• GLOBAL ECONOMIC GOVERNANCE PROGRAMME •

Aid-Recipient Sovereignity in Global Governance

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Introduction

I hope to resolve a conflict between hope and incredulity. The hope is that poor countries will be able to overcome the inequity of their relations with aid donors. A consensus is emerging that a small set of aid recipients are reclaiming 'recipient ownership', even 'recipient sovereignty'. They are said to be co-opting rich country concerns with 'donor co-ordination' and 'alignment' with recipients' national development plans in order to enforce a range of policies and administrative systems that constrain the behaviour of aid donors operating in their countries. 'Ownership' is now widely seen as a solution to both donor dominance and underdevelopment.

The incredulity follows an observation on the list of countries being touted as blazing the trail towards this goal: Afghanistan, Vietnam, Mozambique, Tanzania and Uganda.[i] They constitute several of the least sovereign countries on the globe. Four of the five rely so heavily on either foreign financial aid or military assistance that the states' very survival, and that of many of their citizens, could be said to depend upon it.[ii]

By developing a history of donor-recipient relations this chapter aims to help clarify the particular opportunities to which these recipients are now responding and the potential of such strategies for a wider range of aid-dependent countries. It tells the story of how we got to where we are today, a situation in which, in many countries, donors dominate decision-making over what aid is spent on and what conditions attach to its release, and yet consistently deny their desire and capacity to do so. The chapter also argues that the strategies that aid recipients adopt in seeking control in their relations with donors are heavily constrained by the negotiating capital they are able to bring into discussions and by ever-changing global political and economic circumstances.

Without understanding what has been tried before and why it succeeded or failed, one runs the risk of assuming that contemporary donor dominance in aid relations results from recipient passivity. The corollary of this assumption can be a naïve acceptance of the claim that the situation might be remedied simply by recipients presenting their own preferred programme in order for it to be respected and funded by donors committed to ownership and partnership. Reflecting on how, historically, donors have responded to different expressions of recipient agency may help illuminate the limits of the possible in the present context. Understanding that recipients are aware of this history helps explain their current calculations and behaviour. Before moving on, it is important to explain why a changing wider context may be an important consideration in aid negotiations.

Thinking about donor-recipient relations

The first thing that we need to establish is that most aid relationships can be understood as a negotiation. If donors have more than simply altruistic motivations and if, despite many recipients 'needing' some sort of aid much of the time, they usually have a degree of choice over whether or not to accept assistance from a particular source at a particular time, it is likely that aid will be negotiated. Even if there are no disagreements over fundamental policy conditions, there will at least be discussions over the size and manner of the transfer, the priorities to which it is targeted and administrative and reporting procedures.

One way of thinking about the relationship between aid donors and recipients is thus in the form of a game, in which each player arrives with preferred negotiating outcomes. Typically for the recipient this would be to get as much money as possible to spend as they wished, whenever they liked, and with no conditions attached. For donors, it might be to win the generalised geopolitical allegiance of the recipient, to support political factions perceived as friendly, or to influence economic, foreign and domestic policy as much as possible, and at the lowest possible cost. Donor policy preferences might include the achievement of socio-economic outcomes within the recipient country, such as poverty reduction, understood as ‘desirable’ for the recipients by the donor. But this does not get us over the problem. Understandings of desirable outcomes, and routes to achieving them, are unlikely to overlap precisely between donor and recipient. These issues are political, and negotiation will still occur. According to their capacities and strategies each actor then negotiates more or less effectively towards a mutually agreeable outcome. Negotiating capacities for donors might be influenced by: the geopolitical and economic importance to the donor of a friendly relationship with the recipient, the amount of money available, the degree of other forms of leverage (military, diplomatic, commercial) over the recipient. For the recipient they might be influenced both by the technical and legal proficiency of the individuals tasked with negotiating and by the degree of financial dependence on the donor, consisting perhaps of a combination of the need for external resources, the availability of funds from alternative sources and the degree of indebtedness to the donor. This model is represented in Figure 1, below.

Fig 1 Aid Negotiations as two actor game

This model presents analysts of any particular negotiation with the key question: given their negotiating capacities, how effective were the strategies of each actor in securing their preferred outcome. Studying multiple negotiations allows us to try and answer further questions. Which strategies proved most effective? Which negotiating capacities are most important for successful negotiations? To what degree do either capacities or strategies help us to predict outcomes? Or are they co-determined?

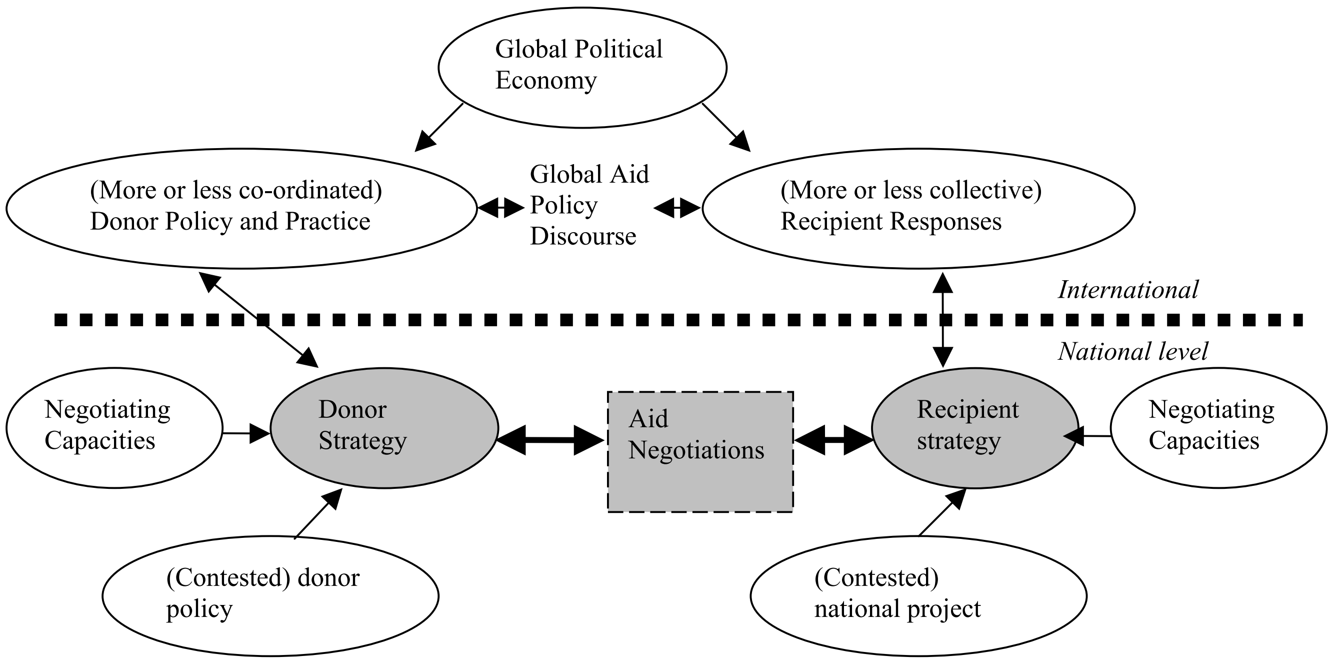
Mosley et al. introduce the idea that each round of bargaining is influenced by the fact that it is one iteration of a game that the actors play repeatedly. Thus, each negotiation has three phases: making of agreements, partial implementation and a following round of talks. They thus suggest, “A better way to understand the offer and acceptance of policy-conditioned loans was as a dynamic bargaining process.”[iii] Furthermore, many of the most significant donors (the United Nations (UN), European Commission (EC) and the World Bank and IMF) do not represent any one country, but promote policies already negotiated amongst multiple stakeholders. Their negotiating objectives cannot be read as directly analogous to those of national aid donors – each has their own particular institutional and bureaucratic interests. For example, for the World Bank, concerns about disbursement rates, profitability and repayment of loans must also be considered.

However, even with these adaptations, the model is inadequate. Aid negotiations do not simply occur between two actors. They are embedded in, and to some extent constituted by, global political and economic circuits. Beyond the influences of each negotiation building on previous rounds, and the institutional interests of the actors, we must therefore also consider a wide range of external factors. In many cases, aid talks cannot be separated from international diplomatic, military, trade and political negotiations. A good deal of aid is understood by actors on both sides as either a 'side payment' or 'compensation' on inequitable negotiations in numerous other fields, from disarmament to the environment, and perhaps most significantly, negotiations over the global financial and trade systems.

Aid negotiations also take place within fields of meaning. The objectives of both donors and recipients are constructed in the terms of an ever shifting discourse of an 'international aid industry', understood to include the international financial institutions (IFIs), UN agencies, bilateral donors, and even international Non-Governmental Organisations (NGOs) and research institutions, in which objectives, priorities and policies are debated.

These factors all relate to the international context of negotiations and in Fig. 2 are 'above the line' that separates them from negotiations taking place in any one country, typically, between the donor's country office and the recipient government's political and civil service leadership. The diagram suggests just some of the complex interrelationships between developments on the global stage and the negotiating strategies of both individual donors and individual recipients. Since many donors are present in most countries, this diagram could represent just one of many negotiations taking place at any time. These multiple negotiations themselves further complicate the picture, since contestation of key policy areas amongst donors offers developing countries opportunities to assert their needs and aspirations. This has been particularly true at times when non-traditional donors and multilateral organisations have provided alternative discourses and sources of finance.

Fig 2. Aid Negotiations in Global Political Context



However, we also need to consider a range of other factors 'below the line', in the domestic realm. Preferred outcomes reflected in negotiators' chosen strategies are unlikely to be given, but are contested within both donors' and recipients' respective societies. Thus, for example, newly elected donor and recipient governments, with differing ideologies and constituencies to their predecessors, may adopt different strategies. In Putnam's terms, we can understand the negotiation then as a 'two-level game'[iv] in which the relationship between *agents* in the negotiations (the state representatives) and the implied *principals* (the society they claim to represent) affects not only each negotiators' own room for manoeuvre, but also their expectations about realistic concessions that might be won from the other. Donors are likely to worry particularly about whether negotiating demands risk undermining the ability of 'people we can work with' to maintain power, and perhaps more importantly, order within their societies. One of the key shifts over time in donor approaches has thus been the evolution of beliefs about the relationship between domestic political communities in recipient states and the state itself, and in particular the possibility of donors directly mediating this relationship.

Aid policy for rich countries is not simply a question of interests, but is also a form of 'autobiography'[v] through which donor country elites construct and buttress both an operative ideology and a self-image that they wish to project to domestic constituencies. We therefore need to look at the complex mix of solidarity, moralism, paternalism, donor learning on technocratic 'best practice' and geopolitical calculation that inform aid policy within the world's core donor societies. Mixed motives for giving have ensured that the threats and opportunities presented by the aid architecture to developing country sovereignty have never stayed constant for long.

The rest of this chapter adopts this wider understanding of what drives aid negotiating strategies of recipient countries, and traces changes over time, making the connections between developments in the global economic and political system, the policies promoted by donors, and the collective and individual responses of aid receiving countries to the discourses and incentives that face them. Five sections detail changes over five artificially neat time-periods: the ‘post-colonial moment’, when much of the international aid architecture first developed (1945-75); the mid-70s turn (1975-1980); the early structural adjustment era (1980s); adjustment after the Cold War (1990s); and finally the ‘partnership era’ (2000s) during which aid donors have claimed to be moving away from imposing coercive aid conditions and towards new, more consensual aid relationships.

The argument made throughout the chapter is that at the start of the period, the factors that underpin recipients’ negotiating strength were at an historic high point. The relatively recent context of both decolonisation and the Second World War had tarnished the previously assumed moral and intellectual leadership credentials of the major powers. The globalised struggle between the Western alliance and the Soviet Union constrained donor policy towards developing countries with both blocs courting their allegiances and allowing considerable room for expressions of recipient agency. Furthermore, from the mid 1970s, economic stagnation in the core Western economies revealed within the global economy the potential ‘reverse dependence’ of the rich world on the former colonies. Global economic relations would thus have to be negotiated. This situation allowed developing countries to negotiate both collectively and individually a range of policies that would not have been the first choices of the rich countries.

However, the period since 1980 has seen the gradual evaporation of developing countries’ negotiating power. On a material level, rich countries have stopped believing in developing country threats to curtail their interests. This has enabled them to re-evaluate the meaning and implications of state sovereignty in developing countries. The role of the state in promoting development and even as a legitimate representative of developing country populations has come under sustained challenge. At the same time, the confidence of donors about the moral and intellectual basis for imposing their favoured solutions on developing countries, and the energies they commit to doing so, have waxed and waned. The rest of the chapter traces the implications of these processes for aid recipients, and their responses to the situation confronting them.

Given the time period covered and the huge number of both donor and recipient relations that could be considered, the principal focus is on two of the most important donor bodies, the World Bank and the European Union. There are therefore significant silences in the paper, particularly on the role played by bilateral donors and NGOs. Perhaps the most significant amongst these from a financial perspective are USAID and JICA (Japan). However, at different times the Soviet Union, the Nordic countries, the UK, France, Spain and Germany and NGOs such as Jubilee 2000, Oxfam and others have also made important intellectual and practical contributions to the international aid dialogue. For particular regions and countries of the world, different donors are of special importance. Furthermore, in the contemporary era, new sources of development finance such as China and India are emerging. No attempt is made here at a comprehensive coverage of the evolution of the aid system, collective or individual recipient responses across the whole period. This could not satisfactorily be attempted in this context and the point the chapter seeks to make about the relationship between them does not require such comprehensive coverage. Rather, particular donor and recipient strategies at particular historical moments are drawn out to illustrate the wider point being made, that these strategies, including the contemporary efforts to claim 'recipient ownership' can only be understood and evaluated within a particular historical context.

The Post-Colonial Moment (1945-75)

By 1966 the colonial world order had comprehensively collapsed. With independence, former colonies claimed for themselves the right to define the development needs of the country and the welfare needs of the populations living there. However, the aid system that developed after colonialism included loud echoes of previous systems for welfare provision for natives, the League of Nations mandates and UN trusteeships. These inscribed the ideas that:

- development is an activity carried out in the interests of recipient country populations,
- it is delivered from outside, as a responsibility of richer countries, reflecting their largesse and civilisational mission.

Two further key lessons from the de-Nazification of Germany, the Marshall Plan for Europe and the occupation of Japan also echoed through later thinking that;

- re-construction is designed to secure, but also requires for its success, consciousness and behavioural change amongst local populations,
- this change involves supplanting previous social and political authority structures that are assumed to have driven these countries into a situation where they need assistance.

While fascism and communism were the ideas under challenge in the post-War era, it can be argued that the same principles now apply more widely to a range of non-liberal social and political systems.[vi]

In some countries, the break with colonialism heralded significant political and economic change. However, in most, colonial structures of ownership and systems of production were maintained and administrative systems left intact. Many countries chose to remain on friendly terms with the industrialised powers and donors reciprocated in order to safeguard access to raw materials. Indeed, in most cases, donors recognized some sort of ongoing responsibility.

Underpinning these choices was the simple fact that most post-colonial states, though politically sovereign and formally equal in the states system, were unable to guarantee their own subsistence without public funds from the North. Secondly, and perhaps more fundamentally, the extractive nature of the relationship central to colonialism meant that most former colonies had 'extroverted' economies. Capital, technology and expertise to keep the productive model running had not typically been developed within the local community and thus old colonial ties could not easily be replaced. Local owners and managers, perhaps even workers, within extroverted economic sectors enjoyed a relatively privileged position within their societies.

Teresa Hayter thus argued in her groundbreaking 1971 text *Aid as Imperialism* that there is a relationship between the unwillingness of post-colonial states to challenge patterns of ownership, and the provision of aid. She suggests, "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."[vii]

Aid in the Cold War climate

The context that faced newly independent states was not however, simply economic, and cannot be adequately captured in the notion of 'post-colonialism'. They also emerged into an international system dominated by a Cold War contradiction. On one hand, there was widespread acceptance, including by the superpowers, of the legal norms of 'self-rule' and 'state sovereignty' established within the United Nations Charter. On the other, the strategic and ideological imperatives of the Cold War meant the superpowers intervened at will. In this context, financial aid took a range of forms, building up the substantive domestic sovereignty of new authorities, as well as generating and supporting geo-political alliances.

Britain and France took the lead in managing donor relations with their former colonies while the US focused on former Spanish, Belgian and Portuguese colonies. While these 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 demobilising radical demands. President Kennedy thus stated in 1961, "foreign aid is a method by which the United States maintains a position of influence and control around the world, and sustains a good many countries that would definitely collapse, or pass into the Communist bloc."[viii]

This approach was clearly applied in Bolivia, following the 1952 Revolution. Despite the revolution, the US gave more aid per capita to Bolivia than any other country between 1953 and 1961.[ix] 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. Bolivia started in a weak negotiating position because the US bought half of all Bolivia's key export, tin. Taking advantage of a financial shortfall resulting from unstable global tin prices, the US secured a series of agreements favourable to US investors including compensation to firms that were nationalized and landowners that had land re-distributed. The highpoints were the adoption of the 1956 Bolivian Oil Code, written by lawyers paid for through US technical assistance, and the IMF's thoroughgoing liberalization, imposed as a conditioned loan attached to the 'Eder Plan'. Noting this case, Veltmeyer et al. claim donors have had a relatively steady set of policy preferences across a long historical period, but, depending on the intensity of resistance from recipient states and populations, have been more or less able to pursue them. They argue, "the 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."[x]

In contrast to the Western powers, the USSR presented itself as a natural ally for the newly independent states, sharing their anti-imperialist ideology. The Soviets made links initially to those states that presented themselves as most radical, providing support mainly for infrastructure programmes. In return, the USSR won access to naval bases and airports. However, the Soviets soon realised 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 engaging 'deeply and politically' by selecting and bolstering one 'movement' or faction as against others. Although these close and political relationships irked some developing country 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 their cash crops. In 1980 Samora Machel's Mozambique applied for membership of the Soviet economic bloc (CMEA), but was only offered 'observer status' as the existing members would have had 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.

Most analysis of the role of aid in this period has focused on the superpowers' strategies. Nonetheless, recipients played a role in generating and feeding off the conflict, and a situation of massive power imbalance had some surprising implications for recipient state sovereignty.

Recipient Strategy 1: 'Extraverted State-building'

Precisely because of their strategic irrelevance, in many cases it was recipient states that used the context of superpower rivalry to attract aid. Even in Ethiopia, Somalia and Sudan, whose proximity to the Middle East made them strategically relevant, Clapham argues, "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."[xi] Thus superpower support was a resource, used by local 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 state bodies 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 defines this as the tendency of internal political forces addressing themselves principally towards external audiences, rather than seeking the support of domestic constituencies.

Recipient Strategy 2: 'Funging'

Because most aid during this period was in the form of support for 'projects', donors felt that they had some ability to shape, or at least to selectively back developing countries objectives with which they agreed. However, states were able to manipulate this project 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'. In other words, if the government can bid for aid for a project that it would otherwise have funded itself, the incoming money can actually be used to fund any alternative priorities that the recipient has, but may not feel donors are likely to support. Paul Collier argued, "With the exception of transport projects, which are often so large that governments could not otherwise finance them, aid is totally fungible. There is no relationship between the composition of project aid and the composition of the budget."[xii]

Recipient Strategy 3: 'Strategic Extraversion'

The Cold War context, particularly competition between donors, 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 levered in support from the other, and ensured that it came on friendly terms. Thomson describes this strategy as 'negotiated extraversion'.[xiii]

Thus for example, a relatively 'strategically located' state such as Somalia in the 1960s, saw US aid 'outbid' by the Soviets, but with both remaining engaged until, following the Ethiopian Revolution in 1974, Somalia was able to 'swap' superpower sponsors by offering the US ports and a non-communist ally in an unstable region. As Somalia's subsequent history suggests, extroverting the state to serve the superpowers was a dangerous game. Chasing the donors left links from the state to society beyond repair and the end of the Cold War, and thus of external support for the state, brought a rapid governmental and societal implosion.

The International Financial Institutions - IFIs

The International Monetary Fund (IMF) and the World Bank have developed into the most significant donors for developing countries. The conditions they attach to loans, and the strategies recipient countries use to avoid, subvert, resist or indeed take ownership of them are the central question of this chapter. And yet the IFIs were not established with Third World countries in mind. Rather, they were targeted at financing post-war Europe by levering American and private sector money into the reconstruction effort. Because the Bank and Fund were established as membership clubs by sovereign nations, the issue of sovereignty was given significant attention in the negotiations that established them, and is written into their Articles of Association. A formal policy of 'neutrality' over political models pursued by developing countries was protected by the Fund's Article V, Section 6[xiv] and the Bank's Article IV, Section 10, an almost identical passage.[xv]

It may therefore appear puzzling that assistance from these institutions is now so heavily conditioned. However, we should also remember that the funds that the IFIs are able to lever within the international financial system, and indeed their own capitalization as institutions is dependent in large part on the willingness of a smaller number of major donors to provide start-up costs and to underwrite lending. Those countries have always expected that 'their money' should buy them influence as reflected in the disagreements between US negotiators at Bretton Woods, led by Harry Dexter White and the UK delegation led by John Maynard Keynes who 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."[xvi] Thus, while conditionality has always engendered controversy, there has also been a constant increase in its scope, application and intrusiveness throughout the history of the IFIs.

From the 1950s, the IMF became particularly concerned with the impacts of internal policies on the international system, particularly with the tendency of welfare programmes to provoke inflation. In 1952, conditionality was implicitly incorporated into the Fund's lending policies, as it became a key element of 'Standby Agreements'. By the 1960s, the Fund was requiring members that wanted to use the Fund's stand-by arrangements to write a 'Letter of Intent' laying out in detail the policies they intended to pursue to secure repayment. In the case of a stand-by, drawing of funds could then only proceed if the IMF was happy that the country had followed through on the policies described. By 1968, as the IFIs started to focus more and more heavily on Latin America and newly independent states, resistance from countries like Britain waned, and the Fund's Charter was amended to explicitly include conditionality. At this stage, conditions consisted of a list of monetarist orthodoxies which, it was claimed, provided the Fund reassurance that members would be able to repay. However, in Latin America, the Fund was also widening the scope of the conditions, particularly those facing countries undergoing Article XIV consultations. The IMF's reports on these countries were becoming more comprehensive, and as a result, countries were expected to respond with more comprehensive reform programmes in their Letters of Intent which increasingly covered Central Bank credit policies, fiscal policy, wage policy and agricultural policy in addition to traditional concerns about exchange rules and relations. This exchange of 'advice' and 'statements of intent' were the most concrete outputs in a patterned relationship for defining, negotiating and imposing conditionality. IMF conditions were given increased leverage because countries in difficulty faced an increasingly co-ordinated donor community. USAID in particular started to make their assistance conditional on countries having an agreement with the Fund. The Fund was also increasingly being used to 'signal' policy stability to private investors and banks involved in debt-rescheduling negotiations, for example in Brazil in 1961 and 1965, Argentina in 1962 and 1965 and Chile in 1965.[xvii]

Initially, the World Bank lent money to countries principally to support identified infrastructural and other capital-intensive investment projects. Thus, influence over the macro-economic policies adopted by borrowing countries was limited. However, the Bank's has gradually intensified its influence through 'policy dialogue', a generalised form of intellectual leadership for ministries of finance and planning, through commissioning and publishing research, and offering training to decision-makers. Towards the end of the 1960s, the Bank started making overall macro-economic assessments of each country and using this as a basis for assessment and selection of projects. As early as 1962, then, World Bank President Eugene Black, commented, "[W]e ask a lot of questions and attach a lot of conditions to our loans…[W]e would never get away with this if we did not… render the language of economics morally anti-septic."[xviii] In other words the Bank took maximum advantage of the exemption within the Articles for 'economic considerations' in Bank decision-making. In 1965 an 'Economic Committee' was established parallel to the Bank's Loans Committee, and itself now demanded the right to investigate a country's general creditworthiness prior to the approval of any loans. Countries in particular difficulties were also asked to start preparing 'Memorandums of Understanding', laying out the reforms they intended to pursue, prior to receiving loan payments. The World Bank was becoming more and more confident about its right to impose conditions. By this stage, the notion of national planning was becoming important in Bank thinking, and along with these plans came the central role for Bank expertise. Missions visited individual countries making comprehensive recommendations about what the Bank should invest in. The Bank was starting to openly support the use of conditions and selectivity as levers on policy. In its 1968 Annual Report, the Bank admitted for the first time, "The performance by a country in the promotion of its economic development is an important criterion for financial assistance from the Bank or IDA."[xix]

Nonetheless, while steps towards conditionality were taken throughout this period, the Bank in fact had few sanctions available, and its suggestions could be safely ignored by many borrowers. Recipients were protected by the fact that most of them, while keen to access concessionary finance for development projects, were still able to turn to alternative donors. Until the early 1980s most countries had yet to enter the cycle of debt, stabilisation, and borrowing that was to so seriously weaken their ability to negotiate.

The Mid-70s Turn

In the mid-1970s core capitalist countries faced a major economic crisis that had severe effects in the developing world. The situation made clear the ongoing economic dependence of these countries on rich world markets despite, in many cases, twenty-plus years of political independence. However, the crisis coincided with the Vietnam war, the OPEC oil cartel and large-scale nationalisations in Chile, Iraq, Peru, Libya and Venezuela.[xx] These events suggested that there was also a potential 'reverse dependence' of rich countries on poor ones, for geo-strategic advantage, for access to commodities, and for a license to operate in the domestic economy.

The Group of 77 (G77) states attempted to use this potential reverse dependence as a form of negotiating capital to drive a wide-ranging New International Economic Order (NIEO). The high points of their campaign were the 1974 UN General Assembly (UNGA) Declaration on the Establishment of the NIEO, and a Programme of Action for its implementation.[xxi] The NIEO involved a wide-ranging agenda in which the demand for "more aid with less political conditions"[xxii] was understood as a side-payment on inadequate offers in other realms and as compensation for the failings of currently operative systems.

However, the G77 soon came up against the limitations of the UNGA, a forum which could not impose binding commitments on rich countries. Thus, in terms of concrete outcomes, while a small number of specialized agencies emerged, with more equitable governance and decision-making structures than the IFIs (the Common Fund for Commodities and an International Fund for Agricultural Development, for example), they were mainly stillborn. The US 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 thus in the one area where the US had little influence - the re-negotiation of relations between Europe and its former colonies in Africa, the Caribbean and the Pacific (the ACP).

Recent decolonisation led to extreme caution amongst the ex-colonial powers against being seen to interfere in the internal affairs of new states. The 1975 Lomé Convention thus enabled the ACP states to demand a comprehensive round of negotiations, tying agreements on trade, commodities, political relations and unconditioned aid into one contractually binding treaty. Brown concludes that, "Southern demands were given some limited accommodation by the EU when they were rebuffed at the international level."[xxiii]

ACP states considered the aid they received not merely a reflection of their 'right to development' but as a legitmate side payment made on the core trade deal.[xxiv] The EU may also have perceived EDF as a concession necessary to win acquiescence with the trade aspects. This understanding had important consequences for control of the resources, implying that the European states should simply hand over the money, free of conditions on how it was spent, and without expectation of winning any leverage over the internal political conditions within the states. For much of the life of the EDF, this was the case. Parfitt notes, "Under Lomé I the EU gave aid to Mengistu's communist regime in Ethiopia, whilst simultaneously giving aid to right-wing regimes such as those of Banda in Malawi and Houphouet-Boigny's in Ivory Coast, without ever making any demands for political change."[xxv] For weak African states, unsteady with their domestic constituency, external affirmations of sovereignty bestowed authority on the new leaders. Financial aid also enabled them to shore up domestic political support, through provision of social goods and the creation of clientelist networks.

From this summary it might appear that the EU accepted a one-sided deal, and indeed, "at the time the Convention was greeted with an almost millennial enthusiasm from those who thought it would lead to a more just North-South relationship."[xxvi] However, if we understand the context of nationalisation across the developing world, the innovations in Lomé can be understood the price which the EU was prepared to pay for maintenance of the liberal international order at a time when that order faced a practical challenge. The agreement helped Europe to maintain market access for European goods, access to primary resources and a license for European companies to operate without heavy state interference.[xxvii] As we will see, once this access was no longer perceived to be under threat, the nature of the relationship rapidly changed. Subsequent reviews of the Conventions tended to see the European Commission handing down pre-prepared changes for ACP affirmation.

Recipient agency, collective strategy and their limits in the era of the NIEO

The coherence and contradictions of the collective *strategies* adopted by poor countries significantly shaped the achievements of the period, and their limits. The focus on the UN and on creating alternatives to the core institutions in some ways failed to tackle the heart of the problem – inequitable existing relations and systems in the dominant institutions. Nonetheless, much of the rest of this chapter understands the period around 1975 as a high point of developing country strength in negotiations with the OECD. What then were the strengths and weaknesses of the strategy adopted?

Perhaps the most obvious strength of the Third World negotiating strategy during the NIEO was the maximization of developing country *political unity*. Three key forums; the NAM, the G77 and the ACP provided clear focus for an assertive Third World, preventing the rich countries from running a divide and conquer strategy. However, Third World unity was not simply about numbers or organisation: *ideological unity* was also key. Cox notes that the ability of weaker powers to have their case heard depended heavily on their ability to frame technical demands within a broader claim for a fundamental re-working of the system.[xxviii] Thus the strength of the NIEO was precisely that it did not simply demand more money for developing countries, or the creation of new funds or bodies, but that it also presented its demands as individual proposals indivisible from the wider systemic demand for fundamental change in the dominant system. In this way, the granting of any concession by the powerful does not appear as an act of beneficence that might be withdrawn at a moment's notice, and for which recipients must express gratitude, rather than ask for more.

Cox also notes that the G77 backed their negotiating positions with *effective bargaining resources* to make the rich world "begin to realise how dependent it is on the goodwill of the majority for its continued existence."[xxix] Mahbub ul Haq claimed this list of resources included; 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 by acquiring nuclear capabilities.

Success rested not only on listing these factors, but also on the *credibility of the threat*. During this period, Third World countries did demonstrate their willingness to make their negotiating capital bite, both on the domestic front (through nationalisations), and internationally (through OPEC). Furthermore, the OECD were forced to take G77 negotiating positions seriously precisely because in certain situations the G77 were able to prove to the OECD that they possessed both the readiness to disengage from the existing institutions and the willingness to go it alone in establishing new ones. For example, OECD countries started to negotiate seriously on IFAD at the point they recognized that the plan would to go ahead with or without them. Ibrahim Shihata put success in the negotiations down to the fact that OPEC put their money on the table first, making clear that a new international institution would be born and that the choice facing the OECD was whether to be round the table or not.

Finally, the NIEO had force because the negotiating positions adopted by states were understood to represent political demands backed by *powerful domestic social forces* within aid-recipient countries, such that the room for manoeuvre available to those states was constrained. This is also an argument of principle at work here, reflecting a claim on the part of newly independent states that their sovereignty derives not simply from the 'negative'[xxx] sovereignty by which internationally supported legal rights attach to the holders of state title, but to a more fundamental right of self-determination, that attaches to populations, but which states claim to represent on the basis of a substantive relationship between ruler and ruled that generates their legitimate authority. The ability to assert this claim underpinned the moral authority of developing country governments that was, in the immediate post-colonial period, relatively strong precisely because this relationship between citizens and states was credible. In some cases governments had relatively recently come to power on the back of popular anti-colonial struggles. Furthermore, the socialist rhetoric that states propounded in the official realm was understood to reflect widely supported popular ideologies within these countries.

Weaknesses

Nonetheless, even in the mid-1970s, there were a number of weaknesses and contradictions within the Third world negotiating position, many of which have become more pronounced since. Despite noting that ideological unity brought strength to the coalition, Shihata argues that the highly rhetorical nature of the NIEO demands meant that, while rich country negotiators felt pressured to make concessions in formal talks, they were also put off implementing an ambitious programme.[xxxi]

Secondly, the attempt to enforce 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 relative ease with which individual countries could be offered particular incentives. Rich countries had no need to fear that recipients were realistically able to disengage from the aid system or to go it alone economically. Thus, despite China's efforts in the mid 1970s, donors were aware that there was no economy within the developing world that was sufficiently dynamic to supplant Western support to developing countries. This was reflected in the contradiction between the ideology of the NIEO and the actions of developing country governments. As Cox notes, there was "a constant tension between intellectual analysis that leans towards a rejection of Western models (and thus implicitly the institutions that embody these models, such as the World Bank) and support from Western economies (which would be delivered by these institutions)."[xxxii] Samir Amin claimed that this contradiction reflected more than simply a balance of economic power between the two blocs but resulted from a contradiction within the dominant ideology of Third World nationalism. Developing countries insisted that they were working towards equality with the modern economies of the West, mobilizing their population around the promise of comparable levels of industrial production and consumption. However this relied on further development of exports to earn the necessary foreign currency to buy in technology. Amin argued that this model implied on-running dependency on aid, loans and export markets in the rich world and advocated instead that the Third World should develop mutual support and self-reliance, cutting raw materials exports and forcing rich countries rather than poor ones to undergo an 'economic adjustment' to the new political reality of independence. The strategy would however have meant delaying gratification of aspirations to modernity, not only amongst the broad population, but also for the elites themselves.

However, as Cox notes, "The possibility of Samir Amin's preferred analysis depends 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."[xxxiii] Thus not all aid recipients were resistant to the implementation of adjustment policies, and indeed many went further than the IFIs demanded. Veltmeyer et. al note for example, "The emergence within Latin America of a capitalist class linked to the international circuits of capital, with large-scale long-term investments in the US and Europe ensures that there is a convergence of outlook between ‘internal’ state interests and ‘external’ Bank policies.”[xxxiv]

Shihata also argues that the moral case for the NIEO was fatally weakened by the failure of these local elites to reform their own national economies. While some pursued nationalization and some attempted a radical re-working of the domestic economy and domestic social relations, many did not. Even where nationalization occurred, re-distribution of wealth was often principally between old and new elites. Thus, Veltmeyer et al. 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.”[xxxv]

Similarly, the argument that unconditional aid should be provided, leaving developing countries room to manoeuvre in managing potentially destabilising social forces was undermined by the reality of Third World politics. Antagonistic domestic social forces could not be converted into bargaining power in the international realm because developing country states were in many cases already successfully repressing them, and in the process, challenging popular aspirations. The ability of governments to control the state thus relied on demobilising popular social aspirations. There was thus a deep tension amongst developing country governments between talking up the threat of social revolution if the needs of their people are not met, and acting in practice to prevent any such event occurring. Cox argues that this dynamic was well understood by the World Bank, and thus that its use as a bargaining chip was limited. Furthermore he argues, by the time World Bank President Robert MacNamara started his drive to focus aid on the poorest, rather than leaving developing country governments to manage the situation, the Bank itself already moving towards mediating these social tensions itself.

Finally, although developing countries attempted to negotiate aid within the context of talks on wider global economic structures, at times this link was not explicitly made, and here developing countries fell back on an argument that aid should be theirs as of *right*. However, structuring the argument this way leaves the argument against conditionality fundamentally weakened. The claim to a right to development did not attach to unambiguous duties, leaving space for considerable discretion on the part of donors. As soon as they accepted this, recipients also recognized that donors were making a choice, whether or not to give ‘their money’ as aid. Under this arrangement, conditions cannot be understood as ‘coercion’. They appear simply as controls placed on accountable governments spending money provided by taxpayers in the donor states. This weakness in the argument for aid contained in the NIEO laid important foundations for future discussions. As colonial guilt weakened, aid came to be understood almost entirely as a discretionary payment by richer countries, equivalent to charity, and over which they have the right to expect control.

The 1980s – Early Adjustment

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, Europe became much less open to discussion of global inequality. More importantly, the G77 states lost their key bargaining chip - commodity strength. In the medium term the OPEC experience proved, more than anything, that the industrialised 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. With export earnings in decline and the debt crisis mounting, Southern states become increasingly dependent on a group of creditor countries who were increasingly united ideologically and ever more willing to impose their model of the development process. Under pressure, the coalition of states pursuing the NIEO lost cohesion.

However, alongside material factors, ideas and institutions also played a key role. By 1980 the high-tide of Third World assertiveness was undermined by the implosion of many radical political projects. Latin American nationalization and import substitution 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, Rhodesia, 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 demoralising radical nationalist and socialist movements just at the moment that, in the West, the elections of Kohl, Thatcher and Reagan foreshadowed a significant further assault on the organised left. Veltmeyer et al. comment, “To discuss the ‘disorganisation of the opposition’ on a case-by-case basis in every adjusting country without examining the overall trajectory of the global opposition to capital is as sound as discussing the balance of payments crisis case-by-case.”[xxxvi] In other words, just as the material preconditions for effective state to state negotiations collapsed, the domestic social forces and that might have been expected to lead resistance to this agenda also suffered a series of debilitating defeats.

As we have seen, the IFIs initially had limited means by which to make their prescriptions stick. Nonetheless the nature of conditionality was expanding. Ironically, the precedent for this process, and a model of how recipients might respond, were established not in talks with a developing country but in IMF negotiations with the UK over the mid-70s sterling crisis.

The UK case illustrates one of the best reasons for recipients to treat the debt contraction process as a negotiation: the IMF does, and its objectives are designed to secure its own reputation, and financial ‘system stability’, rather than principally to benefit to the borrower. Stiles reports that, “not only did the UK negotiators stake out an extreme position, but the Fund mission itself began by demanding “ten percent” more that they felt was necessary in order to at least give the appearance of flexibility.”[xxxvii]

The case also illustrates a wide range of tactics that recipients might consider in what turned out to be a dramatic, cloak and dagger process.[xxxviii] The first technique that the UK attempted was a version of strategic extraversion, playing a range of donors off against each other, using German and US finance to try and avoid going to the IMF in a dependant pose. However, the US was, at this precise moment, attempting to multilateralise management of the global financial system, and was keen to make the UK adjust under IMF supervision. It offered limited and short-term support.

Strategy 4: Drawing the donors into domestic politics

Secondly, the UK attempted to use domestic political contestation over policy as a lever in the talks. Prime Minister Callaghan operated parallel strategies in talks with the Fund and within his own Cabinet. He strengthened his hand in both fields by reference to the constraints imposed on him by the other. For example, Callaghan was explicit with the US, Germany and the IMF's Executive Director that, "to impose the IMF terms would threaten the foundation of stable democracy in Britain."[xxxix] The UK worked to draw the IMF into this process, putting officials in the public eye and delaying decisions in order to build pressure for a compromise. The politicisation strategy extended to leaking stories in the press that might have been damaging to the Government, but were useful in a negotiation, such as intimating a conspiracy between the Chancellor and IMF negotiators.[xl]

Strategy 5: Brinkmanship and bureaucratic delays

Because of the delaying tactics used by the UK, 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 UK used bureaucratic ruses such as claiming that economic forecasts key to the negotiation were not yet ready, and sending officials to negotiate without authorisation to deviate from the government's existing economic program.

Strategy 6: Undermining external experts

The UK 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. Stiles notes, "The wealth of conflicting expert opinion had the effect of undermining the Fund's proposals."[xli]

It is not completely clear that all of these actions were calculated or 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, these tactics clearly increased pressure on the IMF. In the end, a compromise was reached and the UK stuck to a range of IMF conditions for just one year before paying off the loan in order to escape them. Nonetheless, Stiles suggests the IMF experience, "may well have signalled the end of an era of British politics and the beginning of Thatcherism."[xlii] This was not just the start of Thatcherism in the UK - the British experience (and subsequent UK policy) encouraged the IFIs to pursue the same agenda with many other borrowers and conditions attached to IMF stand-by agreements were gradually expanded to take on not only monetarist controls but also supply-side policies including cuts in public sector employment and spending. This wide-ranging free-market agenda was first road-tested, with the Bank's support, by military dictators in Latin America's 'Southern Cone'.[xliii] The lessons learned here were to serve as a model for the Bank's later expansion of conditionality (and initially also as its argument that the process should be led by technocratic elites with policy-making 'autonomy' from society, thus avoiding the politicised stresses the IMF had been drawn into in the UK).

The Paris Club, the IFIs and the creditors' cartel

By the start of the 1980s, a process by which conditionality was to be administered was emerging. Indebtedness was the key. Back in 1956 Argentina had negotiated a debt forgiveness plan with its various creditors at a meeting in Paris. The process convinced rich country creditors that, by co-operating and agreeing to forgive some debt, they could prevent complete collapse of countries in financial difficulty thereby securing some repayments to all of them rather than complete default. The norms of this 'Paris Group' system were codified at end of the 1970s in the context of the North-South Dialogue and a further crisis in Zaire. For the 1978 Zaire deal, the Paris Club for the first time agreed to refinancing on the condition that the "International Monetary Fund and World Bank staff took over the internal management of the Zaire economy."[xliv] Thus empowered by the Paris Club, by the start of the 1980s, the IFIs had adopted a central role in managing a creditors cartel, and had developed the basic content and process for a conditionality regime that would come to be known as 'structural adjustment'.

When a further economic crisis hit Western economies between 1980-1983, kicking off the Third World debt crisis, more and more countries at risk of default had little choice but to submit themselves to this new process, approaching the IFIs in a much more dependant pose. The Bank was already considering more heavily conditioned 'policy based lending'. Intellectually, the turning point was the 1981 'Berg Report', which focused on Africa but had implications for global strategy.[xlv] 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 macro-economic conditions.

Adjustment lending from the mid 1980s became the most rapidly increasing share of all Bank lending, rising from just 0.5% in 1976-1980 to 26% in 1986-1990.[xlvi] Killick et al. claim, "a clear inverse relationship between the use of conditionality and recipient governments' access to alternative sources of finance. This helps explain the upsurge in conditionality in Latin America during the 1980s, after the breaking of the debt crisis effectively cut the region off from private capital markets. It also explains why there has been such a high concentration of conditionality in sub-Saharan Africa."[xlvii]

Mosley et al. note that the Bank's behaviour during this period cannot simply be understood in the terms laid out earlier – that donors aim to get maximum reform for minimum spend. Rather, the Bank also had a competing incentive - maximum disbursements of funds. The Bank needs to lend in order to secure future profits. However this 'lending culture' creates perverse incentives for the Bank since the possibility of securing income in the present can be threatened by creditors failing to honour payments on old debts. In the 1980s, so many of the Bank's creditors were facing economic crisis, and the prospect of default, that the Bank ended up lending 'defensively' – offering new finance to countries simply so that they could pay back previous loans. Furthermore, as the Bank became more and more concerned to reform the policy environment in recipient countries, loans explicitly became understood as a means of 'buying a seat at the decision-making table'. This provides further incentives for the Bank to remain 'engaged', even in situations where it is unsure of its ability in the short-term to win influence, or to turn a profit, from its loans.

Recipient strategies

Strategy 7: Non-negotiation

Aware of these weaknesses in the Bank's negotiating position, one approach adopted by countries that wanted to borrow was to present a pre-cooked strategy for national development as the basis for a proposed loan. These countries needed to be confident that the IFIs recognised that internal political conditions were such that attempts to negotiate would not be tolerated. Although Mosley et al. recognise that ultimatums of the sort, 'lend me money with no conditions, or I will go elsewhere', are rare, they 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 by those recipients, but because of an unspoken understanding that their governments will not welcome detailed programmes of policy reform being imposed on them, coupled with an awareness in the Bank of the importance of maintaining a lending programme in these countries."[xlviii] Given they have already argued that developing countries in general will not "welcome detailed programmes of policy reform being imposed on them", the unanswered question for Mosley et al. is: how do some countries go about ensuring the emergence of 'an unspoken understanding' that their sovereignty is not negotiable? As we have seen from the UK case, one answer is to use domestic politics as leverage. This requires that an image of political and administrative imperatives in a country is effectively projected 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, for example, 'IMF riots' typically resulted from increases in prices of staple commodities. Van de Walle notes that Tanzanian President Julius Nyere understood the power of this claim and attempted to avoid a conditioned IMF loan in 1985 by suggesting it would lead to, "riots in the streets of Dar-es-Salaam."[xlix] He adds, however, that the strategy rests on donor's irrational insecurities about the impacts of their prescriptions as much as on political realities on the ground.

Strategy 8: Non-implementation

The 'reverse dependence' of the Bank on repayment can be used as a lever to avoid succumbing to conditions. Once a loan is secured, countries can simply fail to implement the conditions, because they understand the Bank's need to keep lending. This applies particularly to the biggest borrowers, who gain significant negotiating capital because they know they cannot be allowed to default. Killick et al. thus claim to find, "an inclination in some cases for lender and borrower to conspire to pretend that conditions have been complied with."[l] For example, Senegal's SAL III included a condition that ten public enterprises ought to be privatised. 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.

Under such circumstances, recipients may not be concerned about accepting a lot of conditions. Mosley et al. thus recognise, "if a weak recipient is willing to gamble that the donor will not punish him for any slippage that he perpetrates … , he *may* – if his guess is right – be able to walk on both sides of the street, taking the money and dodging such conditionality as was imposed on him…. The less he expects to need the donor… [in future] the less he can expect to lose by applying this strategy."[li] (emphasis in original)

The Bank, though it also knows this, will still be keen to impose a lot of conditions – partly because doing so wins staff praise from Executive Directors, partly because staff know that there are a lot of reasons why implementation might not be possible, but that failure to implement may not reflect badly on them, and partly because if staff impose a lot of conditions, they can at least hope that some will stick.

Strategy 9: Back-sliding

In a number of cases a variation on non-implementation is rapid backsliding. Here, 'stroke of a pen' reforms, such as reductions in tariff rates, can be implemented, and then once the finance is released, immediately reversed. Collier notes, "During a 15 year period, the Government of Kenya sold the same agricultural reform to the World Bank *four times,* each time reversing it after receipt of the aid. Faced with such behaviour on the part of donors, it would have required an astonishingly credulous government to take notice of donor conditions."[lii]

Strategy 10: Win the argument by being right

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. Killick et al. thus note, "the government's unwavering support for South Korea's automotive industry, despite its commitment under SAL I to defer this support, proved to be successful, inducing the bank to omit this condition from SAL II."[liii] Being right also offers the possibility of a country regaining balance of payments or credit-worthiness and thus being able to pay-off creditors and pay donors early, cutting the conditionality process short.

Strategy 11: Reform Mongering

Authors including Waterbury and Joan Nelson[liv] have argued that conditionality can be used by some recipient elites to secure their internal sovereignty through 'reform-mongering'. This is an alternative way of politicising negotiations whereby recipients go along with externally imposed adjustment but use it to their own ends, as an 'agent of restraint' both against the administration's own worst urges (populism) and as a means to demobilise opposition by constructing policy actions not as choices made by government, but as necessities imposed from outside.

The Bank was willing during the 1980s 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, reform-mongering implied a series of recommendations for Bank strategy, including giving recipients more room to manoeuvre in management of the reform process to minimise 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. It also implied that the Bank should 'capacity-build' an effective bureaucratic machinery that could pursue the project. The literature focused particularly on establishing small 'change teams' of committed technocrats who would drive the process from positions of authority – typically reporting directly either to the President or Finance Minister. However advocates of the 'reform-mongering' approach struggled, during the 1980s, to describe how 'reform coalitions' outside of the state machinery, that might provide support for government reform programmes, could be supported by donors. Section six will revisit the argument made here, showing that the idea of a reform-coalition has proved important in the gradual re-working of conditionality since the millennium.

Strengths and Weaknesses of Recipient Strategies in the 1980s

For individual recipients, the two strategies described above that provide the greatest hope for securing developing country sovereignty in negotiations with donors are non-negotiation and the politicisation 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 and these may not be quickly conjured up by every country. The ability to present a strategy in terms legible to the World Bank requires a high degree of administrative capacity and political and intellectual confidence on the part of the recipient countries. Politicising negotiation is most likely to be effective when the recipient is able to appeal to a recognised 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 donor's orthodox policy prescriptions also shifted away from developing country governments, which had increasingly adopted such measures, into intergovernmental and UN 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. All involve a retreat from developing countries using their status as sovereign states within the international system as a source of negotiating strength, 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 politicisation, two other strategies, non-implementation and back-sliding, are predicated on institutional and negotiating weakness and political non-confrontation. Nonetheless, these were arguably the most commonly applied strategies during this period. Politically on the back foot, recipients' strategies became reactive to a wider environment that most saw themselves as incapable of challenging. Quiescence, however, did not reflect widespread acceptance of the content of donor agendas for developing countries 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 for the domestic policies that these countries had been trying to protect to succeed. Mosley et al. 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. Thailand was cut off from private credit markets between 1982 and 1984 and was forced to accept a conditioned Structural Adjustment Loan. This capital helped to stabilise the economy and to break the cycle of borrowing, such that Thailand was able to terminate negotiations on a more heavily conditioned second loan when the county regained access to credit from commercial sources. Nonetheless, Killick et al. note, Thailand then set off on a series of self-imposed liberalisations.

Despite their limited success, the recipient strategies adopted during the 1980s caused donors massive frustration. They seemed unable to bring about reform within developing country bureaucracies or to manage it politically in developing country elites or wider societies. One impact was a certain disillusion amongst donors about development in general. Still, many recognised that reform is 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 back-sliding precisely because new loans and new aid negotiations keep countries in *contact* with donors, allowing for gradual influencing. Furthermore, having failed to secure implementation of any particular condition, recipients might be expected to eventually 'run out of excuses' and to eventually bow to donor's wishes. Nonetheless, donors also started to re-think the aid relationship and, as we will see, a wide range of policy innovations in the 1990s sought to remedy the political and administrative challenges that donors believed were undermining their priorities.

The 1990s – Adjustment after the Cold War

The new interventionism and the 'third wave' of democracy

Developing countries had a lot to lose at the end of the Cold War. Their marginal position in the world economy was now matched by increasing strategic irrelevance. They faced 'monopoly diplomacy' from the West, as the EU and US worked ever harder to co-ordinate foreign and aid policy, and now found themselves unconstrained by the need to appease developing countries that had no alternative sponsors to turn to. Principles supported through the Cold War, such as the equal sovereignty of states, quickly came into question and interventions, both 'humanitarian' and otherwise, escalated sharply.

Aid priorities were also changing. External support for dictatorships that had been supported for political reasons by both East and West 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 US moved rapidly to support Eastern European countries 'in transition' to democracy and capitalism. With Soviet missiles no longer a concern, Europe's focus also quickly shifted towards new threats in the 'near abroad'. This was particularly marked after 1992 with the emergence of an EU Common Foreign and Security Policy, and an increased commitment towards Eastward expansion of the Union. This shift saw 'traditional partners' marginalised in Europe's thinking and levels of European financial and political commitment to the wider world came under review. Parfitt finds, "The division of aid over the period 1995-2000 was largely the outcome of arguments between Germany, which wanted to maximise aid to Eastern Europe, Southern European states that wanted to ensure a substantial aid allocation for the Mediterranean area, and France which wanted a successful conclusion to the negotiations for Lomé IV ii."[lv]

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. Developing country leaders found themselves vilified for their comparative 'lack of new thinking' and 'Third World rhetoric'. Parfitt reports that, "Officials within the [European] Commission and the Council of Ministers began to compare Eastern European commitment to reform with that of the ACP and found the latter group lacking."[lvi]

Similarly, with the rapid growth experienced by a number of states in South East Asia, other developing country leaders were increasingly criticised for failing to take advantage of the opportunities presented by globalisation. Where the NIEO had identified the limitations the international system imposed on developing countries, and structural adjustment focused attention on the state's failings in economic management, this analysis targeted a corrupt state elite unable or unwilling to govern in the interests of their citizens. The reputation of the developing country state and its capacities for self-management were further 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, not only economically, but also militarily and politically.

The end of the Cold War coincided with, perhaps caused, a 'third wave' of democratic revolutions. Many developing country governments faced increasing internal pressures for change. In many cases, these were pressures from broad coalitions demanding *any* change. In others, they involved direct demands for democratisation. Nonetheless, these domestic forces provided openings for Western powers interested in promoting liberal democratic models and both European and American bilateral donors decided to pursue democratisation with considerably greater energy, imposing aid sanctions on recipients that would not adopt competitive multi-party elections.

Many interpretations of innovations in Western foreign policy in the post-Cold War era have focused on the normative impacts of these changes: the suggestion that the collapse of the Soviet Union bolstered Western self-confidence in the market and in democracy is summed up in Fukayama's 'End of History' thesis.[lvii] Robert Jackson argued in 1992 that: "the West is now far more secure and confident in the superiority of its values than at any time since the end of the Second World War."[lviii] In the absence of a material threat preventing intervention, belief in the superiority of Western values was said to have generated an increasing willingness and ability to export them. Focusing on aid, Killick applied a similar logic, identifying three key trends that allowed for a deepening of the conditionality regime and a widening of its remit to encompass explicitly political issues alongside purely economic ones: 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… By altering foreign policy objectives and devaluing the security-cum-foreign policy motive for aiding strategically placed countries, the ending of the Cold War brought further changes in relationships between donors and many recipients, increasing the self-confidence of the former and making them bolder in pressing their views."[lix]

There is another way of telling this story. The Western powers also experienced the end of the Cold War as a moment of disorientation, or perhaps more accurately, of 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 would have to stand up more clearly in relation to performance. Thus Laïdi 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.[lx] Making this argument, that the Western elite has lost confidence in itself, and its key 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 even more complicated.

This is not, for instance, an argument that the promotion of free-markets, or even of specific national economic interests has come to an end. Underlying economic interests remain (although it is increasingly difficult to understand these as 'national') and lobbies for particular interests and policies maintain influence over state decision-making. Neither is it an argument against the idea that donor interventions can be understood as expressions of liberal, or indeed neo-liberal ideology. Rather, it points to the decreasing conviction with which, following the Cold War, donor country elites have been able or willing to cohere an ideological justification for their policy preferences, or a vision of a good society in the future which might clarify strategic choices and define policy. The death of classic left-right politics has allowed a flourishing of technocratic and managerial style of politics in which micro-principles and political tropes such as humanitarianism, human rights and poverty reduction have developed in a vacuum, giving some coherence and legitimacy to policy and governance.

This situation grants an increasingly free reign 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 are capable of moving policy-making beyond the negative identification of 'bad things' to be eradicated – dictatorship, torture, small arms proliferation etc., towards the identification of a clear political goods, or indeed a model that can be promoted. A clear sense of overall purpose would allow a balancing of these many claimed rights against one another. Without it, who can make an assessment of the relative importance of environmental sustainability? As against economic growth? Technology transfer? Multiculturalism? Gender equality? In the absence of a clear ideological frame, strategic imperatives or national interests against which policy proposals can be assessed, policy takes on a rapidly changing and somewhat arbitrary nature. Political management – maintaining stability and preventing bad things – has become the highest aim of administration. For aid recipients, keeping up with the latest tropes, let alone assessing their potential for a national project, or negotiating in this new field of meanings, is hugely challenging.

The political management of adjustment

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 World Bank came to realise that neither economic stabilisation 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 long-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 developmental advice, but of recipients' handling of it. The Bank focused on the misdirection of aid 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 reform of 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, an internal Bank evaluation of portfolio performance that reached damning conclusions on the effectiveness of adjustment lending.[lxi] The Bank's own semi-independent Operations Evaluation Department (OED) also found that as many as 20% of projects faced 'major problems'.[lxii] With most countries having experienced the best part of a decade of structural adjustment, the clear gains were, in rather too many cases for comfort, hard to identify. What is more, Wapenhams found that 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 of course was nothing new to critics of adjustment, such as Cornia, Jolly and Stewart, who had been arguing through UNICEF during the 1980s, for 'adjustment with a human face'.[lxiii] It did mean however, that their arguments started to be listened to and, as Van de Walle argues that, "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."[lxiv]

The debate over adjustment also focused the World Bank on the costs of drawn-out austerity programmes. Although macro-economic conditions attached to IFI aid remained largely in place, the Bank recognised 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*, themed on 'poverty' marked a vital development. The report was followed up a year later by a policy paper, 'Assistance Strategies to Reduce Poverty' which recommended that Poverty Assessments (PAs) be carried out by all governments within three years of 1992, in order to establish relationships between government policy, poverty reduction and Bank assistance. The poverty agenda, though largely at the level of rhetoric for the moment, 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 they could 'turn the oil tanker around'. Thus in 1995 Mosley et al. described the poverty agenda as the, "most heartening initiative since the first edition of *Aid and Power* went to press. During the Presidency of Lewis Preston, the bank has transformed itself from a tardy follower (or sometimes outright critic) of the poverty agenda into a clear leader."[lxv] The Bank also became a more and more important site for new initiatives on the environment, women's rights and corruption as NGOs increasingly identified the Bank as a key international actor. By insisting that it took on their concerns and brought about their preferred outcomes in recipient countries, NGOs implicitly accepted the Bank's influence, and its key tool - conditionality.

Good Governance, Tranches and Surveillance

On the administrative side, 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.

The Bank itself did not assume that, alone or initially, the ‘capacity building’ measures put in place through governance reforms would solve its most significant problem of the 1980s: the ability of recipients to evade conditionality. On the contrary, in the 1990s, the Bank was 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. In some cases, no money was provided up front on conditional loans. Instead, “such a program would take the form of a menu of desired reforms composed by donors, each with a price tag attached, in which governments chose which reforms they would sell at which time. Donors would pay on delivery, a feature known technically in aid jargon as single tranche operations, by which is meant there is no payment in advance of implementation.”[lxvi] 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 (ESAF) 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 (for example that countries maintained a certain level of foreign reserves). The Bank called these targets ‘benchmark criteria’ or ‘legal requirements’, 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. However, 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 was also a research question –ensuring that donors co-ordinated the information they were gaining, often from ‘technical assistance’ - officials from aid donors and associated bodies paid to work as consultants within the civil service of recipient states.

Donor co-ordination

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 that could pursue their own objectives and priorities in full sovereignty. However, Lomé IV (1989), and even more so Lomé IV, ii (1995) involved much closer tying of EU aid to World Bank/IMF led Structural Adjustment Programmes (SAPs).[lxvii]

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 groundbreaking 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."[lxviii] Noticeably, this was a unilateral declaration from the EU imposed without consultation, let alone negotiation despite Lomé's status as an inter-state treaty allegedly governed by principles of 'equal partnership and sovereignty'. The declaration marked a seismic shift in the operation of EDF funds. 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 EU, 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.

Strategy 12: Regime survivalism

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. Though it would be hard to argue much progress was made with this strategy in the 1980s, overall aid cuts, the introduction of tranches, surveillance, greater donor co-ordination and more wide-spread governance conditionality in the 1990s made every one of the strategies described in the 1980s, including reform mongering, an even harder game for recipient to play. Many, of course continued to try. However, with so few resources now unaccounted for and few conditions malleable to local needs, the decade-long experience of austerity reduced the capacity of many states to reproduce their own support base. Thus the initial instinct of some elites, to avoid conditions because they threaten the spoils systems necessary to the maintenance elite stability, was gradually replaced by more sophisticated ploys to play a system they no longer felt able to buck. Survival became their highest ambition. Van de Walle suggests, "as the crisis has progressed, leaders have sought increasingly to instrumentalise the reform process to derive political benefits from it. They have learned to protect their own interests, even as they implement just enough reform to maintain donor support."[lxix] This strategy cannot be understood as an attempt to secure sovereignty, but rather as a simple survival instinct of the state class.

How, though, can an elite survive if it has so little to offer its society? Van de Walle argues that aid flows played an essentially conservative function, loosening the (market) pressures on the state to reform. Additionally, un-coordinated bilateral aid loosened the pressures of IFI conditionality for reform. Secondly, he claims that (in Africa) the state is dominant over society. Van de Walle suggests that this has generated a peculiar political dynamic, of political stability, state decay, yet sustenance, and a removal of decision-making power from local actors. "It has undermined the development of state institutional capacity by externalizing policy making and arresting the process of *policy learning* among African political elites. At the same time, aid has comforted if not reinforced the state's neo-patrimonial tendencies by turning the decision-making process into a series of largely uncoordinated projects with tangible but excludable benefits controlled by state agents."[lxx] This critique was gradually accepted by the aid establishment. In his 1998 speech to the World Bank Annual Meeting, Bank President Wolfensohn stated, "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."[lxxi] Having developed a system of conditionality through the 1980s and 1990s that worked to impose development from above and from aboard, donors gradually, hesitantly, had arrived at the view that their own leadership of planning was a central problem in instituting reform.

The Partnership Era – 2000s

Aid conditionality emerged in the 1980s because donors had the material whip hand over recipients. 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 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.

Recipient evasions were systematically closed down at the end of the Cold War. Donors increased their use of tranches and surveillance and worked harder to co-ordinate policy and practice. However, through the 1990s with a sharp decline in ideological politics amongst Western democracies, the case for free markets became a question less of convictions than 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 macro-economic policy, seeking also to re-shape 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.

It has come as something of a surprise then that, since 1999, donors have increasingly argued that they do not want their relations with recipients to be defined or understood in terms of conditionality. The UK Government delivered a new policy paper on conditionality in 2005 that states baldly: "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." [lxxii] The paper accepts huge swathes of the arguments laid out by critics of conditionality since the publication, over thirty years ago, of Hayter's '*Aid as Imperialism*':

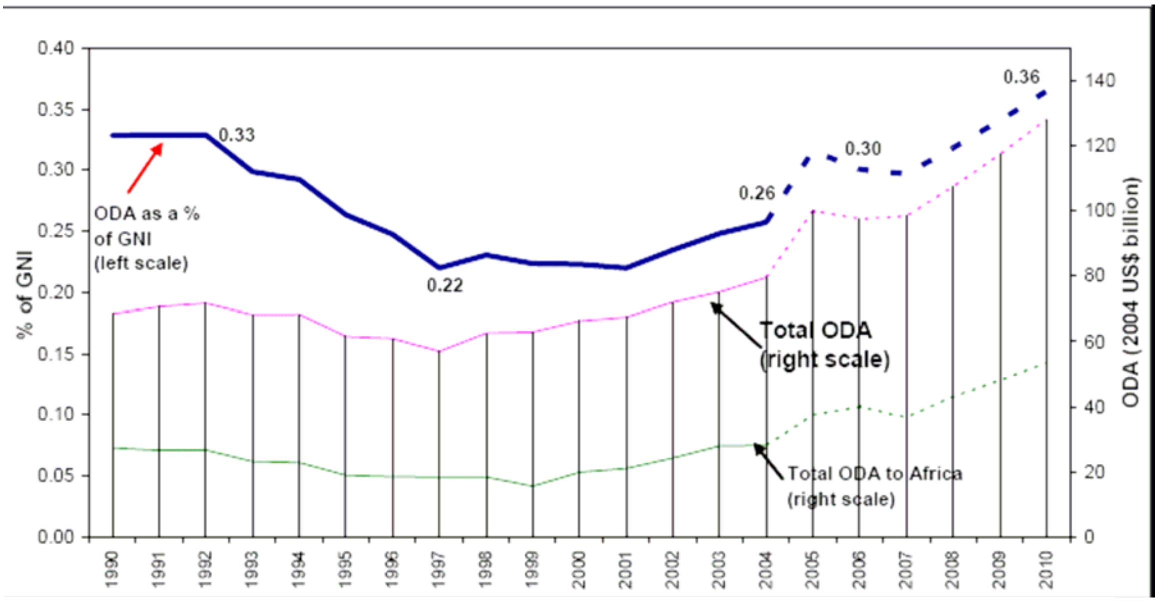
- That policy conditionality is an offence against developing country *sovereignty*;
- That *democracy and political development* in recipient countries have been damaged as conditionality has hollowed out debate, narrowed policy space and frustrated the expression of local demands;

- That *recipient state capacity* has been compromised as administrations have been 'extroverted' to service the insistent, often contradictory, demands of the many aid donors operating in their countries;
- That *economic development* has suffered as a result of inappropriate 'one size fits all' solutions that have been imposed in widely varying circumstances;

The UK is one of the donor countries most willing to pursue this analysis and certain others, notably the US, do not share it. Nonetheless there has been a dramatic collapse in the willingness of all donors and NGOs to make explicit arguments in favour of conditionality.

Given widespread acceptance that aid has had negative economic and political effects upon recipients and, as Van de Walle argues, has also had perverse impacts from the perspective of donors seeking to secure reforms, one might have expected aid donors would 'pack and go'. In fact, the opposite has happened. In the same year as releasing its critical paper on conditionality, the UK Government led calls for a doubling of aid. Whether or not this is delivered, the long-run slump in aid reversed in 1997, and further medium-term increases seem likely (see Fig 5 below).

Fig 5. DAC Members' net ODA 1990 - 2004 and DAC Secretariat simulations of net ODA to 2006 and 2010 [lxxiii]



One justification for more aid, in a situation where more and more people believe that it has not worked in the past, would be the suggestion that aid and conditionality have already been disentangled – in other words, that despite twenty five years of movements in the opposite direction, recipient control over aid relationships is suddenly possible because conditionality has disappeared. Donors sometimes find themselves drawn to this argument. For example, the World Bank's 2005 *Conditionality Review* attempts to distinguish a new aid system from the bad old days of conditionality. It reports, "the term "conditionality" may no longer correctly describe the emerging development process … the international seminar on conditionality in Paris in July 2004, … acknowledged that the traditional understanding of conditionality as leverage was a thing of the past."[lxxiv] The same review concluded that, "The average number of conditions per World Bank policy-based operation has declined from above 35 in the late 1980s and early 1990 to about 12 in FY05."[lxxv]

And yet the claim that aid and conditionality have been untangled is unsustainable. Firstly, the *number* of conditions attached to any loan is not a particularly revealing statistic. Over past decades donors have persuaded many recipients to adopt, reverse or avoid a wide range of policy options. In many cases, where there is no easy way to go back on a previously instituted condition, such as a privatization, the job is effectively done – the task now is to establish systems of monitoring, surveillance and 'accountability' that 'lock in' these reforms. Secondly, the claim that the number of conditions has significantly decreased is unconvincing and the Bank knows it. The definition of conditionality used to generate the statistic above only includes 'prior actions' and not benchmarks or triggers for the release of subsequent loans. As the Bank recognizes, most recipients do not "recognize the strong distinction the Bank makes between conditions, triggers, and benchmarks. Seventy-five percent of participants agreed that their countries had to comply with all the policy actions in the policy matrix."[lxxvi] Actionaid therefore claim that, "while it is true that binding conditions have fallen, the overall burden of binding and non-binding conditions has risen substantially. Indicative benchmarks (non-binding conditions) have risen from an average of 20 per loan in 2000 to 48 in 2004. A country like Benin, for example, has seen the number of conditions faced rising from 58 in its first PRSC to 130 in its second, while Vietnam has moved from 41 conditions in its third PRSC to 84 in its fourth."[lxxvii]

Whether or not the total number of various types of policy constraints that donors are able to negotiate with recipients has risen or fallen, economic, governance and social policy conditionality remain central technologies of the aid architecture, bolstered by the continuing use of funding tranches, deepening surveillance of recipients and increasing donor co-ordination. In more honest moments, donors recognise that recipients now face a more intimate supervision of all aspects of national planning, budgeting and development programme implementation than at any time since independence. Former DFID chief economist Adrian Wood has described the system of national planning backed by budget support that has emerged since 2000, and which is described below, as "conditionality squared"[lxxviii] because recipients now contract many of their conditions, on a huge range of policy issues, in one package, funding for *all* of which can be turned on or off by donors in one move.

What is interesting about the World Bank's *Conditionality Review*, then, is not so much what it reveals about the changing nature of conditionality but rather the very fact that a review was seen as necessary, and that its results are spun with an assumption against conditionality. The argument in this final section of the paper is that it is only possible to understand this donor critique of conditionality within the context of a widespread consensus over a set of proposals for a new aid architecture, towards which halting steps can be identified and which, donors hope, will overcome the contradictions they now recognise in their own policy and practice.

In this new model, notions of 'partnership' between donors and recipients, and 'ownership' of reforms by recipients are highlighted. In order to describe and legitimate this new arrangement it becomes necessary to contrast it favourably with a previous system and to theatrically deny that they relate to each other. A summary of the end goals towards which donors claim to be moving can be gleaned from the March 2005 *Paris Declaration* which proposes: “Developing countries will exercise effective leadership over their development policies, strategies, and to coordinate development actions; Donor countries will base their overall support on receiving countries' national development strategies, institutions, and procedures.” [lxxix] The key questions then are: What is the rationale for ownership? How is it implemented in practice? With what limitations are recipient agency enscribed? And how have recipients responded to the changing incentive structures facing them?

The rationale for ownership

The rationale for new proposals are foreshadowed both in the ‘reform mongering’ literature of the 1980s,[lxxx] and amongst authors including Mosley et al., Collier and Killick et al., who wrote on the political economy of aid in the 1990s.[lxxxi] Collier presents the central question succinctly. Short leash lending explicitly ‘bought’ reform but, “if donors price reforms, they buy them and governments sell them. Who then owns the reform?”[lxxxii] The problem in other words is that though conditionality, surveillance and governance reform can encourage, maybe even force, recipients to adopt reform measures, they cannot make them believe in such policies. Indeed, conditionality may have precisely the opposite effect. Because it is widely understood within recipient countries that governments are heavily constrained by donor priorities, state elites are able to avoid making a political case for reform, and thus evade responsibility for programmes that they would rather blame on external forces. In the absence of either high level political support for liberalisation or popular social and political constituencies making the case, reform programmes seem easily derailed by local political imperatives.

Haggard therefore suggests that, “foreign actors should give governments *as much freedom as possible* in choosing stabilisation measures, in order to reconcile various constraints… The political context vastly differs from one country to another, and from one month to the next in a given country; only the authorities of the country concerned can adapt the programme to changing political constraints on the adjustment process.”[lxxxiii] Here we see a concern with the political feasibility of a reform process in which social forces outside of the state are recognised as potential constraints that must be considered and managed. This is echoed in the 2005 *Conditionality Review.* The Bank notes, “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.”[lxxxiv]

The central donor imperatives have therefore become finding ways to secure political support for liberalisation, both inside the state and in civil society in recipient countries and, in its absence, to politically manage any fall-out from the reform process. Though this implies a very selective view of ‘recipient agency’, i.e. generating and supporting those forces that agree with the Bank’s analysis, donors have sold this project as ‘maximising ownership’. The Bank’s *Conditonality Review* thus describes 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.”[lxxxv]

New Development Management Tools

Since the late 1990s, a number of 'new principles' of aid management system can be identified, each of which claims to enhance recipient ownership. In order for recipients to claim ownership of development plans, the first key step is to insist that, rather than plans being written by donors and presented for acceptance by the recipient as the basis for new support, they should be initiated and authored by the recipient government. It is assumed that if recipients present the plan themselves, they are more likely to feel motivated to follow-through, implementing the plan because they believe in it and have had to take political responsibility for it and sell it to a domestic audience. Because ownership is also now seen not simply as attaching to the government itself, but in the society of recipient countries, donors promote 'process' condition, including 'participation'. 'Stakeholders' such as private companies, trade unions and other 'civil society organisations' taken to represent different interests and sectors within society are also invited to take part in the preparation of a national strategy.

In recognition that much aid has been provided outside of formal donor to state relations, the second principle is that donors ought to accept the centrality of the policy framework laid out through national planning, and ensure that aid they provide is aligned with those plans, both in terms of priorities and objectives, but also in terms of the administrative, planning, accounting and monitoring systems that apply. Much aid in the past has been provided 'off-budget', or has been directed straight to project implementers, rather than forming part of the national budgetary process. 'Direct Budget Support' is said to provide for donor alignment with national plans. Where aid is provided in support of a sectoral plan (for example a national education system), this is described as a 'sector-wide approach' (SWAP). Where all donors are asked to put their money into a common fund and to accept one set of reports on progress, this is sometimes referred to as 'basket funding'. In other cases, some donors, who recognise that they do not need individual reports from the recipient, will pool their finance with another donor, and allow that donor to lead on negotiations, project planning and accounting. This is referred to as 'silent partnership'.

In many cases, national planning processes are designed to generate a 'policy matrix', a fairly traditional list of prior actions that recipient commit to performing before initial aid, or subsequent tranches, are released. However, some donors are now pushing for *outcome* or 'results-based' conditionality. Here lists of targets that recipients hope to achieve – numbers of girls in school for example - form the basis of conditions. Release of subsequent tranches of funding is then conditioned not on the continuation of the precise strategy described but on condition of achievement of those outcomes. This approach is said to leave more flexibility for recipients to manage unexpected political and technical problems facing programme implementation.

Many of these principles can be understood as re-working aid from a process whereby donors open negotiations with favoured countries to a form of competition in which any poor country can put in an application to a 'competition', 'challenge' or 'trust' fund. Some new funding mechanisms are explicitly managed on this basis. In other words, recipients complete national plans that are assessed by donors. Those that are considered viable according to donor judgements 'win' funding.

A scaled-up version of outcome conditionality is also being attempted as 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 shift has been informed by David Dollar's claim that aid is not an effective tool to generate reform, but works best when provided to countries that already have a good policy environment[lxxxvi] and Collier's proposal that the level of aid flow should be based on the "level of the policy environment, not the flow of reforms."[lxxxvii] Thus some donors are aiming to provide aid increases as a post hoc reward for good policies, on the basis that this will not only do more good, but will also incentivise other countries to follow suit in order to qualify for increases. It is thus only once the government has decided for itself that a reform programme needs to be implemented, and has taken political leadership of that process, that donors increase support. 'Scorecards', such as the World Bank's 1999 Country Policy and Institutional Assessment (CPIA), claim to offer objective measures of particular policies adopted.

A slew of new funding mechanisms, based on these broad principles have emerged since the late 1990s. They are often described as constituting elements of a new 'aid architecture', including: the World Bank's Poverty Reduction Strategy Papers (PRSPs), the European Development Fund (EDF), the US's Millennium Challenge Account (MCA), and the Global Fund to Fight AIDS, TB and Malaria (henceforth, the Global Fund). All claim to vest significantly more power in the hands of recipients.

Under PRSPs, introduced in 1999, countries eligible for debt relief via the Heavily Indebted Poor Countries (HIPC) scheme were asked to develop their own national development plan, to be presented to the Boards of the Bank and Fund as the basis for debt relief and new loans. The reform objectives and policies laid out in the document would then become the conditions to which the IFIs would hold the recipient accountable. The IFIs also now insisted that stakeholders should participate in drafting the plans.

In 2000, the EU and ACP were scheduled to re-negotiate their 25 year-old partnership agreement. Patrick Watt noted: "Lomé was conceived in a world where commodity power was still taken seriously, where post-colonial attachments remained strong, and where development orthodoxy promoted the widespread use of protectionist barriers to trade. Today ... the conditions under which Lomé was negotiated have been turned on their head."[lxxxviii] The EU was thus able to establish the fundamentals of what was to become the Cotonou Agreement, which replaced Lomé in 2000 along the lines laid out in European Commission policy papers long before any 'negotiation' began. Priorities for each country are now set through a National Indicative Programme (NIP), jointly planned by the country's National Authorising Officer (NAO) and the EC's delegation, with involvement of 'civil society actors'. This leads to the production of 'Country Support Papers' (CSPs) which will identify how aid will be used, how it will tie into wider political and economic reforms, and how it will move towards the fulfilment of international development targets. The process enables the EC to offer different types of aid to different countries, rewarding 'trusted states' with generalised 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.

The Global Fund was established in January 2002 to incentivise donor funding for a campaign against three killer diseases, and to incentivise national level planning by recipients. The scheme claims to place programme initiation, design and implementation all in the hands of recipients. Applications are made to a competition, run roughly annually in the form of funding 'Rounds', and are submitted in a non-standard format according to just one major 'outcome' condition: that they increase prevention or treatment efforts for one or more of the diseases. 'Process' conditions also apply: proposals must be developed and submitted by a Country Coordinating Mechanism (CCM), which typically includes government, NGOs and the private sector. The CCM chooses a Principal Recipient (PR) to manage funds and administer the grant. Typically this is a Government Ministry. Applications are assessed and scored by an independent 'Technical Review Panel' (TRP) consisting of eminent clinicians and health and development administrators. A share of projects are rejected outright. The Board of the Global Fund, made up of one third donors, one third recipients and one third 'communities' then distributes funds the highest scoring applicants, continuing down the list of approved projects as far as possible given the amount of finance put into the latest round by donors. The Fund itself does not have 'country desks' or offer any policy advice to recipients. Instead it uses local fund agents (LFAs) – typically multinational accountancy firms - to track implementation in-country both in terms of spending and 'results'. If benchmarks set by recipients in their initial application are not met, funding can be terminated and re-allocated to other recipients.

The Millennium Challenge Account (MCA) was announced in 2003 and is governed and managed unilaterally by the US. Nonetheless, many of the innovations discussed elsewhere are visible in the MCA: selectivity based on scorecards, competition funding based on recipient devised national development plans and results-based conditionality. In comparison to the World Bank's un-transparent CPIA, not only the system used to assess countries, but each individual recipients' scorecards are publicly available on the MCA website. These award points to countries on a wide range of axes. In 2006, 23 countries scored enough points to be considered for funding. Once they have passed this assessment, countries are supposed to face a similar 'competition' system to that instituted by the Global Fund, focusing on ownership and results-based assessment.

The limits of ownership

All four of these recent initiatives are claimed by different advocates as representations of an alternative and progressive model of aid giving. All claim recipient ownership as a normative and practical goal and as a necessary element for their success. Nonetheless there remain many opportunities for donors to push recipients to adopt their preferred policies.

Most obviously, in all of the new mechanisms, donors still have the final say over whether plans are approved 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. Even the World

Bank's own evaluation of PRSPs expressed concern at the uniformity of their priorities and presentation.[lxxxix]

However, donors do not simply rely on the shadow of approval to influence policy content. In many situations, donors consider themselves one of the major 'country stakeholders', and so take an active role in consultations, injecting their own views of what is 'realistic' and what 'best practice' on a process advertised as allowing local actors to develop their own solutions.[xc]

For example, the Global Fund's TRP will consider, "effective proposals from countries and regions with the greatest need, based on the highest burden of disease and the fewest financial resources available to fight these epidemics."[xci] The TRP obviously has some conception of what makes for an 'effective proposal'. The issues they consider are however, not purely technical and there have been significant disputes amongst donors, recipients and communities over the appropriate balance between treatment and prevention, and between drugs distribution and building primary health-care systems.

Similarly, although the many donors argue that their attachment to selectivity is based on a technocratic concept of 'aid effectiveness', the MCA illustrates that selectivity can easily be used explicitly for political influencing. The US is open that it aims to fund only, "those countries that rule justly, invest in their people, and encourage economic freedom."[xcii] President Bush argued at the United Nations Financing for Development Conference as he launched the MCA: "We must tie greater aid to political and legal and economic reforms. And by insisting on reform, we do the work of compassion."[xciii]

EU negotiators have attempted to de-politicise conditions on EDF aid by insisting at the earliest stage of Cotonou talks that the ACP sign up to statement of 'shared principles'. While presented in technical language, the EC was clear with its own member states that their aim was to secure, "the kind of world development that is more compatible with European social and political values."[xciv] Once apparently bland statements have been agreed upon, assessments of adherence to these new conditions are made entirely on the basis of subjective assessments by EC officials. As Brown notes, "Previously, the Lomé Convention had granted the ACP countries the right to decide development priorities 'in all sovereignty'. While this statement remains, the new agreement explicitly seeks to align EU aid resources with wider international efforts to define the aims of development co-operation."[xcv] The resulting introduction of extensive 'governance' and 'process' conditionality into European aid conditions marked a sharp break from the Lomé claims of a "non-ideological" treaty. Having been seen in 1975 as an expression of European commitment to the political equality of former colonies, by 2000, Brown argues that EDF aid is used to, "to switch resources to those states that most successfully take on board the new 'shared values' of EU-ACP co-operation."[xcvi] He concludes that, "while the international support structure for Southern states remains, such support is geared more explicitly to a liberal process of state reconstruction."[xcvii]

The weaknesses of leadership and trust, and the failures of upstream conditionality

New donor policies can perhaps best be described as attempts to 'move conditionality upstream', incentivising adoption of donor preferences in economic, governance and social welfare systems without the need for coercive measures to achieve the same outcome. As the blurb for the MCA has it, the aim is to "create change in developing countries before they even receive funds." [xcviii] However, there are two logically prior conditions for making this shift: *leadership by recipients* and *donor trust in recipients*. It is because donors generally do not believe that the former is in place that the latter does not follow, that conditionality remains in place and the promise of new aid partnerships remain largely rhetorical. In an effort to overcome the problem, and because they only really trust themselves, donors accord *their own agency* a central role in bringing into being the recipient agency on which the new system is allegedly founded. Contemporary donor strategies may therefore prove self-defeating.

The necessary first step in the 'ownership' model is an act of will on the part of recipients to take control of the relationship. This is logically prior to donor alignment and requires recipients to insist on and enforce their own conditions under which they will and will not accept aid. This may mean insisting that higher proportions of aid should be funnelled through central government budgets, only accepting aid that supports centrally planned country priorities, and refusing to accept demands for reporting in detail or 'micro-management' of aid projects by donors. In these ways, it is hoped that accountability for spending will be shifted away from donors to allow for a flourishing of democratic mechanisms and civil society monitoring of government planning, implementation and spending. There is an acceptance that, for recipients to enforce these 'reverse conditions', they may have to refuse some aid which does not come up to standard.

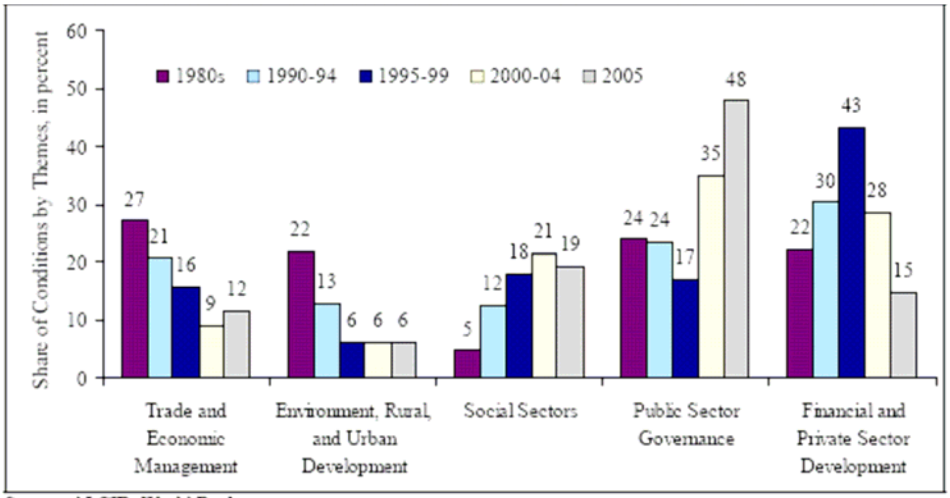
However, there is also an overwhelming frustration amongst donors at the absence of this kind of recipient leadership. The assumption underpinning this analysis is that current donor dominance results from recipient passivity and weak capacity. This leads to proposed solutions: capacity building and encouragement of recipient assertiveness. Capacity building programmes typically involve training and technical support for select groups of politicians and civil servants and 'technical assistance' in the form of seconded donor staff and donor-funded consultants working in recipient ministries and aid implementation bodies. At the more outlandish end, new computer software packages are advertised as providing hope for 'government out of a box' (GooB), involving, "more rapid implementation of robust and lasting governmental administrations" through a "a new ready-made information and communication toolset, to directly enhance the governance capacities of government authorities in post-conflict countries." [xcix] GooB is perhaps the ultimate statement of a belief that underpins capacity-building – that a generic model of an effective state can be built through (hi-)technical systems on a universal model of best practice.

Weak capacity is not just identified as a problem by donors once they are engaged in an aid relationship. It can be revealed by the failure of new donor initiatives to 'generate demand' for the solutions they are offering, and thus for recipients to 'absorb' new aid monies that are made available. For example, slow growth in the Global Fund's spending has been explained in part by the absence of appropriate skills to support successful Global Fund applications. As a result, huge amounts of technical assistance are now being provided by external agencies –

UNAIDS, bilateral donors, management consultants, NGOs, etc., to design and implement programmes, effectively 'on behalf of'' local CCMs so that more applications are made. Here donor agency is required to bring an aid relationship into being in the first place.

At the same time, not all capacity-building initiatives involve a request for help from the recipient. Rather, some are reinforced by governance conditionality which has focused increasingly on the establishment of effective institutions. Fig. 6. shows a doubling of 'public sector governance' conditions from the 1980s to 2005. According to the Bank's, such conditions now make up almost half of all World Bank conditions.

***Fig 6. Trends in the Share of Conditions by Thematic Area, FY 95-05*[c]**



Source: ALCID, World Bank.

The agency of the donor is thus a key fact in the claimed generation of the agency of the recipient. Graham Harrison thus argues that 'second generation institutional reforms' the major focus of donor supported capacity-building aim to generate a specific form of recipient agency – a state administration capable of pursuing reform, winning domestic political support for it, and managing relations with donors. Harrison provides a compelling description of the process by which aid donors have attempted to colonise the decision-making machinery of certain aid recipient states.[ci] This suggests an alternative explanation to the one laid out at the start of this chapter – that certain aid recipients are subverting donor concerns with recipient ownership to establish their own leadership of aid relationships. It can be argued that, far from recipients co-opting and reversing the logic of the contemporary 'donor co-ordination' discourse to the service of national priorities, the set of donors that are most deeply embedded within the machinery of these states, and whose presence is now routinised, are empowered by new joint planning processes to enforce their priorities on recipients, and through them, on other donors. They legitimate this effort by describing the outcomes as an expression of recipient sovereignty. This also helps to explain the blurring of the difference between domestic political processes and donor-facilitated planning. Thus the PRSP process is often elided by donors with a locally owned political process – as if planning in this form is legitimately the main site of political decision-making in a recipient country, and as if it would be happening whether or not a loan or debt relief depended on it. It is only in this way that the outcomes from a PRSP process can be presented as a statement of developing country 'leadership'.

Trust in recipient country politics

The second precondition for moving conditionality upstream is that donors are willing to trust in the long-term stability of recipient policy choices. This implies understanding much more closely the dynamics of the domestic politics of aid recipient states, in order to be able to have confidence that when they 'select' states to receive direct budget support they are 'picking winners'. New forms of surveillance and influencing, through domestic institutions, both formal and in civil society, raise hopes amongst donors that the direct confrontation between donor and recipient states can be mediated and operate in a more diffuse manner.

However, as with concerns about the efficacy of capacity building, the failure of donors to break with conditionality can be understood as a result of their lack of faith in the own judgement of which states really are committed to reform. Just how far away from the possibility of stable partnerships we are became increasingly obvious in 2005 when two key donor darlings, Uganda and Ethiopia, suddenly faced a resurgence of old-fashioned political conflicts and immediately faced donor sanctions. The main donor response to this problem is to more explicitly recognise that their relationships are political, and thus to increasing 'governance' conditionality. Paulo de Renzio of aid think-tank ODI urged that, following the Ugandan and Ethiopian cases, donors should develop deeper political and historical analysis of recipient countries: "such analysis should inform the shape of the aid agreements that donors sign with recipient countries, spelling out the boundaries of 'acceptable behaviour' that both undertake to respect. In existing agreements, governance issues tend to get excessively watered down."[cii] Central to this process are all of the old technologies of conditionality, tranches, surveillance and donor co-ordination. De Renzio suggests, "donor pressure works best when the international community speaks with one voice and acts together, and the recipient government cannot easily resort to alternative funding sources. The development of joint dialogue and response mechanisms should be a priority for the donor community, with an eye to non-traditional donors, such as China, who might be less interested in upholding specific governance standards,"[ciii] urging that, "donors should not shy away from recognising the increasingly political role that they play, especially in countries where they provide a significant proportion of public expenditure."[civ]

Here we see an argument that donors do not simply need to engage in capacity building at the level of the state, but also need to engage with forces in civil society, and need to do so specifically to limit recipient government agency. De Renzio argues, "The development of accountability institutions, from Parliaments to audit institutions, from think tanks to political parties, is a critical counter-balance to government power. Capacity building within the government should go hand in hand with broader democracy building."[cv]

Participation, and process conditions in aid relationships aim towards the same goal. These processes fundamentally alter the aid negotiation game, since there are now many more actors involved. Keen to see the new process perform, programmes of capacity building have been directed at the kind of groups that donors would like to see engaging in the process of policy development. Brown, Fraser and Craig & Porter have all argued however that participation can be understood as a 'technology of control' since it mystifies power relations and depoliticises negotiations, thus helping secure donor control of planning outcomes.[cvi] Participation and joint planning can thus be used, "to 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."[cvii]

Recipient responses

How then have recipients responded to this new aid architecture and the tensions inherent within it?

Strategy 13: Independent monitoring: The case of Tanzania

Tanzania is currently being written up as a country that has succeeded where many others have failed. Its democratically elected government is said to be running a successful economy and development programme, with donors recognizing and supporting Tanzanian leadership. This marks a significant change with the recent past. Throughout the 1980s and early 1990s, Tanzania saw donors as inappropriately intrusive and donors were concerned that the Tanzanian state was corrupt, ineffective and had lost the dynamism to lead on development planning. Conditions went unimplemented, aid deals were cancelled.

The new compact accords a key role to an 'honest broker'. From 1995 to 2000, this role was carried out by an academic, Gerald Helleiner. From 2000, a team of four researchers: two Tanzanian academics and two aid consultants, one Finnish and one British took on the role. This group is known as the Independent Monitoring Group (IMG). Between them Helleiner and the IMG have produced five assessments of the aid relationship, alerting each side to the constraints facing the other and including recommendations to improve the relationship. This process is advertised as improving 'mutual accountability' such that donors and recipients are more explicit each with the other about what they want from the relationship and how they will react in particular, predictable circumstances.

Tanzania is now identified by donors as a 'trusted partner' and donors that previously thought they could not work with the government now want to increase the share of their aid put through central budgets. Courtenage thus argues that the IMG process actively strengthens the hand of recipients in the negotiation: "independent monitoring can represent the views that government does not necessarily feel comfortable expressing itself, creating more space for a more authentic relationship."[cviii]

However, while Tanzania has won a commitment from donors to reduce the burden on the administration, the precondition for this is that Tanzania should no longer present a competing political vision for the country. Courtenage thus suggests that the absence of politics is the key to the improved relationship with external experts bringing 'objectivity' to the process. There is little to suggest that such a non-confrontational approach could move beyond tidying administrative relations to enable any recipient state to assert policies that challenge donor preferences.

Strategy 14: Not everything changes: The case of Angola

A considerably more confrontational approach has been adopted by Angola, sub-Saharan Africa's second biggest oil producer, since it emerged from a 27-year civil war in April 2002. International support for re-building could not be taken for granted because many donors opposed the communist-backed MPLA Government during the war, and ever since have criticized it for economic mismanagement and corruption.

Since the end of the war, donors have demanded significant policy change before convening a much discussed but constantly delayed 'donor pledging conference'. The key sticking point was Angola's refusal to accept an IMF Staff Monitored Programme (SMP) which donors hoped would increase transparency in budgeting and accounting for oil revenues. Undoubtedly, maintaining opportunities for corrupt transactions played a part in Angola's hesitancy. However, the Government was also uneasy about the wider range of policy reforms, including the rate of expansion of the economy, that the IFIs were keen to influence.

This case illustrates interestingly that, despite attempts to build a new model of aid, many old donor approaches are still in place, and some old recipient strategies may still be effective.

Firstly, geo-strategic consideration are not dead. Angola's position as a non-permanent member of the Security Council during the build up to the Iraq war raised the greatest hopes of a deal with the donors. As the vote on a 'second resolution' approached, Spain provided new debt relief for Angola, and several US and British Ministers visited Luanda. Wilmshurst notes, "When the UK and US went to war without the UN, the eyes of the world moved away from Angola."[cix]

Secondly, access to resources remains a pull on Western interests. The US has been particularly keen, amongst donor nations, to engage with Angola as it has sought to reduce its energy dependency on the Middle East. The US buys 40 percent of Angolan oil production.

Thirdly, although donors have effectively aggregated their policy influence to the IMF, in its traditional 'gatekeeper' role, it may still be possible to play donors off, one against another. Angola initially turned to Portugal, Japan, Russia and the Global Fund for funds to allow it to avoid the IMF. Nonetheless, the amounts on offer were insufficient and in 2004, Angola was on the brink of agreeing to an IMF Staff Monitored Programme (SMP) when they evaded it again by agreeing a US$2 billion oil-backed loan from Eximbank of China. This has placed Angola in a much stronger position, such that by 2005, Angolan Finance Minister De Morais was arguing against acceptance of any further conditions before a donor conference.[cx]

Nonetheless, in November 2005, Angola announced it was ready to enter into a programme with the IMF. However, it was only looking to restructure the country's estimated $10 billion debt, not for new loans. De Morais's explanation of the loan illustrates how alternative revenue streams have strengthened Angola's negotiating position, but also that in the end the IMF's negotiating capital is also non-financial: "What we could get from ... the Fund as immediately accessed money is something like $200 million. Two hundred million dollars is my cash budget for a week… So definitely we are not looking for money. We are looking for the seal of approval that the Fund can give to those creditors who need the Fund to confirm our policies before they can discuss with us the rescheduling of our debt."[cxi]

Conclusion

How then to understand the nature of aid negotiations in the contemporary era? Throughout this chapter the argument has been made that aid recipients' negotiating strategies are conditioned by changes in the global political economy and shifting donor priorities. However, as the contrasting cases of Tanzania and Angola suggest, this does not imply that all recipients will face the same opportunities and constraints at any point in time, or will strategise about how to face them in the same way. Nor should they, and we should give up the search for a 'golden bullet' solution for all poor countries. At every point in history different recipients have attempted a wide range of strategies.

Nonetheless, since there is so much attention being paid to countries like Tanzania, it seems worthwhile to conclude by tentatively proposing a means to understand the kind of new aid relationship that is being developed.

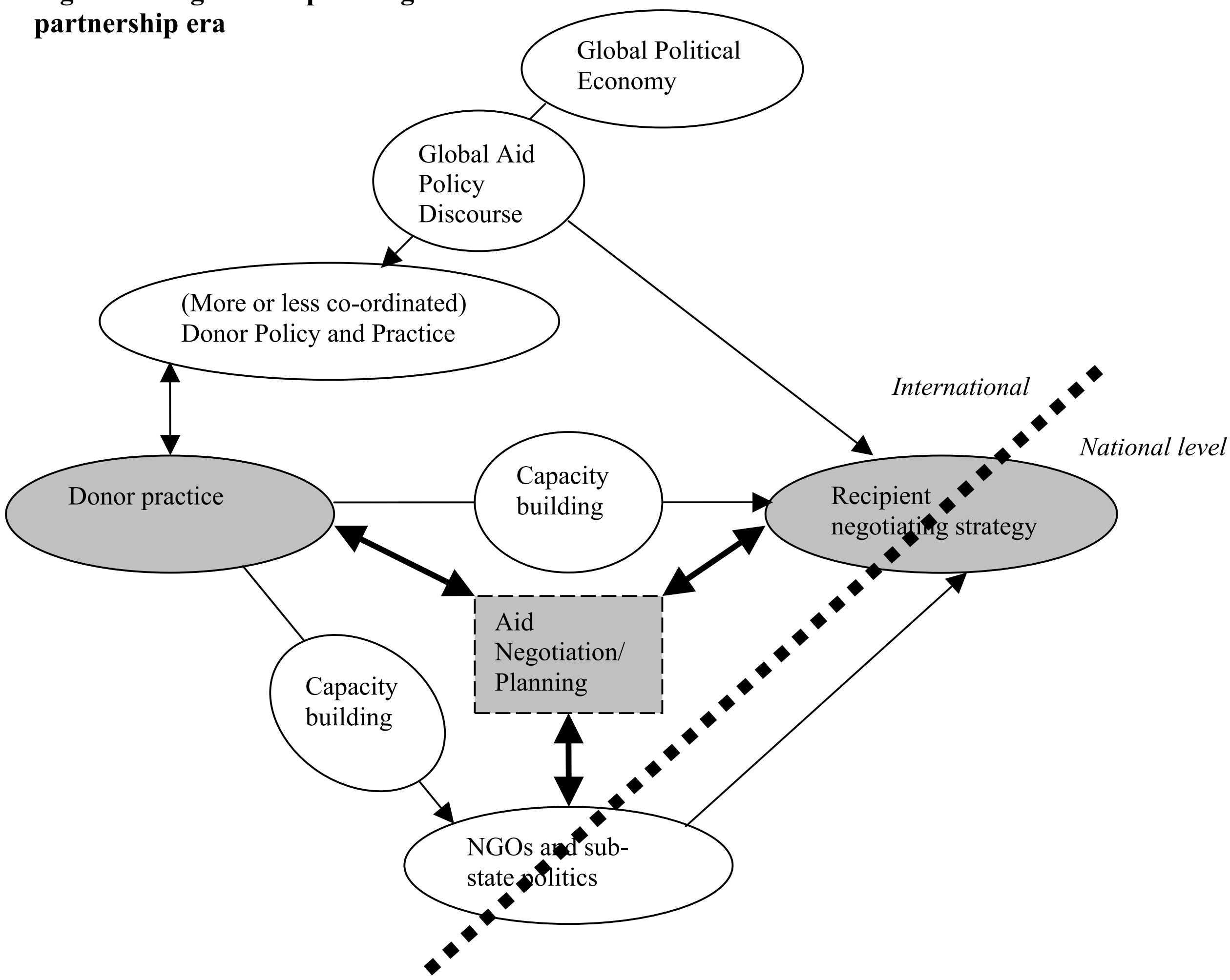
Firstly, we can suggest that increased efforts to 'capacity build' both state and civil society structures aim to secure within these institutional formats the values of restraint and delayed gratification that donors previously pressed on recipients via conditionality. Society is being asked to play a role not in holding the state accountable for the delivery of popular local demands, but in holding it accountable for responsible public financial management and for its delivery of valorised global norms and ends.

Furthermore, many of the state bodies that attract most capacity building, research support and technical assistance are the same ones that are tasked with managing relations with international donors. Thus, for example, the Ghanaian Government's negotiations on certain conditioned World Bank loans are supported by consultants funded from the UK aid budget. Donors themselves have become so intimately involved in the effort to make recipient agency emerge, that it is much harder to tell where one ends and the other begins.

These recent changes, which are represented in the diagram below, suggest that the boundary between what is local and what international, is undergoing change. There are now fractions of the local state and local civil society in many recipient countries that are so heavily penetrated by international actors as to be indistinguishable from them.

Harrison argues that the novelty of the contemporary situation is that ever more extensive interference and involvement of donors in what he calls 'the sovereign frontier' – the space in which relations between donors and the state are mediated – has altered the nature of the two actors themselves such that there is little sense in contrasting an autonomous space for state action against externally imposed constraints.

Fig 5. Aid negotiation/planning in the partnership era



Negotiation as therapy?

Given that the ability of donors to behave in this way continues to be underpinned by a conditional aid relationship, and that there is little to indicate a reduction in the policy conditions enforced through aid and debt relief initiatives, the question arises, how else can we understand the aim to build recipient ownership and to promote models of negotiation based on recipient leadership? It may be that this strategy represents a choice that would only be made under prior conditions of extreme negotiating weakness and donor dependence. One pre-requisite for success with the strategy is a (politically and administratively costly) orientation of the entire government machinery towards the task. It may thus only be 'useful' in states where this has already occurred through previous waves of conditionality, and may offer few transferable lessons to other recipient states.

Rather than providing routes out of weak and dependent relations with donors, these strategies may only make sense because they reflect that context and are premised on its continuation. They would only appear attractive to a state in which relations of accountability between state and citizen have already been thoroughly displaced by accountability to external donors and in which donor imperatives so pervade politics that it makes sense to re-orient the entire administrative system to better manage them. This is unlikely to be a situation that recipient states or societies find a source of significant pride.

One possible explanation of the promotion of ownership is thus that the process can be understood as a therapeutic intervention. In one of his earliest statements on participation, James Wolfensohn noted as early as 1995, "On every mission I have made it a point to listen and learn from different in-country stake-holders. Based on my discussions, I am convinced that their ownership and collaboration can not only make our development efforts more effective and sustainable, but can also foster ownership and a sense of belief in the relevance and value of our programs – right down to the community level."[cxii]

Wolfensohn's emphasis on a 'sense of belief' might be interpreted as reflecting the crisis of confidence and legitimacy within the Bank, and the resulting search for new solutions that might prop up *both* the Bank's external credibility and recipients willingness to subject themselves to a degrading relationship with the institutions. Faith in the project of reform, in the sense that there will be long-term benefits for short term pain, and also in the sense of investor confidence, has always played a role in the Bank's thinking about the political management of reform and in the economic performance of market economies. Faith in the Bank's own competence and technical expertise played a central role in the justification for conditionality. In the absence of a confident claim on the part of the Bank that it knows how to solve underdevelopment, it is recognised by the Bank that others can hardly be expected to have faith in it. But, even if the Bank wasn't sure what it wanted people to have faith in, faith remains important – it motivates people to stay in relationships. New aid partnerships can perhaps then best be understood as therapeutic interventions or confidence building measures. Thus the Tanzanian IMG process can be understood as a process designed to affect how the partners feel about themselves and their efforts, rather than principally as a process designed to bring about significant change in the content of the relationship or the project they jointly seek to implement. Given the already existing alignment of preferences between donors and recipients, independent monitoring appears in much discussion as a kind of therapeutic intervention, comparable to marriage guidance counseling. Courtenage notes that the success of the process depends on the presence of a "deep-seated desire on both sides to see the relationship work more effectively."[cxiii]

The therapy goes both ways. Western elites have become so nervous of their own ability to achieve the development goals they set themselves that many of these interventions can also be understood as a means to evade responsibility for their own outcomes. Thus both 'capacity-building' and 'participation', which can on one level be understood as means to secure donor agendas by circumventing delegated authority and representational politics, may simultaneously provide the opportunity to deny responsibility for their outcomes. The search for confidence, trust and meaning in the donor-recipient relationship has become its defining characteristic. Rather than attempting to achieve something specific in the society or economy of recipient countries, the relationship itself is the focus of attention.

We may therefore be left with a process of consolation, in which recipients are asked to come to terms with their lack of political agency, rather than to try and overcome barriers to its expression.

Endnotes

[i] Batley, 2005; Courtenage, 2004; DFID, 2004; Duong Duc Ung, 2004; Elikana and Mapunjo, 2005; Global Economic Governance Programme, 2005; Helleiner, 2000; Lieberson et al., 2004; Sharpe, Wood, and Wratten, 2005; Wangwe, 2002

[ii] In the 2005 UN Human Development Report, Uganda, Tanzania, and Mozambique rate as the 144th, 158th and 164th poorest countries out of 177. Their respective aid-GNP rations are 15%, 16% and 24%. Vietnam presents a slightly more plausible case, at 108th and 4.5%. No figures are available for Afghanistan, where the collection of statistics is impossible since the rule of combined local and foreign forces barely extends beyond the capital. Uganda also does not militarily control its entire territory.

[iii] Mosley et al., 1995, p. xiii

[iv] Putnam, 1988

[v] Williams, 2002

[vi] For example, Waller's argument for all aid to include liberal political conditions relied on an extended comparison between problems of governance in Africa and the post-War situation in Nazi Germany. He argues that conditionality in Germany succeeded in completely re-structuring the country's society, culture and government and that success involved the complete breakdown and *despicability* of the previous regime. He goes on to argues; "It is my contention that the economic and political conditionality which has been practiced since the early 1990s in relation to African states ...relates to a similar transformation of a system, in this case the authoritarian-patrimonial systems which have become characteristic for most African states after independence." Waller, 1994, p. 249

[vii] Hayter, 1971, p. 9

[viii] Quoted in Hayter, 1971, p. 5

[ix] Conduru, 2001, p. 15, citing Rabe, 1988, p. 77-8

[x] Veltmeyer et al., 1997, p. 62

[xi] Clapham, 1996, p. 139

[xii] Collier, 1997, p. 53

[xiii] Thomson, 2000

[xiv] IDA, 1960

[xv] "The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in Article I." IBRD, *Articles of Agreement,* Article IV, Section 10*,* (As amended effective February 16, 1989).

[xvi] Sidell, 1988, p. 63

[xvii] Hayter, 1971, p. 41

[xviii] Quoted in Nelson, 1995, p. 112

[xix] IDA Annual Report, 1968, p. 7, quoted in Hayter, 1971, p. 52

[xx] Schrivjer, 1995, p. 86

[xxi] United Nations General Assembly Declaration On The Establishment Of A New International Economic Order, 2229th plenary meeting, 1 May 1974, Resolution 3201 (S-VI)

[xxii] Brown, 2000, p. 372

[xxiii] Brown, 2000, p. 372

[xxiv] Tibazarwa, 1994, pp 68. He also notes however, that this is not the unanimous view or the official position of the ACP states

[xxv] Parfitt, 1996, pp 55

[xxvi] Parfitt, 1996, p. 53

[xxvii] Parfitt, 1996, p. 53

[xxviii] Cox, 1979, p. 259

[xxix] Cox, 1979, p. 281

[xxx] Jackson, 1991

[xxxi] Gauhar (ed.), 1983, p. xii

[xxxii] Cox, 1979, p. 263

[xxxiii] Cox, 1979, p. 266

[xxxiv] Veltmeyer et al. 1997, p. 64

[xxxv] Shihata, 1985, p. 92-93
[xxxvi] Veltmeyer et al., 1997, p. 106

[xxxvii] Stiles, 1991, p. 134

[xxxviii] Stiles, 1991, notes that IMF negotiators arrived in the UK unannounced, checked into their hotel under assumed names and minimised the use of telephones to avoid the surveillance they expected to face.

[xxxix] Stiles, 1991, p. 130

[xl] Stiles, 1991, p. 134

[xli] Stiles, 1991, p. 133

[xlii] Stiles, 1991, p. 129

[xliii] Veltmeyer et al., 1997

[xliv] Cox, 1979, p. 270

[xlv] Berg, 1981

[xlvi] David Williams, 1997, p. 155

[xlvii] Killick et al., 1998, p. 12

[xlviii] Mosley et al., 1995, p. 78

[xlix] Van de Walle, 2001, p. 24, quoting Ali Mari Trip, 1997

[l] Killick et al., 1998, p. 28

[li] Mosley et al. 1995, p. 74

[lii] Collier, 1997, p. 60

[liii] Killick et al. 1998, p. 62

[liv] Waterbury, 1989; Nelson, 1989

[lv] Parfitt, 1996, pp 62.

[lvi] Parfitt, 1996, pp 56

[lvii] Fukayama, 1992

[lviii] Quoted in Furedi, pp 99

[lix] Killick et al., 1998, p. 3-4

[lx] Laïdi, 1998

[lxi] Wapenhams, 1992

[lxii] cited in Mosely et al., 1995, p. xxiv

[lxiii] Cornia, Jolly and Stewart, 1987

[lxiv] Van de Walle, 2001, p. 12

[lxv] Mosley et al., 1995, xxviii

[lxvi] Collier, 1997, p. 61

[lxvii] Brown, 1999

[lxviii] Resolution of the Council on Human Rights, Democracy and Development, 10/07/91, Annexe 1, quoted in Parfitt, 1996, pp 57

[lxix] Van de Walle, 2001, p. 17

[lxx] Van de Walle, 2001, p. 59-60

[lxxi] Quoted in Aycrigg, 1998, p. 1

[lxxii] DFID, 2005

[lxxiii] OECD-DAC, 2005

[lxxiv] World Bank, 2005 (b)

[lxxv] World Bank, 2005 (a), p. 12

[lxxvi] World Bank, 2005 (a), p. 21

[lxxvii] ActionAid UK, 2005

[lxxviii] Wood, 2005

[lxxix] Summary provided on the Paris process website: http://www.aidharmonization.org/ah-overview/secondary-pages/editable?key=205

[lxxx] Waterbury, 1989; Nelson, 1989

[lxxxi] Mosley et al., 1991; Collier, 1997; Killick et al., 1998

[lxxxii] Collier, 1997, p. 63

[lxxxiii] Haggard et al., 1995, p. 128, quoted in Killick et al. 1998, p. 49

[lxxxiv] World Bank, 2005 (a), p. 13-14

[lxxxv] World Bank, 2005 (a), p. 17

[lxxxvi] Dollar, 1998

[lxxxvii] Collier, 1997, p. 63

[lxxxviii] Watt, 1998, pp 48

[lxxxix] World Bank, 2004

[xc] Fraser, 2005 on how this process occurs in relation to PRSPs.

[xci] The Global Fund to Fight AIDS, TB and Malaria, *How the Fund Works*

[xcii] Millennium Challenge Account, *'What is the Millennium Challenge Account??'*

[xciii] Quoted in Sautet et al., 2005, p. 2. Whole speech available online at www.whitehouse.gov/news/releases/2002/03/20020322-1.html

[xciv] CEC-DG VIII, 1997, quoted in Brown 2000, p. 376

[xcv] Brown, 2000, p. 377

[xcvi] Brown, 2000, p. 377

[xcvii] Brown, 2000, pp 374

[xcviii] Sautet et al., 2005, p.1 http://www.mca.gov/countries/selection/comment/FY06/Mercatus_Center_Comment_FY06.PDF

[xcix] Crisis Management Initiative Helsinki, 2004

[c] World Bank, 2005 (a), p. 15

[ci] Harrison, 2005

[cii] de Renezio, 2006

[ciii] de Renezio, 2006

[civ] de Renezio, 2006

[cv] de Renezio, 2006

[cvi] David & Porter, 2003; Brown, 2004; Fraser, 2005

[cvii] Fraser, 2005, p. 319

[cviii] Courtenage, 2005

[cix] Wilmshurst, May 2003

[cx] *IRIN*, 15 February 2005

[cxi] *IRIN*, 8 November 2005

[cxii] World Bank, *Participation Sourcebook,* Foreword, p. ix.

[cxiii] Courtenage, 2005

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