

Aid's Political Consequences: The Embedded Aid System

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Dr Whitfield's work focuses on how practices of global economic governance shape the possible forms which democracy assumes in African countries. Her work in this area is multi-disciplinary and touches upon the fields of development studies, democratic theory and practice, and African history and politics. To date she has focused on Ghana and the politics of aid dependency. It interrogates the multiple interfaces of politics created by interactions among international financial institutions, bilateral donor agencies, the Government of Ghana, international NGOs and Ghanaian-based NGOs and other social organizations. She is writing a book on this research called *Aid's Political Consequences in Africa: a critical look at the aid industry in Ghana*.

In addition, she is also co-editing and contributing to two edited books. The first is based on a research project at the Global Economic Governance Programme. This research examines aid as negotiation and the relationship between donors and recipient governments as a bargaining relationship in which historical, economic, military and ideological factors come into play. It asks to what extent recipient governments have strategies for managing their aid and if they are successful. It looks at aid relations and government strategies in seven countries. The working title is *Negotiating Aid: How Recipient Governments Can Expand Their Policy Space*.

The second edited book is in collaboration with Dr Raufu Mustapha at the Department of International Development, Oxford. This book explores changes and continuities in African politics since the third wave of democratization in the 1990s. It incorporates eleven country studies which combine new empirical research with critical analysis around the questions of what constitutes change in African politics over the last fifteen years and what direction are those changes heading. It aims to provide an empirically driven theorization of contemporary African politics. The working title is *Africa Since Democratization: Turning Points in Contemporary African Politics*.

## **Abstract**

This article describes the political consequences of aid, intended and unintended. It argues that the foreign aid system in Ghana is embedded within its state and society, and that contemporary Ghanaian politics is characterized by the way aid dependency intermingles with the practices of its representative democracy. Political reality in Ghana is shaped by the multiple interfaces of interactions among the government, citizens, bilateral and multilateral aid agencies and international NGOs. Donors not only shape the political landscape, but are also situated within it and participate in governance processes. The article concludes by identifying existing and potential implications of this situation.

If the voice of scholars is to translate more effectively into influence, then they must pay greater attention to dissecting the domestic political impact of foreign aid (Burnell, 2004: 411). Burnell calls for a comprehensive examination of the political effects of aid in recipient countries which includes aid's unintended effects. Enormous effort is spent on detailing the economic consequences of foreign aid, but little attention is paid to its political consequences. Of the latter, most of it is preoccupied with assessing the impact of democracy assistance and aid's ability to promote democracy, yet understanding aid's broader political impact is equally as important as measuring the intended effects. This call to shift the research agenda is particularly timely, as the international aid community seems unable to diagnosis why aid is failing or often misdiagnoses the problem by pointing primarily to bad governance in recipient countries.

The literature on the political impact of aid is small and primarily concerned with Africa, due to the extreme aid dependence of most African countries and worries about the implications of this dependence. Within the literature, there is a debate over whether aid dependence has a negative effect on governance. Based on quantitative analyses, Goldsmith (2001, 2003) concludes that the level of aid is less important than the initial character of the state, that Africans have gained more than they have lost by taking aid, and that many African states would be managed less well without external advice and supervision. In contrast, Brautigam and Knack (2004) show that aid dependence is statistically associated with declines in the quality of governance. These authors argue that the negative relationship is the result of institutional weakening and perverse incentives generated by the international aid system. Analytical narratives in diverse bodies of literature elaborate on this argument, describing how certain structures, practices and procedures of the aid system can undermine the development of effective public institutions in recipient countries.<sup>1</sup> A review essay by Moss, Pettersson and van de Walle (2006) summarizes this literature. The first set of negative effects on institutional development includes the distortion of planning and budgeting mechanisms, high transaction costs for public administration, and reinforcing the patrimonial element within recipient governments at the expense of developing a legal-rational bureaucracy. The second set of effects concerns the relationship between aid and taxation. Inflows of external resources like foreign aid displace taxation in the composition of state revenues and reduce the incentives of governments to collect taxes. The outcome is greater accountability of recipient governments to donors than to citizens and disincentives for states to develop non-patrimonial means for generating political legitimacy, such as through participatory political structures and accountable public institutions. The third set of effects, and an outcome of the previous two, is the way certain aid practices discourage the establishment of rational developmental states. In practice, aid has supported patronage-based political systems, or at the least created disincentives to their reform. Aid dependence can alter the relationship between government elites and local citizens because governments are primarily accountable to external agencies, prohibiting the development of a credible social contract between the state and citizens. Thus, these authors argue, an aid-institutions paradox exists, where aid undermines its proclaimed objectives.

The emerging literature documenting the impact of aid dependence on governance, particularly in Africa, aptly reveals the institutional consequences of current aid practices, but pays less attention to the effects on state-society relations. The literature focuses on recipient governments and does not consider citizens and their organization, and it presents a static picture of how donors, governments, citizens interact with each other.

This article picks up Burnell's call to recalibrate the research agenda on the impact of foreign aid and addresses the gap in the literature on how aid affects state-society relations. It uses a case study of Ghana to elucidate *how* aid produces political consequences in recipient countries, as well as what those consequences are.<sup>2</sup> An in-depth case study captures the complexity of how external agencies, recipient governments and recipient societies interact. By supplementing the case study with other country studies and a broader literature, we tease out conclusions with relevance for aid dependent countries in general.

The central argument of the article is that the aid system in Ghana is embedded within both the state and society. We also argue that contemporary Ghanaian politics is characterized by the way aid dependency intermingles with the practices of its representative democracy. Political reality in Ghana is shaped by the multiple interfaces of interactions among the government, citizens, bilateral and multilateral aid agencies and international NGOs. Interactions between these different types of actors affect the dynamics of governance and state-building, shape the process of democratization, and explain the successes and failures of aid to assist development in Ghana. We trace the emergence of the multiple interfaces of politics and detail how it works in practice. Through the rise of the good governance model and its impact, we show how donors' actions shape the political landscape of Ghana, providing brief examples of the multiple interfaces of politics in both national and sub-national arenas. Donors not only shape the political landscape, but are also situated within it and participate in governance processes. We explain how they came to occupy this position and some of the paradoxes it produces, and end by presenting some conclusions on the political consequences of aid.

The term 'donors' is used throughout the article as shorthand for the multilateral and bilateral aid agencies which provide official development assistance to developing countries. Donors operating in Ghana include the International Monetary Fund, World Bank, African Development Bank, European Union, and organizations of the United Nations agencies (UNDP, UNICEF, FAO, WHO), as well as government agencies from Canada, Denmark, France, Germany, Japan, Netherlands, the United Kingdom and the United States.

## **Applying the Good Governance Model**

Donors have shaped the political landscape in Ghana, wittingly and unwittingly, through their application of a certain model of governance. We look first at the broad origins of this governance model and then focus on its application and consequences. The origins of the good governance discourse in development language and donor agendas have been well rehearsed (Abrahamsen, 2000; Beckman, 1992; Campbell, 2001; Williams & Young, 1994). It suffices to say that at the close of the 1980s economic reforms in Africa advocated by the World Bank and International Monetary Fund (IMF) failed to produce the expected high sustained growth. The Bank explained this situation, and Africa's economic problems, as resulting from a crisis of governance (World Bank, 1989). This argument led to its adoption of the good governance agenda in the 1990s, which influenced or supported similar agendas of other donors.<sup>3</sup> The Bank's perspective on governance and state legitimacy evolved over the course of the 1990s. It revised its understanding of the role of the state, shifting from rolling back the state (and effectively taking the state out of the development project) to acknowledging the role of the state in social and economic development.

By the end of the 1990s, the World Bank adopted an understanding of governance where governance is the result of interaction between the state (hierarchical order), the market (self-organizing driven by competition) and civil society (cooperation driven by voluntary association) (Castro, forthcoming).<sup>4</sup> This understanding portrays governance as balanced interaction among partners. The Bank's governance agenda became concerned with reforming the relationship between the state, civil society and the market to fit this model (Collingwood, 2003). The state should manage, regulate and monitor the private sector and provide a legal foundation for business, civil society should keep a check on the state, and the private sector, by taking over the provision of public services where possible, should relieve the burden on the state and provide more efficient services. Not all donors may agree with the World Bank's conceptualization of the roles assigned to the three sectors, but donors' policies generally propagate this framework of partnership among the state, civil society and the private sector. Donors were also influenced by the academic literature on civil society surfacing in democratic transition studies and which found its way to the study of African politics in the early 1990s (Whitfield, 2003).

Donors adopted this model of governance not only as an *analytical tool* for understanding the processes of development, but also as a *practical tool* for intervening in them. In applying the model in Ghana, donors created rigid categories of social identities. They assumed cohesive and coherent group identities of the Government of Ghana, civil society and the private sector, and assigned each of them a role. These roles are reinforced through repetition in discourse and through funding according to these identities. Although these identities are constructed, they are real in that they affect people's actions.<sup>5</sup> Donors see themselves as outside this framework, intervening in relationships between different sectors and to improve the administrative performance of the government.

Although outside the model, donors also received a constructed identity. In the mid- to late 1990s, donors relabelled themselves 'development partners'. This new identity is indicative of changes taking place at that time in the discourse and practice of donors. It implies a notion of partnership between donors and recipient governments, invoking a contrast to the previous relationship characterised by conditionality and financial coercion. The term development partner denotes an equal responsibility in the development process, in financial terms as well as policy content.

Before looking concretely at how donor interventions through this governance model shaped the political landscape in Ghana, the good governance agenda of donors must be understood against the background of structural adjustment in the 1980s implemented by the authoritarian regime heading by J.J. Rawlings (1982-1992). The IMF and World Bank became the most important architects of Ghana's economic strategy and policies (Toye, 1991; Callaghy, 1990; Kraus, 1991; Hutchful, 1996). This externalization of policymaking was seen as necessary to the success of economic reform, because Ghana lacked a domestic political constituency supporting stabilization and other economic reforms. Economic decline in Ghana (and Africa generally) had resulted from state capture by urban coalitions or 'vested interests'. Academics argued that urban masses were suffering from false consciousness regarding their economic interests, the peasants had no voice and the political elites were being trapped in a cycle of rational political motives leading to economically destructive policies.<sup>6</sup> A more nuanced account shows how a broad consensus emerged after independence on the fiscal and economic responsibilities and behaviour of the state in capital mobilization and social welfare investment (Hutchful, 2002). Although support for this fiscal paradigm was diffused through society, in practice it did not work, or work equally, in the interests of everyone, especially not the poor.

Those who benefited most from state controls were public institutions and individuals who belonged to organized bodies in the public and semi-public sectors. Thus, political resistance by the civil and military bureaucracies and other urban groups had prevented the state from resolving its fiscal and economic crises in the 1960s and 1970s. The strength of Rawlings's regime was his courage to confront these historical legacies associated with the statist-distributionist mode of governance and to attempt to redesign the social compact in a more market orientated way. His success was also due to having different bases of support but being accountable to none of them and to creating centralised decisionmaking structures outside of existing state institutions, which dispersed bureaucratic and social opposition to reforming structures of the economy.

However, economic reform eventually encountered a paradox, as the strength of the process became its weakness: the failure to institutionalize the program and to develop a coalitional base for reform (Hutchful, 2002). The Rawlings regime had weak links with business and leading members of the regime remained ambiguous toward business. The fiscal revitalization of the state promoted by donor infusions contrasted with the poor performance of the private sector. Furthermore, while many of the macroeconomic policies initiated under structural adjustment loans in the 1980s were overdue and produced major gains, they failed to address structural problems in the economy. The shift in the World Bank's economic reform agenda from reducing the scope of the state to changing the nature of state action required institutional reforms that could not be affected solely through conditionality. These second generation reforms required building broader consensus within Ghanaian society. Searching for ways to increase his legitimacy, Rawlings gave in to internal and external pressure for a return to multiparty representative government and held elections at the end of 1992. The return to multiparty politics in this context of a low level of institutionalization of and transparency in the policymaking process facilitated the (re)emergence of political patronage connected to electoral politics which undermined the reform process (Hutchful, 2002: chapter 11).

Against this backdrop, good governance was promoted as the solution to these emerging problems. Of course, good governance meant different things to different donors. Let us quickly review the nature of donor support for good governance in Ghana.<sup>7</sup> The World Bank and IMF took a more technical approach to good governance which emphasized good economic management, partly due the restriction in their Articles of Agreement which forbid interfering in political affairs of member countries but also partly because they see governance as a means to another end—growth. Therefore, the Bank's governance agenda has always focused on public sector reform: public expenditure management, civil service reform, privatizing parastatals. In the 1990s, this agenda took greater prominence, emphasizing appropriate systems of government that could absorb and employ funds and technical assistance most efficiently.

Other donors have also supported public sector reforms, but their governance agendas cast a much broader net. In the early 1990s, donors focused on the election process and stressed electoral reforms. This emphasis shifted in the second half of the 1990s to state institutions, and then to governance processes and civil society. Bilateral donors funded separate projects but their governance programs had similar targets, particularly the under-funded and politically weak parliament, judiciary and independent commissions (created by the 1992 Constitution). For example, donors pursued programs to increase the capacity and leverage of Parliament to make inputs into policies and engage with segments of society. Members of Parliament and citizens take advantage of such programs to put pressure on the executive government to pursue certain



reforms or to leverage resources from donors that the government does not have or is unwilling to provide.

Political liberalization in the 1990s provided political space in which groups in society could articulate social and economic interests, negotiate with the government and organize opposition to specific government policies. It led to greater input by non-governmental actors into the policymaking process, to a greater responsiveness from government regarding public opinion, and to a gradual shift away from the dominance of technocrats towards the influence of elected representatives. But policymaking, especially regarding economic policy, remained exclusive to donors and the executive government.

Donors supported political liberalization through their efforts to create a broader consensus on policy reforms. This desire to promote consensus coincided with a slow down in the implementation of structural adjustment policies by government and the realization that achieving institutional reforms required more than conditionality; not only would broader segments of society be important to the implementation of the reforms, but they would have to pressure government to carry through with them.

As first steps to building consensus in Ghana, donors funded a series of novel public policy forums between 1996 and 1998 that attempted to enlarge the influence of businesses, opposition political parties and general interests groups (Akwetey, 1998). Groups in society used the identities of Civil Society and Private Sector propagated by the donors' governance model to legitimate their demands to join the 'policy dialogue' between donors and government. For example, in response to the need to present a unified position on government policies as the government moved to consult the private sector, the six major business associations in Ghana formed the Private Enterprise Foundation. This Foundation received funding from USAID. It became and still is the main representative of the private sector. The initial national forum on economic policy funded by USAID has turned into an annual event called the National Economic Dialogue, at which government claims to consult the general public in a one day event. There are severe limits to this approach, which will not be discussed here. The elected Rawlings government (1993-2000) and donors also organized forums on good governance in the late 1990s. These forums can be seen as a chain of events, building on each other and pushing the boundaries of inclusion farther. The parameters of inclusion and the nature of engagement (who, when, on what terms, to what effect) became key themes in Ghanaian politics from the late 1990s onwards.

It was rather clear who the donors and the Rawlings government could identify as the private sector after the formation of the Private Enterprise Foundation. But who was Civil Society? Civil society in Ghana was constructed through a process in which donor agencies, the government, international NGOs and Ghanaian NGOs and social organizations engaged in the discourse of civil society.<sup>8</sup> The backdrop to this process is the NGO-isation of the 1980s, during which time donors began channelling aid to NGOs at the national and sub-national levels in Ghana. Existing organizations were transformed and new ones created which adhered to the NGO culture. Being an NGO provided greater access to resources through which citizens could help their communities and themselves. In the 1990s, the idea of civil society permeated the development industry and spread into aid recipient countries. The idea infiltrated the social consciousness of Ghanaians through linkages among academics, donor agencies, international NGOs and their Ghanaian counterparts. People in Ghana realized that past actions could be described under a new identity and the advantages of doing so, such as the resources available

for civil society organizations and the legitimacy conferred on actions of groups deemed part of civil society. This constructed civil society consists largely of urban-based service delivery, advocacy and research NGOs supported by donor funding or international NGOs, but also includes membership-based organizations like the Trade Unions Congress and professional associations of teachers, lawyers and nurses.

What are NGOs behind their masks of civil society and service delivery mechanisms? In one way, NGOs are alternatives to the public sector for employment and gaining access to resources. These opportunities generate new patronage networks that link rural to urban, private sector to public sector and donors to new groups of elites. Notably, such patronage networks and the new class of elites are not dependent on the state like previous patronage networks in Ghana. They provide autonomous space from the state, but at the same time generate vested interests in maintaining the status quo of the aid system. In another way, NGOs can serve as alternative sites for political activism, a platform from which to challenge government policies and actions. They acquire transnational leverage and financial support by linking up with international advocacy NGOs. They provide a new vehicle for activism following the de-legitimization of leftist ideologies after the adoption of structural adjustment. Many of the people who lead advocacy organizations in Ghana are former leftist activists in the 1970s and early 1980s. In yet another way, NGOs can substitute for the private sector in poor areas of the country where the business landscape is sparse and access to capital limited. The role NGOs play often depends on the motivations of their leaders and their organizational histories.

The donors' governance model has real effects on people's actions, by shaping their perceptions of politics and of their own actions vis-à-vis other groups in society and the government. But at the same time, this model obscures our understanding of processes in society which are much more chaotic and fluid. Donors use 'governance' as a euphemism for 'politics'. As a result, they underplay the contingencies which influence the formation of opposition movements, the entrenchment of political order and the exercise of state power (Jenkins 2001).

## **Locating Donors within the Political Landscape**

The Good Governance model is inadequate as an analytical framework because it conceives of donors as exogenous to governance, when in reality they are tightly bound up with governance processes. This position of the donors is the result of expanded donor intervention that occurred in the 1990s. We briefly review the origins of expanded intervention, before summarizing its implications.

From the beginning, structural adjustment was not a set of policy prescriptions, but a process of policymaking in which the Rawlings authoritarian regime was able to shape and moderate conditionality through continuous bargaining.<sup>9</sup> The policy conditions of loans only crystallized one point in a continuous process characterised by experimentation with policies, policy disagreement among actors, bargaining over speed and scale of reforms, and unequal access to resources. By the late 1980s, the World Bank and IMF came to dominate this policy bargaining process, for various reasons, and the Rawlings regime apparently abdicated responsibility for policy formulation to these institutions. The Rawlings regime and then elected government did not necessarily implement all of the policies, but responded to those it did not agree with or like through 'non-performance' on policy conditions.

By the mid-1990s, the Bank and Fund were less accommodating in allowing flexible implementation of conditions (Tsikata, 2001). Between 1983 and 1996, conditionality-based lending became more important and conditions became more numerous and detailed. In 1996, an external review of World Bank operations in Ghana described the donor-recipient aid relationship as one characterized by donor-driven agendas, priorities and budgets in the reform process; greater accountability to donor constituencies vis-à-vis domestic constituencies; the use of aid to avoid rather than implement reforms; and over-reliance by the government on donor initiatives and actions or 'letting the donors do it' (Armstrong, 1996: 53). The report referred to these aspects as signs of aid dependency.

By the end of the 1990s the reform process had become something of a charade (Hutchful, 2002: 240-8). Part of this situation stemmed from a crisis of motivation among the Ghanaian authorities. This crisis of motivation stemmed from several factors. Donor finance became addictive to the ruling party (National Democratic Congress) and necessary for its political survival. The party was mostly concerned with increasing the state's revenue. Conditionality deterred principled dissent if it meant passing up critically needed funding. The political leadership became more preoccupied with the perpetuation of power and its perquisites. Even after the change in ruling party with the 2000 elections, the new government (of the New Patriotic Party) seems to be acting very much the same way as its predecessor. Additionally, resources and perks associated with foreign-funded projects as well as donors' direct links to ministries, in the context of poor working conditions for the civil service, gave the civil service a real interest in the aid relationship and the reform process, even while some vested interests worked to undermine the reforms.

There were several other factors propelling the expansion of donor intervention. Foreign aid since the start of structural adjustment has led to a massive increase in the external debt of Ghana. Even though Ghana has suffered from debt since the 1960s, it was during the structural adjustment process that its debt increased substantially and became unsustainable (Tetteh, 2003). The majority of Ghana's debt is owed to multilateral creditors and continuous debt servicing places restrictions on government spending on investment and on social sectors (Osei & Quartey, 2001). The economic reforms implemented since 1983 have had a positive impact on the macroeconomic position of the country, but they have not generated enough foreign exchange to shore up Ghana's chronic balance of payments deficit, leading Ghana back to donors again and again.

Donor agendas and presence in Ghana increased enormously in the 1990s. Donors opened country offices, increasing their ability to attend government meetings as 'observers' as well as hold more frequent donor-government meetings. Forums for government leaders and donors to engage in 'policy dialogue' proliferated. Donors use these dialogue arenas for discussing policies with government as well as for coordinating their operations, sharing information and experiences, and identifying opportunities to engage the government on policy reforms. By the end of the 1990s, donors worked at national and sub-national levels, each to their own agenda and with little coordination. Donors also extended their interests into more policy areas as a result of changing development fads and donors' response to outside criticism of the aid system, and of structural adjustment in particular. The aid agenda spread to all imaginable policy issues, even to the role of traditional authorities (chiefs) in development, with a concomitant increase in the scope of conditionality.<sup>10</sup> Recent moves toward greater coordination of donor operations through sector wide approaches and budget support (which pool resources and create agreed lists of conditions) ameliorate some burdens for government, but at the same

time appear to have intensified the intimacy of donor involvement and the pressure of conditionality.

Two decades of adjustment have created institutional memory regarding the bargaining process of adjustment and greater hegemony of the World Bank development paradigm. Important officials and ministries have internalized the liberal economic orthodoxy of the Bank, partly out of ideological symmetries and partly out of self-interest or to make the job easier. Officials and civil servants know that certain things have to be said to access donor money, and sometimes it may be easier to say what donors want to hear first rather than go through the process of negotiating. Donors capitalise upon 'like-minded' people in government to push their agenda such as consultants and donor-funded technical assistance position, most notably the IMF financial advisor in the Ministry of Finance. Additionally, the new discourse of participation, partnership and ownership has seen donors suggesting what government should do rather than imposing it explicitly. Under the rhetoric of ownership, donors try to convince governments of the merits of their proposed reforms (so that they become 'owned'). Offering more money for donor preferred reform options and offering generous financial flows to new governments in power are examples of the persuasive techniques they use.

Donors leverage additional influence in governance processes by funding special structures, technical assistants and consultants in ministries, agencies and departments, and by providing a larger percentage of funding to some ministries than the government budget.<sup>11</sup> Moreover, the IMF and World Bank employ a multitude of assessment tools to keep the government under constant surveillance (Wilks & Lefrancois, 2002). They also use analytical work to influence the government's policies or the views of other donors working in the country. Bank and Fund analytical work was always important, but it has expanded from macro-economic policy to a wide range of issues. The Bank continues to be the dominant purveyor of development ideas and to claim the status of expert on all that is development.

This expanded donor intervention also entails greater interaction with Ghanaian society through public relations campaigns and greater interaction with domestic political processes. Donors participate in non-state arenas, which were once considered purely domestic affairs, such as public forums organised by citizens to educate themselves on policy issues, public hearings organised by the government to solicit citizen views, and submitting memoranda and attending parliamentary committee meetings. The World Bank in particular employs 'communication strategies' to convince the Ghanaian public of the merit of their prescribed reforms, especially in cases where public dissent or controversies have emerged. Some bilateral donors also fund government bodies to carry out such public relations campaigns.

As a result of expanded donor intervention, donors are embedded in the Ghanaian state. This position results not only from their financial contributions to the budgeting process. Donors have also routinized and semi-institutionalized the ways in which they interact with state institutions, and in which they participate in the design, implementation and monitoring of government programs and policies. Traditional conditionality has become less necessary as donors became more closely involved with state institutions. The conditioning of funding on effective implementation of policy prescriptions has been superseded by the allocation of funding as an incentive to carry out reforms which are closely monitored. Although conditionality still exists and is still the site of negotiation, the politics of conditionality have become both more interventionist and less starkly coercive.<sup>12</sup>

## Multiple Interfaces of Politics

The good governance model places donors outside of domestic governance processes and somehow intervening as a neutral agent, but as the previous discussion shows, in reality they are firmly located within these governance processes. Efforts by groups in Ghanaian society to open up policymaking for greater participation—efforts sometimes supported by donors—eventually confront donors (especially the World Bank and IMF) wielding extensive influence in policymaking processes. With their long history of intervention and their economic clout, donors have become a critical political constituency. This reality produces debates over the roles that different actors in Ghana and in the aid system should play in governance. These debates are largely projected through the donors' governance model and its discursive paradigm of Government of Ghana, Civil Society, Private Sector and Development Partners.

Politics in Ghana should not be conceptualized through a state-society framework, but rather seen in terms of the multiple interfaces of politics: where government, citizens and external agencies (donors and international NGOs) interact in a myriad of ways, increasing the possible variations of alliances and confrontations within and among them. Aid dependency in the context of representative democracy considerably shapes the contours of contemporary politics in Ghana. We further elaborate this point by providing concrete examples which demonstrate the generalizations made above. These examples show how the different categories of actors interact in the politics of economic reform, the development aid market, and state-society relations in local governance.<sup>13</sup>

The process of restructuring the water sector in general, and the private sector participation proposal for urban water provision in particular, highlights the numerous external and internal actors involved in the politics of economic reform and the complex ways in which they interact. The story of water sector restructuring in Ghana is long and complex, beginning in 1995 and partially ending in 2004.<sup>14</sup> In short, the public water utility was in shambles, something all the actors agreed upon. What they did not agree on was the cause of the utility's woes, about which there was little research besides that produced by pro-privatization consultants funded by the World Bank. In the first stage of reform, the utility was broken up along urban-rural lines. Water provision to rural areas and small towns would proceed according to the doctrine of community contribution and management, supporting by local government units, following inline with fiscal decentralization. This policy was largely written by the World Bank, but supported by other donors and international NGOs that had worked in the rural water provision for a long time. The new policy succeeded because it embodied a convergence of interests of the government, donors and NGOs. Implementation of the policy was (and is) heavily dependent on donors and international NGOs, and the new Community Water and Sanitation Agency is largely donor driven. External agencies represent about 90 percent of investment in this sub-sector. This degree of dependency has led to donors setting the agenda and to a pattern of evasiveness in decision-making by central government.

On the urban water side, the proposed policy reform was much more controversial. While the World Bank put forth the same argument: private provision of water is more efficient than public management. In the case of rural water, private meant community management and contracting out construction of facilities to NGOs. In the case of urban water, private sector participation (PSP) meant control by multinational water corporations. In 1995, the Rawlings government decided to pursue PSP through a lease arrangement, after World Bank funded

consultant report recommended this option. The process ended in a corruption scandal with Azurix (a company owned by Enron) bribing the government to accept its bid and the World Bank pulling the money. After the 2000 elections, the new Kufuor government continued with the PSP process, restarting the bidding process. At this time, a group calling itself the National Coalition Against the Privatization of Water emerged to protest the PSP proposal. Closely connected to the global campaign against the privatization of water, the Coalition objected to the commercialization of water provision and that provision by these multinationals would solve the utility's problems. It pointed to corrupt practices and unaccountable management, arguing that public solutions were still available. It tried to halt the PSP process so that such solutions could be debated. The Coalition gained immense attention in the media. The government's reaction was initially hostile and intolerant of criticism; officials refused to engage in debate with the Coalition. The government changed its strategy and did engage with Coalition members, but the debate was marred by problems with information. The Coalition lacked access to the content of the lease arrangement, the details of which were changing, and both the government and Coalition members often misconstrued facts about the proposal. The Ghana case attained national publicity through the Coalition linkages with the global campaign. To support their position, the government and World Bank referred to consultancy documents and literature produced by a network of transnational institutions concerned with water (many supported by donors). The Coalition used the arguments of the global campaign and research of Public Services International to reveal that water privatization performance in other countries has a mixed record and water multinationals have bad track records. The Coalition charged that PSP was Bretton Woods conditionality, the government claimed the policy as its own. During the debate, global events dimmed the zealotry of multinationals to invest in developing countries, many of which were pulling out of contracts. They refused to invest large amounts of their own money and then no money at all. The Bank shuffled its position. It proposed a management contract, the implementation of which it would support through a large loan; any public sector option would receive minimal financial support. With almost ten years having past without substantial investment, Ghana's water system was in shambles. The Kufuor government went for the management contract in 2004, which the Bank then turned into a grant. The Coalition had emerged too late to stop a process that the Bank and government were ready to see finished, and it had failed to build a broad social movement that could threaten the government.

Both the Rawlings and Kufuor governments seem to downplay conditionality when they support the proposed reform or when they have grudgingly accepted it because of financial needs. In both cases, the government does not want to be portrayed as the puppet of donors by domestic critics and thus claims the policy reform as its own. It is not always possible to disentangle support from grudging acceptance, as is the case in the story of urban water reform. Conditionality has always involved a grey area in which the consensual and the involuntary become entangled, given the multiple and frequent points of contact between lending agencies and borrowing governments (Killick, Gunatilaka, and Marr 1998: 12). However, the World Bank and other donors have increased their repertoire of persuasive techniques over the years. Sometimes the government publicizes conditionality, so that donors take the blame for unpopular policies that it wants to implement. This function has been acknowledged in the literature on economic reform as one of the positive roles of conditionality. But the government may also publicize conditionality to solicit protest from the Ghanaian population when it does not want to implement a particular reform being pushed by donors, as was the case in public outcry against the privatization of Tema Oil Refinery and Ghana Commercial Bank. This instrumental use of conditionality has been less recognized in the literature.

Implementation of the national strategy for community water of water, referred to above, provides an example of how development aid creates a market in the provision of services. The strategy was implemented through a World Bank project loan which promoted the competitive tendering for contracts to carry out the construction of water facilities and training communities for self-management. In northern Ghana, which is poorer than the southern half of the country, where commercial firms are scarce, Ghanaian NGOs play the role of the private sector. NGOs formed in response to the demands of the community water project, or existing ones added water and sanitation to their list of specializations. For many individuals, NGOs may have always been a business, a first job for some and a second job for others, supplementing income, if not with a salary then with material benefits. Under the community water strategy, NGOs appear to have become more explicitly business-like in their orientation due to project guidelines and encouragement to develop corporate plans in anticipation of increasing competition. There is a lot of money to be made by NGOs in rural water provision from donor contracts.

Regional and district-based NGOs have sprouted to soak up resources flowing into the local development aid market. NGOs compete for contracts and for funding and often shift their focus in response to donor and international NGO funding priorities. The line between NGOs and private enterprises is becoming increasingly blurred. NGOs often act as, and are perceived as part of, the private sector. While NGOs do not operate strictly according to profit-maximizing principles, they do reinvest in their organisation by expanding the reach of their activities, the range of their activities and their number of personnel. The main difference between NGOs and small or medium businesses may only be the adherence of NGOs to the principle of social responsibility, the goal of contributing to the social or physical welfare of society. Working in an NGO means that one can make money as well as help people. Are NGOs a substitute for a weak private sector? There are two problems with this path to developing a private sector. First, these NGO businesses are in service delivery rather than the production of goods. Second, they are dependent on the aid system to stay in business.

A final example demonstrates how donors and international NGOs are closely involved in mediating state-society relations at the local level. Donors and central government have in the past contributed to keeping local government institutions weak by working around them rather than with them. Non-governmental groups often established parallel programs and structures to the District Assemblies to maintain their independence from government for various reasons. The upshot was to undermine the credibility of the District Assembly system and to neglect their resource needs which further undermined their performance. This situation is changing, however, as donors focus on financing local government institutions in return for parallel commitments from the central government, as international and local NGOs see the benefit of increasing engagement with District Assemblies to ensure accountability in the distribution of resources, and as increasingly more responsibilities for providing public services are shifted onto the Assemblies. The small revenue base of most Assemblies results in donors playing an important role in providing resources both for the functioning of local government structures and for financing their activities. Patterns of central government reliance on aid are being replicated in local government. This observation is not unique to Ghana, as donors are pushing decentralization as a solution for fiscal and democratic accountability in their agendas across developing countries (van de Walle, 2005: 60-63).

In northern Ghana, decentralization has enabled people to show interest in the management of their own affairs, but within certain limits. Despite donor interventions, District Assemblies in the north are under-resourced in terms of staff, skills, equipment and money. The

long history of central government provision of social amenities and of employment through the state has resulted in a largely passive citizenry. The Assembly system offers opportunities for political participation and representation in decision-making in local affairs, many of which are under-utilized in northern Ghana due to lack of education and self-organization. However, Assemblies also contain several structural constraints inherited from ideas of local government since independence which perpetuate the dominance of central government appointees and technocrats in the districts.

There is still a 'gap' between the technocrats who run the local government and citizens. The level of awareness of district development plans outside District Assemblies is extremely low, as is information about the budgeting process. Several NGOs and donors are undertaking efforts to facilitate citizen engagement with local government institutions. For example, there are at least five NGOs operating in the Northern Region with such programs. Despite these initiatives, organizational activity remains limited and what exists is highly dependent on these NGOs. Typical local organizations in this region include women's market associations and income generating collectives, youth associations<sup>15</sup>, student unions and community-based NGOs. There are many factors in northern Ghana which inhibit people from engaging more actively in local governance. Donors and international NGOs provide important human and material resources, as well as self-awareness and civic education, which may not otherwise be available for self-organization and advocacy efforts of Ghanaian organizations. But there are other consequences of this external intervention. Donor and international NGO support of the decentralization process has led to competition between district-based Ghanaian NGOs and District Assemblies over resources. Additionally, district development plans have become tools for soliciting donor 'investment', and increasing the number of district-based NGOs is seen as a way of attracting donors into the district and raising the financial base available for development.

By funding 'private' organizations to provide basic social services instead of the state, donors are creating a service-oriented private sector. The steady flow of material rewards and other incentives to comply with the interests of donors and international NGOs creates an acceptance of the aid system among the middle class, as they pursue their ambitions through vocations of aid management.<sup>16</sup> Both of these trends are possibly occurring at the expense of expanding the productive private sector, in other words, building up domestic manufacturing and processing industries that would generate actual wealth within the national economy.

Before moving on to the implications of aid dependency for governance, it is necessary to summarize and clarify the discussion above. An embedded aid system does not mean that donors ultimately control governments, that they can always get their policy preferences implemented, nor that they are the most powerful actors involved in governance processes. It simply means that they are important and seemingly permanent players within the state, within policymaking, and within the political system.

## **Complicating the Crisis of Governance**

After two decades of economic 'adjustment' in Africa, many commentators interpret continuing economic stagnation in Africa as the failure of aid. This predicament has prompted yet another search for explanations of Africa's woes. Explanations tend to converge on the argument that politics is at the heart of Africa's stagnation, although some outlier voices continue to emphasise the role of external factors such as the structure of the global economy and



international causes of poor governance. While we do not wish to address this debate, we want to point out what the case study of aid dependency in Ghana contributes to this debate.

For many academics, development practitioners and donors, good governance is the single most important factor in promoting development in Africa. We have recently witnessed a burgeoning literature on good governance pointing to the importance of institutional development and state-building. This literature concentrates on how to get more effective and accountable government in terms of providing public services and an environment conducive to economic growth led by the private sector.

The picture of aid dependency described here complicates the conventional view of the crisis of governance in Africa and the reform agenda it has spawned. The conventional view neglects the role of donors, and other intervening external actors such as international NGOs, and fails to comprehend the whole picture of the impact of external aid in general, and efforts to improve governance in aid recipient countries in particular. The external and internal causes of poor governance cannot be treated separately; they are intertwined. Similarly, the political process of state-society bargaining, identified by some authors as the key to achieving effective public institutions, cannot be treated separately from the aid system, at least not in countries like Ghana.<sup>17</sup> Both of these approaches fail to locate external actors within the political landscape of aid recipient countries. In Ghana, donors should not just be aware of the importance of the local political processes of bargaining and interaction between the state and citizens and evaluate whether their actions inhibit or encourage these processes. Donors and international NGOs are already participants in them. As argued above, politics in countries as aid dependent as Ghana should not be conceptualized in terms of state and society, but rather in terms of multiple interfaces of politics. Donors not only shape the political landscape through the operationalization of the good governance model, but are firmly located within it.

From their position within the politics of economic reform and within governance structures in Ghana, donors affect, intentionally or unintentionally, the political actions of Ghanaians. They do so in the following three ways, which are not necessarily mutually exclusive. First, political activists in Ghana focus most of their energy on challenging or reforming the aid system. Their activities are aimed at halting, reversing or changing government policies that they perceive as imposed by donors on their government. Their broader goal is to change how the aid system makes their government more accountable to donors than to Ghanaian citizens. Their efforts at creating democratic governance are bound up with challenging structural adjustment, its policies and its processes. This response to the aid system diverts energy from collective political action aimed at improving the operations of government, holding politicians accountable for their actions, and strengthening the relations between political parties and voters.

In another approach to dealing with aid dependency, Ghanaians try to use the influence that donors wield to make their government more accountable, or to achieve other political objectives. Citizens turn to donors as intermediaries in the bargaining process between state and citizens. As a result, donors become proxies for the state. This approach is unsustainable in the long run (lest we truly give up on the notion of state sovereignty) and thus detracts from building direct channels between the state and citizens to negotiate for more effective public institutions.

Employing a third tactic, some Ghanaians ignore central government and public institutions. In the place of government, they turn to donors and international NGOs to provide

public goods and services and to generate employment opportunities. This tactic not only discourages collective political action, it encourages the status quo of aid dependency.

The position of donors within Ghanaian politics also gives rise to several paradoxes regarding their good governance agenda. Donors can serve as a source of information for citizens about government policies and as a mechanism through which citizens pressure the government to be more transparent. But donor interventions in policy debates can also exacerbate the lack of transparency on the part of the government. Donors support the strengthening of democratic institutions such as Parliament, so that they can play a larger role in policymaking and a more effective role in holding the executive to account. But their economic clout and position in the policymaking terrain also limits the role that representative can play. This is not to say that Ghana's representative institutions would work perfectly if donors were not in the picture. Donors can act as partners to groups in Ghanaian society who are lobbying for specific reforms or who are seeking to represent previously excluded voices in policymaking, but they can also act as competitors, competing for influence over government policy. Competition for influence often takes the guise of debates over who represents the interests of the poor. While some donors actually believe themselves to represent the poor vis-à-vis the Kufuor government which is more concerned with wealth creation policies and increasingly seen as self-serving and corrupt, other donors only want to be seen as representing the interests of the poor to legitimize their position. These claims come up against counter-claims of representation by groups in Ghanaian society who advocate different policies and by Parliamentarians who feel marginalized by the growing influence of 'civil society organizations' with international funding.

That 'ownership' has become a prominent issue in development discourse evinces how embedded the aid system has become in recipient countries. Will the ownership agenda adopted by donors alter this picture of a donor-led policy regime and eliminate the paradoxes of the donors' embedded position? Evidence thus far suggests not. Ghana's first experience with Poverty Reduction Strategy Papers (PRSP) illustrates that the PRSP process has contributed to increasing the voice of citizens in policymaking through consultations, but it did not alter the policymaking terrain in which high ranking government officials and the Bretton Woods institutions control decisions on critical policy choices (Whitfield, 2005). The growing body of literature dissecting the problems with PRSPs will not be rehashed here. Although reviews commissioned by the World Bank and IMF recognize the impediments to country leadership and ownership inherent in the PRSP process, the changes they recommend do not change the power relations embedded in the aid system and if adopted would probably further buttress Bank and Fund influence in recipient countries rather than reduce it (IMF, 2004; World Bank, 2004).

The failure of the ownership agenda to change practices of the aid system should not be surprising. Several authors have also observed that ownership means one thing in theory and another in practice.<sup>18</sup> In practice, ownership is used to denote the extent to which the interest and ideas of aid agencies and the political leadership of recipient countries coincide regarding the design and implementation of certain programs and policies favoured by the aid agencies. It means getting governments to do what donors want voluntarily, as opposed to using either carrot (incentive finance) or stick (old style conditionality) measures.

## **Conclusion: Aid's Political Consequences**

We can tease out some general political consequences of aid from this narrative on Ghana together with secondary accounts from other African countries and the wider literature on aid and Africa. First, micromanagement is at the heart of the embedded aid system. Donors generally do not see a development-oriented ruling elite in African countries.<sup>19</sup> This perspective, combined with their institutional culture and incentive structure, has led donors attempt to micromanage reforms in recipient countries.<sup>20</sup> They want to be involved in all policy discussions, to have a seat at the proverbial table, although they do not always get that seat or the table may be moved to a smoke-filled room behind the trappings of the formal governance structures (Kelsall, 2002).<sup>21</sup> Donors sometimes even directly take on functions of the state.<sup>22</sup> Donors do not trust recipient governments, especially African ones, but they have a strong need to do so, and thus they place a large amount of financial and political capital in building a relationship with recipient governments. This imperative has two important political consequences. Western governments may lend credibility to less than 'free and fair' elections through the approval of their election monitoring teams and embassies in order to keep in power the incumbent government in which they have invested so much.<sup>23</sup> Donors may also turn a blind eye to corruption by government officials if it means getting their way on certain policy positions and action on reforms.<sup>24</sup> Finally, there are multiple motives behind donors' aid practices which can give conflicting messages to recipient governments about political liberalization (Hauser, 1999). These dynamics between donors and recipient governments can undermine the efforts of citizens to push for more democratic government, and donors' declared agenda of promoting democracy.

Second, the aid industry is fostering and financing a notion of participation outside of the formal political systems in recipient countries, many of which are constitutionally mandated democratic institutions and political processes. Different aid agencies and international NGOs have created their own version of participation, whether to achieve 'empowerment' and better representation of the poor or whether simply to serve as legitimizing and validating processes for their agendas and policies. They put these versions of participation into practice through mechanisms such as PRSPs, local workshops constantly recreated and funded by donor agencies, and selecting 'civil society organizations' for meetings every time a ministry needs to 'consult' on the government's new policy (again paid for by donors). The political implications of this situation are significant. Creating participatory mechanisms on an ad hoc basis is not a sustainable political process, nor is it a long term solution to improving political institutions and representative processes in recipient countries. Their democratic political systems may not operate in practice as specified in their constitutions, or according to the liberal democratic model, but by-passing formal political institutions only serves to further undermine their legitimacy and effectiveness. Debates on poverty must take place within existing political institutions and politicians must engage with them (Putzel, 2004: 9). The concepts of participation and civil society are represented by aid agencies as standing in the place of 'conventional' democratic politics', in which different interests and values are aggregated and articulated by political parties (Harriss, Stokke & Tornquist, 2004: 8). However, in the oft cited cases where participatory mechanisms have led to development achievements by the lower classes, these achievements have required political vehicles such as leftist political parties to mobilize people and shift the balance of social power (ibid).

Third, several authors have emphasized that donors and recipient governments are mutually dependent on the aid relationship (Diamond, 2004; Kanbur, 2000; van de Walle, 2005).

National development policymaking has become subsumed under a government's relationship with donors. Seeing no way out of the aid relationship, most politicians and civil servants milk it for all it is worth. This behaviour makes sense in the context of very poor working conditions for the civil service, the large amount of money flooding in for donors to spend, and the short-time horizon of elected politicians who need to ensure their re-election by spreading the wealth to their financiers, some to their constituents and some for their own pockets in case they lose. With low levels of economic growth, governments remain dependent on a continuous supply of aid resources and thus must implement enough economic and governance reforms to maintain donor support. As for donors, besides believing they have a humanitarian obligation to help all countries, they need to move money and to recycle unpaid debts. Donors and governments are locked into an unhealthy relationship bearing little fruit for development. Changing it requires changes in institutions and incentives on both sides.

With the advent of the participation, ownership and partnership era in the late 1990s, new actors entered this aid relationship, namely international NGOs and local NGOs. It is argued that the increased profile of international and local NGOs in the policy arena through (often donor-initiated) participation mechanisms, such as the Poverty Reduction Strategy Paper process, is little more than the performance of partnership (Mercer, 2003; Gould, 2005a; Fraser, 2005). Those non-state actors well-versed in development speak and not too critical are allowed to 'merge in the circle' of technocrats and political elite of the government and donors. This new partnership between donors, the government and civil society (international and local NGOs) serves to legitimize the status quo aid relationship where donors play a dominant role and their continued prescribed strategy for development. However, this performance of partnership creates real vested interests in maintaining the aid relationship. International NGOs have increased their leverage in policymaking circles. For their part, local NGOs benefit economically from the increased funding to civil society for policy advocacy and for the provision of public services. Local NGOs may buy into the participation discourse and see it as a political opportunity, especially in countries where organized groups find it difficult to engage politically in the public sphere due to limited political liberalization and legacies of one-party rule legacies. They understand that criticizing the dominant aid paradigm brings the risk of being marginalized.

A significant consequence of the way the aid system interacts with the domestic political system is the gap between the politics of aid and the politics of representation (Gould & Ojanen, 2005). The politics of aid governs policymaking among donors, the state, and non-state actors. Its defining characteristics have been the subject of this article. The politics of representation, on the other hand, governs policy implementation and is about the struggle over material and political resources among and between clients and patrons in the national and local arenas. The good governance agenda has not transformed the politics of representation, nor has the introduction of multiparty politics, yet it is 'the difficult transition from clientelism to citizenship' that will give substance to electoral democracy and allow 'the poor' to represent themselves (Fox, 1994). The structuring of civil society around the aid industry has the effect of absorbing activist energies and possibly diverting their energy from reforming the political system (see Craig & Porter, 2006: 263). Collective actors representing subordinated social groups tend to crystallize around structural linkages that bind state and society, meaning institutional arrangements and public policies through which the state exercises its functions (Houtzager, 2003: 15). The dynamics of the aid relationship described here may undermine the creation of such structural linkages, and thus the development of domestic social movements demanding economic and political reforms—the internal demand that so many authors have come to see as necessary to achieve the goals of development.

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## Endnotes

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<sup>1</sup> For example, see Lancaster and Wangwe (2000), Brautigam (2000), van de Walle (2001, 2005a, 2005b), Moore (1998), IDS (2002) and Moss, Pettersson & van de Walle (2006).

<sup>2</sup> This article is based on research carried out in Ghana from July to September 2001, April to September 2003 and November to December 2004.

<sup>3</sup> The notion of good governance employed by the Bank and other donors has been thoroughly critiqued (see Baylies, 1995; Jeffries, 1993; Taylor, 2004).

<sup>4</sup> Castro shows that this model of governance is derived from institutional economics and that it gave rise to concepts of public-private partnerships and tri-partite partnerships deployed in mainstream public policy.

<sup>5</sup> For a more elaborate discussion of the relationship between the governance model and identity construction, see Whitfield (forthcoming 2006).

<sup>6</sup> See Frimpong-Ansah (1991), Bates (1981), Price (1984), Rimmer (1992), and Callaghy (1990). For a review of these arguments, see Austin (1996). Instead of seeing the state as either too independent from society but captured by sectional interests or not independent enough, and in opposition to the claim that a trade-off between economic growth and a government's own interests was the main cause of the government continuing to adopt policies that created or intensified economic decline, we need to understand the state as both autonomous and as a site of struggles that can determine the general direction of broader social and political processes through the outcomes of these struggles (Hutchful 1989).

<sup>7</sup> Much of this discussion comes from the report 'Good Governance in Ghana: lessons learnt from donor support to Governance in Ghana 1992-2002', produced by Map Consult Ltd. For the Royal Danish Embassy, Accra, December 2002.

<sup>8</sup> For a more extensive discussion of this process of civil society construction, see Whitfield (2003).

<sup>9</sup> This paragraph is based on a reading of Martin (1991), Callaghy (1990), Hutchful (2002: 148-53), Loxley (1988), Anyemedu (1993), Kraus (1991), and Toye (1990; 1991). Structural adjustment in Ghana began in 1983 when the first stabilization loans were negotiated.

<sup>10</sup> The World Bank sponsors the Asanteman Council's Promoting Partnership with Traditional Authorities Programme and gave it a concessional loan of 20 million US dollars for a water and sanitation project. [www.ghanaweb.com](http://www.ghanaweb.com), business news of 3 July 2004, 'World Bank to give Asanteman \$20 million'.

<sup>11</sup> The Budget Statement and Economic Policy of the Government of Ghana, 2004 financial year, appendix table 4.

<sup>12</sup> These conclusions mirror Harrison's concept of post-conditionality politics in Tanzania, Uganda and Mozambique (Harrison, 2001; 2004).

<sup>13</sup> These examples come from the author's doctoral thesis (Whitfield, 2005).

<sup>14</sup> For an abridged version focusing on urban water reform, see Whitfield (2006).

<sup>15</sup> Youth associations have historically functioned to build contacts between Accra and their origins, to channel political energies and social aspirations and provide platforms for political aspirants, and to connect the urban educated with the rural semi-educated (Twumasi, 1975: 149; Lentz, 1995: 397).

<sup>16</sup> Gould (2005b: 148) also makes this point based on observations from Tanzania and Zambia.

<sup>17</sup> Researchers at the Centre for the Future State argue that effective public institutions are not created by transferring models from rich to poor countries but through a local political process of state-society bargaining (Moore et al, 2005). They want to shift the focus from formal institutions to factors that encourage or inhibit constructive state-society engagement. The problem is weak state-society interaction, where political elites do not face incentives to construct responsive government and bureaucracy, but to enrich themselves.

<sup>18</sup> For example, see Brautigam (2000: 32), Helleiner (2002), and van de Walle (2005).

<sup>19</sup> They are partly right, but not always for the reasons they give. In the history of centralized states, it has always been difficult for the ruled to hold their rulers to account, to act in their interests. This has been exceptionally so in the case of Africa (see Dunn 1986), but here is not the place for a discussion of African history or a comparison with East Asian developmental states.

<sup>20</sup> On donor institutional culture and incentive structure, see Barnett & Finnemore (2004) and Woods (2006).

<sup>21</sup> The reactions of other bilateral donor agencies to the way the United States negotiated a Millennium Challenge Account compact in Ghana, which effectively excluded them from the negotiation of a \$500 million modernization of agriculture project and which would potential undermine their influence with the Kufuor government, is illustrative of this need to be involved (see Ghana: field report, MCA Monitor, Center for Global Development, [www.cgdev.org](http://www.cgdev.org)).

<sup>22</sup> A good example in Ghana is the former Ministry of Private Sector Development which was almost completely funded by donors. The Ministry's medium term private sector development plan was almost entirely written by donors or their expatriate experts brought in through 'technical assistance'.

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<sup>23</sup> For example, see Brown (2001, 2004) on Kenya. The recent 2005 elections in Tanzania were declared free and fair by international observers and donors, yet massive fraud took place on the island of Zanzibar to retain the incumbent party in power ('Analysis of the 2005 Elections in Zanzibar', G. Thomas Burgess, December 2005; presentation by Ben Rawlence at the African History and Politics Seminar, University of Oxford, 30 January 2005).

<sup>24</sup> Such donor practice has been documented in Mozambique (Hanlon, 2002; 2004).



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