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ABSTRACT

Ownership has become one of the key buzz words of international aid business. As a determinant of *commitment* to reform or *appropriateness* of the reform program, *ownership* (or lack of it) is referred to by recipient governments, donors and lenders, civil society organizations and scholars, alike, to explain success and failure of development aid and policy reform programs. This Working Paper discusses the concepts and applications of *ownership* in a critical manner, and suggests a political economy approach to understand *ownership* in the context of the contest and struggle for influence upon the direction, options and priorities of social, economic and political development. The paper also discusses the relationship between the evaluation of success and the struggle for ownership, as the definition and measure of success depends on the struggles about directions, options and priorities of development, which determine the questions that are asked and the focus of evaluation. Finally, the paper also questions the concept of *post-conflict state-building* because of its prescriptive, static and normative assumptions about the nature of conflict and of the state, and emphasizes the contested nature of conflict and state transformation within a political economy approach. Hence, the framework to discuss *ownership, success and state transformation* is unified. The paper explores concrete situations of the Mozambican experience with aid dependency to illustrate its main arguments.

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Key concepts: international aid, aid dependency, ownership, development policy, commitment, appropriateness, political economy, impact evaluation, Mozambique.

1. Introduction

This article discusses *ownership of development policy* in interaction with *policy-based aid,*[1] the formation and implementation of development policies and institutions and the conflicting social, economic and political interests. This discussion takes place in the context of *multidimensional, structural and dynamic aid dependency*.[2] Thus, the article does not discuss development policy options, *per se,* or all possible sets of institutional and social interactions related to development policy.[3] Instead, by looking at the case of Mozambique the article is focused on the *contested relationship* between donors, the recipient state and other interest groups in policy development under aid dependency.

Furthermore, this article is concerned with the contested field of long term policy development, not with short term *humanitarian emergency aid* that is usually triggered by the immediate impact of shocks, is focused on special programmes, has a shorter time frame and tends to have a lighter social and political impact on long term development patterns and institutions than longer term "development policy-based aid".[4]

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[1] "...long-term, development policy-based aid..." means, in this article, aid that is associated with long-term social and economic policy options and changes of a structural nature. This is, for example, the case of aid associated with the Washington Consensus package, which typically includes the IMF's *stabilisation* of monetary variables together with the World Bank's *structural adjustment* of markets, transactions, policies and other institutions with focus on liberalisation and privatisation.

[2] *Aid dependency* is *multidimensional* when it affects the institutional culture, thinking, policies and options of the systems of governance, as well as the interactions between agents, public policy options, the financing of such policies, etc.; thus, the multidimensional nature of aid dependency means that dependency goes beyond basic resources (public finance, foreign exchange, savings) and basic capacities (technical, managerial) to include many other aspects of life. Aid dependency is *structural* when the basic functions of the state and society are aid dependent. Finally, aid dependency is *dynamic* when the pattern of development that is structurally and multi-dimensionally aid dependent generates new and deeper aid dependencies, rather than reducing aid dependency over a period of time. For simplification, in the remaining of the article the concept of "multidimensional, structural and dynamic aid dependency" is referred to simply as "aid dependency", unless otherwise specified.

[3] Such a discussion would imply a whole series of other articles.

[4] For an interesting analysis of the 1986-1989 emergency-focused aid (related to the combined effects of the war and persistent draughts), refer to Ratilal 1990. The subtitle of his book, *"to use aid to end emergency",* summarises one of the main concerns of the Mozambican government at that time: to manage emergency in order to get out of the emergency situation, and to save lives by capacitating the families to be productive. With one third of the total population affected by emergency (1988) the focus of aid was on massive food supply, health care and other related issues, and on the logistics of the emergency operation. These items absorbed 80% of the aid flows. However, even under critical emergency conditions, the Government of Mozambique, at that time, was concerned with the long term implications of short-term, aid-dependent emergency relief.

The theme of this article is, in a variety of ways, closely linked with the broader topic of the research project on *post-conflict state-building*. *Post-conflict* is often not more than a new stage and form of the *same conflict*, in which war is replaced by other means to contest power, institutions and development options and linkages. In this context, the rationale of policy-based aid is that it promotes or rewards social, economic and political reforms that are supposed to, and often wrongly claim to, address the causes of conflict, imbalances and social distress. It follows that the nature of the social contest during *conflict* and *post-conflict* influences the outcome of policy-based aid in the same way that the latter shapes the outcome of social contest for development options – for example, one can easily understand that the actual outcomes of public sector reform, health service reform, privatisation, market liberalisation, financial sector reform, etc., are, to a large extent, the product of social contest related to power and influence over development institutions, options and linkages, as much as they are influenced by the blueprint approaches promoted through policy-based aid. This is the same as to say that *ownership* is intrinsically related to the nature of *conflict*, the prospects for *post-conflict* and the social, economic and political dynamics of *transformation of the state*.

The article is organized into four further sections. The next section looks at the analytical framework of the debate and discusses the boundaries of the concepts and the logic and rationale of the ownership issue. The following section discusses ownership in contested environments and under aid dependency, with reference to Mozambique. Section four presents an introduction to a political economy critique of ownership. The final section looks at some implications of the debate for policy analysis.

The article explores examples and case stories from Mozambique without pretending to develop a systematic analysis of the Mozambican case. In addition to being the case with which the author is more familiar, Mozambique makes, in general, a good case study for this topic: it has been severely aid dependent in a multi-dimensional, structural and dynamic way for two decades, and is often presented as a success story by international organizations. How can "severe aid dependency" be consistent with "success"? The answer may well depend on the understanding of the dynamics of contested ownership (or political economy) of development policies, options, outcomes (or beneficiaries) and evaluation of results.

2. Analytical frameworks and concepts of ownership

Ownership has become, over the last two decades or so, one of the key and most utilised concepts of the extensive list of jargon of international aid business. Host governments, donors, lenders, bilateral and multilateral international agencies, civil society organizations and scholars refer to *ownership* in a variety of contexts, more frequently in relation with the implementation of aid financed policy and other institutional reform packages. The causes of failure and success in the implementation of such reforms are often tracked back to weak or strong *ownership* by the recipient/implementing agency.[5] Hence, *ownership* is linked with effectiveness of policy-based aid in supporting development in a multidimensional manner. In its simplest form, *ownership* is identified as a key determinant of the degree of commitment to a chosen policy-direction. More complex models refer to *ownership* as a key determinant of appropriateness and legitimacy of policy choices. If this is the case, then *ownership* should be *promoted* (Paris High Level Forum 2005). However, before this can be done one needs to understand what ownership is and involves.

2.1. Establishing the boundaries and limitations of the concepts

In its purest terms, *ownership,* in the context of aid dependency, means that the aid recipient agency defines its own political agenda and programme, independently of its sources of finance (external aid). This means that, in purest terms:

(i) the recipient agency originates the reform programme free from influence from external (relative to the recipient agency) pressures and interest groups;

(ii) donor agencies have no influence on the political agenda of the recipient agency other than financing it, and this has no effects on their willingness to finance the recipient agency;

(iii) donors have no clear policy preferences, or do not express them if they have them; therefore, they make aid available irrespectively of policy choices made by the recipient, in an untied, unconditional and un-earmarked manner;

[5] From now on, the aid recipient agency is always assumed to be the implementing agency – aid in exchange for implementation of a given policy reform package. Therefore, it will only be referred to as “recipient agency”, instead of “recipient/implementing”.

(iv) change in the political environment n a donor country does not affect aid dynamics in any substantial manner, such that the recipient agency does not need to be concerned with such changes;

(v) aid finance is predictable in the short and long run and steady, such that the recipient does not have to beg or bargain for it, does not feel under pressure to comply with donor preferences, and knows how much and for how long aid finance is available;

(vi) any other potential form of influence by the donor, such as through technical assistance, is exclusively exerted within the political agenda and priorities defined by the recipient agency; and

(vii) the recipient agency is fully informed and has homogeneous interests about policy options and preferences, such that policy choices and decisions reflect uncontested ownership.

Of course, this set of unrealistic, even if desirable, conditions, which is drawn from the literature, defines ownership in a way that abstracts from historical reality and from the realm of political economy of aid dependency and donor-recipient relationships, as it is later discussed.

Depending on the model of development and governance ownership could be narrowly defined in relation to the recipient government (government ownership of the policy package and policy process) or, more broadly, in relation to the society at large (national ownership). Models that are focused on aid as development public finance tend to favour government ownership of economic policy and processes, while those that are focused on participatory and multidimensional development tend to emphasise broader definitions of governance and, therefore, of ownership. Models that emphasise the leading role of the market in development (or of its institutional equivalent, the leading role of the abstract local community) are critical of government ownership and emphasise ownership by market forces (or local communities).

The consensus within the aid community and literature seems to be developing around hybrid models that incorporate elements of all other models: government ownership developed around a national vision, supported and controlled by broader governance mechanisms, combined with decentralisation and de-concentration of power and resources to local communities. Not surprisingly, many of these models tend to be institutionally incoherent.

These concepts are usually referred to in situations where there is an agenda and package of social, economic and political *reform* or *change* of some degree. There are two reasons for this. First, aid dependency is considered an abnormally in economic development resulting from shocks, inadequate economic policies or any other similar factors. Hence, development aid is provided on the assumption that the recipient agency uses it to tackle the causes of the adversities that create dependency. Therefore, development aid (and the associated ownership, leadership and commitment issues) is almost always related to policy change.

Furthermore, change implies uncertainty and challenge, as well as some degree of tension with the established truth, interests and power relations, depending on the degree and nature of the change and the organization and capacity for resistance by institutions and interest groups. Therefore, the implementation of processes of change is difficult because of the uncertainty and the tensions that are associated with them. This raises fundamental questions about drivers of change (who and what), why one option and direction of reform is adopted instead of another, winners and losers, the degree and sources of resistance to reform. The process of change is the moment when ownership, leadership and commitment are tested to their limit.

Commonly, the ownership debate draws automatic linkages from *ownership* to *leadership* and *commitment*. It is frequently, and wrongly, assumed that ownership is a pre-condition for leadership and commitment and that the latter is a pre-condition for success. Therefore, it may not be surprising that success and failure are equated to (and defined as indicators of) ownership, given that ownership, leadership and commitment are subjective and vague concepts, almost impossible to measure. If one assumes that success inevitably depends on commitment, this on leadership, and this on ownership, a measure of success is ultimately a measure of ownership. The concept of *success* is still contested, but it is relatively easy to make it measurable by setting targets and counting how many have been hit.

2.2. The logic and rationale of ownership

Ownership is part of a wider debate about the social, economic and political effectiveness of aid in development. The rationale behind *ownership* is that the quality of governance (policy choices, commitment to chosen policy-direction, participatory governance, bureaucratic and technocratic managerial capacities, and so on) matters for aid effectiveness; and the quality of governance is related to ownership.

A more detailed analysis of theoretical frameworks and assumptions regarding the logic and rationale of ownership is important to illustrate two further points: the many concepts of ownership and the relative weaknesses and strengths of different approaches. These two points are important for deriving policy conclusions.

2.2.1. Principal-agent framework: ownership and commitment

The arguments about ownership of policy reform are often related to mainstream theories of principal-agent problems in organizations, typically firms, developed in the context of game theories (Mosley 1988, Heap and Varoufakis 1995, Pietrobelli and Scarpa 1992, Rasmussen 1994, and Varian. 1999). This literature tends to be focused on the working and incentive structures of organizations when ownership of capital and management (control) of the firm are separated and information is asymmetric between the principal and the agent. The main question posed by the classical principal-agent literature is that of the incentive structure that makes the agent (manager, who exerts control and has better information about its own efforts and about the state of the world) to seek the maximisation of the principal's utility (owner, who may not necessarily exert control nor be as well informed as the agent) instead of his own utility. Hence, the goals, organization and incentive structures of the firm need to be such that the agent's best interest is to seek to achieve the best interest of the owner even in the event that separation of ownership and control and asymmetric information allow the manager to pursue other interests and objectives.

When applied in the context of the aid dependency and development policy literature, the principal-agent problem becomes far more complex. The donor (the principal) provides resources (aid) in exchange for actions (policy reform package) that are supposed to address the problems faced by the recipient agent and its constituency. The principal and the agent are interested in the analysis of impact of the reform programme on the constituency, although their relative positions and motivations differ. The interest of the principal in impact analyses comes from its concern with policy efficiency and effectiveness (for example, tackling macroeconomic imbalances), altruism (for example, minimisation of the most abject manifestations of poverty), or some more vested and long-term interests (such as commercial advantages or other political interests). The interest of the agent is derived from the fact that its constituency may be its reason to be (for example, the constituency elects the agent or the agent is financed to deliver services to the constituency). The principal is not directly linked with or accountable to the recipient's constituency, whereas the agent is accountable to the constituency and to the principal. If the interests and perceptions of the principal and of the recipient constituency differ, the loyalty of the agent to either the principal or the constituency will depend on who exerts more sustained and coherent pressure on the agent. If the power of the democratic process is weaker than the depth of aid dependency, the agent will tend to be more accountable to the donor than to its own constituency (Killick, Castel-Branco and Gerster 2005, de Renzio and Hanlon 2007, Hodges and Tibana 2005).

Due to *asymmetric information* and *separation of ownership* of the resources (aid, which belongs to the principal) *and control* of the policy process (exerted by the agent), the principal cannot fully guarantee that the agent implements the policy reforms that from the principal's point of view are needed to achieve the objectives pursued through aid processes. The recipient agent is interested in the flow of aid but may have policy interests that differ from those of the policy reform package promoted by the principal. It follows that the principal may end up financing a policy reform package and process that from its point of view is unsound, or an agent that is uncommitted to achieving the reform objectives set by the principal.

Manipulation of quantity of aid flows (ex., financial sanctions and flexible tranches) may not provide the incentive for the agent to comply with the principal's policy reforms and targets. On the one hand, asymmetric information and separation of ownership and control in a contested political environment far more complex than the organization of the firms may make it very difficult to for the principal to decide about sanctions. Additionally, manipulation of aid flows may not only penalise the agent for lack of commitment but may also hurt the constituency of the agent because of the resulting lack of resources; this may discourage the principal from using sanctions to penalise or encourage the agent. Furthermore, other political or economic interests may prevent the principal from adopting sanctions. It might also be the case that the differences between the principal and the agent about the direction and option for policy are so substantial that sanctions alone could not force the agent to comply with the principal; contrary to the situation with firms, the principal (donor) cannot sack the agent (recipient government). Thus, the effectiveness of financial sanctions depends on the room for manoeuvre that the agent faces, which, in turn, depends on several factors such as: the distance between the preferences of the principal and of the agent; donor commitment to pursuing its trigger indicators and applying sanctions; the willingness, ability and organization of domestic interest groups to articulate strategies and put pressure in favour or against donor preferred reforms.

It follows that the best alternative is to guarantee that the agent *voluntarily* commits to the policy reforms. In other words, to a degree the "agent" should become a "principal" in so far as its policy preferences are similar to those of the original principal (the donor). *Ownership* or, at least, *appropriation*[6] of the policy package might be the best option for keeping the agent within the realm of the policies acceptable to the principal-donor. Such an agent-principal is more likely to be committed to the reforms desired by the principal-donor, to resist social pressure to abandon the reforms and to keep the reform programme on track, no matter how difficult and unpopular such policy reform package might be. Therefore, success (measured by the implementation of the reforms' package, not by its impact) depends, to a high degree, on the agent's ownership or, at least, appropriation of the programme (Bird 1998, Dollar and Svensson 2000, Edwards 1999, Killick. 1995, Killick, Castel-Branco and Gerster 2005).

Being *popular or unpopular* is not an issue in the classical principal-agent problem literature, but might be central when this analytical framework is applied to development policy debate. In a *democratic* environment, the recipient constituency elects the agent but has no impact on the principal. Even when *election* is not an issue, social unrest might be. In a simplistic, neo-classical analysis, the recipient agent seeking to maximise its utility would seek to be popular (to be re-elected or to avoid social unrest), even if popularity is short-term. Hence, the principal-agent problem would be related to the means to make the recipient agent to stick to the reform programme and its long-term goals even if it causes short-term public unrest and the risk that the agent is not re-elected. The agent needs to believe that there is no other long-term alternative to the reform package under implementation and that social unrest is controllable and short-term. Quite apart from indoctrination[7] of the agent's managers and policy analysts, it is argued that the belief on the correctness of the policy package or on inexistence of policy

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[6] The difference between ownership and appropriation is not always clear. In the literature, ownership of the policy reform package often refers to the package (ideas, interests, views, policy measures and architecture) belonging to the recipient agency. Appropriation can be defined as a weaker form of ownership since it refers to the recipient agency adopting the policy reform package that may not have been originated from within the agency. In practice, however, appropriation may be understood as part of, or a step towards, full ownership. The bulk of literature on policy-space, for example, would consider that appropriation is the only realistic form of ownership given that full ownership is not possible (for example, Cramer 2002 and Cramer, Stein and Weeks 2006).

[7] Indoctrination might, for example, result from technical assistance provided by the principal; or from education of the managers and policy analysts working for the agent, given the nature and content of political economy and economic policy thinking that dominates schools in which the agent's officials are trained, which are no uncommonly chosen by the principal.

alternatives comes from ownership or appropriation; in turn, such belief strengthens ownership and appropriation.

2.2.2. Critique of the principal-agent framework

The basics of this analytical framework was developed for a purpose that is very specific (the analysis of ownership and management/control relationships within firms in the context of game theories) and very different from the political economy complexities of aid dependency and development policy. Hence, this analytical framework tends to be too simplistic and weak to enlighten the political economy issues involved.

One of the weaknesses of this framework is that it does not analyse the nature and dynamics of the recipient constituencies, and the conflicts and contests for power within them, nor of the relationship between such constituencies and the donor and recipient governments. The most advanced models emphasise the importance of participatory governance and democracy to improve performance of the recipient government and make the constituency less passive. Even these models show very little, if any, understanding of the political economy complexities involved in development policy, in institutions and in the relationship between donors and recipients and between the government and society at large.

Another weakness is that these models focus only on the process of negotiation of policy reform rather than on the substance and direction of development and change.

Additionally, the models approach the process of process of negotiation from the point view of methodological individualism (Fine 2001). This approach requires a complex set of unrealistic assumptions: that institutional, as individuals, are free and autonomous to choose the set of options that maximise their benefits; that the options are available; that these options are independent of any social context and political history and uncontested; and that making and reinforcing choices involves no transaction costs.

Dissent within the neo-classical framework leads to criticism of the focus of policy reform on institutions and of the process of reform based on empowerment of recipient governments, but maintains the golden rule of methodological individualism (Easterly 2006 and 2007, Sachs 2006). The critics range from those promoting an internationally accepted bureaucratic and technocratic approach that links international organizations and ill defined local communities (Sachs 2006); to those that look for local *searchers* and *takers* of market opportunities (Easterly 2006 and 2007). While these critics have their differences, they are similar in that they assume away the political economy complexities of aid dependency and development and bypass the relevant national institutions (Cabral, Farrington and Ludi 2006).

2.2.3. Heterodox views – appropriateness and social contest for power of ownership

Ownership can be defined in different ways: either as a prescriptive and vague *pre-condition* for successful policy implementation because of its implications for commitment or social appropriateness. While the orthodox principal/agent framework of *ownership* emphasizes *commitment,* heterodox views tend to emphasize *appropriateness* of the policy programme with respect to history, institutional, social and political conditions, as well as the role of ownership in strengthening the legitimacy of the reform programmes and the social accountability of the agents of reform (various articles in Bastian and Lucham (editors) 2003, Beynon 2002, Hopkins 2002, Mosley and Eeckhout 2002).

For example, from an *African Renaissance* point of view, *ownership* guarantees *authenticity* and signals a change from external influence to *genuine African* ideals and approaches to *African* development challenges. As Professor Wiseman Nkhulu, Chairman of the NEPAD steering committee, puts it *"…we cannot move forward without an African vision"* (quoted in Cabral, Farrington and Ludi 2006). Or, as emphasised by the African Union Declaration on NEPAD *"...[NEPAD] is based on African empowerment and African management."* (African Union 2001:11, paragraph 47). The question that comes to mind after these bold statements is *who in Africa holds the power to define what is "African" and, therefore, "authentic" and "genuine",* which is the same as asking *whose renaissance* (socially and historically defined, rather than geographically) *one is talking about*.[8]

An alternative, heterodox approach, based on the political economy of development, understands *ownership* as the result of the dynamics of contest for influence upon development directions, options, priorities, challenges, linkages and opportunities (development dynamics,

[8] The report by the Commission for Africa 2005 also expresses the concept of "One Africa", as does most of the African nationalist literature. For a sharp and entertaining historical and political critique of *African authenticity* see Tutashinda 1978. An additional critique, in a different context, is in Castel-Branco 2007c.

for short). In other words, the outcome of, say, public sector reform, no matter how it is defined, reflects *ownership* as a dynamic contest for influence upon the direction of that reform. Social and economic development involves a *continuous contest for ownership* of development dynamics, of institutions and of social and economic linkages, such that the right to and the social nature of *ownership* are strongly contested issues. What matters most in social and economic development is not *ownership, per se,* but the social and political interactions and conflicts for influence upon development dynamics and policy. In fact, outside such social and political interactions and conflicts for influence, *ownership* does not mean anything.

It follows that perceptions of *ownership* differ between agents, depending on each one's agendas and interests, social, economic and political contexts and the social and political history of the relationship between such agents. Under aid dependency, relationships and bargaining power between agents are highly unequal, and social, political and economic development interests and priorities may differ substantially between them. Thus, ownership-seeking strategies may follow many different paths, one of which involves the possibility that one agent, the weakest, seeks ownership by apparently having no strategy on its own and no interest in developing one.

The understanding of these dynamic interactions between agents, linkages and options is crucial for development policy analysis, decision-making and evaluation and far more useful than prescriptive approaches focused the links between ownership and commitment or appropriateness. Besides, what meaning can *commitment to a set of policies and options* and *appropriateness of a set of policies and options* have outside social and political dynamics of conflict related, precisely, to the socially determined choice of the policies and options that one is supposed to be committed to or that are supposed to be appropriate (for whom and what?)?

This approach demystifies the concept of *ownership* in the sense that the dynamics of development (directions, options, priorities, challenges, linkages and opportunities), this is, the source and focus of contest and conflict about *ownership,* acquire primacy over procedures, rules and processes that, if defined independently of substance, have the great potential to guarantee that in the best possible way the worst possible options and linkages are developed.

Furthermore, this approach also has strong implications for evaluation of impact of development policy and change. If there is social contest and conflict about development options and directions, it follows that both ownership and measures of success are areas of contest and conflict. In addition to the question of whether evaluation is focused on processes or results (or both, as they may be interrelated), there is the highly contested question of which processes and results are considered for evaluation. Thus, *ownership* and *success* are linked in that the social nature of power of ownership is a determinant of social options and directions of development and, obviously, of the indicators of success. Social struggles for ownership affect how success is defined and measured, in the same measure that the analysis of success reflects dynamic social, economic and political struggles for ownership and contribute to legitimise the socially established power of ownership.

3. Ownership as social and political contest

In the previous section, the boundaries, rationale and logic behind the concept of ownership were established and different perspectives confronted. The relevance of the concept of *ownership* was shown to be the link with commitment (orthodox view based on game theories) or appropriateness (heterodox perspective).

Alternatively, a political economy perspective was also presented, which linked ownership with social contest and conflict about influence upon the dynamics of development; hence, in this perspective *ownership* has no real meaning independently of the dynamics of development issues and conflicts. Thus, the phrase *"ownership of development policy by the recipient government"* means nothing as it does not say anything about the nature and dynamics of the development policy *owned* by the government, which are the real source of social contest and conflict related to social *ownership.* Hence, recipient governments, donors and other social interest groups may not only have different perceptions of *ownership*, but these perceptions may also only make sense within specific interactions between them at some point in time as they are part of complex and dynamic interactions between different agents and contested, conflicting and complementary strategic agendas to influence the direction of policy change and development.

This section, focusing on Mozambique, discusses cases that show *ownership* in the context of negotiation of influence and agendas between agents with unequal capacities and bargaining power and seeking different goals in contested, dynamic and asymmetric environments.

3.1. Aid dependency and multiple and conflicting strategies and ownership

3.1.1. Multidimensional aid dependency and fragmented public institutions

Mozambique is heavily dependent on international aid[9] in a multidimensional, structural and dynamic manner, namely with respect to finance,[10] policy choices, institutional building, the culture of civil service and civil society organizations, and even the development and dynamics of political institutions and of the economy (Castel-Branco, Sulemane et al 2005, de Renzio and Hanlon 2007, Macamo 2006, Hodges and Tibana 2005). Donors and lenders have penetrated in each area and level of policy debate and decision-making. The International Monetary Fund (IMF) continues to have a strong hand on macroeconomic policy making, particularly with respect to monetary, public finance and balance of payments policies and management, thus creating policy rigidities and reducing policy space (Castel-Branco 2002a, Castel-Branco, Sulemane *et al* 2005, de Renzio and Hanlon 2007, Macamo 2006, Hodges and Tibana 2005). The World Bank has introduced a performance-based loan system which encourages recipient countries to compete against each other to qualify for extra borrowing by meeting a set of policy and management criteria that are consistent with the Bank's view of sound economic policy and business environment – for example, the adoption of more liberal labour market and foreign investment legislation – which adds further rigidities to policy space and has recently been recognised as a parallel system of conditionality (Castel-Branco 2007, KPMG 2006).

Government institutions are weak and fragmented, public policies and interventions are disarticulated and many top civil servants working on policy analysis are indoctrinated in Washington Consensus and post-Washington Consensus types of approaches (Castel-Branco

[9] The dynamics of aid dependency have been built since the mid 1980s, as a result of the emergency situation created by the combined effects of the war and a severe regional draught (Ratilal 1990). From 1987, still under generalised war conditions (the peace agreement was only signed in October 1992), the Government of Mozambique embarked in the implementation of its Program of Economic Rehabilitation, recommended and supported by the Bretton Woods institutions and the broader donor community. From a Washington Consensus point of view, Mozambique adopted sound economic policy reforms. Twenty years later, the economy has grown and peace has been consolidated, and aid dependency has penetrated in every pore of the social, economic and political sphere.

[10] More than two thirds of public expenditure, including off budgets, are financed through aid. The current account deficit in 2006, excluding the contribution of mega projects, was equivalent to 15% of real GDP; this deficit is mostly financed through international aid. In 2005 and 2006, total aid flows to Mozambique, of which 80% finance public expenditure (on and off budget), reached a figure close to 25% of GDP (official statistics from http://www.ine.gov.mz, Castel-Branco 2007a, Castel-Branco, Sulemane *et al* 2005, and Ernst & Young 2006a).

2002a, Castel-Branco, Sulemane *et al* 2005, de Renzio and Hanlon 2007, Killick, Castel-Branco and Gerster 2005, Macamo 2006). The weakness and fragmentation of public institutions and policies are also the result of aid dependency, donor interference and preference for a weaker and fragmented state and the combination of interests of large foreign investors and speculative domestic capitalists linked with the political establishment (de Renzio and Hanlon 2007, Macamo 2006 and Castel-Branco 2004a, 2004b and 2002a). Hence, public policy tends to be defensive and highly responsive, in a non-strategic manner, to pressure from donors, lenders and the private sector, and its coherence and effectiveness depends, to a high degree, on the coherence and organization of the pressure group – donors or the industry (Castel-Branco 2004a, 2004b, 2002a and 1999, Cramer 1999 and 1998, de Renzio and Hanlon 2007, Ernst & Young 2005b, Killick, Castel-Branco and Gerster 2005, Macamo 2006).

3.1.2. Showing leadership, hiding ownership – government preference for an aid dependency based strategy

Given the set of circumstances mentioned above, the government preference to keep high levels of aid flows for as long as possible makes sense as a survival strategy. The quality of aid[11] is of secondary importance in an environment of extensive and intensive aid dependency and donor and lender intervention, weak, defensive, fragmented and disarticulated public policy and interventions and a degree of competition for political power.

The basic strategy of the government seems to be one of political survival through delivery of social services, with very little thinking going into the analysis of economic and social patterns of accumulation, growth, development and dependency. Hence, public policies are focused on keeping aid flowing rather than on reducing aid dependency, as it is wrongly believed that aid flows are a direct function of policy compliance with donor requirements, such that the government may adopt the strategy to lead the implementation of a donor owned and driven strategy only for the purpose of maximising aid flows over time.

In Mozambique, there is a joint donor/lender, government and civil society system of mutual accountability, which involves the evaluation of performance of donors/lenders and government with respect to implementation of indicators and targets specified in performance matrices for

[11] Coordinated through public economic and social policy and finance mechanisms and focused on broad based economic and social growth and development dynamics.

all parts. The government matrix of more than 40 indicators (those that the performance of government is evaluated against by donors) is a subset of indicators and targets selected, by donors, from the government economic and social plan. This subset does not necessarily represent the government higher priorities but is consistent with donor and lender concerns. Government officials know that at the end of the day the indicators selected by donors are those that matter most because of implications they have for aid flows, even if they are not the most important from a development policy perspective for the sectors concerned. Irrespectively of whether the intentions are genuine or not, this system introduces further policy rigidities, narrows policy space and prevents government institutions and officials from keeping focused on the key development questions (Castel-Branco 2007 and 2007b, Killick, Castel-Branco and Gerster 2005, Macamo 2006). Government officials often say that they consider these targets and indicators only for the period of the Joint Review (JR) and Mid-Term Review (MTR)[12] when they have to be accountable to donors and lenders. While these indicators are the key to maximise aid flows they are not part of the core business plan of the government. During the official launching of the JR 2007, a very senior official from the Mozambican government emphasised that the conditionality targets selected by donors for the Government need to be met because this is the pre-condition required maximising external aid flows to Mozambique. In the meeting, the development and welfare meaning of such indicators was not discussed.

3.1.3. Shifting the blame – an escape route strategy

A recipient agency that is under pressure (by donors) to adopt a given reform package and also to resist to it or to adjust it (by local interest groups that are negatively affected by, or simply critical of, the reform) may choose a strategy for own political protection by making sure that *(i)* donors see that their reform package has been adopted and that resistance to the reform is fierce but does not affect the recipient agency's commitment to reform; and that *(ii)* those resisting understand that the reform package is imposed by donors and that the policy space for initiative and institutional innovation is small. One of the various ways of achieving these

[12] The Joint Review (JR) is a formal, annual, process that involves the Government of Mozambique, donors and civil society organizations. For two months, they evaluate Government and donor performances in the previous year according to a system of mutual accountability that has been established. Within four weeks of the Joint Review, donors make their firm aid disbursement commitments for the following year on the basis of the evaluation of government performance vis-à-vis an assessment framework that includes 50 key indicators of conditionality in all areas of government intervention (education, health, infrastructures, macroeconomic management and policy, etc.). The Mid-Term Review (MTR) is a simplified and significantly shorter version of the JR, which takes place six months after the JR.

results is by abdicating from taking strategic decisions in the cases in which these decisions can be contested (Chang 1996).

Given aid dependency and government fragmentation, this approach is convenient if and when the need comes to shift the blame back to donors in case of failure or high social costs of the reform. The recipient agency my lead the implementation of the reform and, at the same time, keep an escape route open to shift the political pressure associated with failure and the costs of change. It has even been argued that some donor agencies are willing to share or take the blame as long as the recipient agency implements the defined reforms (Berg 2002, Beynon 2002, Hopkins 2002, Cassen 1994, Morrissey 2004, Mosley 1988).

For example, during a recent (2006) exercise of joint government-donor evaluation of future donor strategies in Mozambique, a senior government official requested that donors do not shift resources away from donor earmarked specific sectors (education, health, etc.) to general budget support (which, in theory, gives the government full ownership and control over disbursed resources) because it is easier for the central government to blame donors for allocation decisions in case competition and conflict between government departments develops (KPMG 2006). Similar arguments have been presented by senior politicians who claim that the government is better off by not providing a clear framework of preferences and strategic decisions because short term contest and conflict can be avoided, the space for short term negotiation is maximised, medium term costs can be blamed on someone else, and long term development impact will be dealt with when the long-term is nearer.

The case of liberalisation of exports of unprocessed cashew nuts (discussed later) is another example of a government that is politically incapable of dealing with internal contest and conflict regarding policy options choosing to adopt the policy that is imposed by a lender and is useful for a key interest group in the industry (traders), then, shifting the blame for job and industrial capacity losses back to the lender.[13]

Playing with the jargon of the international aid business, and running the risk of exaggerating, it can be said that the Mozambican Government has full ownership over an informal strategy that

[13] Similar arguments can be made about the accelerated privatisation programme in general, and more specifically about the financial sector reform.

is hidden, leads the implementation of a formal strategy over which the government has no interested in having ownership; and is not seriously committed to either strategy.

Thus, the strategy of the recipient agency may actually be consistent with apparently having no strategy and no desire for ownership and leadership. No matter how frustrating this might be for everybody else, it might well be a rational approach to achieve short term gains in a long term strategy for political survival when aid dependency is deep and multidimensional, structural and dynamic and government is fragmented and operates within a very narrow policy space.

3.1.4. What is the meaning of ownership without the space for policy initiative and innovation?

If the government believes that aid flows are positively related to a certain type of stereotyped reform programme (for example, the Washington Consensus, which most donors support or, at least, do not question in a fundamental manner); and does not believe that it has the policy space, voice and capacity to influence the reform agenda in a meaningful manner, then the government might simply adopt what is recommended by the donor in order to maximise aid flows. The government would not be interested in owning such a reform programme, but would try to openly show commitment, if not leadership, to implementing the reforms to the degree deemed necessary to keep aid flowing. In this case, the government would not even seek ownership and leadership, but only visibility, such that its strategy would be to have no obvious strategy, other than following what donors prescribe.

For example, the rhetoric of pro-poor growth in Mozambique is shaped by the idea that poverty can be adequately and usefully described by individual deprivation and inability to satisfy a set of selected basic needs, namely access to health services and education, water and sanitation and basic infrastructures, such as roads (Castel-Branco 2006 and 2006b, Government of Mozambique 2006, Ernst & Young 2006a). Donors have been arguing that as long as the government keeps following a pro-poor budget (defined by donors as a budget driven, generally, by the Millennium Development Goals) aid flows will continue and may scale up (Ernst & Young 2006a).

In 2005, a high level donor mission, led by the, then, Norwegian Minister for International Cooperation, arrived in Maputo to mobilise support for and push forward the agenda of the Paris Declaration: programmatic aid, harmonization between donors, national ownership of the development agenda, recipient government leadership, donor alignment with government policies and priorities and mutual accountability (Killick, Castel-Branco and Gerster. 2005, Paris High Level Forum. 2005). One of the members of this delegation boldly stated that *everybody knows* that poverty is fought with investment in health, education, water and sanitation and roads and that what is needed is government leadership to implement such a programme. It follows from this statement that either ownership is nothing but empty rhetoric, or it is unnecessary for leadership, commitment and success (as *everybody already knows what to do)*. Or else, *ownership* means doing what *everybody already knows* to be the correct action.

A senior civil servant in the health sector in Mozambique clarified her thought on this issue, as she claims that under aid dependency and the government strategy to maximise aid flows, ownership means that the government adopts the programme that donors want the government to adopt before donors tell the government to adopt it (Ernst & Young 2005a).

In Mozambique, poverty is not understood as a social, economic and political process related to the patterns of growth, accumulation and development. Instead, poverty is individual deprivation, is measured by the degree of deprivation and can be reduced through the provision of the services and needs that people are deprived of. Why they are deprived of such services and ability to satisfy basic needs, how such deprivation is consistent with robust economic growth and macroeconomic stability, why such deprivation follows clear social patterns (for example, worse in rural areas with little access to systematic wage work or no substantial trade basis, in women led households, in informal urban labour markets) and what the policy implications of such patterns are, these are heretic questions not to be asked or answered (Castel-Branco 2006 and 2006b).

Thus, irrespectively of the heated debates involving government officials, entrepreneurs, workers, farmer associations, scholars and other social groups about the need to articulate aid and direct productive investment and productive capacity building on a broader social and regional basis (Cassen 1994, Castel-Branco 2004b, Castel-Branco, Sulemane *et al* 2005, UNCTAD 2006),[14] public social and economic programmes reflect the Washington-Consensus-with-human-face stereotype, with the focus on monetary stability associated with liberalisation, good governance and social consumption fuelled by massive aid flows (Killick, Castel-Branco and Gerster 2005, Ernst & Young 2006a and 2005, KPMG 2006, Castel-Branco. 2007a). Monetary stability and liberalisation, deregulation and privatisation are supposed to attract investment that causes growth. Aid minimises the obvious symptoms of deprivation and provides human capital and infra-structures that are within the domain of public and merit goods, and the rhetoric of good governance keeps the system going.

Another example comes from the agricultural sector. From the late 1990s an agricultural programme has been put in place in Mozambique to guide aid allocation and public expenditure in this sector. This programme is called PROAGRI. Donors joined and financed PROAGRI on the condition that a set of principles was agreed, one of which established that the government could not provide services directly to producers. Outsourcing of private firms was the preferred mode of delivery of agricultural services delivery. This principle, which is consistent with the ideology of a non-interventionist, facilitating state (either for the sake of market fundamentalism, or argued on the grounds of fight against corruption) was imposed by donors. There were obvious problems for the application of this principle: there were no private firms capable and interested in providing services to small producers (Castel-Branco 2005); social returns of some of the agricultural services are higher than private returns, which calls for public intervention; private delivery of agricultural services to small farmers was confined to basic technical assistance in high value crops, such as tobacco and cotton, controlled by large commercial multinationals, which shapes the future options for development.

[14] The debate about articulating aid and private investment is often reduced to using aid to finance private companies directly. On the other extreme, several donors have been financing hundreds of private sector support schemes for micro and small enterprises that have resulted in very little new, innovative and sustainable productive capacity. A couple of large private sector support programmes have been established by the World Bank (PoDE) and UNIDO (integrated programme) to support existent firms through markets. Foreign direct investment based mega projects have also established schemes to help private firms to prepare competitive tender proposals. Most of such schemes are too small and disarticulated to succeed, and are part of no specific industrial strategy. Thus, they do not target specific markets, skills, technologies, industrial organization, production and supply chains, etc., but are general programmes without any specific context. An alternative approach links public and private investment around productive capacity development (rather than private sector development in general) as part of specific industrial strategies. The argument is that in the absence of strategic state intervention in the creation of broad based capacities for productive forces to develop, market-led investment strategy is resulting in skewed and socially and geographically narrow partners of investment in minerals, energy and markets of oligopolistic competition as a consequence of global strategies of multinational corporations (Castel-Branco, 2006b, 2006c, 2005b, 2004b and 2002a, Castel-Branco, Sulemane *et al* 2005, Wuyts 2003).

Despite the fact that the state was not allowed to provide services, huge sums of money were allocated to the Ministry of Agriculture. Consequently, PROAGRI's resources were almost all spent on "institutional capacity building", i.e, a combination of scholarships for master degrees together with investment in office space and equipment – with no impact on the quality of any services and on the development of the commercial agricultural activity.

In the last Joint Review (JR 2007), donors criticised the Ministry of Agriculture for not being capable of delivering much needed services to producers. While the donors' change of heart with respect to public delivery of agriculture services is more than welcome, the history of PROAGRI and its principles makes it difficult, to say the least, to swallow this critique!

It cannot be surprising that government officials are often looking for leads from donors to follow and not committing to any clear strategy. For example, during the visit of the donor high level delegation to Mozambique in 2005, mentioned earlier, while the leader of the delegation strongly advocated for the principles of programmatic aid under the leadership of the recipient government, Mozambican officials were substantially less assertive about this idea. The head of a key government think-tank warned that such principles should not become new aid policy-based conditionality. The Minister that led the Mozambican delegation thanked donors for their initiative in approving such principles and declared that Mozambique would welcome all donors, lenders and their initiatives, irrespective of their approaches to aid.

This scepticism from the Mozambican delegation may have been caused by various factors: *(i)* lack of trust on the motivation of donor initiatives as they are often presented as the only alternative and the state of art in best practice, even when there is no evidence, or even no practice at all, to prove it; *(ii)* the tendency of donors to move from one fashion model to the other as if they are only playing games rather than dealing with serious issues; *(iii)* the risk that donor coordination may reduce the already small government room for manoeuvre and bargaining space; and *(iv)* the focus of the government of Mozambique on maximising aid flows to the extent that the quality of aid is of secondary importance.

Irrespectively of any other factors explaining this scepticism, if the government believes that policy space is small and that all it has to and can do is to implement what *everybody already knows to be the best practice,* even if there is no evidence to support it, why should government try to pursue any other strategy beyond maximising the quantity of aid flows over time? In addition, such a strategy is convenient as a political expedient, as it allows the government to claim to be an effective deliverer of social services, to shift the blame for the negative social and economic impacts of the policy reforms and to avoid being accountable to the society at large.

3.1.5. Privatisation – a case of commitment with multiple and conflicting ownership and goals

The commitment of the recipient agency to the reform package may depend on issues that are not related to ownership or to leadership of the reform. The issues that commitment may depend on, apart from ownership, might be as many and diversified as the following: how closely linked the scale of aid flows is with the conditionality indicators of the reform, the bargaining power of the recipient vis-à-vis donors, the commitment of the donors to the reform and to the established interests challenged by the reform, the degree of information asymmetries between recipient and donors, the degree of resistance to reform faced by the recipient, the political willingness and capacity of the recipient to confront resistance to reform, the degree of belief of the recipient agency in the reform, the perception of the recipient agency about short and medium term advantages that have nothing to do with the initial goals of the policy change.

The experience of privatisation in Mozambique is a good illustration of this point. If success is measured by the number of assets privatised and the time it takes to privatise them, the Mozambican experience of privatisation is a great success story: more than 1,500 large, medium and small firms were privatised to national and foreign investors in less than 10 years. Since it is assumed to depend on commitment, the success of privatisation in Mozambique (as defined above) is considered to have been possible through ownership.

In fact, privatisation is an interesting case of multiple and conflicting ownership in a highly contested field. Pressures to privatise were internal as well as external. Internally, the pressure to privatise came from three sources. The new, national bourgeoisie-in-the-making, which would inherit the lion share of the assets (and also of the problems with those assets), had a claim on cheap public productive assets and understood the need to acquire such assets before foreign investors got involved in Mozambique. Trade unions were convinced that privatisation would bring new investment and, with it, secure and expanded job opportunities, training schemes, higher levels of productivity and better salaries (as they were told by a government which they, at that time, still saw as revolutionary). If this was to be the case, fast privatisation would be preferred to the slow death of so many firms in the early 1990s. The government was interested in raising treasury funds: in the short term by selling the assets; and in the medium run by increasing dynamic revenue from the expected efficiency gains at firm level resulting from privatisation. The government was also interested in attracting, to productive use, financial assets accumulated by traders through trade and financial speculation, and in transferring resources from the public to private sector as a means to develop the new national private sector (Castel-Branco 2002a and 1999, Castel-Branco and Cramer 2003, Cramer 1998).

External pressure came from lenders and donors in the form of policy conditionality. In the 1990s, each Policy Framework Paper (PFP)[15] set specific quantitative targets for privatisation (number and even names of the firms to be privatised as well as timelines) as part of key policy conditionality linked to disbursement of foreign aid (Castel-Branco 1999, Castel-Branco and Cramer 2003 and Cramer 1998).

The rhetoric of the era of privatisation was focused on the development linkages that privatisation could enable: investment, jobs, training, productivity, trade, new technologies, efficiency in resource allocation, dynamic fiscal linkages and development of a domestic productive and competitive entrepreneurial class. However, quantity of assets privatised and speed of privatisation were the only concerns reflected in policy conditionality and the main indicators against which the performance of the privatisation programme in Mozambique was assessed (Cramer 1999). Not even revenue concerns were considered in setting quantitative targets for privatisation, despite the fact that privatisation was supposed to address liquidity constraints faced by the state budget. There were no productive, investment, trade, innovation, quality and employment performance targets for privatised firms.

Consistently, evaluations concerned with the economic and social net gains from privatisation show that: more than 40% of the privatised firms went bankrupt, net job losses were extremely high, the bulk of the private investment made after privatisation was in new, large and foreign owned firms, not in the firms that were privatised, and almost all investment made in privatised

[15] The Policy Framework Paper (PFP) was the policy document agreed between the IMF, the World Bank and the Government of Mozambique, usually valid for two years, which committed the government to a detailed direction of policy and plan of action for the duration of the PFP. This document precedes the PRSP, poverty reduction strategy paper.

firms was in large and foreign owned companies in oligopolistic markets (such as beer, sugar and cement), not in domestically owned small and medium firms; the domestic entrepreneurial class did not develop (either in numbers or quality); dynamic fiscal gains have been minimal and national entrepreneurs failed to pay as much as 70% of the purchasing value of the assets acquired – what is known as an implicit subsidy to create the national, *rentier* bourgeoisie (Castel-Branco 2004b, 2003 and 1999, Castel-Branco and Cramer 2003, Castel-Branco, Sulemane *et al* 2005, Cramer 1998, Biggs, Nasir and Fisman 1999, Nasir *et al* 2003).

At the same time, with the exception of some foreign owned mega and large projects in minerals, energy and oligopolistic markets (mostly de-linked from the rest of the economy because of their very limited impact on employment, industrial linkages and fiscal revenue), direct productive economic dynamics in Mozambique have been very limited. The social, economic and technological structure of production and trade (including exports) became even narrower than before and, as a consequence, the Mozambican economy is more vulnerable and has fewer development options (Castel-Branco 2004a, 2004b, 2003, 2002a, 2002b and 1999, Castel-Branco, Sulemane *et al* 2005, Castel-Branco and Cramer 2003, Cramer 1998).

Hence, there are no doubts that the government was committed to privatisation, but such commitment had nothing to do with ownership or leadership. Internal and external pressures, a perception of fiscal and political gains and the conditional link of progress in privatisation with disbursement of external aid or loans seem to be far more important in encouraging commitment by the government than any theories of ownership.

Furthermore, the government has never accepted the blame for poor results with respect to social and economic impact of privatisation. Blame was shifted to donors, while the government kept the praise for two measures of success: transfer of assets from the public to the private sector and the scale and speed of privatisation.

3.1.6. Cashew and sugar industries: whose ownership and leadership?

The previous section argued that the *national interest* is expressed in a coherent manner only when it is possible to articulate views, options and choices around some dominating interest group or groups. Thus, the struggle for ownership is, primarily, a struggle about the core around which policies, institutions and linkages develop. This point is important for the ownership debate because it raises a key question that is often neglected in the analysis: who has the power to exert ownership and, therefore, provides the platform for articulating, in a strategic and coherent manner, the direction of development and change?

The contrasting trajectories of the cashew industry (a fragmented industry) and sugar production (vertically integrated and oligopolistic, with clear dominating points of reference for the articulation of the industry's interest) may illustrate these points. Additionally, these are also cases of conflict between domestic public policy and classical *donorship*, and illustrate the many dimensions, factors and relationships involved in the contests for power and ownership to influence the outcomes of development processes.

Current economic policy in Mozambique takes for granted that the degree of incentive to the private sector is determined by the degree of liberalisation of goods and factor markets. This vision is based on neo-classical assumptions about how firms seek profits through the market and how goods and factor markets behave. The resulting policy decisions do not take into consideration three fundamental aspects. First, firms can influence the state, the direction of policy and market conditions. Thus, competitor firms' capabilities, strategies and actions have to be taken into consideration because they influence market outcomes. Second, in these circumstances the option of liberalisation may not be available or may be irrational and, therefore, may not be an incentive for competitive private investment. Third, there is a dynamically cumulative problem for industrial policy that cannot be avoided, namely the need to understand how one's strategies and actions change the very conditions in which the strategy is based, and change the influences that act upon the state and strategy in the next round of policy negotiation (Kim 1997, Koo (ed.) 1993, Lie 2000, Shin and Chang 2003). A comparative analysis of developments in the sugar and cashew industries in Mozambique may illustrate these points. Box 1, below, describes the main similarities and differences between these two industries, apart from technical differences associated with their production processes.[16]

Under the coordinated pressure of investors, three large international sugar corporations, the government approved a sugar industrial policy developed around three main points: *(i)* definition of priority sugar estates for privatisation and rehabilitation (i.e, restricted entry) to avoid excess capacity; *(ii)* pricing policy based on a flexible levy on the price of imports, when

[16] These case studies are taken from Castel-Branco 2002a, where a vast and diversified literature related to the contrasting study of these two industries can be checked.

this price falls below a certain historical average price, such that the domestic rent is shared between producers and the state, not by domestic traders or dumping industries: and *(iii)* development of mechanisms of coordination of marketing strategies between the firms to take advantage of preferential quotas and avoid having to dump sugar in the world market.

The industry that developed in line with the existing industrial structures (historically established) and the policies adopted is highly integrated vertically at domestic level (each estate incorporates sugar cane production as well as industrial processing of sugar) and at the level of Southern Africa (involving the coordination of suppliers of inputs, managerial skills and maintenance, as well as the coordination of corporate, oligopolistic competition and strategies). The sugar estates share a high degree of homogeneity as they face similar production conditions, markets and supply chain organizations. Marketing of sugar is coordinated by one private company linked with the sugar producers' association. This association works as an oligopoly for negotiation within the industry and between the industry and the state. So, the sugar industry is an oligopoly with formal and informal mechanisms of coordination, high degree of homogeneity and of vertical integration. Under these circumstances, it is easier to coordinate policy and strategies and to impose them as a dominant core set of interests and issues around which private and public interventions are negotiated and implemented.

The World Bank and the IMF are opposed to the pricing policy because it is inconsistent with trade liberalisation. However, they have not questioned the other two core elements of the sugar strategy (coordination of investment and of exports), which are not more "market conforming" than the pricing policy. The IMF has tried to force the government to abandon the policy but failed to do so because of pressure and organised lobby from the industry, backing of the policy by international sugar and financial corporations and other multilateral agencies, the scale of investment already made[17] and the threat, by investors, to withdraw in case the pricing policy was reversed. Although the pressure on liberalisation has since been relaxed, the IMF still insists that liberalisation is the first best option and that the pricing policy should be reviewed regularly, as if the world market conditions faced by the industry, which are highly "imperfect", do not matter or as if IMF officials are incapable of understanding real, rather than textbook type, markets.

[17] Sugar is second only to minerals-energy mega projects (Mozal, a very large and modern aluminium smelter, Gas and Mineral Sands) with respect to the share of total investment and total foreign direct investment (FDI) in the manufacturing sector.

Box 1: Differences and similarities between the sugar and cashew industries in Mozambique

SUGAR	CASHEW
Differences	
The structure of the industry: Mostly unified, as agriculture and processing activities are integrated. Tongäat-Hüllet owns the majority of assets in two sugar states, and Illovo and Sena Holdings (a consortium of sugar companies from Mauritius) are majority shareholders in one sugar estate each. They are all international sugar corporations that control production of sugar in Southern Africa.	Mostly fragmented: small peasants collect the raw, unshelled nut; retail traders buy the nut from peasants and sell it to larger traders, who in turn may export the raw nut or sell it to 16 processing factories of different sizes and technology. Mocita is the only factory owned by a large international corporation, Anglo-American. However, 11 of he 16 factories are owned by seven large and diversified, domestic economic groups, of which 5, owning 8 factories, are also involved in commercialisation and export of raw cashew nut.[18]
The size of the firms: The four sugar estates are by all criteria very large companies, employing thousands of factory and plantation workers.	The average factory used to employ 600 workers, and a couple employed more than 1,400. This, however, does not say much about the economic groups that own most of the factories.
Business specialisation: All corporations are specialised in sugar and control sugar production and marketing in other countries.	Only workers of the processing factories are entirely depend on the industry. Peasants also work as wage labour produce other crops. All traders are involved in wide-ranging rural commercialisation, money lending, and provision of trade credit and other services. Owners of processing factories own many other businesses, including rural commercialisation.
Investment: Of the US$ 230 million invested, 70% is foreign borrowing from international financial corporations and multilateral agencies.	Of the US$ 37 million invested, 60% comes from borrowing mostly from the domestic banking system.
Similarities	
State of the firms at privatisation: Firms were devastated during the war; were privatised after the economic reform program started.	
Market conditions: Both industries face highly complex and "imperfect" international markets. Less than 10% of the sugar production is traded in the world market, and the remaining is either traded domestically or through systems of preferential quotas. All sugar producer countries adopt protective measures of different degrees and forms (quotas, tariffs, etc) against imports of raw and refined sugar, as well as sugar containing products. The availability of sugar in the world market is unstable because it depends on uncertain climate conditions; the surplus over domestic consumption and preferential quotas is dumped into the world market. The world sugar price is, therefore, volatile. In the cashew sector, most producers protect domestic processing. India uses fiscal and other industrial policy measures, including financing of imports of raw cashew nuts, to ensure supply of raw materials to the factories. Brazil introduced a total ban, and Vietnam and Indonesia apply high tariffs, on exports of unshelled nuts. Therefore, large imports of raw cashew nuts are likely to be transitory, during periods where domestic supply of raw cashew is adjusting to demand of raw materials by the processing industry.	
Policy support requirements: Both industries need restructuring, protection, access to capital for rehabilitation and modernisation, market coordination, amongst other industrial policy measures, to build efficient productive capabilities and respond to market conditions.	

Source: Castel-Branco 2002a.

[18] Traders that are also industrialists have the option to export unprocessed cashew nuts or process it, according to changes and shock that may occur in international relative prices and the quality of the nut [interviews with Raimundo Matule (INCAJU), Rogério Nunes (Entreposto) and Kekobad Patel (Enacomo)].

Unlike sugar, the cashew industry is fragmented. Cashew nut production is mostly a household peasant activity. Peasants, traders and industrialists (which process the cashew nuts) have conflicting interests. Before privatisation, exports of raw cashew were discouraged by an export tariff. After privatisation, the government was asked by the World Bank to liberalise exports. The Bank's argument was based on two points. First, value added of domestic processing firms, at world prices, was negative, so that the economy could earn more foreign currency by exporting raw nuts. This was due to three factors: *(i)* the poor conditions of the firms at the time of privatisation; *(ii)* the low and volatile world price for processed cashew nuts; and *(iii)* the unusually high, but equally volatile price for unprocessed cashew nuts due to massive imports from India to supply its processing industry. Second, peasants would benefit from liberalisation because the exporting price of raw cashew would go up and the peasant share of that price would also increase due to increased competition between traders. As a result, peasants would invest in the rehabilitation and expansion of cashew orchards and improve their livelihoods.

This analysis failed to understand three crucial points related to the industry. First, India and Vietnam were quickly increasing imports of raw cashew to feed their fast expanding cashew processing capacities while their cashew orchards matured. In the short run, imports of raw material would help their industrial capacities too build economies of scale, technical efficiency and market dominance. Of course, while the sharp increase in the supply of processed cashew nuts by India and Vietnam depressed the price of processed nuts, the equally sharp (but short lived) increase in imports of raw cashew nuts increased the price of raw cashew nuts. When the Indian and Vietnamese new cashew orchards reached productive point, imports of raw cashew fell and so did the prices faced by Mozambican exporters. India and Vietnam, which promoted their processing capacities, achieved economies of scale and higher degrees of efficiency in production and value chain logistics. Hence, they came out of the process of global restructuring of the cashew industry with significantly higher market shares. Mozambique, which abdicated from processing in order to take advantage of short-lived relative gains associated with exports of raw cashew, lost their industry and jobs and did not develop any competitive edge to enable them to survive even as part of the international value chain (Pereira Leite 1999 and 1995, Cramer 1999, Africa America Institute 2001 and Hanlon 2000).

The second point missed by the Bank analysis was about the oligopolistic organization of rural commercialisation in Mozambique, particularly with respect to commodities for export, and its impact on the distribution of gains from liberalisation in favour of large traders (Mackintosh

1987 and 1986, Pereira Leite 1999). The cost on entering such a disperse and fragmented market and the fact that established traders have developed a multidimensional relationship with producers also work as deterrents for new, formal traders to establish themselves and to reduce the degree of market power by incumbent traders. Specific long-term business links between large traders in the North of Mozambique and in India, and the role of raw cashew exports in fuelling such a relationship, are other important structural characteristics of rural markets and money circulation, which give advantages to certain groups of traders. By exporting unprocessed cashew nuts, the margins of the domestic traders increased by 50% to 10 times relative to what they would earn by selling to local industries. The magnitude of these margins was dependent on the fluctuation of relative prices of unprocessed and processed cashew nuts in the world market; and relative prices were favourable to unprocessed exports only for about five years (until 1999). Huge trade margins are indicative of weak competition, and this hypothesis is confirmed by data that shows that the number of formal traders increased by incorporating more large traders with partial monopoly. [19] Hence, liberalisation of exports did not eliminate market power exerted by traders and, therefore, peasants did not necessarily receive higher prices for their product (Pereira Leite 1999 and 1995).

Third, given the dynamics of the peasant economy in Mozambique (Bowen 2000, O'Laughlin 1981, Wuyts 1989 and 1981), it would be unlikely that price incentives alone would enhance the viability of cashew production. The majority of "cashew producers" are rural dwellers that pursue diversified livelihood strategies to improve the chances of survival, find out and take advantage of wage work opportunities and reduce risks. Hence, it would be unlikely that they would increase the amount of labour, land, effort and investment allocated in order to specialise production in one commodity and one market, over which they have no control, even if they had spare capacities to allocate to cashew production.

Because of the fragmentation of the industry and the reactive action of the state, no coherent policy emerged to address the restructuring challenges of cashew industry as whole. Large

[19] Pereira Leite (1999: pp 45) shows that the number of large traders/exporters of unprocessed cashew nuts increased from 3 in 1991 to 11 in 1997 after liberalisation of the industry. The data show no clear relationship between the number of exporters/large traders and the size of trading margin. The margin is determined by the volatility and instability of the world market and the strategies and actions of foreign competitors. The lack of a clear relationship between the number of traders and the size of the margin is not surprising because most trade of cashew is done through large trading groups. The increase in the number of exporters/large traders is associated with established, large groups starting to trade in cashew nuts. This undermines the World Bank and IMF arguments according to which liberalisation, *per se,* brings about more competition, more efficient resource allocation and beter income distribution.

traders sought liberalisation because they could earn significantly more by exporting unprocessed nuts. Manufacturers sought protection to have access to raw materials at low prices. Trade unions supported manufacturers because of the threat to wages and jobs arising from liberalisation. Traders and manufacturers created their own associations to coordinate strategy and lobbying but, because of the structure and dynamics of the industry, collective action by each part reinforced industrial fragmentation and rent seeking.[20] The World Bank made the continuation of its support to small and medium industries in Mozambique conditional on liberalisation of the cashew industry.

The debate about the cashew industry blossomed, but was narrowly focused on the discussion of the export tax and factor prices (Cramer 1999). Generally, there was no systematic analysis of all the other, more important, conditions that could help the industry to develop, namely access to finance for working capital and investment, new technology and research and innovation, infrastructure rehabilitation, a regulatory framework for quality standards and control, rehabilitation and expansion of the cashew orchards and the integration of the different, fragmented parts of the industry (Castel-Branco 2003 and 1999, Castel-Branco and Cramer 2003 and Cramer 1999).

With no alternative strategy, defensively reacting to pressures, and under threat by the World Bank, the government let liberalisation of raw cashew nuts exports to happen. This decision, which two years later was put under review and was partially reversed by the Parliament, resulted in the closure of all cashew processing factories and the loss of more than 10,000 jobs, mostly in the rural areas. By 1999, the export price of unprocessed cashew nuts had fallen by almost 50% due to different factors, the most important of which was the reduction in Indian imports (Africa America Institute 2001 and Hanlon 2000). Additionally, as it should be expected, the main winners have been the large traders/exporters of raw cashew (in Mozambique) and the industries of India and Vietnam.

The comparative study of the sugar and cashew industries reveals two common problems in policy-making in Mozambique. First, the World Bank, the IMF and the government take for granted that liberalisation is almost always possible and beneficial. In the case of these

[20] This does not suggest that more competition has been introduced, but rather that, in the absence of an active and coherent industrial strategy, competition for rents and resources spent on trying to capture the rents have increased, because nobody can decide where the rents go and enforce this decision. See, for example, Castel-Branco 1999, Castel-Branco and Cramer 2003, Chang 1996 and Khan 2001.

industries, they failed to understand that in a market where the strategy and actions of each agent affect market outcomes and pay-offs, each agent's strategy has to include the knowledge it has about the capabilities, strategy and action of the other agents (Rasmussen 1994). In other words, it would be irrational for the sugar and cashew industries to give away strategic policy-based advantages (protection or otherwise) if they have to operate in a market where the other agents are protected in one way or another (see Box 1). Second, in the two cases the government was a reactive agent following the lead and pressure of the more dominant and articulated forces. Therefore, the exercises on policy and strategy were narrow and limited in scope and vision. They resulted in very different policy decisions and processes of industrial restructuring because of differences in the capabilities, structures and dynamics of industries and firms, which affect firms' capacity to influence policy.

This debate reveals two other important aspects for policy making. First, the organisation of producers associations tends to reinforce industry structures and dynamics in absence of a solid strategy for change, and also tends to influence the direction of policy towards the dominant interest groups. In the sugar industry, the producer association consolidated the oligopolistic nature of the industry and investors' ability to cooperate, coordinate and influence policy, even against the wishes of the IMF and the World Bank. In the cashew industry, the associations reinforced each of the groups, the fragmentation of the industry and the inability of the state to generate an articulated strategy for the industry as a whole.

Another side of this problem is that, in the sugar case, rent seeking was limited because rents were clearly allocated from the outset and the producers' association facilitated cooperation in the share of rents. Even in the presence of a reactive state, sugar producers imposed a policy and enforced its implementation. In the cashew industry, associations of producers and traders emerged to organise rent seeking, because the allocation of rents was an open matter for competition. As large traders/exporters became the dominant side in the debate and policy process, the level of rent seeking reduced because traders, within an oligopolistic market structure, appropriated most of the rents. Ultimately, this would be almost immaterial if the development of the sector were to be enhanced. Unfortunately, this was not the case..

Second, exit was always an easier and more realistic option for cashew than for sugar manufacturers, and corporate strategy played a more important role in investment decisions in sugar than in cashew. Cashew nut processing is done in small and medium labour-intensive factories, which are part of horizontally diversified economic groups, where cashew is only one of many, unrelated activities. Thus, cashew manufacturers have more options and less commitment to manufacturing and to specific commodities. To develop their commitment to manufacturing, which may make sense in terms of industrialisation and long-term export gains, policies and strategies have to discriminate in favour of manufacturing. This would require a strategy to restructure the whole of the industry, including the possibility of creating a vertically integrated industry, and a state that is not reactive and defensive, but strategically and selectively active and interventionist. Sugar producers are large, international corporations concentrated on international sugar business, and exit was prohibitive for them because of the large amounts of investment and sunk costs involved in establishing the industry, as well as the implications of exit in terms of market power relative to competitor corporations. Although incentives, in particular the establishment and allocation of rents, are important to enhance the chances that investment occurs, the investment decision function of sugar producers include other factors as well: market strategy, the strategy and actions of competitor sugar corporations, and production conditions. Thus, sugar producers had, from the outset, a stronger commitment to manufacturing than cashew processors.

These three issues obviously had an impact on the dynamics of the contest for ownership and public policy responses made by the state.

3.2. Role of history in donor-recipient relations: is recipient's ownership part of history?

The relationship between recipient and donor agencies is also shaped by historical social, economic and political conditions under which these relationships are developed. Despite current rhetoric in the aid-poverty debate, the world is not divided into aid dependent, recipient agencies that desperately seek to unconditionally address massive poverty and donor agencies that unconditionally seek to support the former to achieve their targets. If this was the world, then one might have been inclined to at least have some sympathy for the "ownership" argument as it is often presented.

In the vast majority of cases, LDCs, like Mozambique, became aid dependent as they turned to the West for help to address serious political, social and economic challenges. Aid dependency is not only associated with resource gaps – fiscal, foreign exchange, savings and skills – but with significant policy shifts in the context of globalising dynamics that try to impose one stereotyped model of capitalism across the world. These shifts are not only forced by external dynamics, but are also internal responses to crisis. In turn, these internal responses are driven by the dynamics of the crisis and social conflict as well as by the influence of international experience, interests and ideas (Hopkins 2002 Mamdani 1991, Mkandawire 1991 and 1992, Morrissey 1999, Mosley. 1988, Schvarzer 1991, Tarp 1993, Vreeland 2003 and Wuyts 1991).

Furthermore, donor agencies have only delivered aid on the condition that the recipient country addresses the "causes" of its internal problems, usually identified as bad economic judgement and bad governance systems (Morrissey 2001, Mosley 1988, Mosley, Harrigan and Toye 1995; Tarp 1993). As, obviously, such countries do not know what to do – or they would have avoided the crisis in the first place – donor countries and agencies provide technical assistance and advise and expect recipient countries to accept it. The Washington Consensus provides the framework for what they call "sound" policy reform: macroeconomic stabilisation, market liberalisation and privatisation and an associated new structure of incentives, which are supposed to bring about stabilisation *cum* growth and poverty reduction. These policies shift the power away from the state and other social institutions to private hands, foreign or domestic. Given that they provide the framework and policy advice, the stamp of the Bretton Woods institutions becomes a requirement for donor involvement.[21]

Policy-based lending has two variations. The first, more traditional, involves the imposition, by the donor, of Washington Consensus policy reform conditionality on the recipient. This approach has the disadvantage of generating principal-agent problems, high monitoring costs and, due to asymmetric information, high degree of leakage in policy implementation by the recipient (Mosley 1988, Mosley, Harrigan and Toye 1995, Morrissey 2004). This is the traditional and extreme case of zero ownership by the recipient agency.

The second variation results from an attempt to address the disadvantages of the traditional approach. Rather than imposing a policy reform package on the recipient, this approach recommends that development aid is delivered only to countries that voluntarily choose the sound (Washington Consensus based) path of reform and are committed to following it. This

[21] Some donors have started to challenge the link between their engagement with a recipient country and the IMF and the World Bank evaluation of the recipient. DFID, for example, has stated that this automatic link no longer applies. This means that the stamp of approval by the Bretton Woods institutions may not be always required for donors to decide to engage with an external aid recipient country.

means that such countries have ownership, or have appropriated their reform package. Monitoring costs and leakage would be minimal given that recipient governments are committed to the reform path. The likelihood of success of such reforms and reforming countries is high. In this approach, ownership matters, but only in so far as the recipient agent chooses the “right” set of policy reforms, in line with donor preferences (Addison, Hansen and Tarp (editors) 2002, Dollar and Svensson 2000, Benyon 2002).

Four conclusions can be drawn from the points made above. First, the balance of power between aid dependent and donor agencies is unequal. Second, aid, policy advice, in the form of policy conditionality and mechanisms for monitoring with pre-defined trigger indicators, form part of the policy reform package on offer and are directly linked with aid disbursements. Third, policy reforms associated with the aid business tend to start and develop with significant changes in power balances, which, of course, are not neutral with respect to income distribution, patterns of growth and social dynamics. Fourth, policy reform occurs in a context of social conflict and contest, winners and losers, conflicting interests and different perceptions of the crisis and options.

Thus, recipient country “ownership” is not part of the history of aid and aid dependency. On the other hand, even if it was, there would be local contest and conflict for ownership as part of the local political, social and economic conflicting interest and perceptions of crisis and options, in addition to the conflict between unequal “partners” of aid dependency (Bastian and Lucham (editors) 2003, Arvin, Barrilas and Lew 2002, McGillivray, Leavy and White 2002).

Recipient, country ownership of policy, structured around a higher national interest, requires that, in addition to policy space vis-à-vis donors, the perceptions of crisis, priorities and options, which define the content and direction of the reform package, are shared and accepted by all dynamic, articulated and influential social forces in society: foreign and domestic capital, large and small firms, skilled and unskilled labour, formal and informal economic linkages and agencies, urban and rural dwellers, peasants, traders, workers, capitalists, managers, civil servants, scholars and so on. However, in each case in which such specific interests are articulated and expressed with enough detail and political, social and economic substance,[22]

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[22] Of course, if the national interest is defined as broadly as, for example, “poverty reduction” or “accelerated growth”, then it is possible to have most social groups and organizations on board. Such a definition of the

no one of them, or combination of them, emerges as the national interest. If they are articulated and expressed around a clearly dominant interest group (politically, economically or socially dominant group), then they are less vulnerable to political, social and economic contest and, therefore, to democratic influence. Hence, ownership and leadership seem to be linked with power, contest for power and ability to articulate and exert power. In Mozambique, the contrasting cases of cashew nuts and sugar are only two of many examples of this.

4. *Notes for a political economy discussion of ownership*

4.1. A note on "post-conflict state-building"

Before proceeding, a parenthesis needs to be opened to clarify the position of this article about the issue of *state-building* in *post-conflict.*

State-building can be discussed in two different ways. One understands *state-building* as a continuous process of transformation associated with the dynamics of social, political and economic change and conflict. This is a process driven by the relationship and conflict between social groups and interest about *ownership* of the direction and options for the state, public policy and social transformation.

Another way of looking at *state-building* is to presume a moment of non-existence of the state, or existence of a weak state as defined by some conventional rules – hence, the need to *state-building* – associated with some conflict. This approach presumes that a blueprint for *state-building* is necessary, viable and available – hence, the emergence of state-building kits and rules carved in internationally recognizable project documents or resolutions; as well as the emergence of professional *state builders* and *state-building analysts*, who specialise in *building* the state (or commenting upon it).

Post conflict state-building presumes that *conflict* is a discrete quantity – hence, it is possibly to define, clearly, the different stages, namely *conflict, transition and post-conflict.* Further, conflict causes *state-collapse*, which is the opposite of *state-building* – hence, the need to associate

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national interest would, however, be useless from the point of view of ownership, leadership and commitment, because it would not offer any reference point for political, social and economic direction.

state-building with *post-conflict,* given that after the conflict it is necessary to build the collapsed state and only there and then it makes sense to invest in state-building. It follows that the mainstream concept of *post-conflict state-building* can easily be related to *social engineering*, *peace by neo-colonization* or *democratization by text book*.

This approach leaves key questions unasked and unanswered: whether conflict may not be state-building (in the sense of being about the transformation of the social, political and economic nature of the state); whether post-conflict may not be the continuation of the same conflict by other means (about the directions, options, priorities, challenges, linkages and opportunities of development and, therefore, about the social nature and dynamics of the state); and whether the definition of conflict is not, itself, a contested issue.

If, for example, one asks whether Mozambique is still in a "post-conflict transition" and "state-building" phase, one can easily answer this question by making use of Albert Einstein principles of the special theory o relativity: it depends on the reference point and relative motion between the observers (social interest groups, for example), as both space (the conflict and the state, in this case) and time (the phase) are relative.

Consider, for example, the national liberation struggle in Mozambique: post-conflict may be defined as the period after independence, when the Portuguese administration was replaced by a Mozambican one. However, from a different social and political perspective, the post-independence period may be considered to be the continuation of the liberation struggle (thus, of the conflict) by other means, namely the transformation of power relations and balances, economic structures and dynamics and of the public administration. The policy priorities of the colonial state were the organization of supply of cheap labour and tax collection, rather than the provision of decent health and education for the masses; but this does not imply that the colonial state was weak or inexistent. Hence, the post independence (not post-conflict) task was to transform the state (not to build it, as it already existed). By the same token, while for some interest groups the conflict was narrowly defined in terms of nationalist demands – hence, independence, per se, means *post-conflict* – for others the conflict was about the type of society after independence – hence, conflict continued by other means to achieve the goals of social justice, equality, social ownership of the main means of production and directions of policy, and so on.

The concept of *state transformation* does not require the assumption of a weak or *non-existent* state, a blueprint for state-building with the respective kits and professionals, or a “conflict versus post-conflict” dichotomy, because it does not make prescriptive and a-social assumptions about the state and development options. Of course, whether *state transformation* refers to a continuous and dynamic conflict and contest around power and options for social, political and economic change or to something else, it depends on the specific social theory and actual social movements and dynamics.

4.2. Agents and contested ownership

From the discussion in earlier sections, it is clear that *ownership* is an area of contest and conflict, which reflects power and power relations. This contest and conflict occurs within the state and between the state and other agents, between and within donor and civil society organizations, within and between different social, gender and age groups in society. The articulation and expression of the interests, agendas and power by any of these agents are developed within a dynamic framework that incorporates contest, conflict and alliances in the context of the economic and social linkages, pressures and challenges that are faced (Fine 2007 and 2001, Fine and Rustomjee 1996; Castel-Branco 2002a).

Thus, ownership is not a contest to choose the optimal path of development, because such choices and paths are social, political and economic, with very little room left for rational (meaning a-social and a-political) optimisation. Besides, what would a rational decision look like for a peasant, for a trader, for an industrialist and for a worker in the cashew industry, if the question “what is the rational decision to take” was asked to each of them prior to liberalisation of exports of raw cashew? Ownership is, thus, a contest for influence and power; it is a political, social and economic rent that results from political, social and economic dynamics of power. As such, no agency exerts exclusive rights to ownership of social, political and economic processes. There are several reasons why this is so.

First, agents and agencies are dynamic processes and establish dynamic relationships – no one is homogeneous, perfectly informed about the others and perfectly aware of what the optimal strategy should be. Of course, the relationships between the agents are dependent on history and on the structure and dynamics of social, political and economic development. Most agents do not exist outside their relationship with others in historically specific social, political and economic conditions. For example, capitalists and workers, which are defined in relation to the conflict and contest between them, do not exist outside capitalism. The types of capitalists and workers, and of the relationship between them, are obviously related to social, political and economic conditions (structures and dynamics) that prevail and that are not under complete control by any group (Fine and Saad-Filho 2004, Cole, Cameron and Edwards 1991).

Second, depending on the intensity, organization and social, political and economic conditions under which contest, conflict and alliances develop, all groups exert some degree of influence upon the others, and no agency is autonomous from such influences. Thus, no agency has full autonomy to choose, and decisions are often a matter of possibilities and pressure rather than of pure choice (Fine and Rustomjee. 1996; Fine and Saad-Filho. 2004; Castel-Branco. 2002a).

Third, the real contest and conflict embodied in ownership is not about choosing readily available options but about developing such options. Ownership and blueprints are not consistent with each other.

Fourth, social, economic and political dynamics prevent models of governance from existing in their pure state as defined by theory. For example, it has been heavily documented that general budget support, which in theory strengthens public finance management and the autonomy, flexibility and power of the state vis-à-vis donors, is usually significantly more vulnerable to the dynamics of donor and of donor-recipient government politics then theory predicts. Furthermore, general budget support is accompanied by so many rules, processes of checks and balances, parallel mechanisms for policy negotiation (focused more on management than on policy) and lists of performance indicators, that one has to wonder if there is any room at all left for recipient government policy making. If these issues are put together with IMF public deficit control system, which encourages significant proportions of current expenditure to be hidden under capital expenditure, then one has to wonder how serious the public finance based ownership model really is (De Renzio and Hanlon. 2006; Fraser. 2006; Macamo. 2006; Hodges and Tibana 2005; Plank. 1993).

This discussion has four major implications. First, ownership is contested power – there are conflicts, compromises, alliances that change over time – and, as a result, rational models of ownership do not pass the test of real life. Even if formally the government or donors exert ownership, they do so in a contested environment which is not fully controlled by any of them and, as a result, they are bond to be influenced by such an environment in decision-making, implementation and monitoring. In earlier sections, several examples were given that sustain this argument. Second, ownership is more about the substance than about the form (or process) of negotiation. Ownership is not only about "being there", "voting", "speaking", it is mostly about the contested influence on substance. It does not matter that much whether there is a land council that includes small peasants if the decisions on land allocation and use are mostly influenced by the interests of large landowners. Third, ownership is not confined to formal organizations (parties, governments, donors, civil society organizations); but it is mostly about the articulation of conflicting interests and perceptions by different groups and the contested power to influence decisions, implementation and monitoring. Fourth, there is no way of saying, from the outset, that government ownership is better or worse than any other; it mostly depends on the social, political and economic environment in which contest for power takes place.

4.3. Shared and articulated ownership

As mentioned in earlier sections, in its purest form ownership of the policy programme means requires almost complete policy-making autonomously of the recipient agency. However, this is a highly simplified account of the policy process, as it does not consider the influence of conflicting interests, pressures and options, ideas and learning in the design of policy.

The development and implementation of policy reform programmes are hugely complex processes that involve interactions of different types between many different organizations and agencies, capacities, skills, interest groups, perceptions, challenges, pressures and linkages. Hence, policy reform packages have many owners, and need to have many owners.

For example, a government can decide that the priority in education is technical and engineering training to start and sustain an innovative and dynamic programme of accelerated industrialization. This decision, alone, results from many different sources of pressure (economic, technological, social and political) which, together, explain its rationale. A decision is only the starting step of the process because it tells nothing about how the education programme is going to be developed and financed, the thematic priorities, the recruitment and incentive mechanisms, the learning and evaluation principles, the process by which education and industrial requirements are linked, etc. All of these issues are important determinants of the direction and success of the programme and involve very strong inter-organizational cooperation. Very likely, the full development and implementation of the programme require substantial external technical assistance. All of these factors and processes affect the substance of the end product.

Thus, even in the best and simplest case scenario, ownership is a dynamic, joint and collaborative process. If conflict and contest is added to this process – this is, different interests and subsequent struggles for influence over the direction of the policy – then, complexity increases and ownership becomes even more dynamically social.

Furthermore, a development strategy and policy programme (global, sector based, national or sub-national) involves more than a set of rational, optimizing technical decisions recommended by technocrats and approved by a willing government. Any policy decision affects power balances and income distribution, requires that choices are made between conflicting interests, perceptions and options, and demands specific answers to social, economic and political contest, pressure, expectations and results of the choices. So, to what extent is a government decision to privatise utilities (water and energy) responding to fiscal pressures, capacity constraints, industry versus social interests, perceptions of the problems and contest for ownership of policy? To what extent do such decisions affect distinct industries and social groups differently, and who looses or benefits from the policies? These, and other, questions can be asked about almost any substantial policy programme.

Therefore, ownership is not only related to particular organizations – recipient or donor agencies. More fundamentally, such agencies are not insulated from the social, economic and political forces and pressures that they are trying to address through the policy programme. The fundamental question is which social interests, capacities and dynamics are articulated through such agencies and reflected in the policy programmes they claim to own, or claim to wish others to won.

4.4. Ownership and learning

Policy development and implementation are influenced by the set of ideas, approaches, methodologies, theories and paradigms that form the adopted analytical framework. The social analytical framework is, however, not neutral relative to social dynamics it intends to act upon because it is generated as part of, and is learned and changed through, social dynamics (Thorbecke 2002, Hjertholm and White 2002). Social theory and methodologies are learned through studying, policy advice, experience and pressure and can be institutionalised into corporate analytical approaches. They have great influence on the nature and substance of development policy programmes because they define what is to be observed and scrutinized, the kind of questions that are supposed to be asked and probed for answers in relation to the subject of the study, how these questions are to be structured, which and how data are to be generated and collected, and how the results should be interpreted.

Agencies learn political expedient and develop corporate characteristics that help them to achieve the goals they seek. For example, recipient agencies that seek to maximise aid revenues may adopt policy reform packages and the analytical jargon that they know donors look for before providing aid. While donor agencies may be led to believe that the potential recipient is a genuine reformer that deserves to be supported, the case might actually be that that the recipient is only applying lessons learned about how to attract donors. In a forum on aid effectiveness in Vienna,[23] a scholar from Uganda presenting the experience of his country with aid policy and strategy emphasised the national ownership over Uganda's reform programme, despite the fact that the programme was similar to any other based on the Washington Consensus model. When asked about this "coincidence", he replied that this was the only programme donors would accept and the government was willing to adopt. By showing commitment to the reform package preferred by donors, the government sought to increase aid flows and to improve its bargaining power vis-à-vis donors and lenders.

Similar cases happen every day in Mozambique. For example, in 1998 the "think tank" (Gabinete de Estudos) of the Ministry of Planning and Finance produced a two year economic and social programme, for the first time in 11 years without the direct involvement of the IMF and World Bank staff. The Bank and the United Nations praised the technical expertise reached by the Mozambican staff and the Government claimed that this was a programme fully adjusted to the realities of Mozambique. Yet, even a superficial scrutiny could easily show that the only significant difference between the 1998 programme and its predecessors, which had been formulated in Washington, was that it was originally written in Portuguese.[24]

[23] High Level Symposium "Country-level experiences in coordinating and managing development cooperation". Vienna (19-20 of April, 2007).

[24] *"Eastern and Southern African Regional Conference on Debt Cancellation"*, Maputo, 1998.

4.5. *Evaluation and ownership*

Evaluation of performance of policy and institutional reform programs is an important component of the political economy context of state transformation and ownership. There has been a debate and change of fashion, amongst donors, about the relative merits of processes or results focused evaluations. At the moment, there is a preference for results based evaluation.

At this point, a few key questions need to be asked: is the problem of evaluation one of focusing on processes or on results? Which processes or which results are to be evaluated and how are they to be chosen? Doesn't that depend on the particular perceptions, interests and questions to be answered?

When a road is built, the process (for example, coordination of the roads project with direct productive activities such as agro and industrial processes; utilisation of capital or labour intensive methods of construction, local or imported materials and local or foreign firms) affects the results of the road construction (more or less development impact, sustainability, positive externalities). So, the process of constructing a road should contribute to the goals (results) that are intended with the construction of the road. A similar point can be made almost about all other developmental programs – the process contributes to the final outcome and is not independent of the intended final goals and results and of the contest for appropriation of the project to achieve such goals and results.

The other point is about the intended results: what are they and how are they to be defined? One thing is to evaluate the implementation of a task, whether road from A to B was built on time and according to the defined standards of quality and budget. The other thing is to evaluate the intended impact of the task or whether the object (a road, health centre, school, farm or factory) can actually be a vector to achieving the social and economic intended impacts. More generally, the intended broader social and economic impact (result) should guide the process and the evaluation of the implementation of the task. The question is not as much how many schools, health centres, miles of new roads and water systems have been built, but how they serve their (claimed) intended social and economic purpose.

Thus, the first point about evaluation is that the process, the vector and the broader social and economic externalities are interlinked in such ways that it does not make sense to separate them and to drop one in favour of the other.

This issue leads to the question of measuring success. Is there an objective and rational measure of social and economic success, or the measure depends on interests that are sought, questions asked, propositions and perceptions? If this is the case, measuring or evaluating success is part of the struggle for ownership, such that the question “has privatisation in Mozambique been successful” not only cannot be answered in general but it is entirely without meaning.

The example of privatisation in Mozambique, mentioned on an earlier section, shows that to justify the action (privatisation) a rosy picture is presented: impact on jobs, production, productivity, investment, technology, skills, linkages, trade diversification and so on. Once the action (privatisation) is justified on the basis of the proposition that the effects of such action are the ones listed, because of the assumption that we are compelled to accept regarding the superior efficiency of private capitalism that operates under competitive markets, one no longer cares to ask about whether the goals on which the action was justified are actually being achieved. All that matters is that the privatisation programme is implemented. Hence, it is quite possible to write two perfectly honest and empirically-based reports that show that privatisation in Mozambique was simultaneously a great success and a great failure, depending on the questions that are asked about the privatisation programme which, in turn, depend on how different social groups and analysts perceive the issues that really matter about the results of privatisation, and benefit or loose from privatisation.

This point can be generalised to almost any evaluation of success in social and economic development. Mozambique has been portrayed as both an example of post-conflict democratic state-building in Africa and as a fake democracy; as a case of exceptional economic success described by its relatively high rates of economic growth and as a case of economic failure described by its pattern of aid dependency and narrowness of economic growth and development. A World Bank report on Mozambique (Biggs, Nasir and Fisman 1999) incorporates some interesting conflicts of perception about the same issue, the narrowness of the productive and trade basis in Mozambique: while one chapter describes this narrowness as a measure of success by the rules of market-driven specialisation, another chapter considers this narrowness to be both the result and a cause of economic vulnerability and underdevelopment by the rules of dynamic and long term economic growth in volatile markets (Castel-Branco 2000a).

Thus, evaluation and measurement of results reflect the dynamic social contest for ownership as the questions that are asked, the indicators that are chosen, the results that are considered, etc., reflect the concerns of the agency, the approach of the analyst and the social pressures that are faced. At the same time, evaluation and measurement of results also serve the purpose of legitimising social claims, development policies, choices, analytical approaches, power relations and the struggle to change all of these. These issues may explain why Mozambique is portrayed as a success story notwithstanding all the evidence that shows an increasing multidimensional, structural and dynamic aid dependency, increasing economic, skills and trade narrowness and serious economic vulnerability.

A generalization about evaluation can now be made:

> *"(...) What, then,* [does one] *mean by the assertion that these propositions* [of Euclid's geometry] *are true? (...)Geometry sets out from certain conceptions such as "plane", "point", and "straight line", with which we are able to associate more or less definite ideas, and from certain simple propositions (axioms) which, in virtue of these ideas, we are inclined to accept as "true". Then, on the basis of a logical process, the justification of which we feel ourselves compelled to admit, all remaining propositions are shown to follow from those axioms, i.e, they are proven. A proposition is then correct ("true") when it has been derived in the recognised manner from the axioms. The question of the "truth" of the individual geometrical propositions is thus reduced to one of the "truth" of the axioms.* [the assertion that the proposition of Euclid's geometry is true] *is in itself entirely without meaning. (...). We cannot ask whether it is true that only one straight line goes through two points. We can only say that Euclidean geometry deals with things called "straight lines", to each of which is ascribed the property of being uniquely determined by two points situated in it."* (Einstein 1952:3-4).

5. Conclusion

While making a presentation about public and private investment, employment and poverty reduction in Mozambique, during an economic conference in Maputo,[25] I was confronted by the following question from the audience: *how could the government of Mozambique consider the questions* [that I was raising] *in policy analysis and development if the key decisions about Mozambique's development path are taken by foreign agencies.* My answer was divided in two parts. In the first, I said: *there are no decisions about Mozambique that belong to the realm of government that are taken by foreign agencies. All of such decisions are taken by the Mozambican government – even the decisions to allow foreign agencies to decide for Mozambican government.* In the second part of the answer I asked: *what different does the nationality of the decision-maker makes if the decision made is precisely the same and based on the same assumptions, so often are completely irrelevant for the problem under analysis, irrespectively of the decision-maker? Is it a problem of nationality of the analyst and decision-maker or of the paradigm, method and approach that is adopted? Is it only a matter of ideas, or also of real political, social and economic pressures, challenges and articulated interests? Where do government ideas and articulated interests come from?*

There are several motives for my choice of answer. I will mention only two. First, it is very difficult to give an elaborated answer to a large audience, in the last two minutes of a long session of presentations and debates that people will focus on, understand and remember. If the answer shocks the audience and its system of values and beliefs, it will not be forgotten, which may increase the chances that some people will think again about it. Second, I think that my answer captures some of the key political economy dynamics of ownership, which were discussed in different sections of this article.

So, shouldn't the recipient agency seek *ownership and leadership of the policy process*? The article suggests that ownership is a contested process in which all parties seek ownership (in the form of seeking to influence decisions and outcomes) in their own terms. If the government apparently gives up expected ownership to be able to shift the blame of wrong doing or, simply, to maximise aid inflows, who can say that the government is not owning and leading its own agenda only because it differs from what donors or other agencies believe the government

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[25] Second Millennium BIM Economic Conference "Planning and Strategies for Reduction of Poverty" (11th of October, 2006). Maputo.

should be doing? The article also suggests that ownership of policy dynamics and process cannot rest with individual agencies, such as the government or donors, because it is a contested, political economy process. No agent and agency is autonomous and insulated from the contest for power. At the end of the day, we can ask *who owns the agency that owns the policy reform package.* A more elaborated and realistic version of this question would be *how the contest and conflict of interests and influence in society (including in markets) influence government policy and decisions and its interventions through the markets?* The contrasting cases of cashew nuts and sugar, privatisation and of the aid maximisation behaviour of the government in Mozambique (to mention just a few) illustrate this point clearly.

Can *pluralist democracy* address the problem of ownership of the policy reform programme and process? The article suggests that the problem does not rest on "voice" alone – the opportunity for everyone to voice their points of view and interests – so it cannot be solved by voice alone (Hirschman 1970). This is not a matter of conflicting points of view and conflicting ideas, but of contested power and conflicting interests. Thus, there is no blueprint solution outside the political economy context in which the problem arises. This is not an argument against pluralist democracy, but it is an argument against the idea that from pluralist democracy all solutions to all of the fundamental problems in society can be derived. Besides, who holds the power to articulate policy in pluralist democracy?

Isn't a *shared vision* of development the answer for the problem? The question is how to reach such a shared vision. The article suggests that any such vision is articulated around some interests and interest groups, rather than being neutral and equally shared by all. The process of achieving such a shared vision of development involves a fundamental trade-off, between form and substance.[26] Thus, the question is who leads the articulation of the "national interest" and around which issues and interests is this leadership developed. The answer obviously depends on case and history-specific economic, social and political conditions.

Can aid dependency be consistent with *national ownership*? The article suggests that national ownership is the least precise form of the already vague concept of ownership as it is defined in the mainstream literature. Hence, the problem with national ownership is not only aid

[26] The Action Plan for Poverty Reduction in Mozambique 2006-2009 (PARPA II) and the Agenda 2025 are examples of this trade off. In order to keep a nationally shared vision of development they include everything, with no clear choices and priorities. Despite the rhetoric, these documents play only a negligible role in guiding policy and allocation of public resources.

dependency but the concept of national ownership itself. Leaving this problem aside, ownership is a process of contest for the power to influence policy making and implementation in specific social, economic and political contexts. Aid dependency is one of possible characteristics of such a contest and context, such that it certainly influences the characteristics of ownership as a contested field. For example, the decision by the recipient government to apparently give up ownership to maximise aid flows and minimise internal political friction reflects some degree of ownership related to a strategy of survival in a context of limited options. The discussion also shows that aid dependency may be a strategic choice for development, as under certain social circumstances the “rational” choice may be an aid-dependent path of development.

Can *aid dependency and successful economic reform* be consistent with each other? The article suggests that the answer to this question depends on the definitions used. Success is often defined as achieving a certain expected output; hence, whether success and aid dependency are consistent with each other depends on what the expected output (the measure of success) is. In the case of Mozambique, if success is simply measured by the number of firms that have been privatised, schools, health centres and water wells that have been built, kilometres of roads that have been rehabilitated, student enrolment, life expectancy, and other such indicators, then aid dependency may not only be consistent with success but it might be the path for success. Sach’s millennium village projects and the millennium development goals build success on aid dependency and consider aid dependency as a measure of success.

Has this article, therefore, argued that ownership is an *irrelevant analytical concept*? No, it tried to investigate the limits of the concept by asking questions that the classical ownership debate cannot answer. In the process of doing so, it attempted to offer a more dynamic, realistic and relevant analytical framework to study ownership as part of the conflict and contest for power of influence in development policy. More important than evaluating whether a specific agency owns the policy reform program is the understanding of the interaction between agencies within specific political economy dynamics and the substance of the political options they work with.

At the end of the day, the real and most important question we have to ask is how to address aid dependency, rather than how to ensure ownership under, or of, aid dependency. The article suggests that reducing and eliminating aid dependency requires more than national ownership, as aid dependency is, itself, a development path supported not only by donors by also by local governments and other interest groups under specific circumstances. To reduce and eliminate aid dependency it is necessary to use aid for the construction of socially effective, efficient, diversified and sustainable productive capacities and to use the state to strategically guide and nurse this process. To do this, fundamental changes of vision, policy and organization need to happen with recipient governments, donors and with the international trade and financial economics (Castel-Branco 2004a, 2004b and 2002a, Castel-Branco, Sulemane *et al* 2005, UNCTAD 2006). The real issue, then, is not ownership *per se* but whose groups can articulate the interests for change in order to build a sufficiently strong alliance to influence the direction of the change. Thus, the difficulty is not only, not even essentially, of organization, harmonization and alignment – it is an issue of political economy of development, and a fundamental one for the 21st Century (Fine, Lapavitsas and Pincus (editors) 2001, Fine and Rustomjee 1996, UNCTAD 2006).

Professional state-builders may ask what concrete guidance for immediate action they may get from this chapter. There are a few areas in which it would be interesting to make some analytical progress. First, ask questions before shooting, and try to ask relevant, intelligent and informed questions. This means that international agencies should be more concerned with the quality of their social and economic research and the social and economic research quality of their staff on the field. Managers, technocrats and bureaucrats play a role in implementing plans and models well. However, the central question is which plan and model applies to each specific situation. Good and effective implementation of the wrong plan and model is the greatest recipe for disaster. Second, do not pretend that you know the answer to the questions you ask, because the truth is that it is very unlikely that you do. So, international agencies should be concerned with learning and the learning capacity of their staff on the field, as well as their ability to question themselves. If you cannot learn or question what you do, then do not get involved. Third, do not plan your action based on bad judgement made around perfectly irrelevant models. Often, agencies and their staff evaluate conditions by comparing a very rough, simplistic and frequently distorted image of the reality on the field with a model of a good society that they have learned at school or at the agency's headquarters. Then, they fill the gaps, this is, they bridge the distance that goes between their inadequate analysis of the reality in the field and their perfectly irrelevant model. Not surprisingly, very frequently things go awfully wrong. And yet, they continue to believe that they are right and thus spend a lot of time and resources mining for *facts* that show that they are right. If this is the best you can do, do not get involved. Fourth, do not social-engineer. Social engineering results from ignorance and arrogance and results in dramatic social, political and economic costs for the sociallyengineered country. Fifth, be aware that international state-building agencies and their staff pursue political, social and economic goals on their own. They are not neutral with respect to options and choices. Actually, they are part of the options and choices and of the contest and conflict to influence decisions and the direction of progress. They are as part of the problem as any other part involved.

It might be pointed out that the five points above are about "don'ts" instead of "dos". This is not completely true because by rejecting one course of action with enough of a justification, other options of research and action are opened. Thus "don'ts" are not only negative signs.

However, it is true that the argument in this article is critical of state-building as a target and as a profession and asks questions in terms of political economy. As was clearly argued in the article, state building is a continuous process of contest and conflict related to options and directions of development and it is not a task that can be accomplished through the support of some external agency and professional state builders that claims to be neutral and hold the state of the art expertise in building someone else's state.

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