



# Reforming Foreign Aid Practices: What country ownership is and what donors can do to support it

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What would it take for donors genuinely to support 'country ownership' in aid dependent countries? And what does 'ownership' actually mean? In the last decade there has been a significant shift in the paradigm for foreign aid, embodied in the Paris Declaration on Aid Effectiveness in 2005. At the centre of this paradigm is the idea of *country ownership*. Recipient governments are urged to take ownership of development policies and aid activities in their country, to establish their own systems for coordinating donors, and only to accept aid that suits their needs. A few years down the line, however, the spirit and goals of the Paris Declaration are far from being achieved. There is still a serious gap between the rhetoric of ownership and practices on the ground. In many aid dependent African countries donors still dominate decision-making over which policies are adopted, how aid is spent, and what conditions are attached to its release. This briefing draws on research from eight African countries to analyse the reasons for weak ownership in many African countries, and to outline ways in which donors can bridge the gap between rhetoric and practice in supporting recipient country ownership.

## The Negotiating Aid Project

Between 2005 and 2007, the Global Economic Governance Programme carried out research on the factors accounting for the bargaining power in aid negotiations of governments in eight African countries: Ghana, Mali, Mozambique, Rwanda, Tanzania, Zambia, Ethiopia and Botswana. The case studies assessed the degree of control governments are able to secure over their development policies. Through the country cases the project sought to understand complex aid relationships from the viewpoints of recipient governments, investigating what strategies African states have adopted to advance their objectives in aid negotiations and how successful their efforts have been. The case studies developed detailed descriptions of the institutions and processes that make up contemporary donor-recipient relations. They concentrated on the past and present economic, ideological, political and institutional contexts of aid negotiations, and how these conditions shape the balance of negotiating capital between governments and donors. They then used specific cases of aid negotiations to move beyond this general picture. **The research is published as *The Politics of Aid: African Strategies for Dealing with Donors*, (ed.) Lindsay Whitfield, Oxford University Press, forthcoming 2008.** For more details on the project, and copies of a briefing paper with recommendations for African governments, see [www.globaleconomicgovernance.org](http://www.globaleconomicgovernance.org).

# What does ‘ownership’ mean?

Ownership is often used by donors to mean *commitment* to policies, regardless of how those policies were chosen. This contrasts with ownership defined as the degree of *control* recipient governments are able to exercise over policy design and implementation. A first finding from our research is that while many aid agency officials start out with a commitment to ownership defined as control over policies, as soon as there is some disagreement over policy choices they tend to fall back on a definition of ownership as commitment to their preferred policies. Our research draws attention to this inconsistency and highlights some of its consequences, arguing that ownership should always be defined as control.

Measuring how much ownership African governments have is difficult. Discerning what is government-owned and what is donor-driven is complicated in aid dependent countries by the ways in which aid relationships have developed over decades, and by how the international aid system has expanded and entrenched itself in many countries. In so many cases donor agencies have been instrumental in preparing, financing and implementing government programmes through the provision of consultants, training and logistical support, and through the use of conditionalities.

**Mozambique’s Former President Joachim Chissano:**

‘...even today many Africans see the relationship with donors as still influenced by the colonial past, where donors “know” what, how much and when recipients need. Thus, in some cases, the priorities of donors and recipients do not match: an example of this is the construction of infrastructure in Africa, viewed by the Africans as a high priority for their sustainable development and systematically dismissed by donors.’

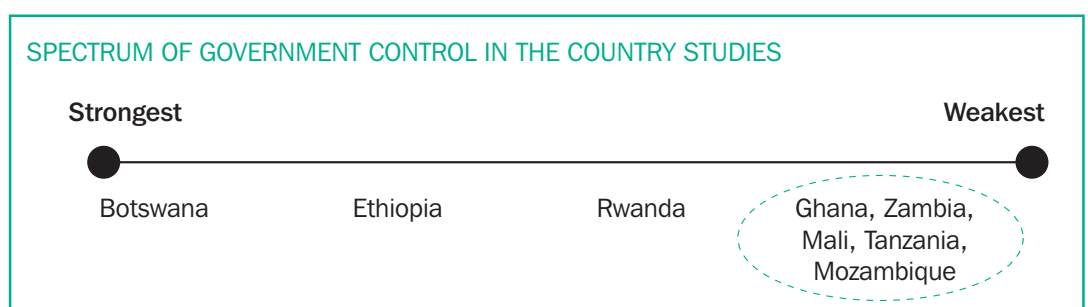
‘Why we should “rethink” aid’, Conference on ‘New Directions in Development Assistance’, University of Oxford, 10 June 2007.

From our study of policy-making in eight African countries, we place our results on a scale ranging from strong to weak ownership. At the strong end of the scale sit Botswana, which has shown the strongest degree of ownership, and Ethiopia. Rwanda is placed in the middle, with medium ownership. Over time, these three countries have managed to preserve some degree of control over policy-making, thanks to some key factors, including:

- the contexts in which these countries negotiated aid were relatively favourable and these countries used their situation effectively to increase their control over the outcomes of aid negotiations;

- good macroeconomic management was crucial, both Botswana and Ethiopia avoided macroeconomic crises in the 1980s, and were therefore able to approach the Bretton Woods institutions with a much less subservient posture;
- strong state institutions were instrumental in these countries’ ability to set the policy agenda and maintain ownership–Botswana and Ethiopia have professional civil services, capable state institutions, strong planning systems, and centralized aid management systems;
- geo-strategic importance reinforced the ability of successive governments in Ethiopia and Rwanda to project an image of non-negotiability in key policy areas;
- clear development visions were expressed by all three governments about where their countries were going, and about the contribution of public policies to achieving those outcomes;
- finally, government confidence was a key factor – the governments of Ethiopia (since 1991) and Rwanda (since 1994) have been confident that donors will not abandon them and are also willing to take the risk, whereas countries in the weak group are not.

At the weak end of the spectrum are the other five countries in our study: Ghana, Zambia, Mali, Tanzania and Mozambique. This is not just because they receive high levels of aid. Aid dependence per se does not necessarily entail a loss of ownership, as the cases of Rwanda and Ethiopia (and Botswana immediately after independence) clearly show. What matters is the history of engagement with donors. Changes in the global economy in the 1970s and early 1980s led to debt and balance of payments crises which marked a critical juncture that set the weaker countries on a different path. Some countries affected by the crises desperately needed foreign exchange and could only get it from one source: the Bretton Woods institutions. In these countries, donors soon expanded their influence from macroeconomic policies in the early structural adjustment period, to almost all policy issues in the 1990s, and then to the process of policymaking itself by the early 2000s. Over two decades of continuous engagement with aid agencies changed the conditions in which aid negotiations took place, providing the backdrop for a loss of ownership.



# How Donors Have Undermined Ownership

Recent donor commitments to respecting and supporting ‘ownership’ by developing country governments proceeds on two core assumptions. The first is that recipient governments are willing and able to lead. Yet, the evolution of the aid system has often prevented countries from taking the lead or undermined their ability to do so. Second, the new donor rhetoric implies that when recipient governments do take the lead, donors will be willing to trust them and follow suit. Yet our country studies show that in cases where recipient governments asserted particular policies and tried to coordinate donors around them, donor responses have often not been supportive or coherent with the ownership discourse. Four elements of the relationship between donors and recipient governments emerge as corrosive of ownership.

## DONORS DOMINATED POLICY-MAKING

In most aid dependent African countries, a permanent and pervasive negotiation process has developed over almost all policies, programs and projects between donors and government. This puts an immense burden on African administrative systems and leads governments to spend most of their time responding to donor initiatives, trying to work their own priorities in or waiting until implementation to steer the policy or project towards their preferences.

## DONORS CREATED FRAGMENTED PLANNING PROCESSES

Donor proliferation has led to widely dispersed tasks and a vague division of labour within recipient governments, and to donors negotiating projects directly with specific ministries. Such fragmented aid management structures led to weakened domestic policy-making and budgeting processes, leaving recipient governments in a weak position to coordinate aid according to a national development strategy. Thus, donors often took up the initiative, coordinating aid amongst themselves and creating arenas for ‘policy dialogue’ with African governments. New aid modalities intended to solve the problem of

parallel and fragmented aid processes (PRSPs, budget support, etc.) have often created additional problems, increasing donor intrusion and merging recipient institutions with donor-driven processes.

## AFRICAN GOVERNMENTS RELIED ON AID TO GENERATE POLITICAL SUPPORT

The dependence of African governments on aid – as a way to increase their budgets, and to deliver goods and services or other political promises they have made to their populations – makes these governments unwilling to take stronger policy positions or chart a development strategy outside of the purview of donors. They are often afraid of risking reductions in aid that could undermine their political support and/or cost them the next election.

## AID DEPENDENCE HAS PROMOTED SUBSERVIENCE

The fragile domestic political support of governments, combined with their dependence on aid to shore up their political legitimacy, provides strong incentives for governments to remain in a subordinate position to donors. At the same time, the conditions of permanent and pervasive negotiation and of institutional entanglement and aid fragmentation create strong disincentives for politicians and civil servants to alter the terms on which aid is offered to meet their own priorities.

Our research shows that the conception of ownership enshrined in the Paris Declaration is not likely to make a real difference to the sovereignty and policy space enjoyed by aid dependent African countries. Rather than calling for recipient governments to act first, there are changes that donors could make in their approach to giving aid in order to take ownership more seriously and to change the incentives facing African governments in the aid relationship.

## Malawi’s Minister of Finance

**Goodall Gondwe:** ‘I think it is possible for us to strengthen ownership and still meet donor requirements. One problem is that donors usually tend to be cynical about policies that national governments come up with. On our part, we tend to feel that donors cannot buy into our policies because they do not understand our situation well enough.’

‘Ownership and Conditionality: a workable paradox? Insights from Malawi’s experiences’, presentation at Ownership in Practice Workshop, Paris, 27-28 September 2007.

# What Donors Can Do to Respect and Support Ownership

Ownership is not something that will result just from a shift in aid modalities and practices. Respecting country ownership requires a change in the perspective of donors and their role in African countries.

## *Recognize the right of African governments to choose their policies*

The historical trajectories of developed and emerging countries show that successful development processes can take many different paths. Indeed, even within

donor countries, governments make mistakes, and in their aid relations donors themselves have experimented with different conditionalities on aid, making mistakes and then seeking to redress them. However, donors seem unwilling to accept the risk that an aid-receiving government might make its own mistakes. This unwillingness leaves no space for domestic political negotiations and the emergence of national strategies. If donors wish to support ownership, the most useful role they can play is to step back from domestic decision-making arenas and

support a process in which options are put forward and debated domestically.

### *Do not attempt to transform African economies and societies*

In the process of giving aid, donors have begun trying to transform African societies, getting directly involved in mediating state-society relations. But this role for donors has perverse consequences, as civil society organizations in African countries look increasingly to donors to pressure their governments to adopt certain policies or be more democratic, instead of engaging directly with their governments to build political accountability. Rather, donors should allow recipient governments and societies the time and space to come up with their own solutions. While it is now commonly acknowledged in aid circles that domestic dynamics have to be the basis for successful development processes, this acknowledgement has not yet significantly affected aid practices.

'Political independence is both a promise and a challenge. It is a promise that as free human beings living in an independent country, working together, we can govern ourselves in a manner that will serve our aspirations for personal freedom, economic opportunity and social justice. It is a challenge because the progress and development of our country rests upon our shoulders as citizens of this country and no one else....We can only move forward if we start to see things for ourselves and make our own decisions. We cannot continue to be dependent on formulas and programmes decided by others—who may even be our competitors—for us.'

Editorial, 'Sooner or later Zambia will be successful', The Post, 03/03/08.

### *Change donor norms and attitudes*

Donor officials in recipient countries often doubt the competence and probity of African civil servants and politicians, and are therefore reluctant to let go of their control. Donor country staff are also constrained by the incentive structure within donor agencies compelling them to 'deliver' on targets which are often beyond their influence. Respecting ownership entails donors gaining a

better understanding of the context in which African governments operate, and adjusting their norms and expectations accordingly.

### *Change the principles, not just the modalities of aid*

Rather than focusing on the Paris Declaration target for shifting from project to programme aid modalities, donors should recognize that it is the underlying principles and incentives of aid which really matter for ownership. Budget support is not

the only way for donors to align their support with recipient government plans, and given the degree of intrusiveness it allows, it may not even be the best way in all cases. The study of Botswana shows how project aid can be used very effectively to contribute to development plans and to allow more government control over how aid is used.

### *Reduce conditionalities and strengthen domestic accountability*

Donors should keep conditionalities at a bare minimum, in order to give recipient governments more flexibility and control over the policy agenda. Conditions allowed could include those required by the donor government's laws and regulations, and matters arising from shared values agreed by donor and recipient (such as human rights, transparency, etc.). A breach of these conditions, defined and spelled out ex-ante, would result in the withdrawal of aid. Recipient governments should report to national institutions, such as parliaments and audit institutions, on the use of aid funds. Donors would receive such reports and decide if they want to continue to provide aid or not. This supports government accountability to domestic rather than donor constituencies.

### *Be more transparent*

At the moment, little transparency exists on aid flows at country level. Donors should provide more and better information on what they are giving aid for, how much and with what conditions, creating a better environment for citizens to use such information to hold their governments accountable.

### *Get serious about supporting institutions and capacity building*

Donors often come to recipient countries with their own priorities and projects, in a hurry to meet targets and disburse money. This is at odds with giving enough time to recipient country bureaucracies to initiate and develop policies and plans through national political and administrative processes. Technical assistance is often used by donors to ensure the quality of policies and projects that donors fund, but this undermines the morale of the civil service. Technical assistance should be demand-driven and support what recipient governments say they need. Long-term expatriate staff should be integrated into government structures and accountable through normal authority lines.

## The Global Economic Governance Programme

The Global Economic Governance Programme was established by Professor Ngaire Woods at University College in 2003 to foster research and debate into how global markets and institutions can better serve the needs of people in developing countries. The three core objectives of the programme are:

- to conduct and foster research into international organizations and markets as well as new public-private governance regimes
- to create and maintain a network of scholars and policy-makers working on these issues
- to influence debate and policy in both the public and the private sector in developed and developing countries



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