. The willingness of the Bank and Fund to remain engaged in countries where they were not securing their priorities was reinforced in the early 1980s as many of their clients faced the prospect of defaulting on their debts. The Bretton Woods institutions ended up lending defensively, offering new finance to countries simply so that they could pay back previous loans.

Recipient Responses

How then might recipients respond to the imposition of tough policy conditions linked to sovereign debt negotiations, but with a range of reverse dependencies built into the situation? If they were paying attention to history, African negotiators might have considered the experience not of another developing country, but of the United Kingdom. The mid-1970s sterling crisis illustrated a wide range of tactics that recipients could consider in what turned out to be a dramatic cloak and dagger process (Stiles 1991). The negotiation occurred after the United Kingdom had initially attempted a strategic extraversion strategy using German and US finance to try and avoid going to the IMF in a dependent pose. However, at this precise moment, the United States was attempting to make management of the global financial system more multilateral, and was keen to make the United Kingdom adjust under IMF supervision.

Once the IMF team was in the country, the United Kingdom attempted to use domestic political contestation over policy as a lever in the talks. Prime Minister Callaghan operated parallel talks with the Fund and within his own Cabinet, strengthening his hand in each by reference to the constraints imposed on him by the other. Callaghan was explicit with the United States, Germany, and the IMF's Executive Director that 'to impose the IMF terms would threaten the foundation of stable democracy in Britain' (Stiles 1991: 130). The United Kingdom also intentionally exposed the IMF to domestic political pressures, including by leaking false stories to the press intimating a conspiracy between the Chancellor and IMF negotiators.

The United Kingdom used delaying tactics to build pressure for a compromise, claiming that economic forecasts key to the negotiation were not yet ready and sending officials to negotiate without authorization to deviate from the government's existing economic programme. Instead of the usual two-week IMF Mission, the Executive Director of the IMF had to instruct the negotiators to stay on for six weeks. The United Kingdom punctured the IMF project team's monopoly on economic truth by presenting many conflicting accounts of the state of the economy rather than just one that directly contradicted the IMF assessment and which risked being subjected to a knock-down critique by the IMF. Stiles (1991: 133) notes, 'The wealth of conflicting expert opinion had the effect of undermining the Fund's proposals.'

Not all of these actions were calculated and intentional. The UK Cabinet was genuinely and deeply split over how to respond to the IMF's austerity demands and for some time the Chancellor was not in a position to represent a coherent UK government policy. Nonetheless, the United Kingdom clearly had a different view from the IMF of what policies should be adopted to survive the crisis and was determined to access IMF funds with minimal policy imposition. Delay and politicization of the talks strengthened the United Kingdom's hand to secure a compromise. In the end, the United Kingdom stuck to a limited range of IMF conditions for just one year before paying off the loan in order to escape them.

The IMF experience in the United Kingdom encouraged the Bretton Woods institutions to pursue the same agenda with many other borrowers. Conditions attached to IMF standby agreements were gradually expanded to include not only monetarist controls, but also supply-side policies including cuts in public sector employment and spending. This wide-ranging free-market agenda was again road-tested, with the World Bank's support, by military dictators in Latin America's Southern Cone (Veltmeyer, Petras, and Vieux 1997). The 'success' of the test inspired the Bank's expansion of conditionality and its initial argument that the process should be led by technocrats with policymaking autonomy from society, thus avoiding the politicized stresses the IMF had been drawn into in the United Kingdom.

How then did other recipient governments respond? Aware of the perverse incentives in the World Bank's negotiating position (defensive lending, buying a seat at the table, disbursement culture), one approach adopted by countries that wanted to borrow was to present a precooked strategy for national development as the basis for a proposed loan. These countries needed to be confident that the Bretton Woods institutions recognized that internal political conditions were such that attempts to negotiate would not be tolerated. Although ultimatums of 'lend me money with no conditions, or I will go elsewhere' were rare, Mosley, Harrigan, and Toye (1995: 78) argue that in the 1980s there was 'no macroeconomic conditionality on Bank loans to China and sparse conditionality on programme lending to Mexico and Indonesia, not because of any explicit ultimatum, but because of an unspoken understanding that their governments will not welcome detailed programmes of policy reform being imposed on them'.

The question Mosley, Harrigan, and Toye left unanswered, however, was how some countries could go about ensuring the emergence of 'an unspoken understanding' that their sovereignty was not negotiable? The United Kingdom used domestic politics as leverage. This requires effectively projecting an image of political and administrative imperatives to donors before negotiations. If this cannot be managed because domestic politics presents the wrong raw materials, denunciations of donor interference directly by ministers may be attempted. Recipients may also be able to suggest that their room for manoeuvre is limited by predictable interest-group or popular resistance. In Africa, 'IMF riots' typically resulted from increases in prices of staple commodities. Tanzanian President Nyerere understood the power of this claim and attempted to avoid a conditioned IMF loan in 1985 by suggesting it would lead to riots. At the same time, van de Walle (2001: 24) argued that the political efficacy of African popular resistance was not as great as recipients suggested or donors feared and thus that this strategy rested on donors' irrational insecurities about the impacts of their prescriptions as much as on political realities on the ground.

The 'reverse dependence' of the World Bank on repayment was also used by some recipients as a lever to avoid succumbing to conditions. Once a loan was secured, recipients simply failed to implement the conditions they had agreed in negotiations, because they understood the Bank's need to keep lending.

Killick (1998: 28) thus finds 'an inclination in some cases for lender and borrower to conspire to pretend that conditions have been complied with'. For example, Senegal's third structural adjustment loan included a condition that ten public enterprises ought to be privatized. At the last minute, the government met the condition by announcing in a local newspaper that the enterprises were for sale even though the government itself had not considered internally whether to move ahead with the sale (and in the end would not do so). The Bank was still willing to accept the placing of such an advert as proof of compliance and to release the next tranche of the loan. This kind of 'non-implementation' strategy was particularly available to the biggest borrowers, who gained significant negotiating capital because they knew they could not be allowed to default.

Under such circumstances, recipients may not be concerned about accepting a lot of conditions. If a recipient is willing to gamble that the donor will not punish him for any slippage that he perpetrates and his guess is right, the recipient is able to take the money and dodge the conditionality. The less a recipient expects to need the donor in the future, the less he can expect to lose by applying this strategy (Mosley, Harrigan, and Toye 1995: 74). The Bank, though it also knows this, will still be keen to impose a lot of conditions, partly because doing so wins praise for the staff while the failed implementation of conditions does not reflect badly on them, and partly because if staff members impose a lot of conditions they can hope that some will stick.

A variation on this non-implementation strategy is rapid backsliding. Here, 'stroke of a pen' reforms, such as reductions in tariff rates, can be implemented but immediately reversed once the loan money is released. In South Korea's case, the acceptance of a first, lightly conditioned loan, and then the impunity with which even those conditions were ignored can be understood as a combination of non-negotiation and non-implementation. The success of the strategy was explained partly by the determination of South Korea to define its own policies, but also the evident success of these policies. The government's unwavering support for South Korea's automotive industry, despite its commitment under the first structural adjustment loan to defer this support, proved to be successful, inducing the Bank to omit this condition from the second loan (Killick 1998: 62). Being right also offers the possibility of a country regaining balance of payments or creditworthiness and thus being able to pay off creditors, cutting the conditionality process short.

Authors contributing to a 1989 collection on 'fragile coalitions' argued that conditionality can be used by some recipient elites to secure their internal sovereignty through 'reform-mongering' (Nelson et al. 1989). The authors sought alternative routes to the political management of negotiations on economic liberalization and wanted to find ways to support recipients to go along with externally imposed adjustment, but to use it to secure their domestic objectives. They thus recommended using conditionality as an 'agent of restraint' both against the administration's own assumed 'worst urges' (populism) and as a means to demobilize opposition. Demobilization is achieved by the government claiming that its policy actions are not choices made by government, but necessities imposed from outside, typically at the same time seeking to ease the pain of adjustment on key political constituencies.

During the 1980s, the World Bank was willing to take the blame for reforms, and as such at times understood conditionality as a 'service' to borrowers, helping them to pursue reforms in difficult political contexts. However, for Nelson and others, the Bank did not follow up conditionality with a political strategy that could secure the political longevity of its reforms. They argued that this kind of reform-mongering would be more likely to succeed if the Bank would give recipients more room to manoeuvre in management of the reform process to minimize resistance, allowing a slower sequencing of reforms and encouraging the provision of social safety nets and compensation payments to soften the negative impacts of adjustment. They also argued that, rather than simply trying to shrink what was assumed to be an overinflated state, the Bank should 'capacity-build' an effective bureaucratic machinery that could pursue the project. Nelson, Waterbury, and Callaghy (all in Nelson et al. 1989) focused particularly on the need to establish small 'change teams' of technocrats who would drive the process from positions of authority, reporting directly either to the president or finance minister. They also proposed that the state elite needed to build support for this bureaucratic team in wider society. However, they struggled to identify precisely how such 'reform coalitions' outside of the state machinery but supportive of its policies could be supported by donors, and it was far from clear that these 'fragile coalitions' of the poor, the middle classes, and small entrepreneurs were ever likely to find each other.

Strengths and Weaknesses of Recipient Strategies in the 1980s

For individual recipients, the two strategies described above that seem to provide the greatest hope for securing developing-country sovereignty in negotiations with donors are non-negotiation and the politicization of conditions. Nonetheless, it is not clear that such strategies can be considered by many aid-dependent countries. There may be certain prior economic, institutional, and political conditions for success. The ability to present a strategy in terms legible to the World Bank requires a high degree of administrative capacity and political confidence on the part of recipient countries. Politicizing negotiation is most likely to be effective when the recipient is able to appeal to a recognized ideology of non-interference and is able to demonstrate popular support for this legitimating discourse either in elections or in 'street-level' politics. Similarly, in states where the interference of foreign powers remains a politically sensitive issue for historical or contemporary reasons, donors may be more hesitant to be seen to dictate.

Collective recipient negotiating positions and internationally sanctioned values may also provide an effective reference point for such an approach, illustrating the importance of a supportive international discourse to underpin national strategies. However, during the 1980s, the task of leading resistance to donors' orthodox policy prescriptions also shifted away from developing-country governments, which had increasingly adopted such measures. Intergovernmental and United Nations bodies, such as UNDP, UNCTAD, and UNICEF, and a range of high-level initiatives such as the 1983 Brandt Commission involving prominent individuals as advocates for the Third World took up this role. This involved a retreat from developing countries using their status as sovereign states within the international system as a source of negotiating strength and effectively ceding speaking rights to technocratic and non-state institutions. Recipients seeking to negotiate individually therefore struggled to find rhetorical, ideological, or institutional support in the wider international sphere. The end of this collective effort, of course, mirrored the political and economic exhaustion of several individual efforts to promote 'heterodox' economic strategies.

In contrast to non-negotiation and politicization, the politically non-confrontational strategies of non-implementation and backsliding are predicated on institutional weakness and recognition of limited negotiating capital. Nonetheless, these were arguably the most commonly applied strategies during this period. Politically on the back foot, recipients' strategies became reactive to a wider international environment that most developing countries saw themselves as incapable of challenging. Quiescence, however, did not reflect widespread acceptance of the content of donor agendas or acceptance of the legitimacy of the conditionality regime. Rather than resisting, aid recipients increasingly sought to evade the control of donors. Perhaps as a result, it would be hard to argue that such strategies truly reclaimed recipient sovereignty, understood as a form of purposeful political action, and provided few means to prevent donors from eventually catching up. The only real hope of escaping permanently from the conditionality regime was the success of domestic policies that these countries had been trying to protect. Mosley, Harrigan, and Toye (1995) thus argue that non-implementation is most likely to appeal to countries that are confident they are about to step off the loan-interest-repayment crisis-defensive loan cycle, such as Thailand in the early 1980s.

Despite their limited success, the recipient strategies adopted during the 1980s caused massive frustration for the Bretton Woods institutions. They seemed unable to bring about reform within developing-country bureaucracies or to politically manage the reform process in wider societies. One impact was a certain disillusion amongst donors about development in general. Still, many kept the faith, seeing reform as a long-running project with gradual progress to be made through the multiple iterations of the donor–recipient 'game'. Donors may therefore have an incentive to continue giving despite non-implementation and backsliding precisely because new loans and new aid negotiations keep countries in *contact* with donors, allowing for gradual influencing. Nonetheless, donors also started to rethink the aid relationship in the 1990s.

The 1990s – Adjustment after the Cold War

African countries had a lot to lose at the end of the Cold War. Their marginal position in the world economy was now matched by deepened strategic irrelevance. Recipients faced 'monopoly diplomacy' from the West as their major alternative sponsor disappeared. The European Union and United States worked ever harder to coordinate foreign and aid policy and were now unconstrained by the need to appease recipients for fear of losing their loyalty. Western support for 'anti-communist' dictatorships dried up, as did the flows of arms on which many had depended for their domestic political dominance. With the collapse of the Berlin Wall, the United States moved rapidly to support Eastern European countries 'in transition' to democracy and capitalism. With Soviet missiles no longer a concern, Europe shifted its focus towards new threats in the 'near abroad' and expansion of the European Union.

Donors seeking reform in the former Soviet bloc found a willing audience for their prescriptions. With NATO and EU membership a distant but highly desirable aspiration for states still living under the perceived threat of Russian domination, many of the Central and Eastern European states were keen to parade their European and liberal credentials. African leaders were vilified for their comparative 'lack of new thinking' and 'Third World rhetoric' (Parfitt 1996). Similarly, with the rapid growth experienced by a number of states in South-East Asia, other developing country leaders were increasingly criticized for failing to take advantage of the opportunities presented by globalization.

Whereas the NIEO had identified the limitations the international system imposed on developing countries and structural adjustment focused attention on the failure of the state as an economic manager, donors' new analysis focused directly on the political legitimacy of aid-recipient countries. They typically claimed to find corrupt state elites unable or unwilling to govern in the interests of their citizens and weak states unable to uphold their international commitments. The reputation of the developing-country state and its capacities for self-management were particularly damaged by civil conflicts in the post-Cold War era and by increasing Western involvement in 'solving' such crises. The 'conflict prevention' discourse threw up an argument for earlier and earlier intervention in political transitions. Thus the end of the Cold War saw Western powers increasingly assert their right to intervene across states' borders, not only economically, but also militarily and politically. Principles rhetorically supported through the Cold War, particularly the equal sovereignty of states, quickly came into question and interventions, both humanitarian and otherwise, escalated sharply.

The end of the Cold War also coincided with, perhaps caused, a third wave of democratization as many governments faced increasing domestic pressures from anti-government coalitions often demanding change, *any* change. These domestic forces provided openings for Western powers interested in promoting liberal democratic models. Both European and American donors decided to pursue democratization with considerably greater energy, sometimes withholding aid from recipients that would not adopt multiparty elections.

Taken together, these economic and political factors at the end of the Cold War seemed to point in one direction: increasing Western dominance. Many interpretations of Western foreign policy in the post-Cold War era have focused on the way that these factors were compounded by developments in the ideological realm. The suggestion that the collapse of the Soviet Union erased any lingering resistance and bolstered Western self-confidence in the market and in democracy is summed up in Fukuyama's *End of History* thesis (Fukuyama 1992). In the absence of economic, political, and ideological alternatives, belief in the superiority of 'Western values' – meaning liberal democracy and free-market capitalism – was said to have generated an increasing willingness and ability to export them. This wider political context had clear implications for the aid regime. The collapse of the intellectual argument for state intervention in the economy, the demise of communist states that could provide an alternative sponsor for non-compliant states, and the gradual fading of colonial guilt all made it increasingly possible for donors to expand the conditionality regime to encompass explicitly political issues (Killick 1998).

While no doubt there is some truth in this version of events, there is another way of telling the story. After the initial euphoria, the Western powers also experienced the end of the Cold War as a moment of disorientation and anxiety. Now that there was no obvious contrast against which to claim the superiority of the capitalist mode and no obvious threat against which to legitimate political and military interventions, arguments for the free-market and liberal democracy would have to stand up more clearly in relation to performance. Thus Zaki Laïdi (1998) argues that since the Cold War, Western elites have struggled to convince themselves, let alone the states and populations of developing countries, either of the model of the free market available for export or of its applicability in different contexts. Making this argument – that the Western elite has lost confidence in itself and its political project, and yet, in the absence of an alternative project or ruling bloc to topple it, continues to govern and to impose its will across the world – is challenging. Drawing out its implications for development policy and for donor–recipient relations is equally complicated. It does not imply, for instance, that the promotion of free markets, or even of specific national interests, came to an end. Underlying economic interests remained (although it became increasingly difficult to understand these as 'national') and lobbies for particular interests and policies maintained influence over policymaking. Neither is it an argument against the idea that donor interventions could be understood as expressions of a deep-set liberal ideology (see Williams and Young 1994). Rather, it points to the decreasing conviction with which, following the Cold War, donor-country elites were able to express *ideological* justifications for their policy preferences, or a vision of a good society that might clarify strategic choices and define policy. The death of classic left–right politics thus allowed a technocratic and managerial style of politics involving micro-principles and political tropes such as humanitarianism, human rights, and poverty reduction to develop in a vacuum. Asserting consensus on these norms provided the little coherence and legitimacy that the aid system was able to generate.

Donor Policies

This situation granted an increasingly free rein to development administrators in national donor agencies and also to 'norm entrepreneurs' in a somewhat faddish development industry. However, it is far from clear that the new tropes proved capable of moving beyond the identification of relatively uncontroversial 'bad things' to be eradicated, such as dictatorship, torture, small-arms proliferation, poverty, and maternal morbidity. In the absence of a clear ideological frame, strategic imperatives, or national interests against which priorities could be assessed, policy took on a rapidly changing and somewhat arbitrary nature. Few had clear answers about how to make judgements about the relative importance of environmental sustainability, as against economic growth, technology transfer, multiculturalism, or gender equality. Political management – maintaining stability and preventing bad things – became the highest aim of administration. For aid recipients, keeping up with the latest tropes, let alone assessing their potential to contribute to a national project, became hugely challenging. Negotiating in this new field of meanings was even harder.

Nowhere was anxiety about the market model more keenly felt than in the World Bank. From the late 1980s, particularly in relation to its African portfolio, the Bank realized that neither economic stabilization programmes nor structural adjustment were likely to succeed in the short or medium term. This was particularly damaging because austerity measures had been justified on the basis that they were short-term pain necessary to secure medium-term gains. The Bank itself had not foreseen such a drawn-out period of decline and its first instinct was to highlight the failings not of its own advice, but of recipients' handling of it. The Bank focused on corruption and identified political arrangements within developing countries as one of the greatest blocks to economic growth. Low implementation rates for Bank conditions were claimed as evidence of corruption and mismanagement. Thus, making conditionality bite and reforming the state machinery to make it more capable of effective implementation became key priorities.

Nonetheless, the Bank was also forced to face weaknesses in its own scheme, particularly as a result of the Wapenhams Report (1992), an internal Bank evaluation of portfolio performance that reached damning conclusions on the effectiveness of adjustment lending. The Bank's own semi-independent Operations Evaluation Department also found that as many as 20 per cent of projects faced major problems (Mosley, Harrigan, and Toye 1995: xxiv). With most countries having experienced structural adjustment for almost a decade, the clear gains were hard to identify in many cases. What is more, Wapenhams found that the rolling back of the state throughout the 1980s had left both the administrative machinery and people in developing countries unable to adjust effectively to changing economic contexts.

This was nothing new to critics of adjustment who had been arguing through the 1980s for 'adjustment with a human face' (Cornia, Jolly, and Stewart 1987) and that there was a need to 'bring the state back in' (Evans, Rueschemeyer, and Skocpol 1985). However, as van de Walle (2001: 12) noted, 'The inconclusiveness of the debate provided African governments with some diplomatic leverage in the various international fora that discussed aid: if the policies they were forced to adopt were inappropriate, then recipient governments should not be held responsible for their poor economic records or the debt they were quickly accumulating.'

The debate over adjustment also focused the World Bank on the costs of drawn-out austerity programmes. Although macroeconomic conditions attached to Bank and Fund loans remained largely in place, the Bank recognized that such programmes would prove difficult to bear for populations and thus political liabilities for the governments tasked with implementing them. The management of adjustment therefore came more clearly into focus as both an administrative and a political challenge.

On the political side, the Bank began to see a case for paying more attention to the losers from the adjustment process and to those that had not yet benefited. The *1990 World Development Report*, with its focus on poverty, marked a vital development. The 'poverty agenda' offered some sense of moral leadership to the Bank at a time when its stock and self-confidence was at a low. And certainly some academic and NGO critics of the Bank started to take heart and to believe that maybe they could 'turn the oil tanker around'. As NGOs increasingly identified the Bank as a key international actor, it became a more and more important site for new initiatives on the environment, women's rights, and corruption. By insisting that the Bank take on their concerns and work towards their preferred outcomes in recipient countries, NGOs implicitly accepted the Bank's influence and its conditionality.

Much of the Bank's ultimately political agenda surfaced, however, as an administrative project and the most significant expansion of World Bank activities in the 1990s was into the field of 'good governance'. While bilateral donors and the Bank's major shareholders had started to focus on democracy promotion, the Bank's Charter would not allow for direct promotion of a specific political model. Good governance therefore emerged as an administrative variation on the same theme, including anti-corruption measures, civil service reform, promotion of institutional reform in the judiciary, and other accountability and transparency mechanisms. As Unsworth (2005) points out, focus on the administrative machinery of aid-recipient states was not new. As early as the 1950s and 1960s donors had focused on strengthening public institutions and inscribing the rule of law. Focuses on skills gaps in public service and the judiciary emerged in the 1970s. Interest in institutional reform and management restructuring in the 1980s hung well with the cost-cutting and retrenchment necessary to achieve structural adjustment spending targets. In the 1990s, a concern to bring the state back in saw a focus again on capacity-building, along with new themes: decentralization, increased incentives for civil servants, and support for civil society, again linked both to democracy promotion (Unsworth 2005: 3–4).

The World Bank's approach to these questions evolved relatively rapidly from the end of the Cold War and a series of publications expanded the areas covered under the rubric of governance and refined the Bank's definition of the term (World Bank 1989, 1992, 1994). Much of the intellectual work through this process was developed by the Bank's Africa Department, and specifically by senior policy advisers in the Africa Region's Technical Department (amongst others, see Landell-Mills and Serageldin 1991). The Bank's 1992 publication *Governance and Development* identified four issues within the field of governance on which the Bank felt that it should act: public sector reform, accountability, transparency, and the legal system. In each case these somewhat general categories were designed to give an institutional form and a definition related to efficiency to political issues. Williams (1993) suggests that the objectives of the reforms were to 'embed liberalism' within the logic of the state machinery itself and, in the process, to displace the corruption, patrimonial logic, and communalist sentiment that donors assumed dominated these realms and made them dysfunctional, both in terms of Weberian public administration principles and in terms of blocking market-oriented reforms.

In the 1990s, the Bank was also looking for ways to make conditionality bite a lot harder. Through introducing new forms of 'short-leash' lending, the Bank tied the release of funds more closely to evidence of prior actions on the part of recipients, who were deemed to have thus shown political and practical 'commitment' to reform (Collier 1997: 61). In some cases, there was no money in advance of implementation. Alternatively, longer-term loans were released in a series of tranches so that performance over each period was rewarded (or not) with release of the next bloc of funding. Enhanced Structural Adjustment Funds loans were typically released in six-month tranches. In this case, the Bank needed to develop surveillance mechanisms to ensure that the recipient was meeting targets that would release the next tranche (e.g. that countries maintained a certain level of foreign reserves). The Bank called these targets 'benchmark criteria' and the Fund called them 'performance criteria'. In order for surveillance to bite, benchmarks needed to be clearly defined and measurable. As a result, the Bank provided more and more 'capacity-building' support for countries to develop statistical and accountancy systems capable of tracking and reporting on performance. Tranche funding was designed to prevent recipients selecting the non-implementation strategy, but it did little to control for the related problem of reversal. Of course, some policies (privatization for example) are rather harder to reverse than others (tariff cuts). Surveillance also required ensuring that donors coordinated the information they were gaining, often through technical assistance, where officials from aid donors and associated bodies worked as consultants or secondees within the civil service of recipient states.

The end of the Cold War closed off some of the key strategies adopted by recipients to protect their sovereign control over policy, particularly the possibility of playing donors off against each other. Perhaps most significant amongst these was the European Union. The Lomé Conventions had been claimed to provide an alternative pole for developing countries to pursue their own objectives and priorities in full sovereignty. However, revisions to the treaties in Lomé IV (1989) and Lomé IVii (1995) involved a much closer tying of EU aid to World Bank/IMF-led structural adjustment programmes (Brown 1999).

By the early 1990s, the European Commission was also keen to revise its aid policies in line with wider trends towards political conditionality. In 1991 the European Council of Ministers took the ground-breaking step of making EU aid, previously provided without consideration of government type, conditional on 'sensible economic and social policies, democratic decision making, adequate governmental transparency and financial accountability, creation of a market-friendly environment for development, measures to combat corruption, as well as respect for the rule of law, human rights and the freedom of press and expression'.[3] In spite of Lomé's status as an interstate treaty allegedly governed by principles of equal partnership and sovereignty, this was a unilateral declaration from the European Union imposed without consultation, let alone negotiation. The declaration marked a seismic shift in the operation of the European Development Fund. From 1992 onwards the clause was in operation, and by the end of 1994 eight states were suspended from EU aid due to security problems, lack of democracy, or human rights abuses. These suspensions were all made at the discretion of the European Union without negotiation with the ACP and in the absence of any clear guidelines for what constituted an abuse. France was able to protect the Francophone states from sanctions, significantly delaying Togo's suspension for example. This arbitrary and political application of sanctions led to considerable tension, with the ACP making credible accusations of neo-imperialism.

Recipient Responses

It is hard to identify any new strategies adopted by aid recipients in the 1990s. Overall aid cuts, the introduction of tranches, surveillance, greater donor coordination, and more widespread governance conditionality made the strategies described in the 1980s harder games for recipients to play. Many, of course, continued to try to evade conditionality and to politicize negotiations. Nonetheless, Western donors took advantage of the deepening material and political weakness of many developing countries to impose a more biting conditionality regime, widening the range of issues on which they felt they had a right to dictate terms, and deepening their ability to survey compliance and to hold recipient countries accountable for delivery on detailed reform programmes.

During the 1980s, a number of authors sympathetic to adjustment argued that developing countries ought to adopt a strategy of 'reform mongering' – using conditionality and external resources to pursue a locally driven reform agenda – and to secure a political consensus in the country in support of it. The unrealistic assumptions of this agenda only became clear in the 1990s. The decade-long experience of austerity had typically reduced the ability of many states to reproduce their own support base let alone reach out to new constituencies. Thus the initial instinct of some elites, to avoid conditions because they threaten the spoils systems necessary to maintain elite stability, was gradually replaced by more sophisticated ploys to play a system they no longer felt able to buck. Van de Walle (2001: 17) suggests that political leaders in sub-Saharan Africa sought increasingly to use the reform process: 'They have learned to protect their own interests, even as they implement just enough reform to maintain donor support.' This strategy cannot be understood as an attempt to secure sovereignty, but rather as a simple survival instinct of the ruling class.

Conclusion

In the 1960s and 1970s, aid-receiving countries were able to marshal a range of economic, political, and ideological factors to their advantage, negotiating an aid regime that delivered resources that could be used to build up state structures in ways that recipients had a strong say in defining. However, as economic, political, and ideological contexts that might prove supportive of effective negotiations evaporated in the 1980s, conditionality came to the fore. The debt crisis enabled donors to act on their long-standing ideological commitment that they had a solution to underdevelopment and that they had the right to impose it through conditional aid. In response, in spite of their weak negotiating capacities, recipients developed a range of strategies to protect their policy sovereignty and to evade conditionality. For a time, incentives facing donors to maintain disbursements meant that they were willing to allow some policy slippage. This policy game has been well described in the literature.

However, recipient evasions were increasingly closed down at the end of the Cold War. Donors increased their use of tranches and surveillance and worked harder to coordinate policy and practice. At the same time, with a sharp decline in ideological politics amongst Western democracies, the case for free markets became a question less of convictions than of results, and donor confidence in orthodox policy prescriptions started to crumble. Nonetheless, in the absence of an assertive Third World nationalism or the need to appease recipient sensibilities, the scope of conditionality expanded significantly. Donors moved beyond macroeconomic policy, seeking also to reshape the government systems and political and popular cultures of aid-recipient countries. Notions of universal 'best practice' in statecraft and in a wide range of social policy areas proliferated as donors cast around for solutions to underdevelopment. African state structures and their ability to plan and express coherent visions for national development were profoundly weakened through these processes. It is only by considering the legacies of this situation that we can make a sensible analysis of the contemporary period, during which recipients are constantly exhorted, by the very same donors, that they must build an effective state administration and express a coherent national development vision.

Notes

1. United Nations General Assembly Declaration on the Establishment of a New International Economic Order, 1 May 1974, Resolution 3201 (S-VI).
2. Tibazarwa also notes, however, that this is not the unanimous view or the official position of the ACP states.

3. Resolution of the Council on Human Rights, Democracy and Development, 10/07/91, Annexe 1, quoted in Parfitt (1996: 57).

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3

Understanding Contemporary Aid Relationships

Alastair Fraser and Lindsay Whitfield

Chapter 2 showed how aid donors worked through the 1980s to develop a conditionality regime designed to influence the economic policies of aid-receiving countries. Through the 1990s, donors broadened the range of policy issues covered by conditionality and sought to close loopholes in the implementation phase exploited by aid recipients, introducing tranches and benchmarks into the loan negotiation and tying more bilateral aid to World Bank and IMF approval. It came as something of a surprise then when donors started to argue in the late 1990s that they did not want their relations with recipients to be understood in terms of conditionality. James Wolfensohn, President of the World Bank at the time, proclaimed at the Bank's 1998 Annual Meeting:

> We must never stop reminding ourselves that it is up to the government and its people to decide what their priorities should be. We must never stop reminding ourselves that we cannot and should not impose development from above – or from abroad.
>
> (Quoted in Aycrigg 1998: 1)

The World Bank was not the only donor to make this shift in rhetoric. A UK government policy paper on conditionality in 2005 stated:

> We will not make our aid conditional on specific policy decisions by partner governments, or attempt to impose policy choices on them. . . . We believe that it is inappropriate and has proven to be ineffective for donors to impose policies on developing countries . . . conditionality which attempts to 'buy' reform from an unwilling partner has rarely worked . . . developing country governments were becoming more accountable to donors than to their own people, and that this distorted national priorities in the process. (DFID, FCO, & HM Treasury 2005: 6, 8, 10)

Although some donors are more cautious in their language, the turn of the twenty-first century was marked by a decreasing willingness of many involved in the aid industry to make explicit arguments for conditionality. This chapter discusses how a legitimacy crisis facing the industry in the post-Cold War era has driven a significant reorientation of aid ideology and processes since the late 1990s, with poverty, partnership, and participation coming to the fore. We briefly describe the new aid modalities that have resulted, identify three key paradoxes in the new arrangements, and discuss how African state negotiators are dealing with this changing context.

The first paradox, described briefly in the Introduction to this book, is that donor commitment to ownership has been layered on top of, rather than replaced, the existing conditionality regime. Indeed donor sensitivity to critiques of conditionality has emerged alongside a widening range of conditions. In addition to economic conditions introduced in the 1980s and governance conditions added in the 1990s, new poverty and planning process conditions have been added since 2000. This profound intrusion of donors into the economic and political affairs of African countries now coexists with an insistence on the part of donors that they do not want to be in the driving seat and that recipients should take the lead.

Secondly, not unlike donors, many African governments appear to have a paradoxical stance regarding these new processes. While in international negotiations on the future of aid African countries collectively and ritualistically assert their own sovereignty and denounce conditionality, many continue to use conditionality as an explanation of their unpopular policy choices and a buttress against internal dissent. Recipient governments are also often criticized by their own citizens, by researchers, and indeed by donors themselves, for not being more assertive in forcing their own policy preferences on donors. And yet African governments do not seem to believe that the power and responsibility many insist is theirs for the taking is really available to them.

Finally, the contemporary aid regime is marked by the coexistence of a self-confident and intrusive project for the radical transformation of African societies by outside agencies, and by increasing recognition that sustainable political change cannot be driven by foreigners. Thus, while some identify a coherent 'new meta-narrative' or an ambitious 'liberal project', donors are hesitant about the value of their own ideas, and priorities turn over rapidly as a dizzying set of new modalities, buzzwords, and acronyms emerge and just as quickly pass on. As distinctly non-liberal states, particularly China, continue to outperform the stagnant Organization for Economic Cooperation and Development (OECD) countries, towards whose political and economic models traditional donors have been encouraging African states, the confidence of both donors and African recipients in the path to which they are increasingly committed appears fragile.

Recognition of these paradoxes, and the difficulties the existing literature has in describing 'negotiations under partnership', sets the stage for our country case studies. In concluding, we outline a methodological approach for investigating these paradoxes and examining how African negotiators themselves understand the changing context and how they strategize to influence it.

The Partnership Era

The idea that aid need not be coercive or paternalistic, but can instead reflect a partnership of equals between donor and recipient governments, is not new. Neither is scepticism towards it. As one critic of the 1969 Pearson Report's endorsement of partnership pointed out: 'Criticism of donor policies, even when it comes from non-recipients, is seldom ever answered in the manner in which recipients are obliged to answer the most far reaching criticism of their own policies' (Patel 1971: 305).

Nonetheless, we have labelled the period from 2000 to 2006 the Partnership Era. This is not to suggest that there has been any significant reduction in the asymmetries of political and economic power that underpinned previously unequal aid relationships, nor to prejudge the question that the country cases seek to answer: whether recipients are able to exercise greater control in new aid relationships. Rather, we aim to capture a change in thinking about the aims of aid (a new consensus on poverty reduction), how aid relationships should operate (new principles), and the emergence of new aid modalities designed to put the new consensus and principles into action (new practices). As suggested above, while the new thinking underpinning these changes originated with government aid agencies, aid practitioners, and researchers based in OECD countries, these ideas should not simply be understood as having been imposed on an unwilling Africa. A large number of African governments support the idea of aid as a partnership, presenting relations with donors to their own populations in these terms.

A New Consensus on Poverty Reduction

The contemporary focus on partnership appeared in the middle of a deep legitimacy crisis suffered by foreign aid in the 1990s, and has played a significant part in attempts to morally rehabilitate the aid industry in the period since then. At the start of the 1990s, the end of the Cold War removed one major reason for donor countries to give aid: strategic advantage. This moment presented an opportunity for a range of different interests within donor countries to press fundamental changes to the aid system (Lancaster 2007). Fiscal conservatives urged that the end of the Cold War should allow for a 'peace dividend' and pressed for cuts in defence and diplomatic budgets. Aid flows declined between 1992 and 1997.

Many development practitioners argued for a reorientation of the aid system, which they saw as having been sullied by geo-strategic interests, towards a clear focus on economic development. There was a problem here. The 1980s had been a 'lost decade' for African economies, with growth rates way below those predicted by advocates of structural adjustment. As a result, through the 1990s the Washington Consensus, the pre-eminent development theory of the time, and the World Bank, the key development agency tasked with implementing it, faced ever more pressing questions about their abilities to drive growth in Africa. By the mid-1990s, there was widespread acceptance, *including amongst donors*, that the reforms prescribed by structural adjustment programmes had entailed high social costs and failed to generate growth (CJAS 1995; Cornia and Helleiner 1994). In individual recipient countries these social costs, particularly in terms of lost jobs and increased costs for basic services, had generated resentment and political resistance against both aid donors in general and the policies they prescribed. Within the World Bank, it was increasingly recognized that conditionality had not worked very well and that 'home-grown programmes' may be more effective (Collier 1997; World Bank 1995). The international aid industry desperately needed a new story.

This was the context in which, in 1996, the Development Assistance Committee (DAC) of the OECD produced a strategy designed to reverse the decline in aid flows by justifying the aid its members donated in terms of its impact on (an expanded notion of) development, 'human development'. The DAC proposed recasting the aid relationship as a partnership between donors and recipient governments. Donors would provide more resources, improve the coordination of assistance in support of domestically owned development strategies, and achieve coherence between their aid policies and other policies which affect developing countries (trade, debt, arms sales, etc.). In return, recipient governments were expected to commit to poverty reduction objectives and to accountable governance. In 2001, when UK Prime Minister Tony Blair announced his determination to secure increased international support for Africa's development, he issued a long list of demands: 'It's a deal: on the African side: true democracy, no more excuses for dictatorship, abuses of human rights; no tolerance of bad governance, from the endemic corruption of some states, to the activities of Mr Mugabe's henchmen in Zimbabwe. Proper commercial, legal and financial systems.'[1]

If Blair's approach suggests the degree to which the 'new beginning' involved moral condemnation of the past behaviour of African states, the moral rehabilitation of the Western aid industry also required a contrast with old donor behaviours. Rejecting the self-interested motives inherent in the commercial tying of aid and the strategic focus of Cold War era aid helped ward off scepticism of new, purer motives: the promotion of human rights, democracy, and an end to world poverty. A key aspect of the new discourse was the idea that aid would now be increasingly, or exclusively, 'poverty-focused'. This somewhat hazy objective, originally attractive as the mirror image of 'bad old aid', did not prove easy to convert into practical policies. The process was given some direction by the establishment of specific targets by the UN General Assembly, which in 2000 approved the Millennium Development Goals (MDGs) as a framework for thinking about international development. The MDGs themselves are simply a set of targeted outcomes: amongst others, less infant mortality, increased basic health provision, more primary education, and more access to clean drinking water. As such they are fairly anodyne and difficult for anyone to disagree with (although there is significant debate over whether the MDGs represent a downgrading of aspirations for what can be achieved in Africa, from a belief in industrial development to the mere survival of people). However, the focus on basic social services responded to a particular strand of structural adjustment critique led by UN agencies and international NGOs which emphasized the social costs of adjustment and its disproportionate impact on the poorest in developing countries.[2] The MDGs and the poverty-reduction discourse gave bilateral aid agencies and the World Bank a tool for renewing the legitimacy of their aid programmes (see World Bank 2001).

The campaign launched around the MDGs, driven by UN bodies, key bilateral donors, and a range of NGOs, has gradually laid out a more specific policy agenda which broadens away from structural adjustment's emphasis on macroeconomic policy to include also a concern with increasing social sector spending, particularly in primary education, basic health care, and water. An increasing number of donors showed a willingness to commit to reversing declines in aid contributions and to set targets for reaching the long-promised target of spending 0.7 per cent of their GDP on aid. The poverty agenda has thus brought a renewed confidence amongst aid practitioners that, even if they did not know quite *how*, they know what they want to achieve. It has also brought the rhetoric and programmatic work of bilateral agencies, multilateral institutions, and international NGOs much closer together.

New Administrative Principles

The new consensus on poverty-focused aid and the agreement to rejuvenate the priorities and processes of the aid industry raised the questions of how to reform aid-giving institutions and on what administrative principles the new system should be based. Initial developments focused particularly on setting up monitoring and reporting systems to track progress, with donors under pressure to deliver their promises of increased donations, and recipients encouraged to make sure the increased spending went into 'poverty' sectors of the budget. However, donors did much more than simply endorse a loosely defined new consensus on partnership and poverty. The DAC's 1996 strategy document, *Shaping the 21st Century*, identified many of the critiques of previous aid relations and aid-delivery mechanisms, which included:[3]

1. high transactions costs from the multiplicity of different reporting and accounting requirements, including tied aid;
2. inefficient spending dictated by donor priorities and procurement arrangements;
3. unpredictable funding levels;
4. undermining state systems through special staffing arrangements and parallel structures;
5. corrosion of democratic accountability as aid modalities are designed to satisfy donor rather than domestic constituencies;
6. high levels of reliance on donor funding which undermines sustainability;
7. corruption, fraud, and rent-seeking in the management of aid projects.

The debate on aid effectiveness spawned a series of new 'best practices' designed to tackle these problems, and between 1998 and 2002, several donors initiated internal reform processes in an attempt to implement the partnership model of aid. Most shared many of these common principles:

- To address the problems created by the multiple channels of 'off-budget' aid, under which money had been channelled directly to project implementers rather than forming part of the national budgetary process, it was agreed that increasing shares of money should be channelled directly into the central budget of the recipient government.
- Donor programmes were increasingly to be 'aligned' with national plans, so that recipient governments could allocate resources according to their own priorities.
- Where aid was provided in support of specific sectors, such as in health and education, sector-wide approaches were advocated. To minimize administration costs, in cases when recipient systems were deemed robust enough for effective allocation and accounting for funds, donors were encouraged to place their money into one common fund and accept one set of reports on progress.[4]
- Donors also proposed that instead of negotiating over each individual condition of a loan or grant, national planning processes should lay out a list of prior actions that recipients would choose for themselves, perhaps in the form of a 'policy matrix'. Donors would then endorse the actions and initial aid and subsequent tranches of funding would be released as progress was made in implementing the policies.

- Some donors are also now pushing for *outcome* or 'results-based' conditionality. Here, lists of targets that recipients hope to achieve (numbers of girls in school for example) would form the basis of conditions. Release of subsequent tranches of funding would be conditioned not on the continuation of a particular policy but on the achievement of those outcomes. This approach, it was hoped, would leave more flexibility for recipients to manage unexpected political and technical problems facing implementation.
- A scaled-up version of outcome conditionality was also proposed, whereby donors aim to allocate funding not on the basis of acceptance of policy conditions but in response to long-run performance in implementing reform programmes. This 'selectivity' approach was informed by claims among prominent economists that aid has not proved an effective tool to generate reform, but works best when provided to countries that already have a good policy environment, and thus that the level of aid should be based on an assessment of the policy environment. Thus donors proposed to provide aid increases as a post hoc reward for good policies, on the basis that this would not only do more good, but also create incentives for other countries to follow suit in order to qualify for increased aid. Only once the government had decided for itself that a reform programme needed to be implemented, and had taken political leadership of that process, would donors increase support.

An experiment in Tanzania in the 1990s fed into the international debate on aid effectiveness and provided a model for restructuring aid relationships towards partnership. Efforts to reform the aid relationship in Tanzania were sparked by a crisis in relations that resulted in the freezing of aid in 1994. The Tanzanian government felt that the donors were too intrusive and pushy, while the donors felt that the Tanzanians kept cheating on their commitments. The Danish government offered itself as a mediator and agreed with the Tanzanian government to create an 'independent' group of eminences, including Gerry Helleiner, to try and agree a solution to the impasse. One of the aims of this kind of independent mediation was to enable donors and government to challenge each other's behaviour and propose solutions through the mediators, rather than face to face or in a manner that might spark individual recriminations. There had been a complete breakdown of trust between the two sides. The Independent Monitoring Group gave its report in 1995, and based on its recommendations, the Tanzanian government and its donors agreed in early 1997 to a set of targets in the effort to radically restructure the roles of donors and governments. A core part of the agreement was the transfer of ownership of development programming from donors to the government. Donor and government progress in meeting these targets was assessed in late 1997 and again in 1999 by the chairman of the independent group, who took hearings from both sides and reported criticisms anonymously and in a sensitive manner. The reports showed mixed progress towards the transfer of ownership. But the process led to a gradual return of trust between the two parties such that by 1999 it was possible, on the recommendation of the International Monitoring Group, to create a Tanzania Assistance Strategy to govern the government's relationship with multiple, now coordinated, donors. In 2000 the government and donors reached a new agreement that donor performance in the implementation of this Strategy would continue to be monitored and evaluated by an institutionalized committee (Helleiner 2002). Alongside wide acclaim for the 'developmental vision' demonstrated by Uganda's 1997 Poverty Eradication Action Plan, the Tanzanian 'model' was one of the most widely cited cases through which donors described what the new model of 'recipient ownership' might look like.

New Practices

The new aid principles have found concrete expression in a number of new initiatives, processes, and agencies that have emerged since 1999, including the European Commission's European Development Fund (EDF); the Global Fund to Fight AIDS, TB, and Malaria; the United States' Millennium Challenge Account (MCA); and the World Bank's Country Policy and Institutional Assessment (CPIA) and Poverty Reduction Strategy Papers (PRSPs).

The PRSP and EDF are designed around new principles of national planning to which donors then respond. The Global Fund and MCA operate effectively as competitions for funds, where the applicant countries submit their own plan, and those judged best then win funding. The Country Policy and Institutional Assessment (CPIA) claims to offer objective measures of the quality of a country's policy environment, and is used to allocate funding from the World Bank's IDA concessional lending programme.

The most influential of these has so far been the PRSP. In 1999, World Bank President James Wolfensohn laid out what he described as a new Comprehensive Development Framework (CDF), a model of partnership-based collaboration with client countries which sought to give recipient states a leadership role, but also to draw on the contributions of donors, civil society, and the private sector. The CDF was not itself an aid instrument. However, the CDF principles were embodied in PRSPs, announced later the same year as an integral part of the process by which Highly Indebted Poor Countries (HIPCs) would receive debt relief (Gulrajani 2006).

The PRSP process required countries applying for debt relief to produce a document describing the country's macroeconomic, structural, and social policies and laying out programmes to promote growth and reduce poverty. Governments were then asked to cost the document, and to identify what could be funded by existing domestic resources, what by the cancellation of annual debt repayments, and what by additional external financing. As such, the PRSP suggested itself not only as a renewed means of national planning, and as a means of assessing countries' eligibility for debt relief, but also as a means for the coordination of other bilateral and multilateral contributions.

One of the new conditions that the PRSP introduced was that the document should be prepared by governments through a participatory process, typically involving civil society organizations, civil servants, and donors. After a country prepares a PRSP, World Bank and IMF staffs then prepare a Joint Staff Advisory Note that provides feedback to countries on their strategies. The document is then submitted to the boards of the Bank and Fund. If a country secures their approval, the process for debt forgiveness under the HIPC scheme can move forward and new loans can be negotiated with the World Bank in the form of the Poverty Reduction Support Credit (PRSC), and IMF in the form of the Poverty Reduction and Growth Facility (PRGF). A country writes a PRSP every three years, but changes can be made to the content using an Annual Progress Report.

The PRSP approach was accepted by much of the development community as an improvement on the processes that had predominated in the structural adjustment era. PRSPs quickly came to serve as a framework on which other donors based their own country-assistance strategies, coordinated their aid activities and provided predictable, harmonized assistance 'aligned' with the plans in the PRSP.

Many African governments accepted the requirements of the PRSP process because they wanted access to debt relief. The HIPC initiative involved a write-down of bilateral stock owed by heavily indebted poor countries to Paris Club members, which include both private creditors and official bilateral aid agencies. Savings from debt service payments foregone after HIPC debt relief are used differently across the HIPC countries, but donors require that they be used to finance poverty-reducing expenditures outlined in PRSPs. Even after HIPC, debt-servicing obligations of HIPC countries were still high due to much of the debt stock being owed to the Bretton Woods institutions, and a second round of debt relief was pledged at Gleneagles G8 Summit in 2005. The World Bank, the IMF, and the African Development Fund began implementing debt relief for poor countries in 2006 under the Multilateral Debt Relief Initiative (MDRI), which extends 100 per cent cancellation of multilateral debt to countries that have successfully completed their HIPC programme. The cost of MDRI relief from the IMF is being funded from the IMF's own resources and thus provided additional resources to countries for financing poverty-reduction expenditures. However, debt relief from the World Bank is not providing fully additional resources. Because future concessional lending by the Bank is dependent on the recycling of debt service payments of current loans, debt relief will reduce the Bank's income. To compensate the World Bank for this reduction in income, bilateral donors have agreed to provide the Bank with the equivalent additional resources. Debt service payments forgiven annually by the Bank will be deducted from the country's annual IDA allocation of disbursements, although countries will receive a small additional IDA allocation.

One year after the announcement of the PRSP a new process for allocating European Development Fund resources was agreed. In 2000, the European Union and the African, Caribbean, and Pacific countries were scheduled to renegotiate the twenty-five-year-old Lomé agreement. The final version of the new agreement, called the Cotonou Agreement, accorded almost exactly with the blueprint laid out in European Commission policy papers long before any negotiation began (Brown 2000), and reflected much of the same thinking as was driving World Bank and DAC processes. The new process for allocating the European Development Fund brought in conditions that African governments should develop a national plan and closely mirrored the PRSP outline, including civil society consultations through a National Indicative Programming process, jointly planned by the country's National Authorizing Officer and the European Commission's delegation. The European Union would then respond by producing a Country Support Paper, identifying how European aid would tie into wider political and economic reforms, and how it will move towards the fulfilment of international development targets. The European Commission's ability to 'respond' to different countries' plans in different ways, and based partly on its judgements about the 'governance conditions', allowed the Commission to offer different types of aid to different countries, rewarding trusted states with general budget support, less trusted partners with more tightly conditioned sectoral support, and in cases where countries and people are poor, but governments not trusted, for aid to be channelled through non-governmental sources. Similarities with the PRSP process left some commentators wondering what would be the point of asking a country that had just been through a PRSP process to launch another round of consultations to identify its priorities, and in practice the European Commission has been willing to come in behind PRSPs in many cases.

The growing consensus on the new principles for providing and receiving aid culminated in the Paris Declaration on Aid Effectiveness in March 2005. This declaration went further than any of the previous statements of the donor community by specifying the commitments of both sides in the partnership and indicators for monitoring progress. The Paris Declaration sets out five 'partnership commitments': (*a*) *ownership* – 'Partner countries exercise effective leadership over their development policies and strategies, and coordinate development actions'; (*b*) *alignment* – 'Donors base their overall support on partner countries' national development strategies, institutions, and procedures'; (*c*) *harmonization* – 'Donors' actions are more harmonised, transparent and collectively effective'; (*d*) *managing for results* – 'Managing resources and improving decision-making for results'; and (*e*) *mutual accountability* – 'Donors and partners are accountable for development results' (OECD 2005).

The Limits of Recipient Control Under New Aid Practices

Each of these new practices, and particularly the Paris Declaration, relies, at least rhetorically, on a version of 'ownership' that appears to encourage the kind of recipient control of policy outcomes discussed in the Introduction to this book: recipient countries design their own strategies and donors support their implementation with money channelled through the recipient government's existing budget and accountability systems, stepping back from attempts to influence policy. However, severe limitations on the degree of control African governments are likely to achieve under the new dispensation can be identified simply by making a closer reading of the small print of new initiatives. Others are suggested by an early literature assessing their impacts. This literature identifies the difficulties of driving reform processes in large bureaucracies like aid-donor agencies and the continuation of patterned relations between donors and recipients built up over many years of aid relationships.

Even though the PRSP approach and the European Development Fund both claim recipient ownership as a normative goal and as a necessary element for their success, there remain many opportunities for donors to push recipients to adopt their preferred policies. In both cases, donors still have the final say over whether recipient plans are approved (funded) or rejected. Both recipient governments and other stakeholders thus know throughout the planning process that much-needed aid may not be available if the plan does not, in the end, conform to type. However, donors do not simply rely on this 'right of last refusal' to influence policy content. In many situations, donors consider themselves one of the major 'stakeholders' in the planning process and thus take an active role in consultations, injecting their own views of what is 'realistic' and what is 'best practice' on a process advertised as allowing local actors to develop their own solutions. Given that the World Bank provided two massive volumes of guidance, in the 'PRSP Sourcebook', giving recipients a clear lead on the kind of issues a PRSP hoping to win World Bank support might cover, and some idea of what it might say about them, it should come as little surprise that even the World Bank's evaluation of the first round of PRSPs expressed concern at the uniformity of their priorities and presentation (World Bank 2004). Thus, although many 'civil society' groups both in the OECD and in African countries argued for many years for their voices to be heard in the adjustment process, and in some cases have reported satisfaction that the process has allowed them closer to decision-makers, there are constraints on the transformative potential of 'process conditionality'. Participatory planning processes have allowed donors to secure and sometimes extend their involvement as 'stakeholders' in policymaking and to legitimize their own involvement in committees dealing with the earliest phases of policymaking. The multiplication of technical assistance and programme implementation units, alongside capacity-building programmes for civil servants and 'civil society organizations', have also allowed donors early involvement in the framing of key policy questions while minimizing overt conflict and negotiation. While some of these new donor techniques open up channels for participation of African non-state actors, these actors still have to contend for influence with donors (Brown 2004; Craig and Porter 2003; Fraser 2005; Whitfield 2005, 2006).

Donors have thus typically had a significant influence on the content of PRSPs, as the Bank and Fund's own evaluations of the process recognize (World Bank 2004; IMF 2004). Donor preferences need not be transmitted immediately through the PRSP planning process of course. The World Bank, as 'knowledge bank', makes all recipients aware of its assessment of their performance across a range of policy areas, and will happily draft research papers laying out its view of realistic policy options. The Bank's use of the CPIA to determine the allocation of concessional lending also gives a harder edge to the transmission of its priorities to recipient governments. The CPIA 'scorecard' rates countries according to their degree of adherence to a list of 'right' development policy, allocating aid amongst recipient countries, who are made to 'compete' against each other for the highest scores, according to what the Bank views as a 'good policy environment' (Kanbur 2005; Nissanke 2008).[5]

In spite of all of these instances of 'soft power', the most obvious contradiction in new policies that headline their commitment to ownership is that most of them also continue to describe and justify processes for the maintenance of hard conditionality and other forms of donor oversight of policy formulation. Conditionality is still alive and kicking at the stage of the negotiation that matters most to recipients: once they move beyond the niceties of identifying top priorities and joint planning to the negotiation of loan conditions under the new World Bank and IMF lending instruments, the Poverty Reduction Support Credit, and the PRGF, respectively. While in theory the PRSC and PRGF should select conditions from policies identified in a country's PRSP, this is not always the case. The IMF has stated that beyond a core of 'essential issues' (macroeconomics) there should be a 'policy space' in which members' choices would not affect the Fund's willingness to support them. The Fund has undertaken efforts to 'streamline' its conditionality and adopted new staff guidelines on conditionality in 2002. However, Killick (2006) finds little systematic evidence to show that borrower governments are being given more policy space, and an internal IMF review found that there is no evidence of a reduction in the number of structural conditions following the introduction of the streamlining initiative (IEO 2007).

Conditionality continues to be buttressed by the fact that multilateral development banks and bilateral donors require that recipient governments have IMF programmes (or approval) before giving aid. Indeed the internal IMF review concluded that a key reason that the IMF found it very difficult to move away from conditionality is that other donors use Fund arrangements as monitoring and surveillance mechanisms. Naturally, for recipients who remain dependent on aid resources, gaining the IMF's approval remains important. The IMF has developed a tool to retain policy influence without any transfer of funds, the Policy Support Instrument, so that recipients who no longer need to borrow from the Fund can still acquire its 'seal of approval'.

Any conditions shed by the Fund also seem to be being picked up by the World Bank and other bilateral donors. The World Bank's PRSCs typically include conditions for practically all sectors including macroeconomic stability, protection of poverty spending, public institutions and governance, education, health, population, water and sanitation, improving the business climate, and improving access to infrastructure by privatization. These conditions contained in the policy matrix attached to loan documents not only concern outcome or impact indicators, but also conditions for specific government actions or policies for all three years (Dijkstra 2005).

Thus, the PRSP approach has not translated in practice to real moves by donors to 'step back' from influencing recipient-country development strategies and policies (Driscoll and Evans 2005). The limitations of the process, and its apolitical assumptions that consensus can be reached both between domestic stakeholders and between recipients and donors, are glaringly exposed in cases where the 'multi-year' planning cycle of the PRSP cuts across electoral processes. In a number of these cases, donors as aid diplomats have been primarily concerned to ensure that the 'hard work' of achieving consensus on the PRSP is not abandoned by new administrations. Rather than recognize that incoming democratically elected governments have significant legitimacy and a popular mandate and may want to pursue different policies from their predecessors, donors have typically acted conservatively to try and protect policy concessions they secured in talks with previous regimes. The process has been most obvious in Latin America as a series of radical new governments have been elected in countries with PRSPs, but similar anxieties and dynamics are also evident in Africa.

The first-generation PRSPs were almost uniformly seen as a donor requirement for access to debt relief, and even the Bank and IMF's own assessments do not argue that the PRSPs represent 'nationally owned' documents. Some literature suggests that governments have put more effort into nationalizing second-generation PRSPs, and on a cosmetic level, many of them have changed their names to more local variations, but there does not appear to have been any significant change in the workings of the PRSP process and little reason to expect that the documents represent anything more than compromises between donors and recipient government (or that they are truly understood as reflecting national policy preferences rather than being essentially funding applications).

Despite significant change then in the planning process, conditionality remains a central technology of the contemporary aid architecture, supplemented by the continuing use of funding tranches, deepening surveillance of recipients, increased donor coordination, more extensive participation of donors in the policymaking process, and more emphasis on Bank and Fund analytical work as a means to influence recipient policies (stressing the 'expert' and thus authoritative development knowledge of these institutions). With annual reports, sectoral reviews, and new budget monitoring mechanisms being established with new aid instruments, in many countries recipient governments are engaged in endless rounds of meetings, workshops, and consultations. This implies a permanent negotiation over every detail of policy formulation and the routine presence and surveillance of donors.

Arriving some years into the implementation of the PRSP and EDF processes, some held out hopes that a collaborative review of aid between recipients and donors, through the Paris process, might provide a mechanism for recipient governments to increase their control over the use of aid in their countries. Recipient governments met in Managua in October 2004 preceding the Paris High Level Forum on Aid Effectiveness to set out their recommendations for the Declaration. The Managua statement recommended that conditionality be abandoned as part of donors 'giving up ownership of development assistance' (Mulley 2006). Although the final Paris Declaration seeks to codify a set of global principles deemed necessary to make aid more effective – ownership, alignment, harmonization, managing for results, and mutual accountability – it does not reject conditionality, stipulating only that donors should 'streamline' conditions and draw them from national development strategies where possible.

Thus the Paris principles are in essence a new codification of the same practices embodied in the PRSP and EDF principles. Paris, in other words, proposes that these 'best practices' should be more widely accepted by the donor community. Nonetheless, we should consider the possibility that Paris will succeed in driving changes in wider donor behaviour such that more and more bilaterals come to reflect the approaches taken in the PRSP and EDF. It may also be that, in spite of the limitations of the original declaration, recipients find a way to use the process to pursue their objectives. Under each of Paris's key principles, donors and recipient governments are encouraged to undertake actions, and some of these actions have been translated into targets for monitoring by the DAC. It is worth reproducing the first four of the twelve indicators:

1. *Ownership* – partners have operational development strategies, measured by the number of recipient countries with national development strategies that have clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets.
2. *Reliable country systems* – number of recipient countries that have procurement and public financial management systems that either adhere to broadly accepted good practices or have a reform programme in place to achieve these.
3. *Aid flows are aligned on national priorities* – percentage of aid flows to the government sector that is reported on recipients' national budgets.
4. *Strengthen capacity by coordinated support* – percentage of donor capacity-development support provided through coordinated programmes consistent with recipients' national development strategies.

The remaining indicators refer to donor actions and include

5. use of recipient country public financial management systems and procurement systems;
6. strengthen capacity by avoiding parallel implementation structures;
7. aid is more predictable;
8. aid is untied;
9. use of common arrangements or procedures among donors;
10. encourage shared analysis among donors;
11. use results-oriented frameworks; and
12. initiated mutual assessments of progress in implementing commitments at the country level.

Thus, the Declaration presents a model of change in the aid relationship that relies on recipients making the first move: recipients must improve their administrative systems, adopting international best practices, before they can expect donors to feel comfortable and to rely on national institutions and align their programmes and projects to national strategies. The ways in which the indicators are measured also tend to promote a notion of universal best practice in statecraft, strengthening donor influences rather than letting a thousand flowers bloom, with the DAC relying on World Bank assessments to measure indicator one and the World Bank's Country Performance and Institutional Assessment to measure indicator two. The DAC also relies on self-assessment surveys completed by donors in country offices to assess many of the other indicators, which the DAC acknowledges has resulted in subjective interpretations by some donors regarding the definition of terms in the survey, such as a parallel project implementation unit or programme-based approach to aid (see DAC 2006). In an effort to create measures of progress to achieve results comparable across countries and over time, the whole process is very technocratic. It fails to provide either a tool for assessing change in aid relationships towards the new principles or a tool with which recipient countries can pressure donors to do so. Perhaps we should not be surprised that the Paris process has not promoted radical reform of the international aid system. The key institution driving it forward is the DAC, a forum run and dominated by the interests of donor countries. It is for precisely this reason that the Group of 77 and China have recently pushed for the establishment of the Development Cooperation Forum within the UN Economic and Social Council, which was launched in July 2007, as a more inclusive arena and a way to increase their negotiating strength in discussions on international development assistance.

We can conclude then that although the donor community has produced a shared consensus around how aid should be delivered, has devised new tools to implement it, and has produced a dizzying array of new policy instruments and acronyms, the impact on the overall balance of power between donors and recipients may be very small. The new modalities account for a relatively small share of all aid disbursed, and they have been more successful at delivering improved coordination among donors than changing the nature of the relationship between donors and recipients (de Renzio and Mulley 2007). An evaluation of recent experiences with General Budget Support suggests that changes in the nature of policy discussions and conditionality have tended to be gradual and more significant in the eyes of the donors than in those of recipient governments (IDD & Associates 2006: S3). Donors continue to pursue the adoption of their favourite policies, targets, and indicators through a combination of explicit conditionality and backstage negotiation and influencing. New regimes to enhance the monitoring and surveillance of recipient government behaviour after agreements are reached have also been introduced. Donors have been particularly keen to tie down the notoriously slippery 'implementation' phase of new aid agreements, both at an international level, in individual donor–recipient contracts, and at the level of state–society relations within African countries. We are thus seeing huge efforts put into the development of highly prescriptive and detailed performance assessment matrices for budget support (Driscoll and Evans 2005), and significant increases in funds directed to 'civil society organizations' willing to engage in budget monitoring activities, from macro to village levels. Nonetheless, a 2006 survey to monitor the degree of compliance by donors and recipient countries to the Paris Declaration showed that progress against its very conservative indicators was partial and fragmented (DAC 2006).

Explaining the Limits of the Ownership Agenda

How then do we explain the gaps between the new rhetoric of ownership, rapid change in aid modalities, and limited impact on the overall balance of power between donors and recipients? One explanation points to bureaucratic obstacles within donor agencies. For example, the Paris process fails to provide strong incentives for donors to implement their commitments or a means to enforce compliance (Mulley 2006). The indicators of progress on the Paris commitments are often vague, and individual donors are not subject to targets. A study of incentives for harmonization and alignment in six aid agencies (including both bilateral and multilateral) highlighted factors influencing individual and collective behaviour which work against the implementation of the Paris agenda within individual donor agencies (de Renzio et al. 2005). While a number of donor agencies have adopted high-level political statements in its favour, they have been much slower to provide adequate incentives through operational policies as well as through individual rewards and sanctions which determine the actual effort put into implementing the Paris agenda at the country level. However, there are other reasons beyond bureaucratic failings and the struggle to enforce international conventions that explain the limited ability of the ownership agenda to transfer control to recipients.

As described at the start of the chapter, the principle of ownership emerged as part of a wider project to re-legitimize foreign aid. It was able to play this role because disparate interests converged on the view that ownership was important. Scholars had argued since at least the mid-1990s that aid is more likely to be effective in achieving sustainable development objectives when it is integrated into a national development strategy established by the recipient government (see Carlsson et al. 1997). Critics of the policy prescriptions of the Bretton Woods institutions had, since the inception of policy-based lending, protested that conditionality impinges on the policy space of recipient governments, blocking heterodox economic policies and development strategies (Hayter 1975). A few social-democratic donors such as Sweden had been pushing the principle of ownership through the 1990s. However, it was only when donors, particularly the World Bank and IMF, agreed that something beyond conditionality was needed to drive reform that the ownership principle entered into mainstream donor documents and discourses around 2000. But the Bank's motivations were rather different to those that had arrived at the ownership principle before it.

Since the beginning of policy-based lending, the World Bank has been preoccupied with how to increase the political commitment of recipient governments to its policy prescriptions.[6] Conditionality had been used strategically by the Bank and Fund to try and 'empower' so-called pro-reformers inside the recipient government and in some cases it has achieved this aim. However, reform coalitions of interest groups outside the government that stand to benefit from liberalization invariably failed to materialize, partly because the reforms typically failed to create immediate economic 'winners', and partly because, even where some economic indicators were positive, entrepreneurs and farmers doing well in a liberalized economy do not necessarily make any connection between their personal success and policy changes implemented by distant governments.

By the late 1990s, there was growing agreement among academics working on aid and practitioners writing World Bank publications firstly that 'domestic politics' was the most significant factor explaining (non-)implementation of donor-sponsored policies and secondly that conditionality not only does not work to empower reform coalitions, but may have precisely the opposite effect.[7] It is widely understood within aid-dependent countries that governments are heavily constrained by donors. Governing elites are thus able to avoid making a political case for reform and to evade responsibility for unpopular policies by blaming them on irresistible external pressures. However, without politically mobilized groups making the case for such reforms either inside or outside government, donor-sponsored policies can be derailed easily by political imperatives with deeper roots in local communities and local interests, and which thus present themselves to the government as threatening to their hold on power.

With this understanding of where the Bank's acceptance of the need for ownership came from, the coexistence of ownership rhetoric and conditionality is easier to explain. The Bank's own *Review of World Bank Conditionality* published in 2005 states:

> The lessons of the 1990s show that generalized policy prescriptions have often failed and that there is no single model of development. Difficult institutional reforms such as privatizations and trade reform are unlikely to be successful unless there is strong political commitment combined with wider public understanding of and support for the process. (World Bank 2005: 13)

The central challenge for the World Bank, the most influential donor in many recipient countries, thus became to find new modes of intervention that might secure political support for its reform agenda. Participation and joint planning present opportunities for donors to be involved more directly in the stuff of African politics, and to try and 'configure local and international forces into "reform coalitions" inside and outside the state, themselves capable of constraining not only other fractions of civil society but also the state itself' (Fraser 2005: 319). The Bank aims to maximize ownership, but understands ownership as 'a concept that denotes a high probability that the policy and institutional changes associated with a policy-based operation will be adopted and implemented, even if there is internal opposition' (World Bank 2005: 17).

The IMF adopts a similar rationale for ownership, as indicated in its original definition of the concept:

> Ownership is a willing assumption of responsibility for an agreed program of policies, by officials in a borrowing country who have the responsibility to formulate and carry out those policies, based on the understanding that the program is achievable and is in the country's own interest. (IMF 2001: 6)

Staff views on ownership are put more bluntly. A 2001 IMF working paper states that a country 'owns' an IMF-supported programme when it is committed to the spirit of the programme, rather than just complying with its letter (Khan and Sharma 2001: 13). This paper states that 'ownership will make it easier to generate domestic political support for the program since it is likely to be seen, at least in part, as an indigenous product, rather than a foreign imposition' (2001: 14). The authors also recognize that there is unlikely to be 'full' ownership, and see the task of donors as maximizing ownership in the context of conditionality. In a 2004 IMF working paper, staff members also define ownership as reflecting the extent to which a country is committed to the reform process (Drazen and Isard 2004). In sum, the World Bank and the IMF define ownership as commitment to the reforms and policies which they think governments should implement. They hope that they can convince recipients to see it their way, and to believe that the ideas are their own. If not, they retain conditionality.

In addition to recognizing the failure of traditional conditionality, donors have found 'ownership' an appealing refrain for a number of other reasons. The IMF's concern with how policies are *seen* partly explains why donors both hold onto conditionality, and yet distance themselves from any desire to be in the driving seat. However, in the face of two decades of failed development in many African countries, insisting that Africans are in the driving seat also provides a means of shifting responsibility to recipient governments for the outcomes of aid-supported reforms and policies. This is partly an institutional response of the Bank and Fund, evading any concerns their own members and funders might harbour about their effectiveness. On a more practical level, insisting on recipient ownership also provides hope that donors' inability to coordinate their own aid activities amongst themselves will be solved for them by recipient leadership. Donors have also increasingly recognized that 'institutions matter' for both development and good governance. Ownership seems to rely to a greater extent than conditionality on building up the capacity of African institutions to manage complex policy formulation and implementation challenges.

Finally, even donors that accept the ownership principle as implying a transfer of control from donors to recipient governments face a problem. When recipient governments act in ways or adopt policies that go against a donor's understanding of what is right or appropriate (whether in economic policy or political actions), the ownership principle is quickly demoted in importance (see Weeks et al. 2002). Therefore, current donor practices aim to maximize ownership in the context of conditionality by providing incentives for recipient governments to adopt donor preferences in economic policy, governance, and social welfare systems.

The rationale for ownership as commitment, combined with donor beliefs in what recipients *should* do, result in donors often lacking the trust in, or respect for, recipient governments that is required for donors to transfer control. As the Paris Declaration shows, donors equate recipient leadership with taking the lead in putting 'sound' systems and policies in place, while donors provide the lacking capacity and support the efforts of recipients to do so. Recipient governments can write their 'own' policies and strategies, but donors will still seek to influence that process in order to make sure that the product is one which the donor can agree. As a result, the new aid paradigm embodies a difficult contradiction: it is characterized by an ambitious, externally defined project for the transformation of African countries, but it requires local actors to drive the project and has little confidence that they are willing or able to do so.

Aid Negotiations in the Partnership Era

Throughout this book we focus on the outcomes of aid negotiations as a combination of the structure of the aid system and the agency of recipients. Thus, as with any other period, contemporary aid negotiations cannot simply be analysed with reference to changes in donor practices – we must consider recipient agency. However, the centrality accorded recipient agency by aid donors under the latest dispensation requires that we look even more carefully at the nature of that agency. Partnership and ownership emerged as new donor tropes at a particular moment in the history of African politics. In some senses, resistance to donors appeared to be at its weakest, with heterodox strategies unlikely to emerge given deep dependence, economic crisis, and the huge incentive for recipient compliance built into the HIPC process. Decades of adjustment and tough conditionality had constructed patterns of behaviour that donor and recipient have found hard to shed. Nonetheless, in such situations, new 'weapons of the weak' often suggest themselves.

Furthermore, while difficult to generalize, changes in the ideological proclivities of governments, the balance of forces in domestic politics, and the nature of state–society relations that have occurred throughout the 'partnership era', and sometimes as a result of dynamics completely outside the aid relationship, have important implications for the negotiating capital available to African governments as well as to the strategies they adopt. Here we only present broad trends emerging in the literature, some of which are explored further in the country chapters.

A large number of African countries underwent some sort of democratization in the 1990s. Where this occurred in the context of structural adjustment, donors typically saw hope of 'dual transitions' to the market and liberal democracy and an end to antagonistic relations with aid recipients. However, even where democracies and markets have emerged, by the time we reached 2000 and the partnership era, these have not always turned out to be of the type donors were hoping for.

This should not be surprising. Donors have historically been anxious about democracy, fearing that it will unleash antagonistic social forces to take over African states. Though we have not yet seen the arrival of an African populist regime of the type increasingly emerging in Latin America, democratic politics has given leverage to African governments where there is a national consensus on a policy issue which donors oppose. A strong national consensus can both push the government and give it leverage to implement the policy in the face of donor opposition, as Chinsinga (2007) shows in the case of fertilizer subsidies in Malawi.

However, perhaps the greater surprise is that 'democratic revenges' of the masses have been so few and far between. In many cases, this results from the nature of the democratization process in Africa, in which multiparty politics frequently arrived as much as a result of external pressure from donors as in the form of a revolution, with newly mobilized constituencies grabbing power. Numerous African regimes effectively imploded under the weight of their own failures and the removal of Cold War support for dictatorships. They thus did so in the absence of social movements agitating for a particular change in policy other than an end to one-party rule. In such scenarios, the vacuum at the top was often filled by multiple parties contesting power, often with links back to politicians who made their names in the one-party era, and often with marginally contrasting policy proposals and hard to identify constituencies.

This kind of dynamic has related to aid dependence. Where those contesting power know they need donors to resource the state, they also know they would have little realistic possibility of promoting heterodox economic strategies if they make it into office, and thus tended not to promise anything they knew could not be delivered. In countries including Ghana and Senegal we have seen a broad continuation in policy despite alternation between ruling parties after elections in 2000. These countries, with highly competitive multiparty systems, have also tended to see somewhat chaotic management styles as politicians have attempted to use policymaking and aid as electoral weapons. It is thus unclear here that a process that might have been expected to increase the legitimacy of African governments' negotiating positions (backed by their democratic mandate) has been of much use to the state in negotiations with donors, and it is unclear whether they have even tried to make use of this potential source of leverage. In Nigeria since the return to democratic rule in 1999, the Obasanjo government has used donor conditionality to mediate conflicting domestic demands, to instil fiscal discipline in ministries, and to externalize responsibility for economic policymaking (Olofin 2007).

In other cases, including Tanzania and Mozambique, new political dispensations did not involve a change of government, and subsequent elections have returned the same ruling parties to power, through more or less legitimate means. In these cases, the advent of electoral democracy has had a limited impact on previous donor–recipient relations. Both donors and recipient governments understand that they will be working with each other for at least the medium term and strive to maintain good relations on that basis. The absence of a credible opposition means that, having in many cases 'survived' democratization in the 1990s, these governments now feel more secure and have less reason to fear that any backlash against imposing unpopular policies will see them removed from power. Since donors also know this, they see the state as having a free hand and are less likely to sympathize with any hesitation to impose reforms. At the same time, in the absence of credible alternative governments, recipients need not fear that donors will seek a solution to any frustrations in regime change. Again, it is unclear that these governments have been able to make their mandate count in building negotiating capital.

Similar dynamics are identifiable in a range of other countries, including Zambia, in which the first multiparty elections did see the removal of the previous ruling party, but in which, despite a shift in the new ruling party's policy orientation, there have been striking continuities of institutional dominance and authoritarian attitudes to dissent. Here again, at least until the 2006 elections in Zambia when a more serious opposition challenged for power and in the process transformed the policy debate (see Chapter 11), donor and recipient negotiate aid across long time frames without considering the possibility of a democratic polity imposing itself on their deliberations.

Clearly not all African countries are even formally democratic. Swaziland and Uganda have had very different experiences of holding back the 'third wave of democracy'. In these cases, we can see that the often-assumed donor insistence on liberal democratic systems does not apply universally. Swaziland is constantly under pressure for political change, and in aid negotiations the state has to deal with its profound illegitimacy in the eyes of donors. President Museveni in Uganda, on the other hand, managed to retain donor darling status through a long period of 'no-party' rule from 1986 until multiparty elections in 2006, partly for geo-strategic reasons and partly because the government was seen as a good reformer.

Furthermore, not all political systems lack substantive debate between mobilized social factions over policy. Contesting visions of the economy, democracy, and role of the state battle it out in Kenya and South Africa, even if in the latter case key debates over policy are principally within the ruling coalition. In these cases, donors have clear interests in the victory of particular factions, since they embody particular political ideas, and donor interventions (whether diplomatic or aid-based) reflect these preferences. These governments, however, may also have a sense that the investment of donors in the political scene gives them some negotiating capital. The democratic overthrow of Daniel Arap Moi in Kenya assured the incoming Kibaki administration a significant degree of international support, not least because they already engaged international actors whilst in opposition. Once in power Kibaki's government stretched donor patience to the very limits. Nonetheless, the controversial response of World Bank staff in Kenya to the contested presidential elections in December 2007 demonstrated the degree to which the World Bank (and the USA) sees the incumbent government as the best bet for getting through a pro-liberalization reform programme and did not like the 'populism' of the main opposition candidate Raila Odinga. The World Bank country office director sent an email to other donors and diplomats offering an early endorsement of a Kibaki win, and then got exposed as personally having been involved in secret efforts (along with the UK) to reach an accommodation. Analysts suggested that the Bank's involvement reflected the too-comfortable relationship between the Bank and the ruling party, in spite of evident corruption in the Kibaki government.[8]

In a number of countries, pressures for democratization in the context of the end of the Cold War and/or the tensions and privations brought about by structural adjustment contributed to severe destabilization and in some cases civil wars. Rwanda and Côte d'Ivoire have both been discussed in these terms, with the moral authority of donors severely tarnished in the aftermath of the conflict. In other cases, Cold War proxy wars and other domestic disputes rumbled on or imploded, almost irrespective of the dynamics of structural adjustment or democratization (in Angola and the Democratic Republic of Congo, for example). The continuation, resolution, or aftermath of these conflicts is typically more significant in shaping the state and its aid relationships with external actors than shifts in contemporary donor policy.

We can see then that the constantly shifting nature of politics in Africa has important implications for the negotiating capital that African governments bring to the table in the complex new world of 'negotiation in the context of partnership'. Our cases consider the question of how a number of countries have sought to develop their negotiating strategies in this context. Without pre-empting the cases, we should consider briefly what suggestions the literature offers.

The first thing to say is that nothing changes overnight. For aid-dependent countries, the traditional strategies of non-implementation and backsliding remain key weapons for avoiding policies with which they disagree. Confrontational, politicized strategies remain a possibility, particularly for governments with highly politicized domestic polities as well as those not solely dependent on traditional donors for public investment. Geo-strategic interests and access to alternative resources also remain sources of negotiating capital for some countries. The rise of China as an increasingly important source of development finance for African countries provides an alternative to traditional donors and makes it possible again to play donors off each other. For example, Angola is now sub-Saharan Africa's second biggest oil producer. Since the end of its civil war in 2002, donors have demanded significant policy changes before pledging aid, particularly an IMF programme that was intended to increase transparency in budgeting and accounting for oil revenues. However, soaring revenues from oil exports as oil prices increased dramatically between 2001 and 2006 meant that the Angolan government did not 'need' Western donors, the IMF, or the financing from the Chinese loans it has taken. The government's current loans with China seems to be part of a strategy to forge a relationship with China in order to use Chinese construction firms and to use China to counterbalance its dependence on oil exports to the USA.[9] At the same time, although the government decided against a programme with the IMF in the short run, this still remains an objective over the long term for reform-minded government officials who see the IMF as a way to achieve their objectives of further integrating Angola into the global economy, diversifying its sources of credit, and broadening its commercial relationships (Downs 2007).

However, some new strategies have also suggested themselves. For example, World Bank surveys criticize country PRSPs for often lacking prioritization (see DAC 2006, vol. 2). It may be that this reflects some sort of strategic behaviour on the part of recipients. Refusing prioritization of the huge shopping lists of potential projects that emerge from the planning process may allow a recipient government to formally meet the needs of donors for a plan, but to retain some flexibility about which aspects to actually implement. On the other hand, it may allow the bilateral donors that come in to fund such processes more space to pick and choose those aspects of a national plan that they are willing to support, leaving recipient government priorities (typically infrastructure, defence, and justice) unfunded.

Another obvious strategy is to take the donor rhetoric of ownership at face value, to play along willingly with the planning process, and to insist then that you have done everything required to qualify for being a trusted partner. Many countries have been continuously receiving aid for several decades and have invested a lot in the strategy of being a 'good reformer' or 'good partner', and that, as a result, donors should back off. Do we have any evidence that such strategies offer hope for recipients? The Tanzania model of independent monitoring described earlier provides an example of a recipient government trying to exploit rather than buck the system. Through cooperation with donor tropes of centralized planning with early donor involvement and through showing commitment to poverty-focused social spending, the Tanzanian government clearly made gains, reducing the administrative burden of aid by working with some donors to establish a system with a degree of moral authority that might then be used to pull recalcitrant donors into line. However, Courtnadge (2004) suggests that this was only possible at the cost of giving up an independent political vision for the country and entering into a partnership with select 'progressive' donors that is devoid of politics and is organized around external experts who bring 'objectivity' to the development process. One could even go so far as to say that the Tanzanian model is similar to a model of marriage counselling or therapy, which allows donors and the government to work through a crisis. Under the Tanzanian model, rather than focusing on a negotiation over competing visions, the feelings of the participants and the ability to work together became the key outcomes of the process of working together. The result of the brief donor-freeze in 1994 was to focus the minds of both sets of actors: did they want this relationship or not? Did Tanzanian politicians really have enough faith in their own plans to believe they could achieve development without donor support? Did the donors really want to lose their main means of leverage and influence by withdrawing from the partnership? Both seem to have decided to step back from the brink as they faced up to their mutual dependence on each other to achieve their own objectives. However, given the indignity of the situation in which Tanzania has effectively come crawling back to the donors and accepted their policy demands, the independent monitoring process serves the purpose of allowing both sides to *feel* that the relationship is not now as one-sided as, in fact, it remains. It thus serves a therapeutic process – rather than overcoming power inequalities between the actors in a negotiation, it enables both of them to live with and accept the situation.

The intimate nature of this process, and the key roles of trust and feeling suggested by the Tanzanian case, tells us how far this strategy of non-confrontation has taken us from models that might help us understand a 'negotiation' with the assumption of basic conflict of interests between the actors involved. The 'negotiation' is thus necessarily buttressed by several processes that lead to more intimate donor involvement. The first is the increasing *institutional entanglement* between donor structures and practices and recipient political and administrative systems, as a result of the evolution of aid modalities over the past few decades. In particular, in countries where donors have stepped up direct funding to the government budget, very complex, extensive, and time-consuming mechanisms are often established in order to ensure a constant donor presence throughout the budget process (from formulation to implementation to audit).

The second is discursive convergence between a group within African states and the development paradigm of donors, particularly the Bretton Woods institutions (Holtom 2005). This has been a gradual process over two decades in many countries, but the HIPC process presented HIPCs with a critical decision in the late 1990s. Once governments made the political calculation that going through the PRSP process offered their best hope of addressing a long-run crisis of indebtedness, this created a new opportunity for pro-reform technocrats to take the political high ground. Especially in countries that received massive debt relief, and in those that have now started to experience growth, there has been an internalization of the discourse of orthodox (or neo-liberal) economics. Thus there is a notable shift away from sharp ideological differences over policy of the 1980s and 1990s. Of course, there are material incentives driving this discursive convergence. Members of the pro-reform epistemic community have benefited from donor consultancies and support. Civil servants often support donor initiatives in order to access the benefits of the aid industry, but they may also comply with the proclivities and preferences of donors because it makes life easier to rely on donors' commissioned experts or to download and slightly rework the 'best practice' documents that donors put on their websites (Mkandawire 2007). This has created a discursive space for donor ideas and international development discourses to flourish and influence recipient-government policies. However, this discursive change is not entirely hegemonic and there are still multiple discourses within African governments, as resistance around issues such as privatization remain strong.

Third, non-state actors also engage in exploitation of the aid relationship. In the 1990s, donors created a new role of 'civil society' in their pursuit of the governance agenda and began channelling aid directly to 'civil society organizations'.[10] This process culminated in the 2000s with the emphasis on participatory processes. Thus, organizations identified as part of civil society have come to have a serious stake in the aid system (Gould 2005). Think tanks, aid brokers, and consultancy firms have sprung up in many African countries to take advantage of the lucrative contracts doled out by donor agencies to conduct studies and evaluations. Both participation by civil society and the use of local organizations for consultancies aim to widen the sources of information that are to be considered in development planning. This might be expected to increase the possibilities for discussion of heterodox policies. However, donor-sponsored research and advocacy programmes can also have the opposite effect, deepening consensus on donor priorities. Furthermore, some non-state actors seek to use donors to push their agendas, particularly in the area of good governance, in the context of their limited influence over their government compared to donors and sometimes in the face of explicit government resistance. Non-state actors can thus normalize and legitimate the presence of donors in the domestic political process by appealing to them precisely because they hold the lever of conditionality. Donors similarly insist as a condition of aid that governments open up decision-making to non-state groups. Finally, there is also a more self-interested aspect to it, with organizations using aid for 'civil society' to build organizations that provide a good means of employment, especially by those who see the aid industry as the most lucrative one in their countries.

As a result of these processes, the relationship between the state actors, non-state actors, and aid agencies became increasingly complex and intimate in the Partnership Era. As Graham Harrison (2004) has suggested, with huge increases in technical assistance and staff placement within recipient state machinery, it is increasingly difficult to identify the gaps between these different actors. A lengthy quote from a report commissioned by the OECD-DAC in preparation for the drafting of the Paris Process is suggestive of some of the complex issues that the Paris Declaration itself seems to have strikingly little to say about. In the case of another model of donor–recipient cooperation, it asks:

> Who runs Uganda? Clearly as discussed earlier Uganda is highly Aid dependent. The answer to that question in Uganda tends to be 'that the Ministry of Finance runs Uganda'; the next question which this begs is 'who runs the Ministry of Finance?' That there is substantial Technical Assistance (foreign personnel) in the Ministry is beyond question (The UK (DFID) is a major source of such individuals including a substantial number of ODI fellows). The question of who sets the agenda in a globalized and Bretton Woods determined world is also difficult to answer. Despite the possible external sources (funding and TA) the majority of the individuals interviewed (Donor and Ugandan) did suggest that the [Government of Uganda] was setting the agenda and that the donors were following. Statements like 'we are in the driving seat' were common. The alternative minority view is to suggest that the dialogue is led by Ugandans but within a very well prescribed and implicitly agreed framework which is ultimately determined by the Donor community. (In the literature describing the role of credit ratings this is called the 'Golden Suit'; it is very pleasant but also very tight and limiting). Finally there was a dissenting minority view expressed that 'we have no independence [from when your relatives were here] even in the 1960s we had more control over policy!' Nevertheless

what is clear is that there is a very complex – almost symbiotic – relationship between the Donor community and the Ugandan government and that furthermore this has developed over almost a fifteen year period of interaction. (Amis 2002: 9)

Methodology for the Country Studies

The discussion in this chapter shows that the ways in which African governments organize to deal with donors and the ways in which aid relations have evolved over the past two decades affect the negotiating strategies and negotiating strength of African governments. Therefore, we cannot separate specific negotiations from the overall aid relationship and the aid management structure, particularly in aid-dependent countries where there is often a high degree of official consensus between the government and its donors on the policy agenda. Recipient government control over the policy agenda is more difficult to assess now than under structural adjustment in the 1980s. Mosley, Harrigan, and Toye (1991) looked at donor and recipient policy agendas that each actor came to the table to negotiate, the final policy design, and the degree of implementation. This approach is no longer sufficient, because the interpenetration of actors and the continuous nature of the negotiation process make it much harder to identify prior positions. In aid-dependent African countries, broad changes beginning in the 1990s but culminating during the Partnership Era have produced an embedded aid system defined by the following characteristics:

- **The political dimensions of aid dependence**, which arise from various forms of interdependence and mutual exploitation of the aid relationship between donors and recipient governments;
- **Permanent negotiation** among donors and recipient governments on development strategies, policies, and projects;
- **Institutional entanglement** of donors and donar-initiated processes with a recipient government's administrative and political processes;
- **Expansion of the aid machine** to include new, non-state actors in new aid processes and the growth of the aid industry as a profitable business.

Therefore, we must look equally at the *process* of negotiating aid as well as at the *content* of what is being negotiated. The characteristics of contemporary aid relationships form the basis of a set of questions which the country chapter authors were asked to examine and discuss in their country context. Chapter 12 then applies the framework for understanding what factors affect the outcome of aid negotiations presented in Chapter 1 in a comparative analysis drawing on the material in the country chapters. Neither the country chapters nor Chapter 12 aim to produce a concise measure of ownership, but rather to develop detailed narratives on specific country experiences, to compare these experiences, and to draw out some key findings and conclusions.

The country chapters follow a common structure which can be divided into the background and the core. The background describes the importance of aid to the economy and as a state resource, assesses the geopolitical importance of the country, and provides an overview of the country's political system. It also provides a historical perspective of aid relations. The core of the country chapters focuses on the aid-negotiation process and policy content. In terms of process, there are two focal points. One is the aid management structure: the recipient government's institutional structure for negotiating aid and managing its donors. The second focal point is the degree of institutional entanglement: the intertwining of donors' institutions and machinery for negotiating and delivering aid with recipient-country administrative and political systems. While the aid management structure provides a descriptive account of institutions and processes of aid management, institutional entanglement looks at how the domestic political system and donor aid practices interact and the incentives produced through this interaction.

In terms of policy content, the country studies consider whether the recipient government has a clear policy vision and a development plan or strategy. Where donor–recipient policy agendas openly differ, negotiating strength can be judged by looking at outcomes: the final policy design and its implementation. However, where there is permanent negotiation between a recipient government and donors, there may be less clear positions and outcomes, and a greater degree of formal consensus on the policy agenda. Division of opinion between donors and recipient governments tends to be located not on broad policy goals, but on the specific sequencing, timing, and priorities of policy instruments to achieve these goals. There may be more disagreement over productive sector policy than on social sectors like health and education. The country studies employ a variety of methods to interrogate this formal consensus:

1. Look for ruptures in the consensus – open disagreements over policy or conflicts over process;
2. Examine the actors, institutions, and incentives to produce consensus in the aid system and the degree of space for policy debate within the recipient government and within society more generally;
3. Examine interaction between the aid system and recipient-country domestic politics, particularly the incentives for political elites to buy into donor agendas;
4. Examine the success of attempts by recipient governments to change the rules governing the process for negotiating and delivering aid.

The country studies use a 'cases-within-a-case' approach, where authors select case studies of negotiating aid and policymaking through which they can explore these issues related to the process and content of aid negotiations. Where there is a large degree of consensus, authors have generally selected cases that represent ruptures in the consensus over policy content or over the aid process. Cases are also useful in interrogating why a recipient government was able to have its way on some issues and not on others. In each country chapter, the author(s) justify their selection of cases using this principle: the selection of cases can only be based on intuition, but they should be of strategic relevance (Flyvbjerg 2001: 77–81).

This methodological approach allows for the in-depth examination and thick description required to understand recipient governments' real and perceived negotiating capital, the negotiating strategies they devise, and the impacts of those strategies. While this approach can provide a sense of the broader picture of aid relations in the case country, it cannot claim to paint the whole picture. However, a case study approach does not preclude generalization. Case studies provide insights into general processes that may only be observed through individual instances. They are used to conceptualize the ways in which processes interact with one another and identify their 'course and consequences' (Williams, Williams, and Williams 1997: 87). They construct narratives that reveal the complexities and contradictions of real life.

The country chapters do not have a uniform presentation, because the authors emphasize different aspects of the method depending on what is relevant for that country and the nature of the evidence on which they are drawing. The chapters read as stories in and of themselves, as well as contributions to the overall story of the book.

Notes

1. Speech by Tony Blair, British Prime Minister, Labour Party Conference, Brighton 2001.
2. Distinctly left out of the new consensus, which had the MDGs as its overarching framework, was any acknowledgement of the other side of the Washington Consensus critique which argued that structural adjustment policies may have created growth, but it was a growth without economic diversification and employment generation due to ideological positions on the role of the state and an unrealistic assessment of the help that the private sector in developing countries needed to overcome supply-side constraints.
3. This list comes from de Renzio and Mulley (2007), who adapted it from Lawson and Booth (2004).
4. See Riddell (2007) for more detail on these aid modalities.

5. Ravi Kanbur further argues that the evidentiary basis for imposing across countries this implicit common model of the development process that supposedly leads to improvement in final outcomes is weak.
6. See Mosley et al. (1991: 80), who cite the World Bank's 1988 Report on Adjustment Lending by the Country Economics Department, p. 93.
7. See Brinkerhoff (1996); Devarajan, Dollar, and Holmgren (2001); Easterly (2001); World Bank (2005).
8. See http://allafrica.com/stories/200801101131.html; http://www.guardian.co.uk/kenya/story/0,,2239047,00.html; http://us.ft.com/ftgateway/superpage.ft?criteria_value=%22 Colin+Bruce%22&criteria_name=person&related_id=fto010920081745041353; and http://www.brettonwoodsproject.org/art-559952. Accessed 3 February 2008.
9. We owe this point to Stuart Simpson.
10. The concept of civil society has become reified in academia and in development jargon and is used in inverted commas to denote our disapproval of this usage. For a critique of the usage of civil society, see Whitfield (2003).

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4

Botswana: The African Success Story

Gervase Maipose

Botswana is often cited as an exceptional development success story that has managed its aid resources effectively (Stevens 1981; Carlsson, Somolekae, and van de Walle 1997; Nordas, Sekgoma, and Somolekae 1999). Real GDP growth averaged 9 per cent between 1966 and 2006, an outstanding and uncontested economic performance record of any country in the world (Leith 2005: 4). The overview of Botswana's development record is, to a large extent, the story of exceptional state management of 'good fortunes' – initially aid from the international community and subsequently natural resources. Botswana was not just one of the poorest countries in the world at the time of its independence in 1966, it also relied on grants from Britain for all its development spending and most of its recurrent budget. Although aid provided critical resources in the early years, financing of the government budget from foreign aid steadily declined over time and accounted for less than 2 per cent in 2006/7. Much of the country's rapid growth was made possible by significant mineral wealth, particularly diamonds. Since Botswana became a middle-income country in 1992 and since aid was no longer a major factor in the national economy or even public investment, most donors have either closed their missions or scaled back programmes with a sense of satisfaction about the country's diamond-driven development management. In this respect, Botswana offers lessons for other aid-dependent African countries concerning the importance of prudent management in avoiding perpetual aid dependency.

At a time when foreign aid is generally perceived to be ineffective and when recipient countries are highly dependent on aid to the extent of eroding their 'policy ownership', the Botswana success story provides an opportunity to examine what can be done to regain ownership. The main objective of this chapter is to illuminate the institutional dynamics of national policy ownership, aid-negotiating capacity, and aid coordination in Botswana. After briefly reviewing the significance of aid, the chapter explains how institutional dynamics enhanced leadership capacity to initiate and own development

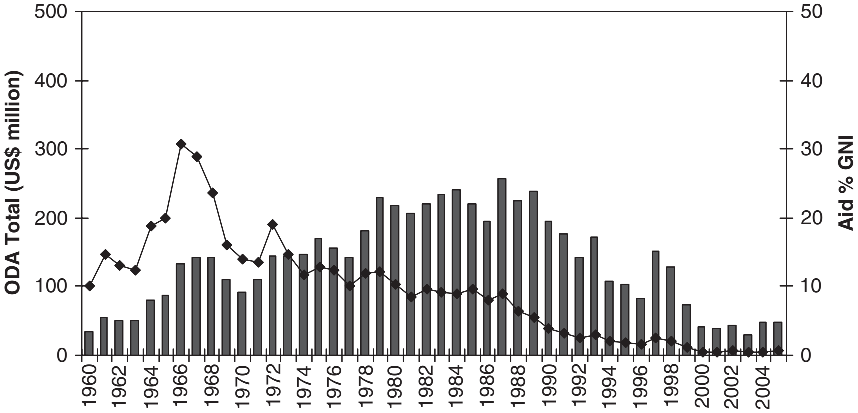

Figure 4.1. Trends in aid flows, 1960–2005
Source: OECD DAC Statistics and World Development Indicators April 2007.

policies and effectively manage aid. The conclusion summarizes lessons from Botswana's experience.

How Important is Aid?

Several points can be made about the volume of total aid flows in Botswana (see Figure 4.1). First, unlike most other African countries, aid represents a small portion of Botswana's national budget and is hardly significant in other key macroeconomic variables. Using a metaphor of building a house of 'bricks and mortar', aid is no longer a critical source of supply of bricks, though the mortar component of aid in the form of technical assistance and enhancing capacity-building has continued to be appreciated. Again, unlike in many sub-Saharan African countries, the economic importance of external assistance has followed a downward trend since the 1970s. Financial aid as a percentage of public capital expenditure came down from near 100 per cent in the 1960s to 15 per cent in 1992, and now it represents about 3 per cent of GDI and is even lower for total government revenue. The declining role of aid may be largely attributed to the country's high growth performance, strong budgetary and balance-of-payments position, and low indebtedness. Per capita aid to Botswana, however, has been among the highest in Africa due to the country's small population.

Botswana is also unique in terms of its capacity to finance development efforts. Unlike nearly all the recipients of aid in Africa, Botswana has had a substantial net inflow of foreign exchange in the form of mineral rents. Much of these inflows have accrued to the government, and a significant proportion of diamond earnings has been sterilized – resulting in budget surpluses and the foreign-exchange reserves arising from trade surpluses. This situation has made Botswana unusual in three interrelated respects. First, the economy has excess liquidity with the government as the main saver, and this has been a persistent feature of the country's economy since the mid-1970s (Faber 1997). Second, Botswana has the unique advantage of holding one of the highest levels of international reserves in the world. Interestingly, income from its offshore investment now constitutes one of the major sources of government income. Botswana has become an exporter – not importer – of capital. Third, foreign borrowing and debt crisis have been avoided, with foreign debt constituting only about 3 per cent of the GNP and debt service about 1 per cent of exports when the country moved to middle-income status. Thus, while aid was a significant source of national income in the past, aid has not dominated the economy. The country does not really need the monetary value of aid, a situation which has given the government additional leverage and flexibility in donor negotiations since the early 1980s.

Trends in the sources of aid partly explain why Botswana has moderated the costs of the international aid regime. Bilateral donors have been the major source of external assistance up to 1992, when these major donors started to reduce or scale down their funding. Because it avoided a debt crisis[1] and maintained current account and budgetary surpluses, the Botswana government did not require balance-of-payments support and assistance in rescheduling debt in the 1980s from the IMF and World Bank through structural adjustment programmes as in most sub-Saharan African countries. As a result, the IMF and World Bank have not been prominent sources of aid. The government stopped seeking World Bank assistance, which funded major infrastructure projects through the 1980s, when the country was no longer eligible for concessionary loans soon after the country gained middle-income status.

Grants have been the main form of external assistance. Following the decline in the total external assistance, there has also been a marked shift from grants to loans. Given the magnitude of the country's financial reserves the decision to borrow was partly motivated by the desire to assert creditworthiness and not so much motivated by the need to raise money for development or recurrent expenditure (Faber 1997). Most of Botswana's few public enterprises have been operating relatively well, and they have been encouraged to borrow on the strength of their own balance sheets. Grants financing has been very large partly because technical assistance, which constituted much of Botswana's aid, tended to come on a full grant basis. The same applies to the humanitarian and relief assistance (usually related to recurrent droughts), while project/capital assistance usually consists of loans which have had a grant component of at least 81.8 per cent. Because it was so poor at independence, Botswana qualified for grants from many bilateral donors and was eligible for concessionary flows from the major multilateral donors. Even when the financial position of the country improved, the leadership was inclined to negotiate for grants, and donors wished to reward the country for efficient use of foreign grants as well as to be associated with a development success story. However, as Botswana's financial surpluses accumulated, donors found it increasingly difficult to justify the continuation of grant assistance.

The uses for foreign aid have changed along with Botswana's development. From the late 1970s to the late 1980s, most aid was provided in the form of capital/project assistance to develop supporting infrastructure for large project investments, especially for developing the mining sector. Project/capital assistance was prominent for two reasons. First, fiscal policy from 1970 to 1988 emphasized development of infrastructure. Second and relatedly, the project approach to planning was nourished further by the practice, adopted by most donors, of giving aid on a project rather than on a programme or balance of payments. Capital assistance fell sharply after 1988, as a result of a shift towards technical assistance. Unlike other African countries where fiscal and hard-currency constraints dominate, Botswana is primarily constrained by labour and implementation capacity. Technical/capacity-building assistance has accounted for not less than 50 per cent of total assistance since the 1990s. Thus, while Botswana can do without the monetary value of development assistance, foreign aid is important in terms of providing technical support. The main concern is to reduce the impact of short- to medium-term skilled labour constraints and to establish long-term means of strengthening institutional capacity.

Several donors have become increasingly interested in providing support for the HIV/AIDS epidemic, environmental management, capacity-building and institutional support, private sector development including strengthening of the NGOs, and poverty alleviation. The case study below on donors' response to the government's strategy for containing the HIV/AIDS epidemic captures the themes that currently dominate aid negotiations.

The Political Roots of Success

The historical, socio-economic, and political context has influenced the role and impact of aid. Botswana's good economic management has been largely attributed to the country's ability to adapt and blend traditional and modern institutions of government (Good 1992, 1997; Acemoglu, Johnson, Robison 2003). This has been complemented by good policy choices as well as negotiation capacity (Harvey and Lewis 1990) and a capable state machinery (Edge 1998; Sharma 1998). What follows is a brief account of how inherited traditional and developed modern institutions have enhanced Botswana's success in terms of retaining and enhancing national ownership of development policies as well as national accountability, thereby fortifying national sovereignty against external pressure and making it possible to work with the international aid regime which, elsewhere in Africa, has allegedly taken over design of development policies.

Botswana's transition to independence was relatively easy and peaceful. The first Legislative Council was established in 1960, dominated by Tswana and traditional elites. Most of the founders of the Botswana Democratic Party, which has been in power since independence, participated in this Council (Gabasiane and Molokome 1987; Maundeni 2001). This meant that there was a significant degree of continuity both in terms of institutional settings and in the way they were modified. Electoral competition has been mainly between two political parties with diametrically opposed ideological orientations. The main opposition, now known as the Botswana National Front, has been associated with socialist/communist ideals, while the ruling Botswana Democratic Party has been basically a conservative/liberal party. However, the general interests of the Botswana elite have been largely homogeneous, based on cattle and landowning with appreciation of the well-entrenched system of property rights. Samatar (1999: 69–70) notes that after independence the traditional economic elite moved into the new state, thereby establishing a strong connection between large cattle owners and the government.

The political system can be described as presidential–parliamentary with expressed bias towards a strong executive presidency, a feature shared by most political systems. The president, who is the leader of a majority party in the National Assembly, chooses other cabinet officials from among members of parliament and is responsible to the National Assembly. There have been generally free and fair parliamentary and local government elections held every five years since 1965. The ruling party has won all the parliamentary elections, thereby not seriously challenged and providing unbroken continuity (except for some urban councils which have been dominated by the opposition). The judiciary is independent of both the legislature and executive branches, and there are some clear cases indicating that a determined executive can be restrained by the judiciary. The continuation and dominance of the Botswana Democratic Party has been seen as the main weakness of the country's democratic political system (Good 1997; Molutsi 1993; Molomo 2003). Since elections have been competitively free and fair, this can also be interpreted as an uninterrupted vote of confidence in the ruling party by the electorate (Maipose 2003). The unbroken continuity in government has led to continuities in policy and in the institutional arena that have contributed to good economic management.

In Botswana the political and the economic elite are more or less the same, which explains the interests of the ruling elite. This situation also has historical connection because the marginal colonial influence enabled the

Tswana political and economic institutional structure to retain its legitimacy and to guarantee continuity in the social structure of the pre-colonial, colonial, and post-colonial eras (Colcough and McCarthy 1980; Maundeni 2001). Coexistence of wealth and power is traditionally and culturally legitimate in the Tswana polity (Wylie 1990: 25–7; Parsons, Henderson, and Tlou 1995: 89), thereby providing a solid ideological orientation for the Botswana leadership. The first president, Seretse Khama, listened to conservative and market-based advisers and followed a pragmatic capitalist development strategy. While the presidents at the time of independence in Zambia (Kaunda), Tanzania (Nyerere), and Ghana (Nkrumah) were teachers and leaders with intellectual roots in 'Fabian socialism', the founders of Botswana's nationalist party, such as Seretse Khama and Ketumile Masire, were 'liberal-minded' prominent cattlemen and landowners. Being historically associated with wealth accumulation and production, the Tswana elite had an interest in upholding a legal framework governing property rights and resolving commercial disputes.

Against this background, it was not surprising that they pursued an open policy for foreign investment and did not pursue nationalization (Harvey and Lewis 1990). Botswana's leaders have not been against foreign direct investment, and the country's early opening to foreign investment was rewarded by large inflows, especially between the 1970s and 1990s. The mining sector was developed through 'smart partnerships'. The concept of smart partnership refers to strategic cooperation between the government and the private sector, where the government has shares in the company but leaves management to the private owners and is only concerned with how dividends and taxes are used. Botswana Development Corporation is the investing public company that represents and coordinates government activities in these ventures. Smart partnership also refers to annual consultative meetings between the government and the private sector – a forum at which development policies, issues and strategies are discussed – thereby institutionalizing policy ownership between the state and the private sector.

The impact of tradition and history on post-colonial institutions and attitudes is critical to understanding modern Botswana institutions and some policy choices. The pre-colonial Tswana culture regarded state leadership as crucial to the process of economic accumulation, thereby creating an interdependent relationship between the state and property-owning class and between political and economic power (Maundeni 2001; Wylie 1990). This appears to have provided a strong foundation for the government's strategy of state-led development where aid resources are centrally managed and fully integrated into a national development planning and budgetary process. Similarly, the consultative process which underlines the Botswana policymaking process is firmly established within traditional institutions, such as the *kgotla*. Traditionally *kgotla* provided a forum where the chief listened to advice and where each member of society could have a voice. The system is now frequently used by local councillors, members of parliament, and government officers to provide regular feedback and explain government policies and programmes (Harvey and Lewis 1990; Molomo 2003).

The last important cornerstone of Botswana's success was the way in which it has built state capacity. Given the inherited shortage of trained and experienced manpower, the Botswana leaders pursued a slow but smooth localization policy, enabling nationals to acquire the necessary skills and experience. The political leadership exploited legitimate ambitions to give progressive responsibility to persons who had the capacity for it, but rejected an appeasement policy, which gives in too readily to pressures based on unreasonable ambitions (Somolekae 1993, 1999a). As a result, good economic management practices, especially prudent macroeconomic management, has been relatively well institutionalized in Botswana, compared to many other African countries which rushed the process of localization. When most of the key posts were localized, the Botswana government created a policy think tank – the Botswana Institute of Policy Analysis – which the Botswana government occasionally consults (together with the World Bank) over the quality of its development policies and its general economic management.

The Government's Leverage in Aid Negotiations

Against this background, we can reflect on the aid negotiation process and the structure of aid management. Development planning and its integration with the budgetary system has been the foundation of Botswana's development management machinery and a basis for its resource management including foreign aid. National development plans were initially constructed around, but subsequently improved upon, from a 'shopping list' of locally conceived projects for which finance was sought, and this strategy gave donors the flexibility to choose projects they were interested in financing. This strategy ensured that development projects were initiated locally, and that projects which donors funded addressed government priorities (Maipose, Somolekae, and Johnston 1996: 47–9). Each medium-term development plan listed projects, priorities, and expected foreign-exchange sources, including donors who in some cases were yet to be identified when the plan was published. This system of resource management had profound positive implications for the country's ability to negotiate aid.

The institutional structure through which aid is sought and received is highly centralized within the Ministry of Finance and Development Planning (MFDP). The overall responsibility for securing, coordinating, and monitoring external assistance rests with this Ministry. Within MFDP, the Division of Economic Affairs is responsible for planing and monitoring of external assistance, while the Division of Budget Administration is responsible for overall budgeting, accounting, and fiscal planning. The Division of Economic Affairs, which houses the Development Cooperation Section, has been the key organ responsible for planning and monitoring external assistance, specifically focusing on negotiating financial arrangements; identification, planning, and appraisal of projects in conjunction with other ministries; and identification of sources of finance and submitting projects to the source of finance identified.

Another important structural feature is that the heads of all the four divisions in the Ministry of Finance and Development Planning are at the rank of permanent secretary level within the entire government structure, and the overall permanent secretary in the MFDP is above all the permanent secretaries in other ministries. Until quite recently, the vice president of the country was the minister responsible for MFDP. Thus, the institutional set-up was made deliberately powerful.

This structure operates within well-established norms and procedures (Maipose, Somolekae, and Johnston 1996). Because aid is integrated into the National Planning System, it finances only programmes and projects which the country, through its parliament or democratic institutions, has identified as national priorities. This principle has meant in practice that the government has refused aid when it was viewed as not being in the interests of the country, or when it was seen to be incompatible with already identified national priorities (Hopkins 1994; Maipose, Somolekae, and Johnston 1996). Second, the MFDP has strived to have no separate procedures for handling aid-funded projects and those financed through national funds. The same standards of scrutiny and analysis are applied to both because the government views all aid as having a cost, some of which may be hidden. Lastly, technical assistance is also integrated into the government's overall planning system. Following budgetary manpower requests by various departments, the MFDP identifies technical assistance in terms of development and manpower requirements for the economy as a whole or for specific sectors rather than on a project-by-project basis. Expatriates are used in line ministry positions rather than in advisory positions, and localization was designed to proceed gradually and systematically, replacing expatriates only when locals have acquired the qualifications and experience necessary to do the job. The government has refused to create local posts simply to fulfil implementation requirements of donor-supported projects and programmes (Somolekae 1999b: 54).

Given this aid management structure, one can understand why Botswana has never had Consultative Group meetings, where all donors discuss a country's policies and performance and make aid commitments. The government believes in negotiating with donors individually and feels it does not need donor-led coordination because this is already provided through the government's planning process. The government's general policy of reserving some sectors on a long-term basis for particular donors has encouraged donors to specialize in various sectors. This sectoral specialization has also helped the government coordinate aid, but the current situation in which there are many donors and agents of implementation for HIV/AIDS interventions has posed a number of coordination challenges, as the case study below shows.

This system for planning and aid management has worked relatively well partly because of the calibre, experience, and professional qualities of the staff of the MFDP. Nearly all the middle and senior officers in MFDP have had a working career of at least ten years, and a number have had tenures of twenty years or more. Many have been seconded or sent for further studies, but the retention rate is exceptionally high. Unlike the situation in many other African countries, MFDP officials see officers of aid agencies and foreign missions in Botswana come and go with a significant degree of institutional memory and resilience.

These planning and aid management structures have also worked well due to the political leadership of the country. The leadership has played a crucial role in instilling ethical standards and an orientation to development planning (Somolekae 1999b; Lewis 1993). Government had a vision and deliberate strategy based on the premise that where resources are scarce, prioritization and planning accompanied by effective implementation would yield fruits. This commitment to ensure that planning was successful led to the right institutional machinery being created and institutional capacity developed.

Other sources of leverage in aid negotiations include the country's good political track record and reputation of good economic management as well as the government's negotiating capacity. The government acquired advantages from the fact that its multiparty democratic system withstood the wind of one-party rule and military regimes that swept the region by the 1970s, and that it is depicted as a well-functioning democracy. The government's electoral legitimacy and its use of unique consultative processes in policymaking are sources of leverage in its negotiations with donors. Further, many donors acknowledge that Botswana has a relatively well-functioning institutional set-up of what Collier (1991) labelled 'agencies of restraint' – institutions which enforce accountability, protect public assets from depletion, prevent inflationary money printing, and prevent corruption. Because of relatively strong checks and balances, democracy in Botswana has not got corrupted into patronage politics in the sense that the government has not been dominated by patronage politics relying on resource rents, and it has rules for public spending that require tendering and careful technical scrutiny of the rate of retain on proposed projects (Collier 2007: 15).

Botswana's democracy has also provided more direct forms of leverage in aid relations. Being the only liberal democracy with liberal economic policy surrounded by racist and minority-ruled southern African states up to the

1980s and 1990s, Botswana attracted sympathy from the Western donor agencies. The country's leaders recognized how valuable a commodity like democracy had become internationally, and they engaged in a conscious effort to project their country as a liberal political and economic model for the rest of Africa (Molutsi 1993). Western democratic countries viewed the choice and sustainability of a multiracial and multiparty democracy with considerable sympathy, and this paid off in terms of aid inflows. Donors have been eager to be associated with the country's success story even after the Cold War.

The Botswana government has been assertive in negotiating aid agreements and has refused assistance when it does not coincide with government priorities and has continued to do so, as illustrated in the case study on HIV/AIDS programmes. The government is proud of its established reputation as an effective negotiator since independence, though Botswana's relative affluence (with no foreign 'debt overhang' to worry about) has certainly given the government additional leverage and flexibility in donor negotiations (Maipose and Somolekae 1999).

However, the government faces new administrative and aid management challenges. It is now widely acknowledged in official circles that the implementation and monitoring capacities are no longer as good as they used to be. This situation is reflected in the number of projects that are not done or delayed with money returned to the treasury. Furthermore, donors have increasingly turned to NGOs as alternative channels for aid delivery, with the intention to increase their capacity. Because the aid that is channelled through the NGOs has to be integrated into the country's national development planning and budgeting process, like all foreign aid in Botswana, the NGOs and the government have somewhat found themselves in a marriage of convenience: unified by common interest and requirement to serve the public, but uncertain how to ensure coordination and accountability as the government, NGOs and donors strive to make performance-based funding work. The context, issues, and challenges are illuminated in the following case study.

National HIV/AIDS Policy Case Study

One of the major challenges facing the country now and over the past two decades is HIV/AIDS. According to UNAIDS, in 2002, 14 per cent of the population – that is about 330,000 of a total population of 1.6 million – were living with HIV/AIDS, and the country was experiencing one of the fastest growing rates of HIV infection in the world. The impact of HIV/AIDS has been manifested in increased mortality rates and reduced life expectancy, increased government spending, considerable pressure on the health system, and overstretched traditional caring mechanisms. A study by the Botswana Institute for Development Policy Analysis indicated that HIV/AIDS poses a great threat to continued economic growth, mostly because of its impact on the labour force, savings, and investment (BIDPA 2000). Therefore, the HIV/AIDS epidemic is treated as a national crisis.

In line with the country's medium-term planning process, the HIV/AIDS policies and strategic plans have been developed in the context of national development plans.

When the Ninth National Development Plan (2003/4–2008/9) was produced, it endorsed the commitment Botswana leadership made with the international community to develop policies and strategic plans on HIV/AIDS by 2003. However, when the Botswana government introduced universal access in phases to the anti-retroviral therapy as well as expanded coverage of the programme on mother-to-child transmission in January 2002, it was clearly not under external pressure to do so.

The government response is enshrined in the National HIV/AIDS Policy and National HIV/AIDS Strategic Plan for the period 2003–9. These documents were formulated through the well-entrenched consultative process, which runs from the centre to the village level. The government's response emphasizes a multi-sectoral approach to dealing with the HIV/AIDS epidemic. Heads of ministries and departments are instrumental in ensuring that HIV/AIDS prevention and care are integrated into all functions of their organizations; and they are also expected to ensure that sectoral policy instruments are regularly reviewed to address HIV/AIDS issues. The government has been able to form strategic partnerships with different donors, NGOs, and the private sector to increase national action against the epidemic.

The central pillar of the National Strategic Framework emphasizes the management of the national and international responses – providing guiding principles for strengthening the management and coordination of the national responses at various levels and recommending strategies for dealing with donors' response. Thus, while the aid relationship has traditionally been bilateral, it has become a three-way affair including the government, the donor, and now NGOs or private sector entities as the actual recipients.

Except for a few private businesses, such as the Diamond Mining Company, which run their own HIV/AIDS programmes, most agents of implementation are NGOs using government and (increasingly) donor funding. These NGOs and community-based organizations are grouped under umbrella organizations such as the Botswana Network of AIDS Services Organization, the Botswana Women's NGO Coalition, the Botswana Council of Non-Governmental Organizations, the Botswana National Youth Council, and the Botswana Network of People Living with HIV/AIDS. These NGOs carry out programmes such as advocacy and promotion, provision of care and support through counselling, home-based care, poverty alleviation through income-generation projects and entrepreneurial skills development, public awareness raising and education on HIV/AIDS, and legal advice.

Donor interest in support for NGOs in particular has grown tremendously in the past decade (following increased donor HIV/AIDS funding), to the point of becoming a fad. The government supports donor efforts in this regard, but a concern voiced by several government officials at the Ministry of Finance and the National AIDS Coordinating Agency was that donors have a tendency to support private organizations without considering the prospects for their long-term financial sustainability as well as their institutional capacity and accountability. When a project cycle ends or problems arise, the government is often called upon by donors and NGOs to provide continued funding, which undermines government planning efforts and the independence of NGOs.

The government has been funding between 70 and 80 per cent of the cost of national HIV and AIDS prevention and control activities, and this has entailed taking resources from other development areas. The rest of the funding is obtained through donors, notably UN agencies, the European Union, Sweden, and the US President's Emergency Plan for AIDS Relief (PEPFAR). There are also private sector foundations such as the African Comprehensive HIV/AIDS Programme (ACHAP), the Botswana Harvard AIDS Institute, Melinda & Bill Gates Foundation, and the Merck Company Foundation. Further funds have been sourced from the Global Fund to fight AIDS, tuberculosis, and malaria. Table 4.1 provides a sketchy analysis of funding levels for HIV/AIDS from the various sources of donors. The figures represent commitments over the period of the National Strategic Framework for HIV/AIDS 2003–9. The analysis is sketchy because there is little consistency in the funded programmes and commitments range from one to five years. Some donors have either increased or reduced their levels of funding, making it hard to analyse the proportion of funding for each donor. Thus, any attempt to compare may be misleading, though the table does suggest that international development assistance for HIV/AIDS is quite high in Botswana with an estimated annual budget of US$94 million. The largest proportions come from the PEPFAR, ACHAP, Melinda & Bill Gates Foundation, and United Nations agencies.

It is important to note that the National HIV/AIDS Strategic Framework 2003–9 was purposely aligned with the Ninth National Development Plan to emphasize the long-term development aspects of the national response to the HIV/AIDS epidemic. This alignment was intended to strengthen the process of mainstreaming HIV/AIDS into national development planning, and it serves to ensure that HIV/AIDS is adequately captured within the national planning and budgetary circle and is given the necessary political endorsement in what is basically an integrated system of resource management.

Table 4.1. External funding for HIV/AIDS programmes in Botswana, 2003–9

Name of agency	Type of agency	Programmes	Budget support (US$)	Time period	Estimated annual budget (US$)
ACHAP[a]	Partnership	HIV/AIDS, TB	100,000,000	5 years	20,000,000
Melinda & Bill Gates Foundation	Private foundation	HIV/AIDS	70,000,000	5 years	14,000,000
PEPFAR[b]	Bilateral	HIV/AIDS	120,000,000	5 years	24,000,000
BOTUSA[c]	Government	HIV/AIDS, TB	12,000,000	1 year	12,000,000
DFID regional project	Bilateral	HIV/AIDS	12,000,000	Unknown	4,000,000
EU	Multilateral	HIV/AIDS	6,000,000	5 years	1,200,000
Harvard AIDS Institute	Private	HIV/AIDS	1,000,000	1 year	1,000,000
Republic of China	Government		900,000	1 year	900,000
SIDA	Bilateral	HIV/AIDS	1,700,000	1 year	1,700,000
Turner Foundation	Private	HIV/AIDS	1,000,000	3 years	333,333
GTZ	Bilateral	HIV/AIDS	400,000	Unknown	133,333
Global Fund		HIV/AIDS, TB	18,580,000	2 years	9,300,000
UN Agencies	Multilateral	HIV/AIDS	28,000,000	5 years	5,600,000
World University Service	Private	HIV/AIDS	40,000	Unknown	40,000
Total			369,240,000		94,206,666

Source: Botswana National Strategic Framework for HIV/AIDS 2003–9.

[a] African Comprehensive HIV/AIDS Partnership.

[b] US President Emergency Plan for AIDS Relief.

[c] The BOTUSA Project is a collaborative effort between the Botswana Ministry of Health, the U.S. Centres for Disease Control and Prevention/Division of Tuberculosis Elimination (CDC/DTBE), and Global AIDS Programme (GAP).

The many foreign organizations that have responded to fight the HIV/AIDS epidemic in Botswana pose new coordinating challenges for the government. The national policy on HIV/AIDS provides for a powerful and integrated institutional machinery to ensure effective implementation. This machinery builds on Botswana's highly centralized system of resource mobilization and utilization, strategically bringing together two powerful ministries: MFDP and the Ministry of State President. It is important to note that this institutional structure, though centralized and powerful at the centre, is strategically integrated and it facilitates national policy ownership. The National AIDS Council is the highest advisory body to government on issues of HIV/AIDS policy and implementation guidelines. The Council draws its membership from the public, private, and NGO sectors, and is chaired by the President. The National AIDS Coordinating Agency is the executive arm that has been set up as a department within the Ministry of State President, and which has the overall responsibility to coordinate the implementation of national response to HIV/AIDS and provide operational policy guidance to other sectors. For formal accountability, there is a parliamentary subcommittee dealing with the HIV/AIDS issue. Further, a national monitoring and evaluation body has also been established, known as the Botswana HIV/AIDS Response Information

Management System, and it is tasked to monitor and evaluate the impact of interventions through systematic collection, storage, analysis, and dissemination of HIV data and information. At the district level, multi-sectoral district and village AIDS committees have been established. The private sector response is facilitated and coordinated by the Botswana Business Coalition on AIDS, while that of NGOs is done through the networks mentioned earlier.

The 2005 budget figures provide an idea about the budgetary implications and the burden shared by various stakeholders. Government expenditure on HIV/AIDS was P1.4 billion – approximately 7 per cent of total government expenditure, and the government directly funded P900 million or 79 per cent.[2] Channelled through the Ministry of State President and the National Aids Coordinating Agency, the magnitude of this expenditure is equal to the recurrent budget of the Ministry of Health. Donors provided 20 per cent of the funding, while the private sector contributed only 1 per cent. The epidemic has also put pressure on government's total development expenditure, increasing it from P200 million in 2002/3 to P896 million in the 2007/8 budget. As a proportion of total development expenditure, costs of HIV/AIDS programmes accounted for 5 per cent in 2002/3 and rose to 10 per cent in 2003/4 and 12 per cent in the 2007/8 budget. Government intervention is focused mainly on treatment and care, while donors concentrate on human resource and programme development.

It is against this backdrop of the government's national HIV/AIDS policy and institutional arrangements for managing various interventions that the Global Fund HIV/AIDS response is examined. This particular event shows how the government asserts its own priorities and the primacy of its national structures in aid negotiations. Declared as a national emergency, HIV/AIDS has emerged as the top-most priority area of donor funding – involving many partners and posing crucial challenges of building multi-sectoral responses and coordination of development partners including new actors such as the Global Fund, foundations, and NGOs. In addition to being among the new actors, the Global Fund provides an interesting case study for two interrelated reasons. The Global Fund has its own standard aid management system – usually requiring recipient countries to form a Country Coordinating Mechanism (CCM) that brings together various stakeholders to take allocation and management decisions – and this appeared to be in conflict with Botswana's own existing coordination and management mechanism. Second, there was a highly publicized conflict between the Global Fund Botswana and the government, which led the Global Fund to withhold further disbursements and threatening to withdraw from Botswana. The conflict partly stemmed from tensions over ownership and management of aid, making it an obvious case study candidate.

Global Fund HIV/AIDS Response

The Global Fund response began in 2004 as a two-year project to scale up Botswana's multi-sectoral response to HIV/AIDS by strengthening and increasing the capacity of caregivers including the NGOs, community-based organizations, and local communities. The project was supported through a (small) grant of US$18.6 million (or about P100 million) over the two-year period to cover assistance to NGOs and community-based organizations and the roll-out of the Prevention of Mother-to-Child Transmission Programme. The Global Fund response was one of the main sources of donor funding for this Programme. A set of conditions were to be observed over the life of the project, with funds released in tranches as the conditions were met. The grant agreement was a result of long negotiations that started in 2002 over the project design and over the conditions attached to the grant. However, when the two-year period ended, the funds remained underutilized, few of the conditions had been met, and the required reports detailing programme implementation and accounting for the initial disbursement of US$9 million had not been submitted to the Global Fund. This situation led to eventual withdrawal of the Global Fund grant. Under Global Fund policy, grants that have not utilized all their funds can apply for what is known as a no-cost extension of up to six months under special circumstances, but Botswana had not yet presented the required reports as well as work plans covering the no-cost extension period – the main explanation for the deadlock. This is not a case of fund abuse, but a situation of slow absorption and delays in getting reports ready.

Project initiation and design played a major role in influencing the life of Global Fund support. As noted in the main body of this chapter, the government tends to develop its own projects/programmes – often drawing upon teams, studies, and reports (sometimes provided by donor funding) – and then selects donors for funding and technical support of government efforts. The government seeks to obtain help from the donors best equipped to provide it for any given portion of a programme. In this case, the Global Fund was one of the most appropriate and readily available donors to offer funding in the HIV/AIDS sector. The original Botswana proposal followed the standard Global Fund template application and was basically a restatement or reorientation of the country's HIV/AIDS policy and strategy for its implementation. The development assistance framework through which much of the fund was to be disbursed was the result of consultation and negotiations between the government and the NGOs. The grant agreement phase resulted into a mutually agreed-upon document. Before funds could be disbursed, the government had to have satisfied certain agreed conditions, which were meant to ensure that the government put the necessary mechanism in place to achieve the project's objectives. For example, one of the conditions required for disbursement of the initial tranche of funding was evidence that the government had established a functional highly representative Country Coordinating Committee. Subsequent funding required, among other conditions, supporting documentation for implementation of results as well as performance reports from the NGOs.

Although generally consistent with government's priorities, the initial project design was not genuinely collaborative and created some conflicts between goals of the project and those of the government. The initial project design emphasized the role of the private sector, especially the NGOs, and funds were to be disbursed by the Global Fund directly to the implementing agencies (i.e., the NGOs). The government felt that the project overestimated the institutional capacity of the NGOs and it undermined integration of aid into regular government procedures. The NGOs, on their part, resisted what they saw as government intention to bring them under its control and its bureaucratic system. While allowing operational authority for the NGOs, the government negotiated to ensure that the project was integrated into its budgetary and planning structures and resisted any attempt to create a project enclave.

Thus, the government integrated Global Fund structures relating to principal recipient and CCM into the government's existing institutional set-up. The government made the Ministry of Finance and Development Planning the principal recipient. It used the existing (but expanded) national HIV/AIDS Theme Group, which was already responsible for the overall coordination of HIV/AIDS interventions in a multi-sectoral environment, to become the CCM, and made the National AIDS Coordinating Agency (NACA) the executive arm. According to the Global Fund Framework Document, CCMs are instrumental in developing proposals and overseeing the utilization of Global Fund resources, and their responsibilities include monitoring the implementation of activities, and evaluating the performance of the programmes.

In Botswana, coordination of the project has apparently been carried out by two organs – the Global Fund Botswana CCM and the existing Botswana HIV Response Information Management System within NACA. Except with regard to reporting to the Global Fund, the CCM in Botswana appears to play a facilitative role. Rather than the CCM being the key organ developing proposals, overseeing the utilization of Global Fund resources, monitoring implementation, and evaluating performance, these roles are played by various institutions within the Botswana government that were already carrying out these functions with regard to HIV/AIDS programmes. The Global Fund also acknowledged the legitimate basis of the government's demand and agreed that the grant would be integrated into the government's budgetary system and that the government would arrange to disburse the funds to NGOs through the Botswana Network of AIDS Service Organizations, a body whose main function is to coordinate the activities of NGOs and community-based organizations (CBOs) dealing with HIV/AIDS. There is nothing basically wrong with this type of arrangement because the Global Fund aims to support national strategies and to fill in gaps in available financing, but it illustrates the government's ability to resist donor temptations that could lead to stand-alone implementation structures.

The second source of conflict that may be traced to project initiation and design relates to accountability structures. Accounting and auditing of the funds was based on current government practices for both its own and external finances, though this was probably problematic for covering the reports and accounting for the activities of the NGOs. The final project agreement stipulated that the government was to disburse funds to NGOs based on performance, to undertake project evaluation and impact assessment. The conditions on audit and records had provisions to select an independent auditor acceptable to the Global Fund, and the latter reserved the right to perform the audit required under the agreement. While a number of project conditionalities including financial accounting were mutually agreed to guide disbursement of funds during the life of the project, meeting some of these conditions turned out to be a source of conflict. The conditions might have been agreed with the hope of ignoring or modifying them subsequently. Indeed, in the absence of any evidence of fund abuse and given the country's reputation for its good management and accountability system, the delay in submitting the required reports specifically to the Global Fund can be interpreted as a tacit way of resisting what one respondent described as 'costly donor coordination', which indeed the government has avoided over the years, and perhaps even tacitly saying 'no' to this type of aid.

Global Fund financing to Botswana stopped for reasons related to performance or at least inability to account for released funds. However, although Global Fund Botswana has been in a deadlock, the government has continued with its programmes to fight HIV/AIDS including providing free anti-retroviral treatment which started in 2002. This is mainly because the government has already demonstrated a commitment to policies/programmes, and it does not agree to donor funding without ensuring sustainability of the project/programme. In this case, donor funds have been small relative to recipient resources, thereby providing no powerful incentives in its performance-based funding model to establish systems for accurate and externally verifiable reporting.

A number of observations can be made with regard to project design, conditionality, and policy dialogue. First, the government strived to ensure that the project design was consistent with its own national policies, development plan, priorities, and strategies. Although the recipient's institutional capacity and (at least) the readiness of the NGOs to implement, monitor, and evaluate the project had been overstated, the main thrust was an attempt to build on the demonstrated strength of the government – premising the project within the institutional context that ensured policy ownership and a coordinated implementation strategy. This was possible because the government had clear plans and priorities.

Second, while the government was able to renegotiate project design by ensuring that aid was fully integrated into its planning and budgetary system and met most of the obligations, such as creating the CCM and disbursing funds as required, there were some delays and difficulties in doing project evaluation and assessment of both NGOs' performance and project impact within the mutually agreed time frame. Inability to do so led to the premature termination of the Global Fund grant. Part of the problem stemmed from the very real lack of capacity – a situation in which there was more money committed to the AIDS response than there was capacity to disperse and get absorbed in order to meet the time-based, performance-based criteria. While the government (through NACA) put the blame on NGOs, particularly their inability to report on the grants, the affected NGOs felt that the government did not do much to improve on weaknesses in its own management system, including reporting on money that was used by government agencies. The capacity problem as it relates to funding of HIV/AIDS in Botswana appears to have two dimensions. First, the inability to absorb the vastly increased government and donor funding that would be translated into increased output and ultimately increased outcomes. Second, the experience has demonstrated human resource capacity constraints that appear to be limiting the response to HIV/AIDS in spite of the high level of financial resources and this problem is very critical for the NGOs for they lack qualified manpower with skills to plan and monitor their activities. Thus, inability to do what the Global Fund expected, including delays in getting things done in time, was a capacity problem. Government officers interviewed noted that the controversy generated by the project has helped to focus attention on important issues and lay the groundwork for subsequent progress, and while they appreciated the need to have evaluation reports (which they actually do), they emphasized that donors are also expected to acknowledge the government's own accounting and accountability system, such as the annual Auditor General Reports as well as parliamentary and public debates that are generated. This raises a general accountability question, though not explicitly expressed by the officials interviewed: accountability for what, to whom, by whom, and by what means?

Third, the institutional structure through which aid is sought and received in Botswana is highly centralized in order to ensure that donor projects fall in line with government priorities, to facilitate donor coordination, and to close off opportunities for rent-seeking or corrupt practices by sectoral ministries (and probably by all who get and use public money, including NGOs). This strategy ensures programme continuity after donor funding ends. In this case, the government had planned not only for the immediate but also the long-term funding for this HIV/AIDS programme. When the Global Fund withdrew prematurely, the government was able to assure programme continuity as well as NGOs' support which in fact the government had already initiated long before the Global Fund project started.

Fourth, there is an underlying tension between focusing on project results versus institutional development. This case provides a stark illustration of how a narrow focus on results by a donor can undermine the long-term impact of a project, particularly one that presumes to be building institutional capacity, which in this case was one of the main objectives of the Global Fund's Botswana HIV/AIDS programme. The government was strongly consultative and process-oriented, relying on the already existing institutional arrangements, while the donor focused, at least initially, on project output and timetables and seemingly not on institutional development. Some outside observers noted that for many countries (unless they are known to be least corrupt), performance of a grant should not be seen to be assessed by how rapidly it is disbursed, otherwise it will provide an incentive for donors to allocate money carelessly and a possibility for recipients of siphoning off significant amounts without anyone noticing.

Lastly, although the magnitude of the financial assistance increases a donor's leverage in negotiations, it is still possible to negotiate and modify a donor's initial proposal. It is even possible to come close to saying 'no' to the aid offer. However, the Botswana government does have a good management record on its side and has alternative means of funding its own programmes, which give it more leverage in negotiations than other African governments may have. Subsequent project redesign was possible largely because the government could point to its good track record and tradition of not allowing donors to hurry its consultative policymaking process.

Conclusion

The most important factor for explaining why the Botswana government has been able to determine its own policy agenda is the country's planning system. Development planning, which had fallen out of favour in policy circles until quite recently, has never been abandoned in Botswana. This planning system allows the government a sustained degree of control over the development process, especially its capacity to coordinate donors, and over the resources it has to match and balance external support. The established procedure for dealing with external funding agencies is to approach potential donors with a programme agenda and projects already in the development plan and to engage in dialogue with individual bilateral or multilateral donors about how to finance the country's development effort. Donors select projects to support from the plan and assess how much support to give to Botswana's total programme through project aid or programme support. Knowing the preferences, constraints, and modus operandi of the different donors, the Botswana government tries as much as possible to match donors and projects in a way that tends to optimize the net contribution to Botswana and to allow donors to specialize or concentrate in certain sectors. Because donor-funded activities have been limited to projects and programmes drawn from government's Development Plans and its associated recurrent expenditure plans, generally there has not been much tendency to establish activities which are dependent on donors for their motivation, initiation, implementation, or subsequent continuation. If one donor is not interested in financing a particular area, another donor may very well be without altering government priorities. Second, an increasing share of development expenditure in Botswana is financed from domestic resources, making the country less exposed to the effect of donor fads, and if certain priority areas are left by the donors, the government has the financial means to simply pick up the tab.

Furthermore, strong planning and coordination by the government have rendered formal donor coordination mechanisms unnecessary, both at the national and sectoral levels. Insisting that donors specialize in sectors has helped the government ease the administrative burden of coordination and improved efficiency. Although donors have been encouraged to consult on an ad hoc basis, the government has resisted the establishment of donor coordinating mechanisms when it felt they might be used to undermine government priorities. By insisting that projects and foreign personnel be thoroughly integrated into local management structures, the government helped ensure that project management would respond to its concerns.

It is also clear from Botswana's experience that ownership is not bestowed by the donor, it must be asserted by the recipient. Ownership was enhanced when donors engaged in genuine consultation during project design and implementation and showed concern with process as well as outcome. Donor behaviour did not always conform to rhetoric, however, particularly when the donor placed disproportionate emphasis on achieving time-bound project outputs. In such instances, the government showed that concerted efforts during project negotiation and implementation helped to ensure that recipient priorities were respected. Although increased financial resources and local expertise has increased the government's leverage in donor negotiations, the willingness to devote time and effort to negotiation is at least equally important. Additionally, the recipient's willingness to refuse aid (for development reasons) is the basis of its leverage and can force donors to modify positions that may have been presented as non-negotiable. It is also clear from Botswana's experience that establishing or strengthening institutions is a long-term process, which must be measured in decades rather than years. Many donors have been engaged in such a long-term effort in the education and human resources sector with demonstrable results. In contrast, when donors become obsessed with timetables and project outputs, institutional development and recipient ownership can be undermined.

Notes

1. The main reason why Botswana has avoided a debt crisis is that the government has been cautious about external borrowing and it established the Public Debt Service Fund for servicing or repaying the government's debt, which could quickly pay off the entire government debt if it was advantageous to do so (Faber 1997: 322–3).
2. Bank of Botswana, Annual Report 2006, p. 100.

Interviews in Gaborone, Botswana

Arnold Madikwe, Director Development Cooperation, Ministry of Finance & Development Planning. April and August 2007.

Kelly Moichubedi, Deputy Director, Development Cooperation, Ministry of Finance & Development Planning. April 2007.

B. Peter, Deputy Director, Budget Division, Ministry of Finance & Development Planning. April 2007.

J. Molomo, National Coordinator, National AIDS Coordinating Agency. April 2007.

Monica A. Tselayakgosi, Programme Planning Manager, National AIDS Coordinating Agency. April and August 2007.

Lenard Dikobe, Programmes, United Nations Development Programme. April 2007.

K. Mulebatsi, Programmes, United Nations Development Programme. April 2007.

David Ngele, Botswana Network of AIDS Services Organization. April 2007.

Daniel Motsatsing, Botswana Network of AIDS Services Organization. April 2007.

Christine Stegling, Botswana Network on Ethics, Law, and HIV/AIDS. May 2007.

Z. Dewah, Former Director, Botswana Confederations of Commerce, Industry, & Manpower. May 2007.

J.M.N. Pitso, Academic and Consultant, Population Studies, University of Botswana. April and August 2007.

Thabo Seleke, Academic and University of Botswana Representative on HIV/AIDS Coordinating Committee. May 2007.

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5

Ethiopia: Retaining Sovereignty in Aid Relations

Xavier Furtado and W. James Smith[1]

When Ethiopia first entered into relations with donors in the 1950s, it did so as a sovereign state – one that had been established, in varying forms, for several hundred years – with its own domestic governance structures.[2] In this respect it was quite unlike most other aid-recipient countries, which began receiving aid upon independence in the mid-1960s, in a context of weak domestic policy-setting structures, and almost as an extension of colonial/mother-country relations. One of the implications is that the act of entering into relations with aid donors tended to be seen by Ethiopians at the time, and still is, as a meeting of equals. Government is therefore more assured of its own directions, of its entitlement to set the development agenda, and of its stature vis-à-vis donors than are the governments of the other low-income African countries studied in this volume.

At the same time, Ethiopia has historically been somewhat isolated and, at times, isolationist, having had relatively little interaction with the outside world. With the exception of the brief, and failed, Italian attempt in the 1930s, highland Ethiopia has had no colonial experience and generally limited external trading relations. The official apparatus is, therefore, not particularly comfortable dealing with outsiders and historically has not been particularly comfortable in dealing with outsiders openly. There is a tendency to be somewhat closed and reserved, which can be perceived by donors as an unwillingness to engage in transparent discussions and policy dialogue. These factors, combined with the heavy preponderance of emergency relief assistance in the aid basket, fundamentally condition the aid relationship and in turn affect how the government perceives and manages aid.

Until recently Ethiopia has received relatively low levels of development assistance. This is to some extent because there was no former colonial power that felt compelled to provide bilateral support, but also because following the revolution of 1974 Ethiopia was perceived as being on the 'wrong' side during the Cold War. The aid that was provided has been channelled largely to humanitarian and famine relief efforts. Thus, per capita aid levels are far below those of most low-income countries. In the period 2004/5, for example, Ethiopia received US$15 per capita in development assistance, compared to US$49 per capita for sub-Saharan Africa as a whole.[3]

There are some additional attributes of the Ethiopian system that differentiate it from other donor recipients and which affect the flow of government–donor and donor–government influence. One is the federal system, under which nine Regional States have a great deal of autonomy – at least in theory – for delivering most health, education, water supply, and transport services (the sectors that typically account for much of aid-financed activities) and to whom much of the budget is transferred in the form of block grants.

The second is that a culture of discipline and performance pervades government and the civil service. As a consequence, corruption and leakage are generally low, and service delivery systems usually function in a way that they do not in most other very low-income African countries. For example, teachers show up at schools and teach, and immunization teams get out to remote areas and actually deliver vaccination services. At the same time, there is a seriousness of purpose to the government. Once it decides that something is a priority it acts on implementing it. While slow and at times reluctant to come to agreement with donors, once agreement has been reached programmes or policies are implemented.

Third, Ethiopia is one of the few countries in the world still consistently receiving substantial quantities of food aid, and this somewhat distorts the aid picture. Such humanitarian relief has averaged about $330 million per year in the recent past and accounts for almost a third of all donor inflows.[4] These large levels of relief assistance involve little discretionary power on the part of government to influence donor behaviour, and given the fixed aid budgets of donors, almost certainly come at the expense of greater development-focused aid to Ethiopia.

The Aid Story, 1950–2005

Understanding the historical evolution of aid in Ethiopia, especially the stop–start nature of aid flows and on-again/off-again nature of government–donor relations, is central to appreciating how aid is perceived and managed. Ethiopia was one of the earliest developing countries to receive aid in the modern sense. There was a slow build-up in aid levels during the 1950s and 1960s, which was disrupted by the revolution of 1974, when Emperor Haile

Selassie was deposed. Aid was resumed during the Derg regime (1975–90), but at low levels as Western donors struggled with the ideology of the state, its perceived alignment with the Soviet Union, and the at times repressive nature of the regime. During this time, relations between donors and the government were often fractious, but the government definitely set its own agenda.

There followed a period of prolonged civil war, associated with both resistance to the Derg and the liberation struggle in Eritrea, which culminated in the overthrow of the Derg and the establishment of the current government in 1991. Aid levels once again began to grow, and in the mid-1990s the donors provided substantial increases in aid to support an agreed set of sector programmes, most notably in the health and education sectors.

In 1998, however, war broke out between Ethiopia and Eritrea, and bilateral donors largely withdrew aid, leaving programmes in these sectors unfunded. There was tacit agreement during this time that bilateral donors would generally fund only humanitarian assistance to avoid the perception of indirectly funding military expenditure, while the World Bank would maintain basic development aid levels. The view of the Ethiopian government is that the aggression was instigated by Eritrea and that it was unfairly penalized by the withdrawal of support. This episode did substantial damage to donor–government relations and created a deep-seated sense that the donors were unreliable partners.

After peace was re-established in 2000, the donors began a slow return, but it took a long time for trust in the donors on the part of the government to be re-established. This was followed by a very substantial increase in aid from 2002 to 2005, partly in the context of the Millennium Development Goals (MDGs) and partly as donors belatedly recognized that Ethiopia's development status justified much higher levels of assistance than had been delivered in the past. Average aid inflows as recorded in the budget approximately doubled from 2000 to 2004, as shown in Figure 5.1. This growth has been accompanied by a shift to new aid modalities, particularly budget support, and new mechanisms for managing government–donor relations. However, the story does not end there. With civil unrest following the 2005 national elections, donors have recently largely withdrawn direct budget support, resulting in yet another rupture in both aid flows and government–donor relations, which is discussed later in the chapter.

The Aid Picture

It is difficult to say with precision how much aid Ethiopia receives because, as in many developing countries, much financing is provided outside of official government channels. In the recent Public Expenditure Review, we calculated

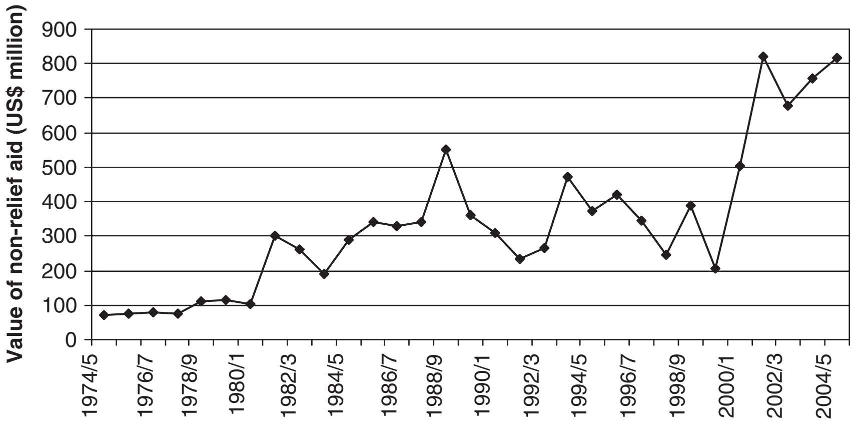

Figure 5.1. Ethiopia – total aid net of relief

Note: Data are available only in current US dollars, so the figures tend to overemphasize the increase in real aid levels over a long time period, especially during the period of high US dollar inflation in the early 1980s.

Source: Authors' own calculations, using data from government and donor sources.

that in 2002/3 Ethiopia received approximately US$800 million in aid and about half as much again from off-budget sources.[5] Off-budget sources include many bilateral donors who do not channel their funds through the government budget, NGO activities, and increasingly new donors such as the Global Fund. These sources, and their implications for aid management, are discussed in the following section. Figure 5.1 shows aid received annually over the past thirty years and clearly illustrates both the high variance in aid flows over time and the recent big increase in aid levels. An incidental benefit of the relatively low historical aid levels is that Ethiopia has not been subjected to the same proliferation of donors and large number of uncoordinated bilateral and NGO initiatives that have plagued the other aid-dependent African countries in this volume, resulting in less diffusion of government control of the development programme in Ethiopia, at least not to the same extent as elsewhere. However, the number of donors and of such projects has been increasing in recent years.

Ethiopia has historically received a fairly low proportion of bilateral aid (exclusive of emergency relief) and a generally higher proportion of multilateral aid. Over the past five years, bilateral sources have accounted for about 45 per cent of aid (based on the UNDP data), and multilateral sources account for 55 per cent. The largest multilateral donors were the World Bank/IDA (about 53 per cent), the UN system (particularly UNICEF and UNDP, with WFP providing substantial emergency relief), the European Union (17 per cent), and the African Development Bank (11 per cent). The largest bilateral donors historically have been the United States, Japan, Italy, and Canada (in that order), followed in almost equal shares by Germany, the Netherlands, Norway, and Ireland; although aid from the UK has been increasing dramatically in recent years.

In terms of donor coordination, no single donor dominates. The World Bank provides the largest share of financing and has historically had a special relationship with the government, partly because the Bank stayed in when bilateral donors pulled out during the war. As in most countries the UNDP and the World Bank have generally taken the lead in in-country donor coordination, although leadership has to some extent been shifting to bilateral budget support donors in the last few years. Donor coordination mechanisms are discussed in more depth later, but broadly coordination takes place at three levels. The first level involves sector groups, which are of varying strength and effectiveness, generally being most active in the social sectors. Unusually, most sector working groups in Ethiopia do not involve the government as a member, but serve only to manage consultation among the donors. The second level is broad country-level fora, such as the Development Assistance Group, which includes all donors but serves more as a forum for consultation than for actual coordination of aid funding or activities. Third are more focused and selective groups, such as those which handle the policy dialogue around direct budget support or the joint donor–government group on public financial management.

The composition of aid has been shifting in recent years, from loans (which provided about half of financing until recently) to grants, largely as a result of the World Bank's move to provide all-grant financing in conjunction with the enhanced Highly Indebted Poor Countries (HIPC) initiative. During the 2004/5 fiscal year approximately US$360 million was provided in the form of budget support. The presence of large discrete budget support operations and the very large (and unpredictable) levels of emergency relief contribute to substantial year-to-year fluctuation in aid levels, making it difficult to generalize about the composition of aid over a relatively short time-frame.

Aid spending has been spread fairly uniformly across the sectors. Although there has been a shift to budget support and programme-type interventions in recent years, much of the financing in support of the health and education sector programmes is still provided through project assistance. To the extent that aid is concentrated, it supports core social sector activities and infrastructure, areas where there is relatively little disagreement between donors and government. The effect of this donor financing of basic services, combined with the increase in direct budget support, has been to allow the government to spend more of its own money on capital projects and on services on which the donors are not always in agreement, such as the expansion of technical and university education, the building of health facilities, and urban infrastructure.

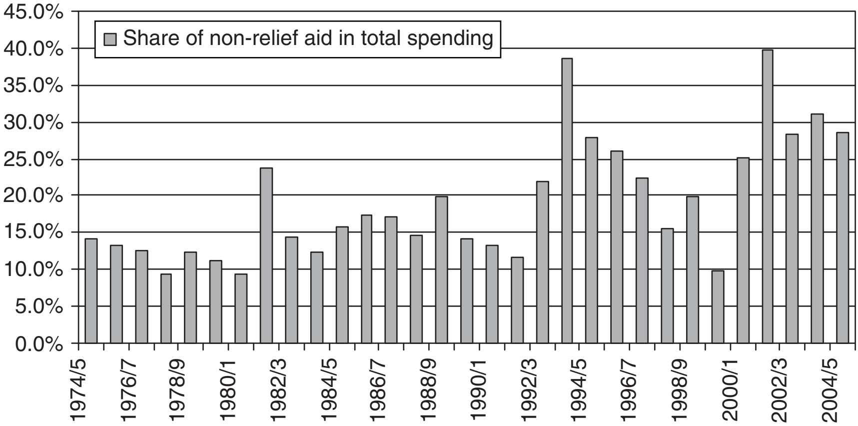

Figure 5.2. Ethiopia – levels and variance of aid dependency, 1974–2005
Source: Authors' own calculations, using data from government and donor sources.

How Much Does Aid Matter?

Measuring aid dependence is problematic, but the share of public spending financed by aid provides a rough indicator. We calculate that foreign aid (excluding food relief expenditures) has varied between 25 and 40 per cent of total public expenditure in recent years (see Figure 5.2).[6] However, over the period since 1974/5 it has averaged only 19 per cent of public spending. Historically donors have not been that important as a source of financing, at least not compared to the aid-dependent countries in this volume. The increase in the importance of aid in financing the budget is relatively recent, and if it is sustained, we may be in a transitional period regarding the way government and donors interact. Note that once we add the off-budget donor flows (estimated at another US$400–500 million per annum) and relief aid, this changes the picture to some extent, with the share of foreign financing in total public spending rising from around 31 per cent of budgeted spending in 2004/5 to an estimated 40 per cent.

The storyline that emerges is that aid dependence has varied a lot over time, but that it has been increasing in recent years. This has implications for the subsequent discussion, since there is a dynamic and still-evolving story on government–donor relations. Perhaps most importantly, the stop–start nature of aid flows triggered by political factors explains much of the variation in public expenditure, undermining government's confidence in the donors. Changes in revenue levels associated with political disruption and changes in aid levels explain the majority of variance in public spending in Ethiopia; external shocks and drought have historically had only a limited effect on public spending (World Bank 2004). A corollary of this is that beyond a point the government does not so much aim to manage aid flows but rather to act independently of them.

How Much Flexibility Does Government Have in Financing Its Development Programme?

Domestic revenue is probably close to the limit (16 per cent of GDP). Although revenue is targeted to rise, in a $150 per capita income economy there is little surplus to tap, implying significant dependence on aid if the government is to pursue its current ambitious plans for major investments in infrastructure and scaling up to meet the MDGs. The government is pursuing a multi-pronged approach to solving this problem. First, it is seeking support from non-traditional donors, such as China, who the government hopes will provide financing with fewer conditions related to domestic policies and politics than current donors. Second, it is appealing for a scaling-up of aid from traditional donors on the grounds of achieving the MDGs and absolute need, plus a track record of good management. Third, it is instituting additional revenue measures, with a target of 17.8 per cent of GDP by 2010. Fourth, it shows signs of relaxing its historical fiscal discipline to some extent. For example public spending rose by 21 per cent in 2004/5, with greater recourse to domestic financing to cover the gap between spending and revenue.

The national elections of 15 May 2005 and the ensuing political violence and political turmoil are resulting in a number of significant changes to how the donor community is engaging with Ethiopia. While there was no evidence to suggest that the Ethiopian government had become any less focused on poverty alleviation, the post-election violence raised concerns among donors regarding the policy and institutional environment into which they had been providing increasingly large amounts of discretionary support. By November 2005, donors were planning to provide approximately US$375 million in general budget support, with plans to raise budget support disbursements to US$500 million in the following fiscal year. In withholding budget support resources, donors left the Ethiopian authorities with insufficient resources to meet sectoral spending targets.

The level of trust between donors and the government deteriorated quickly. The government's relationship with the international community became acrimonious as embassies insisted on the release of imprisoned opposition leaders and the government repeatedly insisted that those imprisoned had broken the law and that their cases should be handled through the courts. In the February 2006 discussions with donors, the Ministry of Finance argued that donors had failed to fulfil their commitment to provide predictable support based on an objective assessment of the government's performance to date. After some consideration, donors designed an alternative support programme, the Protection of Basic Services, to compensate for the unanticipated loss of budgetary income while also addressing some long-standing issues for donors that had bedevilled policy discussions around general budget support.

The Political Context

Democratization in Ethiopia is a relatively recent phenomenon, beginning with the violent end of Emperor Haile Selassie's reign in 1974 and the rise of the Marxist regime of Colonel Mengistu Haile Mariam (the Derg). While Ethiopia's political institutions such as multiparty legislatures at the federal and sub-national levels might suggest the existence of a long-standing federal democratic system, closer examination reveals a country (and a political system) in transition, one reminiscent of Eastern Europe after the Cold War.

Since the fall of the Derg in 1991, politics has been dominated by the Ethiopian People's Revolutionary Democratic Front (EPRDF), a coalition of political parties from several ethnic-based regions and dominated by the Tigray People's Liberation Front which led the armed struggle that overthrew the Derg. Until the country's third national election in May 2005, the EPRDF dominated all legislatures, assuming almost 90 per cent of the 547 seats in the House of People's Representatives. The long-term dominance of the EPRDF resulted in a high degree of asymmetry between the EPRDF and opposition parties. This dominance, combined with a history of totalitarian rule, stymied habits of democratic debate and negotiation. The political system is thus characterized by a high degree of confrontation and a low degree of negotiation and policy accommodation.

The country's governing structures and policy-setting mechanisms reflect two competing pressures. While pursuing further decentralization, the EPRDF maintains a highly centralized decision-making structure and control over policy formulation. These simultaneous tendencies towards centralization and decentralization have helped the federal government retain control over its core policy agenda in areas such as food security, agriculture, liberalization, and the role of the private sector, while holding sub-national governments responsible for the implementation of important social sector policies.

With the fall of the Derg in 1991, the new government began to implement a radical policy of administrative decentralization involving the current nine (originally twelve) regional governments and two special administrative areas. While the 1995 constitution ensures that the federal government retains the mandate to set overarching national policies in a variety of sectors, regional governments are provided considerable autonomy and latitude in deciding how budgetary resources are allocated.[7] While Ethiopia's governance and administration may be becoming increasingly decentralized, the policy and decision-making structures of the EPRDF remain highly centralized.[8] Certainly the Council of Ministers, nominally the highest policymaking body, is a key forum for policymaking across a wide array of important sectors. However, in order to truly understand the policymaking process, one must account for those institutions within the executive and the EPRDF that play central roles in setting national policy, such as the Prime Minister's Office and the EPRDF Central Committee. The result is a policymaking system that can at times bypass representative institutions such as the House of People's Representatives, while putting significant responsibility for policy implementation on sub-national institutions. This situation reflects tensions between centralized authority within the ruling party and simultaneous pressures to decentralize administrative decision-making in order to win public support.

Government's Development Vision

Past growth has generally been weak, with per capita GDP growing at only 0.3 per cent per year over the period from 1961 to 2003. Despite recent successes, including GDP growth of 5 per cent per year over the last five years, per capita consumption remains around US$100 annually and only recently rose above the levels it had reached in the 1970s. The government's policy stance has been driven by a concern with rural areas and a state-centred view of development. The EPRDF grew out of a peasant-supported guerrilla movement and has been strongly influenced by these roots, until recently focusing very much on the rural economy and population. The mainstay of policy for the past ten years has been the Agricultural Development-Led Industrialization strategy, which saw the growth of small-scale agriculture as leading to industrialization through backward and forward linkages. This strategy was combined with a strong sense that government was responsible for delivering services in all sectors (including industrial development, finance, and agriculture) and for being the main agent of change and development.

This statist agenda and strong centralized system has doubtlessly brought some benefits. The focus on rural areas and agriculture is appropriate in a country where 80 per cent of the population is subsistence farmers. The functioning civil service system, low corruption, and progressive land redistribution during the Derg are other examples. However, this model has led to (until very recently) limited private sector investment and ossified systems in some of the productive sectors, contributing to weak economic growth. Although a lot has changed in the past five years, there is still scepticism within government regarding the role of the private sector. There is a general preference for cooperatives, party-owned firms, and state enterprises on a scale seldom seen elsewhere any more. For example in 2002/3, 73 per cent of large-scale manufacturing industries were still in the public sector. Generally, the government has resisted moves towards liberalization, but there are divisions within the government and the ruling party, with some elements supporting more rapid change and others resisting it. Examples of this and the impact on government–donor dialogue are discussed below. Resistance to liberalization is based on a complex web of factors. To some extent it is rooted in legitimate concerns, such as the desirability of phasing reforms slowly to avoid adverse welfare consequences, especially in the absence of a robust domestic private sector, such as with the opening up of fertilizer marketing. To some extent it is rooted in retaining control, such as with telecommunications, and in protecting revenues and influence of public bodies. And to some extent it is rooted in ideological bias.

The country's first Poverty Reduction Strategy Paper (PRSP), the Sustainable Development and Poverty Reduction Programme (2001/4), was largely an affirmation of the Agricultural Development-Led Industrialization strategy as well as ongoing sector and capacity-building programmes. The PRSP process started in 2000 as a donor project. As in other countries, it was a requirement for HIPC eligibility and for continued World Bank and IMF support. The government initially took the view that it already had its own strategy consisting of the party platform, Agricultural Development-Led Industrialization and 5-Year Plan, so the PRSP was largely seen as another hoop to jump through to satisfy the donors.

However, there has been a substantial process of discussion and internal consultation on preparation of the second PRSP (Programme to Accelerate Sustainable Development to Eradicate Poverty), involving wide-ranging discussion within ministries, with the Council of Ministers, and with parliament. It is regarded as an Ethiopian creation. The second PRSP also involves a shift in emphasis, with a greater focus on growth and the signalling of an agenda in which the private sector plays a larger role. The PRSP in Ethiopia is now partly a 'national project' in terms of defining a comprehensive national development strategy, partly a response to donor expectations, and partly a simple aggregation of existing sector plans and programmes. At the broad level, it provides a platform for agreement on donor support and signals some movement towards increased convergence between donor and government perspectives.

Government–Donor Relations

We have constructed a conceptual framework for thinking about the trade-off between aid and ownership that recipient governments confront. This framework (illustrated in Figure 5.3) has three overlapping spheres of policy

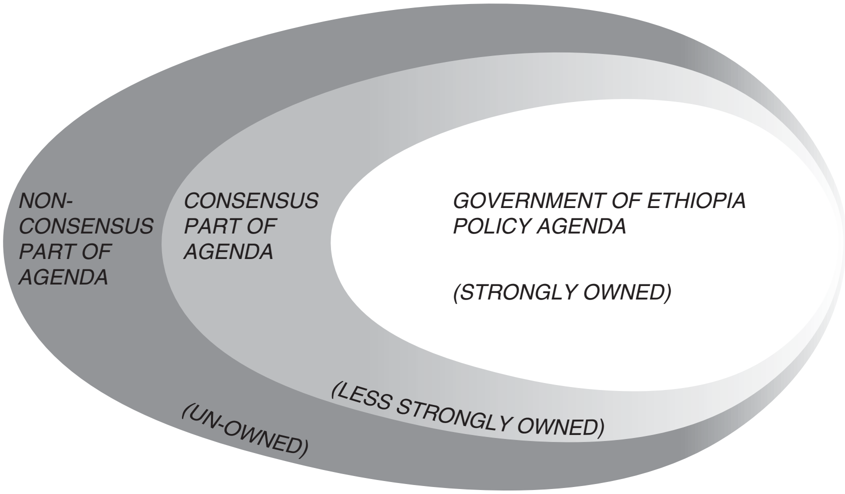

Figure 5.3. The aid-ownership frontier

and programming, characterized by their differing degrees of government and donor ownership and influence. There is a core domestic agenda, which in Ethiopia is quite comprehensive and strongly owned. There then exists a part of the development agenda negotiated at the margin with donors that is more or less mutually agreed, but which is somewhat less strongly owned by the government (and somewhat less large than the donors would like). Finally there exists part of the development programme that wholly originates from donors, either in terms of policy reforms or in project activities, which enjoys almost no government ownership but has nonetheless been adopted under aid agreements. In Ethiopia this part is substantially smaller than in the country cases explored in this volume so far. As a result, there is stronger ownership, but less of what the donors want in the programme.

The core section of the policy agenda that is strongly owned includes the government's approaches to agriculture, economic management, the pace of liberalization and its commitment to improving basic social services, especially in rural areas. On some of these there is common ground with the donors, for example on much of the primary education agenda and on the importance of food security measures. On others there is much less agreement. Examples include the approaches to the financial sector, industrial development, or agriculture, where donors in general do not share the government's views regarding the role of the state as the prime service delivery agent and instrument of change.

At the other end of the spectrum are policies embraced entirely by the donor community but which are not shared by the government, or enjoy very little government support. This is the ‘non-consensus’ part of the agenda. Examples include liberalization of the fertilizer distribution system, where donors have been pushing for change for many years; the financial sector, where donors would like to see the state assume a less dominant role for the large state-owned banks and some competition from foreign banks; or telecommunications, where donors argue for an end to the monopoly of the state-owned telephone corporation and internet service provider. In this category there are also projects and technical assistance initiatives which have been designed and launched by donors, some of which the government may grudgingly have accepted, but which enjoy little or no ownership.

In between there is a range of policies and programmes on which there are varying degrees of agreement. Examples include the very large technical and vocational training programme launched by the government. While donors agree there is a desperate need for more trained labour, they are concerned with the size of the programme and with the quality, relevance, and effectiveness of the training being provided by the public system. Another example is the expansion of health infrastructure. The government is committed to a massive programme of constructing new health posts and hospitals, while donors generally feel that there is little point in building new facilities if they cannot be adequately staffed or supplied. These disagreements are difficult to resolve. There are legitimate needs in almost every sector, and the differences between donors and the government are really ones over relative priorities (such as spending on universities versus primary education), how much can be afforded at once, and over preferred modalities and interventions. In the end, the donors have relatively little influence, as their money and attention is largely absorbed in the sub-sectors where they are most active and where there is less disagreement (e.g. in basic education). Some of the contested policy issues are elaborated below.

Telecommunications

All telecommunications, including internet and mobile phone services, are provided by the government-owned Ethiopian Telecommunications Corporation (ETC). Donors have been encouraging liberalization to introduce competition, lower fees, expand service levels, and tap private investment capital to free up the pressure for public financing of expansion. The government has been reluctant, partly because ETC generates substantial revenues, partly because it does not feel ETC is yet ready for competition, and partly because it wants to retain control over the system which is of significant strategic and political importance.

Fertilizer

Fertilizer pricing has been liberalized, but distribution has still largely taken place through quasi-government channels, with international procurement being managed by a government body, local distribution linked to agricultural extension agents, and credit supplied or at least guaranteed by the regional governments. Donors have been pushing for steps in liberalization for many years, essentially arguing that the government should not be in the fertilizer business. The view of the government is that the private sector distribution network is not adequate to ensure supply and will take time to evolve and that the foreign exchange implications of fertilizer imports are too important for the government not to be involved. There is also a long-established central planning mindset that sees use of fertilizer in terms of publicly set targets, but this is grounded in a deeper sense that something as critical to the country's food supply and economic performance is too important for the government not to be involved in.

Local Government Expenditure and Reporting

Responsibility for delivery of basic education, health, and infrastructure services was devolved in 2002/3 to local-level *woreda* governments. Consistent with the principle of decentralization, this was accompanied by the transfer of funds as untied 'block grants' to *woreda* governments. This presented difficulties for donors in accounting for budget support funds and influencing the actual composition of public spending. There were also concerns related to the adequacy of block grants relative to the needs of *woreda* governments and the timeliness of reporting on how grants were spent. The federal government took the position that local governments must retain the flexibility to spend resources as they saw fit. The federal government also argued that reporting delays were a transitional problem and that they would be fixed once public financial management reforms were fully operational.

Education Spending Priorities

Although absolute amounts have increased, the share of education spending going to primary education has declined in recent years, partly because of a large push to expand university and technical/vocational training. Donors have typically taken the position that priority should be assigned to funding primary education, consistent with conventional wisdom in development circles in the recent past, as it most benefits the poor. The government takes the position that higher-level education and training is also critically needed if Ethiopia is to have the skilled manpower and professionals needed to break out of poverty.

The Government's Optimization Problem

The government's objective, presumably, is to implement as much of its agenda as possible. This means maximizing resources to finance as much as possible, while giving up as little sovereignty in terms of control over the policy agenda as possible. The ruling elite is not motivated by financial gain or personal returns, as much as by a desire to implement a given vision of development for Ethiopia and to achieve political goals. The government maintains the view (widely supported in Ethiopia more generally) that it does not want outsiders too closely involved in domestic matters.

In thinking about how the government manages aid, there are a number of complicating factors. One is the role of off-budget assistance. Ethiopia, like many developing countries, receives much external assistance that is outside the framework of the formal government–donor aid apparatus. This consists of three types: (*a*) bilateral aid from traditional donors that does not go through the budget, such as aid that supports entirely donor-designed projects and technical assistance; (*b*) new sources of off-budget aid, such as aid from the Global Fund, US President Bush's Emergency Plan for AIDS Relief, and NGOs, which are significant and growing;[9] and (*c*) aid from non-traditional donors such as China, aid in kind, direct payments, export credits, and quasi-commercial assistance to public enterprises such as the aid financing provided to telecommunication or electricity utilities for network expansion.

In managing aid, the government tries to balance all these resources in their totality in order to maximize the combination of control over the agenda and the inflow of resources. We are seeing only part of the picture (and perhaps misdiagnosing the process) if we focus only on the agenda as negotiated under the policy-based part of the aid package, and if we focus only on the formal aid management structures and mechanisms. The following section discusses the formal channels for aid coordination and management, but in reality there are two parallel processes at work. There are negotiations with providers of off-budget donor financing, some of which may allow the government more or less latitude in determining the content of the policy agenda, as well as parallel mechanisms such as those involving the executive branch or within the ruling party, which may be as important as the formal aid coordination mechanisms.

In general, the government has a clear preference for untied budget support, both because it maximizes its flexibility in deciding what to finance and it lessens the administrative burden of aid accounting. However, this process is currently in a state of hiatus. The government has also been making an effort to bring more aid on budget, but there are somewhat contradictory incentives at work here. At the same time it is bringing in additional typically off-budget donors (such as China or the Global Fund), which allows greater financing of programmes with less pressure on the broader governance or liberalization agendas.

Ethiopia's Aid Management Framework

The Ministry of Finance and Economic Development (MOFED) retains the exclusive mandate to negotiate bilateral and multilateral assistance programmes on behalf of the Ethiopian government. It therefore plays a central role in coordinating the framework for aid management and dialogue. The Development Assistance Group, which includes virtually all donor agencies active in Ethiopia and is coordinated by a rotating set of members, serves as the main coordinating body on the donor side for the various working groups that comprise the aid management framework (summarized in Box 5.1). The aid management framework and the multiplicity of groups therein reflect global evolutions in development thinking and in particular the advent of general budget support and performance-based approaches, which have increased demand for additional joint donor–government fora. In principle, these groups are meant to facilitate policy discussions and resolutions of disagreements between donors and government agencies.

The multiplicity of groups included in this framework has placed additional stress on the government's existing capacity constraints. These capacity constraints often pose a challenge to the effective functioning of the aid management system. Ethiopia's capacity constraints are partly a function of the severe limitations of the public education system and of the tendency of most better-educated individuals to seek opportunities outside of the public sector (World Bank 2001, 2005). While government officials tend to be competent in their respective fields, very few officials are available to manage the process and the multiple demands placed upon them. There are only a handful of strong senior people in most government ministries, and few people below them are of sufficient seniority to interact directly with donors. Low salaries and heavy workload make it increasingly difficult to attract and retain people with the necessary skills. The problem is compounded by a governing system in which all decision-making is concentrated at very high levels, but where sub-national administrations are being asked to assume greater responsibilities and without the necessary technical and human resource capacity (Watson 2005). The fact that the aid management framework has at times exacerbated the government's capacity constraints is quite an irony when one considers that part of the rationale for budget support and donor coordination was to reduce the transaction costs on both donor agencies and recipient government officials.

Donors have offered additional technical assistance to help the government engage in these various fora and build the reporting and technical capacity to meet the data and analytical needs of various groups. While donors

Box 5.1. JOINT DONOR–GOVERNMENT POLICY FORA

Forum	Composition	Mandate
High-level forum	Heads of donor agencies, Ethiopian Prime Minister, Ethiopian Minister of Finance, other key federal ministers and state ministers	Meets semi-annually to discuss high-level development policy and coordination issues
Public Financial Management Committee	Technical staff from MOFED, technical staff from donor agencies. Chaired jointly by selected donor agency representative and Head, Macroeconomic Policy and Management Department within MOFED	Meets quarterly to discuss broad public financial management issues, as well as ensure adequate ongoing attention to Joint Budget and Aid Reviews, annual Fiduciary Assessments, and the general macroeconomic situation
Joint Budget Support Missions	All budget support donors, technical staff from MOFED led by senior MOFED state minister; other state ministers involved as necessary	Held semi-annually to discuss overall allocation and sectoral expenditure patterns, results achieved to date with budget support resources, quality of aid in the budget, and public financial management issues
Public Sector Capacity-Building (PSCAP) Joint Working Group	All PSCAP donors, technical staff from MOFED, and the Ministry of Capacity-Building	Supposed to meet regularly to discuss PSCAP implementation to date, challenges and next steps. Supported by semi-annual Joint Supervision Missions which undertake more in-depth thematic and regional reviews
Protection of Basic Services Joint Review and Implementation Support Missions	All budget support donors, technical staff from MOFED led by senior MOFED state minister; other ministries involved as necessary	Quarterly review missions, each focusing on a specific theme/sector
Health Sector Development Programme	All donors supporting the health sector, technical staff from the Ministry of Health; chaired by the Minister of Health	To discuss health policy issues, implementation challenges and review progress
Education Sector Development Programme	All donors supporting the education sector, technical staff from the Ministry of Education; chaired by the Minister of Education.	To discuss education policy issues, implementation challenges and review progress.

have offered technical assistance on several occasions, the government has proceeded very cautiously in availing itself of donor-funded technical assistance. This has resulted in some frustration within the donor community, leaving the impression that Ethiopian authorities were actively seeking to limit donor insight into the policymaking process. Government officials argued that such assistance embedded in government structures distorts incentives and work allocation within the public sector. Interestingly, the government's practices may conform to emerging lessons from international research advocating the more cautious and selective use of donor-funded technical assistance (ActionAid 2006).

The aid management structure can lead to the fragmentation of policy dialogue. In principle, the Joint Budget Support Missions and Joint Budget and Aid Reviews noted in Box 5.1 should include significant input from important line ministries, such as the Ministries of Health or Education. The systematic inclusion of these ministries and their corresponding regional bureaus has met with resistance from federal government authorities, making it difficult to have a comprehensive dialogue on pro-poor spending patterns. Rather than being able to raise issues and concerns with line ministry officials directly during the course of a Joint Budget and Aid Review discussion, questions raised by donors that the MOFED officials could not answer were taken forward by those officials to other relevant agencies. Simultaneously, donors would discuss important sectoral issues directly with line ministries through separate dialogue structures such as the Health Sector Development Programme. As noted earlier, MOFED retains central control over policy dialogue, but the tensions between centralization and decentralization challenge MOFED's ability to retain complete control.

Fragmentation of policy dialogue remains in the important area of macroeconomic policy. In spite of attempts to create a structure for dialogue on macroeconomic issues, bilateral donors only receive updates on the macroeconomic situation and often do not have an opportunity for regular and comprehensive discussion. This was in spite of the importance of macroeconomic stability to, and the significant macroeconomic implications of, general budget support. When providing budget support, donors attempted to compensate for the absence of an IMF arrangement since 2004 by enhancing their own engagement on macroeconomic issues. The withdrawal of budget support and the mounting of the Protection of Basic Services project have provided donors with a renewed opportunity to address this concern. For example, in advance of the World Bank Board discussion on the Protection of Basic Services project on 25 May 2006, donor agencies instructed their Executive Directors to urge the Ethiopian government to ensure a more robust and regular dialogue on macroeconomic issues and allow the inclusion of the IMF in the quarterly reviews of the new Protection of Basic Services instrument. At the time of writing, donors continued to make petitions in this regard.

Another notable feature of the aid management structure is that the government decides which donors participate in selected policy-level discussions and which do not. During the Joint Budget Support Missions and Aid Reviews noted in Box 5.1, Ethiopian authorities have been firm in their insistence that only those agencies providing budget support should participate in these discussions centring on the national budget, budgetary allocations, and expenditure trends. The same was true in negotiating the Protection of Basic Services instrument. Consequently, those donors not providing budget support but with significant involvement in key sectors, such as USAID in health and the Netherlands in education, were excluded from higher-level policy discussions. The burden fell to budget support donors to coordinate separately with these other agencies to ensure that their concerns were included in the discussions. As a result, some key bilateral agencies began to investigate the possibility of providing budget support.

Managing Policy Disagreements

While the limited influence on policy may be a function of donors' reluctance to move decisively from project assistance to policy-based programmes, it is also due to the limitations of these joint fora themselves. To understand these limitations, one must examine the nature of governance, administration, and policymaking in Ethiopia as well as how the government manages its dialogue(s) with the international community.

The joint donor–government policy fora have an uneven effect on development policy. They have not, for example, resulted in significant dialogue on some key questions, such as liberalization in the telecommunications, banking, and fertilizer sectors. The High Level Forum, for example, does not serve as a forum for actual negotiation. This is not surprising when one considers the number of actors involved and their multiplicity of interests. The Forum does play an important role in setting the broad parameters of donor–government discussions. Parties then take the signals they receive through Forum discussion for consideration within their respective bureaucracies. Of greater significance are the specific sector groups that discuss and negotiate specific policy questions but generally remain separate from discussions on levels of development finance.

Issues of broad sector strategy and programme design get addressed in varying degrees by the sector working groups of the Development Assistance Group. Some sector groups, such as those in health and education, are very active and provide a platform for open exchange between donors and government, partly because they have been in existence for a long time and are structured around well-established sector programmes. But they are only moderately effective at resolving policy differences. For example, the Education Sector Development Programme group provides a basis for detailed discussion on primary and secondary education and on what gets financed under the ESDP. Agreement is probably easier because there has historically been convergence between government and donors on what is needed in this sector. On the thornier issues, such as the relative balance between spending on primary and university education or the effectiveness of the technical/vocational training programme, the sector group does not serve to solve the disagreements, in part because the donors are generally not financing the contested parts of the agenda and in part because the decisions are being made at a higher political level. The working groups do, however, help keep channels of communication open between the donors and the line ministries on these sorts of issues.

The trickier issues, those that are most ideologically charged, most political, and where there are the greatest differences – such as fertilizer, telecommunications, or financial sector reform – do not generally get addressed through the formal aid management framework described above. This is in part because the number of players is very small, often consisting only of the World Bank and perhaps the IMF and/or one of the bilateral donors, and in part because neither side wants to address the issues in public fora due to the sensitivity of the dialogue. Most bilateral donors either do not want to, or are not equipped to, engage with the government on these sectors which are controversial, in which they are not directly engaged in financing, and which require specialized technical expertise. The dialogue thus tends to take place in more informal one-on-one discussions between the donors, typically the World Bank, and the government. For example, the fertilizer issue was addressed repeatedly by the Bank in a sequence of fertilizer-financing credits during the 1990s, with limited impact. Subsequently, both the fertilizer and telecommunications reform agenda were put on the table for the adjustment credits in the early 2000s. The response of the government was largely to stick to its policy positions and postpone any reform commitments. In this they were largely successful, partly because there were other, easier issues on the reform agenda. The net effect has been a slow, incremental process of reform, with the donors exercising some influence over time on the direction of thinking of the government, and the government being able to very much control the pace and degree of reform.

The Protection of Basic Services group, which is responsible for coordinating the quarterly progress reviews, has helped to resolve some key disagreements. Summarized in Box 5.2 below, the Protection of Basic Services project was created after the decision by donors to withdraw budget-support resources in November 2005 in response to the political violence after the national elections in May 2005. In designing this project, donors were able to address some disagreements noted earlier in the area of local government

Box 5.2. THE PROTECTION OF BASIC SERVICES PROJECT

Component 1. This component provides resources through the government's existing financial management systems through the federal–regional block grant transfer in order to preserve the delivery of health, education, agricultural, and water services at the levels budgeted for prior to the withdrawal of budget support.

Component 2. The purpose of this component is to make resources available to procure much-needed basic 'health commodities' such as contraceptives, vaccines, and anti-malaria bed-nets for distribution throughout the country. Procurement will be handled using a series of international procurement agents and/or UN agencies with the required expertise and procurement capacity.

Component 3. This component is the first of two components meant to enhance transparency and public accountability in the use of public funds and the delivery of basic services. Its purpose is to provide funds and technical assistance to key public sector institutions responsible for budget transparency, such as regional bureaus of finance and offices of auditors general, so that information reaches citizens in a timely way.

Component 4. While Component 3 is meant to work with government institutions in order to enhance the 'supply' of information, Component 4 supports NGOs so that they can analyse the data provided and help to hold governments accountable. The allocation of these funds will be managed by an internationally recruited independent management agency.

expenditure and reporting. These issues included ensuring that sub-national governments had sufficient funds to fulfil their mandate to deliver pro-poor basic services, timely reporting and audits as to how resources were used, and strengthening the involvement of domestic civil society in policy discussions and debates. The joint donor–government group managing the project provides an opportunity for less compartmentalized discussions. Expenditure and policy issues in the four basic services noted earlier are brought together (supported by relevant line ministry officials) into a single discussion. The quarterly dialogue framework also provides an opportunity to include regional officials in policy discussions. Each quarterly review is meant to include a discussion of macroeconomic and growth concerns, allowing donors to obtain a more comprehensive dialogue on macroeconomic issues. At the October 2006 review, Ethiopian authorities agreed that the IMF could undertake two Article IV surveillance missions each year. The first mission was scheduled for February 2007. Lastly, the Protection of Basic Services project integrates governance considerations into a single framework of donor support. The implicit focus of Component 3 is to support greater transparency in public financial management. NGO support, arranged through Component 4, is intended to ensure better service delivery and more transparency and accountability. Several donors had programmes and projects pertaining to these themes prior to this project, but these were dealt with separately and the links between governance considerations and the use of budget support resources were not always dealt with in a coherent way.

The October 2006 quarterly review showed that the government had met all six of the conditions (termed Dated Covenants) set for the second quarterly review. Specifically, these conditions include evidence that continuous audits are underway with respect to how Protection of Basic Services resources are being used, that a Public Expenditure and Financial Accountability assessment has commenced, evidence of continued public dissemination of government budgets and Joint Budget and Aid Review information, and evidence that the government would be hiring, no later than 31 October 2006, at least fifty additional accountants with acceptable terms of reference. In addition, the government also met (and in some cases exceeded) the conditions related to the three tests noted above that were attached to donor disbursements.[10]

Leading up to the October quarterly review a key item of disagreement was the extent of the government's role in selecting the civil society organizations that would participate in the selection committee for proposals to be funded under Component 4. While donors advocated that civil society organizations should elect their representatives to the committee without interference from the government (with the government indicating its acquiescence on a no-objection basis only), Ethiopian authorities were reluctant to remain passive. Eventually, after much discussion with donors and recognizing this point was not negotiable, Ethiopian authorities conceded. Further progress on this issue was noted in the next quarterly review, which took place in February 2007.[11]

Following the May 2005 election, a small group of Ambassadors and Heads of Aid was formed to deliver focused messages to the highest levels of the Ethiopian administration. A Governance Technical Working Group was also formed to develop a multi-donor technical assistance programme focused on some key governing institutions, such as the House of People's Representatives and Regional Councils. This Group provided a mechanism for donors and the government to forge a politically agreeable way forward and for donors to develop a coordinated programme of assistance meant to reinforce the political dialogue.

Conclusion

In trying to understand how the Ethiopian government manages aid, care must be taken to discern conscious strategy from unintended structural factors and capacity constraints that may result in limited donor influence. The real channels of decision-making and of aid coordination in Ethiopia differ from the apparent ones. Often donors only have a limited understanding as to how policy decisions are made. The extent to which the government seems unwilling to accept input from the donor community, due in part to unpredictable donor support in the past, sets Ethiopia apart from the other aid-dependent African countries in this volume where donors have more easily embedded themselves in government structures, thereby potentially facilitating a more ready exchange of information and policy ideas. At the same time Ethiopia has retained a degree of control and ownership over its policy agenda that is greater than in those countries and has a relatively strong track record of implementation once policies are agreed. In Ethiopia the relatively tight control over the national policy agenda maintained by a small subset of key actors within the ruling party makes it an intriguing case to those trying to understand how aid dependency is managed.

The analysis presented in this chapter suggests that the Ethiopian government limits donor influence over the policy agenda (intentionally as well as unintentionally) by simultaneously pursuing a programme of decentralized implementation, while centralizing discussions with donors largely at the federal level. The increasingly decentralized nature of Ethiopia's government system has presented a significant challenge and played a role in diluting donor influence. The government also balances a mix of traditional and non-traditional sources of financing in order to maximize aid inflows while retaining control of the policy agenda. This is reinforced by a system that retains significant power and decision-making authority at the centre and through the ruling party, quite separate from the nominal channels of donor communication, and by the concentration of donor dialogue and negotiations almost exclusively with federal-level institutions, in particular with the Ministry of Finance and Economic Development. Another approach used by the government is to try to separate certain development partners from key decisions. Ethiopian authorities have been vigilant in stipulating which agencies could and could not participate in the dialogue fora around budget support and more recently the Protection of Basic Services project. The government's resistance to the provision of foreign-funded technical assistance may constitute another part of the government's strategy for limiting donor influence, but this resistance is also based on the government's concern about the potential negative incentive effects and disruption of work allocation associated with foreign technical assistants placed in government ministries.

Changes in the level of donor assistance to Ethiopia have been driven overwhelmingly by political and geopolitical considerations: the revolutions of 1974 and 1992, Ethiopia's alignment during the Cold War, the war with Eritrea, and the events following the national elections of May 2005. These factors have largely determined the level of aid inflows. These political and geopolitical factors have also overwhelmed considerations of technical evidence and aid effectiveness, such as sound public financial management and a strong track record in pro-poor spending that are traditionally accepted amongst donors as being important in determining aid allocations. Ethiopia's experience is an interesting illustration of the proposition that absolute need, good financial management, and sound implementation performance alone do not necessarily generate higher aid levels, especially in an environment where communications between government and donors are problematic.

In the current context, Ethiopia is also conscious of its geopolitical position. In spite of it having the second largest population in sub-Saharan Africa, just over half of which is estimated to be Muslim, Ethiopia's government is secular and thus far there is little evidence of Islamic fundamentalism. Its position as a pillar of relative stability in an otherwise unstable part of the world, as well as its proximity to the Middle East, makes it an important strategic ally for several Western capitals. Its recent forays into Somalia, and its successful routing of the Union of Islamic Courts, may serve to reinforce its position in this regard.

This case study highlights one of the main tensions confronting Ethiopia's donors. Donors, on occasion, find themselves uncomfortable with certain elements of the government's policy agenda. Nonetheless, because of the country's size and level of need, most donors want to provide support. This gives the government substantial bargaining power, which it exercises at times by refusing to compromise on its policy agenda, and at times by dividing the donor community. This involves a degree of gamesmanship (on both sides) with the potential for positions and strategies being misjudged in either direction. There are instances in which the government may not realize the extent to which the donor community's interest in Ethiopia enhances its negotiating position. Conversely, the government also seems capable of overestimating the strength of its position, as illustrated by the November 2005 donor decision to withdraw budget support.

The Ethiopia case also forces analysts and policymakers to revisit the fundamental concept of country ownership. As this case study shows, it is not clear that donors have come to terms with the full implications of ownership, especially when it embodies policies they are uncomfortable with, or is expressed in terms that seem to reflect a lack of openness to outsiders' views. At the same time there is a tendency in government not to readily accept donor perspectives unless they are already deemed legitimate within the ruling party and the senior echelons of the bureaucracy. Because the donor–government relationship is characterized by a low level of trust, the aid relationship tends to encounter numerous obstacles resulting in donor uncertainty and contributing to aid volatility.

Notes

1. The views expressed in this chapter are the authors' alone and do not reflect the positions of either CIDA or IDRC. The authors are indebted to Berhanu Assefa, Fisseha Alazar, Mandefro Bekele, and Shimels Assefa (all at the Ethiopia–Canada

Cooperation Office), Mesfin Bezawagaw of the World Bank, David Rust-Smith of the University of Waterloo, as well as an anonymous reviewer for their views on earlier versions of this chapter.

2. For example, Ethiopia was the first recipient of World Bank assistance to Africa in 1950.
3. The source of this statistic is the Ministry of Finance. Estimates vary depending on the source used and what is counted in the aid package, but all tell the same story.
4. This figure is the average for 2000–4, based on UNDP data, and differs from data shown in Figure 5.1, which does not include in-kind off-budget relief assistance.
5. 'Ethiopia: Public Expenditure Review: The Emerging Challenge Report.' 2004. World Bank.
6. Although substantial amounts of aid go unrecorded, if these were added both the numerator (total aid) and the denominator (total recorded public spending plus unrecorded aid) would increase and the share would be greater, but it would not be directly proportionately greater.
7. Constitution of the Federal Democratic Republic of Ethiopia, see Articles 51(2) and 51(3).
8. For discussions of policy issues that reflect this tension, see Ayenew (2002) and Tadesse and Young (2003).
9. For example, in a recent year the Global Fund alone was estimated to have provided \$80 million, almost equivalent to the total recurrent budget of the Ministry of Health.
10. Ethiopia Protection of Basic Services (PBS) Programme Joint Review and Implementation Support Mission. 20–7 October 2006. Aide Memoire, unpublished document.
11. Ethiopia Protection of Basic Services (PBS) Programme Joint Review and Implementation Support Mission. 14–21 February 2007. Aide Memoire, unpublished document.

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6

Rwanda: Milking the Cow. Creating Policy Space in Spite of Aid Dependence

Rachel Hayman[1]

When dealing with donors you are dealing with humans, and you have to deal with them as you would milking a cow. Treat them nicely and more milk flows than you would have expected; treat them badly and they kick over the bucket.[2]

Like many countries in sub-Saharan Africa, Rwanda is highly dependent upon flows of external assistance for maintaining economic stability and undertaking socio-economic development programmes. Since the late 1990s, donor agencies have converged around Rwanda's poverty reduction strategy as the country's main policy agenda. This represents a joint policy, which is 'owned' by Rwanda but has involved considerable external input, enabling the Rwandan government to negotiate aid around a set of mutually agreed priorities. These priorities reflect both Rwandan needs and dominant global norms for development, incorporating neo-liberal economic reforms as well as social and political development activities focused on achieving the Millennium Development Goals (MDGs) and poverty reduction.

The Rwandan government is considered to be genuinely committed to the poverty agenda. The depth of its 'ownership' of the policymaking process is, however, debatable. Rwanda's dependency upon financial and technical resources from donor agencies means that donors are intricately entwined in the policy process, a situation which has deepened with moves to improve aid effectiveness by aligning around the government poverty agenda, harmonizing donor procedures, and providing more aid in the form of direct budget support. The government needs external support and is therefore obliged to play to two audiences simultaneously – the people of Rwanda and donor agencies. This distorts domestic political systems and structures, both enhancing and hindering the accountability of the government to the people. This does not mean, however, that the government does not have its own agenda; indeed the consensus around the poverty reduction strategy and concomitant activities to improve aid effectiveness mask myriad ways in which the government is able to create space to pursue its own priorities.

This chapter explores the increasing involvement of donors in the policy process. The poverty reduction and aid effectiveness agendas have brought donors and government closer together, while also giving space for the government to take the lead. Complex systems for aid management have emerged, which both enhance and limit this ‘ownership’ on the recipient side. This chapter secondly analyses how the government has sought to assert control over policy and its ability to maintain external support despite its pursuit of activities sometimes considered controversial. Rwanda’s recent history and the nature of the current government play a large part in this, but differences in individual donor policies on Rwanda also matter.

Aid History and Development Policy

Political Background

The genocide of 1994 led to a rupture in Rwanda’s post-independence history both in its political make-up and its international relations. The government which has been in power since 1994 is dominated by the Rwandan Patriotic Front (RPF), which originated as an insurgency movement formed in Uganda in the 1980s. The RPF was mainly composed of Tutsi refugees or children of refugees who had fled Rwanda in a series of waves since the late 1950s. Independence in 1962 saw a reversal in colonial power structures within the state, with the Hutu majority taking power from the Tutsi minority. In the run-up to independence, Belgium – which had controlled Rwanda under a League of Nations then a United Nations (UN) mandate since 1919 – switched its loyalties from the Tutsi to the Hutu. Ethnicity became a central factor in Rwandan politics under Presidents Grégoire Kayibanda (1962–73) and Juvenal Habyarimana (1973–94). In October 1990 the RPF invaded Rwanda, launching a civil war which lasted until 1994.

At the outbreak of the war, Rwanda was facing a serious economic crisis caused by escalating debt which had risen from 16 per cent of gross national product in 1980 to 32 per cent by 1990, a collapse in world coffee and tea prices, and drought (Uvin 1998: 54). The economic and political crisis destabilized the Habyarimana government, which came under external pressure to liberalize its economy and its political system and to find a negotiated solution to the civil war. In August 1993 the Arusha Accords officially brought an end to the conflict, foreseeing the establishment of a broad-based government including the RPF. However, the optimism sparked by this was short-lived. As the political process stalled, extremist factions within the Habyarimana regime grew in strength. In April 1994, the plane carrying Habyarimana was shot down, signalling the start of the organized massacre of hundreds of thousands of Hutu moderates and Tutsis that lasted until the RPF gained control of the majority of the country in July 1994. During this period the international community failed completely in its handling of the crisis; a woefully inadequate UN peacekeeping mission was denied the means and mandate to prevent the genocide.

The victory of the RPF in July 1994 did not, however, signal an end to the crisis, as the security situation spilled over into neighbouring Zaire. Elements of Habyarimana's army and militias were able to re-establish themselves and launch attacks into Rwanda from massive refugee camps established on the Rwanda–Zaire border, targeting mainly the north-west of the country. The internal security situation was stabilized in 1998, but the regional crisis continued, with Rwanda, Burundi, and Uganda involved in civil war in the Democratic Republic of Congo (DRC) until troops were finally withdrawn in 2002.[3] Instability remains in the eastern part of the DRC, with ongoing threats to Rwandan security from rebel groups.[4] Likewise, there have been sporadic tensions with Burundi and Uganda. This regional security situation has been a central political concern since 1994.

Furthermore, the RPF victory did not bring about internal political stability. In 1994, the RPF accepted the terms of the Arusha Accords – albeit with modifications – in establishing a broad-based transition government ahead of multiparty elections. Overcoming the legacy of a political system based on ethnic cleavages and fostering reconciliation within the population have been core elements of RPF rhetoric since 1994, but political realities on the ground tell a different story. Internal power struggles and reconfigurations saw an increasing number of politicians fleeing the country amid accusations of a 'tutsization of the state machinery', that is the concentration of power in the hands of the Tutsi and RPF (Reyntjens 1999: 5). Presidential and parliamentary elections in 2003 saw a closing of political space in Rwanda, and donors and international human rights organizations continue to be concerned about political liberties.

Development Policy

In 1994, the RPF-led government faced massive challenges in terms of socio-economic development. In addition to structural economic constraints which pre-dated the war (high population growth, land shortages, a small private and industrial sector, dependence upon agricultural exports, and limited natural resources), the destruction caused by the conflict and genocide added a whole new set of problems. These problems included: providing for the specific needs of vulnerable groups; resettling internally displaced people, refugees from previous pogroms who returned after 1994 and refugees from 1994 who returned en masse in 1996; beginning the process of national reconciliation; and meting out justice for crimes committed during the civil war and genocide. Infrastructure had to be rebuilt and the economy rebooted, all in a situation of internal and regional instability. Further, the new government had limited experience of policymaking or implementation, the severe loss of human life through the genocide and displacement had decimated the bureaucracy, and much of the administrative infrastructure had been destroyed. Consequently, external influence was strong in many of the reconstruction and development strategies devised after 1994, many of them linked to the UN Round-Table process which was launched in 1994 to mobilize emergency and development aid.

Nevertheless, a consistent set of principles have formed the basis of the government position since 1994. These were originally set out in the *8-Point Programme of Broad-Based Transition Government* of July 1994 (more commonly known as the *Declaration of Principles*) and covered the restoration of security and peace, the organization of the administration, the consolidation of national unity, the integration of refugees, the improvement of the well-being of the population, the resumption of the national economy, the redefinition of foreign policy, and the consolidation of democracy (Twagirimungu 1994). The centrality of these principles is reflected in two progress reports produced in 1999 and 2003 (RoR 1999*a*, 2003). They also underpin Rwanda's *Vision 2020*, which emerged in 2000 from a series of meetings held in 1998 and 1999 involving a wide range of Rwandan actors, and the *7-Point Programme* produced after the elections of 2003 (RoR 2000; Makuza 2003). While the translation of these principles into operational policies has been limited, the continuity running through these documents is central to understanding the RPF-led government's priorities. The core elements of security, national unity, and socio-economic development are framed by the legacy of the genocide and are targeted primarily at the Rwandan population. Despite clear overlaps, these are distinct from strategies which have been developed with external assistance. This can be illustrated by the interactions between the government and donors around poverty reduction and governance.

Poverty came to the fore within the Poverty Reduction Strategy Paper (PRSP) adopted in 2002. As elsewhere in Africa, the PRSP was a necessary step towards receiving significant debt relief under the Heavily Indebted Poor Countries (HIPC) initiative and was intended to be a locally 'owned' strategy devised by the government in consultation with the population. External support was tangible in the process, with early drafts essentially written by foreign advisers and subject to considerable scrutiny from donor agencies. Despite a consultative poverty assessment exercise, the extent of local participation was questionable (Mutebi, Stone, and Thin 2003; Renard and Molenaers 2003). There can be no denying that the PRSP is 'owned' by the government, as tackling poverty and achieving the MDGs have become increasingly embedded into the policy process. However, the absence of specific reference to poverty in the original *Vision 2020* and in the *7-Point Programme* is noteworthy. The real government emphasis lies upon economic growth with the desire to build a modern, knowledge-based, service-oriented economy with investment in information communications and technology and tertiary education; poverty reduction is expected to come from growth rather than being the central aim. This is reiterated in the second-generation PRSP, published in September 2007, which is entitled the *Economic Development and Poverty Reduction Strategy*, where 'growth drivers' are expected to lead to the resolution of extreme poverty (MoF 2007).

Governance is another key concern of both government and donors, but the government's emphasis diverges from that of the international community. Administrative efficiency and democratization were present in the *Declaration of Principles*, and specific reference to 'good governance' emerged by 1998 (RoR 1998). A programme of good governance linked to poverty reduction was produced in 2002 and the *7-Point Programme* has governance as a distinct pillar, covering political awareness, the media, international relations, security, civil society, and decentralization (RoR 2002*a*; Makuza 2003). The conception of governance here reflects Stokke's broad definition of governance which incorporates openness, accountability, and transparency (Stokke 1995: 23). Policies have been enacted to decentralize powers and planning, strengthen institutional accountability and the National Assembly, combat corruption, address weaknesses in the judicial system, and establish good monitoring and financial management systems. Civil service reform and capacity-building programmes have also been created. As such, the government's perspective reflects prevailing norms on governance. However, governance in Rwanda is considered to be an instrument of national unity and reconciliation, with the tenets of liberal democracy subordinate to these objectives. Human rights, political opposition, freedom of expression and the media, popular participation, and civil society activities are tolerated within strict boundaries which do not challenge the status quo nor represent any threat to national stability and security and by extension to the ruling elite (Hayman 2006). These examples demonstrate the overlap between government policy and current international norms for development; but they also highlight subtle differences. A parallel, if overlapping, policy process has been ongoing since 1994 which reflects both the strong sense of purpose of the RPF-led government and its dependency upon aid.

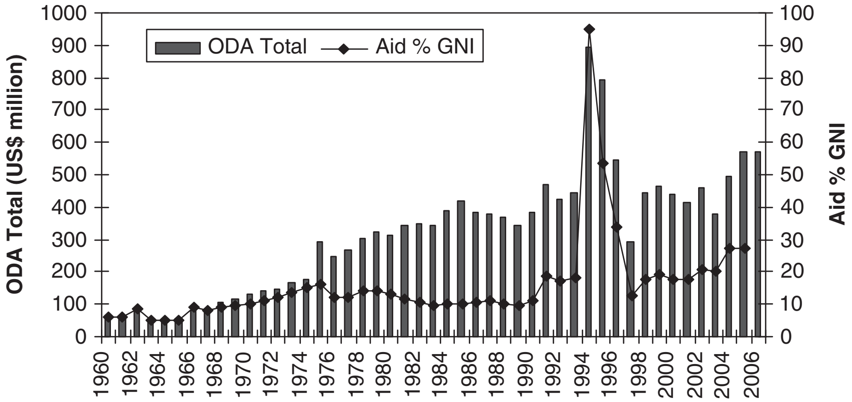

Figure 6.1. Trends in aid flows, 1960–2006
Source: OECD DAC Statistics and World Development Indicators April 2007.

Aid Dependence

Rwanda's recent history has rendered the country highly aid-dependent, although external financial and technical aid has long been a feature of the Rwandan economy, with the 'aid system omnipresent in the country both physically and geographically' prior to the genocide, as Figure 6.1 illustrates (Uvin 1998: 42). Between 1994 and 1996 – in the immediate aftermath of the genocide – aid to Rwanda spiked dramatically, primarily as emergency humanitarian assistance. By the late 1990s aid in support of development activities had taken greater prominence and total amounts dropped. In 2005, aid was rising again, with Rwanda receiving net assistance of US$ 576 million, equivalent to 27.4 per cent of gross national income and amounting to US$ 55 per capita, one of the highest rates in sub-Saharan Africa.[5] Of aid disbursed in 2005, 41 per cent was made up of general budget support (MoF 2007: 5). The country also receives a great deal of support from foreign technical assistants, with short- and long-term consultants financed by donors working in many core policy areas within government ministries.

The form of aid is important in relation to aid dependency, and it can be argued that the increasing amounts of direct and sector budget support are rendering the country more dependent still, with ever more donors adopting these forms. As this aid goes directly into the central budget, it covers both recurrent costs and core programmes such as fee-free education, and delays in disbursement or freezes can have a profound impact upon government ability to cover daily expenditure (Purcell, Dom, and Ahobamuteze 2006). These forms of aid also result in greater donor involvement in monitoring the national budget, macroeconomic stability, public financial management, and developing sector strategies. Capital grants or project aid, by contrast, are more likely to be targeted at specific development activities which have a lesser impact upon daily running costs. Despite increases in tax revenue in recent years, the tax base remains small and there is limited scope to develop it much further in the short to medium term. As Table 6.1 shows, there are no signs of the proportion of the country's revenue received from external resources decreasing. Although government officials are concerned about high aid dependence, reducing aid is not considered an option in light of current needs.

Managing the Donors

Donor Engagement in Rwanda

As a small country in the centre of Africa with few natural resources of note, Rwanda is of limited geo-strategic interest to donors, with the exception of Belgium. From the mid-1970s until 1994, Rwanda fell within the sphere of influence of France which was the country's main donor, providing both military and development assistance. Rwanda was the top aid recipient for both Belgium and Switzerland prior to 1994; other key donors included Germany, Canada, the USA, and Japan. As Uvin (1998: 40) states, 'international generosity was partly related to the very positive, generally accepted image of Rwanda as a model developing country', an image which took account of neither the authoritarian regime nor ethnic and regional tensions.

Aid to Rwanda increased from 11 per cent of gross national income between 1981 and 1990 to 20 per cent between 1990 and 1994 (Piron and McKay 2004: 8). This reflected the response of multilateral, bilateral, and non-governmental donors to Rwanda's attempts to deal with its economic and political crises. A structural adjustment programme was initiated in 1991, aimed at addressing Rwanda's fiscal imbalances through liberalization of the economy and a reduction in public expenditure. At the same time, the regime came under increasing pressure to democratize, partly reflecting a continent-wide push for political liberalization and partly reflecting the search for a solution to the civil war. Aid is considered to have helped fuel the genocide, explicitly through the financial and military support given to the Habyarimana regime, and inadvertently through donors ignoring the socio-political realities of the country (Uvin 1998; Andersen 2000; Storey 2001).

The genocide brought about a rupture in relations with donors. Most donor agencies withdrew from Rwanda, leaving a paltry UN peacekeeping mission and the Red Cross as the only representatives of the international community. Once the immediate crisis was over, international humanitarian agencies and non-governmental organizations (NGOs) returned in force to deal with the aftermath. Rwanda's former bilateral donors likewise returned, albeit at

Table 6.1. External financing of the Rwandan budget

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006[a]	2007[a]
Total revenue and grants (RWF billions)	70.8	95.7	99.0	103.8	136.8	148.2	160.3	195.5	271.9	349.4	374.3	398.3
Foreign grants (RWF billions), of which:	31.4	37.7	33.0	37.8	68.2	62.0	59.1	73.1	125.6	169.1	176.4	181.2
Current (budget support)	0.1	2.7	3.5	14.1	39.9	33.9	39.3	51.0	90.8	111.3	80.5	123.5
Capital (projects)	31.3	35.0	29.5	23.7	28.3	28.1	19.8	22.1	34.8	57.6	95.9[b]	57.7
Foreign grants as a % of total revenue and grants	44.4	39.4	33.3	36.4	49.8	41.8	36.9	37.4	46.2	48.4	47.1	45.5

Source: National Bank of Rwanda, Opérations Financières Consolidées de l'Administration centrale, http://www.bnr.rw, accessed 28 May 2007; Rwanda Country Report No. 07/80, February 2007, International Monetary Fund; Rwanda Development Indicators 2003, Ministry of Finance and Economic Planning, Statistics Department, Kigali.

Notes: [a] Projected; [b] includes MDRI grant (debt relief) of RWF 42.2 billion.

different paces, and new donors came on the scene. Subsequent years saw intriguing trends in donor engagement, with aid flows from donors varying widely.

There was considerable soul-searching among the country's traditional donors about their involvement with the Habyarimana regime and consequently any part they may have played in the genocide. In addition to a Danish-funded study of the international response to the crisis (Eriksson 1996), Switzerland, Canada, and the USA produced reports on their respective involvement (Larose-Edwards 1994; Kumar 1996; Voyame et al. 1996) and Belgium and France held parliamentary inquiries (Belgian Senate 1998; French National Assembly 1998). Confusion and guilt resulted in mixed responses. While Germany, Canada, and Switzerland all increased their aid in 1994/5, Belgium, France, and Japan did not. The overall trend for these donors was a significant decrease in aid quantities between 1991 and 2001 (Hayman 2006).

The shortfall was made up to some extent by new donors, drawn in by the tragedy and failures of the international community, notably Norway, the Netherlands, the UK, and Sweden. These donors became strong supporters of the new government, helping it to gain international legitimacy. Consequently, the profile of Rwanda's main bilateral donors changed significantly (see Table 6.2). At the same time, several donors were decidedly hostile towards the new government. France and Belgium in particular, which had had the strongest relations with the Habyarimana regime, were suspicious of the 'invading' RPF. However, there was also more widespread concern about how the RPF-led government handled issues such as refugees, the internally displaced, justice, human rights, and democratization. This led to instances of aid being frozen or programmes reduced.

Patterns of donor engagement after 1994 have therefore been far from straightforward and have left a legacy of bitterness. Senior political figures have often been vocal in their criticisms of the international community

Table 6.2. Top eight bilateral donors to Rwanda in 1993 and 2003

1993		2003	
Donor	Total (US$ m)	Donor	Total (US$ m)
Germany	38.6	USA	52.6
Belgium	36.7	UK	42.9
France	35.5	Netherlands	23.0
USA	26.0	Belgium	20.8
Switzerland	20.2	Germany	13.9
Japan	14.9	Sweden	13.1
Canada	11.2	France	10.9
Netherlands	7.9	Canada	10.8

Source: OECD, International Development Statistics (Geographical Distribution of Financial Flows, part I) 2005, ESDS International (MIMAS), University of Manchester.

for its failure to halt the genocide and provide sufficient support for recovery in the post-genocide years, leading to what one informant termed the government's 'healthy disrespect' for the international community.[6] While humanitarian aid flowed to refugee camps harbouring perpetrators of genocide crimes, the new government was having to constantly justify itself in the eyes of the world, and in return received far less aid than was pledged or required (Baaré, Shearer, and Uvin 1999; Prunier 2002). Throughout this time, the government held a consistent line on its policy priorities and also a consistent line on what it wanted and expected of donors, namely aid that was better managed, better coordinated, and better targeted around government programmes. Ideally, it also wanted more aid to flow directly into government coffers, and by the late 1990s it had mustered the backing of several key donors to push for this.

Between 1994 and 1999, the main rationale for donor engagement was the genocide. More recently, the rationale has shifted to support for poverty reduction and achieving the MDGs (Hayman 2006). Emergency and reconstruction aid has given way to new forms of assistance, notably sectoral and budget support. This shift was facilitated by the World Bank, Sweden, and the UK, which advocated Rwanda as a 'special case' for assistance in the late 1990s and helped to organize annual meetings to mobilize programme aid to implement widespread administrative, economic, and social reforms.[7] Rwanda's adherence in its rhetoric and policy to the prevailing norms of international development as well as its demonstrable progress in post-conflict reconstruction, earned it legitimacy in the eyes of donors who subsequently rallied around the poverty reduction strategy.

Aid Management System

The adoption of the PRSP led to a drive to improve aid effectiveness, but it also increased donor involvement in policy processes. Since 2002 a complex web of mechanisms has been established to create forums for dialogue and policy implementation amongst donors and government officials, from annual high-level intergovernmental talks to sector-based coordination task forces and information matrices. The desire for more effective aid management is not a new phenomenon, however. The chaotic aid delivery of the post-genocide period generated great frustration, with the government creating several institutions to tackle the coordination of aid flows. These included the Guidance Committee set up in January 1995 as a forum for dialogue between aid partners and to track financial flows, and the Permanent Technical Secretariat for Monitoring the Round Table (UNDP/UNOPS 1997). In 1998, the Central Bureau for Public Investments and External Funding (CEPEX) was established to monitor public investment programmes, mobilize external resources, and manage donor coordination. CEPEX suffered the same problems as earlier initiatives: an unclear and heavy mandate, overlapping responsibilities with other government bodies, limited human resources, and poor management. This was exacerbated by weak financial, logistical, and political support from donor agencies, which were often reluctant to provide information to CEPEX or engage with it rather than individual government ministries.

The PRSP process and international commitments since 2000 to improve aid effectiveness have injected new energy into establishing practices for the coordination and harmonization of aid. A system for interaction at different levels now exists, known as the Aid Coordination, Harmonization, and Alignment Framework. The highest level is the Development Partners Meeting, an annual high-level gathering of senior government and donor officials (including donors without a physical presence in Rwanda) where policy priorities and funding needs are discussed. The main forum for policy-level dialogue is the Development Partners Coordination Group (DPCG), established in late 2002, which brings together government officials and heads of local offices of donor agencies seven or eight times a year. The Budget Support Harmonization Group was formed in 2003 to enable dialogue on macroeconomic stability and public financial management between government and budget support donors. The DPCG oversees this Group as well as a whole range of sector-based technical working groups called 'clusters'. Government administrative control over aid coordination was extended in 2005 with the creation of the External Finance Unit within the Ministry of Finance to act as 'a single point of entry' for donors (MoF 2007: 9). This Unit is supported by the Aid Coordination Unit, which is financed by a basket fund administered by the United Nations Development Programme (UNDP) and led by a steering committee consisting of the Ministry of Finance, Belgium, Canada, the Netherlands, Sweden, Switzerland, and the UK. In addition, a new web tool for tracking aid, the Development Assistance Database, has been set up.

A closer analysis of cluster groups reveals how donors have become increasingly involved in policymaking and some of the problems that this raises. External technical assistants contributed to the preparation of the PRSP, which now provides the framework within which donor-funded activities are to be conceived. This led to the need for strong sector strategies within which programmes and projects could subsequently be developed. It was anticipated that cluster groups – composed of ministry officials, donors, representatives of decentralized authorities, the private sector, and NGOs – would provide a forum for drafting sector strategies. However, there were problems with many cluster groups: some did not function at all, there were overlapping remits, leadership on both the donor and government sides was often unclear, and government officials rarely took the lead without donor impetus. Most importantly, their remit was never fully clarified, particularly with regard to policy input. Minutes of DPCG meetings from 2003 and 2004, as well as reports from the UNDP, highlight shifting positions on both sides. In 2003 the government saw clusters as a forum for developing sector strategies and for coordinating planning and resources, while donors saw them as an instrument for harmonizing procedures (Niloy 2003). In 2004, the government saw clusters more as a forum for implementing strategies once they were in place, rather than for policy development, whereas donors considered clusters to be sounding boards for sector strategies (Smirl 2004). This debate has been ongoing, with recent DPCG minutes specifying that the DPCG is to be a policy-level forum while clusters are for technical-level discussions.[8] In 2006, clusters were focusing their attention on Rwanda's second-generation PRSP (MoF 2006: 19).

This lack of clarity resulted in very different outcomes across sectors. For example, in the education sector there was clear leadership by the Ministry of Education with the UK. Since 1999, the UK has pumped considerable resources into the policy, planning, and institutional strengthening of what has come to be considered a 'model' sector. In contrast, the health sector suffered from the lack of a clear lead donor and no push from the ministry side. The main donors to the health sector (Belgium, the USA, and Germany) were all engaged in different sub-sectors and showed little will to take on an overall coordination role. Although the cluster group did start to function in 2004, with Belgium taking the lead, the World Bank became heavily involved in preparing the sector strategy. It did this in order to meet its own tight deadline for approval of a Poverty Reduction Support Credit, which required a robust sector strategy to be in place. The education and health sectors demonstrate how having a clear lead donor makes a difference to the policy outcome. By contrast again, the Ministry of Justice took a strong line that donors not be involved in preparation of the justice sector plan in 2004. The document was prepared internally and then presented to donors for validation. This created frustration amongst some donors supporting the justice sector, implying that donors expect to be involved in policymaking in sectors where they provide funds (Hayman 2006).

The role of cluster groups in preparing sector strategies raised questions within government circles about what coordination meant in terms of ownership, sovereignty, and power. Discussions with government officials in 2003 and 2004 revealed three concerns. Firstly, donor involvement in the policy process would render ministers accountable first and foremost to donors and the cluster, before the Cabinet or the National Assembly. Secondly, power and resources would be lost if a particular ministry were not designated as a cluster leader. Thirdly, line ministries would lose their access to direct funding from donors as the Ministry of Finance increasingly became the conduit for government–donor dialogue.[9] These concerns sparked the drafting of a specific policy on aid.

The *Aid Policy* began life as a Cabinet paper in 2004 and was endorsed in July 2006. It sets out the government's position on aid, clarifies the roles of different institutions, and states government expectations of donors with regard to types of support, predictability of aid, conditionality, and technical assistance (RoR 2006). It also sets out its own commitments, although these were apparently watered down to minimize binding arrangements on its own actions. The policy is very much considered to be a government-owned initiative, although donors provided technical assistance for its drafting and were widely consulted on the content (MoF 2006). Donors responded positively, urging the government 'to provide a clear lead' and offering 'constructive engagement' and agreeing to respect the government's division of responsibilities for aid management.[10] They also committed themselves to increasing aid and to facilitating better information flows on aid.[11] Whether the *Aid Policy* will result in a significant change in the aid culture in Rwanda remains to be seen, but it certainly represents an attempt by government to increase its control over aid management. An action plan for implementing the policy is being drafted, and additional signs of the extension of government ownership of aid management include suggestions for an independent monitoring mechanism of donor behaviour, a list of aid coordination targets, and plans to gradually reduce project implementation units and incorporate them directly into ministry structures.

Rwandan Policy Strength and Negotiating Position

Despite Rwanda's dependence on aid and the involvement of donors with the aid management and policymaking machinery, the Rwandan government does retain considerable power over policy and its implementation. In some areas, agreement is reached without controversy, particularly in social spheres such as health and education, although even here there is remarkable divergence over what should be funded, when, and how (Hayman 2005, 2007). In other areas such as justice, governance, and security, the government's voice comes through more strongly, with the government often refusing to compromise and donors threatening to freeze or withdraw aid.

Refugees, Resettlement, and Justice

Following the genocide, donor–government dialogue focused heavily upon reintegrating refugees and internally displaced people and beginning the reconciliation process through the justice system (see UNDP 1995*a*, 1995*b*, 1996). As Oomen (2005: 895) observes, 'the twin ideals of "humanitarianism and human rights" virtually replaced the ideology of development', with massive donor interest around Rwanda's special needs outweighing interest in traditional areas of development. These issues represented massive challenges for Rwanda financially, technically, and politically. There was considerable tension between what donors expected of the government and vice versa. This manifested itself in instances of frozen aid and donor disengagement, donor dithering and quiet acceptance of government actions, and on–off support for programmes.

The refugee question dominated debates at Round-Table meetings in 1995 and 1996. Over two million refugees and internally displaced people were located in camps inside Rwanda and just outside its borders in the DRC [Zaire] and Tanzania. These camps were 'festering sores', housing those accused of genocide alongside genuine refugees (Prunier 2002: 363). Government became increasingly bitter about the volumes of humanitarian aid flowing to these camps, which far outstripped other types of aid, when armed insurgents began conducting raids within Rwanda (Kumar 1996: 32). There was no international agreement about how to deal with these camps, and the government took matters into its own hands. In April 1995 the Rwandan army emptied by force the last camp for internally displaced people in south-west Rwanda at Kibeho, resulting in the massacre of thousands of people, civilian and military alike. In October 1996, the Alliance of Democratic Forces for the Liberation of Congo-Zaire, backed by Rwanda and Uganda, closed the refugee camps in Zaire and over a million refugees poured back into Rwanda in the short space of two months. The Kibeho incident led several donors, including Belgium and the European Commission, to suspend some of their aid, although the UK and the USA backed the government and much of the frozen aid was resumed by July 1995 (Pottier 2002: 165–6). By contrast, condemnation of the closure of the camps in Zaire in 1996 was muted. Terry (2002: 184–5) claims that this ultimately suited the international community which had reached an impasse on how to resolve the problem.

The return of the refugees brought new challenges for the government, which elaborated villagization (*imidugudu*) schemes to deal with resettlement. Villagization also sought to reintegrate and reconcile the population, facilitate the provision of social and economic services, and deal with land shortages. This was supported by UN agencies and NGOs, but many bilateral donors were sceptical about what has been, and remains, a controversial policy. Many new villages were beset by problems, from poorly designed housing to failure to provide promised services, and there was concern that people were being coerced into moving to these settlements (van Hoyweghen 2000; van Leeuwen 2001; Pottier 2002). Despite limited donor financial support, the government has continued to pursue this policy, updating it in line with its broader land and housing policy.[12] The concern about coercion remains, however, with donors expressing reservations in 2007 about the policy (MoF 2007: 18–19).

Donor support to the justice sector was unprecedented in the wake of the genocide, recognizing that the 'swift establishment of justice was crucial and urgent' (Baaré, Shearer, and Uvin 1999: 20). Bringing perpetrators of crimes related to the genocide to justice and combating the culture of impunity that prevailed were central elements of the government's *Declaration of Principles*. Reconciliation, justice for survivors, and the human rights of prisoners were also of concern to many donors (see UNDP 1995*a*, 1995*b*, 1996). Large amounts of aid were devoted to restoring or constructing the judicial system and to addressing the legal challenges arising from the crisis. The UNDP established a justice trust fund to which many bilateral and multilateral donors contributed. Hundreds of (sometimes overlapping and competing) projects were initiated in the justice sector, covering support to the International Criminal Tribunal for Rwanda established in 1994, the classic justice system, national reconciliation and human rights commissions, the Ministry of Justice, local human rights organizations, and innovative systems like *gacaca* courts.

Nevertheless, donors and the government have not always seen eye to eye on priorities. From the outset there were tensions over the approach that should be taken. Many donors took a pragmatic approach, calling for reconciliation rather than justice, with only key actors to be brought to trial. As Baaré et al. claim, 'for the [government] and many others in Rwanda, this was heresy: there could be no reconciliation without justice' (1999: 20). Donors and international human rights organizations also expected the justice system to follow Western norms, with particular aversion to the use of the death penalty. This was not well received by the government which felt that the international community had no right to dictate to it in such matters.

The creation of the *gacaca* system to try lesser crimes of genocide is illustrative of how aid relations have played out in the justice sector. The sheer scale of the problem, with hundreds of thousands of prisoners awaiting trial and a seriously overburdened justice system, led to the development of *gacaca* courts. Pressure was also being applied from outside. By 1997, donors 'were becoming impatient'.[13] Adapted from a traditional community reconciliation process, *gacaca* was seen as simultaneously innovative and worrying to international observers (Oomen 2005). Despite its flaws, notably with regard to international legal standards, it was eventually accepted, with great enthusiasm by some donors such as Belgium, Switzerland, the Netherlands, and the European Commission (da Câmara 2001: 27; Corey and Joireman 2004; Oomen 2005). The *gacaca* were launched in a pilot phase in 2002 and extended throughout the country in mid-2004. Donor support has nonetheless been hot and cold for *gacaca*, as it has been for the International Criminal Tribunal in Rwanda and the classic justice system. Initial enthusiasm appeared to wane in the face of slow progress, with several informants in 2003 and 2004 mentioning reductions in donor support for justice-sector programmes. Interviews and observations also revealed tensions. Donors felt that they were being kept in the dark about government intentions. At the same time, they were frustrated that funds were in place which could not be spent due to a delay brought about by judicial reforms and the preparation of a new law on *gacaca*. A wide range of reasons have been advanced for the slowdown in rolling out the *gacaca* programme. For Oomen (2005: 906) the stalling reflected the extent to which the *gacaca* represented a 'show staged for the international community', a smokescreen to divert attention away from the real injustices taking place in Rwanda and the region. Other people pointed to fear of uncertain outcomes, a genuine need to get untried and tested systems right, and the importance of being seen to be doing the 'right thing' by the donors.[14]

The above examples demonstrate how donors have pushed the government to address questions such as refugees, resettlement, and justice, providing technical assistance to develop policies and action plans. This highlights how reforms may be donor-driven and donor-funded, with donor involvement in planning, but this does not mean donor-controlled. The government has often explicitly excluded donors from certain policy debates, such as around reforms to the justice sector. The government has pursued controversial policies, such as villagization and *gacaca*, at its own pace and on its own terms, while also seeking to keep donors on board. Donors have occasionally expressed concerns and frustrations, but generally support has been maintained.

Elections and Regional Security

The election process demonstrates how donors have pushed for reforms, then become critical and threatened to withdraw support, how the government has taken its own initiatives, and how donors have eventually come on board. As with the issues of justice and resettlement, donors expected a transition towards a democratic system and the normalization of regional relations soon after the genocide. Germany, the Netherlands, Canada, and Switzerland made some aid conditional upon progress in these areas (UNDP 1996*a*). Demands to negotiate with the former regime in the spirit of reconciliation, often coming from donors implicated in the genocide in the eyes of the government, were met with 'uncomprehending amazement from the new authorities', who felt that they were subject to unfair scrutiny and expectations (Prunier 2002: 315).

As soon as it took power, the RPF sought to legitimize itself in the eyes of the Rwandan population and the international community by promising to abide by the Arusha Accords in creating a broad-based government. A transition period would last five years, after which elections would be held. In 1999, this five-year period was extended for a further four years. This came as no surprise to many observers, as it was set against the background of Rwanda's engagement in the civil war in the DRC, the insurgency in the north-west of the country in 1997 and 1998, and growing internal political divisions within the army and the political elite.[15] For some analysts, the delay in the transition process gave the RPF time to gain full control of the political arena (Kimonyo, Twagiramungu, and Kayumba 2004: 7). The official government explanation was to allow for the completion of constitutional reforms. The election process began with elections at the cell level in 1999 and at the district level in 2001.[16] Although certain practices were condemned, such as the lack of secrecy in the ballot, leeway was given by donors that accepted the outcomes as a step in the right direction (ICG 2001; Uvin 2001).

Donors were less forgiving in the run-up to the 2003 referendum on the constitution and in the general and presidential elections. Fear of a return to ethnic-based politics led to the harshening of government rhetoric around 'divisionism' and 'genocide ideology', with condemnation of anyone seen as seeking to divide the population along ethnic lines for political ends.[17] Space for opposition to the RPF began to close as the consultation process around the constitution evolved between 2001 and 2003, and as elections approached in August and September 2003. The former president Pasteur Bizimungu was imprisoned in 2001, the main opposition party (the MDR) was banned in April 2003, charges of divisionism were levelled at presidential candidate Faustin Twagirimungu, and limits were set on the freedom of the media and local human rights organizations. These acts led to 'an atmosphere of deep antagonism between the Rwandan government and the international community' (Kimonyo, Twagiramungu, and Kayumba 2004: 20). European Union Observer Missions were particularly critical, threatening at times to withhold financial support for the election process (EU 2003*a*, 2003*b*, 2003*c*). The Netherlands did indeed withhold funding, and the disbursement of EU aid was delayed. Nevertheless, the elections continued, with the government running into financial difficulties with the international financial institutions as it sought other means to finance the process (Purcell, Dom, and Ahobamuteze 2006: 191). Despite flaws identified in the elections, many donors were quick to congratulate the government on its progress in the immediate aftermath (EIU 2003).[18] Political space has continued to close since 2003, but many donors have accepted the situation given the circumstances (see EU 2004; HRW 2007). Official donor statements reiterate the importance of good governance and political dialogue, but there are only rare cases of outright criticism.[19]

Rwanda's regional relations have also proved controversial. Remnants of the militia groups and the army of the former Habyarimana government continue to operate in eastern DRC. In 1996 and 1997, the Rwandan army supported the overthrow of the Mobutu government in Zaire in the hope that a new regime would deal with the problem. This was not to be the case, and in 1998 Rwandan troops invaded the DRC, becoming embroiled in a war which would involve several African countries. Portrayed by the government as a security issue, alternative analyses propose multiple motives behind Rwanda's engagement: the need to quell domestic unrest, personal and national enrichment through the exploitation of the DRC's resources, and aspirations as a regional hegemon (see McNulty 1999; Longman 2002; Kimonyo, Twagiramungu, and Kayumba 2004). The international community pressed for an end to the conflict, with accords signed in Lusaka in 1999 and 2001 and in Pretoria in 2002. Rwandan troops were finally withdrawn in October 2002. Ongoing sporadic incursions into Rwandan territory by militias have frustrated the government. It continues to stress the seriousness of the threat to Rwanda's security and considers the international community not to have upheld its side of the bargain in resolving the regional crisis. At the Development Partners Meeting in 2004, for example, the government presented the economic and social costs of insecurity in relation to development strategies.[20] Despite agreeing to work with the administration of the DRC, the government stresses that it will not hesitate to take matters into its own hands if the situation is not resolved.

Once again, donor reactions to these events were mixed. Partnership meetings in the late 1990s saw a split between those donors accepting Rwanda's security concerns and increasing their support, and those who were increasingly worried. For example, Norway froze bilateral aid in 1999 pending the withdrawal of Rwandan troops from the DRC.[21] At the same time, the UK was putting in place a large budget support package. Belgium considered Rwanda to be a country 'in conflict', while the UK, the European Commission, and the World Bank saw Rwanda as a 'post-conflict' country. Considerable pressure was brought to bear on the government to abide by the Lusaka and Pretoria Accords, and in 2004 there was more consensus amongst donors, particularly in light of reports of illegal exploitation of resources and human rights abuses. A joint statement by EU donors at the Development Partners Meeting of December 2004 called for the government to 'respect the sovereignty of neighbouring states'.[22] Delays in the disbursement of UK budget support in 2004 were also a direct response to Rwanda's regional policy (Killick, Katumanga, and Piron 2005). Nonetheless, by 2005 total amounts of aid to Rwanda were on the increase.

Creating and Using Bargaining Space

As these examples demonstrate, even where some donors have threatened to withdraw aid or have indeed frozen aid, the government has pushed ahead on issues it considers to be a priority, rarely changing its position drastically. Despite its aid dependence, therefore, the government is able to create and use policy space while maintaining an ever-increasing supply of funding. Several explanations can be advanced for this. Firstly, the RPF-led government uses its origins as a liberation movement, the legacy of the genocide, and the language of development to frame its interactions with donors. Secondly, divergence amongst donors also limits their capacity to push the government in directions it is unwilling to take.

The RPF, the Language of Development and the Genocide Legacy

The historical context which saw the RPF take control of Rwanda provides an understanding of the nature of the regime, its policy positions, and how it relates to donors. It is widely accepted that the RPF-led government has multiple 'faces' (van Hoyweghen 2000; Uvin 2001; Mamdani 2001; Reyntjens 2001; Pottier 2002; Storey 2003). Consequently, the government can be understood in very different ways. At one end of the spectrum, the government can be perceived as a progressive, developmental state overcoming the odds to place Rwanda on a path to sustainable long-term development. Donors are seen as partners in this process. At the other end, the government is seen as increasingly authoritarian, clamping down on human rights and creating the conditions for further cycles of violence. Donors are considered complicit in this, ignoring the consequences of providing aid and allowing the government to deceive them of its real intentions. To apply this to the example of *gacaca*, this system can be viewed as a genuine attempt at justice and reconciliation based on a home-grown initiative or as a 'victor's justice' which seeks to expand Tutsi domination over Rwandan political life. There is evidence to support the view from both ends of the spectrum. The view that individual donor agencies, and individuals within those agencies, take at any given time affects how they weigh up progress in some areas against reversals in others.

The RPF began as a liberation movement, fighting for the right of return to Rwanda of refugees from sporadic ethnic pogroms. The transformation of this armed insurgency movement into a legitimate government is not unique within Africa. Indeed, Dorman (2006) outlines particular characteristics of 'post-liberation' states, into which category post-1994 Rwanda falls. These states tend to be strong and centralized, introduce distinctive institutional reforms, and embark on a nation-building project emphasizing security and national unity aimed at bridging the ethnic, regional, or linguistic divides that may have fostered the original conflict. The 'new leaders' at the helm of these states have gained international legitimacy and support by asserting their moral authority to govern, and in return have seen their often unique approaches to governance tolerated (Ottaway 1999). At the same time, clampdowns on political freedom are not unexpected. Indeed, Dorman (2006: 1086) states that 'when confronted with conditions of political crisis and vulnerability, leaders' concerns with control take precedence over either liberation or democracy, leading to increasing authoritarian and exclusivist politics'.

Since taking power, the RPF has sought to consolidate its position internally, regionally, and internationally. It has established a strong central state which extends control over the entire territory. Physical control over the whole country was achieved by 1998, following the defeat of the armed insurgency in the north-west, or rather when the conflict was taken over the border into the DRC. The police force has been expanded and the army has been integrated. Bureaucratic and administrative control has been extended through the reconfiguration of local and national authorities, political control has been assured through the holding of elections, and the state holds a firmer grasp on the economy through the extension of taxation services and development programmes. As such, the government fulfils many characteristics of a ‘centralised bureaucratic regime’ (Allen 1995) and a ‘developmental state’ (Unsworth and Uvin 2002). It has its weaknesses. For instance, administratively it is considered strong at the central and upper levels, but weaker at lower levels of the bureaucracy (Evans et al. 2005). However, the RPF-led government is considered to be genuine in its commitment to socio-economic development as well as good governance, even if it diverges in some respects from Western norms.

This developmental side is one which donors are very willing to engage with, especially those ‘progressive champions of change’ within the government who appear to be on a wavelength with international norms of development (DFID 2004: 6). The government speaks the language of international development to great effect, appealing to the international community through its adherence to neo-liberal economic policies and the poverty reduction agenda, as well as participatory procedures such as poverty assessments and the *gacaca* courts. Likewise, the government has earned itself respect amongst the African and international community for pushing for governance reforms on the continent and conflict resolution via the African Union and the African Peer Review Mechanism.

While the government’s adherence to norms of development represents one reason for donor support, the specific context of the genocide provides the overarching framework which has opened up policy space for the government. For many observers, the government is adept at using its ‘genocide credit’ to manipulate the international community (Pottier 2002; Oomen 2005). While this charge is refuted by government officials, it cannot be denied that the legacy of the genocide infuses the policy process. Policy documents and government rhetoric are all set in the context of the consequences of the genocide and, if anything, this instrumental usage of the genocide has increased over time. Policy documents from 1994 to 1996 tend to refer only to the ‘tragic events’ of 1994, while there is a real discourse built around the genocide by 2004. This discourse imbues the government with the moral authority to govern the country on the back of its military victory, and to demand the support of the international community which let the country down so badly. Disappointment at the levels of aid which flowed to Rwanda after the genocide, and at the criticisms levelled at the new regime, led to a hardening of this discourse to the extent that 'Rwanda's new leaders began to argue that no one outside Rwanda should have the right to criticize the regime' (Pottier 2002: 159). The reluctance of donors to forcefully apply conditions to aid and to engage in confrontational dialogue with the government is often put down to the guilt felt by the international community on the one hand, and reminders of that guilt from the government on the other.

Donor Divergence and Voluntary 'Blindness'

The lack of consensus amongst donors, and even internally within a donor programme, provides a second core avenue through which negotiating space can be created. Donors are far from homogenous, and their presence and support for Rwanda is not static. The situation is constantly changing in terms of who provides what, how, and why. This relates both to the specific context of Rwanda and broader issues within each aid agency of a political and administrative nature. Historical factors, political and development priorities, preferences for aid instruments, administrative structures, prerogatives to spend budgets, and individual politicians and officials all influence how each donor agency engages with the government, which aspects of policy they focus on, the conditions they apply to aid, and how they react to events in the country (Hayman 2006).

This results in very mixed messages from donors, as the various examples outlined here have shown. Even amongst budget support donors (the UK, Sweden, the World Bank, and the European Commission), generally considered to be 'like-minded', mixed messages have emerged, with the UK withholding instalments in 2004 over Rwanda's policy towards the DRC and the World Bank disbursing.[23] Inconsistencies are also present within donor programmes. Belgium's cold diplomatic relations with Rwanda after 1994 and its concern about negotiating a new programme framework while Rwandan troops were deployed in the DRC contrasted with the remarkable continuity in projects on the ground, many carried over from the pre-genocide period, and its strong support for programmes such as *gacaca*. The Netherlands, which has been prohibited by its parliament from providing budget support because of concerns about governance in Rwanda and which froze aid for the elections, has allocated increased support for the justice sector. Norway, which emerged as a key new donor after the genocide, reduced its bilateral programme due to Rwanda's regional belligerence and concerns about human rights abuses, but continues to provide aid through NGOs and acts as a silent partner in the local government and justice sectors. This divergence creates aid management problems for the government but also creates space in that the aid continues to flow from multiple sources despite the official existence of conditions.

Donor divergence also means that there is not a consensus on political processes within Rwanda, nor a single analysis of how aid may affect structures, institutions, and politics. Uvin (1998) observes that donors became unwittingly embroiled in the crisis in pre-genocide Rwanda through their 'blindness' to socio-political realities on the ground and that aid was potentially fuelling extremism. Oomen (2005) likewise observes how aid to the justice system in post-genocide Rwanda ignores the political context in which the legal and justice framework is being redefined. Political analysis by donor agencies is often weak, and the daily functioning of the aid system deceptively seems like a technical exercise where budgets have to be spent, results produced, and targets met on issues like aid coordination. For example, Belgium's overarching framework for aid contains numerous references to political conditionality (Government of Belgium 2003); its Great Lakes Framework likewise (Government of Belgium 2001). However, on the ground the application of political conditions is barely tangible. Regular discussions between Belgium and the government revolve around technical needs of individual projects. While individuals within donor agencies are not necessarily ignorant of the political fallout from their actions, they may choose only to 'see' or react to particular phenomena in tune with their broader prerogatives. Although donors in Rwanda are officially following a very similar line on both policy priorities and aid management mechanisms, differences in approach provide the government with considerable space for manoeuvre. Given Rwanda's status as one of the poorest countries in the world and its government's apparent progress in many areas of development, donors have remained largely supportive even in the face of signs of increasing authoritarianism and poor political governance.

Conclusion

Since 1994, the RPF-led government has maintained a consistent line on a set of core principles. Many of these reflect prevailing international concerns, and donor agencies have been instrumental in preparing, financing, and implementing programmes from reconstruction to reconciliation through the provision of short- and long-term policy consultants and technical assistants, training, and logistical support. Unpicking what is government-'owned' and what is donor-driven is therefore difficult. At the same time, the government has forged its own path in areas such as resettlement, justice, security, and governance which has sometimes brought it into conflict with donors. The legacy of the genocide has created unique challenges, which the RPF-led government has addressed in ways typical of both a post-liberation state and a developmental state. It employs a strong discourse of national unity and moral authority and has demonstrated that it will not compromise on certain core objectives. While some donors may have been critical, occasionally halting aid, generally they have chosen to support the government's own initiatives, with inconsistencies amongst donors undermining a coherent approach. Compromises have been reached, with give and take on both sides, but rarely has serious pressure been applied to change the government's direction.

Rwanda demonstrates how an aid-dependent country can negotiate and create space for pursuing its own policy agenda, but also the limits to this in terms of local 'ownership'. The government needs to keep donors on board, which it does by committing itself to the international norms of development and reminding the international community of its responsibilities to help Rwanda. Real policy freedom is therefore constrained by the need to appeal to external financiers. The outcome is a joint policy process. This was initially born of weak government administrative capacity to manage aid and policymaking in the post-1994 years. The hand of external actors is therefore strong within many policy documents, and nearly all ministries in Rwanda house foreign technical assistants. However, as Rwanda's own administrative capacity has increased, there has not been a concomitant decline in donor involvement; rather, donor entanglement in central decision-making has increased. This is primarily due to the shift towards the poverty reduction and harmonization agendas, coupled with the rise of direct budget and sectoral funding mechanisms. Through this, government officials and donors jointly negotiate and plan development activities, from macroeconomic management to specific thematic initiatives. This highlights the perverse outcomes of an aid system which aims at increasing local ownership but which leads to heightened external entanglement in internal policy processes. The ensuing encroachment upon national sovereignty, power, and control has raised concern in Rwanda, and the government has sought to enhance its control over aid management. It remains to be seen whether the *Aid Policy* adopted in 2006 will fundamentally change aid relations, but it appears to represent a drive towards greater local ownership.

Notes

1. Research for this article was funded by the Economic and Social Research Council (UK) under grants PTA-030-2002-00409 and PTA-026-27-1383. I am grateful to Arabella Fraser for her input, and to Lindsay Whitfield for comments.
2. Interview, Ministry of Finance official, Kigali, Rwanda, 26 April 2004.
3. Zaire was renamed the Democratic Republic of Congo in 1997.

4. Having threatened to redeploy troops in the DRC to deal with rebel groups which have carried out incursions into Rwanda as recently as March 2007, Rwanda's position is now to work with the new authorities in the DRC to support their efforts to eliminate the problem. See Irin News, 7 May 2007 (http://www.irinnews.org/Report.aspx?ReportId=72010).
5. OECD Aid at a Glance: Rwanda (http://www.oecd.org/dataoecd/63/19/1878421.gif). Accessed 11 April 2007.
6. Interview, European Commission official, Kigali, Rwanda, 30 September 2003.
7. The term 'special case' was used frequently during partner meetings in 1998 and in the World Bank and DFID policy documents in 1999 (World Bank 1999: 11; DFID 1999: 9).
8. DPCG minutes, 25 January 2007.
9. Interviews, Ministry of Finance and Economic Planning, September–October 2004.
10. Joint Donors' Statement of Intent towards the implementation of the Paris Declaration and Rwanda's Aid Policy, Kigali, Rwanda, 23 November 2006.
11. DPCG minutes, 25 January 2007.
12. Irin News, 5 October 2004 (http://www.irinnews.org/report.aspx?reportid=51581).
13. Interview, former Vice-President of Rwandan Supreme Court, 19 April 2004.
14. Interviews, Kigali, Rwanda, 2003/4; observations at coordination meetings on *gacaca*, Belgian Embassy, Kigali, Rwanda, March and April 2004.
15. Reyntjens' regular reviews of Rwanda's political situation provide a useful overview of political developments in Rwanda (Reyntjens 1997, 1999, 2000, 2001, 2004). For an alternative analysis, see Kimonyo, Twagiramungu, and Kayumba (2004).
16. Since 1994, Rwanda has seen several local government reforms. In 2001 the country was divided into 12 provinces and 116 districts and municipalities. These were in turn divided into sectors and cells, the lowest administrative rung. The number of provinces has now been reduced to five, in addition to Kigali city.
17. This trajectory can be traced through several documents. In 1999 there was a proposal to punish 'those who continue to base their ideas on sectarianism, who minimize the genocide and massacres' (RoR 1999*b*: 61). In 2002, the National Unity and Reconciliation Commission recommended that 'factors of disunity [be kept] at bay' and that 'genocide ideology' be combated by all means (RoR 2002*b*: 77–8). In 2004, this Commission recommended the need for 'severe sanctions against whoever denies the 1994 Genocide' (RoR 2004*b*). A hard-hitting parliamentary report on 'genocide ideology' was published in 2004 (RoR 2004*a*).
18. See Reyntjens (2004) for a scathing analysis of the elections as a 'cosmetic operation' for the international community.
19. See statement of the European Union to the Sixth Annual Government of Rwanda and Development Partners Meeting, Kigali, Rwanda, 22–23 November 2006.
20. Presentation by Richard Sezibera, Development Partners Meeting, Kigali, 10–11 December 2004. This ingenious presentation demonstrated how insecurity around Rwanda's borders was affecting the economic climate in the country, with rebels deliberately targeting Rwanda's tea and coffee industry, breweries, and power installations.

21. Statement by the representative of Norway to the Government of Rwanda/Donors Meeting, London, 22–23 July 1999.
22. Statement by Presidency of the EU, Development Partners Meeting, Kigali, 10–11 December 2004.
23. The African Development Bank and, since 2007, Germany now also provide direct budget support.

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7

Ghana: Breaking Out of Aid Dependence? Economic and Political Barriers to Ownership

Lindsay Whitfield and Emily Jones[1]

Ghana has often been in the limelight. It captured attention in 1957 by being the first country to gain independence in sub-Saharan Africa, but then became the epitome of Africa's decline. The country also became famous as a 'star pupil' of structural adjustment reforms in the 1980s, but then the country went off the radar as its economic success stalled by the mid-1990s. Ghana is now in the limelight as a shining example of democracy and as a place for international investment opportunities. A country that has been a focus of donors and their agendas, Ghana provides an interesting case for exploring the economic and political barriers to ownership. Recent events have challenged us to ask whether the country is finally breaking out of aid dependence.

This chapter first describes how and why aid dependence set in during the 1980s when J.J. Rawlings and his quasi-military government sought to address the country's economic crisis with the support from the World Bank and IMF. Aid increased dramatically in the 1980s, as bilateral and multilateral donors sought to support a successful story of economic reform, as Figure 7.1 shows. But then aid flows declined after 1991 and stagnated as a result of poor economic performance under the elected governments of President Rawlings and his National Democratic Congress. Although aid as a percentage of the country's gross national income is lower than in other aid-dependent countries such as Mozambique and Tanzania, Ghana's aid dependence is the product of foreign exchange shortages and its debt burden.

Much of the development assistance to Ghana has taken the form of loans. Although Ghana has suffered from significant levels of external debt since the 1960s, it was during structural adjustment that external debt increased

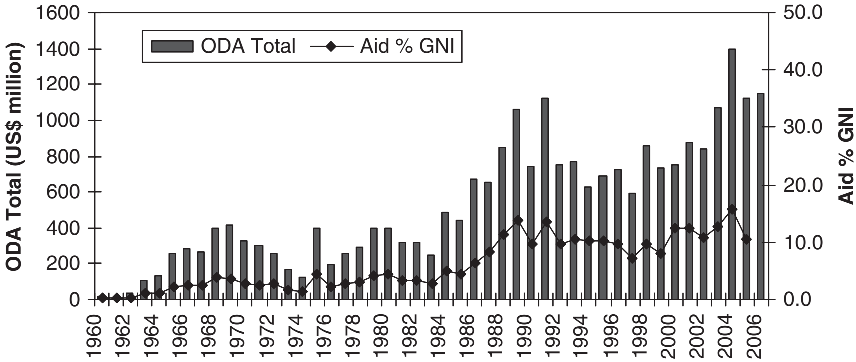

Figure 7.1. Ghana: Trends in aid flows, 1960–2006
Source: OECD DAC and World Development Indicators, April 2007.

substantially, primarily due to lending from the Bank and Fund (Tetteh 2003). This debt proved unsustainable, because reforms and investments did not lead to the requisite levels of growth and foreign exchange earnings. High levels of debt servicing diminished the effects of aid flows in terms of government access to development financing (Simpson 2007). Until the mid-1980s, debt service payments were almost identical to net ODA flows, making the new cash effect zero. Only from the mid-1980s does ODA rise above debt service payments, as shown in Figures 7.2 and 7.3.

In 2004, Ghana benefited from debt relief under the Heavily Indebted Poor Country (HIPC) Initiative, and, as Figure 7.1 shows, total ODA reached peak levels. However, the way in which debt relief is recorded in ODA statistics overstates the cash benefit to the Ghanaian government. The value of the debt written off recorded as ODA is a notional amount rather than a real cash flow. Simpson (2007) calls this nothing short of 'accounting trickery'. Removing the non-cash debt relief from DAC aid statistics, he shows that debt relief in 2004 actually replaced cash in official development assistance, resulting in the country exporting cash in 2004. Figures 7.2 and 7.3 also illustrate the limitations of debt relief in terms of net cash inflows into the country.

Donor demands and donor participation in policy discussions increased with aid dependence. We argue that, with few economic resources outside the traditional aid system, the NDC governments (1992–6, 1997–2000) found it hard to set the policy agenda and to forge a development strategy independent from donors' priorities. We also show that the strong development vision under Rawlings' quasi-military government gave way under electoral politics to pressures within and without the ruling party. Ministries negotiated

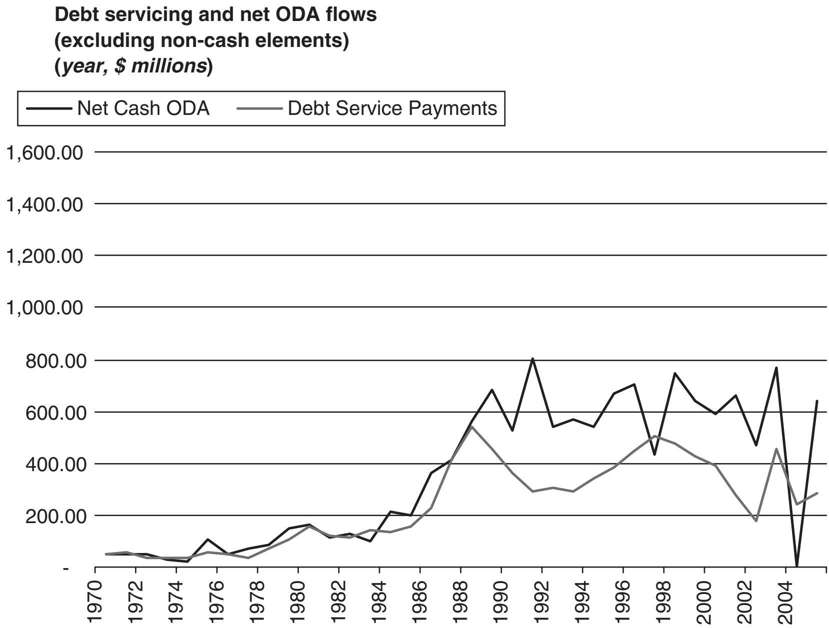

Figure 7.2. Debt servicing and net ODA flows excluding non-cash elements, 1970–2005
Source: Simpson (2007), who uses data from Development Data Group, The World Bank, 2006.

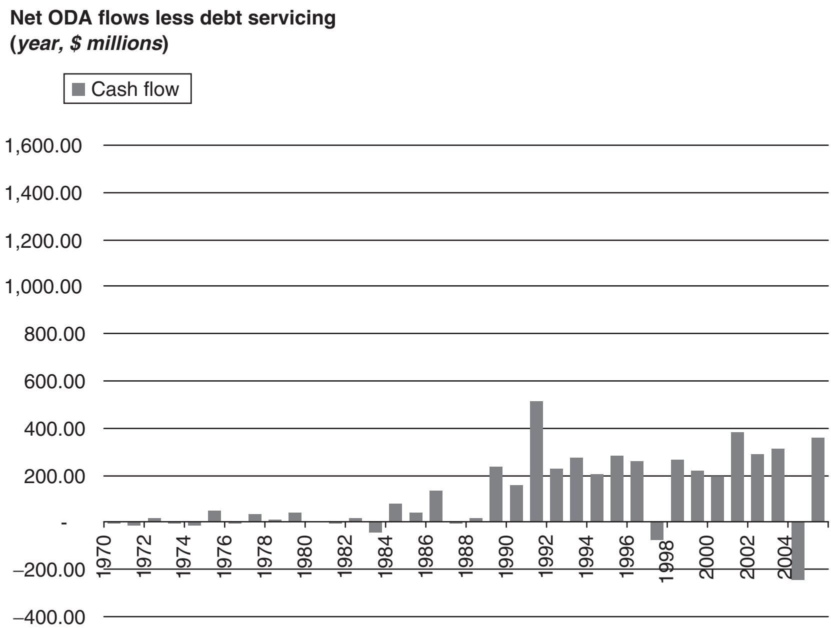

Figure 7.3. Net ODA flows less debt servicing, 1970–2005
Source: Simpson (2007), who uses data from Development Data Group, The World Bank, 2006.

on donor-initiated programmes, policies, and projects, under the strategy of maximizing aid inflows. The Ministry of Finance resorted to the strategy of non-implementation where the government strongly disagreed with the policy conditions attached to IMF and World Bank arrangements, or deemed the conditions to be too costly for the ruling party. Politicians are driven by the four-year electoral cycle. The imperative to deliver visible goods and services to meet the high expectations of electoral constituencies is strong. There is little incentive to pursue policies or projects that cannot attract aid and a strong incentive to go along with donor initiatives as long as it can deliver foreign exchange or development projects.

A dynamic similar to the one driving politicians played out in the public administration. The civil service was politicized under the first independent government and then stripped of much talent after economic decline in the 1970s sent those who could leave searching for greener pastures. The process of structural adjustment in the 1980s further marginalized the civil service. Since the 1990s, the poor working conditions and heavy burden of the aid system have resulted in civil servants relying on the perks of the aid system for resources with which to do their job – or letting the donor-paid technical assistants do it instead.

We argue that these dynamics gave rise to a way of managing aid that developed over the course of the 1990s called the *default programme*: in a majority of cases, government officials and civil servants negotiate as far as they think they can on a particular loan or grant, but accept the aid package in the end, even if the policy and programmes attached to it do not adhere to a ministry's priorities or are seen by government negotiators as not particularly useful.

The New Patriotic Party (NPP) came to power in 2001 with a clear development vision, but it inherited an economic crisis and an aid-dependent budget as well as an embedded aid system and the default programme. During his first term, President Kufuor focused on securing debt relief under the HIPC Initiative. His government also witnessed the introduction of the Poverty Reduction Strategy Paper and general budget support. While the new NPP government took stronger stances in aid negotiations than its predecessor, it still often resorted to non-implementation as a strategy for avoiding or delaying policies attached to IMF and World Bank arrangements. It is clear that the government agreed with many of these conditions, but wanted to do it in its own time and in accordance with managing the political economy of reforms. Beyond the Ministry of Finance, however, the government's ability to negotiate aid to its purpose seemed to depend on the drive of particular ministers.

With an upsurge in economic growth and access to new sources of finance from China and the international capital market, the second NPP government has more room to pursue its development vision, set its own policy agenda, and implement it with new resources, with or without the support of traditional donors. However, it is too early to say whether the government has changed its way of managing aid and thus whether Ghana has resumed both reins over its development strategy from the multitude of aid agencies who have taken a firm grasp on many policy processes.

Origins of Aid Dependence (1983–92)

Understanding how Ghana became aid-dependent requires a brief explanation of the origins and nature of the crisis facing the country when Rawlings took over in 1981. Ghana experienced an average annual growth rate of 4.1 per cent between 1950 and 1960, followed by a lower rate of 2.2 per cent for 1960–5 and 2.1 per cent for 1965–70, and then a falling rate of -0.3 per cent for 1970–81. This economic decline was not reversed until the adoption of the Economic Recovery Programme in 1983. Prior to its adoption, the country was caught in what Hutchful (2002) describes as a 'policy impasse'.

The experiences of the first two governments set the parameters for subsequent policy debates which oscillated between expansionary policies and state controls during macroeconomic crises on the one hand and liberalization and stabilization on the other. Different governments attempted reforms under arrangements with the IMF, but these reforms proved short-lived or too shallow to address the economy's structural problems. A policy impasse emerged, the result of a convergence of different interests that emerged over time regarding social and economic policy which largely transcended status, class, and party affiliation. First, the weakness of the indigenous private sector gave rise to expectations that the state technocracy should direct primitive capital accumulation, and second, that the state had a responsibility to provide roads, education, health services, water, and housing. In practice, this paradigm mostly benefited the upper- and middle-income groups and state institutions, who were, in return, best placed to mobilize political pressure to maintain it. When the divergence between practice and paradigm became apparent, popular discontent surged. Social discontent combined with economic stagnation contributed to political instability, intensifying the policy impasse, blocking economic reform, and constituting what we could call a political impasse. Three unpopular devaluations in 1966, 1971, and 1978 had made the IMF (and devaluation) deeply unpopular in Ghanaian society.

Rawlings' 'revolutionary' coup in December 1981 broke the policy impasse. Initially the same policy disagreements re-emerged within the quasi-military Provisional National Defence Council (PNDC), centring on whether or not to negotiate an agreement with the IMF. However, by 1983 the economy reached a nadir as a result of factors external to the economic crisis. An arrangement with the IMF was seen as the only way to access much-needed foreign exchange and as necessary for the rescheduling of debt service in the immediate future. A compromise was reached and a political coalition forged on the acceptance of the Economic Reform Programme backed by the IMF and World Bank. By the end of 1983, social groups that strongly opposed increases in prices and other aspects of stabilization in the past were either aligned in support of the PNDC government or were divided, prohibiting united opposition to IMF stabilization. An autocratic executive leadership emerged, but one committed to economic reform. Increasing aid in the early reform years allowed the PNDC to pursue public investment and meet citizens' needs and thus to contain opposition to reform from organized labour and others (Aryeetey and Cox 1997).

The Economic Recovery Programme was implemented by a macroeconomic team, the technocratic team of civil servants and economic planners, and by an adjustment management team responsible for the political direction of the Programme. The macroeconomic team was very small and represented personalities rather than institutional relationships. Hutchful (2002) argues that the sharp decline in the quality and morale of the civil service created a situation where the civil service was either unable or unwilling to provide the needed expertise and initiative. But Aryeetey and Cox (1997) state that the absence of a large Ghanaian team based *within* the civil service reflected more the political divisions within it than the dearth of qualified people. In any case, the macroeconomic team worked in an almost institution-less arena. Policymaking was confined to negotiations, often secret, between this team and the Bretton Woods institutions. Although Rawlings was clearly ambivalent to reforming the public administration and institutionalizing the policy process, the Bretton Woods institutions exacerbated the problem because they favoured the use of small groups of technocrats who could make quick decisions (Tsikata 2001).

Negotiating with the IMF and World Bank

The macroeconomic team would have implemented some form of stabilization on its own, and it drafted the original programme on which the Economic Recovery Programme was based (Aryeetey and Cox 1997). But a range of authors agree that the IMF and World Bank became the most important architects of Ghana's economic strategy and policies.[2] Structural adjustment is not so much a set of policies, but a process in which the policy conditions attached to loans crystallized one point in a continuous process of policy discussions, disagreement, and bargaining over the pace and content of reforms.

Ghanaian officials were known in the World Bank as tough negotiators (Armstrong 1996). The PNDC government was able to shape and moderate conditionality through continuous bargaining, and this led to a more gradual reform than the Bank or Fund preferred (Tsikata 2001). Policy disagreements occurred largely over the scale, speed, and sequencing of reforms, rather than the general thrust of them. But some disagreements also went beyond specific policies to challenge the short-term orientation of stabilization measures and the neglect of longer-term structural issues.

The staff of the IMF and World Bank carried out much of the policy and technical work for the Programme, and implementation of reforms relied heavily on foreign consultants. While the nature of the macroeconomic team described above was initially its strength, it eventually became its weakness, as the team was stretched thin. The extensive involvement of Bank and Fund staff in the design and monitoring of the Programme, which began as a short-term expedient, became a permanent feature. The failure to involve domestic talent in providing technical analysis and evaluation deprived the country of an opportunity to develop an indigenous technocracy and to offset the technical dominance of the Bank and Fund (Hutchful 2002). Toye (1991) argues that the extensive technical assistance provided (if not demanded) by the Bank and Fund was critical to the successful implementation of the Programme given the pervasive administrative weaknesses of the Ghanaian state. However, Tsikata's assessment states that this technical assistance had a mixed record and a weak impact overall, and that it was viewed negatively by Ghanaian civil servants as not properly designed.

Economic reforms were successful in achieving macroeconomic stabilization and significant growth rates in the 1980s, largely driven by aid-funded public sector investment (Aryeetey and Tarp 2000). The self-interest of the IMF and World Bank in making Ghana a success story spurred its increasing involvement. The failure of foreign direct investment to respond to the reforms meant that the Bank and Fund continued as Ghana's major international creditors, and these financial inflows required a series of reforms as 'vehicles' to transport the foreign exchange. Between 1983 and 1996 conditions on Bank and Fund loans proliferated and became more specific, conditionality-based lending became more important as a portion of loans from the Bank and new loans came with preconditions that had to be met before disbursement. However, Tsikata (2001) notes that the Bank was flexible with the implementation of policies if they seemed not to be working. This willingness to allow slippage was due to a sense that the government was committed to the reforms.

The Bank and Fund became a powerful political constituency supporting economic reform. The country faced significant balance-of-payments problems at several times during the reform process, including after the sharp fall in cocoa prices in 1988. Each crisis created the temptation to roll back some of the reforms, particularly those related to the foreign exchange market and import decontrol, but the provision of aid helped buffer the impact of external and policy-related shocks on the economy, making it easier for the government to survive those changes without resorting to the sorts of controls that sank the economy in the 1970s (Harrigan and Younger 2000). The PNDC had to arbitrate complex and contradictory pressures from domestic and donor constituencies. The deinstitutionalization of decision-making, described earlier, provided the regime room for manoeuvre between these constituencies (Hutchful 2002).

Toye (1991) argues that the Bretton Woods institutions came to dominate policy bargaining after 1986 as a result of Ghana's team not pushing its own policy preferences as well as the superior technical skills at the disposal of the Bank and its ability to organize for policy initiatives. Similarly, Loxley (1988) thought that the PNDC had basically abdicated responsibility for policy formulation by the late 1980s. However, Ghanaian authorities see it differently, pointing to the extensive interventions of Bank and Fund officials in policy design and review and the insistence of donors on the Bank's and Fund's 'seal of approval' for Ghana's policies and actions (Hutchful 2002: 157). Additionally, while the Bank and Fund exercised extensive influence on overall policy, policy implementation remained in the hands of the PNDC.

To conclude on this period, Hutchful (2002: 165) argues that the PNDC government favoured liberalization, but faith in state management of economic life and scepticism of the domestic private sector remained. The fiscal needs of the state were the prime force driving reform and created common ground with the Bank and Fund. But the fiscal gains from the reforms were modest compared to funds that became available by the mid-1980s from the Bank and Fund for sustaining reform and satisfying conditionalities.

The New Political Economy of Reform (1993–2000)

In the 1990s, a new political economy of reform emerged after the return to multiparty, constitutional rule in 1993, which saw Rawlings reinvent the PNDC as the National Democratic Congress (NDC). Rawlings won the presidential election in 1992, but accusations of election fraud led the opposition to boycott the parliamentary elections, leaving Rawlings' NDC a monopoly in Parliament. Rawlings and his NDC won again in the 1996 national elections, but this time faced an opposition in Parliament.

If ownership was strong at the beginning of the reforms, it weakened significantly in the 1990s because the team leading the reforms changed, because greater aid flows led to greater dependence and more donor-driven agendas, and because the failure to institutionalize the reform process both within the public administration and within the broader society undermined the government's ability to implement more difficult reforms.

With the new NDC government, power drifted from the technocrats to political brokers and party financiers (Hutchful 2002: 221–3). Priorities of the government shifted, and the economic imperative of reform gave way to the politically driven public spending. Related to this change was the gradual dissolution of the macroeconomic team, and in the absence of a strong and technically competent bureaucracy, the government lost much of its economic policymaking capacity. According to Hutchful (2002), the new economic management team engaged in little substantial debate and independent thinking. He attributes their behaviour to the lack of any grand vision to transform the economy.

The 1990s were characterized by a vicious cycle of aiming to break even on the budget. The adjustment programme went off track at the beginning of the 1990s because of overspending due to outlays on the constitutional referendum and holding of the elections, development projects, and campaigning before the 1992 elections (Sowa 1996). Consequently, the World Bank suspended disbursements. Fiscal deficits in the mid-1990s resulted in further inflation and currency depreciation. These deficits had multiple sources: delay in introducing a Value Added Tax in 1995 due to a massive demonstration against it (Osei 2000), an increase in civil servant salaries, expenditure on rural infrastructure, and party patronage in the run-up to the 1996 elections. Consequently, in 1996 the IMF suspended its programme for a year. These temporary suspensions of aid were offset by strong support from bilateral donors who did not want the Ghana success story to fail, especially as a result of the return to democracy (Tsikata 2001). The NDC government used increases in foreign and domestic borrowing and one-off receipts from divestures in order not to sacrifice public spending (Hutchful 2002: 216). In contrast to the flexible implementation countenanced by the World Bank and IMF in the 1980s, from the mid-1990s these institutions were less accommodating, due to the government's failure to meet conditions described above (Tsikata 2001). Ironically, their 'tougher conditionality' resulted in more not less slippage.

The 1990s also witnessed the expanded involvement of official aid agencies. Donors opened country offices and increased their staff on the ground. This led to more donors attending government meetings as 'observers', greater coordination amongst donors, and to a proliferation of forums used by donors to engage the government on policy reforms. By 1996 an external review of World Bank operations in Ghana warned of aid dependency characterized by donor-driven agendas, priorities, and budgets in the reform process; accountability to donor constituencies vis-à-vis domestic constituencies; and over-reliance by the government on donor initiatives and actions (Armstrong 1996).

The NDC government found it difficult to resist this increasingly assertive donor system, in part because of the absence of planning and aid coordination systems on the government side. In the mid-1990s, the government had established the International Economic Relations Department in the Ministry of Finance to centrally coordinate aid inflows and negotiations. However, donor agencies continued the old routine of negotiating with line ministries and dealing directly with project management units (Aryeetey and Cox 1997). Line ministries supported this deviation because this gave them greater leverage over funding and project design. Aryeetey and Cox (1997) argue that the absence of coordination stemmed largely from the lack of an effective planning system. The NDC government had created the National Development Planning Commission in 1994, but it remained understaffed and had little authority within government. As a result, the World Bank was left effectively coordinating aid. As one of the largest donors, the Bank signalled to other donors that the government was committed to policy reform, and it led the Consultative Group as the forum for coordination of aid programmes and policies (Harrigan and Younger 2000).

With macroeconomic stabilization still at the forefront, there was no serious attempt to develop a longer-term development strategy. The NDC governments produced several plans in the 1990s, but they were not implemented (Killick and Abugre 2001). *Ghana-Vision 2020, The First Step: 1996–2000* was the government's first attempt to develop a strategy that might strengthen its negotiating position with the donors. However, in practice the document had little influence, some say due to the marginalization of the National Development Planning Commission which produced it (Hutchful 2002: 112). But the document was also criticized for lacking a clear strategy to deliver on its aspirations. The Commission had pitched the document somewhere between what it thought was required for economic development and what it thought would be supported by donors, but in leaving space for flexibility, the document lacked detail (Aryeetey, interview).

In addition to the economic and administrative constraints mentioned above, political incentives also fuelled aid dependence. Accommodation by the NDC government of the increasing involvement of donors in the 1990s has been explained in terms of 'policy rent', where the government often turned conditionality to its advantage but in the process became addicted to donor finance for its survival (Hutchful 2002: 240–8). Funds available in the national budget for operations of government ministries, departments, and agencies were inadequate and salaries were not motivating. In this situation, the resources and perks associated with foreign-funded projects in the short term created the temptation for politicians and bureaucrats to accept aid projects, and in the long term to continue a donor-led reform process.

Burdened with an overloaded policy agenda and multiple, short-term targets which could be superficially satisfied, the government focused on appearing to be doing whatever donors asked in order to access the money (ibid.). Rigid reform paradigms and power imbalances, combined with the haste of donors to 'get things done', frequently reduced negotiations to a façade. However, while donors influenced policies, the government still controlled their implementation.

By the end of the 1990s, Hutchful (2002) argues that the NDC government was increasingly disconnected from the reform process and concerned with staying in power. Development expenditures provided by aid were used to gain political support in constituencies through development projects. The NDC governments also used aid conditions to gain leverage in negotiations with groups in society such as workers and to avoid public debate on economic policies (Aryeetey and Cox 1997). The lack of debate on reform issues reduced the legitimacy of the government and in turn led to a general scepticism of the reforms by large parts of society. The 1990s witnessed the growth of think tanks, the media, and NGOs who articulated critiques or positions on government policies.

In 1999, the country suffered two major external shocks: rising oil prices and a decline in world prices for its major exports of cocoa, gold, and timber. These shocks were compounded by the loss of fiscal discipline and loosening of monetary policy in the run-up to the 2000 elections, and by the subsequent suspension of aid and loan disbursements by the IMF and other donors due to non-compliance with IMF conditions (CEPA 2003: 3). Rapid inflation and currency depreciation followed. These macroeconomic problems meant that the NDC government remained dependent on donors to shore up fiscal deficits and help achieve the fragile macroeconomic stability.

A New Ruling Party, But an Embedded Aid System (2001–4)

J.A. Kufuor and his New Patriotic Party won the 2000 elections and brought with it into office a new development vision. The NPP manifesto focused on a positive partnership with the private sector and an active role for the state in removing impediments and fostering development of the domestic manufacturing sector. It echoed earlier arguments in Ghanaian history on the need to address supply-side constraints in the economy, but also acknowledged the importance of demand management and macroeconomic stability (Hutchful 2002: 247). In contrast to Rawlings' antagonist stance towards the private sector, President Kufuor declared his term in power the Golden Age of Business.

However, the NPP government's development vision was put on hold by the imperative of managing the economic crisis it inherited. Although whether 'to go HIPC' was widely debated in the media and had been rejected by the previous government, President Kufuor accepted the HIPC Initiative and negotiated the conditions required to access debt relief. His government also had to negotiate agreements with the Bank and Fund that would provide balance-of-payments support and to complete a series of prior conditions before disbursing could begin.

In addition to dealing with the macroeconomic crisis, the NPP government had to contend with the legacies of aid dependence and the machinations of the aid system. By 2001 donor agencies had become embedded in the workings of the state apparatus. Government expenditure was heavily contingent on donor finance, as 40 to 50 per cent of it came from donors since the early 1990s (CDF 2002). Through the proliferation of donor–government forums for discussing policies, donors participated intimately in the design, implementation, and monitoring of government programmes. Ten bilateral donor agencies had significant aid portfolios (Denmark, France, Germany, Italy, the Netherlands, Spain, the United Kingdom, the United States, Japan, and Canada), in addition to the World Bank, IMF, European Commission, African Development Bank, and United Nations agencies.[3]

Opting for HIPC introduced more donor-driven systems tied to the prospect of debt relief. The government was required to produce a Poverty Reduction Strategy Paper. The process of creating this document began under the NDC government. The new NPP government rejected *Vision 2020*, but had not yet produced its own long-term development strategy. With the government's rush to access debt relief, Ghana's Poverty Reduction Strategy Paper is a compromise document based on the priorities of the participatory planning process organized by the National Development Planning Commission; the priority programmes of ministries, departments, and agencies; the priorities of donors; and the macroeconomic framework from the existing Poverty Reduction and Growth Facility (PRGF) arrangement. President Kufuor then inserted his political priorities from the NPP manifesto as the strategy's medium-term priorities (which many donors criticized as not pro-poor enough).[4]

Integrating the Ghana Poverty Reduction Strategy (GPRS) into the national policymaking framework was difficult (Aryeetey and Peretz 2005). The NPP government had inherited weak and fragmented planning, budgeting, and financial systems – the legacy of donor-driven processes introduced in the context of a public administration devastated by politicization and economic decline, and of the NDC governments' failure to undertake public sector reform. The result was a chaotic picture of multiple processes, some donor-driven but adopted by the government and some mandated by the country's constitution.

Multi-Donor Budget Support (MDBS) was introduced in 2003 as a collective donor tool for supporting implementation of the GPRS. It created a common structure for 'dialogue' between donors and the government, which included key discussions twice a year and a formal annual assessment. Disbursements were linked to a set of benchmarks established for judging progress. The first tranche of money is disbursed early in the year depending on satisfactory performance on the IMF programme (PRGF) in the previous year, and the second tranche disbursed depending on how many of the targets and conditions were fulfilled. These targets and conditions are chosen annually through negotiations between the MDBS donors and the government. In 2003, nine donors signed up to budget support, which expanded to eleven donors in 2007, although these donors only give a portion of their aid portfolio through budget support. In 2003, general budget support constituted 39 per cent of total official aid and 12.7 per cent of government expenditure, declining to 27 per cent of aid and 8.9 per cent of expenditure in 2005 (ODI 2007). A large part of aid remains outside the normal budget process, an estimated 60 per cent (Aryeetey and Peretz 2005).

The effects of general budget support have been modest, partly because it has been of limited importance in relation to total aid and the government's own budget and partly because its achievements on more predictable aid aligned to the government's priorities have been modest (ODI 2007). In fact, the costs may outweigh the benefits. The MDBS arrangement is backed by an extensive system of sector working groups, each of which places considerable demands on the time of sector ministries and the Ministry of Finance (Aryeetey and Peretz 2005). There are regular meetings of the budget support group and parallel regular meetings of the budget support sector working groups. While these structures may facilitate working across government ministries, departments, and agencies, they also increase donors' access to policy discussions. In addition to these donor–government structures, all donors meet with the government at the annual Consultative Group (these meetings were quarterly between 1997 and 2005) to discuss major funding and policy issues. General budget support, in its current form, is not a step towards greater democratic debate over public policies; it emphasizes accountability to donors, and economic policy is decided in closed arenas (Jacquemot 2007; ODI 2007).

Dealing with the World Bank and IMF

The World Bank and IMF agreements, HIPC conditions, and general budget support provide cases for examining how much control the NPP government has over implemented policy outcomes and its negotiating strategies. The first two examples have histories that stretch back into the NDC period.

The external marketing of cocoa, one of the country's key exports, shows how Ghanaian governments have been able to resist the full scope of Bank and Fund prescriptions. After initial resistance, the PNDC government agreed in negotiations for a World Bank credit in 1991 to allow private buyers into the internal cocoa market, previously controlled by the state. In the late 1990s, the Bank and Fund pushed for the privatization of the state-owned Produce Buying Company in order to fully liberalize the internal marketing system. The NPP government finally did sell the Company by 2003, even though it had voted against the measure when it was in opposition in Parliament in 1999. However, even the NPP government has refused to liberalize the export of cocoa, allowing the state-owned Cocobod to retain its near monopoly on external marketing. It seems the government's negotiating strategy has been to 'win the argument', as Ghana's Cocobod has outperformed the Ivory Coast and Cameroon where multinational corporations dominate the cocoa sector and control the majority of exports (OA 2006).

An example of where the government has capitalized on domestic dissent to resist reforms is the full divestiture of Ghana Commercial Bank (GCB). The World Bank and Fund had been pushing privatization of state-owned banks under credit agreements since 1999. Neither the NDC nor the NPP government privatized the GCB, so the 1999–2002 IMF agreement expired in November 2002 without releasing the final tranche. Programme aid fell short in 2002 by $123 million, including a non-disbursement from the World Bank owing to a delay in the privatization of GCB and $102 million in debt relief (IMF 2003a). However, privatization of GCB was put back on the agenda in the next round of Bank and Fund agreements. The NPP government was going ahead with a strategy for the sale of GCB in 2003, but in the face of strong public opposition, the government announced in August 2003 that it had suspended the sale of its majority interest in GCB to allow more time to consider other possible options (IMF 2003b).

However, the NDC and NPP governments have mostly employed the negotiating strategies of non-implementation and backsliding. Between 1996 and 2004, the World Bank supported the government's divestiture programme through a technical assistance project loan. The Bank rated the performance of this project as unsatisfactory due to the failure to reduce state-ownership in five large infrastructure and financial companies. But it is important to state that by 2001, government holdings in about 70 per cent of Ghana's state-owned enterprises had been reduced and some key state commercial holdings were successfully privatized (IMF 2007a). It was progress in privatizing infrastructure companies that Ghanaian governments had resisted. However, this strategy did have costs. Privatizing these companies, such as GCB, were part of IMF and World Bank agreements. Non-implementation of these conditions led to a large drop in programme aid during 1999 and 2000. But rather than reduce spending (in the run-up to the 2000 election), the NDC government used domestic financing, which contributed to inflation and the collapse of the local currency (IMF 2007a: 28).

For IMF arrangements from 1995 to 2006 there was a low degree of compliance on conditions requiring the introduction of an automatic pricing mechanism on water, electricity, and petrol. Conditions for the introduction of automatic pricing on petrol was applied four times, first in 2001, but was not fulfilled until 2003, and then it had to be reintroduced in 2004 and 2005 because the mechanism was not allowed to work. Automatic pricing on electricity was introduced three times, and even though it was fulfilled twice, such a mechanism still has not been fully implemented to the liking of the IMF. Half of the conditions on the energy sector, including divestiture of energy companies, were not met or were waived, and most of the conditions were only temporarily met and then reintroduced at a later stage.

Notably, all these cases are defensive acts where Ghanaian governments are resisting or delaying the policy agenda set by the IMF and World Bank and not examples of the government setting the policy agenda and securing aid to support it. The Bank and Fund had a clear strategy for achieving macroeconomic stabilization, which involved selling off government shares in enterprises and ending government subsidies in order to reduce the state's fiscal burden. The NDC and NPP governments had to negotiate from this starting point. This is not to say that the governments did not agree with parts of the IMF and World Bank policy agenda. For example, the NPP government believed in the deregulation of petrol pricing and did follow through with this reform, even if not at the pace that the Bank and Fund would have liked. Furthermore, the Ministry of Finance currently agrees with the IMF on the need for tight monetary and fiscal policy in order to sustain macroeconomic stability, but it also sees the need for some trade-offs between macroeconomic policy and growth. Notably, the fiscal deficit increased in 2006, which became apparent after the government's IMF arrangement ended and which would have caused a delay in disbursement had it still existed (IMF 2007b).

The first NPP government also had to jump through all the hoops of the HIPC initiative to meet decision point in 2002 and then completion point in late 2004. The conditions that had to be met in order for the NPP government to access HIPC debt relief cannot be described accurately as imposed, because the NPP has taken 'ownership' of them by including most of them in its 2004 election manifesto, such as dealing with the inefficient pricing of petrol products and restructuring the electricity sector. President Kufuor also mentioned the persistent underpricing of petroleum products in his 2003 State of the Nation address (Agyeman-Duah 2006: 170). However, given that the HIPC conditions on the energy sector were exactly the same as those in previous Bank and Fund programmes that had gone unimplemented, there were obviously disagreements between the government and Bretton Woods institutions over the timing and details of how the restructuring would be carried out. Therefore, it seems that the slippage on petrol pricing noted by the IMF was more a matter of the political economy of reform than one of policy disagreement. Additionally, the NPP government has since 2004 also publicized several of the policy actions required for HIPC as great accomplishments of its government, such as public procurement and internal audit reforms.

The NPP government also succeeded in influencing decisions over the use of HIPC funds. While the World Bank wanted the funds to be used solely for social sectors, the Finance Minister insisted that some of the funds should be applied to sectors that would generate growth and employment (Agyeman-Duah 2006: 204). Therefore, 20 per cent of HIPC savings are used to pay off interest on domestic debt and the rest goes to projects developed by ministries for both poverty reduction and growth and to funding specific projects submitted by local government bodies.

The final example is negotiations over the conditions attached to MDBS. In 2003, the conditions were based partly on the GPRS, but also focused on improving public finance management and the budget process. Only in 2005 did the government provide input into the initial proposals for targets and conditions. Negotiations in 2005 were described as 'very intense', but in the 2006 round the Ministry of Finance felt that it got more of what it wanted. A view outside the Ministry is that the MDBS framework is largely informed by an already negotiated document, the GPRS, on which the donors and the Ministry of Finance are more or less mutually agreed. Nearly all the targets and conditions were met in 2006 except two (out of sixty-seven), which meant that total disbursement for the year was $24 million lower than expected (GoG 2007).

Budget support is perceived by Ghanaian officials and academics interviewed as a milder form of imposition than previous Bretton Woods conditionality, with more flexibility and time allowed to carry out reforms. But donors still try to insert their interests into the MDBS framework and try to use it to increase their leverage over implemented policies. As a result, policy discussions between donors and the government have been confrontational and claim a large amount of time from government officials (ODI 2007).

Sector-Level Policymaking and Aid Negotiations[5]

At the same time that traditional conditionality has become less rigid and more in tune with the political economy of reform, donors have become more intimately involved in policymaking in ministries. Donors see this as a way to exert more influence over implemented policy outcomes. IMF staff state clearly in their assessment of agreements with Ghana since the mid-1990s: structural conditionality has not been well suited to achieving the 'needed reforms', so the IMF should seek to ensure that critical reforms take place by engaging in close policy dialogue with the authorities and donors and providing targeted technical assistance (IMF 2007a: 38). For these reasons, it is important to move beyond national-level negotiations with the World Bank and IMF and look at sector-level aid negotiations. We examine the different experiences of the Ministry for Private Sector Development and the Ministry for Trade and Industry from 2001 to 2007, focusing on how government policy was formulated and how aid was negotiated to support it.

Formulating the Private Sector Development Strategy

President Kufuor created the Ministry for Private Sector Development in 2001 to ensure that the various institutions of government supported the development and growth of the private sector. One of the first acts of the new Minister for Private Sector Development was to hand-pick a team of renowned Ghanaians with a strong record in the private and public sectors to draft a strategy fleshing out the objectives and role of the new ministry. The draft strategy was presented in January 2002 at a workshop attended by the President, key ministers, and leaders in the private sector. Based on the outcomes, the Ministry launched its *Strategies, Policies, and Action Plan (2002–2004)*.

Within the international donor community, interest in supporting private sector development had grown around the same period. Donors already had a thematic group on the private sector and focused on the new Ministry for Private Sector Development as an anchor for coordinating their existing private sector projects. A small group of donors argued that the Ministry's strategy lacked vision, was insufficiently comprehensive, and failed to consider the impact of other government institutions on the private sector. This group garnered support of the wider donor community and urged government to develop a more comprehensive strategy.

Key policymakers involved in the design of the original strategy saw this move on the part of the donors as an attempt to reframe the policy on private sector development, arguing that the original strategy was coherent and had a clear vision, but did not match the vision that particular donors had in mind. Nevertheless, the Minister agreed to develop a new strategy, largely as a means to secure donor funding.

The new Private Sector Development Strategy was designed outside the existing state institutions by a team of international and Ghanaian consultants hired through an international competitive tender paid for by donors. The consultants liaised through committee meetings with different parts of government, representatives of the private sector, and almost all the donors, and tried to take into account different interests. By default, donors had the strongest influence over the strategy design, because they were the most organized. Unlike the resource-stretched civil service or private sector actors that have businesses to run, the raison d'être amongst donors is to influence government policy and they have teams of policy staff in their international headquarters dedicated to private sector development. But donors had differing agendas among themselves, and the consultants spent significant amounts of time mediating competing donor interests.

The input of donors sometimes conflicted with private sector opinions, with Ghanaian businesses often calling for a more 'active' government than donors thought wise. In a similar vein, donors fundamentally disagreed with the President's Special Initiatives (PSIs). Launched by President Kufuor in 2001, the PSIs were public–private partnerships designed to accelerate the development of selected products into lead export earners. With policy backgrounds rooted in international donor circles (including DfID, the World Bank, and USAID), the consultants were themselves sceptical of many of the government and private sector proposals and deferred to 'international best practice' in making arguments against them.

The resulting Private Sector Development Strategy was a compromise document. Although donors disagreed with the 'interventionist' aspects of the government approach detailed in the original strategy and strongly encouraged government to change tack, these aspects re-emerged in the second strategy, albeit in a different guise, because the government wanted them. In an attempt to marry the tensions over the state's role in the economy, the consultants included the PSIs but introduced criteria for 'smart' government interventions and the need for an exit strategy.

The second strategy was necessary to persuade donors that the government would subsequently act on 'international best practice'. It is apparent from discussions with donors that they will only fund strategies that they 'trust'. This invariably means strategies that they have had a hand in designing, not just to ensure that their interests and views are incorporated, but also because using 'experts' reassures them of quality and soundness. The government allowed a redrafting in order to please the donors and access money, but made sure that the new strategy contained its priorities.

Formulating the National Trade Policy and Trade Sector Support Programme

The process of policy formulation in the Ministry of Trade and Industry was very different. In early 2003 Alan Kyerematen was appointed the Minister of Trade and Industry. Kyerematen had a long career in the private sector and had been part of the brains behind the NPP 2000 election manifesto and the design of the PSIs. Thus, he had an unusually strong vision for the Ministry.

Kyerematen's early vision was captured in the Industrial Reform and Accelerated Growth Programme, which had two core elements. First was an export-led industrialization strategy focused on agro-processing and other manufacturing and involving mass mobilization of rural communities. The second was an import competing strategy aimed at stimulating the competitive production of import substitutes, particularly processed foods and agricultural products. Several projects have been set up under this framework, including the PSIs. These were modelled on the corporate village enterprise concept developed by Enterprise Africa, a project of the United Nations Development Programme that the Minister had formerly headed.

When Kyerematen took over the Ministry of Trade and Industry, plans were underway to create a trade policy. In the early 2000s, DfID supported the Ministry to better prepare for international trade negotiations, a project which later turned into support to develop a national trade policy. Kyerematen saw the development of a trade policy as a way to further develop the Industrial Reform and Accelerated Growth Programme and to generate support within the Ministry and the broader public for new economic policies. The DfID project was extended and reoriented to support the development of a broader trade policy than originally envisaged.

The Minister carefully managed each step of the policy formulation process, with the support of an international DfID consultant who had been working in the Ministry for several years, and the Ministry's Trade Policy Team comprised of senior civil servants and an Overseas Development Institute fellow.[6] The initial consultative round table in 2003, which included government, the business community, and broader public, resulted in a clear mandate for the Ministry to develop a policy that would improve the ability of businesses to produce goods competitively by addressing key supply-side constraints. This round table was supplemented by a Ministry review of studies and reports on trade and competitiveness in Ghana, and together they were used by the Minister to determine the components of the trade policy.

The Ministry then hired a team of international consultants to develop a range of policy options under each component of the policy framework, paid for by the DfID trade project and managed by the consultant. The Minister and civil servants were deeply involved in each step of the process. The Minister briefed and evaluated the work of the consultants and made it clear that their work was only to outline a spectrum of options, not to prescribe policy. Several meetings were held with groups in the private sector, in government and among academics, think tanks, and NGOs to review these options. Each group submitted detailed recommendations.

The team of civil servants reviewed the recommendations and drafted the final trade policy. The recommendations were in consensus on over two-thirds of the policy areas, and where there was no consensus the Ministry team took a decision. The Ministry also had its own set of preferences, but in most cases it listened to the focus groups more than their own recommendations. While the DfID consultant played a large role in coordinating the process and drafting initial documents, the final trade policy reflects the considered opinion of the Ministry staff.

Donors in the private sector working group were relatively silent on the content of the trade policy. The Minister regularly updated the donors on progress but refrained from asking for their input on policy, reminding them of their commitment to 'ownership'. He also reassured the donors that the National Trade Policy was an integral pillar to the government's wider Private Sector Development Strategy and did not compete with the Strategy as some donors feared. Apparently peer pressure among donors ensured that they stayed out of policy debate and gave the Ministry space, which was a significant departure from typical donor practice and required a substantial effort on the part of a few individual donor staff.

After the Cabinet approved the trade policy in late 2004, the Minister approached the donors to support the development of a Trade Sector Support Programme that would outline a concrete set of actions through which the Ministry and related agencies would deliver the commitments made in the National Trade Policy within a five-year period. In 2005, the Ministry hired a second team of international consultants that had practical experience. Two donors agreed to finance the design process and, for the first time, gave the money to the Ministry to handle the hiring. Again the consultants were not left to draft the strategy but worked in pairs with senior civil servants and submitted reports, which the Ministry trade team used to write the final implementation plan. Whilst the international consultants brought experiences of successful stories from elsewhere, the civil servants contributed detailed knowledge of the Ghanaian context to ensure that international lessons were successfully adapted.

Ministry staff made significant sacrifices in writing the Trade Sector Support Programme, despite the vast differences in remuneration between the international consultants and senior Ministry staff (a difference in the realm of 100-fold). The Ministry team dedicated themselves over a three-month period, working through many weekends and late into the night on numerous occasions. The commitment and outputs of the civil servants earned the respect of the Minister, in a context where this relationship is not always cordial. Interviews with civil servants suggest that they were willing to invest in this process because they believed that it was bigger than a pet project of either a minister or a donor and because it capitalized on their expertise in the sector. This kind of 'ownership' within the Ministry, based on quality contributions from the public, took nearly two years, with the Programme completed in late 2005; whereas the Private Sector Development Strategy was produced in three months.

Ironically, this process of designing the Programme created scepticism and distrust among the donors funding it. Some donors felt that the Ministry had disregarded the consultants' reports and gone away to write their own document, which obviously would then not be based on 'international best practice'. This perception was fuelled by donors not being involved in every step, by some donors' disagreement with the Minister's agenda, and by donor distrust of the Ministry's capacity to produce a quality document. Furthermore, during our interviews it became apparent that opinions on the Programme were not always objective; few donors had read the entire document.

Negotiating Aid for Implementation

Both the Private Sector Development Strategy and the Trade Sector Support Programme were in the early stages of implementation in April 2007 when this analysis was conducted, but experience to date offers valuable insights into the politics of aid and policymaking. The high number of donor-funded consultants in the Ministry for Private Sector Development increased the trust of donors in the work of the Ministry. The consultant serving as coordinator of the Strategy had been on the consulting team that drafted it. Donors had developed a close working relationship with this consultant, who kept donors constantly informed. This consultant had also previously worked for the World Bank, understood the donors' language, and in many ways shared a similar mindset. The Ministry of Trade and Industry on the other hand relied far more heavily on the civil service. Following the Cabinet approval of the Trade Programme in October 2005, the Ministry of Trade and Industry was reorganized around the team of senior civil servants that led the design process. A special adviser, who had worked closely with the Minister at Enterprise Africa, was recruited to coordinate implementation.

In an attempt to coordinate donor funding, a few donors pushed for a 'pooled-funding' mechanism to support the Private Sector Development Strategy. However, only three donors in the private sector working group (of which almost all donors were members) signed up. Most of the remaining donors agreed to try and align their existing projects with the Strategy. Some donors could not engage in collaborative funding due to their agency's rules. Others preferred to channel aid directly to beneficiaries in the private sector and not to, or through, ministries.

The Ministry of Trade and Industry had greater difficulty than other ministries in accessing the pooled funds. The Ministry had divided the Trade Programme into twenty-seven distinct five-year projects, assuming that the donors would agree to use the pooled funds to support identified projects. In practice, pooled-fund donors would only fund individual activities within projects on an annual basis rather than commit to funding entire projects for the five-year period. Furthermore, they openly disagreed with the way that the Ministry prioritized funding for 2006, and Ministry staff went round in circles trying to get a prioritization that the donors would approve. In principle, donors approved an annual work plan for a whole series of activities and the benchmarks to be achieved by the end of the year, avoiding the need to approve individual activities. In practice, donors demanded detailed information before approving single activities. As a result, the 2006 work plan was held up for several months whilst Ministry officials debated with donors the merits of relatively minor activities. It also became apparent that pooled-fund donors were mostly interested in providing technical assistance.

Even after this elaborate approval process, implementation of the 2006 work plan for the Ministry of Trade and Industry's activities was very slow. Pooled-fund donors credit the slowness to the Ministry's lack of experience and expertise in procuring under the new government Public Procurement Act passed in 2003, but this was only part of the problem. There had been a rush to pass the bill in 2003 as a HIPC condition, but the new procurement institutions and processes were just being put in place and no one knew how to use them. Pooled-fund donors rejected the Ministry's initial procurement plans and required the Ministry to follow the World Bank's format, but this template was so complicated that a procurement specialist from a World Bank project had to be hired to write the plans. The World Bank template was also inappropriate for the smaller procurements of daily Ministry business. Furthermore, there was no flexibility in the budgeted amounts. If at the point of awarding a contract the winning bid was higher than the budget estimate, the Ministry had to return to the donors for approval.

Frustrated with this time-consuming process, the Ministry resorted to using its own government-allocated funds, which led donors to believe that little was being implemented, since little of their money was being drawn down. The Ministry also looked to other bilateral donors to pick up parts of the Trade Programme that fit in with their priorities or existing projects. In some cases, donors picked up activities that pooled-fund donors had requested the Ministry to alter before they could fund. This situation led pooled-fund donors to criticize others for not coordinating and harmonizing, yet the Ministry resorted to bilateral deals precisely because the pooled fund was not delivering.

Pooled-fund donors justified their level of micromanagement as necessary to ensure quality control and value for money for both the donor country and Ghana. However, the institutional and individual incentives in donor agencies played an important role. On the institutional side, pooled-fund donors already had projects approved in donor countries and it was this project money that formed the pooled funds. Thus, country-level staff were not able to fund the government's priorities (even if they wanted to) because they were responsible for delivering on specific activities through disbursement of the pooled fund according to their bilateral contract. Thus, they were looking for those elements of their project which matched elements of the Trade Programme. Furthermore, the total cost of the Programme was much more than what the pooled donors had intended (and were able) to fund; they had told the Minister to keep the Programme within their budget, but he insisted on writing a programme that reflected the country's needs and not donors' budgets.

Under the new aid paradigm, donor staff were searching for the boundary between allowing local ownership through a hands-off approach and being accountable for the use of donor funds. Donor staff generally were not willing to leave everything to Ghanaian ministries which 'do not have good track records in administration', not to mention fear of corruption. Since they do not trust the government's ability to design programmes and in many cases cannot judge their quality (because they are not specialists on the topic), they like to rely on international consultants to design and implement programmes. The pressures on the pooled-fund donors to micromanage ran up against the pressures to disburse funds and worries about the failure of their projects, which ironically led to more attempts at micromanagement. Other donors were deterred from joining the pooled fund precisely because of the slow disbursement of funds.

In mid-2006, the Ministry of Private Sector Development was merged into the Ministry of Trade and Industry, under the leadership of Kyerematen.[7] The merger stalled the implementation of the whole Private Sector Development Strategy, while the new Ministry of Trade, Industry, PSIs, and Private Sector Development was reorganized.[8] Whilst the few civil servants that had constituted the former Ministry for Private Sector Development were absorbed into the new Ministry, all the donor-funded consultants left. The Minister hired two new consultants to handle coordination of the Private Sector Development Strategy.

This merger complicated the government's relationship with the donor group. Pooled-fund donors felt that the 2007 work plan for the whole Strategy overly prioritized the Trade Programme, which was a problem for disbursement of their project funds. Furthermore, the donors lost their inside contacts. The Minister and his advisers regularly informed donors of progress, but they did not involve donors in the day-to-day policymaking decisions. Some donors saw the Trade Programme as the pet project of Minister Kyerematen, who was seeking the NPP presidential nomination for the 2008 elections.

It is important to consider the PSIs in the same light. They are the initiative of President Kufuor and the vision of a section of the ruling party, yet the NPP government has not been able to convince donors of their merit. Donors have refused to fund the Initiatives. One donor that initially gave support pulled out when that particular Initiative ran into trouble. Ghanaians inside and outside of the government admit that some of the Initiatives have suffered from design flaws. Rather than engage in constructive discussions to improve them, however, donors and the government have taken polarized positions.

Donors chide the whole idea as too interventionist, a return to the bad policies of the 1960s and 1970s. Kyerematen has staked his political career on them and was in a hurry to show results.

Why does the NPP government not commit sufficient funds to implement the Trade Programme without relying on donors? There are several possible explanations. The budget, until recently, had very limited resources for development expenditure, and what remains follows priorities set out in the Ghana Poverty Reduction Strategy, which emphasizes social sector spending. The limited discretionary funds of the Ministry are used to support activities that the donors will not fund, such as the district industrialization programme, the revitalization of distressed industries, and some PSIs. The political leadership is prioritizing these high visibility activities, whereas much of the Trade Programme activities are not high profile but necessary for the working of the Ministry.

The last crucial element to the story of negotiating aid to implement the Trade Programme involves the World Bank's Micro, Small, and Medium Enterprise (MSME) loan. The MSME loan was part of the World Bank's Country Assistance Strategy (2004–7). However, the loan took almost two-and-a-half years to prepare – almost unheard of – because Minister Kyerematen disagreed with the World Bank team over the content. The Minister reportedly refused to sign a loan where the vast majority went to technical assistance; he wanted the loan to benefit the domestic private sector. The Ministry's negotiating team knew what they wanted from the loan and proposed some alternative arrangements to those of the Bank team. The final project design was considered to be a compromise of the Ministry and Bank positions. The World Bank also contributed part of the loan to the pooled fund, under pressure from the other pooled-fund donors and the Ministry of Private Sector Development but against the wishes of the Ministry of Trade and Industry. In the end, the loan was signed (apparently because the Ministry of Finance thought the Bank had been pushed as far as it was going to go).

Government's Negotiating Ability

These two case studies represent two extreme examples, rather than two equally representative ones. The response of the Ministry of Private Sector Development epitomizes the default programme, described in the Introduction, but it is also a special case of a newly created ministry with no institutional structure, few civil servants, and few resources. At the other pole, the new Minister of Trade and Industry decided to pursue a different negotiating strategy, one in which the Ministry takes control of setting the policy agenda and policy content and confronts donors in order to make clear the limits of donor involvement in policymaking. But donors were reluctant to fund it. Prior to Kyerematen's appointment, the first NPP Minister did not have a strong vision for the Ministry's work; the DfID-paid consultant was left alone to carry out the DfID trade project within the Ministry. This situation probably represents an average case.

Weaknesses in the Ministry of Trade and Industry's ability to negotiate aid on its own terms reveal the obstacles that the government faces, even more so because the Ministry represents a unique case of strong vision and a clear strategy. The most critical factor undermining the Ministry's negotiating power was its reliance solely on donor funds to implement the programme. However, in a country where government finances are highly constrained and heavily reliant on donors, and where private sector capital is scarce, other forms of finance are scarce.

Furthermore, Kyerematen had a strong vision for economic development, but that vision does not necessarily extend far outside the Ministry. He faced challenges within his own party over his policies, as a result of the run-up to the NPP congress in December 2007 to elect its presidential candidate (in which he came second), but also because there was no debate within the Cabinet on the PSIs, for example.[9] Outside of President Kufuor's pronouncements in support of the private sector and of the PSIs, there were no comprehensive policy actions taken with the full weight of the government behind it. The lack of a strong, unified party position allowed the donors, and others, to assert that the Trade Programme is the pet project of one Ministry (or Minister).

The negotiating capacity of the Ministry was also undermined by systemic factors. The poor working conditions of the civil service weaken civil servants' motivation and resolve in negotiating. After thirty years of negotiating with donors, who often come across to seasoned and experienced Ministry officials as naive, arrogant, and patronizing, not being listened to is exhausting. Some civil servants would rather just avoid encounters with donors. Concomitantly, high reliance on special advisers external to the civil service, who stay for relatively short periods of time and frequently leave with Ministers, leads to a lack of institutional memory about previous negotiations and informal donor commitments.

Lastly, there is an imbalance of resources between donors and the government in negotiations, as the MSME example illustrates. The Bank had ten people and a loan template that they had designed and knew intimately; the government had five people working from a loan document they barely knew. One donor interviewee commented that the government had more room for manoeuvre, but needed more technical expertise to take advantage of it. But it is also true that the Bank team was not pulling any punches. The Bank team used its credentials to deflect criticism of the loan content and to challenge the expertise of the Ministry of Trade and Industry negotiators.[10]

In this instance, and many others not recounted here, politicians and senior civil servants negotiate as far as they think they can, agree to the project or programme funding, and try to tailor it during implementation to meet their own objectives or even to renegotiate the contract later when the donor is under pressure to disburse and the government has more leverage. Even Minister Kyerematen did not say 'no' to donors who offered support that was arguably outside the Trade Programme, apparently to keep the relationship with donors going.

On the donor side, despite the rhetoric of ownership and the genuine efforts of some donor staff, aid practices continue to be characterized by rigid regulations and processes, a focus on tangible results, and over-planning which stems from donor agency institutional dynamics as well as a lack of trust in government capability. Donor emphasis on spending money, tangible results, and ensuring coordination across donors is an obstacle to creating mechanisms that allow for the flexibility and patience required to support government initiatives, to build institutional capacity, and to achieve five-year plans whose results are not immediately visible.

Beyond the normal infighting and differences of opinions in any government, the Ghanaian government has to engage with an equally divisive supervisory board of donors. This aid relationship produces what we have called compromise documents, compromises which neither donors nor the government wholly support. It also produces over-planning: requiring the government to plan its every step and making it difficult to change the plan once it is made.

The Post-HIPC Turn

Although the NPP always had a strong development vision, in his second term President Kufuor and his administration produced a clearer strategy of how to achieve it. The government wants to move national policy beyond economic stabilization (of the structural adjustment and HIPC years) and the platform of the Millennium Development Goals, to take the next steps towards accelerated economic growth and diversification as a means to raise living standards. At the centre of this strategy is a massive injection of capital for infrastructural development in order to address critical infrastructural bottlenecks slowing down growth. The economy in 2007 was 50 per cent larger than it was in the mid-1990s, and in order to continue to grow the country needs more infrastructure development (Simpson 2007). Investments in power, transport, and water are its top priorities, particularly since acute electricity shortages in 2007. The government is funding its infrastructure projects primarily through the international capital market and loans from China, but also through loans from traditional donors and public–private partnerships with foreign companies where possible.

This strategy is reflected in its second GPRS (2006–9), which is definitely a stronger attempt to break with the Millennium Development Goals paradigm and chart its own path stressing state interventions to facilitate private sector investment. However, it is still a compromise document, encompassing both government vision and donor demands, partly because it draws on sector strategies which donors had a large input in developing.

The ability of the second NPP government to pursue its development strategy more actively than in the past largely is linked to the country's changing economic fortunes and its ability to access finance from new sources. A combination of good macroeconomic management, increased exports and rising commodity prices for cocoa and gold, and large remittance inflows led to higher economic growth in the 2000s. GDP growth rate rose from 3.7 in 2000 to 6.7 in 2007. The country's foreign exchange position has improved significantly since 2001, with increases in exports, tourism, remittances, and tax revenues. However, foreign direct investment has not increased significantly and falls well below aid and remittances as a percentage of GDP. With macroeconomic stabilization, the government no longer needs financial support from the IMF and did not pursue another PRGF arrangement after the last one expired in October 2006. Lastly, the country has discovered oil in small but significant quantities in June 2007. Although it could be up to seven years before the oil starts to flow, its discovery undoubtedly has boosted the government's self-confidence and its future calculations.

The debt burden has been reduced drastically, and thus so has debt servicing as a portion of government expenditure. Between 2001 and 2005 the debt-to-GDP ratio decreased to about 60 per cent due to a combination of faster growth, exchange rate appreciation, and HIPC debt relief in 2004. The ratio declined further in 2006 to 22 per cent, as a result of debt relief under the MDRI. Although debt relief has released funds, the amount saved annually is not large enough to fund the government's infrastructure projects.

The real importance of debt relief has been to give the country a marketable credit rating, allowing the government to access the international markets to raise capital to fund its infrastructure push. On 27 September 2007, the government issued $750 million in Eurobonds (ten-year maturity period at 8.5 per cent). Ghana is the first post-HIPC country to access the international capital market. The IMF supports this move because the scaling up of donor assistance is not happening, and the government has put in place a unit to make sure that the money will be used for projects with economic returns that will support the repayment of the debt. Unlike aid, capital raised through the international market does not come with conditions, but on the other hand the market does not negotiate if the country fails to perform.

China is also becoming an increasingly important source of finance in the last few years. In September 2007, Ghana secured the financing for its \$622 million Bui hydroelectric dam from China, with China providing a \$292 million buyer credit facility from the Export–Import Bank and a \$270 million concessionary loan and the Ghanaian government contributing the remaining \$60 million. China is also providing low-interest loans of about \$66 million for a number of projects, including a plan to upgrade the country's communication network and training students and workers in communication technology.

Nevertheless, traditional donors are still important sources of finance. That appears to be why even though the government no longer needs balance-of-payments support from the IMF, it intends to enter into a Policy Support Instrument arrangement (IMF 2007a; GoG 2006: 77–8). This instrument, which requires a programme signed off by the IMF, is intended to provide clear signals to donors and potential investors through a more thorough scrutiny and a closer policy dialogue than would be the case under normal surveillance.

In general, it seems that the second NPP government is trying to sidestep the traditional aid system by letting donors fund what they want and focusing its resources on what they will not fund, rather than trying to reshape aid to fit its needs. Reshaping it would require tackling tough institutional problems which underline the donors' negotiating strength and the government's weakness: public sector reform. Although it appears that public sector reform may be starting in earnest.

Some donors are supporting the government's priorities – such as the World Bank's new projects in information and communication technology, transportation, and energy – but the devil is going to be in the details, as the MSME loan example shows. Donors still come with their ready-made project proposal, although they do some consultations in the relevant ministry, and the government has to negotiate changes. Donors have a reputation for more or less flexibility on project design. For example, the USAID said take it or leave it on a project to the Ministry of Trade and Industry and the World Bank was a formidable negotiator, while DfID allowed the trade project to be moulded to meet the Ministry's needs. Ministries must negotiate hard over the content of these programmes and projects, if they are to shape them to meet their priorities, but senior civil servants and Ministers show a varying degree of will to do so and seem willing to accept something closed rather than reject aid altogether.

The Paris Declaration and the official documents that aim to put its principles into practice in Ghana have not increased the government's control over the policy agenda, but rather it is events that took place outside of the aid system that have. As the former French Ambassador to Ghana observed, the Paris agenda raises as many questions and doubts as it pretends to solve; development is not about a couple of matrixes and indicators (Jacquemot 2007).

Notes

1. The authors thank the Global Economic Governance Programme for supporting the research, the interviewees who took the time to answer our questions and share their views, and Alastair Fraser, Paolo de Renzio, Tony Killick, and Robert Wade for comments on earlier versions.
2. For example, see Martin (1991), Loxley (1988), Anyemedu (1993), and Toye (1991).
3. This list remained the same in 2007, with the addition of Switzerland.
4. For more detail on the process of formulating the GPRS, see Whitfield (2005) and Aryeetey and Peretz (2005).
5. This section is based on research carried out by the authors in April 2007 and on the experience of Emily Jones working in the Ministry for Trade and Industry from 2003–5 as an Overseas Development Institute Fellow and then working there another six months as a consultant. The interviews conducted in 2007 with the key actors involved in case studies are listed at the end of the chapter.
6. This Overseas Development Institute Fellow was Emily Jones.
7. This merger was apparently in response to a recommendation of the NEPAD African Peer Review report that the number of ministries should be reduced.
8. We continue to refer to the new ministry as Ministry for Trade and Industry for short.
9. The point on the PSIs was confirmed in an interview with Ernest Aryeetey.
10. Emily Jones was present at all of the MSME loan negotiations.

Interviews

Mark Hellyer. DfID trade policy project consultant to the Ministry of Trade and Industry (MOTI). Telephone interview. 22/03/07.

Tom Pengelly. Saana Consulting, donor-hired consultant to MOTI. Interviewed in London. 27/03/07.

Benedetta Musillo. Former European Commission Ghana, trade adviser. Telephone interview. 28/03/07.

Clare Manuel. Director of the Law & Development Partnership Limited (UK), donor-hired consultant for Private Sector Development Strategy. Telephone interview. 29/03/07.

Erik Rasmussen. Former Danida Ghana. Telephone interview. 23/04/07.

Mavis Owusu-Gyamfi. Former DfID Ghana. Telephone interview. 24/04/07.

Interviews in Accra, Ghana

Fred Pappoe. Danida Ghana, Senior programme officer. 02/04/07.

Catherine Martin. DfID Ghana, Private sector development adviser. 02/04/07.

Francis Kusi. Ministry of Trade and Industry (MOTI), Special adviser and leading on PSIs and MSME loan. 03/04/07.

Ato Yeboah. MOTI, Assistant commercial officer, PPME unit. 03/04/07.
Brahms Achiayao. MOTI, Director of export trade support services. 03/04/07.
Seth Evans Addo. MOTI, Chief Director. 03/04/07.
Kofi Aygen Boateng. World Bank Ghana, senior operations officer, private sector and energy. 04/04/07 and 05/04/07.
Issac (Kojo) Hagan. MOTI, special adviser, PSDS bureau. 04/04/07.
Sae Brawusi. MOTI, Director of international trade negotiation. 04/04/07.
Samuel Bortsi. MOTI, Director of industry. 04/04/07.
Lindsey Napier. MOTI, Overseas Development Institute Fellow (2006–8). 04/04/07.
Mavis McCarthy. Former Ministry of Private Sector Development (MPSD), PSDS coordinator. 05/04/07.
Mike Ayesu. Ministry of Finance & Economic Planning (MoFEP), Head of World Bank Unit. 05/04/07.
Patrick Nimo. MOTI, special adviser, PSDS coordinator. 05/04/07.
Dick Naezer. European Commission Ghana, trade adviser. 05/04/07.
Nanette Derby. AFD (France) Ghana, Project officer. 10/04/07.
Alan Kyerematen. MOTI, Minister. 10/04/07.
John Asiedu Hawkins. MOTI (former MPSD), PPME unit. 11/04/07.
Kofi Larbi. MOTI, Director of trade facilitation. 11/04/07.
Alex Tetteh. MoFEP, Aid & Debt Management Unit. 11/04/07.
Monica Asare. MOTI (former MPSD), PPME unit. 12/04/07.
Sam Mensah. MoFEP, technical adviser; TIPCEE (USAID) project. 12/04/07.
Alex Bruks. Bruks Associates (Ghana-based consultancy firm) hired to develop PSDS. 12/04/07.
Ernest Aryeetey. Director, ISSER, University of Ghana. 13/04/07.
Mimi Groenbech. Danida Ghana, Business Sector Programme Support, Programme coordinator. 13/04/07.
Marita Brommelmeier. GTZ Ghana, Country Director and private sector officer. 13/04/07.

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8

Mali: Patterns and Limits of Donor-Driven Ownership

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Since 1999, Mali has become a laboratory for the implementation of the Paris Declaration in West francophone Africa. However, the much-wanted recipient ownership is very weak. Some donors working in Mali describe it as an example of 'donor-driven ownership', meaning that there are few signs of genuine policy ownership and that the government lacks both the 'capacity' and 'political will' to pursue development goals and take the lead in the aid relationship. This chapter argues that as donors' influence over policy has increased, the government's capacity and will to take the lead in managing aid have decreased. Indeed, if the current political situation seems characterized by a certain degree of inertia, a lack of development strategy, weak capacities, and compliance with donors, it can only be understood as the result of several decades of aid dependence, the weakening of the state, and donor entanglement in national institutions.

The chapter is divided into three parts. The first part aims to understand why recipient ownership seems scarce by analysing the country's political economy since independence in 1960 and its political system since democratization in 1991. The second part assesses the impacts of recent aid reforms on the possibility for recipient ownership and a more balanced donor–recipient relationship. The last part of the chapter examines the conditions and potential for ownership by the Malian government by looking at specific instances of policymaking. This chapter is based on research carried out in Bamako, Mali's capital, from February to April and from October to December 2007, during which time the author was an intern in the government's PRSP unit. It draws on participant observation, interviews with civil servants and donor agency staff, and official documents.

Symptoms and Origins of Weak Ownership

As in many African countries, the Malian state was built in an extroverted manner (Bayart 2000: 234). Since independence, the development strategies that have guided the country's policies were largely inspired, imported, or imposed from the outside. Mali was never a priority for France in its empire because it was landlocked and did not have many natural resources to exploit. It was only late (after 1929) that France set up the minimal infrastructure necessary to extract the country's agricultural resources (Diarrah 1986: 100). As France started to give more autonomy to its colonies, Mali created a pan-African federation with Senegal in 1959, as a way to emancipate from France, to enhance regional power, and to provide access to the sea. The federation ended in August 1960 due to political disagreements between the two countries' leaders. Mali unilaterally claimed its independence from France in 1960, choosing not to be part of the new French African union. The first independent government had a very strong conception of its national sovereignty and opted, with only one other former French colony, Guinea, for an independent path. In particular, the independent government refused to enter the *Communauté française d'Afrique* (CFA) franc zone, creating instead the Malian franc, and French military bases in the country were evacuated. The ruling party led by Modibo Keita set up a model of 'rural socialism' as a strategy of gaining economic independence from the former colonial ruler (GEMDEV 2005). However, in the midst of Cold War politics, it quickly put the country under the supervision of the USSR and China, which provided economic loans.

Although President Keita was partially successful in the economic decolonization of the country, rural socialism was a failure. Domestic resources needed to finance development plans were insufficient, it was difficult to adapt the Soviet-style economic model to a poor and uneducated rural population, and France sabotaged the initiative (Traoré 1999). As a result, social resistance grew, which in turn triggered the emergence of a repressive regime. Agricultural production decreased, exports dropped, and the Malian franc was devalued in 1967. After this failure, state-led planning and independence from Western powers were discredited as viable options for the country.

In November 1968, some military leaders and the radical faction of the ruling party organized a *coup d'état*, which was followed by twenty-five years of military rule. The new regime declared that its goal was to liberalize the economy. The regime gained new sources of external financing, including aid from the United States and the World Bank, and France made a clear comeback in the country's economic and political life.

However, Traoré's military regime failed to end the centralized planning system, producing a hybrid economic system that contradicted its original intent. More importantly, it did not manage state resources effectively.

Political repression and clientelism increased, making development a low priority for an increasingly patrimonial regime. At the beginning of the 1980s, the Malian state found itself in an economic crisis: debt increased and state-run enterprises accumulated huge deficits.

In this context, structural adjustment programmes were perceived as an inevitable necessity. Mali entered the 'zone franc' in 1984, two years after the first stabilization programme began. This led to increased social discontent, to which the regime responded with more repressive measures. Structural adjustment was crucial to the fall of the military regime, both because it reduced the resources that powered the clientelist political system and because it fostered demands for democratization (Baudais 2006). It also led, as in many other African countries, to the progressive retreat of the state from the economy.

In 1991, anti-government protests by a broad cross-section of society were followed by a coup organized by General Amadou Toumani. Democratic elections were organized after a national conference held in July and August 1991.[2] Alpha Oumar Konaré, the head of the anti-military alliance created in 1990 (*Alliance pour la Démocratie au Mali*, ADEMA), was elected President in 1992 and ruled the country for ten years.

In the post-Cold War ideological context, state-led development policies were almost impossible to sustain for a country with few internal resources. People's demands and expectations towards democracy were huge, but the newly elected government was very fragile and challenged by former Traoré supporters. Under President Konaré, the emergence of a national development vision was complicated by political turmoil and the government's lack of legitimacy, which reached its paroxysm in 1997 when the opposition boycotted the elections (Idrissa and Villalón 2005). Konaré's vision was dominated by a major political reform – decentralization – which is probably the biggest output of Konaré's two electoral mandates. Above all, the country's mode of integration into the global economy called for pragmatism and humility. The 1994 devaluation of the CFA franc reduced the population's incomes drastically. President Konaré, an intellectual and a historian, was committed to development but had little economic vision, while the involvement of the World Bank and IMF increased through structural adjustment lending and economic policy became dominated by their demands. The economy was liberalized while the role of the state decreased. Twenty-five state-owned enterprises were privatized or closed down during this period, despite resistance within the dominant party (ADEMA) and the civil service and harsh negotiations with donors.

Emergence of the Consensus Political System

General Touré was elected President in 2002. His legitimacy and popularity was built mainly on his participation in the 1991 coup, in which he played a key role but immediately handed power over to civilians – a rare fact in Africa, for which President Touré is often referred to as 'the soldier of democracy'. His political base was not built through a political party, but he progressively gathered a popular movement (*Mouvement Citoyen*) at a moment when ADEMA was struggling to ensure President Konaré's succession. The 2002 presidential election was marred by confusion in vote counting, and Touré was declared President by the Constitutional Court, although the poll results allegedly ranked him second or third. Other presidential candidates, including the incumbent ADEMA candidate, decided not to protest the result because they sought to be part of the new government (Baudais and Chauzal 2006).

The subsequent legislative elections did not result in a clear majority for the ruling party, so President Touré initiated a consensual form of political rule based on an oversized coalition, in which the main political parties and other representative organizations in society share executive power (Lijphart 1984: 46). In Mali, it included some of the ruling party's opponents, former military figures, some independent political personalities, trade unions, and business associations.

The links between aid management and domestic politics are very strong. Firstly, the emergence of a nationally owned development policy must be understood in the country's political context: Mali is a young democracy, in which political parties have fragmented and multiplied based on personalities, with no clear political programmes or ideological affinities. Political parties and personalities are often not able to assess (and contest) the government's policies and decisions and are unaware of agreements made with donors. President Touré himself is a former military leader and has no global and coherent development strategy.

Secondly, the consensual mode of power has eradicated opposition. President Touré has made alliances with almost all political parties, and no party is willing to be in opposition for fear of marginalization (Baudais and Chauzal 2006: 79). The political opposition that exists is outside the system, and it is not organized to present alternatives to the government's agenda. Only deputy Oumar Mariko, former leader of the student movement against the military regime, and his far-left party *Solidarité africaine pour la démocratie et l'indépendance* (SADI), is a true opponent to President Touré. Political debate and decision-making are limited to a very small group of influential people, and the National Assembly plays only a minimal role (Djiré and Keita 2004). This makes public debate over development policy and choices almost non-existent. Most of President Touré's opponents during the 2007 presidential election had participated in his previous governments and thus did not offer real alternatives to his policy. The alliance behind President Touré is based on sharing power. This system ensures the monopolization of access to state resources, and the distribution of resources through informal and personal channels of patronage. For Ousmane Sy, Mali since 2002 is in a situation of 'unanimism', which has made political debate impossible. The consensus system, whatever it is, has not produced strong support for a common development vision and strategy.

Thirdly, President Touré's 'consensus' has increasingly politicized the civil service while diminishing its performance. Consensus requires a strong political base that President Touré, who does not belong to a party, does not have. So far, the Prime Minister has not been able to provide that base and ensure coherence within the government, which led the government and the administration to become a 'battlefield' with no common rules, vision, and goals (Macalou-Berthe 2007).[3]

The current government does not have an alternative vision to that produced by donors and, to a certain extent, does not seem to be willing to develop one. Instead, the government has adopted a strategy of compliance vis-à-vis donors. This strategy, which is based on fragile public policies and an international promotion of Mali as a well-governed democracy, is clearly aimed at maximizing aid flowing into the country by maintaining the status quo and giving donors the minimal signals of commitment. One key informant in Mali concludes that 'leaders in this country want assistance, not ownership, because ownership means responsibility, transparency, accountability, and even possibly sanctions'. In the short run, this strategy of compliance seems quite efficient in getting increased donor attention and aid flows. The country benefited from the Multilateral Debt Relief Initiative (MDRI) and was selected to benefit from the US Millennium Challenge Account. This strategy gives President Touré the means to ensure stability and sustainability of the political system, which his internal legitimacy and political vision alone could not guarantee. However, the political sustainability of this strategy in the long term remains uncertain, as criticism of the political system grows among intellectuals and journalists, and local NGOs ask for better living conditions. Although the international community initially strongly supported the consensus political system as a guarantee for stability in a country located in a troubled region and a good basis for implementing economic reform by the international community (Chauzal 2006), donor staff inside the country increasingly question the system which they see as corrupt and apathetic.

Touré was re-elected President in April 2007 without a party affiliation but with the support of forty-three political formations, including ADEMA. Like every poll since 1992, the campaign process was marked by technical irregularities (mostly problems of registration, access to polls, and vote counting), the absence of real opponents (due to the 'consensus' system), and massive use of state resources by Touré for his campaign. After the 2007 election, parties refused to join Touré's coalition system again, making the future of the 'consensus' uncertain.

Characteristics of Aid Dependence

The characteristics of Mali's political system that obstruct the emergence of recipient ownership cannot be separated from the dynamics produced by donor agencies and the provision of aid. First, structural adjustment programmes have had negative effects on all aspects of the civil service. Between 1987 and 1989, one out of five Malian civil servants (about 10,000 people) was fired or had to retire (Banque Mondiale/République du Mali 2006: 19–20). For many years, employment of civil servants was limited to 250 agents per year. Civil service jobs became precarious, and the general level and capacity of human resources decreased. Today, most civil servants are ageing and weakly motivated. The government is incapable of raising salaries in the civil service because of its agreements with the IMF which limit the portion of the national budget going to public salaries. Structural adjustment has also weakened national planning capacities. As a former director at the Ministry of Planning recalls, 'Instead of being extended to all ministries, the planning departments (*Directions de la Planification et de la Statistique*) that used to exist and were very efficient in key ministries such as agriculture, health and education were completely dismantled in 1989.' The country was left with little capacity to design and implement development policies. The persistent lack of viable statistics has led to a situation where people talk a lot about poverty, but in fact know very little about its origins and permutations, which allows donors to impose their numerous priorities.

Secondly, economic dependence tends to turn into aid dependence. The country's economy faces serious structural constraints. Agriculture accounts for 40 per cent of GDP, making the country vulnerable to climatic conditions and international agriculture prices. Economic performance is dependent on ports in neighbouring countries. Growth has been sustained over the past few years – increasing from an average growth rate of 3.1 per cent between 1960 and 1996 to 5.7 per cent between 1995 and 2000 and 5.2 per cent between 2002 and 2005 – but has had little impact on reducing poverty. One major source of wealth for the country over this time has been remittances from migrants, but these are difficult to integrate into a national strategy, even after the creation of a Ministry for 'the Malians living abroad and in the African Union'.

Consequently, the government is dependent on external assistance. There are about forty bilateral and multilateral donors in Mali, the biggest of which are the European Commission, the World Bank, France, and then far behind are the Netherlands, Japan, the United States, the African Development Bank, Canada, and Germany. Donors' contributions account for a large share of the country's total budget. Between 1996 and 2005, aid represented three-quarters of the country's Special Investment Budget and 27.6 per cent

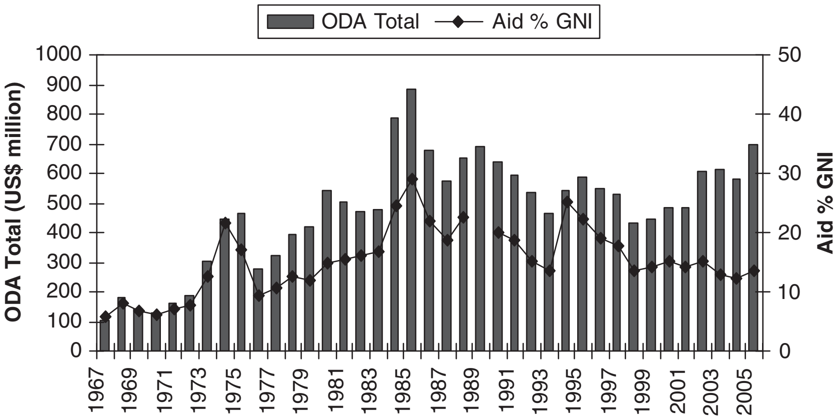

Figure 8.1. Trends in aid flows, 1967–2005

Source: OECD DAC Statistics and World Development Indicators, April 2007. Aid as a percentage of GNI is only available from 1967, and there are no data given for 1989.

of the state's general budget on average. Figure 8.1 illustrates trends in aid flows over a longer period, from 1967 to 2005. Aid volumes peaked in the 1980s and have since then levelled off, with total Official Development Assistance (ODA) averaging $578 million between 2000 and 2005. Aid as a percentage of GNI is now lower than it was in the 1990s, averaging 13.8 per cent between 2000 and 2005. In a context of greater aid selectivity at the international level, the government has an interest in accepting all kinds of aid. Some civil servants fear losing some existing and potential aid funds to Côte d'Ivoire, when that country becomes more politically stable.

Thirdly, a mentality and behaviour of aid dependence seem to have progressively developed in the country, limiting its ability to come up with nationally owned alternatives. Since independence, in a condition of extroversion, material incapacity, and the external imposition of economic remedies, political leaders and civil servants have lost the habit, capacity, and incentives to devise and implement their own policies. It seems that since the mid-1980s, Malian authorities have delegated the formulation of their development strategy to the World Bank and IMF. Many long-serving civil servants regret that the discourse in the immediate post-independence period regarding aid and donors – where aid was conceived as a transitory 'self-help' tool – has totally faded in the country. Indeed, the importance of aid in the country's financial position and the influence of donors in the decision-making process have become banal. Over time, an implicit division of labour between donors and the government has emerged:

> Bilateral donors, the World Bank and specialized UN agencies elaborate and finance projects and programmes, and the IMF controls public finances. As far as the Malians are concerned, their role is limited to trying to maximize external aid by accepting all that is being offered. (Dante et al. 2002: 248)

Aid is not a mere financial and technical tool to support national initiatives, but rather it has replaced national political reflection on development.

Reforming Aid: The Way Towards More Recipient Ownership?

The new aid agenda was introduced to Mali in 1999 when the country was chosen as a case study for an OECD/UNDP report on aid effectiveness. The three main aspects of aid reform include changes in the aid management system, the introduction of Poverty Reduction Strategic Papers (PRSPs), and the introduction of new aid modalities. We argue that the whole debate over aid modalities occurs in the context of a fragmented aid management system and that this hampers the government's negotiating strength, that there are limits to ownership as introduced by the PRSP, and that the introduction of new aid modalities will not be enough to reverse the long-term trends just described. Moving beyond the debate over technical modalities of aid, we question the nature of the 'policy dialogue' that has developed between the government and donors and assess the impact of donor 'capacity-building' activities.

Persisting Fragmentation in the Aid Management System

On paper, aid management and coordination are ensured by three different government structures. The Ministry of Foreign Affairs and International Cooperation is in charge of approving all cooperation agreements, as well as the management of the European Development Fund; the Ministry of Economy and Finance is in charge of budget support, public spending, and public debt management; and the Planning Ministry is in charge of managing the Special Investment Budget. In practice, tasks are dispersed widely and the division of labour between institutions is vague. In addition to these three ministries, line ministries mostly negotiate projects and programmes directly with donors. Inter-ministerial coordination is insufficient: some sectors or activities are over-financed at the expense of others, with no overall coherence. This lack of coherence does not encourage policy prioritization and hinders the government's ability to refuse unacceptable or unrealistic conditions (OCDE 2001: 19). A government report states:

> The development institutional organisation contains some factors of confusion and conflict that hamper aid management. . . . More generally, this illustrates . . . severe lacks of coherence that translate into a dispersion in decision-making poles, insufficient coordination and an exaggerated involvement of donors in the determination of the country's economic choices. (*République du Mali* 2005: 21)

Donors have easy access into the heart of decision-making and can bypass normal procedures in order to have their priorities accepted. When a donor cannot reach an agreement with one civil servant about a project or a programme, that donor often bypasses traditional channels and negotiates directly with the minister, or even the president. Eventually, whether the minister decides to support a director in a ministry or to align himself with the donor's views depends mostly on the circumstances, the existence of a clear national strategy or framework in the sector, the pressure exerted by the beneficiary population to receive funding, and the personality of the minister.

Reforms instituted since 1999 have been unable to make the country's aid management system stronger or more coherent. Donors now push for the Ministry of Economy and Finance to become the 'unique entry point' for aid, mostly in order to make their own tasks easier by improving timing and effectiveness in decision-making. So far, this has not occurred. Line ministries and the Ministry of Foreign Affairs are very reluctant to relinquish control over certain aspects of aid management. The current fragmented system with multiple entries for aid enables different ministries to maximize aid flows. The interests of each ministry in negotiating aid separately have become so important over time that choosing a unique entry point for aid is politically sensitive.

A Secretariat for aid efficiency is now being put in place. Still an informal and politically weak structure with vague mandates, it brings together civil servants from various ministries. Some civil servants hope it will put an end to institutional fragmentation and strengthen the government's position towards donors, but this seems very unlikely. First of all, the establishment of the Secretariat was primarily supported by donors, rather than being an initiative of the government. Drafting an action plan for the implementation of the Paris Declaration is an OECD requirement, and in Mali, it was originally an idea from the French ambassador. Second, the process through which the Secretariat drafted an action plan is illustrative of the problems it faces. Getting all the ministries involved was difficult because of work overload as well as institutional and personal rivalries, while donor involvement in the drafting of this national document was very strong from the beginning. The document was compiled by the French technical assistant in the PRSP unit and was circulated amongst several donors for comments and approval. At the joint donor–recipient meeting on the action plan in March 2007, two donor agency staff criticized the action plan, particularly stating that the government's expectations of donor commitments were too weak. These donor staff members were Africans (one Malian, one non-Malian), who were in a way blaming their African colleagues for being passive in the aid relationship. Civil servants responded timidly and asked the two challengers to draft the part on donor commitments in the action plan. Even though these donor staff wanted the civil servants to take a strong position, they, being members of donor agencies, could not follow their own advice and write strong commitments into the document. As a result, the final draft was not very constraining for donors.

This document was adopted by the Council of Ministers in April 2007, which is a sign of great political commitment, but has nothing of a proactive strategy for managing aid and donors. The reasons for this are difficult to grasp. Some civil servants involved felt a certain duty to be 'polite' towards donors, which implied an obligation to include them in the formulation process and not being too demanding towards them. Hence, a certain degree of self-censorship might be part of the explanation. Another possible explanation might be that the Secretariat did not see this donor-driven and highly technical initiative – the Paris Declaration and its by-products – as an arena in which to put forward their demands. Therefore, the reform of aid takes place within a very fragmented system, and new aid instruments often add to the old ones without solving the systemic problems traditionally associated with aid dependence.

The PRSP: Ownership and the Limits to Donor–Government Consensus

The PRSP is the cornerstone of the new aid paradigm to the extent that it is considered as the main vector of recipient-country ownership. The Malian government adopted its first PRSP in May 2002. The government already had a poverty reduction plan, the *Stratégie Nationale de Lutte contre la Pauvreté* (SNLP), but the World Bank and IMF did not accept it as a basis for the PRSP, arguing that its poverty and macroeconomic analysis were weak. This resulted in a conflict between the Bretton Woods institutions, the government, and the United Nations Development Programme, which had supported the drafting of the SNLP. It also cast doubt on the World Bank's will to let Malian authorities have ownership of the PRSP (Dante et al. 2002). Eventually, a compromise was found: the Bretton Woods institutions accepted the SNLP to be *one* of the main bases for devising the PRSP. The team that had drafted the SNLP was in charge of drafting the PRSP and tensions were reduced.

The second PRSP was adopted in December 2006, with not much change in the process or content between the first and second PRSP. The second PRSP appears as a catalogue of poverty-reduction policies with no prioritization. This can be traced to the intervention of line ministries, donors (who wanted to see their own priorities included), and the massive but somewhat disorganized participation of civil society. The first PRSP review had not been completed at the time when the second PRSP was drafted, as both donors and the President refused to allow a pause between the two documents one year before the presidential elections. The document was adopted by the Council of Ministers despite its weaknesses, but the National Assembly was not consulted and local communities were informed about the contents of the PRSP after its adoption.

Some civil servants involved in the PRSP process appreciated the fact that the drafting of the PRSP gave them the opportunity to debate the country's overall development strategy. In particular, the fact that they themselves wrote the document made a big difference to them. But World Bank and IMF supervision was strong, and the document's content was not very different from previous structural adjustment policy recommendations. Donor involvement in the PRSP process was very strong at all stages, particularly in budgetary and macroeconomic issues. If they did not attend formal meetings, donors would send comments directly to the Ministry of Economy and Finance, where they were sure that their voice would be heard.

The PRSP Unit has benefited from increased financial, material, and human resources. It has expanded from a few civil servants to thirty people, with better working conditions and salaries. But it still lacks the necessary resources to ensure its planning function. The PRSP Unit has no macroeconomist and does hardly anything more than reply to donor demands concerning PRSP follow-up and daily monitoring. The two Malian macroeconomists in Mali with the most knowledge and experience to ensure this function work for multilateral donor agencies (the IMF and UNDP), in search of better working conditions. Therefore, they do analysis and prospective for donors and not the government. The Ministry of Economy and Finance, to which the PRSP Unit was attached until November 2007, has no capacity to undertake such tasks either. There are only five technical advisers in the Ministry. The personnel is busy hosting donor missions about 200 days per year, which leaves them little time to focus on their real tasks.[4] Most of them are accountants and financial controllers with little understanding of macroeconomic dynamics and models. Therefore, the country's macroeconomic and budgetary frameworks are mostly inspired by models provided by international institutions. Due to strict deadline, the economic growth model of the second PRSP was elaborated in close collaboration with a consultant hired by the German cooperation agency. Civil servants see this model as a 'black box': they do not know what is in it or how it works.

Concerning the development strategy, the second PRSP (2006–11) focuses on three main areas: productive sectors and infrastructure, the pursuit of structural reforms, and strengthened social sectors. The second PRSP shifted priorities more towards growth, which is a common feature across African countries. It is difficult to discern whether it reflects a change in World Bank doctrine based on empirical evidence (and an implicit recognition that poverty reduction and its related focus on social sectors in recent years were not enough to reduce poverty) or a strong claim made by several African governments to the World Bank. The reality is probably a mix between the two. What is clear, however, is that the government of Mali increasingly expressed the will to foster growth and employment, even if it often fails to come up with clear policy measures. The second PRSP and the re-election of Touré in 2007 have produced a new dynamic in favour of growth at the level of the President and the Prime Minister.

The PRSP is the cornerstone of a technocratic process nourished by donor demands and increasingly disconnected from domestic politics. Indeed, President Touré refused to endorse the first PRSP because it was adopted at the end of President Konaré's mandate. The second PRSP was elaborated in 2006, but for the 2007 election campaign, the President asserted his own development plan, *Programme pour le Développement Economique et Social 2007–2012* (PDES). Since then, it is the only strategy he publicly refers to, and the only one he accounts for. It seems that the PRSP has no political legitimacy but is merely designed to mobilize aid flows.

Can the PDES be interpreted as a signal sent to the international community and an attempt to assert autonomy vis-à-vis policies negotiated with donors? To a certain extent it can, and the fact that donors were highly uncomfortable with this document is a proof of this. The PDES created great confusion about what should be considered *the* national development policy, and in early 2007, donors asked the government to clarify the links between the PRSP and the PDES. The PDES was allegedly elaborated by two close advisers to the President in late 2006 and early 2007, and it is clearly inspired by the second PRSP, to which it constantly refers. Therefore, we can say that President Touré refused to run the presidential campaign with the PRSP, an instrument seen as technocratic and oriented towards the outside by the administration. The PDES is therefore a political version of the second PRSP, better able to appeal to the majority of the population (which cannot read and write), and to suit the President's political goals and promises.

After Touré won the presidential election, and with the round table with donors to be held in early 2008, the government made great efforts to comfort donors and explain to them that 'the PDES borrows from, and converges with, the PRSP'. Thus, the PDES is not fully a strategy meant to assert autonomy vis-à-vis donors, but rather reflects the necessity of an African president to have a national political programme that differs from the PRSP for domestic elections (as was also the case in Benin). To a great extent, it also reflects the absence of government alternatives to policies negotiated with donors rather than true 'ownership' of the second PRSP.

On the other hand, the President's and government's priorities, exposed in the PDES and subsequent policy documents (the *lettre de cadrage* addressed to the Prime Minister in November 2007 and the *document de politique générale* presented by the government to the National Assembly in December 2007) are slightly different from the second PRSP in nature, ranking, and content. If the government does not have a national development strategy to lead aid negotiations and coordinate donors, it does have some priorities and preferences that stand apart from the set of policies agreed upon with donors. The first of these relates to territorial integrity and national security. Security in northern Mali and the modernization of the national defence and security systems are mentioned in the PDES and *document de politique générale*, but do not appear in the second PRSP.[5] If donors see development as the key to peace in the north, the government seems to believe that security and a political solution to the problem is the precondition for development projects. Donors providing general budget support are reluctant to finance military spending.

Secondly, the *document de politique générale* claims that the government wants to go 'beyond poverty reduction' (which is the PRSP's goal) in its ambition to foster growth (with an objective of 7 per cent per year) and to make Mali an 'emerging country'. Agriculture is considered the key to food security and development. Job creation is also a high priority for the President, and he plans to create 50,000 jobs in the public sector during his mandate. In education, an a priori consensual social sector, disagreement emerges between donors and the government: if donor intervention has focused on 'basic education for all' in recent years (France is the only donor to have aid programmes in higher education), the government insists in the *document de politique générale* on improving higher education, especially the University of Bamako. In this document, the private sector is presented as a priority, as in the PRSP, but it has to go hand in hand with 'a positive reassessment of the role of the state in the economy'. However, little detail about how this should happen in practice is given. The government plans to adopt a policy for the private sector in early 2008 and specifies that 'all actors, including professional associations, businessmen, institutions and donors will be involved' in its drafting.

In any case, the PRSP and other government documents share common weaknesses concerning prioritization, implementation, budgeting, and growth creation. Surely, potential differences between them and specific government preferences will emerge during policy implementation.

New Aid Modalities

In addition to the PRSP, other aid modalities have been introduced recently with the intention of contributing to aid harmonization and alignment. In assessing if and how these new aid modalities have achieved the goals announced by donors, we examine two of them: the sector-wide approach (SWAP) in the health sector and general budget support.

Together with education, the health sector is considered to be the most advanced with respect to aid harmonization. The *Programme de Développement Sanitaire et Social* (PRODESS) is a SWAP established in 1999 as a World Bank initiative. A SWAP is a mechanism where funding to a particular ministry supports a single policy and expenditure programme under the government's leadership and using common financial management procedures. This approach is supposed to put an end to aid fragmentation and the bypassing of national structures and strategies, limit the burden on recipient administration, and contribute to greater ownership.

Improvements towards alignment have been achieved under PRODESS. All donors providing funding for health must integrate their actions into the PRODESS framework, which guarantees better coherence and coordination of activities. PRODESS is piloted by the Ministry of Health, and has become the common reference and unique framework for recipient policy and donor intervention in the sector. However, donor alignment on the national framework has important limits, and SWAP does not seem to bring answers to all the previous problems. There are thirty donors in the health sector, and they still use various modalities to deliver their funds. This means that parallel modalities and procedures still bypass national ones despite the existence of PRODESS and still represent a burden for those involved with the public health sector because it implies differentiated follow-up mechanisms and evaluation missions. Agenda-setting is still dominated by donors and their programmes and project initiatives. Sometimes donors still bypass the normal institutional framework when their individual interests or priorities are at stake. The most obvious case for this is HIV/AIDS, which is a donor – and not a government – priority. Despite the existence of PRODESS, a vertical fund for HIV/AIDS and malaria was set up with parallel implementation units.

Furthermore, public officials still find it hard to set priorities and select relevant projects. The low level of human resources and lack of statistics leads to weak knowledge of what is going on in terms of health issues and thus makes it hard to formulate a clear policy vision and successfully negotiate with donors. The multiplication of projects and aid modalities within the PRODESS framework, as well as the complexity and number of donor demands in terms of control, procedures, and project evaluation, prevent the personnel within the Ministry of Health from focusing on the actual needs and problems facing the sector. Last but not least, there is great risk posed in technocratizing the system by focusing on the process (aid harmonization) at the expense of results (access to good health services), for which donors bear great responsibility (Dujardin and Paul 2006). In concluding, improvements have been made in terms of policy coherence, but SWAP is far from being a panacea for promoting government ownership and donor alignment. It is a loose common framework, not a rigid structure firmly led by the government on which donors are compelled to align.

Another important tool for implementing the Paris agenda is general budget support. A Memorandum of Understanding was signed between the Malian government and donors in March 2006. Eight donors are providing general budget support, which accounts for about 10 per cent of total aid. Because it goes directly to the national budget, it is supposed to translate into government ownership and donor alignment. However, the introduction of general budget support requires the government to open up the budget process to donors, which is in clear contradiction with greater government autonomy in policymaking. General budget support extends the right of donors to examine the recipient's overall policy framework, whereas under project or programme aid this right was limited to one project, one policy, or one sector. With budget support, donor participation in decision-making arenas is taken for granted, as witnessed by the director of the national budget calling for donors to 'get involved in the budgetary process at the central, decentralized and sector level'.[6]

Therefore, the burning issue within the Malian government today is when and how government authorities should let donors know what their budget priorities are. The budget formulation process runs from April to October. Donors would like to intervene early in the process, in order to control choices made with regard to public spending. Some civil servants are very eager to receive larger amounts of budget support, and feel that they will be able to keep control of the national budgetary process, in part because most donor representatives do not have the necessary skills (in public finance management and public expense system) to engage in budget discussions. However, some others express the need to define priorities before donor involvement to preserve a minimum degree of autonomy. Therefore, general budget support is not simply a new aid modality. Donors see budget support as a great opportunity to reform the recipient's public finance management system, public expense system, and civil service. While the efficiency of this top-down approach to state-building can be questioned, for the Malian government it provokes the question of state sovereignty, and in particular budgetary sovereignty. In a country where monetary policy is delegated to the *Banque Centrale des Etats de l'Afrique de l'Ouest*, abandoning parts of budgetary sovereignty is highly controversial.

Donor–Recipient Policy Dialogue

Donors now negotiate with the government over its budgeted spending priorities and their implications. In this context, donors claim to need increased 'policy dialogue' with the government and often feel frustrated not to be given answers to their numerous questions. With the implementation of new aid modalities, one can observe a multiplication of forums between donors and the Malian government. As a result, there is little evidence of a significant reduction in transaction costs and interactions with donors for the government, at least for the moment. New aid modalities have so far not provided the government with increased time and space to identify its own policies, and aid management tasks still take a large share of civil servants' time. Many people within the government as well as donor agencies point to the risk of devoting too much attention to aid delivery procedures and modalities, at the expense of deeper reflection on the development process: for example, how to foster growth and how the country could benefit from globalization. Many also believe that there is a risk of these donor–government forums dominating policy debate, at the expense of the dialogue between the state and political organizations on one hand, and between the central and decentralized levels of the state on the other hand.

In theory, donor–recipient policy dialogue mostly occurs at the Joint Commission (*Commission Mixte*), which was set up in 1998 to oversee aid reform and which is co-headed by the Ministry of Economy and Finance and the lead donor. However, since its establishment, the Commission has not been able to fully play this role, due to ministerial reshuffles, the absence of ministers absorbed by other urgent issues, and institutional and political blockages. But more fundamentally, the Joint Commission, sector-level meetings, and the government–donors' round table have become mere formal meetings where decisions taken elsewhere are officially endorsed. Problems between donors and ministries are solved on a daily basis through direct communication. This means that donor involvement in the policymaking process is constant and increasingly informal.

However, civil servants remain frustrated by the nature of the policy dialogue that has developed. They underline the power asymmetry, donor impatience and intransigence, and multiple conditionalities. Despite donor efforts at aid coordination and at increasing ownership, decision-making powers are highly centralized within headquarters in most donor agencies, which means that donor views prevail over recipient demands. Civil servants feel that 'donor agencies in Bamako are mere post offices' and that there is not much to get from dialogue at the country level.

The Paradoxes of Capacity-Building

In the new aid paradigm, the recipient government is, at least formally, given more control over the use of aid, but state capacities to carry out its tasks are weak. Therefore, capacity-building has become a high priority and major axis for donor intervention, but donor efforts to build the capacity of the Malian state embody many paradoxes. First, the multiplication of aid-sponsored implementation units in downtown Bamako is striking. Their overall number can be roughly estimated to thirty-three, mostly attached to four ministries: Agriculture, Decentralization, Economics, and Finance.[7] Often attached (more or less loosely) to a ministry, but located in different buildings and composed mostly of civil servants with better working conditions, these units are ad hoc creations with limited life expectancy. Units are intended to build capacities so that the government can eventually undertake decision-making, implementation, and follow-up by itself. In practice, these units also enable donors to choose their counterparts, to set up structures that are quickly operational without increasing the government's budget, to maintain control over the operations, and to shape national institutions according to their needs. As one donor representative put it:

> What donors want is a structure that can start working quickly, someone to talk to, someone who will answer the phone, answer their questions and follow up their programs – not an administration that would be efficient for and accountable to the population.

On the Malian government side, the multiplication of such units provides additional financial and political resources. Head of a unit coordinator is a good position, and can be a reward for a political supporter, for example.

By creating or supporting these implementation units, donors are trying to rebuild what structural adjustment programmes had destroyed in the domain of policy planning. However, donor interventions, which are characterized by rigid procedures, short-term vision and objectives, and a restrictive as well as normative conception of the state lead to imperfect capacity-building outcomes. Technocratic understandings of aid management are given more recognition than development management and the promotion of the public good. Lastly, responsibility for action is diluted by the multiplication of semi-institutional entities without clear status and limited periods for action. This anarchical and cancerous multiplication of ad hoc units affects the institutional coherence, strength, and continuity of the state apparatus and policies. In fact, ministries are weakened and the professionalization of the civil service is hampered.

Secondly, the need to 'build capacities' justifies the placement of technical assistants by donors in strategic positions in relation to planning, budgeting, and spending processes. For example, the PRSP Unit now has five technical assistants (French and non-Malian Africans) hired by the European Union and France. These technical assistants are also meant to help improve the much-wanted donor–recipient 'policy dialogue' (by providing donors with inside information). Because they are primarily accountable to donors, some civil servants see technical assistance as a way for donors to keep an eye on the public-spending process.

Negotiating Reform

The last part of the chapter examines specific instances of negotiations between the Malian government and donors. In particular, it looks at two policy issues that are crucial to the country's economy and politics and where donor involvement has been important and controversial: decentralization and cotton. The aim is to understand the conditions for government success or failure in aid negotiations.

Decentralization

The Ministry of Territorial Administration and Local Communities threatened to refuse a World Bank project, forcing the Bank to amend the project design in late 2005. Being so assertive in aid negotiations is a quite rare occurrence in Mali. According to the *Direction Nationale des Collectivités Territoriales* (DNCT), the project risked duplicating the country's decentralization apparatus by setting up its own tools for financial support and a parallel implementation structure that bypassed the *Agence Nationale pour l'Investissement des Collectivités Territoriales* (ANICT), the institution which receives funding (both from the government and donors) and distributes it to local communities as grants. In December 2006, after two years of harsh negotiations, the Bank finally accepted to use the national system and procedures. What accounts for the government successfully altering the World Bank project in this case?

First of all, the government's decentralization policy is a genuinely owned reform, a factor that provided the government with considerable resources in negotiating with donors. On the agenda since 1977 but never implemented, decentralization was given new momentum with democratization in the 1990s: the new ruling elite had to redefine the nature of the state in order to bring the state and citizens together after decades of dictatorship and to stop political tensions in the north of the country as a result of the 1990 Tuareg rebellion. Decentralization, building on an old tradition of the ancient empires of Mali, was framed as the political solution to these problems (Baudais 2006). The Commission for Decentralization and Institutional Reform (1993–2000) included a range of Malian technical experts and political personalities. It was integrated within the Prime Minister's office and then the Presidency, and was headed by a man of conviction, Ousmane Sy, who became Minister for Territorial Administration and Local Communities in 2000. Popular participation in the process was exemplar: during two years, the population debated and decided the creation of 703 democratically elected municipalities. The project lost some momentum when Touré became President and Ousmane Sy lost his position as Minister, but overall decentralization is considered as a policy that is truly owned by both the government and population.

If the political vision for the project was very strong on the Malian side, implementation modalities were initially weakly defined and depended on external financial sources, and thus donor involvement in implementation has been strong. The decentralization project was mostly inspired by the French model, and the temptation of other donors (Switzerland, Germany, the Netherlands) to impose their own vision and experience of decentralization was strong. The ANICT was an initiative of the European Commission, but it became a public structure well integrated into the Ministry and following the country's laws and administrative procedures.

Donors have agreed to finance hundreds of projects over the next few years and attach multiple conditions to them, which means that the DNCT spends most of its time supervising donor missions, reviews, and follow-ups. A civil servant said that donor procedures and demands are so high that he sometimes thinks of abandoning the project and the funds it could generate. However, because beneficiaries in the communes and regions would not understand such a refusal, he often gives up the idea of 'teaching donors a lesson'.

Nonetheless, decentralization is a rare sector where the government has a nationally documented policy vision for the next ten years, as well as an operational plan for the next three years (see République du Mali 2006). The government's political commitment is real. If the national framework was shaped jointly by the government and donors, at least it existed. This undeniably helped the government to make its case against the World Bank, because it had something to stand for, and a base on which donors could align.

Unity within the Malian government in negotiating with the World Bank over its project was not ensured, though. The ministry that was supposed to implement the World Bank's project, the Ministry of Social Development, Solidarity, and Senior Citizens, was willing to accept the parallel implementation structure because it would have provided it with an important political project, and financial as well as material resources. But the Ministry for Territorial Administration and Local Communities had a strong will and interest for the project to be integrated into national structures, and managed to create a coalition against the World Bank and the Ministry of Social Development. When the World Bank mission went to the communities of Mopti and Sikasso, local representatives explained to them that their project was ill-adapted, and when the mission asked for a personal meeting with the Minister of Territorial Administration and Local Communities, the Minister told them the same thing. A civil servant summed up: 'We were united from the top to the base. The World Bank felt that we were ready to give up the project and the money; that is why the Bank finally aligned on our position.' Furthermore, the Ministry for Territorial Administration and Local Communities gained decisive support from certain donors, such as the European Union, the Netherlands, and France. The World Bank got involved in decentralization later than most other donors and was hence lagging behind in this sector. Despite this, the Bank did not participate in the donor–government coordination panel, which was resented by other donors. Under both government and donor pressure, the World Bank had to pull back.

A few months later, however, the Ministry of Social Development accepted a proposal similar to that of the World Bank made by the African Development Bank that also implied the creation of a parallel unit for implementation and finance. This illustrates both the lack of coordination within the Malian government and the perverse incentives of the aid system.

The Case of Cotton

Cotton is the main area of economic specialization in Mali: three out of eleven million Malians depend on cotton farming for subsistence, and cotton creates half of the state's export revenues. The negotiations over cotton between the Mali government and the international community in the past few years have taken place at two levels: negotiations within the country on the privatization of the national company for cotton production and negotiations at the World Trade Organization (WTO) over subsidies given by 'Northern' governments to cotton producers in their countries. We discuss the processes and outcomes of both negotiations.

The *Compagnie Malienne pour le Développement du Textile* (CMDT) is at the heart of a production system in which one operator covers all the production stages. It supplies all agricultural inputs and has a monopoly over purchasing power. This system guaranteed quality standards, the efficiency of the production process, and price security for producers. The CMDT is a parastatal jointly owned by the state and a French parastatal company (*Développement des Agro-industries du Sud* or DAGRIS).[8] Cotton, the so-called white gold, was a success story in Africa until 1994, but since then cotton production has faced several severe financial crises, mostly due to a drop in prices on the world market and to European and American agricultural subsidies. The CMDT has accumulated huge deficits and become prone to major corruption over the past few decades. It is in this context that the World Bank first strongly advocated a new pricing mechanism and then advised privatizing the country's cotton production and marketing system. After almost ten years of harsh negotiations between donors and the government, the privatization of the cotton sector is now planned for 2008. The government had very little leverage in determining the price mechanism and in designing the privatization of the CMDT. The decision reflected little national ownership, and there is much evidence of the pressure exercised by the World Bank. What strategy and resources, then, did the government mobilize, and what can account for its ultimate failure?

Firstly, the tools used by the World Bank to apply pressure were difficult to resist. The pressure occurred in three stages. In 1998, implementation of a government rehabilitation plan preparing the way for private participation became a condition for Mali to access debt relief under the Heavily Indebted Poor Countries (HIPC) initiative. This plan was written in consultation with the World Bank. Later, the World Bank withheld $50 million of its aid in June 2004, in order to persuade the government to adjust the producer price of cotton. The privatization of cotton eventually became a condition for general budget support.

Secondly, Malians within and outside of government did not form a united front. Indeed, the interests at stake on the Malian side were very diverse, even among the anti-privatization group. The position of the country's highest authorities is the most difficult to discern. The Bank's influence was clear when, in June 2001, President Konaré accepted the privatization in principle. The Prime Minister at this time was allegedly opposed to the privatization, but was not consulted by Konaré, whose decision came as a surprise for many. During the period of following negotiations, President Konaré and then President Touré were neither proactive in proposing alternatives nor in taking leadership in planning the privatization. Neither was the *Mission de Restructuration du Secteur Coton* team created to deal with this sensitive file and headed by Mister Coulibaly (former Minister of Agriculture) and attached to the Prime Minister.

Three hypotheses can be drawn, which are not mutually exclusive. First, the Malian officials were not ready to pay the political price for resisting the World Bank. When disbursement of budget support was suspended in 2004, President Touré was already virtually running for a second mandate. Delay or suspension of this aid could have obstructed the government's ability to pay the salaries of its civil servants and triggered strikes in the civil service. Second, resolving a dilemma in which neither public nor private solutions seemed to be efficient was far beyond the scope of most Malian agents involved in the negotiations, who were clearly in a position of inferiority, with fewer personnel and less potential to propose economic models. Arguing in favour of restructuring CMDT was difficult: the cost was high, especially in a context of falling international cotton prices. The parastatal had undeniably gone through enormous difficulties. The worst enemy of the anti-privatization camp was the state-owned enterprise's bad governance, which the World Bank continuously highlighted, considerably reducing the scope of the debate.

The CMDT personnel were (and still are) unanimously against the privatization, for fear of losing their jobs. Small producers' unions and the state-owned company personnel tried to resist privatization, but were not united. Some reproached the government and strongly resented the CMDT for mismanaging public resources, while some advocated a reform of the parastatal and the sector. Beyond the debate over privatization, their main concern has always been to sell their cotton at a fair price above all. They periodically organized big strikes and riots, and the government provided them with a local technical assistant to help them participate in the negotiation process, but they did not manage to impose themselves as a strong political voice with the ability to propose alternative policies. They were largely denied access to formal government discussions on the sector restructuring, and in 2006 and 2007, their union representatives became embroiled in campaigning for the President in the upcoming election and progressively cut off from their base. It was only after the government refused to reduce the guaranteed price of cotton as the World Bank required and general budget support was suspended (in 2004) that all Malian players understood the importance of a unified stance, but then it was too late.

The Ministry of Economy and Finance was particularly prone to condemning public mismanagement of the cotton sector, but notably this Ministry was directly affected when the World Bank suspended budget support disbursement. On the contrary, the Ministry of Agriculture was clearly opposed to the privatization and had knowledge of the field, but it was progressively marginalized. Studies were commissioned by international consultants, and local experts at the *Institut d'Economie Rurale* were marginalized. Donors chose the institution they were willing to negotiate with, and it was the Ministry of Economy and Finance that signed the price scheme in January 2005 with donors.

Especially from 2005 to 2007, the political debate within the country was almost entirely monopolized by donors. In the context of political 'consensus', the future of cotton was purposely excluded from the domestic political debate, especially during the presidential election campaign (only candidate Oumar Mariko publicly opposed the privatization). Moreover, negotiation took place outside of the usual channel for donor–government dialogue on the productive sectors, because the sector was considered too 'special' and 'problematic' by those involved in the negotiations.

On the donor side, the privatization of cotton is a case of donor harmonization. The initial fight between 2000 and 2003 mainly pitted the World Bank against the *Agence française de Développement*, which tried to advocate for the maintenance and modernization of the integrated production system. However, this position was easily weakened. As partial owner of the CMDT, France was accused of trying to protect its neo-colonial interests. The absence of an alternative plan by the government reinforced the impression that France was defending its own interests more than those of Malian producers. The French cooperation system was discredited by the fact that, despite the presence of French technical experts in key positions within the CMDT, it was unable to foresee and deal with its financial crisis. Also, France could no longer afford to support the cotton production system, and the price to pay was judged too high compared to the decreasing strategic importance of cotton. More decisively, personnel in the French aid system were against the privatization, but the French Treasury was in favour of it, since the CMDT deficits had impacts on the French budget. The position of the latter prevailed.

More importantly, the privatization of cotton and the process of aid reform converged. In fact, the deficit undermining the CMDT was partly contracted as a result of French loans that the government must repay. With the introduction of general budget support, donors feared their funds might serve to repay the debt the government had contracted with the French. The privatization of cotton, which ensures the absence of public funding to the CMDT, hence became a condition for budget support disbursements.

In sum, the government caved in under pressure from the World Bank, which designed how the sector would be privatized. This led President Touré to question the true meaning of 'ownership' and 'partnership' in his inaugural speech to the Development Cooperation Forum in Washington in December 2005:

> True partnership supposes autonomy of beneficiary countries in requesting aid and in determining its objectives. . . . Often programmes are imposed on us, and we are told it is our programme. (. . .) No one can respect the conditions of certain donors. They are so complicated that they themselves have difficulty getting us to understand them. This is not a partnership. This is a master relating to his student. (Quoted in Oxfam 2006)

In late 2006, President Touré wrote an official letter asking the World Bank for the privatization to be delayed to 2008. The *Mission de Restructuration du Secteur Coton*, which had prepared a strong technical case to postpone the privatization until 2010, in order to allow the sector to prepare for it, was not consulted by the President or even informed of his initiative. In this case, political imperatives prevailed over technical advice. Therefore, the privatization was postponed to 2008 – after the 2007 presidential election.

The modalities of the privatization to come, which consists of creating four different private branches, are a compromise between the World Bank vision (full liberalization) and the French vision (integrated production system), and are inspired by the privatization model implemented in Burkina Faso. The creation of a Cotton Support Fund meant to ensure a guaranteed minimum price for farmers and to limit their exposure to price fluctuations is currently being discussed, but the World Bank and IMF are very reluctant to fund it.

While the Malian government was weak in aid negotiations with donors for the reasons just outlined, it has proved more successful in negotiations at the WTO in 2003 where it joined Burkina Faso, Chad, and Benin in leading the 'cotton initiative', which proposed the suppression of all subsidies given by northern governments to cotton producers in their countries and some compensation to African cotton-producing countries. The cotton initiative is a unique example where the Mali government and other highly dependent African governments have collectively tried to make a case on trade issues.

Criticisms and demands concerning subsidies were formulated by cotton producers as early as November 2001 and were strongly supported by Northern NGOs. African governments echoed these demands. During a meeting in Abidjan in June 2002, they decided to take collective action and then mobilized their relevant ministries at home and their representations in Geneva. However, cleavages about the strategy to adopt emerged among the four governments in preparation for the Cancún trade talks. They hesitated between attacking the United States through the WTO Dispute Settlement Mechanism and negotiating directly, but eventually chose the second option because they feared retaliation by the United States through cuts in foreign aid to their countries (Pesche and Nubukpo 2004).

More importantly, the United States and the European Union were successful at reframing the cotton initiative by broadening the diagnosis of the cotton problem and developing an informal diplomacy that bypassed the formal dialogue arenas. Following the Cancún Ministerial Meeting in 2003, the problem was divided into two components: a ‘trade track’ (dealing with the subsidies), and a ‘development track’ which linked cotton production to a range of aid and economic issues. The essence of this reframing was twofold: to allow room for the United States and the European Union to distance themselves from an exclusive discussion on sensitive subsidies, and to reposition the Africans back into a conventional posture of requesting aid rather than rights-based defenders demanding equal application of the rules (Eagleton-Pierce 2007).

However, the initiative led to some victories for the African governments. The issue of cotton has been kept on the agenda and it was the first time in history that international trade negotiations were blocked by an African claim. African governments have also improved their negotiation skills and knowledge and built strong networks with the Ideas Centre in Geneva and Oxfam, for example. There is hope from the text adopted in Hong Kong in 2005, in which the Malian Minister for Industry and Commerce was spokesperson for the African cotton coalition, that there may be in the near future a more ambitious outcome on cotton.[9]

But the Malian government was unable to use the leverage it gained in the cotton initiative in the negotiations over the future of the sector in Mali. The privatization of cotton and the international cotton initiative have been negotiated separately by the Malian government: different people, resources, and arguments were used at different levels and in different places. The World Bank first argued that it does not deal with trade issues, and then minimized the importance of the global trade context by arguing that the Malian cotton issue was above all an issue of bad governance at the national level. The Bank also argued that the privatization of the CMDT would make Malian cotton more competitive.

Conclusion

Recipient ownership did not emerge just because donors declared that it was their new priority and introduced the Paris agenda in the country. The government's will to actually take ownership and responsibility of development policies and manage aid for the implementation of these is questionable. Moreover, past donor practices have had negative impacts on the potential for country ownership while there are important limits to the way donors try to promote recipient ownership through PRSPs and capacity-building activities. Donor agencies do not seem willing and able to fully meet their commitments and allow the necessary time and space for recipient ownership to emerge. So far, it seems that the current reforms of the aid system will not be enough to change the power imbalances in the aid relationship, and may give donors greater involvement in the decision-making process. The new aid agenda does not seem to fundamentally modify the government's implicit strategy for negotiating aid, and the government does not seem to fully consider the Paris agenda as an opportunity to be more assertive in taking leadership and negotiating aid.

The case studies show that taking the lead away from donors and being more successful in aid negotiations remains very difficult for the Malian government. The example of decentralization shows that the existence of a national vision is the first key to successful aid negotiations, but it is not sufficient, as other factors were important. Firstly, the disagreement between the World Bank and parts of the Malian government concerned project implementation and not policy content, which of course made compromise easier. Secondly, decentralization is a rather consensual, non-productive sector that donors have supported in most African countries. Thirdly, support from some 'like-minded' donors was crucial. The case of cotton illustrates a very different scenario. The World Bank was determined and its strong-arm tactics were buttressed by the poor governance of the cotton company. Malian actors were divided, and the position of the highest authorities was ambiguous, partly because the political price of both privatization and resistance to it was high. Actors coming up with alternatives were marginalized. On the other hand, even if the cotton initiative was not fully successful, it suggests that a regional alliance at the international level considerably enhances the negotiating strength of aid-dependent countries.

Both cases show that the government's strategies in aid negotiations are affected by the lack of unity in the government, itself reflected by a fragmented aid management system. In the case of decentralization, the existence of a national strategy in the sector helped the Ministry for Territorial Administration and Local Communities build a strong case for World Bank alignment. But after that negotiation had been won, the Ministry of Social Development took a purely opportunistic stand in order to maximize the benefits it could get from the project, one which undermined an attempt to force donors to use national structures and processes. In the case of cotton, there was also a lack of a unified position within the government which ultimately undermined its negotiating strength. However, in this case, the lack of unity stemmed not from competing ministries, but rather a range of different positions across government and society.

This lack of unity results from two sets of factors. On the one hand, the particular characteristics of the history of development policies carried out since independence and the consensus political system developed by President Touré explain the weakness of recipient ownership in the country today. On the other hand, the perverse incentives in the bureaucracy created by the aid system encourage ministries to pursue separate strategies to get resources, instead of standing for a national strategy for managing aid and ensuring policy prioritization and implementation through national structures.

Overall, it seems that the Malian government's leverage in aid negotiations exists only at the margins. When the government and donors disagree on policy content, it is very difficult for the government to get the upper hand during negotiations over the content of specific policies. However, the government has more leverage during implementation, when it can sometimes bypass donor demands or pursue its own objectives. It does not implement everything that is agreed with donors. Delaying and poorly implementing conditions are typical techniques used in trying to bypass donor conditions. In the negotiations over the national cotton company, an accurate time management enabled the government to postpone the privatization and therefore better prepare the sector for the privatization while dealing with the domestic political cycle (the elections). Government officials also hide behind a 'lack of capacity' to improve transparency in public finance management and procurement systems and frequently manipulate data in macroeconomic and budgetary discussions. Lastly, language can be used as a source of leverage for the government during implementation. Civil servants' poor English is often described as a weakness in negotiations, but it can be an asset during implementation when the Malian authorities play with words in translation from English to French and claim there was a misunderstanding during negotiations. These strategies may earn the government more room to manoeuvre, but they do not always result in actual government control over the policy agenda.

Notes

1. The author thanks Alassane Diabaté, Elisabeth Paul, and Kako Nubukpo for their invaluable help.
2. The national conference is a mode of democratic transition specific to francophone African countries.

3. Mali is a Republic and has a semi-presidential system, a political system inspired by the French Fifth Republic. The President is the head of State; guardian of the Constitution, territorial integrity, and international agreements and treaties. The President is elected directly by the people for five years and can be re-elected only once. The Prime Minister is the head of the government and is appointed by the President. The government determines and leads policy and can use the administration and the army. The Prime Minister leads and coordinates government action.
4. Internal note, Ministry of Economics and Finance, January 2006.
5. Tuaregs are a nomadic population living in northern Mali, and whose integration in the nation state has been problematic. They periodically rebelled, most notably in 1963, 1990, and most lately in 2006–7, which first led to repression and then to negotiated settlements.
6. Abdoulaye Touré, Director of the Budget, Power-Point presentation at the Ministry of Finance/AFD workshop on global budget support. Bamako, Hotel Salam, 1–2 November 2007.
7. Estimation made by the author on the basis of *Décret n° 07–393 portant répartition des services publics entre la Primature et les Départements sectoriels*, October 2007.
8. The *Compagnie française des textiles* was created by De Gaulle in 1949 to provide the French textile industry with cotton. It became DAGRIS in 2003, and is currently being privatized.
9. 'All forms of export subsidies for cotton will be eliminated by developed countries in 2006. . . . We urge the Director-General to further intensify his consultative efforts . . . to explore the possibility of establishing . . . a mechanism to deal with income declines in the cotton sector until the end of subsidies', WTO sixth Ministerial Conference, Hong Kong, 18 November 2005.

Interviews in Bamako, Mali (short list)

Sekouba Diarra. PRSP unit, National Coordinator. 28/02/2007.

Marc Trévoux. PRSP unit, Institutional development division. (French) Technical Assistant hired by the European Commission. 22/02/2007.

Sidi Al Moctar Ba. Minister of Economy and Finance, Technical Adviser. 02/03/2007.

Lucien Humbert and Sadio Keita. *Agence française de Développement*, Rural Development Division, Programme Managers. 05/03/2007.

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Alassane Diabaté. International Monetary Fund country office, Economist. 25/03/2007.

Founéké Keita. Former Minister of Finance and Commerce. 26/03/2007.

Jean-Louis de Miras. Minister of Economy and Finance. (French) Technical Adviser. 26/03/2007.

Irene Horejs. Head of the European Commission's delegation in Mali. 03/04/2007.

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9

Mozambique: Contested Sovereignty? The Dilemmas of Aid Dependence

Paolo de Renzio and Joseph Hanlon[1]

> Mozambique appears as many . . . aid-dependent countries, with the government apparently believing that its undoubted reliance on foreign assistance means that it is not in a position to insist on its own priorities. . . . [A]id dependency does not have to entail subservience, and . . . boldness by the government can go part way to redressing the asymmetry just mentioned. (Killick, Castel-Branco, and Gerster 2005: 50)

Mozambique has been seen by donors as a success story of peace, stability, and growth since the end of its devastating war in 1992. Indeed, it has become increasingly important to the international community as one of the few successes in Africa. Donors have invested substantial resources in Mozambique and are understandably committed to sustaining it for as long as possible. Mozambique continues to be highly aid-dependent (see Figure 9.1), but is considered as a model by the Bretton Woods institutions, having consistently met most donor demands, while at the same time growing at an official average rate of about 8 per cent per year since 1997 (EIU 2006). During the same period, poverty declined, but at a much slower rate.[2] Given its privileged status among donors, Mozambique has also become a model and a testing ground for so-called new aid modalities, such as sector and general budget support, in the context of the shifting international debates around aid effectiveness. This has included an innovative mechanism for monitoring donor performance on harmonization and alignment of their support to the country, called the Programme Aid Partners' Performance Assessment Framework (PAF), discussed in more detail later in this chapter.

According to the OECD Development Assistance Committee, net Official Development Assistance to Mozambique in 2004 amounted to around $1.2 billion, which corresponds to 23 per cent of national income. This makes Mozambique one of the world's most aid-dependent countries, with an aid to GNI ratio which is almost four times the average for sub-Saharan Africa. The

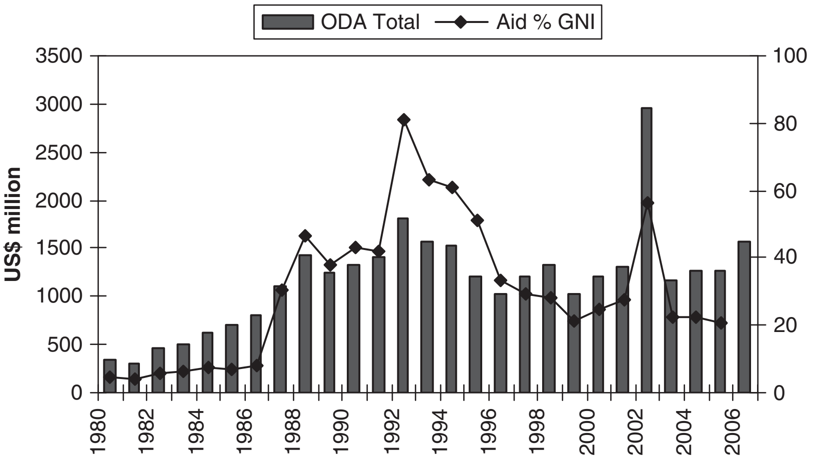

Figure 9.1. Trends in aid flows and aid dependence in Mozambique
Source: OECD DAC Statistics and World Development Indicators, April 2007.

largest donors are the World Bank, the European Commission, and the US, with more than $100 million per year, followed by Denmark, the UK, Sweden, Norway, the Netherlands, and the African Development Bank (which provide between $50 million and $70 million per year).

Statistics from the OECD Development Assistance Committee show that nearly half of aid is accounted for by debt relief (in particular, there was a large debt cancellation operation in 2003, as can be seen in Figure 9.1 above), emergency and commodity aid, and technical cooperation, which leaves only half for direct expenditures within Mozambique (see Table 9.1). According to IMF figures, aid was 48 per cent of the government budget in 2004, which means that taxes and other revenues cover recurrent expenditure while aid provides for capital expenditure.[3]

Table 9.1. Aid to Mozambique, 1995–2004

	Billion ($)	Percentage of total aid (%)
Total ODA	10.9	
Of which		
Grants	8.7	80
Loans	2.1	20
Debt relief	2.5	22
Technical cooperation	1.9	17
Budget support	1.4	13
Commodity, food, emergency	0.9	8

Source: www.oecd.org/dac/stats/idsonline

Despite the emphasis that the government has put on increasing domestic revenues in its poverty reduction strategy known as *Plano de Acção para a Redução da Pobreza Absoluta* (PARPA), between 1997 and 2004 revenues fluctuated around 12 per cent of GDP, with only a modest increase registered in more recent years. Reducing aid dependence has so far proved an elusive goal, despite the introduction of value-added and personal income taxes. Moreover, despite much inefficiency in government spending, there are no obvious areas that could be identified for large expenditure cuts. Any reductions in spending would affect the building and repair of roads, schools, and hospitals, for example, which are currently financed by aid. Tackling inefficiencies, wastage, and corruption would prove much trickier.

Donors definitely see Mozambique's Frelimo government as one they can and want to work with, and many have substantial programmes in the country.[4] An important part of this is based on twenty years of unbroken acceptable relations with the international financial institutions and up to forty years of strong links with some bilateral donors, in particular the Nordic countries. *Frente para a Libertação de Moçambique* (Frelimo) was originally a liberation movement against Portuguese colonial rule. It became the governing party, and has been in power since independence in 1975. Mozambicans within Frelimo and in senior government posts have developed advanced skills at managing complex relations with a diverse range of international agencies, juggling their different priorities and demands, and positively responding to their agendas, while at the same time maintaining internal political support. This reflects, in the words of David Plank (1993: 418), a 'complex and perilous balancing act, which depends on ensuring the continued flow of aid while simultaneously maintaining the support of key domestic constituencies'.

Since the end of the socialist period, the government has not managed to promote a strong 'national project' in its dealings with donors, but instead decided to implement many of the 'Washington consensus' policies proposed by donors, in order to ensure a steady inflow of resources.[5] Most of the policy discussions have happened, and continue to happen, between the executive and the donors, with little input from civil society or parliament. The fragmentation of aid further means that these discussions often happen either at sectoral or at provincial and local level, undermining the overall coherence of government policy, and promoting a piecemeal approach to addressing development problems.

The question we raise in this chapter is whether, after almost two decades of such 'aid subservience', Mozambique can still be able to express its national sovereignty through a locally defined development strategy, or if it has lost the ability to define an independent position. Three specific examples will be used to clarify the argument, related to liberalization of the cashew industry, land tenure reform, and governance. Issues related to aid management, general budget support, and to the position of the government led by President Armando Guebuza since the elections in 2004, will supplement the argument.

History and its Impact

Mozambique's history is important in understanding its relationship with donors, and with the international community more generally. Three decade-long phases can be identified, each different from each other in terms of how relationships were structured.

The period 1975 to 1985 was the phase of the socialist experiment. Right after independence, Mozambique had a clearly defined development strategy and gained support from the socialist bloc and its old friends in Western Europe (notably the Nordics and Italy). With the intensification of the Cold War, however, Mozambique became a geo-strategic battlefield. The US backed apartheid South Africa in a war of destabilization against Mozambique, supporting the *Resistência Nacional Moçambicana* (Renamo) guerrilla force. In the decade-long proxy war, more than one million people died and much of Mozambique's infrastructure was destroyed.[6]

The years 1985 to 1995 marked a particularly complex period. The end of the Cold War and the increasing isolation of South Africa's apartheid regime brought about the end of the war. Meanwhile, the 'Washington Consensus' was at its height, and the Bretton Woods institutions and key donors were anxious to promote a quick transition from planned to market economy in countries formerly belonging to the Soviet bloc. The government struggled to maintain policy control, and by the end of the decade had largely lost the battle. The centre of donor influence moved from Europe to Washington.

The period 1995 to 2005 represents a period of accommodation. The International Monetary Fund and the World Bank softened their stance on their more ideological prescriptions and Western European donors regained their influence. The government and the donor community gradually reached a *modus vivendi* in which the government's policy agenda was mostly dominated by the Bretton Woods institutions and donors, without a clear, independent national development vision. We argue later that this gave rise to what we call a 'pathological equilibrium', by which large-scale corruption went largely unchecked as long as political stability was maintained and the neo-liberal economic policies of the World Bank and IMF and the other main donors were implemented.

These very rapid changes over a short period of time require a more detailed look at the history. In the late 1970s, the new socialist government prioritized central planning with state farms and industries for future development, but it retained a mixed economy. Services such as health and education were nationalized, but not businesses. Abandoned businesses fell to the state, while others remained privately run. In 1980, just five years after independence, the government began a programme to re-privatize hundreds of previously abandoned small businesses. The onset of the war halted this process, and largely destroyed the rural private sector, as shops and larger private farms became targets of Renamo action.

In the mid-1980s, with the growing crisis of the Eastern bloc, Soviet support declined, and Mozambique increased its informal negotiations with the US in an attempt to end the war, joining the World Bank, allowing US NGOs to work in Mozambique, and beginning a rapid shift to capitalism. But the war did not stop until after the fall of the Berlin Wall. A peace accord was signed in 1992, and UN-monitored multiparty elections were held in 1994. Aid from Western and Eastern Europe played a key part in keeping Mozambique alive during the war. This led to heavy dependence on aid, which, as Figure 9.1 shows, reached \$1 billion at the end of the war, a level equivalent to more than 80 per cent of national income in 1992.

The rapid influx of uncoordinated donors led to the establishment in 1987 of the National Emergency Executive Commission (*Comissão Executiva Nacional de Emergência*, CENE) to coordinate donor activities. All donors (including both the US and USSR, and international NGOs) participated in coordination meetings chaired by a former governor of the Bank of Mozambique. Donors and NGOs had to tell the government what they were doing, follow government guidelines and policies, and often work in provinces selected by the government rather than by themselves. This system successfully pushed donors to do less emergency relief and more development and reconstruction.

Meanwhile, the shift away from central planning and towards the market economy and the first structural adjustment measures were taken while the war continued in the late 1980s. But in parallel with adjustment, privatization, and rapid devaluation, the government put money into the economy, and despite the war, there was economic growth. The World Bank accepted the first round of adjustment measures, but the IMF did not. By 1990, the IMF had gained ascendancy, and it imposed a very strict regime. Government spending was capped and cut, meaning civil service wages were more than halved, pushing nurses and teachers below the poverty line. Peace came in 1992, but the IMF not only limited government capital spending, but actually demanded that aid be reduced by more than \$100 million per year. The IMF argued that post-war reconstruction would be inflationary and had to be kept under control. This meant there were only limited reconstruction efforts and no substantial immediate peace dividend. Indeed, there was economic decline instead of growth, with a fall in GDP per capita. The bilateral donor community which had been supporting Mozambique since independence, and throughout the civil war, rebelled and made an unusual public protest. This led the IMF to ease some of its restrictions, opening a period of strong economic growth from 1995 onwards (see Hanlon 1996; UNDP 1998: 49).

For its part, the Mozambican government accepted the move to the market, but there were divisions within Frelimo. One large group rejected the strict neo-liberal line and looked more to a Nordic model of capitalism in which the state could have a more interventionist role in development, promoting a more coherent 'national project'. This part of Frelimo was allied to a small but growing group of honest local business people (see Bowen 1992). But the other group accepted the minimal non-interventionist state and private-sector-driven model of capitalism. Donors were pushing for quick change and used both policy and financial incentives to make the rapid shift to capitalism personally worthwhile to members of the elite.[7] Thus the second group became dominant, and quickly gained wealth on the basis of the privatization of state assets and the use of donor funds. Given the thinness of Mozambique's incipient capitalist middle-class, the elite was allowed to buy up the privatized companies, sometimes with donor-funded loans that were never repaid.[8]

In this process, donors promoted an image of capitalism in which businesspersons could take advantage of the market transition at great personal gain simply because they subscribed to a capitalist rather than a socialist worldview. Market-driven accumulation and 'trickle-down economics' underpinned the model, claiming it was good for people to get rich because this would help reduce poverty. Through the 1990s, those in government and the elite who supported the new model found themselves in receipt of top-up salaries and highly paid consultancies. This combination of opportunities for enrichment and ideological closure created a donor-dominated hegemony that did not leave much space for alternatives.[9]

Matters came to a head in the late 1990s. The two main banks privatized in a hurry under heavy World Bank and IMF pressure in 1996 and 1997 were on the verge of bankruptcy as a consequence of looting by people in the state capture group. Two key individuals who were trying to investigate, journalist Carlos Cardoso and the head of the Central Bank's banking supervision arm, António Siba-Siba Macuacua, were assassinated in November 2000 and August 2001. Investigations proceeded very slowly. This caused growing unrest within civil society, which appealed to donors to use their financial power to put pressure on the government to investigate the murders. Instead, at the October 2001 Consultative Group meeting donors pledged more aid than the government itself had asked for, providing enough extra resources to recapitalize the looted banks. This strengthened the impression that donors were willing to turn a blind eye to corruption in order to safeguard Mozambique's reputation as a 'success story'.[10] Indeed, former Security Minister Sergio Vieira wrote in a newspaper column that the pledge of the extra money showed that the international community recognized 'the good performance of the government' and that this 'overrides the bank scandal and the assassinations'.[11] No donor replied claiming that Vieira was wrong.

As shown above, Frelimo has a long and successful history, dating back to the 1960s, of negotiating and keeping good relations with a diverse group of international supporters who are essential for its political survival. The rapid shift in alignment from a socialist to a capitalist economic model and the continued support from a key group of 'like-minded' donors are a clear proof of this. However, Frelimo has always been a broad front, with internal divisions along regional, ethnic, and ideological lines. Groups and factions form and shift according to the issue at hand, but differences are largely argued out within the party. There are no expulsions or splits, and all factions remain inside the party. The highly corrupt have not been expelled, nor have the outspoken opponents of corruption left the party to set up an alternative political force. Donors have remarkably little understanding of, or influence on, internal party dynamics. This insistence on unity partly reflects Frelimo's desire to show a united front to donors and maintain its credentials as guarantor of political stability, but it extracts two prices in negotiations with donors. First, Frelimo is sometimes prepared to accept donor impositions rather than risk a divided response. Second, Frelimo cannot take decisions when internal agreement cannot be reached, which sometimes forces it to defend a contradictory position on what might otherwise be considered unacceptable actions by individuals. In particular, Frelimo finds itself forced to defend its most corrupt members and find implicit compromises with donors in order to protect them.

The Nature of Government–Donor Relations

In the first years after independence, Mozambique was proud of its national project for equitable, non-racial development. Although in retrospect state-centred development and the reliance on big projects have both proven to be questionable strategies, at the time this was fashionable and drew substantial donor support, including from socialist countries. Some senior Mozambicans feel that the war was a direct result of this choice, and a million people died *because* Frelimo had chosen to adopt a national development project, and that this was a risky strategy, possibly to be avoided in the future.

Since the adoption of the free-market model, Mozambique has not managed to put forward what could be called a 'national project': a comprehensive, nationally owned development strategy based on a strong vision of future needs and policy priorities which are not dictated by external forces. 'Agenda 2025' is the document that more than any other tried to achieve such an objective, by bringing together a group of intellectuals and policymakers and basing its deliberations on an extensive series of nationwide consultations (GoM 2003). It identified a general vision and strategic options for health, education, social capital, economy, development, and good governance. However, its use for informing actual policy debates has until now been limited. The government's Five-Year Plan (*Plano Quinquenal do Governo*), meant to set the main priorities for a government's full term when it comes to power, consists mostly of a long list of actions without any prioritization or strong policy drives (GoM 2005).

In all other documents and most of all in the PARPA, which is the key policy document on the basis of which donor support has been forthcoming, goals are mostly dictated by existing donor strategies – with a particular focus on ending absolute poverty and achieving the Millennium Development Goals (MDGs). PARPA talks of an enabling state in which the private sector is the main engine for growth and poverty reduction. But its first version (2001–5) was heavily skewed towards provision of basic services such as health and education, in line with the guidelines underpinning debt cancellation in the late 1990s, for which a poverty strategy based on social-sector investment was a prerequisite. The second PARPA (2006–10), on the other hand, is meant to devote more attention to the productive sectors. Both PARPAs were sent to donors for comment but never submitted to Parliament. As a consequence, they were mostly seen as documents directed at the donors. The first one especially was seen as complying with the requirements of the Heavily Indebted Poor Countries (HIPC) Initiative in order to access additional aid resources through debt relief.

Continued aid dependence and an increasing reliance on programmatic forms of donor support such as general budget support (see below) have further strengthened the key role that donors play in all stages of the policy process. A 2004 study on the *Political Economy of the Budget in Mozambique* states that 'high aid dependence means that the budget process essentially involves only two actors, the executive and foreign donors. Accountability to donors is much stronger than it is to Mozambican society' (Hodges and Tibana 2004: 8). The study goes on to point to the 'narrow "predatory" interests of the leading families that constitute the politico-business elite' (p. 13) and concludes:

> the small size of the private sector, along with the practice of patronage as a tool for political survival, results in a highly concentrated and politically connected elite, which has little interest in developing and articulating alternative policies . . . the executive appears not to be inspired by any real vision of development or even by the strategic objectives and priorities enunciated in documents like the PARPA.
>
> (Hodges and Tibana 2004: 101)

Finally, the study points to the fact that with a large proportion of aid being channelled in the form of projects, a large number of individuals, especially in the main sectors, are dealing directly with the donors, benefiting from the perks that come from managing large projects which run parallel to government systems. They are therefore in a weak position to demand changes.

This reflects a more general fragmentation within the government, characterized by the fact that planning, budgeting, and the PARPA process rely entirely on sector ministries and local governments, and specific sections or departments within those units. Thus the plan is often just the collection of departmental plans, and the budget is simply automatic increases on the previous year's sectoral budget, with little attempt at central coordination and at reallocation of resources according to shifting priorities. The problem is compounded because individual units often set up parallel planning and budgeting processes which allow them to directly negotiate funding for donor projects and programmes outside regular government procedures. The Ministry of Finance has limited control over these mechanisms, despite recent attempts at promoting integration (see de Renzio and Sulemane 2006; Tibana and Couto 2000).

The nature of government–donor relations is therefore shaped by an environment where high aid dependence is coupled with limited pressure for accountability from civil society, Parliament, or the media, which lack political clout and technical capacity, and with substantial rewards for going along with donor demands. In such a situation, there are clearly few incentives for the political leadership to take strong positions against donor policies, or to engage in debates about policy alternatives which could call into question the predominant development paradigm.

A study team led by Tony Killick for the budget support partners in 2005, whose report was published with the interesting title *Perfect Partners?*, raises key questions about government–donor relations. The report says that government leadership 'appears weak . . . both at sectoral and central levels' and that 'stronger leadership from the top levels of the government of Mozambique is essential for further major progress towards more effective aid' (Killick, Castel-Branco, and Gerster 2005: 50). As the quote that opens this chapter states, the problem rests with the government apparently believing that its reliance on assistance means that it is not in a position to insist on its own priorities. In contrast, the Killick team believes:

> donors will be anxious to maintain active and substantial programmes of assistance to Mozambique, a fact which gives the government genuine bargaining strength. . . . The government of Mozambique should be willing to say 'No' to donors promoting their own pet projects and schemes. (2005: 50–1)

In the following section, we describe some areas where this has in fact happened.

Testing the Limits: Subservience on Cashew . . .

Although the government has failed to develop a new national project, it has confronted the donors on at least three issues that provide useful examples: trade liberalization for cashew nuts, land privatization, and corruption and governance. On cashew, the government accepted donor impositions only to quietly reverse the policy later, while on the other two the government held the line and donor pressure continues.

The mid-1990s saw real pressure by the Bretton Woods institutions and the liberalization of the cashew nut sector was a highly publicized test case.[12] Cashew nuts were grown by a quarter of all peasants. They were processed in large factories by 10,000 workers and were once Mozambique's largest export. But the factories were protected; raw nuts had to be sold to domestic factories and could not be exported to India for processing. As part of the liberalization process, the World Bank demanded that the free export of raw cashew nuts be allowed. It accepted that the factories would close, but argued that peasant gains from selling cashew in the free market would more than outweigh the incomes from the lost jobs. Not surprisingly, the government disagreed and opposed the change.[13]

In 1995, at a meeting in Maputo attended by several ministers the World Bank country operations manager, Phyllis Pomerantz, was said to have told the government that she would not submit the 1995 Country Assistance Strategy to the Board without the new cashew policy based on export liberalization (Hanlon 2000). Many donors had clauses in their aid programmes which said that aid could only be given to the government if it was 'on track' with both IMF and World Bank programmes. Given such pressure, the government caved in and accepted. Two years later, Prime Minister Pascoal Mocumbi told a press conference that if Mozambique asks for money 'from the World Bank, then the Bank imposes its conditions. But sometimes we have to accept things which are not in our interest'.[14] More recent studies have shown that the government was indeed right to oppose the Bank's cashew policy. Factories were shut and thousands of jobs were lost, but peasant farmers gained very little (McMillan, Rodrik, and Welch 2002). From 2005 on, the cashew sector has partly recovered, but only because of the reversal of the 1995 policies, providing protection for the industry and promoting a more active government role.

In retrospect, it seems likely that the government could have held out and that the country operations manager did not have the power to carry out her threat. Writing later, Pomerantz came close to admitting that the government should not have accepted. They did so, she wrote, because 'the government ministers were [young technocrats and] not politicians; new to their jobs' (Pomerantz 2005). This is partly true. But some of the ministers had experience of heavy IMF and donor pressure in the previous decade, including donors twice withholding food aid to force the government to accept IMF and World Bank policies (Hanlon 1996: 90–2, 2000). They clearly feared that donors would back the World Bank if they did resist on cashew. Pomerantz goes on to admit that the Bank did not fully understand the political and social importance of cashew in Mozambique and claims that if the ministers had done a better job of making their case, she would have been 'flexible'. Many in government saw this as a naked show of power, with the World Bank showing that it could, as Mocumbi said, force the government to accept a policy which was against its own interests. In turn, this probably caused a more general unwillingness to present counterarguments to the neo-liberal policies being imposed.

History therefore shapes the way in which Mozambican government ministers and officials deal with the donor community, as well as the power that they feel they have to question and resist donor conditionalities and the predominant ideology that underpins them. On one side, the cost of the previous national project, defined at independence, was truly horrific in terms of lives lost. The cashew case was a turning point, because when the government did try to take a stand, the full weight of the donors and the World Bank was turned against it.

. . . But Refusing to Compromise on Land and Governance

Although largely accepting donor proposals without too much questioning, there have been two examples where the Mozambican government has taken a clear stand and held its position under continuing strong donor pressure, on issues which the donors consider important.

Most dramatic has been the issue of land (see Hanlon 2004b). Under the Mozambican constitution, land belongs to the state and cannot be sold or mortgaged. Peasants have the right to remain permanently on the land they occupy. Mozambicans are very conscious of the problems that landlessness has caused in Zimbabwe and Brazil, and realize that the latter came about partly from peasants being forced by debts to sell their land. From the early 1990s, Mozambique has come under strong pressure from the World Bank and the US to privatize land and allow it to be sold and mortgaged. Within Frelimo, the boundaries between groups are very porous, and some in the state capture group have obtained land that they hope to be able to sell after privatization, but on the land issue the present leasehold/peasant rights system has deep support within the majority of Frelimo and in the country.

There was a major debate in the mid-1990s, triggered by donor pressure and opportunities for a land grab by the state capture group on one side, and by a feeling on the other that the law was failing to protect peasant rights. What followed was one of the most democratic and open debates in Mozambique in the 1990s, in which civil society played a key role. The donors and the state capture group were resoundingly defeated, and a new law was passed in 1997 which maintained the present system and strengthened peasant rights.

With the start of the new century, donors again pushed land privatization onto the agenda. In the IMF's Letter of Intent dated 17 October 2005, there is a commitment to undertake a study of 'rural land tenure negotiations'. USAID, through its dominant role in the main business association CTA, also pushed hard for land privatization. Finally in May 2006, speaking at a USAID-funded meeting of the CTA, President Armando Guebuza made clear that land would not be privatized. This statement from the top was important, because Guebuza and his family control substantial land and would be expected to gain from privatization. On this issue, more than almost on any other, the government has been willing to stand firm and face up to donor pressure. The fear of landlessness goes deep into the core of most politicians in southern Africa, and most Mozambicans believe strongly that the present system prevents landlessness, even though donor pressure continues to crop up regularly.

If a genuine selflessness and political commitment drives the land issue, Frelimo's stand on governance is driven by pure self-interest. Although both sides implicitly understand the 'pathological equilibrium' in which donors accept a certain level of corruption in exchange for policy compliance, the donors continue to push for reduced corruption and better governance, while the Frelimo state capture group resists strongly and defends its position. As an increasing percentage of donor funds is flowing through the government budget, the issue of corruption has been receiving greater attention, given the need to assess the level of fiduciary risk that donors are taking by providing direct support to the government's budget. A number of recent surveys and studies have tried to shed light on the issue of corruption in Mozambique, but so far with very limited follow-up.[15]

Along similar lines, a number of studies in Mozambique also point to the malfunctioning of the judiciary system. At regular intervals, donor pressure increases, and the government agrees to a study. Several such studies have been carried out during the past decade, but with few results. With the assassination of Carlos Cardoso, many thought that things had gone too far, and the government had to accede to donor pressure for an investigation and trial. Initially only the gunmen were identified and tried, and not the members of the predatory elite whose involvement was considered common knowledge and the focus of much popular scorn. Donor pressure continued, and in April 2006 former President Joaquim Chissano's eldest son was charged with ordering the murder.

While on the land issue the government stood firm on its position to retain a land tenure system with which the donors did not agree, on corruption and justice reform the government's strategy has been one of passively resisting reform while maintaining an appearance of cooperation. Such compromises clearly reflect what Plank defines as a strategy for coping with the tension between the demands of foreign donors and those of domestic constituencies: '[Allowing] the continued existence of lax administration and/or corruption ... enables governments to enter into formal compliance with awkward conditions while informally pursuing other ends' (1993: 419). On the donor side, as noted by Marc De Tollenaere (2006: ix), 'maintaining political and economic stability and safeguarding cooperation initiatives (generally regarded as "success") has always taken precedence over efforts to speed up progress along the imaginary path of democratic consolidation'.

On both land and governance, where the Frelimo leadership sees its fundamental political and personal interests at stake, it is prepared not to be subservient. But why does the government not go further and state its priorities more clearly vis-à-vis the donor community in a number of other policy areas? Is it weak leadership and subservience born of a harsh history, or is it a fear that taking a stand on other issues will have repercussions on the maintenance of key elite privileges?

Aid Fragmentation and Bureaucratic Overload

Another possible explanation for the weak leadership shown by the government of Mozambique in directing donor interventions can be found in the very nature of the aid system, with its proliferation of individual projects responding to donor preferences rather than government priorities, and placing too heavy a burden on an unskilled bureaucracy. The *Perfect Partners?* study stressed that despite the gradual shift to improved donor coordination, 'the overall [administrative] burden on capacity-starved institutions is still excessive', and donors are failing to reduce the burden (Killick, Castel-Branco, and Gerster 2005: 35). While one donor mission arrives in Mozambique every working day, only few donors comply with information requirements to the government's Department of International Cooperation, and up to half of total public spending is grant aid spent off-budget, which means that 'line ministries tend to orient themselves more to the attraction of project finance than to attempts from the centre to achieve a coherent overall strategy' (p. 46). These problems are compounded by 'rivalries between donors and rapid turnover of agency staff' (p. 49).

Arguably, the arrangements that have been put in place for managing general budget support, described below, have achieved a greater level of coherence and coordination, but they are still linked to a limited share (about 20 per cent) of total aid flows. In fact, despite all the international conferences and declarations on promoting harmonization and alignment, at the country level donors are often unable or unwilling to introduce changes which can limit the bureaucratic overload generated by the aid they provide. Political, institutional, and individual incentives in many donor agencies actively discourage coordination (see de Renzio et al. 2005).

Bureaucratic overload clearly is a factor in government subservience on policy issues. Ministers and officials spend so much time in dealing with donors that they have insufficient time left for their government and party responsibilities. That, combined with the fragmentation of the planning and budgeting system, makes it very difficult for the Mozambican side to develop alternative strategies. This is further compounded by the lack of domestic think tanks – local academics and experts who could be developing alternative ideas and approaches are instead working as consultants for the donors.

General Budget Support: Blurring the Government–Donor Boundary

The latest testing ground of government–donor relations in Mozambique is the management of support that donors provide directly to the government budget. Its rationale and justification follows a simple argument: the failure of structural adjustment policies to 'buy' reform in many countries stems from the lack of political will to reform. Therefore, reform will only succeed where recipient governments 'own' their development strategies and the associated reform agenda. Ownership, in turn, comes as a result of the definition of a development strategy which allows for increasing control over the resources necessary to implement it. In countries with better institutional frameworks and more responsible governments, donors should step back and provide assistance through general budget support, channelling funds directly to the state budget. But how much actual leadership by government are donors really willing to accept?

Mozambique's status as a long-term 'donor darling' has meant that since the late 1990s a growing group of donors have been eager to provide at least some direct support to the national budget. The initial group of six donors, which included most of Mozambique's historical supporters, has grown to nineteen, the largest such group for any country receiving budget support. The relation between the government and the so-called G19 is structured by a Memorandum of Understanding signed in 2004, which spells out the terms under which donors are willing to provide aid as budget support, the arrangements for periodic performance reviews, and the reciprocal obligations of the parties. A regular cycle of annual and midterm reviews is set up based on twenty-nine sectoral and thematic working groups. These groups meet regularly to accompany the formulation and implementation of government policies, including reforms included in the PAF, a summary matrix which forms the basis of policy dialogue.

Although government is encouraging the move to general budget support, there are a series of costs and contradictions (Batley 2005; Macamo 2006). First, the administrative burden of aid coordination is probably increasing rather than decreasing, as government officials need to devote attention both to the large number of projects that still exist, while at the same time attending all the working group meetings created as part of the budget support machinery.[16] Secondly, as Richard Batley notes in a recent study on *The Costs of 'Owning' Aid*, 'the demands on government for improved financial management and reporting, however valid, are certainly heavier' (2005: 422). Thirdly, he also notes how 'donors' common voice can become a "common front" in an unbalanced power relationship, especially when donors agree together to withhold disbursement' (ibid.). Batley also warns that budget support can be seen as 'introducing donors more deeply into the heart of government' (p. 423). In Mozambique, donors are in fact increasingly involved in all stages of the policy process, having priority access to key documents and information, and influencing government policy by putting on pressure 'from within'. In late 2005, one of the budget support donors tried to influence a specific policy decision on the grounds that they were providing several millions of dollars a year, stating that 'it is our obligation to critically observe the government's actions and policies' even where those are not directly covered in the PAF. This was not done publicly, but through a private letter to the government, which was then leaked by an official. The underlying assumption is clearly that budget support donors have an obligation and a right to challenge a wide range of government policy decisions.

The flip side of this arrangement is that their joint responsibility and stake for Mozambique's success are higher than ever. If donors decide to 'pull the plug' as a consequence of some serious governance issue, they could easily be blamed for undermining the country's financial and economic stability. In 2000, economists Roberto Tibana and Pedro Couto (now Vice-Minister for Finance) were noting how 'authorities in Mozambique are overwhelmed by the extent of donor intervention in domestic policy formation and decision making' (2000: 3).

Such deep interconnection between the government and its budget support donors seems to describe Mozambique as what Harrison has termed a 'post-conditionality regime', in which 'it becomes far less insightful to make distinctions between external and internal interests' (2004: 77). In post-conditionality regimes, '[donor] intervention is not exercised solely through conditionality and adjustment, but to a significant degree through a closer involvement in state institutions and the employment of incentive finance' (ibid.).

However, this is not to say that the government of Mozambique has not managed to exercise any influence over the ways in which management arrangements have been structured. Notably, the government has successfully insisted that reporting requirements be kept to a minimum and that they be based on existing government documents. This includes using the PARPA merely as an 'operationalized' version of the government's Five-Year Plan, rather than as a policy document in its own right. In this sense, there is a growing consensus that the next PARPA in 2010 will not be a separate document, but part of the overall plan. The consolidation of different sets of conditionalities promoted by different donors into a single PAF and the discussions which led to its drastic reduction in length can also be considered as a success for the government.

Moreover, the government, albeit with the consent of donors keen to live up to the mutual accountability commitments signed as part of the Paris Declaration, has also managed to include in the Memorandum of Understanding a requirement for donors' performance to be assessed on a yearly basis, which arguably has contributed to improving donors' compliance with issues such as predictability of disbursements and improving aid coordination.[17] The Programme Aid Partners' PAF is based on the yearly monitoring of a set of eighteen indicators, ranging from the share of general budget support and other programme modalities in each donor's total aid portfolio, to the harmonization of systems across donors and the use of government procedures for procurement and payments. The idea of a mechanism for monitoring donor performance as a counterbalance to donor conditionality was developed during the negotiations around the 2004 Memorandum of Understanding. Key officials within government, especially within the Ministry of Finance, were keen to 'lock in' budget support as an increasing and more predictable source of financing. At the same time, some of the more progressive donor agencies saw this as an opportunity to experiment with the spirit of the Paris Declaration and its emphasis on 'mutual accountability'. The involvement at key moments of foreign consultants pushing for a bold, more formalized approach allowed for the Programme Aid Partners' PAF to take shape and gain the necessary support from both sides.

It is difficult to say, given its short existence, if and how this mechanism has provided a basis for the government to take more control of its relations with donors and assert some of its positions. The third and most recent review shows some improvement in donor performance on the indicators included in the Programme Aid Partners' PAF, but it also highlights the challenges that still exist for government leadership (Castel-branco 2007: 38). Another recent report on a series of hearings held with various donor agencies observes the 'widespread perception that government leadership and ownership of the aid agenda has left donors in the driver's seat' (KPMG 2006: 32). The narrow focus of the PAF on issues of 'aid administration' does not point in the direction of an increasing policy space being opened as a result of the structure of aid management. What is certain, however, is that the workload around general budget support remains huge. Since 2005, every April, the G19 and the government issue a joint aide-memoire to mark the end of the annual review, which looks back at programme implementation in the previous year and defines priorities for the present and future years. The aide-memoire is developed during a period of almost two months, and the one presented in April 2006 involved twenty-four working groups and hundreds of people. During that period, these people – many of them very senior government officials – did little other work. At the final press conference, the Minister for Planning and Development complained about the number of sleepless nights for his staff in the weeks before the meeting, while the Swedish ambassador, whose embassy led the donor side, admitted she was shocked by the amount of work involved.[18]

Another issue relates to the dynamics within a diverse donor community. The original budget support group was small and active, and tried to enter into genuine policy dialogue, including on governance issues. But its growing influence and access to senior government officials led several key donors, including the World Bank, to put some money into budget support in order to buy a seat at the table. Initial budget support meetings were small and technical, often involving just economists. More recent meetings, especially during the annual reviews, have been large and at higher, often ambassadorial, level. This makes it even harder to agree on policy issues, as different donors have different priorities. The result is a large menu of demands that are made to government as part of the annual review. For example, the aide-memoire of April 2005 had fifty-seven evaluation criteria.

Such emphasis on the *process* rather than the *content* of the policy dialogue between the government and the donors could be interpreted as proof that the government has definitely lost any interest in questioning the predominant development paradigm and is satisfied with exerting some control over marginal areas of the aid management process. Or it could be seen as the consequence of the erosion of government's capacity to manage increasingly complex interactions with the donor collective, which is more deeply involved in key policy processes. Or, finally, it could be seen as the inability of a process involving hundreds of donor and government staff and dozens of committees and subcommittees to have any coherent policy discussions. Probably all three interpretations have some validity, but they do not tell the whole story.

New Government, New Beginning?

Can the Mozambican government end what the Killick team calls its 'subservience' to donors and begin again to set its own priorities, insisting on them in negotiations with donors? A new government elected in December 2004 may be leading to some changes. Armando Guebuza, the new president, has replaced virtually all ministers, although Luisa Diogo, a particular favourite of the donors, has so far kept her position as prime minister.

After the elections, the donor community showed its eagerness to work with the new government, despite Guebuza's reputation as a hardliner with few sympathies for foreign intervention. The conduct of the elections had been sharply criticized by international observers, notably the Carter Center in the US and EU observers, citing the total lack of transparency and significant ballot-box stuffing by Frelimo. In other countries, donors might have imposed conditions on the government, especially relating to transparency. Yet in Mozambique, the US, EU, and other donors rushed to assure the new government of their continued support, and electoral fraud was never raised in donor meetings.

Guebuza spent the year before the election touring the provinces, and he has shifted the rhetorical emphasis much more towards rural development. In particular, two changes raised donors' concerns. The most important was the decision to split the Ministry of Planning and Finance into a Ministry of Finance and a Ministry of Planning and Development. Donors were very opposed to this and unsuccessfully fought against it. The new structure means that planning (and with it the PARPA and a good part of donor relations) are separated from the budget preparation process. Donors supported the previous close integration of plan and budget which some claimed led to a dominance of financial considerations and a general lack of planning – which could be one of the reasons why Guebuza decided to make the change. The other change is more subtle. Under the previous government, ministers and senior officials were particularly available to see donors. Meetings now need to be planned much longer in advance, and donors are expected to meet more with lower-level officials (Macamo 2006).

Just as cashew, land and governance were tests of government–donor relations under the previous government, so there have already been three tests with the new government: increased spending (which the government won because most donors do not back the IMF on this), the establishment of a development bank (which like cashew is the show of strength that the government is losing), and governance (where the government is maintaining its position).

Divisions on the donor side led to Mozambique winning an important battle. The IMF has consistently tried to impose firm caps on government spending. The government wage bill, mostly made up of teachers and health workers, could not exceed 7 per cent of GDP according to an IMF agreement. IMF documents also made clear that it wanted to reduce the primary deficit (which is, in effect, the deficit before aid is taken into account), which would limit the amount of budget support, part of which could be used to finance recurrent expenditure such as salaries. This caused disquiet in both government and the donor community. The wage cap meant that it was impossible to hire the additional teachers and nurses necessary to meet the MDGs, and donors were anxious to increase general budget support. The first challenge came in January 2005, when one of Guebuza's first actions was to authorize the hiring of an additional 10,000 teachers, clearly breaking the cap. At first, the IMF did not respond, then it said that it had underestimated GDP and since the cap is a percentage of GDP, the extra teachers were okay. In negotiations in September 2005, the IMF loosened the wage cap further to 7.5 per cent. And as the implications of a cap on primary deficit became clear, the IMF said that it had never intended to cap aid and that the extra budget support would be acceptable. Eventually, both caps were removed, even though the government still kept a 7.5 per cent wage bill projection in the Medium-Term Expenditure Framework, while a focus on net domestic financing was introduced instead of the broader primary deficit measure.

But still, there are limits to what donors are willing to support. During his visits to rural areas, Guebuza highlighted the lack of rural credit as a major barrier to rural development. He mentioned the creation of a development bank as a clear priority in his political agenda, reflecting one of the main recommendations contained in the 'Agenda 2025'. The document claimed that a development bank could play a crucial role in promoting economic development in Mozambique, by mobilizing rural savings and government funds liberated by debt relief to finance development projects, credit guarantees, and venture capital companies. Donors did not welcome this initiative and worked actively to block the proposal. Guebuza used a speech at the Carter Center in the US in December 2005 to actually express his annoyance at donors for opposing the development bank and to say he would continue to push for it.[19] Guebuza went on to condemn donors for not giving developing countries the chance to follow their own programmes. He said Mozambique's government should set its priorities, while donors should monitor their aid programmes but not interfere in policy.

Pointedly, the government is not going it alone to create a development bank, although the public discussion continues. But the issue of the development bank has had considerable impact. Donors privately say that they wish government would take more initiative in its relations with donors and try to set the agenda.[20] Government responds that its flagship issue, on which it pinned both development hopes and political capital, has been rejected out of hand. If donors reject what government thinks is really important, then no serious initiatives are possible. In some ways, this looks like another show of strength by the donors beyond the importance of the issue itself. Donors could just as easily have smothered the proposal with support and have the same effect, but instead they chose frontal opposition.

Governance remains the most fraught issue. The joint government–G19 aide-memoire presented in April 2006 said that the government's performance on governance and corruption was 'not satisfactory', with the government failing to meet eight of thirteen targets. Nevertheless, because of good government performance on other issues, such as spending on health and education, the government's performance overall was seen to be 'satisfactory'. Again, the 'pathological equilibrium' was maintained – carrying forward the social sectors for the MDGs and the remaining structural adjustment demands, while governance reform keeps getting deferred. The tension on this issue and the government's strong stand was made clear both in statements at the launch and at the subsequent press conference. Speaking for the donors, the Swedish ambassador demanded prosecution of those involved in the banking scandals a decade earlier and investigation of the murder of Siba-Siba Macuacua five years before. But when asked about this at the press conference, the Planning and Development Minister refused to make any commitment to prosecutions.

Private discussions with donors show that some donors consider the issues linked.[21] They say they would be more willing to consider support for a development bank if the government were prepared to prosecute those who robbed the previous government-owned banks.[22] Many Mozambicans do not see it that way and remain angered by the rejection of the development bank. But it is possible that the Frelimo leadership accepts that in order to keep the party together, they cannot afford prosecutions of key party figures.

Conclusions

The brief overview of the relationship between the Mozambican government and its donors presented in this chapter calls into question much of the current international discourse on 'ownership' and 'sovereignty' in aid relationships. As we have tried to show, the case of Mozambique is a case in which the expression of national sovereignty has been very much a contested issue, undermined at different times both by external actors and by internal political dynamics. The examples covered areas in which donors clearly imposed policy choices on Mozambique, despite clear resistance or disagreement (such as in the liberalization of cashew exports and the establishment of a development bank), areas in which the government was able to stand firm in the face of donor pressure (such as in the case of land tenure systems and of expanding service delivery despite IMF-imposed expenditure caps), and areas where leadership is contested or utilized for mere self-interested purposes (such as with general budget support arrangements and with corruption and governance issues).

We have highlighted a number of reasons which have characterized the government's weak capacity to set the terms of the aid relationship over the years. Firstly, on a number of occasions, donors have been very inflexible in their imposition of specific policy prescriptions, creating an environment where the questioning of the predominant development paradigm is seen as a losing strategy for an aid-dependent country which needs to keep aid resources flowing into the economy. Secondly, Frelimo's internal political dynamics, with the coexistence of a 'state capture' group alongside a more progressive wing, and with the importance given to party unity, have stifled its capacity to present a unified position vis-à-vis the donor community, especially on difficult policy areas which might have led to an internal split. Finally, overstretched bureaucratic capacity dealing with a complex and fragmented set of aid interventions has meant that the government often devotes more time and attention to the process of managing aid, rather than to the content of the policy dialogue and to the internal debates which could lead to the development of a coherent policy position to be confronted with that proposed by donors.

On the donor side, recent emphasis on 'partnership' models of development cooperation, while opening some doors for a different role to be played by the government, is still rooted in a relationship based on limited trust and on limited acceptance of government leadership which questions donor worldviews. The donors' need to support Mozambique as a success story is contradictorily part of a 'pathological equilibrium', which on the other side sees the part of Frelimo which has been allowed to enrich itself through privatization and corruption. In such a context, while claiming to take a long-term view which justifies short-term concessions on corruption and justice issues in order to achieve long-term development impact, donors may at the same time be undermining the very conditions for such long-term success to materialize.

Notes

1. The authors would like to thank Sergio Mathe, Bruce Byers, Gianturco Leone, Nicolas Lamade, two anonymous reviewers, and participants at a seminar held in Oxford on 26 and 27 September 2006 for useful comments. The chapter is based on the authors' extensive professional and research experience in Mozambique, and on interviews carried out on several trips during 2006.
2. Figures on the reduction of poverty levels are controversial. Household surveys were carried out in 1996/7 and 2002/3. In the first survey, 69 per cent of the population was found to have incomes below the poverty line. If the same food basket had been used for the second survey, poverty would have fallen to 63 per cent in six years. However, assuming that poor people's consumption patterns shift over time, the use of a revised food basket in the second survey showed that the portion of the population below the poverty line was actually down to 54 per cent (NDPB 2004; Hanlon and Smart 2008). The second figure, showing a much improved poverty situation, is the one normally cited by government and donors.
3. Sources: OECD database and IMF (2006). A similar point on budget financing is made by White (2003: 159): '[W]hat appeared as a capital-recurrent budget was

actually an aid-non-aid budget . . . which effectively "split the state" with spending priorities being set by the different donors rather than government.'

4. There is no consolidated list but there are probably about 60 bilateral and multilateral aid agencies working in Mozambique, as well as more than 150 international non-government organizations.
5. It is not the purpose of this chapter to evaluate the socialist national project, nor to assess the quality of decisions taken by the government. Other books have been written on this topic, including Hall and Young (1997), Hanlon (1991, 1996), Nilsson (1999), Newitt (2002) and Abrahamsson (1997). The purpose of this chapter is to ask why a new national project was never developed.
6. UNICEF and other agencies estimated destruction and other losses at more than $20 billion (Hanlon 1996: 15). This means that the total aid Mozambique has received since the end of the war is still less than the estimated wartime losses.
7. Such a rush may have ended up supporting the 'pathological equilibrium' referred to above, in which corruption was permitted so long as privatization and reduction in the size of government was implemented quickly (see Hanlon 2004*a*).
8. See Harrison (1999*a*) and the World Bank's own Operations Evaluation Department on pressure to give improper loans (Landau 1998: 62–3). This process could be considered similar to the 'state capture' post-socialist model common in Eastern Europe, which is particularly characterized by disabling the justice system (see Pradhan et al. 2000: 35).
9. Some authors would view this 'quick and dirty' account of the dynamics of privatization and economic transition in Mozambique as overly simplistic. This is due to the focus of this book on more specific issues of government–donor relations. A much more detailed account of the politics of privatization in Mozambique, in particular unpacking the range of domestic actors and factors at play, can be found in Pitcher (2002). In another paper, however, Pitcher agrees that 'Frelimo elites have used their positions to gain a foothold in privatised companies. . . . Some of the greatest beneficiaries of privatisation are those with government or party connections' (2004: 390).
10. For further detail, see Hanlon (2004*a*). A similar point is made by Harrison about the 1997 Consultative Group meetings. He states that 'corruption is an issue which is important to an extent, but this importance is not absolute or immutable. Mozambique always received the finance and rescheduling that it requested; the politics of increasing anti-structural adjustment opinion in Mozambique and the "showcase" potential of Mozambique overrode concerns with corruption in 1997' (1999b: 327).
11. *Domingo*, Maputo, 2 December 2001.
12. It may also have been important in the World Bank trying to assert its renewed dominance with respect to the IMF.
13. See Hanlon (2000) and Hanlon and Smart (2008, chapter 5). For a more thorough account of the issues involved, in particular with regard to the international and domestic constraints on cashew production in Mozambique, see Cramer (1999).
14. Reported by AIM, Maputo, 28 November 1997.
15. There were two main corruption surveys carried out. The first one was promoted by the independent group *Etica Moçambique*, while the second one was commissioned

by the government's Public Sector Reform Unit. See also USAID (2005) and Lawson, de Renzio, and Umarji (2006) for issues related to public finance management.

16. A recent report on donor cooperation strategies with Mozambique highlighted how the percentage of project funding in total aid has actually increased over recent years (KPMG 2006).
17. The Killick study is the result of this requirement (Killick, Castel-Branco, and Gerster 2005).
18. A midterm review also takes place in August/September every year, taking up almost as much time.
19. *Zambeze*, Maputo, 15 December 2005.
20. Interviews with Joe Hanlon.
21. Interviews with Joe Hanlon.
22. The report on donor hearings cited above makes a more general point about the way in which donors link governance issues with aid prospects: 'The hearings identified two factors from which donors base their concerns with respect to aid effectiveness. These are: public funds mismanagement and corruption with particular reference to the unresolved case of *Banco Austral*. Mozambique may qualify for significant scaling up of aid and for significant increases in the share of program aid and general budget support. But that will not happen on a large scale and sustainable way if the GoM cannot address public financial management and corruption issues' (KPMG 2006: ix).

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10

Tanzania: A Genuine Case of Recipient Leadership in the Aid System?

Graham Harrison and Sarah Mulley with Duncan Holtom

Tanzania is often held up as the poster child of the new partnership model of aid set out in the Rome and Paris Declarations from the OECD Development Assistance Committee. The Tanzanian government, it is claimed, exercises a high degree of ownership of the development agenda and is supported by donors who are effectively aligned to Tanzanian priorities and systems, and harmonized among themselves. This claim is expressed by donors in the language of good governance which has come to constitute a keystone for Tanzania's aid architecture. Governance provides a normative language to promote ownership through partnerships and participation. It has been 'programmatized' into much of the development policy that donors wish to fund, through both specific programmes such as decentralization and civil service reform and generically through the 'process conditionalities' that require the Tanzanian government to adhere to criteria of transparency and consultation when devising its development strategy. If Tanzania has indeed found a new way to manage aid dependency which leaves room for real ownership and partnership, this model is worth exploring, particularly if it is transferable to other aid-dependent countries. However, if the partnership approach is found wanting even in Tanzania, questions must be raised about its potential to revolutionize aid relationships in general.

In aid-dependent countries such as Tanzania, aid is at the centre of the political system. Aid flows, and their management, dominate the work of many government institutions. According to donors, if Tanzania is to have ownership of the development process, the aid system must at least be consistent with a 'government-led process for coordinating aid' which leaves room for the emergence of domestically owned development policies and systems and that puts the government in the lead with respect to the management of aid in support for the government's and donors' priorities. But this approach to ownership leaves us with a limited contrast between a donor-dominated aid regime and a 'country-owned' aid regime in which the basic fact of high levels of dependence on external resources and donor activity remain constant. In this comparison, dependence is not, in and of itself, seen as a barrier to ownership. But, in the words of a Tanzanian employee of the UNDP: 'How can you own what you have not paid for?'

Tanzania is one of the poorest countries in the world, with a GNI per capita of only around \$340 (\$620 calculated according to purchasing power parity). It ranks 162 out of 177 countries on the Human Development Index (UNDP 2006). However, real GDP growth has averaged 6.9 per cent since 2001, and human development indicators are improving: child mortality fell by almost a third between 2000 and 2005, primary-school enrolment increased from 59 to 95 per cent in the same period, and life expectancy at birth has increased from 43 in 2002 to 51 in 2005.[1]

Tanzania is also a highly aid-dependent country. Figure 10.1 below shows the trends in aid flows since 1988. The country has received very high volumes of aid compared to many of the other aid-dependent countries in this book. These volumes have translated into higher percentages of aid to gross national income (GNI), which averaged 25.3 per cent between 1990 and 1994, falling to 13.0 per cent between 1995 and 2000, and slightly rising again to 14 per cent between 2001 and 2005. In particular, Tanzania received around \$1.75 billion in net official development assistance in 2004, equivalent to almost \$48 per capita, making it the third-largest recipient in Africa in absolute terms. This means that in 2004 aid accounted for over 16 per cent of GNI and was equivalent to around 40 per cent of government expenditure:

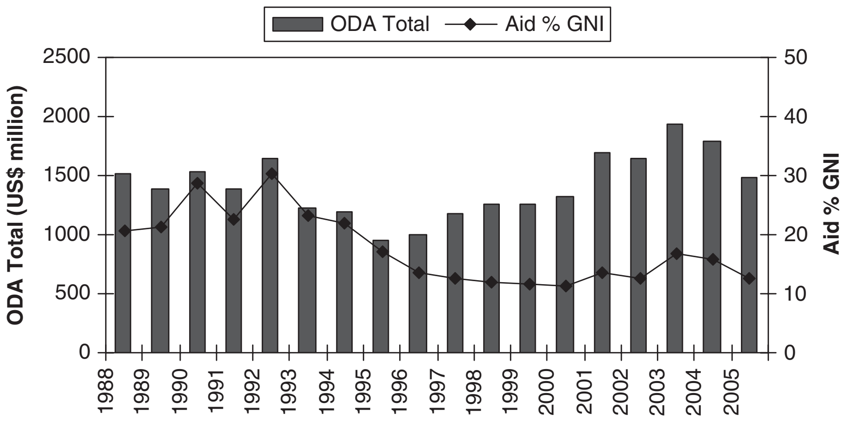

Figure 10.1. Tanzania: trends in aid flows, 1988–2005

Source: OECD DAC Statistics and World Development Indicators April 2007. Aid as a percentage of GNI data only available from 1988.

80 per cent of the development budget and 20 per cent of the recurrent budget (GoT 2005). More than fifty official donor agencies operate in Tanzania. In 2004, the largest donors were the World Bank ($506 million), the UK ($265 million), the European Commission ($174 million), Japan ($117 million), and the Netherlands ($107 million).[2]

This chapter outlines the areas in which ownership has been promoted, and then puts these changes in the political context of changes occurring in the Tanzanian state and the effects of donor power. In order to do this, we first focus on the relationship between the government and its donors, and explore the extent to which the government has exercised leadership in order to affect donor behaviour and achieve its objectives in aid management. We then introduce a more political understanding of ownership in order to explore the nature of government agency. This requires us to recognize that any substantive national ownership must be embedded in the *politics* of Tanzania's government as much as it is in the procedural and technical innovations rolled out under the Rome and Paris Declarations or the Poverty Reduction Strategy Paper (PRSP) process. This leads us to a more complex and problematic view of Tanzania's aid ownership in which one might identify 'pockets of ownership' (Evans and Ngalwea 2003) surrounded by patterns and processes of governance that do not easily contribute to the construction of aid ownership or partnership with donors.

The Aid Relationship in Historical Perspective

Independent since 1961 and constituted as the United Republic of Tanzania since 1964 (with the union of Tanganyika and Zanzibar), Tanzania has been one of the most stable countries in sub-Saharan Africa. President Julius Nyerere led a one-party system dominated by the *Chama Cha Mapinduzi* (CCM) party from independence until 1985.[3] In the years after independence, Tanzania had a distinct political project based around Nyerere's *ujamaa* socialism. The Arusha Declaration of 1967 set out the principles of a new socio-economic model based around nationalization, communal agriculture, and self-reliance.

The country received large amounts of aid in the 1960s and 1970s, but the government's relations with official aid agencies and the Bretton Woods institutions soured in the 1980s. This shift in its aid relations coincided with the global shift towards neo-liberalism and away from state-led models of development, which was clearly manifest in the World Bank's sudden change of position vis-à-vis Tanzania. In fact, Tanzania is one of the few cases where the Bank and Fund took a very hard line in their attempt to implement structural adjustment in the face of a recalcitrant government (see Mosley, Harrigan, and Toye 1995: 122). The Tanzanian government went from defiant and self-confident in 1979 to a 'good adjuster' by the late 1980s, then from cooperation to crisis again in the early 1990s. The way this crisis was resolved, the history that preceded it, and the contemporary political context in which it occurred set the stage for the contemporary Tanzanian model of ownership. Thus it is worth briefly recounting the twists and turns of this story.

The crisis in relations between the Tanzanian government and Bretton Woods institutions was precipitated by an economic crisis. The initial shocks of the first oil crisis in 1973/4 were eased with credits from the IMF and then by coffee and cotton booms. But in the wake of a costly war with Uganda, overthrowing Idi Amin, foreign exchange reserves collapsed (Campbell and Stein 1992). The second oil crisis in 1979 triggered a worldwide recession, rising interest rates, and the onset of the debt crisis. The Tanzanian government turned to foreign aid to ease its economic problems. However, this time the IMF wanted far-reaching reforms in return for credit. Negotiations between President Nyerere and the IMF broke down, and the IMF mission was asked to leave the country.

Despite the mounting economic problems, there was initially little political opposition to Nyerere's position. The Arusha doctrine was still strong within the government and President Nyerere confidently rejected the neo-liberal model of the IMF. Although the World Bank followed suit with the IMF, suspending aid, Nyerere still had strong political support within the country and the CCM, and had financial support from Scandinavian countries. Nevertheless, a split was developing within the executive between the hardliners supporting the Arusha doctrine and pro-reform elements. The government initiated its own reforms, but they were inadequate to solve its economic problems.

By 1983, the economic crisis had worsened, strengthening the hand of pro-reform elements. The government realized that without an IMF-sponsored structural adjustment programme, it would not be able to access donor aid. It agreed on the need for reform, but secret discussions launched with the IMF underscored important disagreements over the timing and extent of the reforms, with the IMF favouring radical reforms before providing any funding. The Scandinavian bilateral donors also realigned themselves behind the Bank and Fund's position in 1984. By 1985, aid levels fell sharply. In the face of coordinated donor pressure, looming financial bankruptcy, and the waning legitimacy of the regime, President Nyerere retired as President. Hassan Mwinyi was elected President. Although also from the CCM, Mwinyi was a pro-reformer supported by a network of neo-liberal economists (Holtom 2005). An agreement with the IMF was concluded in 1986, to support the government's Economic Recovery Programme, which included the typical set of conditions. The Fund took the lead on macroeconomic issues and the Bank took a central role in mobilizing aid and coordinating donors. President

Mwinyi reshuffled the cabinet, promoting the pro-reformers and removing old hardliners.

The fall of the Berlin Wall in 1989 led to the final retreat of the hardliners within the party, and thus resistance to reforms within the government decreased. The macroeconomic situation improved, and the confidence of donors increased. Tanzania earned the title of a 'successful adjuster' from the World Bank and other donors (Helleiner et al. 2002). As the second phase of structural adjustment began (1989–92), Nyerere's *ujamaa* discourse gave way to a more liberal economic discourse under President Mwinyi. Mwinyi secured political support for economic liberalization among political elites well placed to exploit new opportunities, and the cooperative spirit embodied in *ujamaa* (literally 'familyhood' but which came to describe socialism) gave way to a more individual ethos and a widespread sense of *rushwa* (corruption).

However, second-generation reforms required by donors and the Bretton Woods institutions became politically controversial in the early 1990s. In 1994, a massive scandal broke involving government officials, including the Minister of Finance, which led donors to suspend aid. Faced with a united donor front, President Mwinyi had to implement IMF-approved macroeconomic reforms to get the country back 'on track' and to regain donor confidence (and aid). However, the bilateral donors took a tougher line than the Bank and Fund, demanding government actions to tackle corruption (not just macroeconomic issues) and cutting their aid to back up their demands, creating an impasse. As a response to this breakdown of relations, the government (at the suggestion of Denmark and with support from 'like-minded' donors) commissioned an independent group of advisers to investigate the problems with the aid relationship, mediate between the donors and the government, and propose solutions. The group was made up of three international and two Tanzanian experts, chaired by Professor Gerry Helleiner, a Canadian economist.

The group's 1995 report, usually referred to as the Helleiner Report, set out twenty-two recommendations to improve relations between the government and its donors.[4] It has since, rather aptly, been described by Philip Courtnadge (2004) as 'marriage guidance for governments'. Its assessment of donor–government relations in Tanzania at this time stands in sharp contrast to the positive picture presented by both sides today.

Ownership in Tanzania was judged by the group to be 'unsatisfactory', a result of the aid relationship being dominated by 'intrusive donor conditionality' (Helleiner et al. 2002: 12–13). Notably, an anonymous quote from a donor official cited by Helleiner at this time sums up the donor attitude to ownership: 'ownership exists when they do what we want them to do but they do it voluntarily'. The report called for significant changes in practices by donors to allow the emergence of country ownership, and singled out the World Bank for particular criticism. It also called for more proactive management of aid by the government, noting the 'relative passivity of the government in the face of multiple donors' and arguing that 'if it were minded to do so, the government could impose much more authority on donors'. The report found that there was little alignment between the government and donors or coordination among donors, with the government highlighting its frustration at donors' tendency to create 'project islands' disconnected from Tanzanian policies and institutions and officials and ministers 'overwhelmed' by the demands made on their time by numerous donors. It noted that in general there was 'much more lip service to coordination . . . than there [was] commitment and action'. In general, the report's recommendations emphasized the key role of the government in making aid more effective, while also identifying donor practices which impeded this.

The report was published at a politically opportune moment. Tanzania's first multiparty elections were held in November 1995, and Benjamin Mkapa of the CCM was elected president. The multiparty elections were well received by donors increasingly concerned with good governance, and President Mkapa proved to be a key champion of the Helleiner recommendations.[5] He saw restoring relations with donors as a key priority, and a new agreement with the IMF was made in November 1996. Relations between the government and its donors improved markedly, and Tanzania has been seen as a 'good performer' by many donors since the late 1990s.

Contemporary Aid Relations

Before discussing some of the specific aid-management initiatives which have emerged in the last decade or so, it is important to be clear on the various actors involved. On the government side, issues of aid and coordination are dealt with primarily by the Ministry of Finance (Aid Coordination Section, External Finance Unit), the President's Office (Planning and Privatization), the Central Bank, the Accountant General, and the Inter-Ministerial Technical Committee. However, line ministries such as health and education also play an important role, particularly with respect to sectoral programmes. The key individuals with respect to aid management in line ministries are usually the permanent secretaries. In many cases, delegation below this level is limited.

The CCM continues to dominate the Tanzanian political system. As Mkapa stood down in accordance with the constitutional term limit, the CCM candidate Jakaya Kikwete was elected president in December 2005 with over 80 per cent of the vote, and CCM won 206 of the 236 directly elected seats in parliament. The continued political dominance of the CCM (on the mainland at least) has meant that the most significant discussions of policy happen within the party. CCM has traditionally been a fairly 'broad church'. During the period of the one-party state, a wide variety of social and occupational groups were successfully incorporated into CCM structures, and policy debates took place in the context of internally contested elections. In this period, the CCM was a highly centralized and relatively bureaucratic institution, almost indistinguishable from the state itself. Corruption was low, and party rules and structures dominated political discourse.

The simultaneous advent of multiparty elections, economic liberalization, and donor-sponsored governance initiatives, such as the Public Sector Reform Programme, from 1995 onwards has changed the politics of the CCM, and of Tanzania. NGOs have emerged as a significant force, especially since the start of the PRSP process in 1999, and some aspects of the state bureaucracy have been radically reformed. Important regional dynamics have developed in parliament, local elites have gained power, and corruption has become an ever-present challenge for the government as clientelist politics have emerged in some areas (see Kelsall 2002). This has changed the political constraints faced by the government. For the purposes of this chapter, it is important to note that the current political dynamics of Tanzania have emerged alongside increasing donor involvement in questions of governance and of development policy. This may be one reason that it is hard to discern a contemporary CCM political project which is distinct from the consensus view of development policy held by the majority of donors, as we argue later.

For most donors, day-to-day business in Tanzania is carried out by country offices, but agency headquarters will also be involved with major decisions. Different donors delegate different levels of responsibility to the country level, so some country offices have more room to manoeuvre than others.[6] All Tanzania's official donors are represented in the Development Partners Group, which meets monthly at Head of Mission level and is co-chaired by UNDP and one bilateral donor.[7] This Group also has a number of subgroups which focus on particular issues such as governance. In short, donors in Tanzania are highly 'networked'.

There are also a large number of joint government–donor groups. At the highest level is the Consultative Group, which meets annually to mobilize resources for Tanzania, discuss development policy, and review macroeconomic and sector developments.[8] This Group consists of high-level donor officials and government representatives and is usually co-chaired by the President or Minister of Finance and the head of the World Bank's Tanzania office. There are a number of 'working level' government–donor groups which meet regularly (usually monthly) to discuss coordination issues. These include the Development Cooperation Forum chaired by the President's Office; the Joint Tanzania Assistance Strategy and Harmonization Group chaired by the Ministry of Finance; the Public Expenditure Review Working Group chaired by the Ministry of Finance; and the Poverty Reduction Budget Support Group also chaired by the Ministry of Finance. In addition, there is a wide range of government–donor groups which focus on particular sectors. In many cases these groups are now being merged with the donors' own sectoral groups. In sum, donors and the government have plenty of fora in which to discuss aid management issues.

The Emergence of Tanzania as a Donor Darling

The 1995 Helleiner Report facilitated the formulation in January 1997 of 'agreed notes' between the government and its donors, setting out the terms of the aid relationship and defining specific commitments on both sides to improve aid outcomes. They proposed a 'radical change of rules and roles between the partners in development' (Helleiner 2002: 125). Donor commitments to change their practices were linked to government commitments to improve their own systems. This spurred, for example, the development of a Medium-Term Expenditure Framework in 1998. The 'agreed notes' are probably best described as a formal informal agreement – a codified agreement, but with no obligations on either side to act.

Progress against the commitments made in the agreed notes was assessed in regular reports by Gerry Helleiner in December 1997, March 1999, and May 2000. The 1999 report was particularly significant in assigning grades A to F on eighteen agreed objectives: sixteen from the agreed notes plus two more proposed by Helleiner. It suggested that significant progress had been made. For example, Helleiner awarded a 'B+' for rationalization of donor activities, a 'B+' for sector-based coordination pilots, an 'A' for the integration of aid and debt-relief discussions and an 'A+' for government leadership of public expenditure reviews. However, progress was not universal. Donors were awarded a 'D' for standardizing information and reporting systems, and a 'C' for rationalizing consultation meetings with the government (Helleiner 2002: 111–20).

The increasingly warm relationship between the government and its donors which emerged from 1995 onwards made Tanzania an ideal candidate for the new partnership model of aid epitomized in the PRSP approach. At the time that the PRSP approach emerged, on paper policymaking was guided by the government's *Vision 2025* and medium-term targets in the National Poverty Eradication Strategy. The government completed an interim PRSP in February 2000 and a full PRSP in October 2000. Tanzania reached Completion Point in the HIPC initiative in November 2001.

In 2002 the government's strategy for managing its aid was formalized in its Tanzania Assistance Strategy. This Strategy 'is a Government initiative aimed at restoring local ownership and leadership by promoting partnership in the design and execution of development programmes', but was prepared in close consultation with donors (GoT 2002: 1). The Tanzania Assistance Strategy sets out thirteen 'best practices' for aid in Tanzania which include actions to be taken by the government, such as improved financial management and civil society consultation, and by its donors, such as longer-term aid commitments and disbursements in line with commitments.

The informal arrangement by which the 1997 agreed notes had been independently monitored was replaced from 2000 by a formally constituted Independent Monitoring Group chaired by Professor Sam Wangwe, a Tanzanian academic. The perceived importance of this Group was demonstrated by fierce arguments about the membership and terms of reference for the Group, especially whether donors should be individually identified and assessed (donors successfully resisted this).[9] The International Monitoring Group reports to the government and donors about every two years, and its membership is approved by both parties to ensure that it remains legitimate. The Group's 2002 report was significant because it established benchmarks for both government and donor behaviour which provided a key input into the implementation of the Tanzania Assistance Strategy. The 2002 report also recommended that the Tanzanian government make more decisive statements about the kinds of aid it preferred. The Tanzania Assistance Strategy process provided a clear 'outlet' for the recommendations of the International Monitoring Group.

The implementation of the Tanzania Assistance Strategy (TAS) has been overseen by the joint government–donor TAS/Harmonization Group. In 2003, this Group formulated an Action Plan outlining specific actions to be taken on both sides, focused on four priority areas: improving predictability, integrating aid into the budget, rationalizing and harmonizing processes and capacity-building for aid management. By setting out the responsibilities of the government and its donors, the TAS system has facilitated a certain degree of mutual accountability, with both sides being held to account through the work of the International Monitoring Group.

The Tanzania Assistance Strategy is now being used as the basis for the development of a Joint Assistance Strategy (JAS), initiated by the government, DfID, and the World Bank.[10] This aims to further improve donor coordination, including through the identification of donors' comparative advantages and the introduction of a single review cycle. Crucially, it aims to replace the individual country-assistance strategies of the participating donors and create a binding agreement between the government and its donors for the duration of the five-year JAS cycle. The JAS will also restate the government's preferences with regard to aid, including its preference for general budget support over other aid modalities, and aims to set targets for progress towards these preferences.

The JAS has been developed alongside, and with the aim of directly supporting, the country's second PRSP, the National Strategy for Growth and the Reduction of Poverty (known in Swahili as MKUKUTA), agreed in 2005. The government produced a first draft of the JAS, which was circulated to donors for comment in May 2005. The donors produced individual responses, which were then synthesized through the Development Partners Group process to create a 'consensus' response to the government. It is not yet clear how the JAS will work in practice, but current indications seem to be that it is evolving into a more inclusive process based on general principles, rather than a strict framework of rules which might necessarily exclude some donors.[11]

The Joint Assistance Strategy is the culmination of a process whereby the systems and institutions of aid management in Tanzania have been radically overhauled. This has been largely a procedural process, focused on the modalities and structures of government–donor relations, rather than a political process focused on the substance of development policy. Apart from the procedural changes which have emerged as a result, it is important to assess the impacts of these aid management processes on donor behaviour and on development policy in Tanzania.

Changing Donor Behaviour

Although the initiatives outlined above are very recent, both donors and the government claim significant impacts on the way in which donors give aid to Tanzania. If the government were taking leadership in the management of aid, we would expect to see changes in donor behaviour to better suit the government's needs, although we cannot assume that the latter is caused by the former. Changes in aid management in Tanzania since 1995 have occurred alongside a significant increase in aid volumes. Changes in aid quality over the same period are more complex.

The use of general budget support increased. In 2004/5, budget support (including debt relief) accounted for around 50 per cent of Tanzania's aid. Budget support donors are also highly coordinated among themselves; the fourteen donors providing aid through the Poverty Reduction Budget Support instrument use a common performance assessment framework which means that the government only has to prepare one report every six months, and only one a year under the new arrangement starting in the fiscal year 2005/6.[12] Common arrangements like the Poverty Reduction Budget Support instrument do create a risk that all aid can be withdrawn at once, but the memorandum of understanding between budget support donors and the government states that suspension will only be considered for the fiscal year following the detection of a problem, which provides time for negotiation and resolution.

Outside the budget support arrangements, further coordination is emerging among donors. Donors use common systems in sector-wide approaches in health, education, local government, and other sectors. Donors have also taken steps to align their activities with the government's processes. In 2003, the TAS/Harmonization Group produced an annual timetable which shifted the timing of donor processes to align better with government processes and included 'quiet times' between April and August when donor–government interactions are minimized in order to make space for, in particular, the budget process: 'even Development Partners that have not been active and strong participants in the harmonisation agenda have adapted their operations' (GoT 2005).

Across all aid modalities, donors are sharing more information with the government, helping to improve the predictability of aid. The government is now measuring the predictability of aid from different donors and publishing the results, which may provide the starting point for more systematic performance monitoring of individual donors. More than 40 per cent of aid is now channelled through the national budget, as compared to 30 per cent in 2002, and estimates suggest that more than 75 per cent of project aid is now recorded in the centralized budget system.

Having said all this, donor practices do not all conform to the government's preferences, as much aid continues to come in the form of project aid. Although Tanzania has reduced the number of reports it has to produce for donors, it still received 230 donor missions in 2003, less than 5 per cent of which were joint between more than one donor. Technical assistance remains for the most part tied and is thus poorly coordinated with the government's priorities or processes, and most donors are unwilling to move on this issue. Donors all report that they are supporting the government's harmonization agenda, but the government does not agree: 'not all donors are using the instruments prepared by the government. Some have cited domestic laws/policies as inhibiting harmonization in recipient countries' (DAC 2004). There are also concerns that new coordinated arrangements, such as sector-wide approaches and basket funds, simply add new structures and management requirements to existing ones (GoT 2005).

Understanding 'Government Leadership'

In the official narrative presented so far, Tanzania's aid management system has moved significantly away from donor-dominated conditionalities and project ownership towards a relationship based in partnership. However, mapping these changes in systems and processes does not provide a full understanding of the nature of partnership and ownership in Tanzania. We have already noted how all the changes in aid management have been underpinned by the continued dependence of the government on donors as major sources of finance. This section will investigate the nature of the construction of ownership and its associated political dynamics.

The question as to what degree the government has genuine ownership of development policies raises some particularly difficult questions. Recent discussions of development policy between the government and its donors seem to have been characterized by a high degree of consensus. This is consistent with a number of different explanations. It is possible that donors are taking their policy lead from the government and providing aid in support of country-owned development policies. The policy consensus might also be based on a shared analysis of Tanzania's development needs, meaning that the government and the donors may agree on the same model of development and independently come to the same policy conclusions. However, it is possible that government leadership is in fact non-existent, such that the government is developing policies to conform with donor views in order to secure their support, effectively delegating policymaking responsibility to donors. It is also possible that there is no real consensus on policy issues, only a shared rhetoric.

It is certainly the case that Tanzanian politics is not characterized by debates between distinctive policy platforms. Whatever the nature of the relationship between the government's policies and those of the donors, the consensus between them seems to hold on most issues, and there are few domestic challenges to it. It is hard to discern any real policy leadership from the government if we understand leadership to be persuading donors to fund policies they would not otherwise support.

Constructing Ownership

The government is seen to be taking a more active role in managing its aid than many other aid-dependent countries in Africa. This needs to be explained. The 'official line' is that this difference is explained by government leadership in Tanzania, but this simplifies the issue and ignores the potential impacts of international processes and of changing donor policies in Tanzania.

As aid management initiatives in Tanzania have evolved, the parallel international discussions have been seen as supportive of progress in Tanzania. The Paris Declaration, for example, was translated into Swahili and widely distributed in government departments. One donor official described the Paris Declaration as providing a 'common script' for government–donor discussions in Tanzania.[13] Even before the emergence of the specific aid effectiveness initiatives such as the OECD Development Assistance Committee's Harmonization and Alignment Agenda, the international environment from the late 1990s onwards provided a permissive environment for the development of the Tanzanian model. The international move towards partnership models of development, and the increasing recognition of coordination issues, meant that donor representatives in Tanzania had the scope to interact with the government, and with each other, in new ways. Also, Tanzania's involvement in international initiatives such as the Development Assistance Committee's Working Party on Aid Effectiveness may have been significant in generating knowledge and confidence in the government to move forward with its own initiatives.

While not discounting the influence of the international level completely, it seems clear that country-level dynamics have driven the changing nature of aid management. The next question is the extent to which this has been driven by the government, rather than donors. Although Tanzania is billed as a prime example of 'ownership' it is not clear that it is simply leadership from the government that has produced these changes. Many of the key processes outlined above have been initiated by donors. For example, the original Helleiner Report was proposed by Denmark, rather than the Tanzanian government. The willingness of donor representatives at country level to engage with the government has also been significant, and the role of 'like-minded' donors in creating change across the wider donor group has been significant. For example, the 1997 agreed notes were not supported by all donors, but the support of significant donors including the World Bank and the UNDP meant that their recommendations gained wider currency.[14] However, some donors are more responsive to country-level initiatives than others. The various thematic global funds do not have resident representatives in Tanzania and are thus less engaged with processes at the country level. Other donors face very significant constraints on their ability to coordinate due to policies set at headquarters level. For example, the USAID representatives in Tanzania cannot 'untie' elements of its aid programme even if they want to, as they are restricted by regulations set in Washington DC.

While recognizing the importance of international initiatives and the willingness of donors at country level to change their practices, it would be wrong to conclude that the changes in aid management have been generated and imposed independently of the Tanzanian government. Decisions from the government at key points have been important in shaping events. For example, President Mkapa's willingness to engage with the recommendations of the Helleiner Report was essential to the emergence of the independent monitoring system. Progress in different sectors seems to have been significantly influenced by the individual ministers involved. For example, in the health sector, the government has been able to exercise more influence over donor behaviour. The most recent report from the International Monitoring Group notes that government ownership has been strengthened as the role it plays in the aid relationship has changed (IMG 2005).

However, the government does not have an internally consistent position on aid management, which limits its capacity to lead the process. For example, the Ministry of Finance strongly prefers aid delivered as general budget support, but sector ministries may have an interest in sector-based funding. This variety of views in the government means that donors can find 'homes' for initiatives which do not comply with TAS/JAS standards, which reduces pressure on them to change their behaviour. Donors themselves do not consider the government to be assertive enough.[15] Despite discussions of setting 'hard' conditions for the acceptance of aid, donors state that the government has not followed through with actions that would directly change donor behaviour.

Behind the Official Narrative

But all the narratives presented so far to explain the factors behind shifts in the country's aid management system and the successes or limits of the government's ownership of its policies and leadership in the aid relationship fail to probe behind the surface of official government and donor responses and to link these changes to the narrative told earlier on the country's aid relations and to the political economy of reform. We begin to undertake such an analysis by probing some of the processes discussed above more closely, and then in the following sections, by examining the broader context of political economy of reform in which these processes are situated.

By the late 1990s, key members of the pro-reform community at the University had moved on to work in the World Bank country office, in independent think tanks (heavily funded by donors), or in parts of the government, but they remained a tight network of friends and colleagues. Drafting of the PRSP was subcontracted out to one of these: Sam Wangwe at the Economic and Social Research Forum. With a considerable degree of shared economic analyses and policy prescriptions between the IMF and World Bank on one side and the drafters of the PRSP on the other, and with the promise of $2 billion of debt relief, there was little incentive to argue on the contents of the PRSP. In any event, the macroeconomic policy in the PRSP was largely predetermined by the government's PRGF arrangement with the IMF, as compliance with the PRGF was a condition for reaching the HIPC completion point (Holtom 2007).

Despite the pro-reform position of its drafters, and the underlying HIPC conditionality, the World Bank became an active and sometimes heavy-handed player involved in the drafting of Tanzania's PRSP, which appears to have had a serious impact on its 'ownership' among the higher echelons of the Ministry of Finance. First and most controversially, the decision to abolish user fees for primary education, arguably the only new policy in the PRSP, was made at a very late stage and apparently inserted by the President at the Bank's insistence. This move cemented the Bank as lead donor in the education sector, with the government signing a $150 million primary education-sector loan and the Bank taking a lead role in determining sector policy, with much criticism from some bilateral donors. Second, Tanzania's PRSP would be the first to go before the boards of the World Bank and IMF (because Uganda had submitted an existing plan as its PRSP), and concerns were raised about the quality of the Tanzania document, with considerable doubt among an external Bank team about whether the Tanzanians had the capacity to draw up the PRSP. Thus, Tanzania's PRSP was taken from the

Tanzanian team for redrafting in Washington, although the final draft was not substantially different, only a lot of the 'local' flavour was lost. This seems to have increased opposition amongst the NGO community already hostile to the World Bank.

President Mkapa was in a difficult position. He needed aid, and thus the reforms conditioned on it, to sustain the government and economy. Gaining access to debt relief became the central goal for the government, and President Mkapa publicly and vocally endorsed the PRSP. With the President's weight behind it, no one in the government wanted to publicly object to it. Thus, the large discursive convergence between the donors and the pro-reform community in Tanzania (inside and outside of the government) was still underwritten by the donor dollar.

While the PRSP did not have strong ownership outside the Ministry of Finance, it did have ownership among donors, who embraced it as the 'centrepiece' for policy dialogue with the government (willingly or because they felt compelled to by the momentum created around it). The PRSP also facilitated the shift towards budget support, because it was a medium-term plan which donors were comfortable with supporting. Apparently, donors were not comfortable using the government's original Tanzania Assistance Strategy drafted in 2000 before the PRSP. The Tanzania Assistance Strategy was delayed while the government finalized the PRSP and was to some extent superseded by the PRSP and donor harmonization processes.

Despite the rhetoric of the PRSP's success, this success rested, to a large degree, upon a pre-existing partnership rather than the creation of a new one, and that partnership ultimately rested upon the government's need for aid. In the crises of the mid-1980s and 1990s, it was the coordination of donor moves to cut programme aid that increased their leverage. In the post-Helleiner 'partnership' period, donor coordination has further increased, and despite the consensus that had developed between donors and government, this consensus is still underlined by a degree of coercion. The UK suspended disbursement of $14 million of budget support in 2002 pending an inquiry into the government's purchase of a new air-traffic control system that it was buying from BAE Systems. Given that this issue was not in the original agreement on budget support, the government took this as an inappropriate response, but could do little bar protest. Even where the sanction of suspending aid is not exercised, donors appear to show little inclination to reduce the conditions attached to their money and as noted, behind the PRSP are a series of conditions attached to HIPC debt relief (Holtom 2007). Thus, even among donors, it is arguable that the significance of the first PRSP was largely symbolic, legitimating what donors already wanted to do. The overall thrust of the PRSP – investment in pro-poor social services – may have been important in securing budget support, but donors have exhibited little willingness to use the PRSP as the basis for a genuine 'partnership'.

Moreover, the consensus between donors and the government resided largely in the Ministry of Finance, and the significance of the PRSP to the sectors appeared limited. Limited participation by sectoral staff in drafting of the PRSP and weak dissemination left many sectoral staff with limited awareness of the supposedly overarching sectoral policies outlined in the PRSP. Even where they were aware, the initial perception appeared to have been that it had little relevance to them. There was also a sense in some quarters that sectoral ministries were reluctant to cede power to an increasingly powerful coordinating role for the Ministry of Finance.

Although the PRSP and the Medium-Term Expenditure Framework centrally establish expenditure and resource management structures, this does not necessarily translate into widespread consensus and ownership throughout the government. One can see this through the politics of another major donor-initiated aid-management technique, the sector-wide approach (SWAP), which the government supports. SWAPs were designed to harmonize diverse sectoral aid and lending packages emanating from different donors; they also opened up the possibility of 'social' ministries being able to allocate funds in a more coherent fashion and according to their own priorities. However, progress towards this harmonized and rationalized sectoral approach has been patchy at best. When we look at the making of sector policies, we can find ruptures in the government–donor consensus and in the shared discourse and in some cases, conflict between donors. This is illustrated by research in the early 2000s examining policymaking in three key priority sectors: education, agriculture, and health (Holtom 2003).

Within the education sector, policy reform, which had stalled in the 1990s, was given impetus by its inclusion as a priority sector in the HIPC initiative and later the PRSP. However, given weak leadership from the Ministry of Education, donors largely drove the process, funding the consultants (both expatriate and Tanzanian) charged with drawing up education-sector development plans. Whilst DfID was the nominal lead donor in this area, in 2000 the World Bank usurped DfID's position by appealing to the President to include the abolition of user fees for primary education in the PRSP, a policy underpinned by a US$150 million loan. Although donor funding is enabling reforms such as this to be implemented, the Ministry of Education has been largely sidelined from the process, with little ownership of what is seen by many as a donor-driven Education Sector Development Plan.

Within the agricultural sector, like education, policy reforms which had stalled in the 1990s were given impetus by the HIPC and PRSP processes. As in education, donors attempted to drive the process, funding consultants to draw up an Agriculture Sector Development Strategy. This was initially fiercely resisted by the Ministry of Agriculture and their acquiescence was only secured when implementation of the Strategy was linked to the government's prospects for securing debt relief under HIPC, a key priority for President

Mkapa. Following discussions with donors, the Ministry took the lead in developing the Agriculture Sector Development Plan (for implementing the Strategy). They rejected donors' offers of technical assistance and pursued a more statist agenda than the Strategy envisaged. Government–donor relations broke down, and in a bid to break the impasse, donors brought in a consultant to review the Plan and work with the government. This failed to break the impasse, and under pressure from the IMF, the Ministry of Finance rejected the (unreformed) Agriculture Sector Development Plan.

In contrast, reforms within the health sector in the 1990s may have been catalysed by the World Bank, but proposals for reforms were developed by the Ministry of Health rather than donors or donor-funded consultants. In the late 1990s, discussions began about developing a sector investment plan, led by the government but working with the Swiss Development Corporation, UK Department for International Development, and World Bank, albeit with initially limited articulation with the PRSP. With donor encouragement, stronger links were made to the PRSP. Although there were teething troubles as donors and governments worked out the modalities of basket funding and trust was fostered, reasonable progress was made. But even in this case, ownership remained quite narrowly restricted to a small group within the Ministry.

These three cases of sectoral policymaking illustrate that in sectors such as agriculture, characterized by a deep division on policy between donors and ministry staff, ministries have continued to resist the view of donors (and donor-funded consultants), fracturing any semblance of partnership and blocking progress. In contrast, in areas such as education, where there was not a deep division between donors and the Ministry on policy, resistance to donor-prescribed reforms could be, to a degree, bought off by donors, enabling them to retain a semblance of 'partnership' and move some reforms forward by paying for the reforms and civil servants' time (through allowances and *per diems*). It is only in a sector such as health, where the Ministry has taken the lead, and donors themselves have been willing to work in partnership among themselves and with the Ministry, that a genuine partnership has been able to slowly, if sometimes painfully, evolve.

Beyond policymaking, we can find further holes in the idea of a strong policy consensus between the government and donors at the level of implementation, particularly where implementation led to a de facto reversal of policy decisions. For instance, the government decided in 2005 to cancel the water supply contract for Dar es Salaam, awarded to a subsidiary of a multinational water corporation as part of the privatization of urban water services, which was a condition attached to World Bank and IMF loans and supported by a number of bilateral donors. To take another example, President Mkapa (re)instated a monopoly by local groups of domestic coffee marketing in the Kagera region in 2000, temporarily reversing the liberalization of domestic marketing since 1994/5 which saw foreign companies enter domestic marketing and then passing an act in 2002/3 to prohibit export companies from concurrently holding domestic trade licences (Ponte 2004). The effect of this act was to stop foreign companies from taking over the domestic marketing of coffee to the detriment of cooperatives and local entrepreneurs. In both of these cases, what Stefano Ponte calls the 'politics of ownership' seems to be at play. Tanzanian actors are not against liberalization per se, but against it when the benefits go mostly to foreign companies and not to domestic interests and firms. This interpretation also fits well with the argument elaborated below that the political elite supported economic liberalization in the 1990s because they were well placed to benefit from it.

The Procedures of Ownership

What appears to have happened, then, is that the relatively advanced changes in the modalities of aid management have had complex and profound repercussions on the routine procedures of development policymaking within the government. The initiatives of donors, internationally and within the country, have combined with different facets of the government to produce some ownership of new aid procedures.

The forms of aid management detailed in previous sections represent a very significant shift in the way that the Tanzanian state approaches development planning and its relations with external donors. However, it is the argument of this chapter that it is impossible meaningfully to separate politics from the techniques of aid management and protocol. We have argued above that leadership from the government has been a significant factor in explaining the changes in aid management. What is most interesting is to investigate the various ways in which politics (most basically, the workings of power and ideology) has affected the nature of this government leadership and ownership, and the emergence of Tanzania as an aid-management showcase.

We start by considering the ways in which ownership has been generated by the rising prominence of a governing elite in Tanzania that has been substantively socialized into the aid management process to create pockets of ownership. This is followed by an overview of the ways in which these pockets are limited by other important facets of Tanzania's politics.

Aid and Tanzania's Ruling Elite

The successful construction of Tanzania's PRSP process, the moves towards general budget support, and a range of bold reform programmes, in public service reform or decentralization for example, have been based on the emergence of an influential group within the state. This group has two key qualities: (1) an ability to work closely and effectively with external donor agencies, and (2) an ability to generate reform processes within the state that ostensibly roll out liberal political and economic change (Peck and Tickell 2002; Robison 2006). A key part of the story of Tanzania's current high esteem in the eyes of donors is about the rise of this group within the government. This rise is, in itself, not a natural process. Whatever the intrinsic merits of the programmes that it champions, this group within the government has been a product of a political process within Tanzania. In fact, it is fair to say that it is in large measure the interaction of aid with Tanzanian politics that has produced the showcase, more so than the intrinsic merits of new forms of development management. Briefly, we can identify three facets of this politics.

First, economic liberalization has created a context in which the higher echelons of government directly benefit from the aid model propounded by donors, owing to its focus on economic and political liberalization, and especially how these processes are managed and administered (Costello 1996). As in other cases in this book, economic liberalization has allowed some to use their political positions to enter emerging markets or engage in opaque deals with external investors. The extent of this kind of straddling between public office and international contracting or privatization is, of course, impossible to quantify. Evidence suggests that, even if not pervasive, this kind of 'corrupt liberalization' is systemic in Tanzania. On the occasions when corruption becomes public and 'scandalized' (Riley 1988), one can discern a glimpse of its centrality. The Warioba Report produced by a judicial inquiry into corruption, which was just as influential in defining Tanzania's political economy of liberalization as the Helleiner Report, identified a crisis in leadership partly produced by the gains to be had from the skimming of aid (Warioba 1996). In 2001, an unpublished World Bank evaluation of donor-funded anti-corruption efforts stated that little has changed since the Warioba Commission Report (World Bank 2001). In 1993/4, in a period which marked the donor 'cooling' towards Tanzania, it was discovered that the counterpart funds from a donor-funded Commodity Import Support programme were not being collected, leading to allegations that well-placed private businesspeople were bribing officials not to collect the Tanzanian currency that they were supposed to.[16] Donor-supported privatization has also suffered from public allegations of corruption, for example in hydroelectric power (Cooksey 2002).

We should be careful what kind of lesson we draw from the evidence of corruption. It is certainly not the case that all Tanzanian public officials are looking to gain a bribe or extract graft from the state. Nevertheless many do, and the extent to which highly placed individuals are enabled to do so is interlinked with the process of economic liberalization itself. The liberalization which has driven these behaviours has itself been driven by donors' aid-based conditionality, benchmarks, and incentives, which underlines the difficulty of separating Tanzanian politics from the aid system. Thus, we can say that there has emerged a kind of market culture within the state, reinforced by the influence of New Public Management (Harrison 2004*b*), which has consolidated that part of the governing elite that donors feel most comfortable dealing with.

To put it another way, the economic liberalization advocated by donors has benefited parts of the governing elite, arguably more than any other social group in Tanzania. Whilst marketization has meant increased risk, persistent poverty, and arduous labour for Tanzania's people (Lugalla 1995; Rizzo 2002), those working in the higher echelons of the state have succeeded, by fair means or foul, in attaining new forms of wealth and property. This market culture might involve illicit transactions, but it also involves the securing of donor-funded consultancies, establishing partnerships with businesses, and securing of loans to construct coastal apartments for rent (often to expatriates).[17] Perhaps ironically, in light of the aggressive anti-statism of many donors during the 1980s, the influx of aid conditioned on liberalization has produced a wealthy and vibrant 'state class' whose support of donor policy complements their own sources of social power.

Second, the discourses and practices of aid management within Tanzania have had an important *cultural* effect on Tanzanian governance. From the mid-1990s, when Tanzania became the focus of concerted and substantial donor support, one begins to hear talk of 'workshopitis' in Tanzania. This term is a mild parody of the profusion of donor-funded workshops which have been designed to promulgate new skills and ideas for administrators and planners (Green 2003). These workshops have been based on a series of techniques that reflect current fashions in aid and development practice: logical framework planning, the creation of matrices with discrete output targets and allocated 'change agents', indicative funding estimates, the use of group work and problem-solving activities to promote participation, and so on. There is a political undertow to these approaches to development and aid management in which a certain kind of politics within the Tanzanian government is constructed. Anyone who has researched aid politics in Tanzania would likely give a similar description to the following: the foregrounding of contemporary aid language such as 'participation', 'pro-poor', 'competition', and 'transparency'; the busy moving between air-conditioned planning and policy meetings; and the involvement in routinized donor–government consultative, monitoring, and review meetings. This stylized but representative description is underpinned by a considerable amount of aid and soft credit that goes towards mainly Western expatriate employment (called technical assistance) within the Tanzanian government. This is backed up by a more general intellectual 'shaping' within Tanzania's think tanks and universities as a result of donor-funded consultancies (Holtom 2005). Donors have employed Tanzanian researchers as consultants both to evaluate donor-funded projects and to ensure voice and participation in development policy more generally. The money available from donors has a forceful effect in shaping intellectual agendas, especially in the context of extremely low academic salaries (Shivji 2003).

From a political or ethnographic point of view, these activities can be interpreted as part of an involuted politics in which a 'transnational aid domain' is consolidated between donors and state officials (Gould 2005: 63; see also Gould and Ojanen 2003). For some, this domain is largely self-referential and exists to a considerable extent solely to reproduce itself. However we might judge the clear emergence of an aid discourse in Tanzania (or, more correctly, in Dar es Salaam), it is certainly the case that this bundle of routines, languages, and practices contributes to a culture shift within the Tanzanian government.

Third, it is also the case that aid is disbursed by donors through motives that are far more complex than a desire to promote development or good governance. Looking generally at sub-Saharan Africa, it seems that European donors allocate aid according to economic and geopolitical/strategic motives (Crawford 1997). For the US, the rise of strategic concerns or even the suffusion of development concerns by those of security is prominent (Barnes 2005; Waters 2006). One result of this is that those governments which have close relations with Western states have an opportunity to manoeuvre politically and diplomatically to enhance their strategic value. The Tanzanian government, like its neighbours Uganda and Kenya, has positioned itself as an ally of both the US and the UK. In negotiations with donor states throughout the late 1990s, Tanzanian officials presented their country as an 'island' of stability abutting a turbulent Great Lakes zone. In an interview with a high-level Western consultant, Harrison was told that Tanzania's ability to manage its borders, maintain order, and cope with its refugee influx weighed heavily and favourably on donors' considerations throughout the late 1990s.

Recently, as the American government has identified East Africa as a key zone in the 'war against terror', Tanzania has worked as an ally of the US within the UN regarding military intervention in Somalia.[18] Also, Tanzania is the only country to have two of its nationals act as Commissioners on the UK government's Africa Commission which had a mandate to define a prospective development agenda for the UK and like-minded states. One might see this evidence as piecemeal and circumstantial, but it would be naïve to assume that none of this international posturing by a highly aid-dependent country is entirely divorced from what international relations theorists call *realpolitik* – from 'gunboat' to 'cheque book' diplomacy in one Tanzanian intellectual's polemic formulation (Mushi 1995). Thus, one component of changing cultures of governance in Tanzania has been to develop an aptitude for pro-Western gestures that will please those countries that are important bilateral donors as well as influences over multilateral creditors.

In sum, aid has had a very strong impact on the nature of Tanzania's government, not just in its institutions and procedures but also more deeply in its culture and discourse. This development encapsulates a set of tensions within the ruling elite as it tries both to adhere to donor desires and designs for 'good governance' and to maintain or enhance its social power by putting its public authority to use in the private sector. A key 'glue' that holds the government–donor nexus together is the ongoing disbursement of aid and soft credit, as well as the practice of development management, based in contemporary international development management orthodoxies and the routines of workshops, technical groups, monitoring, reporting, and summitry. More recently, the government has attained for itself a global political presence as a site of stability in a conflict zone and as a public supporter of Western security and aid agendas.

Limits to the Aid Architecture in Tanzania – Beyond the Elite

As discussed above, donors have made significant progress in encouraging a more substantive procedure of Tanzanian ownership in the way aid is managed. Most prominently in MKUKUTA, there are mechanisms of participation and deliberation built into how development strategy is devised, and donors are increasingly allocating money into general budget or sector support, although specific project funding certainly remains. Nevertheless, we need to take account of the contours of the new ownership that this has produced. The gist of this section has been to argue that ownership has been centrally a political process that has constructed an *elite* ownership, underpinned by social processes of liberalization and the culture of aid management. The question begged here is how have aid-funded governance reforms related to constituencies outside of the ruling group? There are three main considerations here which can be briefly related.

First, NGOs and 'civil society organizations' have been involved in the drawing up of the two PRSPs, mainly through a series of consultative workshops. Some business organizations are also consulted on policy matters. Nevertheless, the participation of organizations has been very limited and in some respects problematic. The consultation process itself has been highly managed so that Tanzanian voices are 'projectized' into the PRSP template. Some organizations are selected and others not, and the workshops are fed into a policymaking process which makes it possible to filter and edit some of the voices that emerge from consultation.[19] Many of the most vocal organizations are themselves dependent on bilateral aid, especially from Scandinavian countries, and the majority of them are based in Dar es Salaam, which raises issues about the extent to which they represent any more popular base within Tanzania's *wananchi* (people) (Levine 2002; Igoe 2003).

Second, there remains within Tanzania an undercurrent of nationalist sensibility regarding the role of external donors. The early stages of Tanzania's liberalization were turbulent and marked by a stark coerciveness, especially from the IMF. Tanzania's first president, Julius Nyerere, eloquently evoked images of a besieged sovereignty in order to deal strongly with the IMF and World Bank. As economic liberalization has been rolled out, it has generated hardships for various social groups. Most strikingly, liberalization has led to a decline in Tanzania's industrial sector – from 14.8 per cent to 8 per cent of GDP between 1996 and 2001 (John and Kenge in *The Express*, 15/6/2001).[20] Some social groups use the enduring notion of a popular 'Tanzanian-ness' to resist aspects of reform. This is evident in the plans to privatize or rationalize Tanzania's railways (Monson 2006) and in respect to agricultural marketing (Ponte 2004; Cooksey 2003). There also remains a 'nationalist' sector within Tanzanian business which was represented by Trade and Industry Minister Iddi Simba. In 2001 the Tanzanian government took on a commercial loan to finance the construction of a costly air-traffic radar which the UK government's DFID condemned but which the Tanzanian government purchased largely out of 'national sentiment' and security (Kelsall 2003*a*).

Third, as noted already, much of the new politics of aid in Tanzania is focused within a specific social space: downtown Dar and to some extent Dodoma and the larger regional cities (Gould and Ojanen 2003). Outside these spaces, aid-funded projects have to 'work through' state structures that are far less easy to map, control, or monitor, and which have evolved in complex interactions with local societies (Gibbon 2001). Thus, initiatives that emanate from Dar do not by a long stretch tell us anything about implementation and the influences of local politics (Kelsall 2003*b*). This is a key reason why donors have funded an ambitious Local Government Reform Programme with a view to increasing the capacity of district governments to manage larger amounts of money coming from the central state. District government, which sits above village and ward government, is small-town government serving a surrounding area of villages. Evidence from fieldwork by Harrison suggests that the diffusion of new forms of development management at the district level has created only a nucleus of reform that has hardly affected the embedded repertoires of local politics, except in an opportunistic way. It is certainly the case that the Local Government Reform Programme does not in any way address village-level politics, and it is by and large focused on the institutional ability of district governments to receive, manage, and monitor disbursements from the Ministry of Finance. Just as has been the case at the national level, the logic of the Programme is to treat politics as a management or technical issue and only tangentially to consider the ways in which more substantive forms of politics might affect the way development is practised.

Tanzania's 'Aid Politics'

The inculcation of ownership has to be seen within a broader political context of changing forms of governance and state–society relations. This context puts the construction of Tanzania's aid-management architecture into a perspective that makes reforms appear more modest and more complex to evaluate. In addition to the pockets of ownership that new aid initiatives have promoted, we should conclude by reflecting on how such high levels of dependence on aid and credit affect Tanzanian governance, drawing on the discrete patterns of political change that we have sketched out earlier.

Tanzania has been engaged with negotiations for external finance and aid as part of a broad push to further economic and political liberalization for twenty years now. Therefore, we must understand each innovation in the aid regime as part of a longer historical process of externally advocated reform and donor–state negotiation. In the current period of high-level funding and cordial donor–state relations, it seems that much of the 'country ownership' currently extant in Tanzania is to some degree anticipatory. That is, government technicians and planners know very well what kinds of development management discourse appeal to donors and they evoke these terms and techniques in order to increase their chances of gaining approval and access to aid and credit. Therkildsen's study of donor-funded administrative reform shows how Tanzanian planners ensured that policy would reflect contemporary donor preferences (Therkildsen 2000). Not to do so would render programmes unlikely to receive donor funding; not to have donor funding would render programmes impossible. More generally, Bigsten et al. (2001) note that 'policy analysts sometimes read the minds of World Bank and IMF officials and later come up with their "own" policy choices'. This tendency suggests that in part the current ownership of aid in Tanzania is paradoxically a product of a long-established and pervasive 'overview' by external agencies (Harrison 2004*a*). This point calibrates the rising ownership attained by Tanzanian officials outlined earlier. To some extent, ownership is an anticipative response to the emerging norms of governance as a form of aid management.

Conclusion

Tanzania's ownership of development policy is, paradoxically, an outcome of a long period of intense interaction with external donors and creditors. The extent to which 'genuine' ownership has been achieved seems less important than the ways in which ownership has been articulated and constructed. In this respect, we have identified pockets of ownership within the Tanzanian government. We have also raised questions about the ways in which these specific sites of interaction between the government and external development actors might relate to others in Tanzania, within the state or society more broadly. Nevertheless, as we demonstrated in the early parts of the chapter, a considerable effort has been made to reform aid disbursement and monitoring processes, which both donors and Tanzanian politicians are very aware of.

This process has had cultural effects that have shaped the intellectual agenda and this effort has made Tanzania a common reference point for donors who are speaking about the continent more generally. Tanzania serves as evidence that ownership can be constructed through 'partnership' between state and donors.

In fact, it may be Tanzania's status as a 'donor darling', which makes it appear so vulnerable, that gives the government its best leverage. Having heralded Tanzania as a success story both for aid-funded development, and for a new model of aid itself, donors have a lot at stake (Harrison 2001: 672). If the Tanzanian model were seen to fail, it would have repercussions for the credibility of the aid system more generally. Particularly in the context of increasing aid volumes, donors will increasingly need 'reliable' country partners where they can disburse large amounts of funds rapidly. Tanzania's success in establishing itself as one such reliable partner in the last decade may allow it to gain ever-increasing influence with its donors. The institutions which the government has established to manage its relations with donors, while largely procedural at present, may yet free up policy space for future Tanzanian governments. Donors may also find themselves increasingly constrained by both their international commitments, and by the institutions they have helped to establish in Tanzania.

If Tanzania has become a reference point for those advocating ownership and partnership in other countries, it is important to be aware of the kind of 'model' that Tanzania is suggesting. It is one in which financial dependence on external aid and loans remains high. It is one in which ownership is (for now at least) expressed through aid management techniques devised outside of Tanzania. And it is an ownership that is by and large practised by a specific group within the state. Ownership is a rather bland and vague term which is intrinsically difficult to measure. One might imagine that an argument could be made that a government has ownership of its development policy in a whole range of settings: there are even echoes of the British post-Second World War colonial strategy of custodianship in the way ownership is expressed. Concepts like self-determination or sovereignty are both more politically rich and less wedded to the problem-solving imperatives of donors who wish aid management to be less centralized around their own agencies. Would one say that aid reform in Tanzania has enhanced its sovereignty or self-determination?

Notes

1. Statistics from World Bank country profile, available at http://web.worldbank.org.
2. Statistics from OECD DAC, available at www.oecd.org/dac.
3. The English translation is Revolutionary Party.

4. This report has been published as Helleiner et al. (2002).
5. Interviews by Sarah Mulley with Gerry Helleiner and Tony Killick.
6. It is often cited that the DfID Head of Mission in Tanzania has more delegated budget authority than the Canadian Development Minister, but we have been unable to confirm this.
7. Until January 2004, the Development Partners Group was the Tanzania DAC Group.
8. This group has met in Dar es Salaam since 2001, having been held in Paris before. This move was significant in empowering donor country offices, allowing engagement from a wider range of Tanzanian stakeholders and in bringing pressure to bear on donors to meet the Tanzanian government's concerns. However, donors initially resisted the move of the Consultative Group to Dar es Salaam, and the 1999 meeting was held in Paris despite strong government objection and even after a successful meeting had been held in Dar es Salaam in 1997.
9. Interview by Sarah Mulley with Gerry Helleiner.
10. The JAS was launched in July 2006, but final documents were not available at the time of writing. This paper discusses the JAS process up to the end of 2005.
11. Interviews by Sarah Mulley with donor officials.
12. It is interesting to note that this arrangement developed without the World Bank, as Tanzania's PRSC was developed later. This is unusual, and underlines the willingness of bilateral donors in Tanzania to deliver budget support and to coordinate their actions.
13. Interview by Sarah Mulley with donor official.
14. Interview by Sarah Mulley with Gerry Helleiner.
15. Interviews by Sarah Mulley with donor officials.
16. Counterpart funds are the national currency equivalents of donor 'hard currency' which private institutions are required to pay to the state in exchange for international currencies that enable them to maintain imports.
17. These are all examples related to Harrison during interviews.
18. Tanzania is a member of the UN Security Council. In January 2007, Asha-Rose Migiro, the former Tanzanian Foreign Minister, became UN deputy Secretary General. I. Shivji, 'Somalia: The Next Afghanistan + Iraq?', *Pambazuka News*, accessed at www.pambazuka.org/en/category/features/39142.
19. Some civil society organizations declined to involve themselves in the PRSP consultative process because they saw it as intrinsically an external and/or neo-liberal agenda.
20. Tanzania's industrial sector was very inefficient before liberalization, so this decline in industry is not a defence of centralized state ownership of industry.

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11

Zambia: Back to the Future?

Alastair Fraser[1]

Since the mid-1980s, Zambia has been identified as an emblematic case of a country dominated by its donors. Massive debt and aid dependency have weakened the government's ability to negotiate with external actors, to set its own policies, and to act on the wishes of its citizens. Abrahamsen (2000) described a 'disciplined democracy', in which conditionality had been used by the Bretton Woods institutions to enforce their prescriptions, with the result that no matter who was elected economic liberalization would follow. Yet, in the past two years, the possibility has been mooted that Zambia is reclaiming the initiative in its aid relationships. The opportunity to go 'back to the future' may arise if the country is able to take advantage of economic conditions somewhat reminiscent of the first two decades of independence from 1964 to 1984. In this period, Kenneth Kaunda's United National Independence Party (UNIP) developed five-year National Development Plans, attempted to impose these frameworks on donors, and claimed ownership and responsibility domestically and internationally for the successes and failures of its policies. Largely, the UNIP government failed to overcome Zambia's marginal position in the world economy, contributing to increased dependence on aid and UNIP's 1991 electoral defeat by the Movement for Multiparty Democracy (MMD). The internationally supervised economic liberalization under the MMD government is also widely perceived to have failed, deepening dependency. Nonetheless, both donors and the MMD government now claim that recent policies, including the 2002–4 Poverty Reduction Strategy Paper, its replacement the 2006–10 Fifth National Development Plan and a forthcoming 'aid strategy' may be re-establishing Zambian control.

A number of factors encourage nostalgia for a lost era of sovereign decision-making. Since 2003, the price of the linchpin commodity in the economy, copper, has rocketed back towards the high levels that bankrolled the early independence era, driving some positive economic indicators for the first time since the start of liberalization. In 2006 Zambia's debt burden was massively reduced by the Multilateral Debt Relief Initiative (MDRI), and the country's improved sovereign rating in global capital markets has increased investment hopes. Amongst other investors, the Chinese (supporters of independence-era Zambia) are back in town, buying into the mining, industrial, and commercial sectors, and offering an alternative source of capital to traditional creditors and donors. Furthermore, a number of developing countries are reworking ownership, tax, and wage structures in their extractive industries. The Zambian state, unions, media, and investors are well aware of the 'Latin American model' which for many represents the aspiration to use the commodity boom to buck decades of World Bank and IMF tutelage and return to a nationalist, developmental ideology. In early 2008 the government announced that it would impose new windfall taxes on mining multinationals, unilaterally ripping up contracts agreed under World Bank supervision when the mines were privatized, and that the companies had believed guaranteed their generous tax incentives were locked in for fifteen to twenty-five years. Finally, even the name of the Fifth National Development Plan encourages nostalgia for the era of national planning.

In order to investigate the implications of these contemporary conditions, the chapter opens with a brief sketch of Zambia's post-colonial political economy. This lays the background for a discussion of the connections between Zambia's strategies for negotiating with aid donors and fluctuations over time in the material factors underpinning relations with donors, the ideological clarity of the government's programme, and the political legitimacy that the government is able to claim. This chapter argues that the material preconditions for effective negotiation have weakened consistently throughout Zambia's independent history, as the economy endured its extended decline, but have started to revive over the past two or three years. Secondly, ideological clarity evaporated as the socialist economy stagnated and UNIP experimented with liberalization. Despite a revival of self-confidence with the MMD's dramatic turn to the free market in 1991, this experiment's failure left disorientation and a sense of crisis management in its wake. Moves towards a nationalist, developmental ideology are extremely hesitant and principally represent a state reaction to popular protests against liberalization. Thirdly, UNIP's ability to claim political legitimacy gradually declined as Kaunda slipped from liberator to autocrat. A resurgence of domestic and international support arrived with multi-partyism but both proved short-lived in the face of electoral malpractice and corruption. The 2006 elections were the first since 1991 regarded as free and fair and have improved Zambia's international standing.

Little existing literature has described aid negotiations from the recipient's perspective, although Chisala (2006) provides an exception. The most well-known contributions focus on the successes and failures of strategies donors have adopted to get the Zambian government to do what they think it should, and this chapter leans particularly on the empirical material provided by Martin (1993), Sassa and Carlsson (2002), and particularly Rakner (2003). Rakner argues that from 1991 to 2001, there was a broad policy *consensus* between donors and Zambian politicians who had accepted that reform was necessary, but found that incentives for personal enrichment and the maintenance of power got in the way of effectively pursuing it. Thus, in contrast to Abrahamsen's image of a 'disciplined' Zambian state, Rakner recognizes the behaviour of Zambian politicians and bureaucrats as a limiting factor on the ability of donors to achieve their objectives. Rakner argues that Zambian governments have delayed and blocked reforms, but she does not read this outcome as a negotiating success because, to the extent that she recognizes negotiating agendas and behaviours, they are seen as by-products of 'neo-patrimonialism'. This catch-all-bad-things category proposes that it is the *personal self-interest* of politicians and officials, rather than either their *principled beliefs* or *national or social interests*, that Zambian negotiators promote.

In contrast, this chapter seeks to identify, explain, and assess negotiating strategies. Where the Zambian state is at odds with donors, we do not assume that the national interest is being ignored and personal interests promoted, but rather interrogate the material, ideological, and political bases of the positions adopted on each side. Where we find apparent consensus, we interrogate it, asking which agendas originate with donors and which with the Zambian government, why these agendas are accepted by the other party, and whether this acceptance represents an internalization of the ideas, an adaptation to coercion, or a performance of agreement covering deeper reservations.

Following a detailed consideration of two contemporary cases of negotiation – one micro (the privatization of the National Commercial Bank), and one macro (the new aid strategy), the chapter concludes that, in spite of identifiable efforts to resist donor preferences, the Zambian government has found it almost uniquely difficult to assert its own preferences. The country is still being effectively disciplined, albeit through means more subtle than just conditionality. Because the conditions for effective negotiation are not in place, new innovations in Zambia's aid strategy, claimed to take advantage of donor commitments to ownership, are unlikely to allow the government to significantly contradict donor preferences. While increasing domestic revenues sources by increasing taxation of the mining industry has involved challenging donor preferences, and should help further reduce donor dependence, in order to achieve donor acceptance of this kind of Zambian leadership, the government would need to secure the high moral and political ground by presenting itself as the legitimate representative of a popular sentiment in favour of an ideologically coherent national strategy. However, with legitimacy and ideological coherence in very short supply it is unsurprising that the aid strategy is predicated on dependence as a fact of life and that the Fifth National Development Plan is little more than a shopping list. The Zambian case suggests that, although ownership now forms a key element of donor rhetoric, the ideological coherence and the political equality between donor and recipient that would be needed to breathe life into the principle of ownership have been eroded by the pattern of donor–recipient relations over the past twenty years. They seem unlikely to recover simply because the new donor rhetoric suggests their importance. If they are to emerge, domestic political events are a much more likely source of change.

Zambia's Post-Colonial Political Economy

The first twenty-five years of Zambia's history provide a familiar cast of characters in post-colonial African political economy: independence struggle led by urban nationalists; a negotiated de-colonization in 1964; initial hopes for economic and political development as favourable world prices for commodity exports (copper) were used to subsidize consumers and state-owned companies; relatively rapid reversion to one-party rule in 1972 on the grounds of opposition manipulation of tribal politics; economic collapse as commodity prices tumbled after the first oil crisis, and after the second, a debt crisis that encouraged the country to attempt economic liberalization under World Bank and IMF supervision hesitantly in 1983–5 and then more convincingly from 1990 to 1991. At the end of that first quarter-century, political resistance to adjustment, initially in the form of food riots, not only derailed the programme but catalysed, together with changes in the international environment at the end of the Cold War, a transition to multipartyism and a change of ruling party.

Independence, one-party rule, economic collapse, adjustment, and democratization all came earlier in Zambia than neighbouring countries. The pattern at the moment of democratic transition was also one that Western donors hoped would prove infectious across the continent. The trigger for this optimism was the electoral defeat of the liberation party UNIP in the 1991 election and the landslide victory of Frederick Chiluba's MMD. The party owed its original momentum to trade-union-led resistance to adjustment but, by the time of the elections, the unions had made a wide range of alliances within the business and political communities and civil society, and the MMD ran on a manifesto that promised to liberalize the Zambian economy, privatize state-owned industries, and secure a new democratic dispensation. In power the MMD was able to restrain radical forces within the labour movement and pursue a massive privatization programme not only because it was led by Chiluba, a former union boss, but also because workers had suffered as badly as anyone else from the mismanagement of state companies. Unions identified institutionally with the MMD and endorsed a project to break the power of a system in which UNIP structures were tied to state companies and institutions for the supply of agricultural and industrial subsidies.

The hope for donors was that an energetic, reforming government could lead a popular privatization process. They worked to support Zambia to become a success story that would affirm the 'dual transition' thesis, popular at the end of the Cold War, that in formerly socialist one-party states, economic and political reform processes – capitalism and democracy – could be mutually reinforcing.

The initial political transition was lauded internationally as President Kaunda stepped down peacefully. Zambia's programme of privatizations was hailed by the World Bank and IMF as a huge success five years into the process (Campbell-White and Bhatia 1998). However, warning bells about the 'dual transition' were already ringing and uncritical support for the MMD both inside and outside the country was short-lived. The privatization process, although rapid and wide-ranging, was accompanied by a spectacular 'looting' of the national fiscus, negative growth rates, deindustrialization, deepening debt, and increasing poverty (Craig 2000; Szeftel 1998). Anti-democratic restrictions were reimposed on the opposition and civil society with President Chiluba refusing demands to reduce the power of the President, clamping down on protest and enforcing two states of emergency. By 1996 half the original MMD cabinet had resigned, many citing corruption. At the same time, veteran politicians from UNIP crossed the floor to join the MMD, reinforcing the image that the fresh start had failed. The political system has since fragmented as a range of parties emerged from splits in the MMD, caused by disagreements over policy and frustrated leadership ambitions. Polls in 1996 and 2001 left few convinced that either elections or parties had been successfully established (Baylies and Szeftel 1997; Venter 2003; Burnell 2001, 2003).

Economic reforms slowed up during Chiluba's second term from 1996, as the project encountered its political limits. Cutting back the civil service wage bill and privatizing key assets (particularly the copper mines and service providers for water, electricity, and banking) proved difficult to manage. The MMD reverted to the stop–start liberalizations familiar from the last years of UNIP and popular and governmental scepticism towards liberalization has deepened through the two Mwanawasa administrations. Nonetheless, liberalization has rumbled on. Almost all the 280 companies slated for privatization under the original 1991 reform plan have now been sold, including the copper mines. Ironically, after decades of falling prices and losses to the state, soon after the mines were privatized, increases in the copper price returned the assets to profitability. However, the exceptionally investor-friendly terms of the 'Development Agreements' signed with multinational mining companies meant the Zambian exchequer, workers, and communities gained little from the boom (Fraser and Lungu 2007). This experience deepened scepticism about the radical liberalization implemented in Zambia. By the 2006 elections, opposition parties were able to make massive gains in urban areas promoting a brand of anti-investor populism (Larmer and Fraser 2007). In response, soon after the elections, the ruling party reworked the tax structures for the mining companies, promising significant new revenues to the state, taking on donor preferences for a negotiated settlement with the companies and winning significant praise from domestic opposition parties. How then have donors engaged with Zambia as it has followed this historical arc, and how have material, ideological, and political factors affected the country's ability to negotiate?

Factors Affecting Aid Negotiations, 1964–2001

Material Factors

For the first decade of independence, Zambia received little aid (Figure 11.1). State revenues came principally from taxes levied on the copper industry and, following nationalization, from copper sales. However, secular declines in the world price of copper followed the first oil crisis and receipts dropped 23 per cent between 1974 and 1988, restricting access to foreign exchange (Saasa and Carlsson 2002: 24). The price reached its lowest point in 2001, and throughout the period the erosion of domestic revenue generation saw

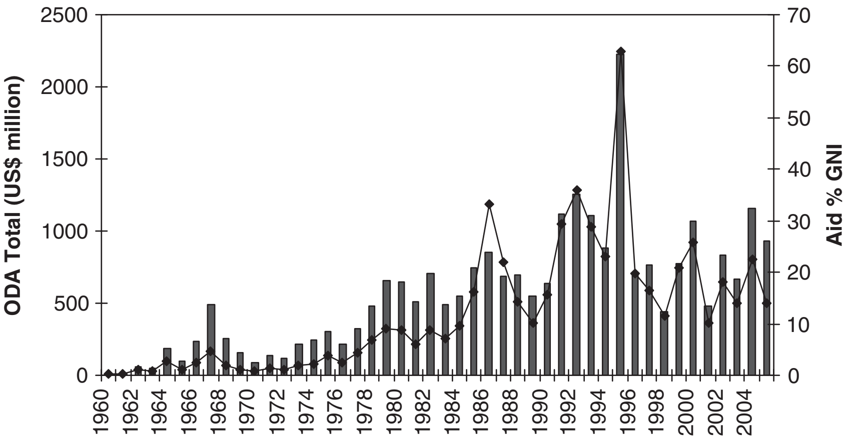

Figure 11.1. Zambia: Trends in aid flows, 1960–2005

Source: OECD DAC Statistics and World Development Indicators April 2007.

increasing dependence of state budgets on donors, and decreasing capacity to resist donor preferences.

While Zambia's aid statistics are high, they are not unique amongst other low-income countries. What marks the country out is its spectacular debt burden. Zambia's debts accrued following non-concessional borrowing from the World Bank and IMF through the 1970s. The UNIP government believed the collapse of copper prices would be temporary and borrowed to soften the blow to services and subsidies. However, as spending continued to grow, copper prices did not recover, interest rates increased, and the debt ballooned. Zambia also borrowed from Yugoslavia, the UK, China, India, and the USSR, partly to cover costs incurred as a result of Kaunda's determination to use independent Zambia as rear-base for liberation struggles in neighbouring Mozambique, Zimbabwe, and South Africa. The cost to Zambia of fighting apartheid has been estimated in excess of £13 billion (Jubilee-Zambia and ACTSA 2001). Zambia's debt thus increased rapidly from 1974 to 1981, before almost doubling in the decade to 1991. In 1984, the year after accepting its first heavily conditioned structural adjustment loan, Zambia was the most indebted country in the world relative to GDP (Saasa and Carlsson 2002: 39).

Although increasing dependence on aid and loans reflected the gradual collapse of domestic revenue generation, specific peaks and troughs in both aid and lending can also be mapped more directly onto key policy decisions, demonstrating that donors have used aid as a form of punishment and reward, reacting quickly and decisively to events (Saasa and Carlsson 2002: 66). The key example was in 1987, three years into UNIP's first experiment with adjustment. Facing resistance, the government attempted to resist further reforms, replacing its SAP with a 'New Economic Recovery Programme' (NERP), including the reintroduction of import controls and a limitation on debt-service payments to 10 per cent of net export earnings. The government's hope was that donors would allow it space to alter the timing of the reform process. That hope was proved false in a bitter experience that even now informs the calculations made by Zambian decision-makers. By September 1987, refusal to pay debt service at the prescribed rate resulted in the country being declared ineligible for IMF support. Bilateral donors handed the IMF a gatekeeper role and 'almost all multilateral agencies and donor countries decided to starve the country of the much sought after external assistance' (Saasa and Carlsson 2002: 43). The UK, the USA, and Germany totally suspended their grant programmes although some of these resource transfer shortfalls were made up through new borrowing, and between 1987 and 1991 the share of aid to Zambia provided in the form of grants dropped from 47 per cent to 23 per cent (Saasa and Carlsson 2002: 66). Within eighteen months of the launch of the NERP, although a good harvest and some positive economic indicators suggested the programme might have some merit, the donor freeze had successfully made the point it aimed to: the NERP slogan, 'growth from our own resources', was hollow. Zambia was incapable of growing through its own resources, and the price of donor support would be compliance.

In late 1988, UNIP recognized it had little choice but to accept this reality, re-engaging the Bank and Fund, and restarting reforms. In 1989 Zambia signed a policy framework paper (PFP) with the IMF, and this encouraged some donors to return. In 1991 a more complete policy U-turn and the readoption of an adjustment package saw the grant element of aid triple to 76 per cent (Saasa and Carlsson 2002: 66). Although bilateral and multilateral donors started to come back in, it was too late for UNIP, which had been unable to manage adjustment and to maintain its leadership status as the 'party of liberation'. Just before losing power, UNIP agreed a 'Rights Accumulation Programme' (RAP), designed to 'normalize' relations with the international financial institutions (IFIs) and reopen access to finance. The MMD continued with the same programme, paid off IBRD loans, and, from 1992, negotiated a series of structural adjustment credits.

The MMD had concluded that the only way to get the shattered economy back on track was to do everything possible to attract foreign aid and capital. Donors sought to secure a massive reform programme by 'buying' the MMD an extended political honeymoon. Aid money poured in and the budget became more than 40 per cent donor-dependent (Bauer and Taylor 2005: 70). Assistance reached a high point in 1995, before dipping in 1996–8 and in 2001 following elections that attracted international censure, and then recovering again.

The six World Bank and two IMF loans contracted between 1991 and 1996 involved a huge array of typical structural adjustment conditions (see Situmbeko and Jones Zulu 2004: 19). The early reforms failed to restore growth. The dominance of foreign buyers in the early privatizations, particularly of the most-viable firms, meant little profit stayed in Zambia. The non-emergence of a vibrant private sector to step into the vacuum left by privatization saw employment and growth go into freefall, where they stayed throughout the 1990s (McCullough et al. 2000). A World Bank study reported that the government's commitment to reform waned partly because the reforms did little to stem the continued economic decline (Rakner et al. 2001: 536).

The MMD was reluctant to implement policies that directly threatened the interests of major political constituencies such as the civil service, subsistence farmers, and employees and consumers of state-owned utilities. They were also increasingly hesitant to complete the privatization process by selling off key assets, including service-providing companies ZAMTEL (telecommunications), ZNCB (commercial banking), ZESCO (electricity), and ZAMPOST (postal services), as well as the biggest industrial sectors, ZNOC (oil) and the massive ZCCM (copper mines and mine-linked firms). Privatizing each presented significant risks due to the size of the workforce, the potential impacts on consumers, and the symbolic value of these national assets.

At precisely the moment the MMD looked likely to resist donors, Zambia became eligible for a series of global debt-relief initiatives. Donors had previously only had more aid, or new loans to offer as an incentive for compliance. At the same time, Zambia remained stuck in a dependent relationship primarily because of the need to service a massive foreign debt. The promise of debt relief thus presented a massive new incentive for compliance. The decade 1996–2006, when Zambia endured incredibly drawn-out negotiations over the conditions attached to debt relief can thus be understood as the period when material factors offered least hope of effective resistance.

The hurdles built into the debt-relief process made the 'stop–start' strategy a much harder game to play as clearing the hurdles depended on prior performance rather than acceptance of future commitments, and significant relief was kept at arm's length until the entire process had been completed. From 1996 debt-relief initiatives started making minor inroads into the overall size of the debt, but in 2004 debt service was still 8.1 per cent of GNI and debt overhang represented 36 per cent of GNI.[2] Securing maximum debt relief became the government's principal priority and the Heavily Indebted Poor Countries (HIPC) initiative and related processes enabled the World Bank and IMF to set a remarkably explicit set of 'hurdles'. Conditions were written into Bank and Fund loans between 1996 and 2001 insisting on all these privatizations (Situmbeko and Jones Zulu 2004: 19). The Bank and Fund also demanded faster progress on civil service cuts, the complete removal of exchange rate controls, liberalization of the strategic grain reserve, and an end to the distribution of fertilizer.

All these reforms presented significant political threats, none more so than the sale of the copper mines. Easing the mines out of state hands had been the single greatest donor concern and a source of major tension with domestic constituencies for many years. Conditions mandating feasibility studies and then sale of the mines had been in almost every Bank and Fund credit from 1991. Only once it became clear that the debt-relief process would not start without privatization did the Chiluba administration unbundle the massive ZCCM and sell it, starting in 1997 and concluding with the two most significant of the 'packages' of copper mines sold in 2000. With these sales, Zambia achieved HIPC Decision Point.

Progress on privatizing a range of other parastatals was much slower. Rakner argues that the government was able to pursue what we might call a *partial implementation* strategy, winning credit for demonstrating commitment by selling the mines and using this to ease pressure for other measures and to moderate condemnation of democratic and human rights failings. This strategy was in part possible because, even in a negotiation over massive debt relief, the donors did not hold *all* the cards. The Bank and Fund were also under pressure to get countries onto the debt-relief scheme and as many as possible across each hurdle as global pressure groups monitored progress.

Zambia came under pressure to push through the last few, most controversial privatizations, including the remaining parastatals, and the commercial bank ZANACO, in order to reach HIPC Completion Point. As with the mines privatization, the government stalled and tried to appease domestic constituencies, but eventually went ahead anyway, choosing debt relief over domestic politics. The privatization of ZANACO, described below, was the most drawn out of all these sales.

When Zambia finally attained HIPC Completion Point in April 2005, its debt stock was reduced from US$7.1 billion to $4.5 billion. This was precisely the reward that explained the Zambian government's willingness to subject itself to the HIPC hurdles. However, the best news was still to come. Under the MDRI, announced unilaterally by the Bank and Fund in 2006, those countries that had already reached Completion Point received a massive additional write-off without having to undergo any further formal conditionality processes. Zambia's total debt was thus slashed from the $4.5 billion remaining after HIPC to around US$600 million (Jones-Zulu 2006).

Once this massive debt relief appeared irreversible, Zambia's desperate material weakness and the overwhelming imperative to keep the donors happy suddenly seemed to evaporate, especially as the relief arrived in the middle of a rumoured economic boom. As Figure 11.2 below suggests, there has been a notable improvement since 2004 in some indicators.

However, chronic weaknesses of government capacity, productive and social investment cannot be turned around by a couple of years of growth, and other indicators suggest remaining economic weaknesses. The country thus still 'needs' and attracts significant aid. Zambia's biggest donors in 2003/4 were the UK, the World Bank, Germany, the IMF, the European Commission, and the USA, in that order. There are also a large number of other bilateral donors offering finance. Although this spread of donors should offer Zambia some choice between sponsors, and thus negotiating leverage, the strategic

Average annual growth			
	1984–94	**1994–04**	**2004**
GDP Growth per capita	–2.0	0.9	3.2
Growth in exports of goods and services	–1.0	6.2	12.6

Figure 11.2. Vital signs for a Zambian recovery?
Source: World Bank, *Zambia at a Glance*.

irrelevance of Zambia means that it cannot rely on any donor as an uncritical friend. Bilateral donors have traditionally fallen in behind the Bretton Woods institutions. Increased coordination through the Poverty Reduction Strategy Paper (PRSP), Fifth National Development Plan, and new aid harmonization processes perpetuate this pattern. On the other hand, in moves that are generating a degree of nervousness amongst Zambia's traditional partners, China is offering increased loans, typically with few conditions and a different sectoral focus from traditional credit lines, and is thus far refusing the invitation of coordinated donors to join joint-planning exercises (Dahle Huse and Muyakwa 2008: 48–9).

The history of Zambia's aid negotiations can be recounted in materialist terms. When the Zambian state least needed aid and debt relief, aid donors were least able to impose policy preferences. As dependence deepened, they imposed an unusually biting conditionality regime. If this is all there is to the story, then Zambia's improving economic statistics, its huge debt-relief package, its recent moves to raise more finance from mining, and the opening of Chinese credit lines should open the doors for a more assertive strategy. However, the final section of this chapter suggests that we are not likely to see a significant break with the recent past. In order to explain why not, we need to consider two other key conditions that influence the government's negotiating strength: its ability to project a coherent ideological justification for its priorities, and its ability to make donors respect the legitimacy of the state's role as a mediator of domestic interests and a representative of its citizens' wishes.

Ideological Clarity

In its colonial form, Northern Rhodesia (now Zambia) was understood by the British principally as a source of mineral wealth to support industrial and social infrastructure in Southern Rhodesia (now Zimbabwe). On coming to power, UNIP put significant effort into laying out a philosophy, Zambian Humanism, and embodied its priorities in a series of five-year National Development Plans aimed at developing infrastructure, education, and health systems. Whilst frequently described as socialist, largely because an early action of the state was to nationalize the mines, the redistribution of wealth implied by developmentalist plans also demanded wage constraint and mineworkers were tied into state-linked trade unions to ensure maximum profit accrued to the state and the ruling party (Larmer 2007: 41–58).

Zambia's philosophy, strategy, and identity were constructed within a global context: its active membership in the Non-Aligned Movement led to close relationships with non-Soviet states of socialist orientation, particularly Tito's Yugoslavia. The combination of Western post-colonial guilt, recognition of a state-building ideology, and a need to appeal to non-aligned countries gave

Zambia a good starting point for talks with a range of donors. The country won broadly unconditioned support from both sides of the Cold War divide.

In the mid-1980s, UNIP faced an ideological crisis, as socialism failed around the world, the Non-Aligned Movement stagnated, and collapsing copper prices reduced the fiscal basis for the pursuit of developmentalist goals. By 1985, the political leadership became convinced that a major policy shift towards liberalization was necessary (Saasa and Carlsson 2002: 40). It was not inevitable then that increased material dependence would introduce tensions in the relationship with donors. Disagreements over the government's NERP were as much about whether the government had the right to modify the adjustment programme as about ideology or the ultimate objectives of reform. However, by the time the administration started trying to backtrack, UNIP was neither capable of convincingly presenting a case to domestic audiences for experiments with liberalization and austerity, nor of framing arguments with donors in terms of the state's right to plan and manage the economy. The party never recovered the ideological or organizational coherence required for effective negotiation.

In contrast, at the 1991 election the MMD presented an explicitly ideological and relatively coherent manifesto of liberal economic and political reforms. It is largely on the basis of this document that Rakner and others suggest Zambia's structural adjustment programme was home-grown, reflecting an ideological consensus with donors. It is open to question how deeply these commitments were etched into the MMD's organizational form or the hearts of its supporters. The MMD leadership had both harnessed a broad front of anti-UNIP social forces and recognized the international community as a key ally in winning power and managing a transition. However, the party's rapid transformation from a popular movement driven by the momentum of its street politics to an administration that imposed a state of emergency two years into power reflected the failure of its vision to hold together a domestic support base (Ihonvbere 1996).

As the MMD lost popular goodwill, donors and the party leadership became mutually dependent. Donors needed the MMD in order to tell the success story they wanted, while the MMD needed donors to secure their domestic victory. Thus the 'consensus' was best understood as an agreement between a faction within the party leadership and donors with whom they had been in discussions even before winning power. The key point of agreement, and the one constant of MMD rule, was an anti-ideological pragmatism that considered Zambia's international reputation its greatest asset. The MMD's eagerness to please donors and investors was encouraged by massive aid increases in the early 1990s.

Rakner argues that through the 1990s, with socialism and UNIP fundamentally discredited and no programmatic or political challenge in view, implementing liberalization *should have been* the default for the MMD. Therefore, resistance and non-implementation are best understood as by-products of neo-patrimonialism. However, at least since 1996, the donor–MMD accommodation has become increasingly strained. On the MMD side, the failings of the reform programme have weakened the party's popular appeal and elements of the coalition splintered off into multiple opposition parties. The acceptance of debt relief as the state's primary policy implied that the MMD was willing to give up any objective it might have had of negotiating with donors over the terms on which it was to be delivered. Instead, the process provided a new ideological resource to the state in making the case for the reform to domestic audiences, since the importance of debt relief and the size of the package on offer were widely understood in society. The MMD thus shifted from attempting to justify unpopular measures in terms of the value of the policies themselves, to justifying them as sacrifices necessary to achieve HIPC decision and completion points.

The new donor tropes of poverty reduction, the Millennium Development Goals, and good governance have in recent years come to stand in for a legitimating discourse for the MMD, which ran in 2006 on a manifesto that dwelt on achieving HIPC completion point. Clearly these tropes have some appeal as a description of relatively uncontroversial targets. However, they provide no answers to questions about how to achieve the targets and how the state should orient itself in relation to most policy controversies. They thus offer no leverage in discussion with donors who claim that their plans are motivated by the same goals. As alternative policies have been more assertively pressed during and since the 2006 elections, the MMD has not been well placed to justify its increasing desire to deviate from donor prescriptions.

Political Legitimacy

Coming to power as the liberation party, UNIP initially had huge international legitimacy, which partly explains the unconditional nature of early aid transfers. However, while President Kaunda enjoyed strong bonds of loyalty, widespread support for UNIP was damaged by the one-party system. Within a decade, UNIP had lost much of the negotiating power that might have flowed from the claim to unambiguously represent Zambians. Nonetheless, limited donor concern about democracy through the Cold War, Zambia's positioning in the Non-Aligned Movement, and its outspoken criticism of Western policy towards apartheid South Africa lent moral weight to the state and to Kaunda in particular.

By the end of the Cold War, these conditions evaporated and the one-party system was void of credibility at home and in the eyes of donors. Donors did not recognize, as UNIP leaders did, that popular resistance to liberalization threatened the sustainability of the measures themselves. Donors' refusal of requests for flexibility led directly to the announcement of the NERP. In turn, their boycott of it contributed to the continued collapse of the economy and UNIP's removal from office. The World Bank and IMF argued at the time that the key variable in implementing adjustment was the government's 'political will' to impose it (Martin 1993). By this stage donors were hostile anyway to UNIP and were unconcerned to see the party alienate its urban political base.

The first MMD government came to power following major street protests and with a massive popular mandate. However, as the broad domestic coalition that brought the MMD to power fragmented, old-style politics re-emerged in the form of a state of emergency, new economic programmes failed to deliver, and more and more egregious cases of corruption came to light, the MMD lost popular and international legitimacy.

Again international donors were unimpressed by requests for flexibility. The transition itself had demobilized opposition, as groups that fought one-party rule saw their job done and the union leadership stayed loyal to 'their man'. Abrahamsen (2000) argues that the mass movements that provided the popular muscle for democratization were primarily concerned about economic issues. However, once the MMD was in power they were outmanoeuvred by the civil society and business wings of the coalition, partly because the rule of law and rights agendas won most donor support. The MMD leadership thus made a tactical decision to exchange much of their popular support for international backing. In doing so they weakened their ability to bring domestic political legitimacy to bear in negotiations with donors.

The situation got worse in 1996 when Chiluba was re-elected president with a significantly reduced mandate. The polls were subject to severe international censure. As the massive liberalization agenda continued to reap few benefits, some degree of elite stability was maintained through a patronage network managed by an all-powerful presidency. However, the MMD continued to haemorrhage support. Workers encouraged by their former trade unionist leader to 'die a little' to revitalize the economy quickly found the limits of their patience (Larmer 2007: 177). From 2001, urban and industrial constituencies, the MMD's core vote, started to back a range of anti-MMD candidates.

The last straw for many MMD supporters came with Chiluba's attempt to alter the constitution and secure a third term. Civil society and the MMD party machinery eventually defeated the plan. However, the legitimacy crisis continued when the MMD's candidate Levy Mwanawasa won the presidency on a mandate of just 29 per cent of the vote in the 2001 elections (again condemned by international observers).

Throughout the period of MMD rule, limited popular engagement in Zambian politics has appeared to result from a lack of choice between parties and generalized disgust at corruption and incompetence in the political class.

A lack of visible opposition also represented a problem for the MMD in aid negotiations. Although there has always been limited social opposition to particular privatizations and wage cuts, these were not large enough and did not take an electoral form, such that the government could not realistically claim to donors to be in fear of losing power. Similarly, facing limited critique of their own presence, donors did not hesitate to interfere across a wide range of policies. Donors effectively were proposing that since the government does not speak for the poor and the poor seem not to speak for themselves, then donors would speak for them. Much conditionality is now justified in such terms.

This historical analysis of shifting material, ideological and political sources of potential negotiating strength suggests that, although Zambia may now have fiscal space to attempt some sort of resistance of donor impositions, the ideological and political bases for assertive negotiation have been consistently undermined. We turn to examine how these trends have played out under the Mwanawasa administrations, by looking at two cases in which the government has attempted to alter the balance of power with donors. Firstly, we look at the privatization of the Zambia National Commercial Bank, a negotiation that occurs very much within the field of the traditional conditionality architecture. Secondly, we consider the effort by the Zambian Government to alter that architecture by developing new development planning and aid management systems. Together these cases suggest the potential of new strategies, and their limits. Finally, a new context that emerged around the 2006 election is described, and its potential impact discussed.

Privatizing the Zambia National Commercial Bank[3]

For Mwanawasa's minority administration that took power in 2001, HIPC Completion Point scheduled for December 2003 played a similar role that HIPC Decision Point had for Chiluba's acceptance of copper privatization. It encouraged the state to settle key political contests by committing to donor-favoured policies. However, the social and political context was a more difficult one than faced by Chiluba. From the moment Mwanawasa took office protest movements, increasingly mobilized around political and economic issues and emboldened by their success in blocking Chiluba's third-term bid, pressured the government to moderate its free-market policies. The administration responded by trying to establish a clean break with their predecessors, including the 'new deal' concept and suggestions of a move towards social democracy. In a drawn-out attempt to renegotiate the relationship with the World Bank and IMF, strategies of *politicization*, *delay*, and *ambiguity* have all been tried, with limited success. The example of the privatization of the Zambian National Commercial Bank (ZNCB), which was a condition for Completion Point, illustrates some of them.

Historically, ZNCB was the only bank in Zambia with branches in remote areas, and the only one that would lend to those who would not qualify to hold accounts in commercial banks (Chisala 2006: 176). Proposals for its privatization provoked anxiety about job losses and branch closures. In November 2002, NGOs, students, and unions staged a protest march in Lusaka to oppose privatization. In December, a Parliamentary motion called on the state to backtrack.

In response, President Mwanawasa announced in January 2003 that ZNCB, ZAMTEL, and ZESCO would remain in public hands and that he had written to the World Bank and IMF proposing renegotiation. Mwanawasa initially chose a strategy of *politicizing* the issue, telling international media ahead of talks that the IMF privatization programme 'has been of no significant benefit to the country . . . privatization of crucial state enterprises has led to poverty, asset stripping and job losses' (BBC, 10 February 2003). The IMF responded immediately, announcing that Zambia risked forfeiting US$1 billion in debt relief. Despite Zambia's particular circumstances and the shift in rhetoric to 'country ownership', little seemed to have changed since the aid boycott that greeted the NERP in the late 1980s. By the end of March, negotiations to sell ZNCB commenced.

At this point the government's strategy shifted to delay. Although the government entered negotiations for sale of ZNCB with a 'preferred bidder', South African bank ABSA, in April 2003 Zambia pulled out. Nonetheless, Zambia reached Completion Point in April 2005. For two years it appeared Zambian negotiators had received HIPC debt relief and had refused to accept conditionality on the sale of ZNCB. Ultimately, however, the sale of 49 per cent of ZNCB's shares to a consortium led by the Netherlands' RABOBANK did go ahead in April 2007, two years after Completion Point, after Zambia's massive debt-relief package had been confirmed and in the face of some of the largest protests against the privatization yet seen. If the government was attempting to resist, it may have delayed, but it did not succeed.

How should we understand the government's strategy? The first point emphasized by two interviewees involved in negotiating was their general commitment to market reform. Dominic Mulaisho, who chaired the committee charged with leading talks with potential buyers in 2004/5, insists ZNCB will perform better outside state control. Both Mulaisho and Davidson Chilapamushi, Permanent Secretary in the Ministry of Commerce, Trade, and Industry, also stress their good relations with the World Bank and IMF. Each met periodically with visiting staff and felt the officials accepted their explanations of delays.

Whatever the elected President's publicly expressed views, once the decision was taken to open talks, non-implementation appears to have been understood by the negotiators as a delaying tactic not a policy objective. This was not an ideological battle over privatization. Rather, the delays allowed

Zambian negotiators to press for changes they wanted to the precise terms of privatization. This suggests either that there was a disconnection between the agents in the negotiation (civil servants) and their political principles, or that the President's politicization effort was theatrical and principally designed to defuse domestic political tension. Both interviewees argue, however, that the state's continued hesitation was not an attempt to manage political reactions. They focus on technical explanations, stating that the key reason for the delay in the sale was the collapse of talks with the 'preferred bidder' ABSA. This seems plausible, especially since the sale to a rival bidder did go ahead.

Chilapamushi raises an interesting third possible strategy, to be considered alongside politicization and delay. He argues that Zambia did not in fact renege on its conditions, since the PRSP required ZNCB to be advertised for sale and for negotiations to be in process, rather than for the bank to have been sold. This bureaucratic nicety highlights the potential for *ambiguity* in conditions as a strategy. The government appears to have convinced donors that it was meeting the spirit of conditions, if not their substance, and kept the debt-forgiveness process rolling forward.

In the end, ZNCB was sold. If we assume Mwanawasa's original pronouncements on opposition to privatization were heartfelt, all three Zambian negotiating strategies ultimately failed. On the other hand, the key negotiations may not have been with the World Bank and IMF. Ensuring public controversy and delaying the process may have strengthened the government's hand in negotiations with the investors, winning concessions from RADOBANK including promises not to close rural branches and to delay cuts in the workforce and wage structure after the takeover.

Negotiating in the Partnership Era

Since 2000, the PRSP and Fifth National Development Plan have introduced a consultative, joint donor–government planning system. This section considers how this change has affected the opportunities for resistance to conditionality, and how the Zambian government has sought to maximize its control under the new aid regime.

In August 2000 a stakeholders' workshop on the PRSP established eight thematic working groups to draft relevant sections of the new document on macroeconomic issues, agriculture, tourism, mining, industry, education, health, and governance. Each had ten to twelve members, invited by the Ministry of Finance and National Planning, including representatives from line ministries, donors, and civil society. The Ministry also provided each group with a chair, a secretary, and a consultant. Each group worked to terms of reference developed by the Ministry and reported to it. While this may sound like a highly centralized process, the agenda does not seem to have been closely controlled by the Ministry. Rather, since part of the point was to ease the tensions in previously conflictual relationships, donors and civil society groups were understood as strategic partners whose perspectives should be considered. Bwalya et al. (2004: 20) claim that the Ministry's deliberate effort to include the donors was a pre-emptive move against potential criticism after the PRSP had been finalized. They conclude that the consensus-building effort was highly successful in creating a partnership between the civil service, civil society, and donors. However, this new coalition left certain actors out. The process was intentionally insulated from both representative and mass politics. Given the context of ructions over Chiluba's third-term bid, and the chaotic run-up to the 2001 elections that at the time looked likely to see the MMD removed from power, politicians were deliberately excluded, and the PRSP was not sent to Parliament for approval.

The PRSP process sought to replace the confrontation, argument, mobilization, and voting inherent in a messy but at least nominally democratic system such as that in Zambia with a form of 'national conversation', seemingly modelled on an exclusive dinner party to which the host has invited 'everyone who is anyone' but left the mob outside. The process shifted the balance between different 'voices' in the development debate, weakening the authority of elected politicians and representative organizations such as trade unions and strengthening the voices of consultants and selected civil society experts as well as normalizing the presence of aid donors right through the planning process. Donors found it increasingly possible to insert themselves *between* the state and civil society. The PRSP process thus saw the Zambian government relinquish its exclusive claim to mediate competing social interests. The process itself claimed to perform this task. Given that the same donors 'participating' in discussions were often the main funders of the civil society groups that participation was also 'empowering', the system enabled donors and domestic civil society groups to gang up to press their shared interests against the state.

Through the process of setting hurdles in the HIPC process, donors were able to establish even closer supervision of the Zambian policy process than under structural adjustment programmes. Through the PRSP they established increasing influence within political and civil society, areas that had previously been assumed immune to donor pressure. As a result of the implementation of the PRSP, by 2002, the fact that Zambia would get its debt relief had at last been settled. The question then arose: what would happen once the debt was written off, removing the key lever of donor influence? In his address to Parliament, President Mwanawasa announced a reversion to the state planning regime that Zambia adopted at independence and abandoned in the late 1980s. Chisala (2006) provides a detailed analysis of the institutional changes within the Zambian state that resulted from abandoning planning, particularly pointing to the marginalization of planners in the post-1991 period when the National Commission for Development Planning was merged with the Ministry of Finance and tasked with implementing new investment policies and with managing aid flows, instead of developing strategic plans. Partly as a result, donors cooperated less and less with the Zambian central authorities, managing their own 'projects', and focusing their assistance on line ministries and NGOs. Financial assistance flowed 'off budget' as private bank accounts proliferated. By 2002 both Zambia and its donors had identified the absence of a plan as a central problem in coordinating their efforts.

The Ministry of Finance and National Planning then announced in mid-2004 that Zambia would not develop a second PRSP when the country reached HIPC Completion. However, the process for designing the Fifth National Development Plan basically mirrored that for the PRSP, with some acronyms changed. National development planning was also re-established on three levels, with District Development Coordinating Committees (DCCs), Provincial DCCs, and a National DCC, all features of earlier national planning processes, reactivated. The national DCC has been criticized for not meeting often enough and for not being effective. The programmes and spending priorities in the FNDP followed closely international priorities established under the Millennium Development Goals. The government made commitments to the kind of macroeconomic policies donors might previously have proposed as conditions, including reform of investment laws and the tax regime in a bid to attract foreign investment.

Aid negotiations have not only been changed by a reworking of the planning process on the recipient side, following the Paris Conference, seven donors agreed to combine efforts in support of harmonization and alignment. In Zambia they formed a Harmonization in Process (HIP) group in 2004. Ministry of Finance officials welcomed the move, believing their approach would lower transaction costs. The HIP group aimed not only to harmonize their own projects, but also where possible to subsume their work within government initiatives, providing increasing shares of aid directly into the central budget. They also coordinated policy inputs into discussions with the government.

The group has subsequently been extended to include almost all of Zambia's significant donors in a Wider HIP (WHIP). In 2007, members signed a Joint Assistance Strategy for Zambia, laying out each country's contributions to the Fifth National Development Plan and a division of labour between them. A decision was made by the DFID officials driving the process to adopt a 'big tent' approach, trying to get all donors, including JICA and USAID who have legal, technical, and political problems with the alignment agenda, into the strategy by minimizing its implications.

Neither the new planning process nor the Joint Assistance Strategy seems likely to lead to significant new constraints on donor activities. The onus to secure ownership thus rests with the Zambian state. Over the past two years the government has been drafting a Zambia Aid Policy and Strategy, laying out perceived problems with the current system and proposing a number of remedies. A final draft has been submitted to the Cabinet. The document contains strong assertions of Zambian sovereignty, includes a threat to refuse aid that does not conform to Zambia's preferred priorities and modalities, and suggests a number of interesting strategies to recover sovereignty, discussed below.

Nonetheless, the overall impression is one of self-flagellation. The government blames itself for existing problems and makes commitments to donors to reorient its entire bureaucracy to meet their needs and ease their concerns. Thus strategies to recover sovereignty are proposed within the context of an overwhelming focus on administrative rather than political issues: to prove the trustworthiness of Zambian state systems, increasing donor confidence in the country, and encouraging them to adopt aid-giving modalities that place the least administrative strain on the state. Complaints about donor behaviour are almost exclusively about the overburdening of the Zambian bureaucratic system. The word conditionality appears once and is discussed as a fact of life rather than a problem. Nonetheless, there are a number of proposals in the strategy that might have a significant impact on Zambia's aid relationship.

The 'fundamental principles' of the strategy kick off with a very strong statement about country ownership: 'This principle entails Government's imposition of its will and priorities on cooperating partners and the implied readiness to reject aid if it is not consistent with national aspirations and priorities as stated in the country's national development plans.'[4] Any such rejection would come about through the activities of a new department for the appraisal of all donor plans prior to accepting any funding. Adopting such a system would represent a revolution in the management of aid in the country. Vast funds currently arrive in Zambia without the government knowing about it, let alone appraising the plans or threatening to return any of the money.

The strategy also proposes to draw more heavily on Zambian expertise and reduce contact during planning with donors and costly foreign consultants. Currently the Department of Economic and Technical Cooperation within the Ministry of Finance allocates individual staff to relate to each multilateral and bilateral donor. The paper suggests politicizing relations through a new Permanent Aid Policy Committee chaired by the Deputy Minister of Finance and with representation from Permanent Secretaries of each line ministry.

The most radical proposal in the draft aid strategy was tucked away at the back of the report. It is an unusual and innovative proposal:

> The Government maintains that although there is need for a joint coordination system that serves as a common ground for both the Government and its cooperating partners, the two parties still require internal consultative structures *within their respective domains* that would bring to the joint forums more harmonized positions on issues of common interest. The Government shall establish a three-tier structure involving (*a*) the Government's internal consultative and decision-making structure at which level the country's cooperating partners are not involved; (*b*) Donors' consultative system that excludes Government involvement; and (*c*) the Joint Government-Donors consultative system that brings together the 'partners in development'.[5]

Under such a proposal, the government would effectively be ejecting donors from the roles they appropriated for themselves under the 'joint-planning' and 'participation' rubric, as an active stakeholder in the initial phases of national planning and as a mediator in the relationship between the Zambian state and civil society.

However, from interviews it also appears that this precise wording may have been toned down. The author of the strategy reported:

> There were a few objections in terms of the tone that implied taking over leadership and ownership and being in the drivers' seat. Ironically, donors said, 'you should say so, in that form' and government said, 'probably it's too strong.' Of course it's more or less like a case where you are talking about someone being in the drivers' seat and they don't have a driving license, and they are not too sure. They feel probably if you talk too tough you might scare them away.

This sense that donors wanted the government to take their commitment to ownership more seriously than the government seemed to want to was a common theme in interviews with a number of donors. Indeed, the idea of an aid strategy appears to have come as much from donor pressure as a Zambian initiative: it was written by Zambian aid specialist Oliver Saasa, but involving a reference group with donors, government, and private sector and paid for by SIDA Sweden. In an interview with the author, Saasa noted: 'It was very much being threaded and helped by the international debate so to some extent one actually can say the harmonization process, starting with the OECD-DAC, enormously influenced our thinking and how we were pushing this.'

Could Zambia Crack the WHIP?

The rhetoric on both sides of the new aid discourse proposes a system in which government develops plans according to its own dynamic, and donors then endorse these plans by providing increasing, untied, non-conditional, core funding to central government. However, there are yawning gaps between the contemporary reality and this potential future. Firstly, donors will not support all elements of the Fifth National Development Plan. Unsurprisingly, since it is presented as a list of projects, donors are cherry picking those elements they want to pay for. Core elements of the state machinery, such as the police force, listed in the Plan have attracted no interest and seem unlikely to. Agricultural subsidies and infrastructure development also represent areas that the government is keen to develop but is concerned that it will not find sponsors. Secondly, budget support does not imply a revolution in the process for delivering and accounting for aid. For example, although the EU is in the WHIP, its aid, which counts as 'budget support' because it goes into the central government bank account, is clearly tagged for road-building, and the government has to account to the EU for spending its money in that sector. Zambian officials note the only practical difference between this kind of budget aid and programme aid is that it arrives in advance of benchmarks being met. Nonetheless, part of the aim of the complex set of proposals for budgeting, budget monitoring, and new accountability systems that donors require and the government commits to is that they enable donors to monitor government budgets *as a whole*. Officials involved in preparing the strategy recognize there is little the government can do while aid dependence is still a fundamental constraint. Musunga, a director in the Ministry of Finance, argues:

> We don't want assistance in areas other than what we are saying this is what we need to do. But if we say, you can't come outside the FNDP, we won't get the money. We can't say that. It is a process. We cannot say no to their aid. We are a poor country and we still need aid almost everywhere.

Nonetheless, the government may be able to attract funds outside of coordinated donor structures. For example, Japan is viewed as recalcitrant by donors such as DFID, but is funding precisely the agriculture programmes for which the government finds it hard to fund from other sources. Zambia's recent close relationship with China has also opened up opportunities for funding government objectives not shared with the WHIP group, such as the recent commitment by China to build three new sports stadiums. Whether or not one believes such stadiums should be a national priority, they are clearly something government wants. Perhaps more importantly, Musunga claims that, by offering Zambia an alternative sponsor, and thus weakening the leverage of traditional sources, China changes the atmosphere for the other donors. But Akapelwa, another official in the Ministry of Finance, cautions that China is not going to take the place of the World Bank in terms of volume of resources.

Finally, it is important to recognize that 'consultative' aid processes have themselves already altered the consciousness of Zambian officials about what 'negotiation' entails. Both Musunga and Akapelwa are resistant to the very idea that Zambia should even be thinking in terms of how to secure its own priorities 'against' those of donors. Musunga states:

The process has become so consultative, that right from the start the donors are there. There are now programmes that are born out of problems out there in the world. What we try to do is, through government, we try to explain what we think is the way to tackle them.

Conclusion: What Chances of Success?

The chances of success for any strategy to manage donors are shaped by the conditions in which the strategy is attempted. We have seen that Zambia's new aid strategy contains some radical proposals, but also that officials interviewed have limited faith that the state will be able to follow up on any of them. What can we learn about the chances of success by exploring the material, ideological, and political context?

Material Conditions

There are two reasons most commonly cited for the view that Zambia is well placed to renegotiate its aid system: the arrival of debt relief and the possibility that an increase in revenues from copper will provide an alternative source of funds. However, the MDRI is not a one-off deal that delivers Zambia from conditionality. It is a promise to cancel debt service annually over the repayment schedule of existing loans. Performance in three areas must not deteriorate from the moment Zambia reached Completion Point. Otherwise, debt-service relief would be delivered only once the World Bank and IMF decide adequate remedial steps had been taken, and the benchmarks are defined in terms that allow significant discretion to Bank staff. The government estimates the cost of implementing its development plans for the next five years at K65.2 trillion. The Secretary to the Treasury estimated in July 2006 that K49.9 trillion should be available from normal expenditure and funds previously budgeted for debt servicing but released by the MDRI. This leaves a financing gap of around US$1.5 billion. The Ministry of Finance suggests a 66 per cent hike in aid would cover just over half of the gap and that the rest can be raised from borrowing. Zambia does appear in one sense stuck in a long-term situation of aid dependence and despite debt relief and the claimed boom, the government clearly feels that it still 'needs' aid and is already borrowing heavily again.

However, Zambia does have one significant alternative source of revenue: copper. Despite the copper price boom, from 2003 the mines did not bring in significant funds to cover these shortages. 'Stability clauses' in the Development Agreements signed under World Bank supervision with new owners nailed down absurdly low tax rates, guaranteeing that they would not change for fifteen to twenty years (Fraser and Lungu 2007). The 2005 contribution of the mining sector to the exchequer was around $75 million, less than one-third of the contribution made to the treasury by nationalized mines in 1991 despite the fact that the copper price had unexpectedly quadrupled since the mines were sold. Weeks and McKinley (2006) thus proposed that Zambia could fund its own development needs by increasing tax revenues equivalent to 3 per cent of GDP, principally through increases in import duties, corporate tax, and mineral royalties. Adopting these policies would represent a major rebalancing of the tax structure which has seen massive increases in personal taxes and massive cuts in company tax since 1991.

Facing an opposition party in the 2006 elections that made massive headway in urban areas from highlighting the disaster of mines privatization and the failure of investment to benefit Zambians, the government announced before the elections that it would rework mines taxation, through negotiation with the companies. However, progress from then on was glacial, largely because some companies threatened legal action if the government attempted to impose new terms without their consent and believed they had the support of the IMF in defending their 'contractual rights' (Fraser and Lungu 2007: 65), and the ability to seek compensation from Zambia via the World Bank's International Centre for the Settlement of Investment Disputes (ICSID) should their contracts be cancelled.

The government publicly explained long delays in starting negotiations with the companies in terms of concerns about its reputation with donors and investors. As in a number of other policy areas, such as agriculture and infrastructure, to generate the confidence to act, the government seemed to need a clear story about its aims, recognition of its sovereign right to define and promote the national interest, and a sense that it was representing a clear public mood. These factors all appeared absent. However, in his 2008 budget announcement, the Zambian Finance Minister laid out a new mining tax regime, effective from April 2008, designed to capture a greater share of windfall profits for the Zambian government, and which is expected to raise an additional US $415 million in 2008, more than double existing government revenue from mining (SCIAF, ACTSA, and Christian Aid 2008).

The announcement took the companies, donors, and the Zambian media by surprise, particularly when Deputy Finance Minister Jonas Shakafuswa confirmed that the decision was a direct result of public pressure and announced that there would be no negotiations with the companies, but rather that a new regime would be imposed through an 'executive decision':

> Being a listening President, President Mwanawasa listened to the calls of Zambian people who were calling for increasing mineral taxes in the mining sector ... when we realised the renegotiation process was taking long, the President made an executive decision of imposing a windfall tax.... Our colleagues should understand that

the Zambian people are in a hurry to develop and they should not frustrate this because this decision was made by the government based on the wishes of the Zambian people.... So if they decide to resist these changes, they will be leaving a bad legacy not only for themselves but for all international companies. And remember, these changes are a call of the people, so if they want to frustrate this decision, then they will face the wrath of Zambian people.[6]

Robert Liebenthal, a former World Bank adviser for Africa, has been highly critical of the measures, and suggested companies should delay their implementation through legal moves. However, as this chapter goes to press, most official donor spokespeople have hesitantly welcomed the budget, and most companies appear resigned to taking the new rules on the chin. Both apparently recognize that the situation is highly politicized and that the new regime is a fait accompli.

Ideological Clarity

For the last twenty years Zambia has been subject to unusually biting application of aid conditions. A drawn-out recession, apparently immune to economic therapies from either end of the political spectrum, knocked the stuffing out of Zambian politics with government, opposition, and civil society struggling to move beyond the PRSP story of free markets, plus safety nets, plus increased investment in human resources. It is not that the current development strategies do not have detractors – they do. Over the past three years civil service unions have been striking repeatedly against wage restraint; university students and lecturers have been in open revolt, effectively against the prioritization of primary education that is doing enormous damage to the tertiary sector; mining unions have been striking and occasionally rioting to protest the impacts of liberalized labour laws. Politics, in the 'old form', goes on, and political demands that contradict the PRSP are constantly articulated. However, there has been no effective unity between these causes because no political force has been able to develop a counter-narrative to the PRSP story. Without an ideology around which movements or parties could coalesce, the development community's 'consensus' seems secure.

Only in such a situation could the bizarre timing of both Zambia's PRSP and Fifth National Development Plan processes make some kind of sense. Both long-term plans supposedly based on 'national visions' were negotiated and announced just before the terms of the governments that negotiated them expired. It could only seem sensible for donors and civil servants to commit energy to the development of multi-year plans just ahead of elections where there is widespread confidence that, no matter who wins, little will change.

Nonetheless, recent developments demonstrate the fragility of these assumptions. During the 2006 elections the opposition Patriotic Front (PF) managed to harness widespread hostility to liberalization, particularly the association of privatization with foreign ownership of retail outlets that compete with local traders and with insecure, poorly paid employment in what remains of the productive sector. In a country where variants of 'socialism' and 'capitalism' have been imposed with equally devastating results, and in which the only significant winners from the latest liberalizations appear to be foreign investors and traders, it is perhaps unsurprising that the ideology used to generate grass-roots support was a rhetoric-heavy form of economic nationalism, asserting a need for 'Zambia for Zambians'. This position, most clearly enunciated by the PF, has been so successful that all actors feel a need to construct their arguments with reference to it.

The MMD's response to the PF's electoral success was to move closer to nationalist positions in order to claim its share of a long Zambian tradition of economic nationalism. However, it is far from clear whether the ruling party is capable of presenting itself as a credible vessel for these sentiments. The 'talk left, walk right' strategy involves seeking to maintain donor support and yet publicly critique donor policies, and seeking to attract maximum investment while showing a willingness to crack down on abuses by investors. This seems most likely to expose the ruling party to accusations of incoherence and strategic opportunism. Nonetheless, any re-emergence of ideology, no matter how crude, is likely to provide something of a shield against donors. With donor officials aware of the fragility of local tolerance of foreign interference, the state seems better placed to assert itself.

Political Legitimacy

Since 1996, Zambia's adjustment process has been driven by minority administrations with weak electoral mandates that have been widely understood as corrupt. In the absence of a popular connection to the political class, let alone a mandate for a change of direction, political preconditions for an assertive state negotiating strategy have been weak. The most powerful political case that government has been able to make to donors to resist conditionality is that it is unable to manage the political implications of further liberalization. Donors have shown little tolerance for delays justified on these grounds and have effectively forced the MMD to take on domestic lobbies.

Finance Minister Magande has argued: 'The successful implementation of the stringent conditions of the HIPC initiatives had generated great confidence and trust in the Zambian government among the cooperating partners' (*Times of Zambia*, 25 July 2006). Trust is clearly a form of legitimacy. It is likely to increase the total flow of funds to a recipient state, and trust won on the 'big issues' such as macroeconomic policy and democratic governance may increase space in other areas to define the administrative processes for the disbursement of aid or to disagree with donors on the relative importance of infrastructure, for example. However, as shown by Zambia's aid strategy, donor confidence, like investor confidence, is a resource that has to be constantly bolstered by repeated demonstrations of 'commitment'. In that sense, winning space by winning confidence can only ever be a temporary measure and is unlikely to allow Zambia to challenge core donor or investor preferences.

However, the Zambian strategy of relying on building confidence may have changed importantly since the September 2006 elections. The first free and fair elections since 1991 and an increase in the MMD's share of the vote have strengthened the government's electoral legitimacy. Although this has impressed donors and arguably allows some more policy space, it can also be argued that the most significant outcome of the elections was the dramatic arrival of a new populist opposition party, the PF, which came from nowhere in electoral terms to win every urban parliamentary seat in the capital Lusaka and the politically and economically strategic Copperbelt. Widespread hostility amongst urban voters to liberalization and privatization has been evident for some time, but had never previously been represented in a multiparty system dominated by parties operating as leadership vehicles for a range of political entrepreneurs. After the election, the PF continued to lead protest movements and presents a serious political threat to the MMD (Larmer and Fraser 2007). Both foreign capital and aid donors have developed relatively cooperative relations with the MMD, and are deeply hostile to the PF. For that reason, the re-emergence of opposition should actually strengthen the government's hand with donors.

One side-effect of the re-emergence of ideology in Zambian politics and the reconnection of parties to voters has been that the government seems less and less willing to accept ownership of the adjustment strategy, preferring to blame donors for unpopular policies that it continues to impose. This raises an interesting question about whether the MMD government can ever have been said to 'own' the PRSP process. It might be argued instead that while the MMD has been willing to allow them to maintain control, civil servants within MoFNP have temporarily 'owned' the planning processes. They have deliberately excluded (much of) the government and political class from the process and included fractions of the donor, civil service, and civil society communities who have together formed some sort of broad epistemic community. Thus to the extent that there is a 'consensus' for the World Bank's agenda, those who share it may be a small, technocratic elite. This raises questions about how such a community is constituted and cohered, and how it defends its policy space against competing forces. We do not have sufficient evidence or space to consider processes of ideological reproduction, the effects of 'capacity-building', or possible patron–client relationships between ministries and donors, donors and civil society, but these seem fruitful focuses of further research.

The partnership model on which all of Zambia's institutions and policies for aid management are now based involves two main steps: consensual planning processes leading to national plans, and then donor alignment with those plans. Both steps assume the death of competing ideologies and interests within recipient countries and thus in relations between recipients and donors. Donor willingness to move experiment with Zambian leadership rests partly on the assumption that the 'death of politics' is a permanent condition. Any resurrection threatens a system based on the assumptions that politics can be excluded from the consultative planning process, and that political activity outside of it is unimportant.

If the Zambian case tells us anything about how to understand change in contemporary donor–recipient relations and about the potential for recipients reclaiming sovereignty, it is that the focus on administrative systems does not get to the heart of the question. Change at that level is unlikely to allow aid recipients to make a decisive break from donor dominance. Rather, in situations of material dependence, ideological and political change within aid-recipient countries is a precondition of any substantive recovery of sovereignty.

Notes

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2. These figures come from the World Bank's World Development Indicators.
3. The three interviews for this case study were carried out for the author by Miles Larmer in Lusaka in 2006.
4. Government of the Republic of Zambia. Draft Zambia Aid Policy and Strategy. Ministry of Finance and National Planning. 11 June 2005, p. 10.
5. Ibid. p. 36, emphasis added.
6. *The Post*, 'Shakafuswa attributes mine windfall tax to public pressure', 19 January 2008.

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Lusaka, April 2006

Chilapamushi, Davidson. Permanent Secretary, Ministry of Commerce, Trade & Industry, and present Board Chairman of ZANACO.

Mulaisho, Dominic. Chair of Zambia Privatization Agency committee negotiating the privatization of ZANACO.

Machila, Natasha. Programme Coordinator, Private Sector Development Programme, Ministry of Commerce, Trade & Industry.

Lusaka and Copperbelt, October 2006

Nkhata, Lennard. Permanent Secretary, Ministry of Mines and Mineral Development.

Bandyopadhyay, Deb. Resident Director, Konkola Copper Mines, Chingola.

Henderson, Tim. Chief Executive Officer.

Hamukoma, Passmore H. Chief Services Officer.

Heale, Gavin. Chief Financial Officer, Mopani Copper Mines, Kitwe.

Lusaka, February 2007

Akapelwa, Wamupu. Senior Economist, Economic and Technical Cooperation, Ministry of Finance and National Planning.

Musunga, Agnes. Acting Director, Planning and Economic Management, Ministry of Finance and National Planning.

Lusaka, April–May 2007

Nawakwi, Edith. Former MMD Finance Minister. Current Party Leader, Forum for Democracy and Development.

Nguni, Newton. Former MMD Deputy Finance Minister. Current Chairman, Forum for Democracy and Development.

Saasa, Oliver. Academic and Consultant. Director, Premier Consult.

Lawson-McDowall, Bruce. Social Development Adviser, DFID Lusaka.

Birgir Arneson. IMF Country Director.

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12

Aid and Power: A Comparative Analysis of the Country Studies

Lindsay Whitfield

In *Aid and Power*, Mosley, Harrigan, and Toye argued that there was no or little conditionality on World Bank loans in the 1980s to some countries, not because of any explicit ultimatum by those recipients, but because of an unspoken understanding that their governments would not welcome detailed programmes of policy reform being imposed on them as well as an awareness in the Bank of the importance of maintaining a lending programme in these countries (Mosley, Harrigan, and Toye 1995: 78). However, an important question was left unanswered: how do some countries ensure 'an unspoken understanding' that their sovereignty is not negotiable? This chapter argues that the ability of a government to project non-negotiability and the confidence that its actions will not lead to donors pulling out (or that it can manage on its own if they do) is the key factor distinguishing more from less successful recipient negotiating strategies.

In the Introduction we presented a basic metric for assessing the degree of control that a recipient government has by looking at what proportion of the government's implemented policy agenda was decided by the government without factoring in what donor preferences might be; what proportion resulted from a compromise between recipient and donor with each taking into consideration what they think the other's preferences might be; and what proportion was accepted reluctantly by recipient governments as a necessary price to pay to access financial aid in spite of conflicting policy preferences. As Chapter 3 showed, and the country chapters confirmed, the task of discerning these proportions is not straightforward, but rather complicated by the ways in which aid relationships have developed over decades of dependence, the ways in which the aid system has expanded and entrenched itself in many countries, and the ways in which democratization has complicated the picture of aid negotiations. In particular, unpicking what is government 'owned' and what is donor-driven is difficult because donor agencies have been instrumental in preparing, financing, and implementing programmes through the provision of short-term and long-term consultants and technical assistants, and through training and logistical support.

Therefore, the authors of the country chapters were charged with digging into the details of their country's specific experience with aid and aid relations:

1. To examine the material, ideological, political, and institutional conditions of the country, tracing them through the past to the present;
2. To outline changes in the government's formal and informal practices of negotiating aid and dealing with donors within these conditions, as well as changes in aid practices driven by donors and how the government responded;
3. To put together a picture of recent governments' strategies for dealing with donors and managing aid generally;
4. To use specific strategic cases of aid negotiations to interrogate this general picture;
5. And to form a conclusion about the current government's degree of control over the policy agenda and implemented outcomes based on all of this.

The conclusions offered by the country chapters are necessarily subjective assessments, but ones based on a comprehensive understanding of the country's aid relations drawing on a wide range of existing literature, published and unpublished, combined with either long-term experience researching these issues in the country or an intensive period of ethnographic field research. We decided on this approach because our question concerning recipient control cannot be turned into a series of indicators for which we could find or construct quantitative measurements, which would miss the complex dynamics that characterize contemporary aid relations. Thus, the country chapters provide thick descriptions. We can, however, compare the experiences of our eight countries and discuss their strengths and weaknesses in relation to each other.

The findings of the country studies are depicted in Figure 12.1. The eight countries are arranged on a scale ranging from strongest to weakest in their ability to control their policy agenda and implemented outcomes. We can say with confidence that Botswana belongs at the end of the scale for the greatest control. Ethiopia is next, situated firmly in the strong half of the spectrum, because the Ethiopian People's Revolutionary Democratic Front (EPRDF) government maintains control over its core policy agenda, negotiating with donors only at the margins. Rwanda is placed in the middle of the spectrum because the Rwandan Patriotic Front-led government shows a large degree of

Figure 12.1. Spectrum of government control in the country studies

control over its policy agenda, but its policy freedom is constrained by its perceived need to appeal to donors and the resulting joint policy process. The remaining five countries belong at the opposite end of the spectrum to Botswana. Their degree of control is more difficult to compare with each other. Thus, they are grouped together in a circle at the weakest end of the spectrum to indicate that they share many traits in common. Throughout this chapter, the countries in the circle are referred to as the group of weak countries, or the weak group. These findings might be surprising to some readers, since Tanzania and Mozambique appear in some donor literature as models to follow in achieving country ownership. Our suspicion is that the scepticism that emerges towards these claims reflects our use of a different metric for assessing ownership: ownership as control and not ownership as commitment.

Lastly, these country studies were undertaken at a time when several of the countries in the weak group look poised to change their negotiating strategy and assert a stronger development vision vis-à-vis their traditional donors. For instance, as a result of changes in its conditions in Ghana, the current second New Patriotic Party government under President Kufuor may be heading towards Rwanda's position on the spectrum. The actions of these countries may be the first indicators of a post-debt relief strategy in Africa. However, it is too early to say, and the changing material conditions on which they are based may prove shaky, but we will return to these issues in the Conclusion.

With the country chapters accomplishing the first task of assessing the degree of ownership as control, this chapter is concerned with explaining this degree of control and its variation across countries using the framework in Chapter 1: the country's structural conditions, how these are used to form negotiating capital and inform negotiating strategies, and the outcomes of these negotiating strategies in the face of donor strategies. To start, it is clear that the position of the country studies on the spectrum of strongest to weakest government control is not explained by the importance of aid relative to their economy, measured in terms of aid as a percentage of

Table 12.1. Aid dependence of country case studies

	Aid as a percentage of gross national income		
	2003	2004	2005
Ethiopia	20.2	18.8	17.4
Rwanda	20.3	27.1	27.1
Ghana	12.8	15.7	10.6
Mali	12.9	12.1	13.6
Mozambique	22.6	22.4	20.7
Tanzania	16.6	15.7	12.5
Zambia	14.1	22.5	13.9

Source: World Development Indicators, April 2007.

gross national income. As Table 12.1 shows, in the most recent years for which data is available, Rwanda and Ethiopia rank second and third, respectively, for the highest aid dependency among the case countries, just behind Mozambique. The figure for total official development assistance to Ethiopia is misleading because it includes a high level of food and humanitarian relief which does not go to the government. However, non-relief aid was still 27–30 per cent of total government spending between 2002 and 2005 (see Chapter 5). Botswana has been omitted from Table 12.1, because aid is now less than 1 per cent of its gross national income in these years. The comparable figures for Botswana would be the period when it was aid-dependent after independence in 1966 until the early 1980s. During this period, aid as a percentage of gross national income averaged 22.7 per cent during 1966–70, 14.4 per cent during 1971–5, and 11.4 per cent during 1975–80.[1]

Receiving high levels of aid therefore does not necessarily entail a loss of ownership. Instead, the varying degrees of ownership can be explained by the different contexts within which African governments and donors negotiate aid. The factors described in Chapter 2 that led to a generalized decline of recipient negotiating capital in the 1980s apply in Mozambique, Mali, Ghana, Tanzania, and Zambia. In these countries, the reach of donors expanded from influence over macroeconomic policies in the early structural adjustment period, to almost all policy areas in the 1990s, and then to the process of policymaking itself by the early 2000s. This generalized pattern did not apply so clearly in the other cases. Botswana and Ethiopia (after 1991) maintained more favourable political, economic, ideological, and institutional conditions. Rwanda's partial success since 1994 in controlling its policy agenda, despite economic and institutional conditions similar to the weak group, is the result of its favourable political and ideological conditions.

In short, the debt and balance-of-payments crises at the beginning of the 1980s marked a critical juncture that not only placed the weak group of countries in a subordinate position vis-à-vis donors, but also set these countries on a different path than that of Botswana and Ethiopia. Changes in political conditions were also important. For different reasons, the governments in Ethiopia and Rwanda have been politically and geo-strategically important to key Western donors, increasing their ability to project an image of non-negotiability in key policy areas and to retain confidence that donors would remain supportive. Although Chapter 2 shows that ideological conditions had been critical during the period of the New International Economic Order, both aggressive Third World nationalism and free market fundamentalism weakened in the 1990s. Recipient governments in countries that had been pursuing structural adjustment since the 1980s have mostly adopted global trends of the international aid community as it searched for new solutions to underdevelopment. While some commentators argue that there has never been much of a heterodox approach in Africa, there were clearly debates between recipients and donors over the priorities, pace, and sequencing of reforms. The problem for 'weak' recipients in such negotiations was often that they lack an ideological framework within which to situate their arguments for adapting or resisting donor-prescribed reforms, in contrast to Ethiopia for example. As a result, policies are based on compromises between donor and recipient demands, and thus often lack ideological coherence.

The first part of the chapter summarizes the negotiating strategies of governments in the case countries and the structural conditions that underpin them. It compares and contrasts the origins of success in Botswana, Ethiopia, and to some extent Rwanda to the group of less successful countries. It also describes the characteristics that the less successful group have in common and which account for their inability to develop negotiating strategies capable of overcoming disadvantageous conditions for negotiating. The chapter then explains how this set of common characteristics partially accounts for the contradictions of the new aid paradigm. It is argued that these contradictions also have their origins on the donors' side. In particular, they emerge from the very aid processes and institutions designed under the influence of donors and that they claim should facilitate country ownership and leadership in managing aid, as well as from new norms among donors regarding the legitimate role of donors in recipient countries.

Most Successful Cases: Botswana and Ethiopia

The Botswana Democratic Party (BDP) government in Botswana has an established strategy for negotiating aid with donors. The government approaches donors with a programme agenda and projects in its development plan, which is determined through its domestic planning system established after independence. It negotiates with individual donors about financing its development effort, and donors select projects to support from the plan and assess how much to give to the government's total programme through project or programme aid. The government refuses aid that does not fit with its plans and whose recurrent costs cannot be managed. It may accept projects initiated by donors only after scrutiny that it fits government priorities and is designed to fit the country's needs. The government has insisted that projects and project personnel be located and integrated within ministries, resisting the creation of project enclaves. Finally, the government has insisted that donors specialize in sectors. The strong planning and coordination of aid by the government have meant that formal donor coordination mechanisms are unnecessary, and the government has even resisted the creation of donor coordination mechanisms when it felt that they could undermine government priorities.

The BDP government's success with this strategy in maintaining control over its policy agenda is the result of its favourable structural conditions. Economic conditions are at the centre of its success. Botswana was able to move from a position of almost complete dependence on aid after independence in 1966 to a declining need for aid in the 1970s as a result of economic growth and prudent macroeconomic policies. The country's diamond mines brought a substantial net inflow of foreign exchange, which was used in such a fiscally conservative way that the country became an exporter of capital. Bilateral donors constituted the government's major source of external assistance. Since the early 1980s, the government has not really needed the monetary value of aid, which has given it additional leverage in aid negotiations. When Botswana gained middle-income status in 1992, it was no longer eligible for concessional loans and stopped seeking World Bank assistance. Total aid declined after 1992 and now forms a negligible percentage of total government revenue. While aid was a significant source of finance in the 1960s and 1970s, helped to fund infrastructure in the 1970s and 1980s, and has been a critical source of technical assistance since the 1990s, the economy was never dependent on aid.

In terms of political conditions, the country's uninterrupted democratic governance based on multiparty elections has given successive governments high domestic political legitimacy, even though the same ruling party has won these elections. Donors were keen to be associated with a democratic success story during the period when military and one-party regimes emerged around the continent, and the government keenly portrayed itself as a model of political and economic liberalization for the rest of the continent.

Ideological conditions were also important. The small population in Botswana gave rise to an even smaller elite class, in which the political and economic elite were more or less the same. This elite class organized under the Botswana Democratic Party (BDP) has been in government since independence, resulting in a continuity in policy and strong development vision that prioritized private property, given the background of the elite as cattle ranchers and landowners. While the ruling elite has pursued a policy of open investment and strategic partnership with the private sector, the interdependent relationship between the state and property-owning class and between political and economic power has provided the foundation for its strategy of state-led development.

Lastly, institutional conditions were crucial to the success of the BDP government's negotiating strategy. The government has a professional civil service in general, and a high-calibre staff in the Ministry of Finance and Development Planning which controls the planning and budgetary processes. These strong institutions have been assertive in setting the policy agenda, keeping donors and their aid in line with the priorities of this agenda, and instilling credibility in the eyes of donors concerning domestic systems. The government's approach to building state capacity was important to creating a strong civil service. In contrast to post-colonial African governments that rushed to 'Africanize' the civil service, the BDP government retained colonial administrators until they could be replaced with nationals who had acquired the necessary skills and experience.

Despite its favourable conditions, the period when aid was important in financing the country's development efforts occurred prior to the expansion of donor agendas and the most aggressive phase of conditionality. The BDP government did not face the intrusive conditionality that arose in the 1990s and 2000s attached to both multilateral and bilateral donor aid. However, where the government encountered some of these new systems, even it has struggled to shape them to its own ends. For example, the government was able to convince the Global Fund to use the country's systems instead of its mandated procedures, but tensions between the Global Fund's procedures and the government's normal way of doing things produced tensions that ultimately led to the termination of the grant.

Ethiopia is receiving increasing levels of aid and still depends on it to finance public expenditure, yet the Ethiopian People's Revolutionary Democratic Front (EPRDF) government is firmly in control of its development strategy. It has a core policy agenda, mainly comprised of economic policies, that it pursues largely independent of donor finance.[2] The government-controlled part of the policy agenda is much larger than in the other aid-dependent countries considered in this volume. There is then a portion of the policy agenda that is negotiated at the margins with donors, which consists mainly of social service spending. There are varying degrees of agreement on issues in this part of the agenda, with differences arising over relative priorities, how much to spend and modes of intervention. However, in the end donors have little influence as their money is absorbed in areas where there is less disagreement. There is a small part of the policy agenda that originates wholly from donors and which the government adopts under aid agreements.

The EPRDF government's negotiating strategy since it came to power in 1991 has been to adapt the policy prescriptions of the Bank and Fund to its development agenda, and it has largely succeeded in controlling the pace and degree of reform. The Ministry of Finance and Economic Development is the only government body that can negotiate aid, and it thus plays the key role in coordinating aid. The government had resisted, until recently, the inclusion of line ministries and regional bureaus in negotiations with donors. The government has kept discussions of different policy areas separate. It also has resisted donor pressure to create an institution for discussing macroeconomic issues since the government decided not to enter another IMF agreement in 2004; again, this changed recently. The government decides which donors participate in policy discussions. Discussions on controversial issues usually take place with individual donors, typically the World Bank. Finally, the government has been cautious in taking donor-funded technical assistance on the grounds that it distorts incentives and work allocation in the civil service, and that it extends the insight of donors into the policymaking process.

What factors account for the success of the EPRDF's negotiating strategy? In contrast to Botswana which has exhibited spectacular economic growth since independence, Ethiopia is often cited as one of the poorest countries in the world. This illustrates that it is not necessarily economic growth that confers negotiating capital in donor relations, but rather the terms on which a government enters negotiations. However, like Botswana, Ethiopia did not experience a debt crisis or a balance-of-payments crisis. The Derg government (1974–91) was excluded from Western lending, but acquired massive paper debts from the Soviet Union. The balance of payments was kept in check through import controls, but remarkably the currency remained close to its international exchange value (unlike in most African states that implemented import controls). While the economy was not going so well and began to collapse in the late 1980s, the Derg government instituted its own economic reform programme, which moved its command economy towards a mixed economy. Notably, it did not have to go to the Bretton Woods institutions to reschedule its debt. Imports were scarce, but the repressive Derg government did not feel compelled to take Bank and Fund short-term financing to meet imports, and the country was receiving large amounts of food relief. With the imminent collapse of the Soviet Union, the EPRDF guerrilla movement succeeded in overthrowing the Derg. Thus, when the incoming EPRDF government entered negotiations in 1993/4 with the World Bank and IMF to back its reform agenda, it did so in more favourable economic conditions than most African countries which suffered from debt and macroeconomic crises.

In addition to favourable economic conditions, ideological conditions also played an important role. The EPRDF had a clear development vision, which was broadly in the same direction as that favoured by the World Bank and

IMF but with a stronger emphasis on state management and parastatal corporations. Upon completing its structural adjustment credit with the World Bank in 1996, the Bank wanted to support continued liberalization and privatization, but the government did not want aid with such conditions attached and refused another adjustment credit (World Bank 2000: 3). Around the same time, the government was in several disagreements with the IMF over various issues, the most substantial one about financial sector liberalization, and the Fund suspended its lending programme in 1997, although it was restored later (Stiglitz 2002: 26). This reduction in World Bank and IMF lending largely accounts for the steady decline in Ethiopia's total aid between 1992 and 1997, at which point the aid volume was half of its 1991 level (Borschgrevink 2008). It is clear that the EPRDF preferred cuts in aid to implementing reforms that it considered contrary to its development strategy.

The EPRDF government also had very favourable political conditions. When the EPRDF government came to power after the end of the Cold War, it aligned Ethiopia as a key geo-strategic ally of the US. Since then, the Horn of Africa has only increased in interest to the US, especially under the US administration's War on Terror since 2001. The US wants Ethiopia to be a regional hegemon capable of maintaining stability and containing the spread of radical Islam. Aware of its strategic importance, the government knows that it had and continues to have significant room for manoeuvre. For example, the US, which currently accounts for close to 30 per cent of Ethiopia's total aid, continued to give assistance and failed to criticize the Ethiopian government after the government's apparent rigging of the May 2005 elections and its obvious repression of protesters and opposition parties (Borschgrevink 2008).[3] Donors' responses to the elections and aftermath diverged to the extent that the effect on aid flows was neutralized. Although budget support was suspended, much of this aid was channelled through different modalities.

Not only does the EPRDF government have confidence in its relations with donors derived from its geopolitical importance and its strong development vision, it also derives confidence from the fact that Ethiopia was never a colony (unlike every other case in this volume, and almost every other country in sub-Saharan Africa). Ethiopia has a long national history of several centuries and came to the aid relationship with a sense of its own equality with donor countries as well as a strong awareness of its own state interest (Clapham 2007). Lastly, Ethiopia does not have the cultural similarities to Western donors that exist in post-colonial African countries, which makes the political and social scene less intelligible to donors.[4]

The EPRDF government also operated in rather favourable institutional conditions. As Furtado and Smith (Chapter 5) point out, 'a culture of discipline and performance pervades government and the civil service'. Ethiopia has a deeply entrenched tradition of the state – the idea of government and the importance of a structure of effective public order. The creation of a functioning bureaucracy derives from the post-war Haile Selassie era (1941–74). The bureaucracy was strained by the revolution and the Derg, but it survived.[5] Ethiopia's effective civil service allows the government to carry out its development vision. It also gives the government credibility in the eyes of donors, who perceive the civil service as characterized by low corruption and leakages and service delivery systems that function.

Given the low level of aid that past regimes received and the stop–start nature of those aid flows over the 1990s, the EPRDF government did not become dependent on aid to finance its budget. However, the sharp increase in aid since 2002 and the emergence of direct budget support seems to be making the government more dependent on aid than before. In mid-2006, the macroeconomic situation began to deteriorate due to increased spending and oil imports, compounded by some donors withdrawing direct budget support. In negotiating the Protection of Basic Services project to replace budget support, the government clearly made concessions to donors: providing opportunities for less compartmentalized discussions on the policy agenda, including regional officials in policy discussions, integrating governance considerations, and allowing discussions on macroeconomic and growth issues and IMF surveillance missions. However, it is not clear whether this new dependence is weakening its negotiating position, or whether the government is making concessions to donors on these issues because it knows that it still has a lot of negotiating capital. The muted response of donors to the May 2005 elections suggests that budget support donors may have forgone enacting financial sanctions in return for greater involvement in policy discussions with the government and concessions on IMF surveillance and civil society participation.

In sum, the advantageous structural conditions of Botswana and Ethiopia shaped their governments' negotiating strategies, but the governments in these countries also played a decisive role in translating these conditions into negotiating capital. Their efforts to coordinate aid to support their development strategies and establish an aid management structure firmly within their domestic institutions ensured their ability to retain control over the policy agenda and implemented policies.

A Partially Successful Case: Rwanda

The RPF-led government that came to power in Rwanda in 1994 shares some of the political and ideological advantages enjoyed by Ethiopia, which accounts for its negotiating strength. At the same time, it also shares structural conditions with the weak group, which limit its achievements. Rwanda is an example of a recipient government understanding its conditions and thus knowing the limited negotiating capital it has to work with, but using that negotiating capital very effectively. Donors may play a role in pushing for reforms in areas that the government is concerned with addressing. However, where donors and the government disagree, the government has persevered with its policies and approaches at its own pace, trying to keep donors on board but also going on without donor support. Although voicing their concerns, donors have generally maintained their support in those areas. Even where some donors have threatened to withdraw aid or actually have, the government pushed ahead in cases where it had clear priorities and strategic interests, rarely changing its position substantially.

The negotiating strategy of the RPF is apparently to manage the joint policy process with donors in a way that maximizes aid but also lets the government pursue its own agenda. This process has two components. First, the RPF uses the orthodox development discourse to tell donors what they want to hear, but it also articulates and pursues its own domestic agenda. Second, it creates parallel policy processes, where one set of policy documents is produced for the Rwandan population and another set is produced to pacify donors, although the content of the two processes overlaps somewhat.

The economic conditions in which the RPF found itself upon accession to power are similar to those of the group of weak countries. In the late 1980s, the Habyarimana government faced a severe economic crisis. When the RPF invaded in 1990 and civil war broke out, the government was also contending with escalating debt, a collapse in the world prices of its key export commodities, and drought. Aid was pivotal to the Habyarimana government and it was in an economically subordinate position to donors. The country's major donors pressed for simultaneous economic liberalization and democratization in the form of multiparty elections, which Klinghoffer (1998) and Uvin (1998) argue destabilized the political situation and catalysed the genocide.

However, the political conditions were very favourable, giving it room for manoeuvre and the confidence to assert its own agenda with the knowledge that key donors would not leave. It is within this context that the RPF-led government pursued a negotiating strategy different from those of governments in the weak group.

The RPF-led government switched Rwanda from the francophone to the anglophone sphere of influence. At independence, Rwanda was widely understood to fall within the French sphere of influence in Africa. Belgium and France provided significant technical support, and from 1975 military support and development aid. Association with the defeated Habyarimana regime after the genocide placed its former sponsors in a difficult position, and French support to Rwanda shrank drastically. The decrease of French support was more than compensated for by increases in support from the UK and the US, which became the country's major donors. The RPF also has been closely aligned, before, during and after the civil war, with a key American regional ally, Uganda. Alongside President Museveni and Meles Zenawi in Ethiopia, Paul Kagame is seen by the US and UK as one of a breed of 'new leaders' in Eastern Africa, who constitute an important anglophone bloc (Cilliers 2001). The significance of this bloc is increased by Rwanda's proximity to the US's key strategic concern in the region, the Islamist government in Sudan.[6] Thus, the US and the UK support the RPF-led government for geo-strategic reasons, which override differences between these donors and the government on issues such as the constitution, the role of parliament and civil society, military incursions into the Democratic Republic of Congo, and numerous technical issues on aid implementation.

In addition to its geo-strategic importance to key donors, the RPF was and still is able to claim moral authority over donors as a result of the genocide, arguing that some donors are tainted by their support for the Habyarimana government that sponsored the genocide and others by their failure to halt the genocide. The RPF thus uses the legacy of the genocide to de-legitimize external interference in the country's domestic affairs. Ethiopia and Rwanda are similar in their sense of confidence in their authority relative to donors. Furthermore, donors take different positions on policy issues and respond differently to actions of the RPF-led government in the post-genocide context, and thus donors have a limited ability to collectively push the government in directions it does not want to go. Thus, donor–government relations in the context of the genocide inhibit the larger degree of donor coordination witnessed in the group of weak countries. Lastly, domestic political conditions may play a role in shaping the government's negotiating strategy. The RPF's secure position in power, until national elections were held for the first time in 2006, reduced the risks of pursuing its own strategy and hoping that donors would come on board, because it did not have to worry about the political fallout from reduced aid if the RPF gambled and lost.

In terms of ideological conditions, the RPF has a clear development vision and strong positions on policy issues, especially in the issues of greatest concern to it. The origins of the RPF as a guerrilla and liberation movement, as with the EPRDF in Ethiopia, probably give it a strong development vision, but its confidence with donors as a result of its political conditions gives it the ability to pursue this vision.

In contrast, the institutional conditions in Rwanda are not very favourable. Much of the state administration was destroyed during the genocide, including its skilled civil servants. The RPF-led government has sought to rebuild state capacity through donor-funded technical assistance, but with the consequence that external actors have influenced strongly the content of policy documents and nearly all ministries house foreign assistants. Dependence on financial and technical assistance has led to the joint policy process mentioned earlier. As the government's administrative capacity increases, there does not appear to be a concomitant decline in donor involvement, but rather donor involvement in decision-making has increased. This is why the Rwandan strategy has only been partially successful. The government's Aid Policy adopted in 2006 aims to halt this encroachment on the government's control over the policy agenda by asserting more control over aid management through restructuring the current aid management system. However, it is too early to judge whether the government is seeking to end the joint policy process.

The case of Rwanda shows that, despite an economic crisis and financial dependence on foreign aid with conditions attached, a recipient government can get away with ignoring a large portion of those conditions when it knows that for political or geo-strategic reasons, a particular set of donors (usually the most important) will not withdraw aid. This finding concurs with the observation of Mosley et al. (1995) that the degree of economic crisis and dependence on the World Bank could explain the toughness of the conditions imposed, but not their implementation and the related issue of the Bank genuinely punishing non-implementation of conditions.

Variations in Mozambique, Tanzania, Ghana, Zambia, and Mali

The group of countries that have been least successful in achieving control over implemented policy outcomes share a set of characteristics which result from the collapse of their negotiating capital in the 1980s. In spite of the differing trajectories that these countries took after the 1980s, in all cases their aid relations were marked by a deepening of conditionality as donors expanded their list of desirable outcomes to cover a huge range of policies, until finally they started setting conditions on the policymaking process itself. In all cases there were few countervailing forces to alter this path. The governments in these countries are not of geo-strategic importance to Western powers. All were presented as model implementers of the donors' agenda at different degrees and points in time. Being a donor darling for policy reasons (as opposed to political ones) mostly confers a greater quantity of aid and not very much negotiating room. In fact, the more intellectual and physical capital a donor has invested in making a country a success story for aid, the more they try to exert influence over development outcomes and thus the policy agenda and implementation. These countries have all also gone through a democratization process in the 1990s. Differences in the political system in these countries prior to democratization and the way political changes have played out help to explain the small differences in negotiating strategies that they have adopted, most of which focused on non-implementation and slippage of commitments after formal agreements had been signed. Before examining the shared set of characteristics, let us summarize the negotiating strategies in each country and their outcomes.

Mozambique and Tanzania: Becoming a Model Case of 'Ownership'

The Frelimo government in Mozambique has been in power since the country's independence from the Portuguese in 1975. Since its first structural adjustment credit in the late 1980s, the Frelimo government has had twenty years of unbroken acceptable relations with the Bretton Woods institutions and other donors. Over this time, the government has developed a strategy of managing complex relations with a diverse set of donors and responding positively to their agendas, while at the same time struggling to maintain domestic political support.

The Frelimo government no longer asserts a clear, independent national development vision. Although largely accepting donor proposals, the government has asserted its position vis-à-vis donors when fundamental political or personal interests are at stake. In some instances, particularly regarding economic policies, donors clearly imposed their policy choices against the government's wishes. These key cases impressed upon government officials that questioning the predominant development paradigm was a losing strategy for an aid-dependent economy. These instances also resonated within a particular historical context in which the people of Mozambique experienced severe hardship during the 'war of destabilization' (a proxy cold war) as a result of the government's pursuit of its own socialist national project. In other instances, the government is able to stand firm on its policy position in the face of donor pressure. These cases were marked either by broad public support backing the government's position or by divisions within the donor community. Lastly, there are instances where the government holds firm on its position out of self-interest among the ruling political elite, but it does so through passive resistance rather than public confrontation.

Frelimo is a broad movement with many internal divisions which undermine its negotiating strength. Frelimo cannot take decisions when internal agreement cannot be reached, and thus the government is prepared to accept donor impositions rather than risk a divided response. De Renzio and Hanlon (Chapter 9) argue that the 'state capture' group within the party, which has become wealthy through the privatization of state assets and the use of donor funds, coexists alongside a more progressive group which would like to promote a national project. The government is forced to find compromises with donors in order to protect the state capture group. A 'pathological equilibrium' thus exists between the government and the donor community in which the state capture group in Frelimo is allowed to enrich itself, as long as the government pursues the policy agenda of donors because the donors need to support Mozambique as a 'success story' of aid in Africa. In the context of limited pressure for accountability within Mozambique society and substantial rewards for going along with donor demands, there are few incentives for the political leadership to take strong positions against donor policies. The combination of opportunities for enrichment among the ruling elite through donor-funded economic reforms and ideological closure around the policy choices possible has created a donor-dominated hegemony that has not left much space for alternatives.

Tanzania and Mozambique share much in common – a history of one-party rule, the pursuit of African socialism as their post-independence national project, and the same party in power since independence. They also share a similar history of tense aid relations turned sweet. The *Chama Cha Mapinduzi* (CCM) government in Tanzania received large amounts of aid in the 1960s and 1970s, but faced a crisis in its donor relations from the mid-1980s to the mid-1990s. In 1994, donors froze aid programmes over concerns about corruption and non-implementation of conditions. The government commissioned an independent group of advisers to mediate between itself and the donors. The report of this group led to a compact between donors and the government to change the rules of the aid relationship. By 2000, a collaborative relationship had emerged between the CCM government and its donors. The informal independent assessment of donor practices against their commitments was transformed into a formal Independent Monitoring Group that now assesses the progress of donors to change their practices and of the government to improve its own systems. The government produced the Tanzania Assistance Strategy for managing its aid, and donors adopted a Joint Assistance Strategy (JAS) to further improve donor coordination, particularly by replacing individual country assistance strategies of the participating donors and create a binding agreement between the government and donors for five years.

On the face of it, policy discussions between the CCM government and its donors are characterized by a high degree of consensus, and there are few domestic challenges to this consensus. When one probes behind the official narrative, the evidence suggests that the consensus does not extend far beyond the Ministry of Finance and even in that Ministry there were tussles over the content of the first PRSP. Outside of the 'pro-reform' community that overlaps the Ministry of Finance, the University, and donor agencies, we can find ruptures in this consensus during sector policymaking in other ministries. The degree of disagreement varies in the cases explored in Chapter 10, with the positions of some line ministries giving way to donor preferences in order to secure aid and others being vetoed by the Ministry of Finance. The CCM has been engaged in negotiations with donors for twenty years now.

How do we explain the official narrative of consensus? Government technocrats know what kinds of development management discourse appeal to donors and they evoke these terms and techniques in order to increase their chances of gaining approval and access to aid. More importantly, the simultaneous advent of multiparty elections, economic liberalization, donor-sponsored governance reforms, and increasing donor involvement in development policy changed domestic politics in the 1990s, particularly within the ruling CCM party. This is one reason why it is hard to discern a contemporary CCM political project which is distinct from the consensus view of development policy held by the majority of donors. Similar to Mozambique, the construction of Tanzania as an 'aid showcase' is the result of the emergence of an influential group inside the bureaucracy which works closely with donor agencies and tries to generate reform processes within the state. This group is the product of a political process. First, those working in the higher echelons of the state have succeeded in attaining new forms of wealth and property both legitimately and illegitimately through economic liberalization. Furthermore, the discourse and practices of aid management have had an impact on the culture of governance, and the money available from donors through consultancies has shaped intellectual agendas in the country.

Regardless of whether the policy consensus is real, some observers say that the government is definitely taking a more active role in managing its aid than many other aid-dependent African countries. But the reforms to the aid management structure in Tanzania have focused largely on issues of aid administration and the donors' agenda of aid effectiveness. There are no signs yet of how these aid processes might provide a basis for the government to take control of its relations with donors and assert its positions. The fact that de Renzio and Hanlon (Chapter 9) come to the same conclusions about the aid management processes in Mozambique that are very similar to those in Tanzania (which is not a coincidence, as Tanzania provides donors with a model for other countries) is very telling.

Thus, the implicit negotiating strategy of the CCM government seems to be to play the card of the 'donor darling' and 'good reformer'. This strategy has given the government some leverage, just as it has in Mozambique, but it is a double-edged sword. Donors have also invested a lot of physical and political capital in making Tanzania a success story both in terms of the economy and in terms of achieving aid effectiveness, and thus want to be increasingly involved in order to make sure it is a success. The government may get lots of aid out of this strategy and an ownership that is largely practised by a specific group within the state, but in the process it has conceded much of its control. While there remains no significant political opposition to challenge the ruling party, the country's politics also remains void of policy debates and challenges to the current 'consensus'.

Zambia: Battling the Debt Burden

More than any other country in the weak group, Zambia's aid relations have been marked by protracted economic decline and a heavy external debt burden, which accounts for the government's weak negotiating capital. For example, in the late 1980s, the ruling party tried to replace the Bretton Woods institutions' structural adjustment programme with its own economic reform programme that asserted more control over the timing and pace of the reform process, including payments on debt service. The Bank and Fund imposed an aid boycott, and bilateral donors followed. The government felt forced to accept the reform programme of the Bank and Fund, which undermined the ruling party's political support and catalysed the ruling party's defeat in the first multiparty elections in 1991. As in Mozambique, memories of this experience still inform the Zambian government's strategy in dealing with the Bank and Fund.

The Movement for Multiparty Democracy (MMD) won the 1991 elections on a platform of liberal economic and political reforms and with a broad base of political support led by the trade unions. However, the party's broad coalition soon fragmented, and the government's domestic political legitimacy waned as it used repressive tactics and became plagued by corruption. As the MMD lost much of its popular support, donors and (a faction of) the party leadership became mutually dependent. Donors needed the MMD to implement reforms so they could point to Zambia as a success story of the dual transition to the market and democracy, while the MMD needed donors to finance basic state functions. The MMD's eagerness to please donors and investors was encouraged through massive aid increases in the early 1990s. But from 1996, this accommodation between the MMD and donors became strained. The failure of the reforms to improve the economic situation weakened the MMD's popular appeal, and elements of the party splintered into opposition parties. The incentives of new global-debt relief initiatives thus arrived at just the right time for donors to maintain the upper hand in the government's balancing act between internal and external pressures.

The MMD's decision to trade popular support for international backing meant that it lost much of its domestic political legitimacy. Elections in 1996 and 2001 were perceived as fraudulent and returned the MMD to power with ever-weak electoral mandates. The loss of domestic political legitimacy also seems to have undermined the government's authority in the eyes of donors and thus its negotiating strength. However, the 2006 elections marked a turning point. Although the ruling MMD were returned to power with an increased popular mandate, they also lost all their seats in the key urban centres in the face of a populist rebellion driven largely by protest against the impacts of privatization and foreign investment. Both outcomes have strengthened the government's hand with donors, since the government's mandate is beyond question, but so is its role as the only actor capable of negotiating with newly mobilized social forces.

Economic conditions, which have historically explained Zambia's weak negotiating strength, have also recently improved, with high prices since 2003 for the country's main export (copper) and the delivery of a massive debt relief package. Under intense domestic political pressure to move towards a nationalist development policy, the government defied donor preferences when it ended tax concessions offered to privatized mining firms by cancelling legally binding contracts originally signed under World Bank supervision. A new tax code should raise over $400 million per year, further reducing the government's dependence on donors.

Nonetheless, it remains unclear how far the government will be willing to go towards a stronger assertion of control. The government's aid strategy, developed before the electoral shocks, continues a strategy of seeking donor support through a constant reassurance. Such strategies may bring in more funding, but seem less likely to generate policy space as the recipient must constantly prove again its 'commitment'. A more aggressive and politicized citizenry clearly offers the state greater legitimacy in challenging donor preferences. The economic conditions are travelling in the right direction. But it remains unclear whether the government can fashion an ideological or political story of its own that might drive a new Zambian aid agenda.

Ghana: Competitive Party Politics

Like all the countries in the weak group, economic decline and a debt burden brought Ghana to the Bretton Woods institutions in the 1980s in a very weak negotiating position. The economy's continued macroeconomic instability and growing external debt during the 1990s did little to change the economic conditions. The experience of the 1980s set the scene for what has become an embedded aid system, where donors have a large influence on policy and participate intimately in policymaking and implementation processes. This situation is not unique, but rather the norm for the weak group. The difference in Ghana is that this embedded aid system occurs in the context of an increasingly competitive multiparty political system and thus has given rise to a slightly different logic governing the aid relationship than in electoral systems in Mozambique, Tanzania, and Zambia (before 2006) where there is no threatening opposition party.

With few economic resources outside the traditional aid system, the NDC governments (1992–6, 1997–2000) found it hard to set the policy agenda and to forge a development strategy independent from donors' priorities. The strong development vision under Rawlings' quasi-military government gave way under electoral politics to pressures within and without the ruling party. Ministries negotiated on donor-initiated programmes, policies, and projects, under the strategy of maximizing aid inflows. The Ministry of Finance resorted to the strategy of non-implementation where the government strongly disagreed with the policy conditions attached to IMF and World Bank arrangements, or deemed the conditions to be too costly for the ruling party. Politicians are driven by the four-year electoral cycle. The imperative to deliver visible goods and services to meet the high expectations of electoral constituencies is strong. There is little incentive to pursue policies or projects that cannot attract aid and a strong incentive to go along with what donors want as long as it can deliver foreign exchange or development projects.

A dynamic similar to the one driving politicians was played out in the public administration. The civil service was politicized under the first independent government and then stripped of much talent after economic decline in the 1970s sent those who could leave searching for greener pastures. The process of structural adjustment in the 1980s further marginalized the civil service. Since the 1990s, the poor working conditions and heavy burden of the aid system have resulted in civil servants relying on the perks of the aid system for resources to do their job – or letting the donor-paid technical assistants do it instead.

These dynamics gave rise to a way of managing aid that developed over the course of the 1990s that we call the *default programme*: in a majority of cases, government officials and civil servants negotiate as far as they think they can on a particular loan or grant, but accept the aid package in the end, even if the policy and programmes attached to them do not adhere to a ministry's priorities or are seen by government negotiators as not particularly useful.

The New Patriotic Party (NPP) came to power in 2001 with a strong development vision, but it inherited an economic crisis and an aid-dependent budget as well as an embedded aid system and the default programme. During his first term, President Kufuor focused on securing debt relief under the Heavily Indebted Poor Country (HIPC) initiative. While the new NPP government took stronger stances in aid negotiations than its predecessor, it still often resorted to non-implementation as a strategy for avoiding or delaying policies attached to IMF and World Bank arrangements. It is clear that the government agreed with many of these conditions, but wanted to do it in its own time and in accordance with managing the political economy of reforms. Beyond the Ministry of Finance, however, the government's ability to negotiate aid to its purpose seemed to depend on the drive of particular ministers.

With an upsurge in economic growth and access to new sources of finance from China and the international capital market, the second NPP government (2005–8) has more room to pursue its development vision, set its own policy agenda and implement it with new resources, with or without the support of traditional donors. However, the government still depends on and needs funds from traditional donors and still speaks the donor discourse and wants to be seen as a 'good partner', using that as a source of negotiating capital. Thus, the government's negotiating strategy (and development vision) seems to be heading closer to that of the RPF-led government in Rwanda. The issuing of commercial debt, the discovery of oil, and increasing loans, grants, and trade with China may also be giving this Ghanaian government the self-confidence that previous governments since the 1980s have lacked.

Mali: Constructing Consensus Government

Similar to the other countries in the weak group, the Malian government has adopted a strategy of compliance with donors aimed at maximizing aid flowing into the country, maintaining the status quo and giving donors the minimal signals of commitment. In the short run, this strategy of compliance seems quite efficient in getting increased donor attention and aid flows. This strategy gives President Touré the means to ensure stability and the sustainability of Mali's consensus political system. In 2002, President Touré, a former military leader, instated a consensual political system, which is based on an oversized coalition in which all the main political parties share executive power, and no party is willing to be in opposition for fear of marginalization. The political system ensures the monopolization of access to state resources and their distribution.

The economic conditions in Mali are as unfavourable as the political conditions. Upon independence from France in 1960, the Malian government pursued a programme of 'rural socialism' as a strategy of economic decolonization, but in the process it became dependent on Soviet support and advice. The military coup in the late 1960s failed to stem the impending economic crisis. Like most African countries, by the beginning of the 1980s, Mali was knee-deep in an economic crisis characterized by debt and budget deficits, and the government signed structural adjustment loans. The social costs of structural adjustment were crucial to the fall of the military regime and the introduction of multiparty rule in 1992. The economy remains hindered by serious structural constraints to growth, and migrant remittances form a substantive source of wealth for the country.

The new democratic regime was fragile and President Konaré, in power for all the 1990s, had little economic vision. Likewise, his successor President Touré had no clear development vision for the country. However, in 2006 (and in the run-up to the 2007 elections), President Touré asserted his own development plan and refers to it instead of the country's PRSP, although its content is not that different than PRSP and it does not present a coherent ideological vision that can challenge the prescriptions of the donors.

It seems that an implicit division of labour has emerged over time between the government and its donors: donors elaborate and finance projects and programmes, the IMF controls public finances, and the Malian government tries to maximize aid by accepting what is being offered and negotiating at the margins. When the government and donors disagree on policy content, it is very difficult for the government to get the upper hand during negotiations over the content of specific policies. However, the government has more leverage during implementation, when it can sometimes bypass donor demands or pursue its own objectives.

The government's strategies in aid negotiations are affected by the lack of unity in the government, itself reflected by a fragmented aid management system. This lack of unity results from two sets of factors. First, the particular characteristics of the history of development policies carried out since independence and the consensus political system developed by President Touré explain the weakness of recipient ownership in the country today. Following the 2007 elections, the consensus political system may finally be coming under attack from opposition groups and parties, but it is too early to say whether these signs really result in significant change and the effects of that change on aid relations. The second factor is that the perverse incentives in the bureaucracy created by the aid system encourage ministries to pursue separate strategies to get resources, instead of standing for a national strategy for managing aid and ensuring policy prioritization and implementation through national structures, in the context of a weak, donor-penetrated, and highly politicized civil service.

Common Legacies Among the Weak Group

Economic conditions have been crucial to the collapse of negotiating capital of governments in Ghana, Mali, Mozambique, Tanzania, and Zambia. Debt and balance-of-payments crises in the 1980s meant that governments desperately needed foreign exchange and had to negotiate the terms of structural adjustment credits and debt rescheduling with the Bretton Woods institutions from a subordinate and vulnerable position. More generally, the imperative of accessing debt relief seems to have driven the governments in all of the weak group to more or less acquiesce to donor demands during the HIPC process – formulating and implementing a PRSP, staying on track with an IMF arrangement, and meeting a series of other conditions negotiated with the IMF and World Bank (at least on paper). Economic conditions also are behind recent signs of a revival in the negotiating capital of the Ghanaian and Zambian governments.

The legacies of these economic conditions explain to a large extent the negotiating strategies of countries in the weak group, but they cannot explain everything. Why do some governments continue with strategies of compliance when their economic conditions are improving? Why do these governments accept subordination and intimate participation of donors in policy-making when they might be able to project their structural conditions in a different way that would more effectively maximize their policy control? How do we explain the paradox that in most of these countries the government occasionally states its irritation with the overweening influence of donors, and government officials frequently discuss conditionality as a problem, and yet in most countries, donors suggest that one of the reasons they have so much influence is the refusal of the government to lead, even when invited to do so?

The answers to these questions can be found in an examination of the political, ideological, and institutional legacies of these countries' continuous engagement with the World Bank, IMF, and other donors since the 1980s. As a result of this engagement, these countries share a set of common characteristics: a state of permanent negotiation with donors, the gradual entanglement of donor and government institutions alongside the limited (re)building of the recipient's public administration, and the political dimensions of aid dependence. These characteristics have become key factors shaping the incentives facing recipient governments. They explain why governments in these countries often strive to maximize aid flows without necessarily maximizing control over the policy agenda. Their general negotiating strategy starts by recognizing their own subordination. By doing so, it fundamentally undermines their negotiating strength and perpetuates their weakness.

The Politics of Permanent Negotiation

The proliferation of donors and donor agendas to which the governments in Mali, Mozambique, Ghana, Tanzania, and Zambia have to respond has led to the diffusion of government control over its development programme. In these countries, a continuous and permanent negotiation has developed over policies, programmes, and projects between donors and governments. While the 'policy dialogue' is no longer characterized by ideological polarization between African governments and the Bank and Fund, and African Ministries of Finance now generally agree that macroeconomic stability is vital, there are still substantial disagreements on economic policy, especially around privatization. The rest of the 'policy dialogue', and the conditionality that it produces, focuses on the pace and sequencing of reforms and spending priorities. However, it is the permanent negotiation over the details of almost every policy that is a key constraining factor for these governments. Donors may ultimately give in on a condition or choose not to punish non-implementation of conditions, but they nonetheless continue to assert their preferences either in the form of traditional conditionality or in the form of intimate participation in policy discussions and attempts at micromanaging project and programme implementation. Permanent negotiation places an immense burden on recipient administrative systems, making it hard for these governments, which have administrations of varying but generally weak capacity, to keep up.

Permanent negotiation also means that ministers and civil servants do not negotiate with donors every time there is a disagreement. They pick only the important battles. These relationships have become such a routine that the governments know what different donors want to see in a development strategy or sector policy. Ministers and civil servants thus may pre-empt tough negotiations over policy choices by adopting donor preferences in advance in order to gain the maximum amount of aid or donor favour that may be leveraged in other negotiations. Furthermore, technocrats in the Ministries of Finance in these countries seem to share a greater affinity with donors, partly due to their shared epistemic community in economics training and partly because they have usually developed a close working relationship with donors as the key negotiator. Budget support has buttressed this role even further. Lastly, the Ministry of Finance aims to maximize resources for the budget. In Zambia, for example, there are individual staff units in the Ministry of Finance to service each of the major donors. The clear incentive for staff in each unit is to keep the relationship friendly and to maximize the flow of resources. Therefore, Ministries of Finance are likely to prioritize reaching a consensus with donors and not pushing the government's negotiating position on individual policies too far. Tough negotiations are reserved for instances where there is strong disagreement over policy areas seen as vital to the economy, to the ruling party remaining in power, or to the personal interests of government officials. These governments have less resources at their disposal during negotiations with the World Bank and IMF, although they may have more technical knowledge in negotiations with bilateral donors.

As a result of permanent negotiation, these governments spend most of their time responding to donor initiatives and negotiating on that basis, trying to work their own priorities into the donor agenda or waiting until implementation to steer the project or programme towards their preferences. These are priorities of the minister or civil servants in the negotiating ministries, but they are often not thought of and located within a coherent national development strategy. Therefore, this is predominantly a defensive strategy, which leaves these governments with little time to devise policies independently of donors and little intellectual space to develop coherent ideological frameworks, which they can then bring to the negotiating table with donors. Donors have short cycles of intervention and do not give governments enough time (and space) to elaborate their own strategies or propose alternatives to donor policies.

Despite the claim that the PRSP approach should help governments to develop long-term coherent strategies, PRSPs do not overcome this problem. They tend to be an aggregation of existing government and donor sector strategies and projects, rather than an ideological coherent national strategy for achieving growth with poverty reduction in the next ten years and prioritized, concrete steps to achieve it. Donors have criticized most countries' PRSPs on exactly these grounds, describing them as mere shopping lists. But the studies of the weak countries show that this is the result of several factors emanating from the character of aid relations: donors insisting that their favourite projects are in there, governments knowing what donors want to see in a PRSP if they are to fund it, and governments trying to write ambiguity into the document as a strategy of securing more room for manoeuvre by putting in both government and donor priorities. The result is a document that is rarely coherent and prioritized and rarely wholly owned by the government.

Institutional Entanglement

The diffusion of government control over its policy agenda and implemented policies as donors proliferated also led to a fragmented aid management structure, where the tasks are often widely disbursed, the division of labour between ministries vague, and donors negotiate projects and policies directly with line ministries. The situation in the weak group is in stark contrast to the aid management structures that are an integral part of the negotiating strategies in Botswana and Ethiopia. Although the official aid management structure in the group of weak countries may stipulate that aid is negotiated through a centralized ministry, the country studies show that the reality is quite different.

There are good reasons why the group of weak countries does not have a centralized aid management system. The proliferation of donors and diffusion of government control took place in a particular context. First, structural adjustment lending gave the Bretton Woods institutions an intimate position in policymaking processes by the end of the 1980s. The political context of economic reform in some of these countries witnessed the Bank and Fund siding with a section of the ruling party or regime that favoured the reforms in order to sideline other individuals or groups that did not want to pursue the reforms at all or at the quick pace pushed by the Bank and Fund. Divisions within governments over the direction and pace of economic reforms in the 1980s often meant that recipients found it hard to present a united front to donors around a common position. Thus there was no single development vision around which aid could be coordinated. The sometimes secretive nature of reforms under structural adjustment meant that policy-making occurred outside the existing bureaucratic institutions. These practices exacerbated the already poor condition of the public administration in some countries, such as Ghana, where the civil service had been decimated by economic decline and politicization. Finally, under the auspices of civil service reforms, the World Bank and IMF pushed for the deliberate dissembling of planning systems in countries where these systems were still functioning, such as in Mali and Zambia, and tried to prevent the re-establishment of a planning department in Ghana. On their part, governments in the weak group of countries have failed to take tough decisions to improve their public administration, particularly the civil service.

Fragmented policymaking and budgeting processes that resulted from the influx of aid and donors and almost non-existent national planning systems meant that recipient governments were in weak positions to coordinate aid according to a national development plan as in Botswana. As a result, donors started coordinating aid giving among themselves in the 1990s. Donors created arenas for ‘policy dialogue’ between the government and themselves. These arenas multiplied to cover all policy sectors as donor agendas proliferated. Towards the end of the 1990s and early 2000s, these arenas became more organized and interconnected to each other, especially with the advent of PRSP processes and budget support where discussions at the sector level began to feed into discussions of general budget support. In Mozambique, there are twenty-nine sectoral and thematic working groups which meet regularly to accompany the formulation and implementation of government policies.

Thus, the fragmented aid system in the 1980s was transformed into a joint donor–government planning process by the 2000s. Notably, this transformation took place against the backdrop of a general failure (of both recipient governments and donors) to rebuild public administration systems in recipient countries and use these instead. So what was left in most countries is a joint policy process parallel to a country’s official policy processes (including a weak planning system struggling to reassert itself). It is here that Rwanda more resembles the weak group. However, Rwanda apparently has been able to balance domestic and donor policy processes while pursuing its own policy agenda. The group of weak countries, on the other hand, have ended up folding one process into the other. Whether it is substituting the PRSP for a constitutionally required social and economic programme (as in Ghana) or whether it is nominally stating that the country’s domestic planning system is paramount but then following the same procedures of the PRSP process (as in Zambia), the result seems to be the same: the domination of a joint policy process in which donors are extensively involved.

In general, the lack of centralized negotiations has led to fragmented negotiating positions among ministries, which undermines the government’s negotiating strength. The joint policy process gives the government little room to reach policy decisions independently (in the public realm, at least) and then negotiate with donors. Once a consensus is reached through the joint process, it is harder for the government to change its policy position (than it would be through domestic policy processes alone) because of the sheer number of actors involved. Thus, the joint policy process, particularly budget support arrangements, locks both government and donors into a rigid framework. The increasingly coordinated nature of donors reduces the flexibility that governments have to seek alternative sources of finance among traditional donors as well as alternative development strategies (since PRSPs include much of the structural adjustment agenda with increased social sector spending pushed by bilateral donors concerned to meet the Millennium Development Goal targets). In many ways, the recipient government has to engage with a divisive board of supervisor (donors).

In this situation, the incentives are very strong for the recipient government to adopt a strategy of going along with the consensus produced through the joint policy process, but try to stick in its priorities where possible and when it really matters. This strategy has three side effects. First, it usually produces 'compromise documents' which are not wholly supported by the government (or donors). Second, governments do not want to be confrontational with donors, because government officials have to continue to work together in this joint process, and confrontation only makes that job harder. Third, the absence of effective authority over policy (with neither governments nor donors exercising complete control) leads to fragmented policymaking and policy implementation processes (Williams 2006).

Political Dimensions of Aid Dependence

African governments have been dependent on aid since independence to retain their position in power to some extent. However, there is more to the contemporary phenomenon of political dependence than this, partly as a result of the long continuous relations between donors and particular governments and partly as a result of new imperatives facing governments after the return to multiparty rule in the mid-1990s. The new facets of political dependence vary across the countries depending on the prior political system and the process of democratization.

In Mozambique and Tanzania, which transitioned from a one-party system to a multiparty system but where the same party remained in power through elections, portions of the ruling party used their position in government to benefit from economic liberalization and the aid industry, and in return became strong supporters of the donors' agendas. In both these countries, donors (intentionally or unintentionally) buttress these parts of the ruling government and turn a blind eye to corruption as long as their reforms continue to be implemented.

Zambia is also a former one-party state, but in this case the ruling party (UNIP) lost in the first round of multiparty elections to the MMD. The MMD party leadership decided, upon taking power, that the only way to rebuild the country was in partnership with donors. Donors clearly welcomed the move and offered massive financial rewards to try and make the 'dual transition' work. When the reform programme decimated the MMD's urban support base, the MMD government turned initially to repression and vote-rigging to stay in power, severely straining the partnership with donors. In 2006, however, a potential new interdependence emerged. Under pressure from donors for free and fair elections, the MMD managed to survive the total collapse of its old urban base by winning big in rural areas. Successful famine relief programmes and delivery of rural development programmes, both heavily dependent on donor support, appear to have played a large role in saving the MMD from rising populist opposition forces. Donors and the MMD thus find themselves again in partnership, this time with the main objective of keeping the opposition out.

In contrast, Ghana returned to multiparty rule after military rule and against a backdrop of historical political instability. Consensus-building across the political elite to play by the new rules of the electoral game and a strong tradition of two rival parties since independence produced a highly competitive multiparty system with a credible opposition and the real prospect of alternation of power. This political context has increased the political risks for a ruling party of trying to change the country's relations with donors. The ruling party and individual politicians need increasing budgets financed by aid to deliver visible public expenditures and election campaign promises in order to get re-elected. The new ruling party (NPP) that came to power in 2001 supported the status quo aid relationship, because it wanted to secure debt relief and did not want to risk losing aid. Only when the country's economy improved and other sources of finance became available did the NPP government begin to take more risks and to pursue its own agenda. However, it still depends on official and private aid agencies to deliver development projects to meet the expectations of its citizens.

The consensus political system in Mali also seems to be dependent on access to aid resources. In return, the Traoré government seems to have ceded most of its policymaking role to donors. Donors, on the other hand, are investing in making Mali the Paris agenda success story in francophone West Africa.

There is an element of interdependence emanating from these governments' political dependence on donors, because donors want to retain their 'partnership' with the existing administrations, which should give these governments increased negotiating capital. In cases, such as the period after the 1991 and 2006 elections in Zambia, where the ruling party is seen as a bulwark against an economic or political agenda to which donors are particularly hostile, ruling parties are also aware that they gain negotiating leverage from being the 'best bet' or the 'least worst option'.

But this interdependence also undermines governments' negotiating strength, in the sense that it undermines the government's willingness to develop and pursue its own policy agenda and to mobilize domestic public support around it. It also seems that these governments have become accustomed to the increased budgets that aid provides and are unwilling to forego aid and justify to their populations any decrease in public spending (or aid activities) that might result from taking stronger policy positions or charting a development strategy outside of the purview of donors. Perhaps these governments' position in power is just too fragile to attempt any major change in the status quo. In Mozambique, Frelimo apparently had to interfere in the 2004 election to ensure its victory. The MMD in Zambia also interfered with elections in 1996 and 2001, and when elections were considered free and fair in 2006, the opposition party seriously threatened its hold on power. The political system itself in Mali seems very fragile, only held together by the distribution of state resources. In Ghana, the competitive nature of its party system makes every election interesting. Only in Tanzania does the ruling party not face a serious threat to its power, at least on the mainland. Perhaps it is because the CCM can only retain control on Zanzibar through fraudulent elections and repression that makes it dependent on donors to recognize and buttress its domestic political legitimacy.

Conclusion

The key factor structuring the negotiating strategies of African governments in our country cases is whether or not those governments know that donors will *not* withdraw support if their conditions are not met and the degree to which those governments are willing to risk aid withdrawal in any case. Governments in Ethiopia and Rwanda are confident that donors will not abandon them, but are also willing to take the risk, whereas governments in the weak group are not. The governments in the weak group have opted to accept their subordinate position and the inevitability of intimate donor involvement in policymaking, and then pursued strategies to maximize their policy control within that context. These have not been successful strategies for securing control over their country's policy agenda.

The question then is why the governments in Mali, Mozambique, Ghana, Tanzania, and Zambia perceive their subordination as inevitable? Or put another, less deterministic way, what are the incentives for these governments to remain in their subordinate position, rather than pursue other negotiating strategies? As Mosley et al. (1995) pointed out in their analysis of World Bank aid in the 1980s, governments will pursue Bank-sponsored reforms if they perceive the political costs of not doing so to be too high. This conclusion still holds, but what has changed is the context in which African governments make that decision and thus the factors influencing their calculations of risk. Not only does the history of the continuous relations shape the way that ministers and officials deal with donors and the power that they feel they have to question and resist donor conditions. The weak or fragile domestic political support of governments combined with their dependence on aid to shore up their political legitimacy provide strong incentives for remaining in a subordinate position to donors, and the conditions of permanent negotiation and institutional entanglement provide strong disincentives for recipients to challenge their subordination. Where survival of the government is linked to the continuation of aid and where the ruling party or government members derive rents from aid, those providing the aid will have the upper hand in aid negotiations.

The political, economic, ideological, and institutional conditions that have led to Botswana, Ethiopia, and Rwanda's negotiating strength offer little hope of generalizing from them strategies that could be pursued in a wider set of aid-dependent African countries. They are either the product of unique circumstances which are not replicable or of factors beyond the control of recipient governments. However, this is not to say that African governments are constrained by their structural conditions; they can try to draw more negotiating capital out of their existing conditions or they can try to change their conditions. Furthermore, the international political economy is also in the midst of changes and new sources of finance outside of the traditional aid system are becoming available to African governments. Lastly, we consider why aid reforms in the Partnership Era did not provide opportunities for significantly increasing recipient ownership for the group of weak countries.

The RPF government in Rwanda adopted an Aid Policy in 2006 and the MMD government in Zambia have drafted an Aid Policy in the last few years (not formally approved at the time of writing), which outline their rules for receiving aid and their expectations of donors. The government of Mali approved an action plan for implementing the Paris Declaration in 2007. The most interesting aspect about the experiences of Mali and Zambia is that, in drafting these documents, government officials imposed less strict constraints upon donor operations or required weaker commitments from donors regarding their operations than some donor staff in country offices would have liked to have seen in the document.

This paradox is explained by the absence of significant changes in the conditions which underpin these governments' dependence on donors, and thus these governments simply do not believe that they can all of a sudden change behaviour and expect donors to respond differently than in the past. The Paris agenda also lacks legitimacy in the eyes of these governments, who consider it to be mostly a donor initiative and not a useful tool in pursuing their own goals. In any case, there is little in these countries' contemporary experiences to suggest that donors are more inclined to follow the government's lead. Major battles over privatization continue to be fought in both countries. In Zambia, for example, key donors are pushing the ownership rhetoric and the JAS (such as the World Bank and UK) and have struggled (successfully in the end) to get outlying donors (such as the US and Japan) to sign up. Recipient governments are aware that although donors may sign up to JASs, they will not necessarily do what the strategies say. Thus, when important donors suggested that the governments in Mali and Zambia should be more assertive, they are effectively asking them to accept that donors have changed just because they have signed the Paris Declaration, even though their behaviour does not match their rhetoric. Furthermore, the Tanzania government's pioneering attempts to radically change the rules and roles between donors and the government, arguably in the most amicable environment for pursuing a 'transfer of ownership' to the government, failed because donors refused to accept such changes and the government conceded (Helleiner 2002).

International processes and the discourse of ownership have driven much of the change in aid management systems in the group of weak countries, and the country studies reveal the limits of donor-driven reforms of the aid system. The overwhelming conclusion across the country studies is that changes in the administrative systems and the creation of joint donor–government aid management processes are very unlikely to make a break from donor dominance and deliver much increased ownership of governments over the policy agenda. This holds true for budget support arrangements, sector-wide approaches, JASs, harmonization groups and even the newest innovation of aid policies. The country chapters show that the new aid modalities created by donors are actually intensifying institutional entanglement. The PRSP process has institutionalized donor presence throughout the planning process. The new aid modalities are also increasing, rather than decreasing, the bureaucratic burden on recipient governments, the complexity of interactions with the donor collective, and the rigidity of aid processes as more donors are involved.

How do we explain these perverse outcomes of the new aid reforms? There is a tension between donors using the ownership discourse but yet retaining the use of conditionality and actually increasing their attempts to micromanage policymaking and implementation of policies in recipient countries. This tension results from the pragmatic responses of donor agencies to new aid modalities that in theory are supposed to decrease their control over the use of aid and the emergence of new norms among donors regarding their role in recipient countries.

Ironically, at the same time that the populations in donor countries were increasingly concerned that aid be used to address development and world poverty issues (in contrast to the 'bad old days' of Cold War aid), aid reforms in theory moved in the direction of giving recipient governments more discretion over the use of aid funds. Donors still have to be accountable to their countries for the use to which their aid is put and its outcomes, and official aid agencies produce plans and strategies outlining the goals they want to fulfil: more people with access to water, health, and education; better governance; and human rights. Therefore, donors are searching for ways to make policies more 'owned' by the recipient government and society, but without giving up too much control. Donor staff want to make sure that their aid is being used to support a policy or project with which they agree and which fulfils the objectives of their agency. While pursuing modalities that increase the discretion of recipients, such as budget support, they negotiate with recipients detailed performance assessment matrices against which disbursements will be made. For example, Ghana's budget support matrix for 2006 had sixty-seven targets and conditions.

Furthermore, extensive participation of donors in recipient government policymaking processes has become a new norm governing the behaviour of donor agencies. This norm developed slowly over time but has been given an institutional form and stronger legitimacy through budget support. Budget support donors in Mozambique feel they have a right, in fact an obligation, to challenge a wide range of government policy decisions. How can governments create aid policies that set new limits on donor involvement when donors have come to see this involvement as their right and challenges to it as illegitimate and hostile behaviour on the part of recipient governments? Civil servants in some of the countries in the weak group such as Zambia or Mali have apparently accepted the idea that donors have a joint role in planning and financing development. This new donor norm of participation is linked to a lack of trust in recipient governments. Donors say that they require trust in order to give up control and let governments take the lead, but aid practices in the country studies show that for donors to really trust recipient governments, donor staff (or the consultants they fund) must be heavily involved in decision-making. Donors see their relationship with the EPRDF government in Ethiopia as characterized by a low level of trust because the government keeps donors out of its decision-making process, controls the nature of policy discussions, and will not let donors negotiate directly with line ministries. Apparently, donors see long-term dialogue on a broad range of policy issues as necessary to increasing aid effectiveness in the partnership era.

The Conclusion considers whether or not the structural conditions of aid-dependent African countries are changing, and how African governments could capitalize more effectively on these conditions in their strategies for negotiating aid.

Notes

1. World Development Indicators, April 2007.
2. The government currently finances its agenda through untied budget support and funds from China and Libya. In addition to prioritizing spending, the recurrent cost of the budget is lower than in some other countries (such as Ghana), partly due to a low salary structure and small civil service (relative to other African countries) and partly due to the early stage of development of the systems.
3. Aid flows to Ethiopia increased threefold over the period from 2000 to 2005, just over 50 per cent of which is accounted for by increased aid from the US and the World Bank (Borschgrevink 2008).

4. For example, Ethiopia uses a totally different calendar and system for telling time.
5. I owe this point to Christopher Clapham.
6. Georges Nzongola-Ntalaja, 'The International Dimensions of the Congo Crisis', UNDP Oslo Governance Centre. Undated. Accessed in September 2007 at http://www.undp.org.

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Conclusion: Changing Conditions?

Lindsay Whitfield[1]

This book set out to assess how successful eight African countries have been in securing control over implemented policies in their negotiations over foreign aid with traditional donors. We hoped that understanding how some African governments had achieved a strong negotiating position vis-à-vis donors would indicate the conditions most likely to support effective negotiations and, even where these conditions were not present, the strategies that could help weak countries to increase their bargaining power.

We also set out to bring to light a number of paradoxes in the contemporary aid system created by traditional donors, captured in the observation that donors want recipient governments to take more control over their policies, but many African governments were apparently failing to do so. We have argued that key to understanding these paradoxes is how the aid system has developed within particular countries over time, the ways in which it has interacted with those countries' political actors and systems, and the new dynamics produced through this interaction. By revisiting the negotiating strategies attempted by recipient governments in the past, donor responses to them, and the type of aid relationships that have developed over the last two decades, we have argued that perceived recipient passivity has been in part generated by past and present donor policies and donor interactions and entanglement with recipient institutions and dynamics. This book has shown that only with an understanding of the economic, institutional, political, and ideological effects of two decades of aid dependence can we understand the contemporary negotiating strategies of many African governments and make assessments of the impact on recipient ownership of recent reforms in the aid system.

This book argues that during the post-colonial period (roughly 1960 to 1975), African countries' economic, ideological, and political conditions were supportive of assertive negotiating strategies. However, by the early 1980s, the twin crises of unsustainable debt burdens and macroeconomic instability had caused a sharp decline in the negotiating capital of most African countries and African governments were increasingly pressured to acquiesce to donor demands. Through the next two 'lost decades' of African development, many African governments pursued negotiating strategies that both reflected and reinforced their weak negotiating position. Long-term economic failure also coincided with democratization in many countries and new forms of dependence on aid emerged, with the continuation of donor sponsorship appearing central to the political survival of a number of ruling parties and the loss of sponsorship appearing as a key factor in the collapse of a number of other regimes. In the face of economic collapse and externally imposed austerity measures, many governments struggled to maintain basic state institutions, and their negotiating strength was further undermined by a weak public administration with a demoralized civil service left with little initiative to do anything but milk the 'aid cow'. Having externalized much decision-making, leaders in many African countries have found it increasingly difficult to construct convincing rationales for policy changes, let alone a clear vision about where their country is going and about the contribution of public policies to achieving that outcome. This created serious weaknesses of legitimation and democratic mobilization from a relatively early stage. Since the mid-1990s, aid donors have also become aware that, by externalizing decision-making authority, they had contributed to the absence of locally legitimate, developmental narratives. Donors' core modes of operation were recognized as a block on the achievement of their own core objective: to 'embed' liberal modes of economic management and political governance in capable state institutions that enjoyed the support of local populations.

Our country studies suggest that the technocratic solutions to a lack of 'ownership' embodied by the Paris Declaration are unlikely to overcome the habits of deference and risk-aversion that have grown over the past decades in the group of weak countries, as they combine an idea of ownership as commitment and an ongoing legitimation of external conditionality and surveillance. Central in much thinking about the present and future of aid are the ideas that (*a*) participatory planning can achieve a national consensus on poverty reduction proposals; (*b*) 'partnership' relations between donors and recipients are possible due to a consensus between donors and recipients on best practice; and (*c*) change in donor–recipient relations will be driven by developments internal to those relationships themselves, embodied in the 'new values' of the Paris process.

We suggest, in direct contrast, that change in donor–recipient relations is much more likely to flow from changes in the relative negotiating capital between recipients and donors. Notably, the countries examined in this volume which have the greatest negotiating strength were those which did not experience a debt crisis or severe macroeconomic instability in the 1980s and thus did not enter negotiations with the Bretton Woods institutions in a subservient pose. In addition, they have been able to draw on advantageous institutional, ideological, and political conditions which did not exist in the group of weak countries. However, more African countries have conditions similar to the weak group than they do to Botswana and Ethiopia. Thus one might expect the book to conclude on a pessimistic note.

However, after much of the research for the country studies was completed, interesting changes in the global political economy have become increasingly obvious both to us and many other scholars. Everyone wants to talk about the role of China in Africa, for example. This raises an interesting possibility. Might the new economic opportunities opening up to African countries, and changes in the rest of the world, herald a new motor force of history? Might they have significant direct and indirect effects on the African continent as material, political, ideological, and institutional conditions on the continent undergo rapid change, and the aid relationship is, as historically, dramatically changed by the context in which it exists? In concluding we thus take a look at some of these recent events and their potential to change the structural conditions of African countries, as well as how African governments might act to change their conditions or capitalize more effectively on their existing ones.

Economic Conditions

For the past few years, African economies have been growing at a rate faster than the average for the world economy. This is an entirely novel situation. The export of raw material is certainly an important factor behind this growth, as demand for the region's exports is still increasing, keeping prices high. Commodity prices have risen steadily since the early 2000s, and in 2006, the terms of trade of oil-importing countries in sub-Saharan Africa increased by 6 per cent. The past few years have seen a reversal in a six-decade trend where the region's share of global trade had been falling (IMF 2007). The pattern of growth within Africa is becoming increasingly diverse, with more and more success stories. If you exclude the boom in India and China, sub-Saharan Africa is growing faster than most of Asia. The World Bank's report *African Development Indicators 2007*, while warning of uneven growth across the continent, indicates that the current economic growth spurt is not merely a repeat of past commodity booms.

Investors are beginning to look at the region exactly because there has been a fundamental change in its economic prospects. New sources of finance have become available as the continent is seen increasingly as a place for high-risk/high-return investment.[2] Africa's stock markets outperformed world averages in 2006, and increasing foreign investment from countries like the Netherlands, Russia, India, and China means that African companies are finding it easier to raise money.

Economic growth in Africa could be negatively affected if a potential US recession spills over into the global economy (IMF 2007). Correlations between the US economy and sub-Saharan Africa have historically been weak, although trade linkages increased in recent years. There is stronger correlation between Africa and Europe, and so a slowdown in the euro area could have a more significant impact. The region's economic prospects are increasingly linked to the dynamism of the emerging economies, particularly Asia. Twenty-five per cent of the continent's exports go to Asia (twice as much as a decade ago), and China and India together account for about 10 per cent of its exports and imports. Africa's growing dependence on Asia means that its economic fortunes might be linked to how well Asia avoids the side effects of a US slowdown.[3]

'New Donors'

In addition to the changing economic fortunes on the continent, African countries increasingly also have access to new sources of finance outside of the traditional donors. On the global stage, the rise of new donors such as China, Brazil, India, Venezuela, and Saudi Arabia is causing a huge debate about what effect they will have on the aid system that traditional donors have so painstakingly crafted and on the economic and political policies they have pushed African countries to adopt. The most important effect of the new finance available to African countries is that it allows for more aggressive bargaining by recipient governments, for example by playing the World Bank and China's Export–Import Bank off against each other to secure better terms and offers from both. In Africa, it is China that has caused the most alarm, because only China (among the new donors) is as yet significant for most African countries.

China has become a major provider of finance, both in terms of foreign direct investment and concessionary lending. Its Export–Import Bank lent more money to African countries in 2006 than the World Bank did.[4] In 2007, China announced a concessionary loan to the Democratic Republic of Congo of $5 billion in order to rebuild the country's infrastructure and mining industry (Simpson 2007*b*). China plans to double aid to Africa by 2009 and, unlike OECD donors' broken promises on aid volumes, is likely to do so. African governments are increasingly looking to Chinese concessional lending because it is strongly supported by investment and trade policies and it does not come with intrusive economic policy conditions attached. Beyond insisting on diplomatic support in China's recognition battle with Taiwan, China still respects the idea of sovereignty. As President Festus Mogae of Botswana said in 2007: 'I find that the Chinese treat us as equals. The West treat us as former subjects' (quoted in Woods 2008). Lastly, African governments are turning to China because China is willing to provide loans and investment in their priority areas: infrastructure, energy, and the productive sectors – driving development in regions and sectors previously considered too risky or requiring too much prior investment to be of interest to Western donors.

China also provides important avenues through which African governments employ this investment and the revenues from trade (Simpson 2007*b*). The African construction market has doubled over the past few years, and without Chinese construction firms this would not have been possible. Africa's construction boom is not just a consequence of Chinese money and firms, but an expression of the necessary infrastructure developments that are needed to keep pace with expanding economies (ibid.). Countries that have been growing at 5–6 per cent a year for a decade need new roads, power stations, and more to service economies that have expanded by 50 per cent over this period. Furthermore, Chinese firms are hopping to markets in areas neglected by Western business which considers them as too small.

The Illusion of More Aid from Traditional Donors

The rise of 'new donors' and the growing Africa–China relations occur at the same time as the growing disillusionment with failed attempts to reform the traditional aid system and the false promises of more aid from traditional donors (Woods 2008). At the Gleneagles G8 economic summit in 2005, the wealthy countries made pledges to double aid for Africa by 2010. However, new net aid flows from the G8 countries have not increased yet. The OECD DAC states that development aid from OECD countries fell 5.1 per cent in 2006, if debt relief is excluded. The World Bank *Global Development Finance 2007* report shows that net Official Development Assistance (ODA) disbursements overall declined by $3 billion in 2006. In contrast to delivering on the promise to dramatically increase aid, ODA is close to a historical all-time low, less than half the level seen in the early 1960s (Simpson 2007*a*).

The gap between the statistics of total ODA which show increases of aid to Africa and the reality of little new money is the result of the way debt relief is registered in aid statistics. The present value of debt is recorded as one-off additional aid flows in a particular year, when that is not the value of the cash element that countries receive (Simpson 2007*a*). Furthermore, debt relief, technical assistance (more often required by donors rather than requested by recipients), and other items have increasingly crowded out the cash component of aid to low-income countries, while offering no new source of funding.

The debt crisis played a key role in the decline of African negotiating strength in the 1980s. Furthermore, accessing debt relief was an important goal for most African countries in the late 1990s and early 2000s and significantly shaped the negotiating strategies of many countries in our study. So what has been the impact of debt relief on African governments' negotiating capital? Debt relief has lifted the burden of taking out loans in order to be able to service debt on past loans, but it has not provided much additional resources for use at the government's discretion. The amount of debt relief that African governments receive annually is too small to use for major public investments, in infrastructure or energy for example. Therefore, the main benefit of debt relief is to allow these countries to issue new government debt. Debt relief itself has not resulted in immediate upgrades in sovereign ratings for Heavily Indebted Poor Countries (HIPCs), but it has improved the outlook for some countries: Ghana, Senegal, and to a lesser extent Burkina Faso, Mozambique, and Mali (IMF 2007: 12).[5] For these countries, it presents an opportunity to access international capital markets, so long as the borrowed funds are growth-enhancing, and debt sustainability is ensured. At the end of 2007, Ghana was the only post-HIPC country to have taken advantage of this opportunity, issuing government bonds in September 2007 that raised $750 million (and was oversubscribed). Nigeria, having just benefited from a special debt relief deal outside of HIPC, also issued government bonds in late 2007.

In sum, economic growth has provided African governments with more resources and has increased investment opportunities in their countries. Since more aid from traditional donors has not been forthcoming and debt relief itself has not offered much in the way of new resources, African governments are increasingly looking to China and international capital markets to provide the capital for much needed investments in infrastructure and productive sectors. This is occurring at the same time that many middle-income countries are exiting the international financial and development architecture (because they can!) and important emerging economies are advocating new arrangements in their regions or in the 'global South'.

Ideological Conditions

A key factor shaping the negotiating strategy and outcomes of aid negotiations is the ability of the recipient government to express a clear vision about where the country is going and about the contribution of public policy to achieving that outcome, because it affects the government's ability to defend individual policies within a negotiation. Donors find it harder to challenge a recipient's priorities if they are constructed within a coherent framework, particularly one that draws on links to wider international discourse. The problem for the country cases in the weak group is not the absence of a development vision, but rather the absence of the confidence to assert that vision and to apply domestic resources to producing concrete plans. They have found it hard to translate their vision into coherent strategies and concrete policies because they lack the funds to implement their vision and are writing strategies and policies to please donors, which have been their main source of funding over the last two decades. The narratives on PRSPs in country chapters illustrate this problem.

The experience of East Asia and the idea of a developmental state have made inroads in the thinking among African intellectuals, economists, technocrats, and politicians. For example, in an interview with the *Financial Times* in 2007, Ethiopia's Prime Minister Meles Zenawi argued:

> The neo-liberal market reforms that have been the hallmark of Western and World Bank intervention in Africa for more than two decades have failed to 'generate the kind of growth they sought'. They were correct in identifying the predatory nature of African states as the 'central problem'. They were also right in addressing huge macroeconomic imbalances, he said. But they had been 'unable to transform the rent-seeking nature of the state', merely weakening the state and reducing its influence instead. I believe in a strong developmental state. Developmental states do not intervene in the market in a wanton fashion. They intervene in the market to address pervasive market failures. . . . It is a combination of market instruments and non-market instruments to optimise the outcome. That has been the model of, let's say, Korea and Taiwan.
>
> (*Financial Times*, 07/02/07)

Furthermore, we may start to see demonstration effects from the dramatic rise of leftist and populist regimes in Latin America (elected through the ballot box), including the explicit rejection of World Bank and IMF tutelage and the reworking of resource-extraction contracts of multinational firms in countries such as Bolivia that have relatively similar economic profiles and histories of aid and debt negotiations. The political vision and development strategies in Ethiopia (and to some extent Rwanda) may draw something from the East Asian experience. The reworking of mine contracts in Zambia may be informed by Latin American lessons, but these trends have not yet made their mark in terms of inspiring governments' development plans, strategies, or public policies in the other country cases of this study. Current governments in the weak group of countries have started kicking against the limited vision of the Millennium Development Goals, the narrow poverty focus on PRSPs, and to some extent aid-funded growth, and some are clearly looking outside Africa for ideological inspiration, but we are yet to see much action. It may just be too early to see the results, or it may be that government strategies of trying to keep donor support by using their frameworks and creating unprioritized compromise development strategies leaves them little time to pursue a convincing alternative strategy.

In either case, increasing numbers of observers on the ground in African countries have identified a gap in development thinking among donors and opportunities in the global economic and ideological environments to press home more assertive strategies. Some donors, such as the World Bank, are acknowledging that African countries need job-creating growth and this requires more than good investment policy plus safety nets and social spending. Others are even considering the merits of industrial policy.

Political Conditions

It seems then that both economic and ideological conditions present increased hope that African governments could present clearly articulated alternatives to donor policy preferences. Success may well depend on the ability of African governments to galvanize enough support from within government ministries, to gain the backing of the leading politicians, to listen to and benefit from creativity of their own societies, and to manage mass domestic constituencies in support of their objectives.

However, the political approaches needed to support more assertive negotiating strategies are the most problematic for Ghana, Mali, Mozambique, Tanzania, and Zambia. Currently, these governments tend to use foreign aid to suppress domestic demands, or to keep them at bay. Aid is a vital source through which governments seek to deliver goods and services or other promises they have made. Indeed, these governments often claim responsibility for aid-funded projects where aid has not even been channelled through the government, but is the direct intervention of a donor or international NGO. This strategy makes these governments politically dependent on donors providing aid, and thus afraid of taking risks which might result in reductions of aid and have political implications. Furthermore, aid conditionality has also been used by these governments to delimit the boundaries of their responsibilities.

In Latin America, rather than keeping popular demands for development and services at bay, populist governments are seeking to draw on the sense of dispossession and anger of poor majorities and to mould their demands into a development strategy – explaining how these demands will be addressed through the government's policies, and then mobilizing popular support for this development strategy to increase their hand in aid negotiations. Could a similar strategy develop in Africa, capitalizing on the currently prominent discourse of democracy and ownership in the international aid community? Certainly recent developments within the ruling party in South Africa and in opposition movements in Kenya and Zambia hint at the possibility of a new African populism (although these countries are more urban and have a larger waged labour class than other African countries).

However, implementing such a strategy will take innovative political leadership. Historically African governments have typically suppressed domestic demands rather than embraced them and used them to their advantage. They have used aid to assist them in winning domestic political struggles. Internal political forces addressed themselves principally towards external audiences, rather than seeking the support of domestic constituencies. This 'extroversion' of African states, as argued by Clapham (1996), appears to hold in many African states today, not only for the political elites in power or seeking power. Other elites in society also frequently look to external mechanisms (such as donors' conditionality) to hold their government accountable, to official and private aid agencies for resources to provide social services instead of the state, and to transnational networks of activists to lobby the international institutions which national political activists perceive to wield the real power in their countries.

Institutional Conditions

The country chapters detail the problematic institutional conditions in Ghana, Mali, Mozambique, Tanzania, Zambia, and even Rwanda and show how these are partly the product of the aid system over the past two decades. As just discussed, recent aid reforms have not significantly ameliorated the challenges posed by the aid system, and have actually made them worse in some ways. The country chapters also suggest that in many cases African bureaucracies are not as incompetent and inefficient as donors often make out. However, there are real issues of motivation for current civil servants and incentives to attract the next generation with the right calibre of skills. There have not yet been any serious efforts in the group of weak countries to improve their bureaucracies. The Botswana and Ethiopia country studies suggest that public sector reforms are most likely to be successful if animated by a national project to reclaim leadership and ownership of the policy agenda.

One of the keys to the negotiating strength of Botswana and Ethiopia was also their aid management structures. The experiences of these two countries offer suggestions on the institutional components of a negotiating strategy that might increase and sustain a government's leverage in aid negotiations:

- Centralize the institutional structure and process through which aid is sought and received, in order to maintain control over it.
- Link aid management to the country's planning and budget process, so that aid is coordinated to support their development strategy.
- Have donors fund projects and programmes outlined in the government's national development plan. A project not in the plan has to be discussed and justified.
- Centralize negotiations. Do not allow negotiations directly with line ministries or sub-national government units. Implementing ministries can

have regular dealings with aid agencies, but the ministry coordinating aid remains in control of all negotiations.

- Negotiate with donors individually.
- Separate your policy discussions within government from discussions with donors.
- Reject the proliferation of arenas for donor–government dialogue. Not only do these arenas institutionalize donor involvement in governance processes, they make it difficult for a government to keep track and coordinate aid relations. This raises a note of caution about budget support and joint assistance strategies, because they increase joint donor–government arenas and integrate donors further into policymaking processes.
- Do not put all issues on the table for discussion with donors at the same time.
- Make donors specialize in a few sectors.
- Integrate technical assistance into public administration structures.
- Reject technical assistance that comes with aid, unless it meets your needs, and actively define your needs and seek that type of assistance.

Further comparison of Botswana to the countries in the weak group prompts a conclusion about aid management structure that goes against current mainstream thinking on aid among donors and aid practitioners. The old project-aid approach appears as a better strategy, if project aid is coordinated by the government to support its own development plan and rejected when it does not. Project aid created the problems of bureaucratic burden, duplication among donors, and limited success or long-term sustainability in the group of weak countries because their governments did not control it through its own systems according to its own plans. It was only once aid in these countries became so chaotic and showed limited results that donors agreed on coordination of their efforts and increasingly on using programme aid and then direct budget support as a means to coordinate aid. But as van de Walle (2005) has pointed out, if the recipient government coordinates its aid, there is no need for donor coordination. Budget support and joint assistance strategies in practice turn out to be more about coordinating donor activities than supporting government plans and they come with processes that have effectively increased the participation of donors in recipient country policymaking. Therefore, although budget support in theory sounds like the best option for aid-dependent governments, in practice it has increased the bureaucratic burden and decreased the space for these governments to formulate policy independent of donors.

The governments in Ghana and Zambia were beginning to take advantage of changes in their economic conditions at the time when we were concluding this research. Thus, it is too early to say definitely how the weak group of countries are (or are not) capitalizing on the new conditions and with what effect on the outcomes of aid negotiations. However, we can see that they will face challenges in doing so posed by continuities in their political, ideological, and institutional conditions. It remains to be seen if and how they will attempt to change these or how they will manoeuvre within the existing conditions. In concluding, we move away from the focus on individual African countries' strategies to consider whether collective initiatives in the developing world broadly, and among African countries in particular, could potentially change African countries' conditions or offer them ways to capitalize more effectively on existing conditions.

A Resurgent Assertive Third Worldism?

In Chapter 2, Fraser noted that the collapse of an assertive Third World nationalism by the 1990s was one of the reasons why the expanding scope of donor conditionality did not face greater resistance. He argues that the period from 1975 to 1980 was a high point of developing-country negotiating strength collectively, highlighted by their demand for a New International Economic Order (NIEO). He attributes their (limited) success in this period to four factors: (*a*) the institutionalization of developing-country political unity, (*b*) ideological innovation, (*c*) domestic politics, and (*d*) readiness to disengage. Although events in the 1980s washed away the collective gains of developing countries, Fraser also shows that there were weaknesses and contradictions in developing countries' positions which undermined their negotiating strength. Recent events hint at the resurgence of an assertive Third World nationalism akin to the 1975–80 period. These four factors provide a framework for assessing the potential of recent changes in the global political economy and collective initiatives among developing countries, and among African countries in particular, to catalyse assertive negotiating strategies in African countries.

Readiness to Disengage

Developed countries were forced to take Group of 77 negotiating positions on the NIEO seriously because the G77 countries demonstrated the readiness to disengage from existing institutions and to create new ones. Today, we are seeing a similar show of political will among middle-income countries in Latin America and Asia. However, this time developing countries are not trying to go through the United Nations system, but rather are going it alone or seeking to create new regional institutions. The question is whether this will have any impact on African countries.

Speaking in the Republic of Congo in October 2007, President of Brazil Lula da Silva said:

> Developing nations must create their own mechanisms of finance instead of suffering under those of the IMF and the World Bank, which are institutions of rich nations. It is time to wake up.[6]

There are not yet any signs of a new multilateralism in the South, but there are definite signs of change in Latin America, where political leaders seem to share a feeling that Washington's economic policies and institutions have failed miserably in their region and they want to have more independence from their 'neighbour', the US. Proposed by Hugo Chavez, President of Venezuela, the Bank of the South – funded and run by South American countries – aims to make development loans to its member countries with a focus on regional economic integration. The Bank was launched in December 2007, with Venezuela, Brazil, Argentina, Bolivia, Ecuador, Uruguay, and Paraguay as members. As I write, the Bank of the South has just launched and is yet to begin operations, so it is hard to tell whether or not it is just a political symbol that will never make it off the ground, or whether it will offer a significant alternative source of funds to Latin American countries and possibly African countries (as Venezuela officials said they would invite African countries to join the Bank).[7]

Notably, South American economies have dramatically lowered their exposure to IMF conditions. In 2005, 80 per cent of the IMF's portfolio was to Latin America, but at the end of 2007 it was only 1 per cent (McElhinny 2007). This distancing from the IMF was achieved on the back of high commodity prices and high demand from China and India, but it may have also diminished the urgency to create an alternative monetary fund to replace the IMF. South American governments may not see the Bank of the South as serving different purposes, but it seems to reflect a common increased unpopularity of the Bretton Woods institutions in South America.[8]

While efforts to create alternative regional financial arrangements are still very much in the making, also in Asia, there is a definite trend of middle-income countries walking away from services offered by the Bretton Woods institutions. The IMF is being marginalized in the provision of international liquidity to middle-income countries. All major emerging market economies, except Turkey, paid in and exited from Fund supervision in 2007, leaving only the poorest countries as its only regular clientele (Akyüz 2007). IMF services are seen as too expensive and with too many conditions attached. Borrowers who have access to alternative sources of finance are increasingly walking away from the IMF, depriving it of finances and causing the institution to experience its own financial crisis. The IMF also suffers from a legitimacy crisis, particularly among Asian countries as a result of fall-out from the IMF's response to the East Asian financial crisis in 1998. Asian countries have built up massive reserves since 1998, allowing South Korea and Indonesia to pay off their debt to the IMF. No Korean politician that wanted to keep his or her job would return to an agreement with the IMF (Woods 2007).

Middle-income countries are also generally unwilling to borrow from the World Bank as long as they have access to private markets, even when this means paying higher interest rates (Akyüz 2007). The World Bank's conditionality is less tough than the private market. If a country has good relations with the World Bank, it can negotiate an extension when it does not meet all the conditions; there is no negotiating with the private market, which will punish a country by raising interest rates. However, as Indonesia's Minister of Finance, Sri Mulyani Indrawati, acknowledged, World Bank loans come with political costs that are impalpable, such as a high presence of Bank staff in the country publicly debating issues with the Minister of Finance and overstepping what are seen as sovereign boundaries (Indrawati 2008).

The resulting reduced portfolios of the Bretton Woods institutions have led to financial crises for these institutions, particularly for the World Bank which uses interest on loans to middle-income countries to finance its concessional lending arm to low-income countries. The financial crisis is forcing the IMF to make internal changes to their organizations in order to cut costs, and the World Bank to cut loan charges to middle-income borrowers. However, they have not yet become so desperate as to embark on significant reforms in their governance and operational structure, for which critics have been asking for decades, that might restore confidence in and the legitimacy of these institutions.

Could these developments have a demonstration effect in Africa? Perhaps the confidence of African governments will be increased by the willingness of middle-income countries to disengage or to insist on their sovereignty. Perhaps African governments may be able to take part in any new financial arrangements created by 'Southern' countries on more favourable terms.

Optimistic projections should be tempered, however, by the fact that most African countries do not have access to alternatives, and do not look ready to disengage. The IMF remains the gatekeeper of development finance in low-income African countries. That the IMF will play this role for some time to come and that African countries are not prepared to disengage from this institution even when they do not need its finance is highlighted by the creation of a new IMF instrument, the Policy Support Instrument (Lombardi and Woods 2007). This Instrument is designed for countries that do not need or want to enter into a financial arrangement with the IMF but still rely on assistance from traditional donors. Donors use IMF assessments to inform their decisions about aid and wanted the IMF to provide an on–off signal to guide aid flows, which the fine-grain assessments of Article IV consultation reports do not do. The Policy Support Instrument provides a guide for donors' allocation decisions based on a macroeconomic framework, just like the Poverty Reduction and Growth Facility (PRGF), and countries that meet the expectations set out in the framework are given the Fund's stamp of approval.

Although this Instrument is voluntary, it is seen as necessary by some low-income countries, not just because they still rely on aid from traditional donors. There is no other agency that can provide analysis of their economies, given the low level of international private capital going to these economies and the only very recent upsurge in investors' interest. In fact, investors may have to rely on the IMF until investment agencies start producing their own analysis on African economies. Nigeria, an oil-producing country and thus with access to alternative sources of finance, was the first country to apply for the Policy Support Instrument, which has been instrumental to its receiving debt restructuring from the Paris Club. The Ghanaian government, which no longer needs the financial support of the IMF and is now raising capital on the international market, announced in its 2008 budget statement that it was considering signing up to this Instrument exactly because it needs the IMF's seal of approval for traditional donors and to attract investors.

Institutionalization of Political Unity

Although 'Third Worldism' always bundled together a group of countries with very varied political interests and demographic and economic profiles, countries now lumped together under the term 'developing country' have even less in common economically. Without the ideological unity generated by the Non-Aligned Movement, the concept of a political bloc of developing countries is almost meaningless. The structures of their economies are increasingly diverse, as is the nature of their engagement with the global economy. Thus, they have increasingly different economic interests and positions in discussions on trade and the international financial system. Even though African countries can piggyback on the demands of the big emerging economies in developing-country coalitions in the World Trade Organization, the time for institutionalized developing-country political unity has passed. It is perhaps more appropriate to look at the institutionalization of political unity among African countries and countries more similar to them in economic terms, such as the group of African–Caribbean–Pacific (ACP) countries.

African countries have not exhibited much institutionalized political unity yet. The obvious place to look is at the newly revamped African Union (AU), but the story of the biggest African initiative in recent times, the New Partnership for Africa's Development (NEPAD) launched in 2001, does not offer much hope that the AU will play a central role in negotiations between African countries and rich countries (Bah forthcoming). NEPAD was supposed to effect a paradigm shift in Africa's regional politics and relationship with the international community by making explicit the link between development and stability. However, the NEPAD initiative emerged from three different plans of three African leaders. It was born out of back-room negotiations among President Mbeki (South Africa), President Obasanjo (Nigeria), and President Wade (Senegal), and not through the formal workings of the AU. Aware of distrust in the continent's leadership and existing institutions among industrialized countries, these leaders did not want to entrust it to the then Organization of African Unity (OAU), which was soon after restructured into the African Union. To those outside the continent, the fact that a 'new breed of African leaders' pushed this plan was its strength. But, even though those who live on the continent are weary of the OAU and now the AU to deal with governance issues, many still see the process through which NEPAD was created and its tense relationship with the AU institutions as undermining its legitimacy. Thus, NEPAD could be characterized more as an initiative of the G4 (the three leaders listed above plus President Bouteflika of Algeria), rather than of the AU. In fact, the G4 probably had the effect of weakening the AU rather than strengthening it, and focused more on accessing resources and concessions from G8 countries than on building a common position across African countries.

The outcome of the NEPAD negotiations in 2002 is also less than compelling. The G8 Africa Action Plan, its response to NEPAD, does not address some of NEPAD's key priorities. It emphasizes increased aid and trade access for Africa, but through uncoordinated and complex national initiatives among donor countries. The G8 countries were very non-committal about infrastructure development and ODA reforms, and proposed mechanisms to concretize the partnership to ensure that each side lives up to its commitments were never discussed. The G4 African leaders had little negotiating leverage which left them with few options to counter unfulfilled commitments, while the G8 countries had the option of suspending aid as a punitive weapon. Bah (forthcoming) argues that the collective weight of Africa's G4 is insufficient to change the African political landscape and Africa's international relations, but that the group lacked transparency and the process leading to the NEPAD plan lacked legitimacy, engendering an atmosphere of distrust and suspicion and thus alienating rather than garnering support across the continent. In sum, the NEPAD initiative reveals the intra-continental politics that undermines attempts at institutionalized political unity on the continent.

The show of political unity among African countries was stronger during the negotiations on Economic Partnership Agreements between the ACP countries and European Union in 2007, but this unity was broken by the divide-and-rule tactics of the European Commission.[9] African negotiators took common positions and strong stances that they would not sign regional agreements unless the European Commission included certain things in the text. However, under enormous pressure as the deadline of 31 December 2007 neared, the East African countries broke ranks, split from their negotiating region, and signed 'interim' agreements with the European Commission that did not cover the full range of issues that the Commission had tabled. In West Africa, deals were hurriedly concluded, while other countries such as South Africa did not sign at all. Obviously, those countries that depended most on preferential access to European markets and those most dependent on European aid (which was under threat of being cut) felt most compelled to sign deals at the last minute, or risk sudden tariff increases on their goods in European markets. Thus, African countries' collective negotiating power with European countries was undermined by their individual economic conditions as well as a breakdown in political unity.

Ideological Innovation

Despite the unsuccessful outcome of the EPA negotiations for African countries (although it is too early to say what will happen to these interim deals and what will happen next), there are signs of the NIEO ideology evident in the African position in EPA negotiations. African negotiators made demands on the European Commission to provide resources to facilitate the changes that would be required to fulfil the agreement that was tabled by the Commission and which formed the basis of negotiations. Given Europe's pledge to conclude agreements that would exclusively serve the development interests of the ACP countries, African trade ministers stated in the Nairobi Declaration on EPAs.

At the heart of the EPA negotiations, perhaps more important than the asymmetries in negotiating capacity, were differences in models of development underlying the positions of African and European Commission negotiators. African negotiators presented a coherent definition of what they understood as the meaning of development, and criticized the 'narrow and inaccurate' meaning of development held by the European Commission negotiators which saw development as the liberalization of trade and adoption of non-discrimination rules on investment, competition, and government procurement. The African negotiators also presented demands which linked aid to the issue of adjusting to a new trade regime as opposed to charity.

This optimistic picture of the ideological coherence in EPA negotiations must be countered by examples of less ideological innovation. First, aid is still primarily presented and accepted as charity at the level of individual African countries. Second, NEPAD was presented as a compact where better governance by African leaders was exchanged for more debt relief, more aid, favourable terms of trade, and foreign direct investment. It presented African countries as having to make strides on governance issues, before they would be worthy of economic concessions from rich countries. Third, outside of EU–ACP negotiations, negotiations on aid and trade are still kept separate, as the case of cotton in Mali illustrates (see Chapter 8). The Mali government had a weak bargaining power in negotiations with the World Bank over the privatization of the production of cotton in the country. The government had much more leverage in negotiations over cotton at the World Trade Organization where it was part of the 'cotton initiative' with several West African countries in 2003, which proposed the suppression of all subsidies given by Northern governments to cotton producers in their countries and some compensation to African cotton-producing countries. The cotton initiative is a unique example where the Mali government and other highly dependent African governments have collectively tried to make a case on trade issues. However, the Malian government was unable to use the leverage it gained in the cotton initiative in the negotiations over the future of the cotton sector in Mali.

Domestic Politics

In the late 1970s, the NIEO demands were backed by powerful social forces in developing countries represented by governments that had recently come to power in the wake of popular anti-colonial movements. They could legitimately claim to represent the interests and demands of their populations. However, much of this political legitimacy, and thus the negotiating capital derived from it, diminished as elites repressed organized social forces and mass unrest resulting from unfulfilled expectations of the post-colonial era. Domestic politics remains a factor undermining individual negotiating strategies, as discussed above, as well as collective negotiating strategies. For example, in the EPA negotiations, while African ministers and presidents would publicly criticize the European Commission at the international level for the amount of pressure put on them and that they gave too much, they yet presented a different picture to their populations that the EPA was a good deal. One of the reasons suggested for why African political unity broke down was that African leaders feared that taking too much risk might cost them politically at home. It appears that politicians still fear their publics, as opposed to trying to mobilize them to support specific policies and positions towards donors.

In recent years there have been important improvements in many African countries' economic and ideological conditions which offer opportunities for their governments to pursue more successful negotiating strategies, if they can overcome political and institutional obstacles to capitalizing on them. African governments have not yet found ways to translate the resurgence of assertive Third Worldism in Latin America and Asia into negotiating capital in their relations with traditional donors, nor have collective African initiatives yielded any fruit in this direction, largely due to obstacles in the institutionalization of political unity and in domestic politics. But the times are changing.

Notes

1. I thank Alastair Fraser for his comments on earlier drafts of this chapter and for his contributions to the final version.
2. Fundstrategy, Into Africa, 15 October 2007. www.fundstrategy.co.uk; BNET Intercom, 'African investments worth a look', Jessica Stillman, 23 October 2007.
3. See 'Developing Countries Face Hard Times as US Recession Looms', TWN Info Service on Finance and Development, 21 January 2008, Martin Khor.
4. Chris Alden, 'China in Africa: partner, competitor, or hegemon', paper given at the Department of Politics and International Relations, University of Oxford, 5 February 2008, based on his recent book (see Alden 2007).
5. Sovereign rating is based on external and domestic indebtedness, sustainability of macroeconomic policies, degree of development, financial sector and political stability, transparency in government operations, and quality of domestic institutions (IMF 2007: 12).
6. Quoted in 'Latin America sets up its own "Bank of the South"', Mark Weisbrot, 6 November 2007, Centre for Economic and Policy Research, Washington DC, www.cepr.net.
7. *The Economist*, 'Bolivarian finance: the IMF can sleep easy', 13 December 2007.
8. BBC News, 'Why South America wants a new bank', Lourdes Heredia, 10 December 2007.
9. Emily Jones, 'Europe's new conditionality: the politics of EPAs with Africa', 23 January 2008, paper delivered at the Global Economic Governance seminar, University of Oxford.

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