

# *Aid Dependency and Development: a Question of Ownership? A critical view*

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## 1. Introduction

This article discusses *ownership of development policy* and the interaction of *policy-based aid*<sup>1</sup> with the formation and implementation of development policies and institutions, and with social, economic and political interests in the context of *multidimensional, structural and dynamic aid dependency*.<sup>2</sup> Thus, the article is not going to discuss development policy options *per se*, nor all institutional and social interactions that can be developed around development policy formation and implementation.<sup>3</sup> Instead, by looking at the case of Mozambique the article will mostly be focused on the *contested relationship* between donors and the recipient state in policy development under aid dependency.

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<sup>1</sup> "...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. This package 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. The package has been extended in order to include *social protection* and *poverty reduction* through the delivery of the so-called social services related to the fundamentals of *human development* as defined, for example, by the *Millennium Development Goals*.

<sup>2</sup> *Aid dependency* is *multidimensional* when it affects the institutional culture, working, 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 also *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.

<sup>3</sup> Such a discussion would imply a whole series of other articles.

Furthermore, being concerned with the contested field of long term policy development, the article will not discuss short term *humanitarian emergency aid*, which is usually triggered by big events (war, draught, flood, earthquake, etc.), 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”.<sup>4</sup>

The topic of this article is closely linked with the broader umbrella theme of *post-conflict state-building* in a variety of ways. *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. *Ownership*, as argued in this article, can be defined in different ways: either as a prescriptive and vague *pre-condition* for successful policy implementation or as little else than the result of the dynamics of contest for influence upon development options, challenges, linkages and opportunities. In other words, the outcome of, say, public sector reform, no matter what it is, reflects *ownership* as a dynamic contest for influence upon the direction of the reform. 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*.<sup>5</sup>

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<sup>4</sup> 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 was concerned with the long term implications of short-term, aid-dependent emergency relief.

<sup>5</sup> *State-building* presumes a moment of non-existence of the state – hence, the need to build it. The same concept presumes that a blueprint for *state-building* is necessary and viable – hence, the emergence of state-building kits, with all the blocks and colours and instructions carved in any internationally recognizable project document or resolution; as well as the emergence of professional *state builders* and *state-building analysts*, who specialise in

If this is the case, why should *ownership* be the theme of an article? Demystifying a concept that has become mostly a dead and empty buzz word would be a good enough reason. This reason is even more important if account is taken of the fact that this buzz word (used by host governments, donors, lenders, multilateral and bilateral international agencies, *civil society* organizations and scholars alike) has the potential to divert attention away from the *substance of development* (contest and conflict for power and influence upon institutions, development options and linkages) towards procedures that might only guarantee that in the best possible way the worst possible thing is done.

The main argument of the article is that social and economic development involves a *dynamic and continuous contest for ownership* of the options and directions of development, institutions and social and economic linkages. Thus, ownership is a dynamically contested field. It follows that what matters in social and economic development is not *ownership per se*, but the dynamics of the contest for, and the social and political basis of, ownership. In other words, whether the aid recipient government has ownership or not of development policy is a lesser issue than that of the social and political interactions and direction of the development policy followed by such a government, because the latter reflects the dynamics of the contest for, and the social and political basis of, ownership. This is, of course, quite apart from the difficulty to find a common definition for and to attribute ownership.

It follows, from the argument made above, 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 and dynamics 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 options may differ substantially

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building the different parts of the state by using the blocks and instructions of the state-building kits. Finally, *state-building* also presumes that *conflict* causes *state-collapse* and that *state-collapse* is the opposite of *state-building* – hence, the need to associate *state-building* with *post-conflict* (given that after the conflict it is necessary to build the state and only there and then it makes sense to invest in state-building). 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) and whether post-conflict may not be the continuation of the same conflict (about the nature and options of development and, therefore, of the state) by other means. It follows, from this approach, that *state-building* can easily be related to *forced social engineering*, *peace by colonization* or *democratization by text book*. The concept of *state transformation*, on the other hand, does not require the *non-existence* of the state, or a blueprint for state-building with the respective kits and professionals, or a conflict-postconflict dichotomy. 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 means something else it depends on the specific social theory and actual social movements.

between them. Thus, ownership-seeking strategies may follow many different paths; including 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 analysis (or the analysis based upon the evaluation of the degree of compliance with some blueprint policy prescription, model or process).

Another argument in this article is related to the evaluation of the *degree of success* of different experiences of *post-conflict state-building*. More often than not, success is measured by the degree of implementation of a given blueprint reform. If this is the case, a *results-based* evaluation measures success by the degree of removal of trade barriers, number of firms privatised, quantity of foreign investment mobilised, number of children enrolling in primary education, average distance to a health centre, gender ratios in education, the ratio of population to hospital beds, etc. Often, no serious attempt is made to evaluate the real social, economic and political impact of any of those indicators, namely, for example: what the structure and direction of trade is; what is happening with the balance of payments and with privatised firms; what the patterns of foreign investment, and their social and economic implications, are; how good and sustainable are the health centres and schools, and what impact they have on the livelihood of communities, etc.

The key problem that emerges from this discussion is related to the indicators of results that are chosen, this is, whether the results-based analysis is focused on the degree of implementation of the policy, reform package or plan, or on their ultimate impact on social, economic and political conditions of living. Even if the focus is on the ultimate social and economic impact of the policy, this is still a contested field. Which impacts are going to be considered: impact on the environment? Impact on large plantation's profits? Impact on short term public expenditure balance? Impact on regional and social distribution of income? Thus, the analysis of the *degree of success*, which is also a contested field, reflects the dynamic social, economic and political struggle for ownership.

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. 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*<sup>6</sup> 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.<sup>7</sup> Hence, *ownership* has become increasingly interlinked 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.

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<sup>6</sup> In the context of aid dependency and development policy, this is related to ownership of the development policy and other components of the reform package that a recipient country implements with the help of international aid.

<sup>7</sup> 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”.

If this is the case, then *ownership* should be promoted. However, before this could be done one needs to understand what ownership is, how ownership is conquered or acquired, who should have ownership, and upon which issues should ownership be exerted.

### 2.1. *Establishing the boundaries and limitations of the concepts*

In its pure terms, *ownership*, in the context of aid dependency, means that the aid recipient agency defines its own political agenda and programme, which is financed by external aid. This means that, for purists:

- (i) the recipient agency originates the reform programme free from external pressure and influences;
- (ii) donor agencies have no influence on the political agenda of the recipient agency other than financing it and this does not affect their willingness to finance the recipient agency;
- (iii) donors have no clear policy preferences, or do not express them if they have; therefore, they make aid available irrespectively of policy choices made by the recipient, in an untied, unconditional and un-earmarked manner;
- (iv) political environment and change in 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 and to be concerned to keeping the donor happy;
- (v) aid finance is predictable and steady; so 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 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 of the policy package and process). Models that focus on aid as development public finance tend to favour government ownership of economic policy and processes. Models that focus 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, in its recent politically correct variation applied to Least Developed Countries (LDCs), the leading role of the abstract local community) are critical of government ownership and emphasise ownership by market forces (or its institutional, politically correct equivalent for LDCs, ownership by abstract 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 and ownership mechanisms and combined with increasing decentralisation and de-concentration of power and resources to local communities. Not surprisingly, many of these models tend to be institutionally incoherent and their concepts tend to become little else than buzz words.

Another aspect that needs to be established is that 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 abnormality 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 of the established institutions and interests. Processes of change are, therefore, difficult because of the uncertainty and the tensions that are associated with the change. They raise 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 and how to tackle resistance. Therefore, if there is one moment when ownership, leadership and/or commitment are put to a test, that moment is the process of change.

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 that are almost impossible to measure. Hence, if an assumption is made that success inevitably depends on commitment, this on leadership, and this on ownership, then a measure of success is ultimately a measure of ownership. The concept of *success* is still subjective and open to interpretation, but it is relatively easy to make it more 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 on the social, economic and political development effectiveness of aid. The rationale behind the *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 the effectiveness of aid and that, in turn, the quality of governance is related to ownership. Depending on the model of development and governance, ownership may be more narrowly confined to government, or more broadly defined as involving the society at large.

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.



The arguments about ownership of policy reform are often related to mainstream theories of principal-agent problems in organizations, typically firms.<sup>8</sup> This literature tends to be focused on the working and incentive structures of organizations when ownership of capital and management of the firm are separated (such that ownership and control are not necessarily unified) and information is asymmetric between the principal and the agent. The main question posed by the classical principal-agent literature is related to 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 address the problems faced by the constituency of the agent (the recipient agency). 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 may differ. The interest of the principal in impact analyses is derived from his 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 on the constituency derives from the fact that the constituency is the reason why the agent exists (for example, the constituency has elected the agent, or the agent is financed to deliver services to the constituency). The principal is not directly linked with and is not accountable to the recipient 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

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<sup>8</sup> See, for example, Mosley 1988; Heap and Varoufakis. 1995; Pietrobelli and Scarpa. 1992; Rasmussen 1994; and Varian. 1999.

power of the donor, the agent will tend to be more accountable to the donor than to its own constituency.<sup>9</sup>

Due to asymmetric information and separation of ownership of the resources (aid, belonging to the principal) and control of the policy process (exerted by the agent), the principal cannot fully guarantee that the agent implements the necessary policy reforms to achieve the objectives pursued through the aid process. The recipient agent (the agent that exerts control and has better information than the principal about its own efforts) is interested in the flow of aid but may have policy and allocative interests that differ from those reflected in the policy reform package considered sound by the principal. It follows that the principal may end up financing an “unsound” (from the principal’s point of view) policy reform package and process or an agent that is uncommitted to achieving the expected and desired (according to the principal) objectives.

Manipulation of quantity of aid flows (financial sanctions) may not provide the incentive for the agent to follow the principal’s perception of sound policies. Information between the two parties is asymmetric and the agent exerts a higher degree of control over its own efforts in a contested political environment that is far more complex than the organization of the firm, from which the principal-agent analytical framework originates; thus, it might be difficult to decide on sanctions. Additionally, manipulation of aid flows may not only penalise the agent for lack of commitment but hurt the constituency of the agent (particularly the poor) for lack of resources, which may discourage the principal from significantly manipulating aid flows to penalise or encourage the agent. Furthermore, the principal’s decision may be influenced by other political or economic interests that prevent the principal from adopting sanctions. It might also be the case that the differences between the principal and the agent are so substantial that even the application of sanction would not force the agent to comply with the principal; in this case, as opposed to the situation with most 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

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<sup>9</sup> See, for example, Killick, Castel-Branco and Gerster 2005, de Renzio and Hanlon 2007, Hodges and Tibana 2005.

domestic interest groups to articulate strategies and put pressure in favour or against donor favoured reforms, etc.

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 perceptions and instincts are similar to those of the original principal (the donor). Hence, ownerships, or at least *appropriation*,<sup>10</sup> of the policy package might be the best option to keep the agent within the realm of the policies acceptable to the principal-donor. Such an agent (that owns or appropriates the policy package) is more likely to be committed to implementing the sound (from the principal’s point of view) reforms with success, to resist to 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 “sound” reforms) depends on the commitment by the recipient agency, which, in turn, depends, to a high degree, on the agent’s ownership or, at least, appropriation of the programme.<sup>11</sup>

Being *popular or unpopular* is not an issue in the classical principal-agent problem literature originating from the analysis of the firm, 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 (in other words, things get worse before they get better and the policy package is the only *correct* alternative to get things better at the end).

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<sup>10</sup> 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, Stein and Weeks 2006).

<sup>11</sup> See, for example, Bird. 1998; Dollar and Svensson. 2000; Edwards. 1999; Killick. 1995; Killick, Castel-Branco and Gerster. 2005.

Quite apart from indoctrination<sup>12</sup> of the agent's managers and policy analysts, it is argued that the belief on the correctness of the policy package or inexistence of policy alternatives comes from ownership or appropriation and, in turn, such belief strengthens ownership and appropriation.

The basics of this analytical framework was developed for a purpose that is very specific (analysis of ownership and management/control relationships within firms) and very different from the political economy complexities of aid dependency and development policy. Hence, this analytical framework is often too simplistic and weak to enlighten the political economy issues involved. However, it is a useful tool to explain one, mainstream, perception of the logic and rationale of *ownership* and to illustrate the weaknesses of this approach.

One of the weaknesses of the application of the principal-agent framework to the analysis of power relationships in the aid dependency and development policy debate 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 such 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. Generally, these models focus on process of negotiation rather than on the substance, and approach the issues (the process of negotiation) from the point view of methodological individualism.<sup>13</sup> This implies the assumption that a whole set of alternative options are available and institutions, as rational individuals, choose those options that maximise their own utility independently of any social context and political history.

In the context of aid dependency and development policy, dissent within the neo-classical framework leads to criticism of policy-direction and focus (institutional and policy reform) and the process (empowerment of recipient governments), but not the method (methodological

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<sup>12</sup> 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 not uncommonly chosen by the principal.

<sup>13</sup> Fine 2001.

individualism).<sup>14</sup> “Blueprint planners” and “searchers”,<sup>15</sup> alike, share the view that aid effectiveness would be improved by bypassing the government of the recipient country. The aid dependent government is considered to be more the cause of the problem than part of the solution. Aid effectiveness would, thus, depend on the direct involvement of the local communities and searchers of creative, local solutions, rather than on a cumbersome process of government reform to make government an effective agent of development. While these critics have their differences – for example, Sachs promotes a blueprint of specific policy interventions to fit all, while neglecting macroeconomic and market analysis; whereas Easterly is more concerned with macroeconomic policy and market driven search for specific solutions for specific problems and opportunities – they are similar in that they avoid the political economy complexities of aid dependency and development policy by assuming away such complexities and the respective institutions.

Another of the key weaknesses of the principal-agent framework is that it does not discuss the substance of the changes and development processes because this framework, created in the context of more general game theories,<sup>16</sup> is concerned with the negotiation process and strategy, not with what is negotiated.

More sophisticated, and arguably more interesting, arguments about the role of ownership raise questions of 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.<sup>17</sup> From an “African Renaissance” point of view, “ownership” guarantees “authenticity” and signals a change from external influence to genuine African ideals and approaches to its own development challenges.<sup>18</sup>

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<sup>14</sup> See, for example, Easterly 2006 and 2007; and Sachs 2006.

<sup>15</sup> See Easterly 2006 and 2007, on the critique to Sachs 2006 and on the identification of the engine behind the cases of aid success.

<sup>16</sup> See, for example, Heap and Varoufakis. 1995; Pirotbelli and Scarpa. 1992; Rasmussen 1994; and Varian. 1999.

<sup>17</sup> See, for example, various articles in Bastian and Lucham (editors). 2003; Beynon. 2002; Hopkins. 2002; Mosley and Eeckhout. 2002.

<sup>18</sup> *“We cannot move forward without an African vision”*, Professor Wiseman Nkhulu, Chairman of the NEPAD steering committee. *“[NEPAD] is based on African empowerment and African management”*, African Union. 2001 (paragraph 47, pp. 11). See, also, Commission for Africa. 2005. The question that comes to mind after these bold statements is *who in Africa holds the power to define what is “African”*, which is the same as asking *whose renaissance (socially and historically, rather than geographically, defined) are we talking about?* For a sharp and entertaining historical and political critique of *African authenticity*, see Tutashinda 1978.

### 3. Ownership as social and political contest

In the previous section, the boundaries, rationale and logic behind the concept of ownership were established. The relevance of ownership, as a development concept, was shown to be determined by the linkages between ownership, commitment, effectiveness, authenticity and legitimacy, accountability, initiative and appropriateness. Thus, the *value* of ownership depends on the assumption that such linkages occur almost automatically. This requires an agent with the capacity, ability and willingness to define and adopt a clear strategy and lead its implementation with clear and forward looking objectives in mind. However, if ownership is simply the fact that the agent has a strategy on its own that it seeks to implement in a contested and conflicting environment, then it is quite possible that ownership is consistent with apparent absence of strategy and direction, leading to none of linkages mentioned above. This possibility is explored in this section.

To understand this problem, one may consider that ownership and its pre-defined linkages (leadership, commitment, legitimacy and so on) make sense as concepts only in the context of real and specific social, economic and political linkages and challenges, and real institutional interactions. They are part of the multidimensional characteristics of the contest for influence on such interactions, linkages and challenges.

The existence of various concepts of ownership – that, despite all the current rhetoric of new aid modalities, are historically and socially determined;<sup>19</sup> the perception of ownership as a contest to influence the direction of policy change and development; and the complexity of interactions between different agents and conflicting and complementary strategic agendas combine to create an interesting possibility: that the meaning of ownership is specific to individual agents within the context of specific and concrete interactions. In other words, recipient government and donors may not only have different perceptions of and focuses for ownership, but these perceptions and focuses may also only make sense within specific interactions between them at some point in time. Given that the dynamics of the interactions between the different agents is influenced by, and influences, existing social, economic and

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<sup>19</sup> Cramer 2002 and Cramewr, Stein and Weeks 2006.

political conditions, the meaning, understanding and dynamics of ownership may be case specific.

This section discusses and describes several situations in which the grand concepts linked with the idea of ownership are nothing but tools of negotiation between agents with unequal bargaining power seeking different goals in contested environments.

### 3.1. *Aid dependency, visible leadership, hidden ownership and escape routes*

#### 3.1.1. *Multidimensional aid dependency and fragmented public institutions*

Mozambique is heavily dependent on international aid<sup>20</sup> in a multidimensional manner, namely with respect to finance,<sup>21</sup> policy choices, institutional building, the culture of civil service and civil society organizations, and even the development and dynamics of political institutions.<sup>22</sup> Donors and lenders have penetrated in each area and level of policy debate and decision-making.<sup>23</sup> 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 policy and management, thus creating policy rigidities and reducing policy space.<sup>24</sup> 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, simplification of business procedures and relaxation

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<sup>20</sup> 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.

<sup>21</sup> 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).

<sup>22</sup> See, for example, de Renzio and Hanlon 2007, Macamo 2006, Hodges and Tibana 2005.

<sup>23</sup> *Ibid.*

<sup>24</sup> Castel-Branco 2002a and 200b, Castel-Branco, Sulemane *et al* 2005, De Renzio and Hanlon 2007, Macamo 2006, Hodges and Tibana 2005.

of controls and regulations, amongst others. This system, obviously, adds further rigidities to policy space.<sup>25</sup>

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.<sup>26</sup> 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 interests of large foreign investors and speculative domestic investors.<sup>27</sup> 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, lenders or the industry).<sup>28</sup>

### *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<sup>29</sup> 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. The government is, therefore, focused on keeping aid flowing rather than on reducing aid dependency. The government wrongly

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<sup>25</sup> Castel-Branco 2007a, KPMG 2006.

<sup>26</sup> Castel-Branco 2002a and 200b, Castel-Branco, Sulemane *et al* 2005, De Renzio and Hanlon 2007, Killick, Castel-Branco and Gerster 2005, Macamo 2006.

<sup>27</sup> De Renzio and Hanlon 2007, Macamo 2006 and Castel-Branco 2004a, 2004b and 2002a.

<sup>28</sup> Castel-Branco 2006a, 2006b, 2005d, 2004a and 2004b, 2002a, Castel-Branco and Cramer 2003, Cramer 1999 and 1998, De Renzio and Hanlon 2007, Ernst & Young 2006a, 2006b, 2005a, 2005b, Killick, Castel-Branco and Gerster 2005, Macamo 2006.

<sup>29</sup> Coordinated through public economic and social policy and finance mechanisms and focused on broad based economic and social growth and development dynamics.



believes that aid flows are a direct function of policy compliance with donor requirements. Thus, the government may well take the visible lead to implement a donor/lender driven strategy if it believes that this maximises aid flows over a long period of time, while keeping hidden ownership of its own agenda that is focused on maintaining aid flows at the highest possible level for as long as possible. This means that the government pursues its own “hidden” strategy to maximise aid flows over time by showing leadership in the implementation of a strategy not owned by the government – and that the government has no interest in owning. A few stories from the Mozambican experience may help to clarify this matter.

There is a joint donor/lender and government 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 matrices for all parties. 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.<sup>30</sup> Government officials know that at the end of the day the indicators selected by donors are those that matter most because of implications for aid flows, even if they are not the most important ones for the sectors concerned from the point of view of overall social development. Irrespectively of whether the intentions of the system are genuine and honestly related to promoting development, this system introduces further policy rigidities, narrows policy space and alienates government institutions and officials from keeping focused on the key development questions.<sup>31</sup>

Government officials often say that they look at these targets and indicators only for the period of the Joint Review (JR) and Mid-Term Review (MTR),<sup>32</sup> when they have to be accountable to

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<sup>30</sup> Castel-Branco 2007a and 2007b, de Renzio and Hanlon 2007.

<sup>31</sup> Castel-Branco 2007b, Killick, Castel-Branco and Gerster 2005, Macamo 2006.

<sup>32</sup> 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.

donors and lenders, because these are not the indicators that form part of the key business plan of the government.<sup>33</sup>

During the official launching of the JR 2007, a very senior official from the Mozambican government emphasised to his colleagues from other Ministries that the conditionality targets selected by donors for the Government need to be met because this is the pre-condition required to maximise external aid flows to Mozambique. No one, during that meeting, discussed whether such indicators and targets are important for the welfare of the country in any other way than their impact on aid flows. This kind of discourse is *common currency* even at the highest political level – it is not uncommon to hear members of the Council of Ministers presenting the same arguments.

*3.1.3. 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, as is the case of the Washington Consensus type (which most donors support or, at least, do not question strongly and consistently), and if the government does not believe that it has the policy space, voice and capacity to influence the reform agenda in any meaningful form, 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 implementation of the programme to the degree deemed necessary to keep aid flowing. In this case, the government would not even seek ownership and leadership, but only visibility. Hence, the strategy of the government would be to have no obvious strategy, other than following what donors say.

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.<sup>34</sup> Donors in Mozambique have been arguing that as long as the government keeps its pro-poor budget, aid flows will continue and may even scale

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<sup>33</sup> Interviews with officials from the Ministry of Planning and Development and the Ministry of Finance.

<sup>34</sup> Government of Mozambique 2006, Ernst & Young 2006a.

up. A pro-poor budget is defined by donors and lenders as one that is focused on basic primary education, health services, water and sanitation and roads, HIV/AIDS, gender sensitivity, good governance, anti-corruption and monetary stability, this is, generally, the millennium development goals.<sup>35</sup>

In 2005, a high level donor mission,<sup>36</sup> 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.<sup>37</sup> One of the members of this delegation said 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. Thus, either ownership is nothing but empty rhetoric, or it is unnecessary for leadership, commitment and success. Or else, *ownership* means that the recipient agency does what *everybody knows* to be the correct thing to do.

As it has been put by a senior civil servant in the health sector in Mozambique, under aid dependency and given 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.<sup>38</sup>

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

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<sup>35</sup> Interviews with 17 donors providing general budget support to the government of Mozambique, reported in Ernst & Young 2006a.

<sup>36</sup> Killick, Castel-Branco and Gerster. 2005.

<sup>37</sup> Paris High Level Forum. 2003.

<sup>38</sup> Ernst & Young. 2005.

the policy implications of such patterns are, these are heretic questions not to be asked or answered.<sup>39</sup>

Thus, irrespectively of the heated debates involving government officials, entrepreneurs, workers, farmer associations, scholars and other social groups about the need to re-allocate aid to direct productive investment and productive capacity building on a broader social and regional basis,<sup>40</sup> all government social and economic programmes in Mozambique 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.<sup>41</sup> 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. Good governance rhetoric keeps the system going and the government on its toes...sometimes.<sup>42</sup>

It cannot be surprising that government officials are often looking for leads from donors to follow and not committing to any clear strategy. During the visit of the high level mission in 2005, mentioned earlier, the leader of the delegation made a very powerful presentation about the principles of the Paris Declaration, in particular about the relevance of programmatic aid under the leadership of the government. She asked the high Mozambican delegation that was present in the meeting to comment on these issues. One of the Mozambican officials, who

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<sup>39</sup> Castel-Branco 2006a and 2006b.

<sup>40</sup> Cassen 1994, Castel-Branco 2005b, 2005c and 2004b, Castel-Branco, Sulemane *et al* 2005, Ernst & Young 2005b, KPMG 2006, UNCTAD 2006.

<sup>41</sup> Killick, Castel-Branco and Gerster. 2005; Ernst & Young. 2005; Ernst & Young. 2006a; KPMG. 2006; Castel-Branco. 2007a.

<sup>42</sup> 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 (Castel-Branco 2004b and 2002a). 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 (Castel-Branco 2006b, 2006c, 2005b and 2004b). 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 2002a and 2004a, Castel-Branco, Sulemane *et al* 2005).

would, later, became a senior member of the Government, warned that the principles of ownership and leadership by the government, mutual accountability and harmonization and alignment of donors should not become new aid policy-based conditionality. The other, who was already a senior member of the Government and led the Mozambican delegation, thanked donors for their initiative to align and harmonize but declared that Mozambique would welcome all donors, lenders and their initiatives, irrespective of their approaches to aid harmonization and alignment.

It was from the official Mozambican government delegation that came most of the scepticism about alignment, harmonization and recipient government leadership. This may have been caused by two factors: (i) lack of trust on the motivation of donor initiatives as they are often presented as the only alternative and the last word in best practice, even when there is no evidence, or even any practice at all, to prove it; and (ii) the focus of the government of Mozambique on maximising aid flows such that the government chooses to accept any donor, particularly when a few large ones, such as the USA and Japan, are not particularly interested in the Paris Declaration principles.

Irrespectively of any other factor explaining that scepticism, if the government believes that all it has to do is to implement what *everybody already knows* that have to be implemented (this is, if the government believes that it does not have any real policy space) why should government try to pursue any other strategy that is not confined to maximising the quantities and time span of aid flows? In addition, such a strategy is convenient as political expedient – 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.

#### *3.1.4. Shifting the blame – an escape route strategy*

A recipient agency that is under pressure to adopt a reform package (by donors) and to resist to it or to adjust it (by local, established interests negatively affected by, or simply critical of, the reform) may choose a strategy of 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 the reform understand that the reform package has been imposed by donors, who have also left very little

policy space for government initiative and institutional innovation. One of the various ways of achieving these results is by abdicating from taking strategic decisions in the cases in which these decisions can be contested.<sup>43</sup>

Given deep and multidimensional 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 may 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 quite willing to share or take the blame as long as the recipient agency implements the defined reforms.<sup>44</sup>

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 resource allocation decisions in the case of competition and conflict between government departments.<sup>45</sup> 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, defensive negotiation is kept open and free, 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 incapable of dealing with internal contest and conflict regarding policy options adopting 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 to the lender.<sup>46</sup>

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<sup>43</sup> Chang 1996.

<sup>44</sup> Berg. 2002; Beynon. 2002; Hopkins. 2002; Cassen. 1994; Morrissey. 2004; Mosley. 1988.

<sup>45</sup> KPMG. 2006.

<sup>46</sup> Similar arguments can be made about the accelerated privatisation programme in general, and more specifically about the financial sector reform.

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 is hidden...for everybody to see; leads the implementation of a formal and open strategy over which the government has no ownership and is not interested in having it; 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 and government is fragmented.

### *3.1.5. Commitment without ownership or leadership*

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, whether the recipient agency believes in the reform or not, the perception of the recipient agency about short and medium term advantages of the reform 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 took to privatise them, the Mozambican experience of privatisation is a great success story, as 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 massively 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. 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, in increasing dynamic revenue, in the medium run, accruing from the expected efficiency gains at firm level resulting from privatisation, 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.<sup>47</sup>

External pressure came from lenders and donors in the form of policy conditionality. In the 1990s, in each Policy Framework Paper (PFP)<sup>48</sup> specific quantitative targets for privatisation (number and even names of the firms to be privatised and deadlines for privatisation to be finalised) were set as part of key policy conditionality linked to disbursement of foreign aid.<sup>49</sup>

The rhetoric of the era of privatisation was about the development linkages that privatisation could enable: investment, jobs, training, productivity, trade, new technologies, efficiency in resource allocation, dynamic fiscal linkages (those accruing from efficiency and productivity gains at firm level), and development of a domestic 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 often assessed. Not even revenue concerns were considered in setting quantitative targets for privatisation, despite the fact that privatisation was

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<sup>47</sup> Castel-Branco and Cramer 2003; Cramer 1998.

<sup>48</sup> 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.

<sup>49</sup> Castel-Branco and Cramer. 2003. and Cramer. 1998.



supposed to address liquidity constraints faced by the state budget (through the selling of assets, dynamic revenue gains and attraction of speculative finance to productive use). Of course, there were no targets related to performance of privatised firms.

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; most of the private investment occurring since the privatisation campaign was made in *new* large and foreign owned firms (not the ones resulting from privatisation), and almost all investment made in privatised firms was done in firms bought by very large foreign companies based in oligopolistic markets (such as beer, sugar and cement); the domestic entrepreneurial class did not develop (either in numbers or quality); dynamic fiscal gains (from increased efficiency of the firms) have been minimal and domestic buyers of assets have failed to pay two thirds of the purchasing value of the assets acquired (what is known as an implicit subsidy to create the national, *rentier bourgeoisie*).<sup>50</sup>

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 and industrial linkages and almost no fiscal contribution), direct productive economic dynamics in Mozambique has been very limited.<sup>51</sup> 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.<sup>52</sup>

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.

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<sup>50</sup> Castel-Branco. 2004b and 2003, Castel-Branco and Cramer. 2003, Castel-Branco, Sulemane *et al.* (2005), Cramer. 1998, Biggs, Nasir and Fisman 1999, Nasir *et al* 2003.

<sup>51</sup> Castel-Branco. 2004a and 2004b, 2003 and 2002.

<sup>52</sup> Castel-Branco. 2005a, 2004a and 2004b and 2003; Castel-Branco, Sulemane *et al.* 2005, Castel-Branco and Cramer. 2003; Cramer. 1998.

Furthermore, the government has never accepted the blame for poor results with respect to social and economic impact of privatisation. Blame for poor impact results 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.

### *3.2. 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.<sup>53</sup>

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.<sup>54</sup> 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

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<sup>53</sup> See, for example, Hopkins. 2002; Mamdani. 1991; Mkandawire. 1991; Mkandawire. 1992; Morrissey. 1999; Mosley. 1988; Mosley, Harrigan and Toye. 1995; Schvarzer. 1991; Tarp. 1993; Vreeland. 2003; Wuyts. 1991.

<sup>54</sup> Morrissey. 2001; Mosley. 1988; Mosley, Harrigan and Toye. 1995; Tarp. 1993.

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 also 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.<sup>55</sup>

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.<sup>56</sup> 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 second approach recommends that development aid is delivered only to countries that choose the sound (Washington Consensus based) path of reform voluntarily and are committed to implementing the associated reforms. This means that such countries own their reform package. Therefore, monitoring costs and leakage would be minimal given that the recipient governments are committed to the reform package they have chosen and initiated. Hence, the likelihood of success of such reforms and reformers would be high.<sup>57</sup> In this second approach ownership matters, but only in so far as the recipient agent chooses the “right” set of policy reforms, usually related to the Washington Consensus type of approach.

Four conclusions can be drawn from the points made above. First, the balance of power between aid dependent and donor countries is unequal. Second, aid, policy advice, often in the form of policy conditionality and mechanisms of monitoring with pre-defined trigger mechanism form part of the policy reform package on offer and are often directly linked, as conditionality, 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

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<sup>55</sup> 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.

<sup>56</sup> Mosley. 1988; Mosley, Harrigan and Toye. 1995; Morrissey. 2004.

<sup>57</sup> See various chapters in Addison, Hansen and Tarp (editors). 2002; Dollar and Svensson. 2000; Benyon. 2002.

occurs in a context of social conflict and contest, winners and losers, conflicting interests and different perceptions of the crisis and options.

Thus, if on the one hand recipient country “ownership” is not part of the history of aid and aid dependency,<sup>58</sup> 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.

Recipient, countrywide ownership of policy, structured around a higher national interest, implies that the perception of the crisis and options, which define the content and direction of the reform package, are shared and accepted by all dynamic 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,<sup>59</sup> 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 exert power, rather than being only linked with ideas and implementation. In Mozambique, the contrasting cases of cashew nuts and sugar are only two of many examples of this.

### *3.3. Contrasting the cases of cashew and sugar industries: contested ownership and control in a multidimensional scenario*

The previous section argued that “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

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<sup>58</sup> Bastian and Lucham (editors). 2003; Arvin, Barrilas and Lew. 2002; McGillivray, Leavy and White. 2002.

<sup>59</sup> 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 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.

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 documents and 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.<sup>60</sup>

A comparative analysis of developments in the sugar and cashew industries may illustrate these points. Box 1, below, describes the main similarities and differences between these two industries, quite apart from technical differences associated with their production processes.<sup>61</sup>

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<sup>60</sup> Kim 1997, Koo (ed.) 1993, Lie 2000, Shin and Chang 2003.

<sup>61</sup> 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.

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 the priorities for privatisation and rehabilitation to avoid excess capacity; (ii) pricing policy based on a flexible levy on the price of imports, when this price falls below a certain historical, average price. 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.<sup>62</sup>

The industry that developed in line with the existing industrial structures (historically established) and the policies adopted is highly integrated vertically in Mozambique (each estate incorporates sugar cane production as well as industrial processing of sugar) and regionally (involving the coordination of suppliers of inputs, managerial skills and maintenance). The four sugar estates (controlled by three large international corporations) 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 around which private and public interventions are negotiated and implemented.

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<sup>62</sup> A national sugar trading agency was created to perform such coordination for the domestic and the world markets.

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

SUGAR	CASHEW
<b>Differences</b>	
<b><i>The structure of the industry:</i></b>	
Mostly unified, as agriculture and processing activities are integrated. Tongaat-Hülfet 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 the 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. <sup>63</sup>
<b><i>The size of the firms:</i></b>	
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.
<b><i>Business specialisation:</i></b>	
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.
<b><i>Investment:</i></b>	
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.
<b>Similarities</b>	
<b><i>State of the firms at privatisation:</i></b>	
Firms were devastated during the war; were privatised after the economic reform program started.	
<b><i>Market conditions:</i></b>	
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.	
<b><i>Policy support requirements:</i></b>	
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.

<sup>63</sup> 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 (Entrepoto) and Kekobad Patel (Enacomo)].

The World Bank and IMF are opposed to the pricing policy because, they argue, it is inconsistent with trade liberalisation, but 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 tried to force the government to abandon the policy and, having failed to do so because of pressure from the industry, demanded a study on the impact of the pricing policy on poverty reduction using static, welfare economics. A study commissioned by the industry, with its own terms of reference, indicated that the pricing policy was central for the survival of the industry and for its ability to generate development externalities in the rural areas where it is located. 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 annually, as if the world market conditions faced by the industry, which are highly “imperfect”, do not matter.<sup>64</sup>

In addition, three other factors encouraged the IMF to relax pressure for liberalisation: (i) the backing of the policy by international sugar and financial corporations and other multilateral agencies; (ii) the scale of investment already made<sup>65</sup> and the threat, by investors, to withdraw in case the pricing policy was reversed; and (iii) the oligopolistic character of the industry that encourages and facilitates coordination, which is reinforced by the existence of a sugar producers’ association that is capable of financing and organising its own lobbies.

Unlike sugar, the cashew industry is fragmented: peasants, traders and industrialists have conflicting interests and the more powerful agents are large traders. Before privatisation, exports of raw cashew were discouraged by an export tariff. After privatisation, the government was put under pressure by the World Bank to liberalise these 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, while India’s cashew orchards were being expanded to achieve self-

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<sup>64</sup> Or it is as if IMF officials are incapable of understanding real, rather than textbook type, markets.

<sup>65</sup> 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.



sufficiency. 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, this sharp increase in imports increased the world price for raw cashew in absolute terms. On the other hand, the sharp increase in the supply of processed cashew by India and Vietnam forced the processed nut price to fall. This process was, as expected, short lived and when the new Indian and Vietnamese cashew orchards started to produce, imports of raw cashew fell and so did its export price.

Countries like 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 markets shares. Countries like Mozambique, which abdicated from processing in order to take advantage of short-lived relative gains associated with exports of raw materials, 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.<sup>66</sup>

The second point that the World Bank analysis did not understand was the oligopolistic nature of rural commercialisation in Mozambique,<sup>67</sup> particularly with respect to commodities for export, and its impact on the distribution of gains from liberalisation in favour of large traders. 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 oligopsony. The World Bank analysis also failed to recognise the specific long-term business links between large traders in

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<sup>66</sup> Pereira Leite 1999 and 1995, Africa America Institute 2001 and Hanlon 2000.

<sup>67</sup> See, for example, Mackintosh 1987 and 1986.

the North of Mozambique and in India, and the role of raw cashew exports in fuelling such a relationship.<sup>68</sup>

Third, given the dynamics of the peasant economy in Mozambique,<sup>69</sup> 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, effort and investment needed to specialise on one commodity and one market, over which they have no control, even in the unlikely event that they had the amount of labour and capital needed to make such an investment.

Because of the fragmentation of the industry and the reactive action of the state, no coherent policy emerged. Large traders sought liberalisation because they would be able to earn significantly more by exporting unprocessed nuts than by selling them to domestic cashew processing factories.<sup>70</sup> Manufacturers sought protection to have access to raw materials at low price. 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.<sup>71</sup> 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.<sup>72</sup> Generally, there was no systematic analysis of all the other, more important, conditions that could help the industry to develop. These included

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<sup>68</sup> Pereira Leite 1999 and 1995. By exporting unprocessed cashew nuts, the margins of the domestic traders increased by 50% to 10 times relative to what they would get by selling to local industries, depending on the fluctuation of relative prices of unprocessed and processed cashew nuts in the world market, but only for a short period of time (until 1999). Had traders continued to sell the raw material to local processing firms rather than exporting, their margins would have averaged 38%. For data on trading margins, see Pereira Leite 1999: pp. 45.

<sup>69</sup> See, for example, Bowen 2000, O’Laughlin 1981, Wuyts 1989 and 1981.

<sup>70</sup> Pereira Leite 1999.

<sup>71</sup> 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 and Cramer 2003, Chang 1996 and Khan 2001.

<sup>72</sup> See, for example, Cramer 1999.

access to finance for working capital and equipment, 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.<sup>73</sup>

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. 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.<sup>74</sup> 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.

It has been argued that had manufacturers intervened directly in the commercialisation of the raw nut they would have obtained the raw material at a lower cost, thus rendering processing viable at a lower level of protection.<sup>75</sup> However, this argument misses two important points. First, more than two thirds of the factories, including the largest ones, were owned by economic groups also involved in trade. Some of them have become traders and exporters of unprocessed cashew nuts because of the unfavourable conditions faced by the processing industry.<sup>76</sup> Diversification into trade or into manufacturing is a means to wider business options and to maintain a foot in the industry. By getting involved in trade, manufacturers have the option to export processed or unprocessed cashew nuts, depending on relative advantages at any point in time. However, firms would under invest in the factories if they have no commitment to processing the nut.<sup>77</sup> Firms cannot base medium and long-term investment decisions in manufacturing upon volatile and unstable international prices, which are also affected by the capabilities, strategy and actions of competitors. As manufacturers became

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<sup>73</sup> Castel-Branco and Cramer 2003 and Cramer 1999.

<sup>74</sup> See, for example, Africa America Institute 2001 and Hanlon 2000.

<sup>75</sup> See, for example, Cramer 1999.

<sup>76</sup> Interviews with Rogério Nunes (Entrepoto) and Raimundo Matule (INCAJU). Not all factories were bought by traders of unprocessed cashew, but larger domestic economic groups diversified into cashew processing and then into trade in unprocessed cashew nuts as part of the group strategy to minimise risk and ensure viability.

<sup>77</sup> Strategic commitment is also associated with lowering of risk and more efficient links between manufacturing investors and the banking system. For a more general and theoretical discussion, please refer to Chandler 1977, various articles in Chandler, Hagström and Sölvell (eds.) 1998, Rasmussen 1994, Chang 1996.

more involved in trade, the prospects for the processing of cashew nuts become bleaker. Thus, state policy – driven by the combined influence of large traders/exporters, the World Bank/IMF and the contest within a fragmented industry – has driven the industry and its agents away from manufacturing. As the quantity of raw cashew nuts available is not yet increasing,<sup>78</sup> the next step in restructuring the cashew nut industry in Mozambique might well be the rationalisation of marketing, which may require, amongst other policies, further concentration of power and the establishment of market barriers to entry by the incumbent traders.

The second point is that firms need extensive and loyal networks to succeed in large-scale rural commercialisation in Mozambique. Given that most cashew trees are owned by very small and dispersed producers, commercialisation of raw cashew nuts requires a very large, and costly, network of formal and informal traders. Large traders/exporters trade in a wide variety of goods and services with retail traders and farmers: purchasing of a variety of surpluses from farms, and supplying of manufactured consumer and investment goods, trade related credit, transports and the services of small cereal milling and peeling units that are crucial for the peasant economy. Large traders have the social and economic base upon which to build loyal networks with retail traders and farmers.<sup>79</sup> Some of these large traders also own cashew nut processing factories that have closed or scaled down because of shortage of raw materials. Thus, they make conscious decisions to export unprocessed rather than processed cashew nuts. In a way, their gradual move into the manufacturing component of the industry has undermined processing of cashew nuts. New entrants into cashew nut trading may not have the advantage of these networks and may not be able to compete with incumbent traders.<sup>80</sup>

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

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<sup>78</sup> See Pereira Leite 1999 and 1995.

<sup>79</sup> It is unlikely that peasants and retail traders in rural areas will shop around to see who can offer the best conditions for each of the crops, each of the services, for money, etc. They do not have many options, and there is a considerable cost in shopping around, including that of losing the contact with the established network.

<sup>80</sup> 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 better income distribution.

granted that liberalisation is almost always possible and beneficial. In the case of these 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.<sup>81</sup> 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 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 affects 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 and, by doing so, they also reinforced the fragmentation of the industry and the power of the dominant trading group.

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 is not the case in the cashew industry.

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<sup>81</sup> Rasmussen 1994.

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 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 in international sugar business. Exit was prohibitive for sugar producers 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. The government has the opportunity to use corporate strategy and production conditions as tools to impose performance targets tied to investment incentives. This could be done by encouraging profits to be re-invested in the diversification of the industry into sugar based or sugar containing products, development of independent cane grower schemes, or more investment in rural infrastructures (which could develop domestic linkages and increase the social benefit from the industry's rents), or higher taxes (which would increase the size of uncommitted surplus available to finance public policy).

### *3.4. Aid dependency, donorship and ownership<sup>82</sup> in technical assistance in agriculture: the case of PROAGRI and agricultural policy analysis*

Agriculture provides many interesting examples about the construction of patterns of aid dependency, the emergence of appropriation without ownership, leadership and commitment, and how these affect the patterns of capacity development and public sector policy and interventions in the sector. Two examples, PROAGRI and the direction of agricultural policy analysis, both within the Ministry of Agriculture, will illustrate some of these interesting points.

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. For donors to join and finance PROAGRI, a set of principles had to be defined to shape the operation of the government. One of such principles was that the government could not provide services directly to producers. If such services were to be provided, the government would have to outsource them from private firms. This principle was almost imposed by some donors and is consistent with the notion of a non-interventionist state that only facilitates and regulates the operation of markets, which, in turn, work better if the state is nothing but an assistant of the market. Such principle is also consistent with the idea that a less interventionist state is less prone to corruption and mismanagement of resources, simply because it has less power and resources and is less relevant than a more interventionist state.

There are three obvious problems with the application of this principle. First, even in advanced and industrialised economies the state provides services to producers that yield increasing returns to scale and higher social than private returns. In LDCs, where the majority of producers are small and poor, it is likely that the development relevance of service provision by the state to producers is even bigger than in developed economies. Second, the number, scale, experience and capacities of firms that can provide quality, on time and cheap services to agricultural producers are not adequate. In Manica, for example, private sector focused agriculture services have been developed to operate only with the larger and more sophisticated producers involved in specialised production of high value crops: tobacco,

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<sup>82</sup> The “Donorship and ownership” of the title of the section is borrowed, with thanks, from the title of Cramer, Stein and Weeks 2006.

paprika and flowers.<sup>83</sup> So, if the state does not provide productive services, who else can do it? Third, if the state does not provide services, what else does it do?

Despite the fact that the state could not provide services, huge sums of money were allocated to the Ministry of Agriculture. Consequently, PROAGRI resources were almost all spent on what was called institutional capacity building – a combination of scholarships for master degrees together with investment in buildings, office equipment, computer systems, cars, technical assistance and civil servant salary top ups, with no impact whatsoever on the quality of any services and on the development of the commercial agricultural activity.<sup>84</sup> The Ministry developed a pattern of acute aid dependency and a corporate culture of unproductive use of resources. Several evaluation reports of PROAGRI have shown that public finance management was the only area of the Ministry of Agriculture that showed significant improvement over the period because of aid and budget management requirements.<sup>85</sup>

In the last Joint Review (JR 2007), donors criticised the Ministry of Agriculture for not being capable of delivering much needed services to producers. Given the history of PROAGRI and its principles, donors can criticise the government with respect to poor service delivery to agriculture only if there has been a change in fashion somewhere, or some loss of memory amongst donors has collectively occurred!

Another example of how state operation can be shaped by a combination of donor and recipient agencies' ideology and interests, still in the agricultural sector, is related to policy analysis. With the support of a Michigan State University (MSU), a system of technical assistance focused on policy analysis, combined with salary top ups and significant investment in education and training, was established. The research focus of the relevant MSU department was small scale farmers. The arguments for this research focus varies from the more ideological one, which emphasise that pro-poor policy analysis should be focused on the individual small farmers, because they are the poorer; to the more technical argument that refer to the dynamics of the multiplier effect of income accruing to smaller farmers, linkages potential, gender relations, and so on. These approaches do not consider that these individual

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<sup>83</sup> Castel-Branco 2005c.

<sup>84</sup> See, for example, Ministry of Agriculture. 2004.

<sup>85</sup> See, for example, Ministry of Agriculture. 2004; Scanteam. 2006; Killick, Castel-Branco and Gerster. 2005; Ernst & Young. 2006b.



farmers are part of a more general system of capital accumulation and thus are related, in many different ways, with different markets and other agents. Hence, these arguments neglect the fact that understanding the overall context of production and trade of these families and their overall livelihood strategies and concerns is far more important than making assumptions about the scale of their family farm and their efficiency as agricultural producers.

It is not surprising that the department of policy analysis of the Ministry of Agriculture became also almost entirely focused on smaller farmers and dominated by micro-statistics and micro-econometrics with very limited social, political and economic contextualisation. All their staff was trained within these paradigms and supervised by senior policy analysts and researchers working along these lines. Additionally, this analytical framework is also supported by many donors and is politically convenient for the government at various levels.

For example, a study of the 21 district strategic plans in the Northern Province of Namibia showed that all districts, irrespectively of their geo-climatic, socio-economic and historical particularities, defined “support to agricultural household production” as their main priority. Amongst the key reasons for this fact is that supporting household production is central to government and donor poverty reduction and development discourses. As all districts wanted to have strategic plans quickly approved, such that they could become “model” districts and increase their bargaining power vis-à-vis donors, they adopted the easy path for guaranteeing that their plans look sound, which was to write what they knew the government and donors want to read.

Over the last 10 years, the fundamental dynamics of investment, production, trade and markets in agriculture and rural areas have been dominated by large scale investment – sugar, cotton, tobacco, paprika, soy, amongst others. Policy analysis has largely neglected such dynamics and data on investment, production, technology and trade has not been systematically collected, analysed or utilised for policy analysis and development. Despite the fact that existing statistics show the importance of wage work for rural households, the sources of wages have barely been studied. The out-growers involved in production of sugar cane, tobacco, cotton, soy and paprika have mostly been studied as if they are individual small farmers competing in the market rather than part of a system of production, credit, technical

assistance and trade controlled by large foreign trading firms with a strong local basis and regulated market relations.<sup>86</sup>

The above examples may raise a key question: whether a passive state that is happy with increased aid flows that finance delivery of basic social services; a national *rentier* and *consumist* bourgeoisie, of which the elite of state bureaucrats are part; narrowly focused foreign investment dynamics looking for energy, minerals and oligopolistic markets and strongly de-linked from the rest of the economy; and the influence of orthodox economic thinking exerted through the dynamics of aid dependency may have conspired together to construct a pattern of development that is aid dependent.<sup>87</sup>

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

##### 4.1. *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. No one of these agents – state, civil society organizations, donors, local communities, social groups, gender and age based groups – is neutral relative to their own interests and perceptions and those of the others, is autonomous from the influence of the others, and is independent of the social and economic conditions and challenges that they face. 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.<sup>88</sup>

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<sup>86</sup> See, for example, Ministry of Agriculture. 2005. CEPAGRI (formerly known as GPSCA), an institution that was created in the Ministry of Agriculture to deal with commercial agriculture, was until recently the only one trying to collect and analyse data on private investment and private activity, and to develop methodologies to analyse and evaluate private sector projects and requests for government support to private investment. Until recently, CEPAGRI's work was not well accepted by the department of policy analysis in the Ministry of Agriculture and its technical assistance team because it was focus of the dynamics of commercial private sector development rather than on peasant households.

<sup>87</sup> Wuyts. 1991.

<sup>88</sup> 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 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?

On the contrary, ownership is a contest for influence and power; it is a political, social and economic rent that results from political, social and economic dynamics. 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 its theoretically-argued strategy should be. Of course, the relationships between the agencies are dependent on history and what the structure and dynamics of social, political and economic development are. As a matter of fact, most agencies 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.<sup>89</sup>

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 over other agencies or parts of other agencies, 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.<sup>90</sup>

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.

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<sup>89</sup> Fine and Saad-Filho. 2004.

<sup>90</sup> Fine and Rustomjee. 1996; Fine and Saad-Filho. 2004; Castel-Branco. 2002.

Fourth, real 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, the autonomy, the flexibility and the power of the state vis-à-vis donors is usually significantly more vulnerable to the dynamics of donor and of donor-recipient government politics. 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 allocation of resources, and lists of performance indicators, that one has to wonder if there is any room at all left for government autonomy (from donors) and flexibility. 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 and focused ownership model really is.<sup>91</sup>

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 bound 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). Ownership is not only about “being there”, “voting”, “speaking”, it is mostly about the contested influence on substance – it does not matter 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, etc. Being contested power, and focused on substance, ownership is about the articulation of conflicting interests and perceptions by different groups – class, gender, generation, etc. – 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.

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<sup>91</sup> De Renzio and Hanlon. 2006; Fraser. 2006; Macamo. 2006; Hodges and Tibana 2005; Plank. 1993.

#### 4.2. *Shared and articulated ownership*

As mentioned in earlier sections, in its purest form ownership of the policy programme means that the programme is completely and autonomously originated and initiated by the recipient agency. In this context, the superior case of pure ownership is the potential recipient agency that develops and implements a policy reform package before requesting any support from donors; such that when donors join in they support the existing programme rather than bringing one with them.<sup>92</sup> However, this is a highly simplified account of the policy process – it does not account for the complexity of the policy process or for 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, experts, interest groups, perceptions, challenges, pressures and linkages. Hence, any substantial policy reform package has many owners, and needs to have many owners.

For example, a government can decide that the priority in education is technical and engineering training, to start and/or 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 requires substantial external technical assistance. All of these factors and processes affect the substance of the end product.

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<sup>92</sup> As mentioned in earlier sections, one, extreme, stream in the aid literature argues that aid should be provided only to countries that, on their own, have chosen the right policy path, usually coincident with the Washington Consensus recipe, because these are genuine reformers – see, for example, Dollar and Svensson. 2000, and the debate in Addison, Hansen and Tarp. 2004. Whether this approach can be counted as genuine ownership depends on how the policy process is understood to develop. This question is discussed in another section.

Thus, even in the best and simplest case scenario, from an institutional point of view ownership is a dynamic, joint and collaborative process. If conflict and contest is added to this process – this is, different interests and a subsequent struggle for influence over the direction of the policy – then, the complexity becomes much bigger, such that ownership becomes an even more dynamic social issue.

Furthermore, a development strategy and policy programme (global, sectoral, 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 and pressure.

So, if a government privatises and liberalises utility assets and markets (water, energy), to what extent is this decision 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 loses 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 win.

#### *4.3. Ownership and learning*

Moreover, 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 the social it intends to act upon because it is generated as part of, and is learned and changed through

social dynamics.<sup>93</sup> Social theory and analytical methodologies are learned through studying, policy advice, experience and pressure and can be institutionalised into corporate analytical approaches. Social theory and analytical methodologies 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 strongly supported, it may actually be the case that the potential recipient adopts a policy package mostly because it is known to attract donors. For example, in a forum on aid effectiveness in Vienna,<sup>94</sup> a scholar from Uganda presented the experience of the country with aid policy and strategy. He emphasised that the reform programme was entirely Ugandan and own by the Ugandan society. Nonetheless, this programme was no different from the ones imposed by the Bretton Woods institutions all over Africa. When asked about this “coincidence”, the Ugandan scholar replied that this was the only programme that donors and, consequently, the government were willing to adopt. By showing commitment to the reform package preferred by donors, the government of Uganda 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 without the direct involvement of the IMF and World Bank experts. This was the first time, in the 1990s, that the Government of Mozambique produced its own programme independently. The IMF, the World Bank and the United Nations praised the technical expertise reached by the Mozambican staff of the Gabinete de Estudos. The Government claimed that this was a programme fully adjusted to the realities of Mozambique. Yet, even a superficial scrutiny (not to speak of a close one) could easily show that the most

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<sup>93</sup> Thorbecke. 2002; Hjertholm and White. 2002.

<sup>94</sup> High Level Symposium “Country-level experiences in coordinating and managing development cooperation”. Vienna (19-20 of April, 2007).

significant difference between the 1998 programme and its predecessors, which had been formulated in Washington, was that the 1998's was originally written in Portuguese.<sup>95</sup>

#### 4.4. *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 the 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 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, linking agro and industrial processes); utilisation of capital or labour intensive methods of construction, local or imported materials, local or foreign firms] affects the results of the road construction (more or less sustainability, more or less positive local developmental externalities, and so on). 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.

The other point is about the intended results: what are they and how are they 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; this is, whether the object (a road, health centre, school, farm, factory, etc.) can actually be a vector to achieving the social and economic intended impact. 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

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<sup>95</sup> *“Eastern and Southern African Regional Conference on Debt Cancellation”, Maputo, 1998.*



many schools, health centres, miles of new roads, water systems, etc., 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 externality are interlinked in such ways that it does not make much sense 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 and perceptions? If this is the case, measuring or evaluating success is part of the struggle for ownership.

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 adopted and starts, no one cares about whether the goals on which the action was justified are actually being achieved. All that matters is whether the privatisation programme is being implemented. It is as if once the reasons why something should be done are known, all that is left is to implement the task because the broader goals (the justification to implement the task) can take care of themselves. 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.

This point can be generalised to almost any evaluation of success in socio 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<sup>96</sup> includes some interesting conflicts of perception in different chapters (obviously written by different people who were too busy to take the time to

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<sup>96</sup> Biggs, Nasir and Fisman 1999.

read what the other authors had written). On one chapter, the increasing narrowness of the production, skills and trade structures of the country is described as a measure of success because it reflects an increasing market led specialisation around comparative advantages. In a different chapter, the same issue (increasing narrowness of the production, skills and trade structures) is described as an indicator of underdevelopment and a dangerous development trend. In none of these chapters the authors demonstrate the links they are assuming (between narrowness and market driven efficiency, or between narrowness and dangerous development trends).<sup>97</sup>

Every year the Government of Mozambique produces a comprehensive report in which all the infra-structures built, students graduated, patients treated in health centres, legislation approved, etc., are recorded. The report always concludes that poverty is thus reducing, but no logical link is established between the actions undertaken and the result (on poverty) and no detailed social and economic impact of the undertaken actions is done. At the same time, civil society organizations produce, every year, a report that shows that poverty is not falling, the quality of education is collapsing, health centres do not work well, and so on. Leaving aside technical weaknesses related to these reports, they are obviously asking different questions and measuring different indicators. Therefore, they reach different answers.

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 and power. 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.

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<sup>97</sup> See Castel-Branco 2000a, chapter 4, for a detailed discussion of this report and issue.

## 5. Conclusion

While making a presentation about public and private investment, employment and poverty reduction in Mozambique, during an economic conference in Maputo,<sup>98</sup> I was confronted by a classical, and highly expected, question from the audience: *how the government of Mozambique could consider the issues I was raising for policy analysis and development if the key decisions about Mozambique's development path are taken by foreign agencies*. My answer was more provocative than profoundly analytical and had two parts. In the first part 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 Mozambique*. In the second part of the answer I asked: *what different does the nationality of the decision-maker make, if the decision is precisely the same and based on the same assumptions, which so often are completely irrelevant for the problem under analysis? Is it a problem of nationality of the analyst and decision-maker or of the paradigm, method and approach that he/she pursues and develops? 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. If it is not forgotten, at least some people will think again about the issue. Second, I think that my simplified and provocative answer actually 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

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<sup>98</sup> Second Millennium BIM Economic Conference "Planning and Strategies for Reduction of Poverty" (11<sup>th</sup> of October, 2006). Maputo.

agenda only because it differs from what donors or other agencies believe the government should be doing? The article also suggests that ownership of policy dynamics and process cannot rest with individual agencies, such as the government, because it is a contested, political economy process. Government is not autonomous and insulated from the contest for power. In a simplified and provocative manner, we can ask *who owns the government 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. 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.<sup>99</sup> 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 each case of 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. Otherwise, the process of achieving such a shared vision of development involves a fundamental trade-off, between form and substance.<sup>100</sup> 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.

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<sup>99</sup> Hirschman. 1970.

<sup>100</sup> The Action Plan for Poverty Reduction in Mozambique 2006-2009 (PARPA II) and the 2025 Agenda are examples of this trade off. In order to keep a nationally shared vision of the way forward they include everything, with no clear choices and priorities (more specific than vague sentences like *development* and *poverty reduction*). Despite the rhetoric, these documents play only a negligible role in guiding policy and allocation of public resources.

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 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 – under certain circumstances the government may choose 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. The Sach's millennium village projects and the UN millennium development goals build success on aid dependency and build aid dependency on the 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 better, more solid and dynamic, realistic and, therefore, relevant analytical framework to study conflict and contest for power, ownership and influence in policy making and implementation. 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 but 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.<sup>101</sup> 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 21<sup>st</sup> Century.<sup>102</sup>

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 on the field 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.

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<sup>101</sup> Castel-Branco 2004a, 2004b and 2002a, Castel-Branco, Sulemane *et al.* 2005., UNCTAD. 2006.

<sup>102</sup> Castel-Branco. 2002a, 2004a and 2004b; Fine. 2006, Fine, Lapavitsas and Pincus (editors). 2001, Fine and Rustomjee, 1996, UNCTAD. 2006.

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 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 socially-engineered 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 party involved.

It might be pointed out, as a way of criticism, 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 – it is not a task that can be accomplished through the support of some external agency that claims to be neutral and expert in the process. So, maybe the best piece of practical advice for professional state-building agencies and experts is this: change your business focus or retire.

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Dimensões do Desenvolvimento

*Entrevista com Nicholas Eberstadt e Steve Radelet*

**ÍNDICE**

[Sobre esta edição](#)

[Como Desencadear o Crescimento por Meio de Sólidas Políticas de Desenvolvimento](#)

Dimensões do Desenvolvimento

[Aliança para o Desenvolvimento Global](#)

[Combate à Pobreza com Lucros](#)

[Iniciativa para a Educação na África](#)

[Tratando a Malária Infantil nas Comunidades Ruandesas](#)

[Melhoria da Saúde Materna](#)

[Combate à Pandemia de Aids](#)

[Mais Poder às Mulheres: Um Sábio Investimento](#)

[Proteção dos Recursos Naturais da Namíbia](#)

[Bibliografia](#)

[Recursos na internet](#)

[Download da versão Adobe Acrobat \(PDF\)](#)

*Nicholas Eberstadt, chefe da Cátedra Henry Wendt de Economia Política do Instituto Empresarial Americano em Washington, e Steve Radelet, membro sênior do Centro de Desenvolvimento Global, também com sede em Washington, responderam às perguntas dos editores de Perspectivas Econômicas sobre as metas da Declaração do Milênio e da política de desenvolvimento americana.*



Steve Radelet

Nicholas Eberstadt

**P**ergunta: Como avaliam os avanços, até o momento, da comunidade global para alcançar as metas da Declaração do Milênio acordadas em 2000?

Radelet: Houve avanços diferenciados. O Leste e o Sul da Ásia fizeram progressos significativos na consecução das metas, em particular na área das normas de saúde, enquanto os países da África Subsaariana e também o Haiti e a Birmânia estão se esforçando para atingir as metas.

Alguns países — entre eles, os maiores do mundo, como China, Índia e Indonésia — estão presenciando um rápido progresso rumo ao desenvolvimento. No entanto, em outros países, há muito menos probabilidade de que os padrões do “milênio” serão alcançados até a data prevista de 2015.

As Metas de Desenvolvimento para o Milênio (MDMs) são úteis para concentrar a atenção da comunidade internacional na definição de metas. Isso deve ajudar tanto os países em desenvolvimento quanto os países industrializados a concentrar a atenção de forma mais clara nos problemas e nas possíveis soluções. Existe a preocupação, no entanto, de que as datas para a realização das metas tenham sido estabelecidas de modo arbitrário. Talvez essas metas tenham sido definidas em nível muito alto para alguns países.

Com relação ao aumento do índice de matrícula no ensino fundamental, por exemplo, alguns países podem ver ganhos, mas, se não tiverem recursos suficientes, é possível que não consigam alcançar um índice de 100%. Alguns países têm levado décadas para passar de um índice de 20% a 25% de matrículas para 50%. Se não alcançarem 100% até 2015, isso não deve ser considerado necessariamente um fracasso.

Eberstadt: Cinco anos realmente não é tempo suficiente para julgar a eficácia do programa MDM – em parte porque os dados referentes a muitos países de baixa renda são muito precários. Devemos avaliar as medidas de longo prazo para obter dados capazes de substanciar os ganhos que estão sendo alcançados.

Vamos olhar para o desenvolvimento a partir de uma perspectiva histórica. O século 20, de modo geral, foi um tremendo sucesso do ponto de vista do desenvolvimento e um grande salto no progresso contra a pobreza. Durante esse século, a expectativa de vida mais do que duplicou. Nesse período, houve um tremendo aumento na renda per capita do mundo como um todo.

As duas grandes exceções a esse padrão de avanço substancial foram o desvio causado pelo comunismo — hoje praticamente acabado — que afetou grande parte do mundo e os terríveis problemas desenvolvimentistas surgidos na África Subsaariana nas décadas de 1960 e 1970 e que ainda continuam: estagnação econômica ou declínio econômico de longo prazo, fraco desempenho nas exportações, dependência constante de ajuda e, mais recentemente, reveses catastróficos na saúde em muitas partes da África Subsaariana devido à pandemia de HIV/Aids.

P: Onde foram feitos os maiores progressos e quais são os principais obstáculos ao sucesso?

Radelet: Onde houve crescimento econômico, vimos avanços em relação às metas. No entanto, existem restrições ao progresso. A África tem sérias limitações geográficas. Tem doenças endêmicas — predominantemente, HIV/Aids — que afetarão a

consecução de algumas MDMs.

Botsuana, por exemplo, estava se encaminhando no sentido de alcançar as metas, em especial na educação e na redução da pobreza. Mas devido ao HIV/Aids, os avanços do país em algumas áreas sofreram um retrocesso. A expectativa de vida em Botsuana aumentou de modo expressivo, passando de 38 anos para 61 anos entre 1975 e 1995. Mas desde meados da década de 1990, em função da Aids, a expectativa de vida caiu para 43 anos.

Outra limitação enfrentada pela África é que ela tem mais nações isoladas, sem litoral, do que outras regiões. O fato de essas nações não terem saída para o mar faz com que seja muito mais difícil participar dos mercados e com que as importações sejam mais caras e as exportações, menos competitivas.

Podemos constatar outra limitação geográfica na África. Isto é, um imenso deserto (o Sahel) no Oeste. A baixa dispersão de pessoas nessa área torna difícil a prestação de serviços e o acompanhamento dos avanços em direção às Metas de Desenvolvimento para o Milênio.

No entanto, embora vários países africanos atualmente estejam enfrentando problemas muito difíceis, inclusive Somália, Costa do Marfim, Zimbábue e Congo, nem tudo é pessimismo.

Por exemplo, vemos um número crescente de democracias multipartidárias. Em 1990, havia quatro democracias multipartidárias na África Subsaariana. Hoje, há aproximadamente 20. Países como Gana, Tanzânia, África do Sul, Nigéria, Moçambique, Mali e Burkina Fasso fizeram significativos progressos políticos e econômicos nos últimos anos. Essa é uma enorme mudança que grande parte do mundo ainda não compreendeu. Vários desses países também estão obtendo maior estabilização econômica e crescimento econômico mais forte.

Eberstadt: Em termos de desenvolvimento geral, os avanços na redução da pobreza na maioria das regiões do mundo têm sido animadores, exceto na África Subsaariana, que em grande parte está indo na direção errada. Também houve retrocesso nos indicadores relativos à saúde devido à catástrofe do HIV/Aids.

A China teve o avanço mais importante, e a Índia também fez progressos substanciais.

Em países com economias em expansão, de modo geral houve transferência da dependência nos recursos

naturais para maior dependência nos recursos humanos. No todo, os recursos naturais tornaram-se menos importantes para o crescimento econômico nacional.

**P: Que papel a ajuda externa pode desempenhar no desenvolvimento de um país?**

**Radelet:** Há duas áreas principais. A primeira é o apoio a programas educacionais e serviços de saúde para combater as principais doenças. Os recursos da ajuda resultaram em melhorias significativas na redução de doenças como pólio e cegueira dos rios e na disponibilização de terapia de reidratação oral. A segunda é o apoio aos esforços destinados a estimular o crescimento econômico.

Na área da saúde, houve tremendo progresso desde a Segunda Guerra Mundial em todo o mundo, inclusive nos países em desenvolvimento. Mas nos últimos cinco anos, começamos a ver com muita clareza as expectativas de vida caírem devido ao HIV/Aids. Essa doença representa um retrocesso nos ganhos tão arduamente conseguidos na área de indicadores básicos de saúde nos últimos 20 anos.

Mas em alguns países vemos melhorias na redução do HIV/Aids. Em Uganda, por exemplo, devido aos esforços educacionais da comunidade local, financiados pela ajuda internacional, houve redução de 10% na incidência da doença nos últimos anos. Tailândia e Senegal também são citados como sucessos na redução da Aids, mantendo os índices da doença bastante baixos. Em algumas partes da Zâmbia, também houve reduções recentemente.

Em termos de crescimento econômico, em alguns casos a ajuda claramente não contribuiu para que a meta fosse alcançada, e parte da ajuda foi sem dúvida desperdiçada. Mas em alguns países, como Coreia do Sul nas décadas de 1950 e 1960, Indonésia e, mais recentemente, Uganda, Moçambique e Tanzânia, a ajuda contribuiu para o crescimento. É justo dizer que a ajuda funcionou em alguns países mas não em outros, e há muito a ser feito para que a ajuda seja mais eficaz no futuro.

Nos últimos anos, três acontecimentos no mundo em desenvolvimento mudaram o foco dos doadores sobre a ajuda. Primeiro, os atentados terroristas de 11 de setembro de 2001, que fizeram com que os doadores vissem com mais clareza a ligação entre pobreza e terrorismo.

Segundo, a maior conscientização da gravidade do HIV/Aids. Há não muito tempo, a Aids era vista

principalmente como uma questão de “responsabilidade pessoal”. Hoje é corretamente vista como uma pandemia que afeta nações de todos os hemisférios.

Terceiro, o crescimento de democracias multipartidárias, mencionadas anteriormente. Enquanto nas décadas de 1970 e 1980 grande parte da ajuda foi gasta com os aliados da Guerra Fria, uma parcela maior da ajuda hoje está voltada para apoiar os países que estão tentando estabelecer democracias multipartidárias, e o mundo está lentamente evoluindo nessa direção.

Eberstadt: Formas de ajuda diferentes da convencional assistência oficial para o desenvolvimento (AOD) muitas vezes foram eficazes para ajudar os países a se desenvolver. Considere a ajuda militar, por exemplo. Taiwan e Coreia do Sul são duas histórias de sucesso pós-Segunda Guerra Mundial que ganharam muito com a ajuda militar dos EUA. Uma consequência dessa ajuda foi possibilitar que a Coreia do Sul se tornasse uma economia exportadora. De modo mais geral, a ajuda militar possibilita a criação de um ambiente de segurança no qual o progresso material é mais factível.

A economia internacional, por meio de comércio, investimentos e transferências de conhecimento, também é absolutamente instrumental para crescimento econômico, melhoria da produtividade e redução da pobreza.

O papel da AOD na promoção de avanços materiais é muito mais limitado — mas pode ser positivo nos cenários certos.

P: Nas últimas semanas, o debate sobre os níveis da ajuda e a capacidade de os países absorverem a ajuda esteve no noticiário. Existe uma lei de retornos decrescentes para certos níveis de ajuda externa?

Radelet: Não existe uma lei rígida como tendência forte. Como acontece com outros investimentos financeiros, podemos ver retornos decrescentes à medida que a quantidade de investimentos cresce. Segundo pesquisas, a ajuda direcionada para crescimento econômico tem impacto cada vez menor à medida que a ajuda cresce, mas ainda tende a permanecer positiva até que a ajuda seja de aproximadamente 18% a 25% do produto interno bruto do país.

A questão é para onde a ajuda é direcionada. A ajuda direcionada para crescimento econômico uniforme causou um impacto mais forte no crescimento do que outras formas de ajuda, como aquela destinada a questões humanitárias e programas difíceis de serem mensurados, como a reforma judiciária. São

necessários de 10 a 15 anos ou mais antes que os resultados da reforma judiciária possam realmente se firmar. É mais fácil medir os resultados da ajuda para coisas como desenvolvimento agrícola e construção de estradas, uma vez que os resultados são mais fáceis de ser quantificados e geralmente levam menos tempo para ser percebidos.

Um dos desafios a ser enfrentados é fazer com que a ajuda seja mais eficaz, tanto sob o ponto de vista da escolha do destinatário quanto da forma dessa ajuda, para garantir que tenhamos o maior retorno possível do dinheiro empregado.

**Eberstadt:** A eficácia da ajuda depende essencialmente do ambiente econômico no qual é introduzida. Onde existem políticas disciplinadas e produtivas, os recursos provavelmente geram retornos mais altos.

A questão crucial é como recursos concessionais extras podem afetar o ambiente das políticas. Os resultados da ajuda dependem de uma combinação de momento oportuno, liderança do país receptor — seu modo de governo — e sua história.

Um fenômeno preocupante desde meados da década de 1990 tem sido a dependência da África Subsaariana à assistência oficial para o desenvolvimento. De fato, a alta dependência da ajuda nas economias africanas tem sido evidente — e crescente — desde a década de 1970. Temos de nos perguntar se um excesso de ajuda não “afastou” o crescimento das exportações e a formação do capital nacional em partes da África Subsaariana na última geração. Isso pode explicar em parte o desempenho econômico de longo prazo surpreendentemente fraco nessa região.

**P:** Que papel desempenham programas americanos como a Conta do Desafio do Milênio (Millennium Challenge Account - MCA), a Lei de Crescimento e Oportunidades para a África (Agoa) e Países Pobres Altamente Endividados (HIPC)<sup>1</sup> na estratégia global para a redução da pobreza?

**Radelet:** A negociação da redução da dívida de US\$ 40 bilhões anunciada durante a reunião do Grupo dos 8 (G-8) em julho de 2005 é um acordo histórico que poderá pôr fim a duas décadas de problemas de dívidas para pelo menos 18 países pobres e possivelmente para mais. O desafio agora é ajudar os países beneficiários a alcançar crescimento econômico sustentado e redução da pobreza de modo que não terminem novamente com dívidas impagáveis.

Infelizmente, o acordo deixa de fora muitos países que não pediram emprestado o suficiente para ser

considerados altamente endividados, como Quênia, Nigéria e Sri Lanka. Um acordo similar deve ser oferecido a esses países. A ajuda deve ser direcionada aos países mais pobres, não aos mais endividados.

A Conta do Desafio do Milênio é um programa muito importante do ponto de vista conceitual. A idéia geral por trás do programa é ter um mecanismo mais favorável e flexível para fornecer ajuda direcionada a países que mostraram mais compromisso com boas políticas de desenvolvimento. Seu sucesso na prática ainda está para ser visto.

A Aogo tem sido particularmente útil, pois se baseia na abertura do mercado americano aos países africanos, permitindo que participem dos mercados globais e produzam mercadorias que possam ajudar a respaldar o crescimento de longo prazo.

Eberstadt: A Conta do Desafio do Milênio é um conceito nobre, mas tem sido difícil operacionalizar o programa até o momento. Ele é muito pequeno para ter um grande impacto por meio de “não empréstimo”. Isso quer dizer que a MCA não é grande o suficiente para ter efeito sobre o comportamento dos beneficiários da ajuda ou sobre as práticas de outros doadores que respondem por grande parte das doações e empréstimos de desenvolvimento.

A MCA pretende incorporar o conceito experimental do Banco Mundial de “seletividade” no emprego dos recursos onde possam ter maior impacto. No entanto, parte da razão pela qual os doadores têm dificuldade em adotar a seletividade é que simplesmente não podem negar ajuda para muitos países. As relações políticas dos doadores com os governos que recebem a ajuda são quase sempre mais importantes do que os resultados reais de desenvolvimento alcançados por meio dessas transferências. Nessas circunstâncias, a seletividade é praticamente impossível.

**P:** Até que ponto a transparência e a prestação de contas são importantes para a eficácia da ajuda? O que pode ser feito para melhorar a governança?

Radelet: Políticas e instituições públicas melhores afetam fortemente o crescimento de um país. Os países com instituições fortes e populações saudáveis podem absorver mais ajuda do que países onde há muita corrupção e a população é menos saudável.

Houve casos no passado — principalmente durante a Guerra Fria — em que os doadores estavam bastante dispostos a dar ajuda a países onde se sabia existir corrupção. Isso influenciou a opinião pública sobre a eficácia como um todo da ajuda.

**Eberstadt:** Um fator na corrupção ou no mau uso dos recursos da ajuda é a conscientização política dos doadores.

Há uma relação positiva entre desenvolvimento econômico e Estado de Direito. O Estado de Direito é um objetivo importante. Onde há mais transparência acompanhando o Estado de Direito, há menos incerteza nos investimentos e custos mais baixos de transações e é mais fácil o desenvolvimento da atividade econômica.

Em muitas sociedades, a riqueza é distribuída de maneira desigual. Mas se um pobre sabe que tem proteções legais, há um movimento quase revolucionário em direção a igualdade.

**P:** Se for constatada fraude, o país deve deixar de receber a assistência ao desenvolvimento?

**Radelet:** Em muitos casos, sim, mas nem sempre. O fato de as instituições em alguns países serem tolerantes com a corrupção se dá pelo menos em parte devido à própria pobreza. É preciso forte comprometimento local e dinheiro para ajudar a construir instituições fortes que possam trabalhar para impedir a corrupção em vários setores. Não é apenas uma questão de vontade política interna.

Os doadores precisam ser muito mais específicos sobre o que esperam da ajuda.

**Eberstadt:** Isso depende inteiramente dos objetivos da ajuda, isto é, se a ajuda está sendo alocada para propósitos de segurança militar ou política. Quando a apropriação dos recursos está sendo comprometida, há um argumento muito mais forte para acabar com os programas de ajuda humanitária.

**P:** Quais são os problemas com a condicionalidade das políticas? Há quem tenha argumentado que, embora restrição fiscal, liberalização comercial, desregulamentação e privatização sejam coisas boas, a velocidade e a profundidade dessas medidas são cruciais para o sucesso da política de desenvolvimento.

**Radelet:** Aprendemos que os doadores não podem simplesmente impor reformas de fora, nem podem "comprar" reformas com promessas de mais ajuda. Os países precisam estar comprometidos com reformas sólidas em primeiro lugar. A ajuda pode ser usada para fornecer mais apoio a boas políticas, mas ela não pode forçar a implementação dessas políticas.

**Eberstadt:** A condicionalidade é desejável. Mas os doadores não têm um bom histórico na obtenção da



condicionalidade. Ela não pode ocorrer onde a ajuda não possa ser “cortada” – mas quantos exemplos podemos encontrar nas últimas gerações onde os governos beneficiários tiveram a ajuda cortada por desempenho fraco em seus programas de desenvolvimento?

**P:** Vários esquemas já foram colocados em prática para financiar o desenvolvimento — Mecanismo de Financiamento Internacional, imposto global, DESs (direitos especiais de saque) para fins de desenvolvimento. Considerando as imensas demandas nos países, quais são as melhores abordagens para financiar o desenvolvimento?

**Radelet:** É sempre bom pensar em sistemas inovadores para ajudar os países a se desenvolver economicamente e reduzir a dívida. Mas nenhum sistema é “infalível”.

E nenhuma dessas novas idéias substituirá totalmente os fluxos tradicionais de ajuda ou os fluxos do setor privado, que se tornaram particularmente importantes nos países de renda média.

O Banco Mundial e o Banco Africano de Desenvolvimento devem fornecer mais dinheiro como doação do que como empréstimo, em especial aos países mais pobres. Os países com rendas anuais médias per capita abaixo de um determinado nível devem receber doações porque enfrentam os maiores desafios de desenvolvimento e são mais vulneráveis a choques econômicos.

Mas as doações não devem ser apenas presentes — devem se basear no desempenho. Devem ser claramente voltadas para a consecução de metas específicas, como a construção de determinadas estradas ou a criação de um número determinado de clínicas de saúde. Os doadores devem recompensar o sucesso na consecução das metas com mais ajuda e penalizar os países que não cumprem as metas especificadas.

**Eberstadt:** Para países de baixa renda altamente endividados com problemas com o serviço da dívida, temos de lembrar que os empréstimos contraídos têm normalmente sido altamente concessionais, mas os retornos gerados sobre esses empréstimos têm com bastante frequência sido muitíssimo baixos.

Em muitos países de baixa renda altamente endividados, os problemas econômicos não serão solucionados simplesmente por meio do perdão da dívida. O problema de restituir empréstimos concessionais indica um problema de desempenho

econômico geral.

É mais importante investigar primeiro por que as taxas de retorno são tão baixas do que recorrer imediatamente à idéia de perdão da dívida. Não estou convencido de que a redução da dívida seja uma ferramenta tão importante no desenvolvimento.

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(4)A Iniciativa HIPC é uma abordagem abrangente para redução da dívida de países pobres altamente endividados que buscam programas de reformas e ajustes financiados pelo FMI e pelo Banco Mundial.

*As opiniões expressas neste artigo não refletem necessariamente a posição nem as políticas do governo dos EUA.*

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[Início da página](#) | [eJournal USA: Perspectivas Econômicas, agosto de 2005](#) | [Revistas eletrônicas do IIP](#) | [Home page do IIP](#)

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