



# WORKING PAPER

## **Ownership and the Donor-Recipient Relationship**

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## **ABSTRACT**

At the centre of the Paris Declaration on Aid Effectiveness is the idea of country ownership. It is meant to change the situation in many aid dependent African countries where donors dominate decision-making over which policies are adopted, how aid is spent, and what conditions are attached to its release. This article assesses the impact of recent aid reforms to put ownership into practice.

## WHAT IS OWNERSHIP?

Ownership is a vague term that appeals to people for different reasons. But two competing, and potentially contradictory, usages of the term can be distinguished. The first one sees *ownership as commitment* to policies, regardless of how those policies were chosen. The second is *ownership as control* over the process and outcome of choosing policies. These two distinct and potentially contradictory concepts are confused in the aid literature, rendering the term useless. It is argued here that ownership should be understood as the degree of control recipient governments are able to secure over policy design and implementation. This is a more restrictive definition than that which many in the international aid community use, but it brings clarity to the discussion on ownership and advances an argument that African governments should have control over their policies based on the notion of sovereignty.

Many development NGOs argue for a concept of democratic ownership which includes the domestic process through which policies are decided. This is asking donors to become further involved in mediating state-society relations. Donor actions can just as easily be harmful for democracy as helpful, and there are no institutions for holding donors accountable within recipient countries. The question of whether a society can minimize foreign influence over its policymaking is logically and politically prior to questions about the quality of internal democracy.

This article is based on research which examines how aid relations have evolved over the last three decades and assesses the degree of ownership as control in eight countries (see Whitfield 2009). The degree of ownership is assessed by looking at what

proportion of the implemented policy agenda was decided by the government; what proportion resulted from a compromise between recipient and donor; and what proportion was accepted reluctantly as a necessary price to pay for accessing financial aid. However, the task of discerning these proportions is complicated by the ways in which aid relationships developed over decades of dependence, and by how the international aid system expanded and entrenched itself in many countries. Unpicking what is government 'owned' and what is donor-driven is difficult because donor agencies have been instrumental in preparing, financing and implementing government programmes through the policy discussions within ministries and through the provision of consultants and technical assistants. Therefore, country studies were used to dig into the details of a country's specific experience with aid. The conclusions of these studies about the degree of ownership are subjective assessments, but ones based on a comprehensive understanding of the country's aid relations drawing on a wide range of published and unpublished literature combined with long term experience researching these issues and/or participant observation within government ministries.

A qualitative measure based on comparing the experiences of eight countries was created, using a scale ranging from strong to weak ownership. Botswana shows the strongest degree of ownership, and Ethiopia is situated firmly in the strong half of the spectrum. Rwanda is placed in the middle of the scale. The remaining five countries – Ghana, Zambia, Mali, Mozambique, Tanzania – are grouped at the weak end of the scale, because they share several characteristics which account for their weak ownership.

## **HOW MOST AFRICAN GOVERNMENTS LOST OWNERSHIP**

Contrary to what one might think, receiving high levels of aid does not necessarily entail a loss of ownership. Rather, it is the different contexts within which African governments and donors negotiate aid that explains the different levels of ownership. Changes in the global economy in the 1970s and early 1980s led to debt and balance of payments crises in many African countries. This economic crisis marked a critical juncture that set some countries on a different path. The group of weak countries desperately needed foreign exchange and could only get it from one source: the Bretton Woods Institutions. This presented an opportunity for the World Bank and IMF to expand their influence over recipients' policies.

In contrast, both Botswana and Ethiopia avoided the bite of debt and macroeconomic crises in the 1980s. Botswana's government pursued prudent macroeconomic policies and used its revenue from diamonds in a fiscally conservative way. The Derg government in Ethiopia did not incur large debts to the West and it managed to retain a realistic international exchange value for its currency. Thus when the new government embarked on economic reforms in the 1990s, it approached the Bretton Woods institutions with a much less subservient posture than most African countries.

Respect for the sovereignty of African countries waned among Western governments and international institutions after the end of the Cold War, and the scope of the conditions attached to foreign aid expanded significantly. In the 1990s, donors moved beyond macroeconomic policy, placing conditions on a wide range of policy areas and

seeking to transform the administrative and political systems in these countries. By the early 2000s, debt relief through the Heavily Indebted Poor Country initiative and the Poverty Reduction Strategy Papers (PRSPs) that came with it extended donor conditions to the process of policymaking itself. African state structures, many of which were already in poor condition, were profoundly weakened through these processes, along with the ability of governments to plan and express coherent visions for national development.

The legacies of these economic conditions explain to a large extent the limited negotiating strength of countries in the weak group, but they cannot explain everything. Other explanations are found in the political, ideological, and institutional legacies of these countries' continuous engagement with the World Bank and IMF since the 1980s, as well as an expanding list of other official and private aid agencies. This continuous engagement created a set of common characteristics in aid dependent countries today: a state of permanent negotiation with donors; the gradual entanglement of donor and government institutions alongside the limited (re)building of the recipient's public administration; and the political dimensions of aid dependence. These characteristics have become key factors shaping the incentives facing recipient governments. They explain why governments in these countries often strive to maximize aid flows without necessarily maximizing control over their policy agenda.

## **A STATE OF PERMANENT NEGOTIATION**

The proliferation of donors and donor agendas to which the governments in Mali, Mozambique, Ghana, Tanzania, and Zambia

have to respond has led to the diffusion of government control over its development programme. In these countries, a continuous and permanent negotiation has developed over policies, programmes, and projects between donors and governments. It is the permanent negotiation over the details of almost every policy that is a key constraining factor for these governments. Donors may ultimately give in on a condition or choose not to punish non-implementation of conditions, but donors nonetheless continue to assert their preferences either in the form of traditional conditionality or in the form of intimate participation in policy discussions and attempts at micromanaging project and programme implementation. Permanent negotiation places an immense burden on recipient administrative systems, making it hard for these governments to keep up.

Permanent negotiation also means that ministers and civil servants do not take it up with donors every time there is a disagreement. They pick only the important battles. These relationships have become such a routine that the governments know what different donors want to see in a development strategy or sector policy. Ministers and civil servants thus may pre-empt tough negotiations over policy choices by adopting donor preferences in advance in order to gain the maximum amount of aid or donor favor that may be leveraged in other negotiations.

Furthermore, technocrats in the ministries of finance in these countries seem to share a greater affinity with donors, partly due to their shared epistemic community in economics training and partly because they have usually developed a close working relationship with donors as the key negotiator. Budget support has buttressed this role even further. Lastly, the ministry of finance aims to maximize resources for the budget. In Zambia, for exam-

ple, there are individual staff units in the ministry of finance to service each of the major donors. The clear incentive for staff in each unit is to keep the relationship friendly and to maximize the flow of resources. Therefore, ministries of finance are likely to prioritize reaching a consensus with donors and not pushing the government's negotiating position on individual policies too far. Tough negotiations are reserved for instances where there is strong disagreement over policy areas seen as vital to the economy, to the ruling party remaining in power, or to the personal interests of government officials.

As a result of permanent negotiation, these governments spend most of their time responding to donor initiatives and negotiating on that basis, trying to work their own priorities into the donor agenda or waiting until implementation to steer the project or program towards their preferences. These are priorities of the Minister or civil servants in the negotiating ministries, but they are often not thought of and located within a coherent national development strategy. Therefore, this is predominantly a defensive strategy, which leaves these governments with little time to devise policies independently of donors and little intellectual space to develop coherent frameworks. And PRSPs do not overcome this problem. They tend to be an aggregation of existing government and donor sector strategies and projects, rather than a prioritized national strategy for achieving growth with poverty reduction.

In contrast to the group of weak countries, the governments of Botswana, Ethiopia and Rwanda have expressed a clear vision about where their countries are going and about the contribution of public policies to achieving that outcome. Despite the differences in the content of their development strategies, their coherence and the strong support within

their bureaucracies for them increased these governments' ability to defend their policies in aid negotiations and to argue against some donor policy preferences.

## **INSTITUTIONAL ENTANGLEMENT**

The diffusion of government control over its policy agenda as donors proliferated also led to a fragmented aid management structure, where the tasks are often widely disbursed, the division of labour between ministries vague, and donors negotiate projects and policies directly with line ministries. The situation in the weak group is in stark contrast to the centralized aid management structures in Botswana and Ethiopia.

There are good reasons why the group of weak countries does not have a centralized aid management system. The proliferation of donors took place in a particular context. First, structural adjustment lending gave the Bretton Woods institutions an intimate position in policymaking processes by the end of the 1980s. The political context of economic reform in some of these countries witnessed the Bank and Fund siding with a section of the ruling party or regime that favoured the reforms in order to sideline other individuals or groups that did not want to pursue the reforms at all or at the quick pace pushed by Bank and Fund. Divisions within governments over the direction and pace of economic reforms in the 1980s often meant that recipients found it hard to present a united front to donors around a common position. Thus there was no single development vision around which aid could be coordinated.

The sometimes secretive nature of reforms under structural adjustment meant

that policymaking occurred outside the existing bureaucratic institutions. These practices exacerbated the already poor condition of the public administration in some countries, such as Ghana, where the civil service had been decimated by economic decline and politicization. Finally, under the auspices of civil service reforms, the World Bank and IMF pushed for the deliberate dissembling of planning systems in countries where these systems were still functioning, such as in Mali and Zambia, and tried to prevent the re-establishment of a planning department in Ghana. On their part, governments in the weak group of countries have failed to take tough decisions to improve their civil service.

Fragmented policymaking and budgeting processes that resulted from the influx of aid and donors and almost non-existent national planning systems meant that recipient governments were in weak positions to coordinate aid according to a national development plan, as in Botswana. As a result, donors started coordinating aid giving among themselves in the 1990s. Donors created arenas for 'policy dialogue' between the government and themselves. These arenas multiplied to cover all policy sectors as donor agendas proliferated. In Mozambique, there are twenty-nine sector and thematic working groups which meet regularly to accompany the formulation and implementation of government policies.

Thus, the fragmented aid system in the 1980s was transformed into a joint donor-government planning process by the 2000s. Notably, this transformation took place against the backdrop of a general failure of recipient governments to reform their public service, and the failure of donors to reform aid practices which got things done in the short term but which undermined, and



even exacerbated, the problems in recipients' public administration systems. What emerged in most countries is a joint policy process parallel to a country's official policy processes. The implication of this joint policy process around the budget and at sector levels is to create a rigid framework that gives the government little room to reach policy decisions independently through formal institutions before negotiating with donors and which makes it harder for the government to change its programs and react quickly.

The incentives are very strong for the recipient government to adopt a strategy of going along with the consensus produced through the joint policy process, but try to stick in its priorities where possible and when it really matters. This strategy has three side effects. First, it usually produces 'compromise documents' which are not wholly supported by the government or donors. Second, governments do not want to be confrontational with donors, because government officials have to continue to work together in this joint process, and confrontation only makes that job harder. Third, the absence of effective authority over policy with neither governments nor donors exercising complete control leads to fragmented policymaking and policy implementation processes.

In contrast to the weak group of countries plus Rwanda, Botswana and Ethiopia have professional civil services, capable state institutions, strong planning systems, and centralized aid management systems. They either had these institutional components before receiving high levels of aid, or emphasized the need to build them through the use of aid. These institutional factors have been crucial to their ability to set the policy agenda and maintain ownership.

## **POLITICAL DIMENSIONS OF AID DEPENDENCE**

Many African governments have relied on aid to retain their position in power since independence. But the contemporary phenomenon of political dependence is different partly as a result of the continuous engagement with donors, and partly as a result of new imperatives facing governments after the return to multiparty rule in the mid-1990s. Aid dependent African governments have become accustomed to the increased budgets that aid provides. Aid is a vital resource with which these governments seek to deliver goods and services or other promises they have made. Thus they are unwilling to take stronger policy positions or to chart a development strategy outside of the purview of donors, as they are afraid of risking reductions in aid that could undermine their political support and/or cost them the next election.

The fragile domestic political support of governments, combined with their dependence on aid to shore up their political legitimacy, therefore provides *strong incentives* for governments to remain in a subordinate position to donors. The conditions of permanent negotiation and institutional entanglement, at the same time, provide *strong disincentives* for recipients to challenge their subordination. Governments in the weak group have accepted their subordinate position and the inevitability of intimate donor involvement in policymaking, and then pursued strategies to maximize their policy control within that context. These have not been successful strategies for securing ownership, even if they have guaranteed continuous aid flows.

In contrast, the governments in Ethiopia (since 1991) and Rwanda (since 1994) have been politically and geo-strategically important to key Western donors, increasing their

ability to project an image of non-negotiability in key policy areas. These governments are confident that donors will not abandon them, but are also willing to take the risk. The government in Rwanda since 1994 has had partial success in controlling its policy agenda largely as a result of rather unusual conditions that emerged in the aftermath of the genocide.

### **HOW CAN OWNERSHIP BE REGAINED?**

Can *ownership as control* be achieved within the existing organization of aid? Yes and No. No, ownership will not come about through the changes in the aid relationships driven by donors so far. What kind of changes are needed? Donors should not be trying to change African economies and governance wholesale through aid. The most useful role donors can play in supporting ownership is to step back from domestic decision-making arenas, listen to the priorities stated by African governments, and see how they can help those governments achieve them. For donors, this approach means accepting that aid-receiving governments might make mistakes in economic policy while they try different things, but it also means withdrawing aid to the government in countries where governments' political actions go against the values that a donor agency wants to support.

Donors also need to pursue changes within their own organizations and in their aid practices. This includes incentives that donor staff face to disburse money quickly, deliver on targets beyond their influence, and to micromanage the recipient government, as well as incentives to produce quick results through the most efficient means. This will involve a trade off between bypassing the recipient's bureaucracy in order to implement projects

quickly, and a slower implementation process but one that does not undermine recipients' public administrations. Donor agencies need to become more flexible, innovative and risk taking in the way they give aid, instead of applying the same modalities, programs and projects derived from the headquarters. Such changes initiated by donors do not seem likely to come about any time soon. Aid agencies are driven by too many competing imperatives to fulfil the spirit of the Paris Declaration.

African governments can strengthen their negotiating position, regardless of what donors do. Some actions that are needed to do so include strengthening their public administration; producing a coherent development vision with some level of domestic support and strategies to implement it; centralizing aid management and negotiations; only accepting aid that helps to implement these strategies; maintain good macroeconomic management; and taking the risk that donors will not support them in their strategies.

The incentives for preserving the status quo on both sides of the aid relationship are strong. However, what contextual changes might alter the 'incentive structure' of donors and recipients alike? Since it was a change in economic fortunes that led many African countries down the path of aid dependence, economic growth seems essential for African governments to break out of aid dependence and weak ownership. However, this growth must be accompanied by transformation of the economy; otherwise governments will flounder at the next external shock to their economies, the majority of which are still overly dependent on exporting a few primary commodities.

Given the current global financial crisis, there is a gloomy outlook for growth and foreign investment in African countries. However, it also creates windows of opportunity.

Donors cutting aid could be a good thing. A lot of aid goes undisbursed, and the incentive in donor agencies to disburse money is one of the sources undermining government ownership. Donors focusing on fewer countries and having smaller portfolios would reduce the coordination problem for recipient governments. On the recipient side, less aid money on the table may mean that recipient governments stop looking for aid to solve all their problems and stop liaising predominantly with donors and their consultants on how to design policies, and become forced to find other revenue sources and to engage with other groups in their countries, particularly businesses, to create and implement economic policies. As the global economic crisis begins to take its toll on African economies, domestic crises may present windows of opportunity forging new political configurations and changing the political incentives facing governments. What is not assured is whether the outcomes of these opportunities will be for the better or worse in terms of transforming the economies and achieving poverty reduction objectives.

## REFERENCES

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