

'Country ownership' when there is no social contract: towards a realistic perspective

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1 Introduction

About 15 years ago, the development assistance business invented a new global value – country ownership of aid-supported development efforts. The premise of this lecture is that this was an important and positive step. From a social scientific point of view, 'country ownership' is a vulgar term. However, treated by the standards applied to the practical concepts which guide international policies, it does a reasonably good job – it captures well the main implications of a large body of research and practical experience.

I have in mind here the evidence which accumulated in the 1990s on two points: 1) that poor countries cannot achieve development solely on the basis of external support – there need to be endogenous drivers; and 2) that two main devices that aid donors have devised to get around the problem of deficient endogenous commitment do not work well. I am referring to the use of *project funding* as a means of deliberately by-passing country institutions, and the attachment of *policy conditionalities* to grants and soft loans with the intention of 'buying reform'.

The evidence on these points – that project modalities do institutional harm and that conditionalities do not work – was already compelling in 1999. It has not become less so since then. I do not think this is really disputed.

1999 was a key date because it was in that year that a substantial international consensus built up on the need to bring development assistance into line with the critique of by-passing and conditionality. Since that time, 'country ownership' has been a recurrent theme in international policy. The original discussion was around Enhanced HIPC debt

relief and Poverty Reduction Strategy Papers (PRSPs). This then strongly influenced the 2005 Paris Declaration on Aid Effectiveness. In 2011, country ownership will again be the central theme at the 4th High Level Forum on Aid Effectiveness to be hosted by the Republic of Korea.

All this is positive in my view. However, in my contribution to this lecture series I do not want to give you reasons for complacency or self-congratulation. My central proposition is this: that in order to be useful in shaping more effective development assistance, the idea of country ownership needs to be linked to a realistic perspective on the likely political drivers of development effort in poor countries. Too much of the current approach to aid effectiveness is based on wishful thinking.

Most of the time – I want to suggest – we choose to ignore the knowledge and understanding we have about politics and development. Why do we do this? I submit that we do it because we find it comfortable – and our leaders find it politically convenient – to derive policy approaches directly from our ideological values.

To be clear, my argument is not going to be that values have no place in development and poverty reduction. I am not against 'global values', and do not see anything fundamentally wrong with the aspirations articulated in such places as the UN charter. My dispute is with policy approaches that are driven by values without the intermediation of evidence from either research or practical experience.

My contention in relation to country ownership is therefore this: that if we were really serious about it, our next step would be to ask what is known about the conditions under which it has been achieved, historically and in more recent times. We have not done that. Instead, we have given 'ownership' the status of a global value and then piled on top of it a series of other global values and normative standards – making the implicit assumption that 'all good things go together'. This is unhelpful, because it is not evidence-based.

I will argue that it is particularly unhelpful in regard to values concerning democratic governance and the rule of law. And I would include here the idea that governance is

'good' – and good for country-owned development – when state-society relationships are underpinned by a 'social contract'.

That is my proposition. I want to support it with reference to two particular topics: 1) the current debate about what to do with the Paris Declaration at the High Level Forum in Korea; and 2) the light shed on 'ownership' by current research on governance and development in sub-Saharan Africa.

2 Country ownership and the Paris Declaration

What is wrong with Paris? Two things in my view.

First, the ownership commitments are placed at the front but their effect has been diluted (even by comparison with the Rome Declaration of 2003) by the addition of commitments under several other headings – not just aid alignment and harmonisation, but 'management for results' and a multi-stranded 'mutual accountability'. There is an implication that the additional commitments are all conducive to country ownership, so that the whole forms a coherent package. However, the evidence for this is weak.

The alignment commitments and to a lesser extent the harmonisation ones are on the whole desirable. Their main limitation is that they relate to the technocratic level of aid management and provide no answers to the question of what donors should do if, in spite of everything, governments or other country actors do not assume leadership of development efforts on their territory. It is worse with 'results management': the evidence that 'results-oriented reporting and assessment frameworks' provide a good point of entry for support to country ownership is quite unconvincing. Finally, the key commitment under mutual accountability is about accountability within developing countries and calls for a strengthening of parliamentary oversight and participatory processes around national development strategies. The prominence given to these issues is also not evidence-based – which brings me to my second criticism.

The second thing wrong with Paris is that it does not reflect very much of the learning that has been produced around the last attempt to use aid and debt relief directly to engineer greater country ownership – the Poverty Reduction Strategy Paper initiative.

I have been associated with the view that, at the time, PRSPs were a worthwhile experiment, given the lack of well supported alternatives. But from the very first studies and evaluations, it was clear that the best that would be achieved through the PRSP initiative was greater efficiency at the technocratic level. The crucial political levers would hardly be touched, *unless* the politicians discovered their own reasons for increasing the effectiveness of development efforts (Booth, 2003; Dijkstra, 2005).

After the first review of PRSP experience, the IMF and the World Bank drew the conclusion that the original guidelines had under-emphasised parliamentary involvement. International NGOs, on the other hand, continued to press the interests of 'civil society'. They and others with strong institutional commitments to building Monitoring and Evaluation systems pushed for more attention to M&E. This is how the Paris Declaration came to have the shape and content that it did. But it was not what the serious studies were saying and recommending.

These were not mere mistakes. Nor were they just the reflection of vested interests in the aid business (although those exist too). Rather, many well intentioned people find it natural to suppose that institutional arrangements that have proven their worth in highly industrialised Northern countries cannot fail to have something important to contribute to the development of poor countries. Over the past twenty years, this basic impulse has been one of the driving forces behind the idea – now deeply entrenched in developing as well as donor countries – that the key to successful development is 'good governance'. Good governance is usually taken to mean democratic governance and the institutional 'best practices' now established in advanced market economies.

The relationship between democratisation and development has never been a simple question, but we know some basic things about it. We know for example that institutions like parliaments and elections have very different effects in different social and economic settings. This is one of the themes of the important 2009 book by Douglass North and others (North et al., 2009). More recently (2010), Jörg Faust of the German Development Institute has addressed more specifically the notion that aid effectiveness might be enhanced by being linked to democratisation – with 'ownership' being replaced by

'democratic ownership'. Faust shows that this is based on a fundamental misunderstanding of how democracy works, in the long run, to generate social benefits.

There is indeed some danger that HLF4 will be the occasion for new efforts to merge the aid effectiveness agenda with good governance understood in this way. Already at the Accra review meeting in 2008 there were signs of this, limited only by the fact that the World Bank and other key supporters have difficulty with taking positions on 'politics'. The fact that the Koreans and delegates of other Asian countries which are in transition from beneficiaries to donors know full well that their development breakthroughs were achieved without 'good governance' ought to help, but it may not. The capacity of richer countries to ignore their own history and 'kick away the ladder' by which they climbed to development (Chang, 2002) should not be underestimated.

3 Country ownership for African development

This brings me to my second topic. My argument so far has been that allowing development assistance to be driven by core global values rooted in Northern experience without the intervention of evidence-based arguments is a bad thing. It is particularly bad in the context of low-income Africa, both because development challenges are especially great there, and because the brunt of the international community's mistakes tends to be borne by Africa.

What does research-based knowledge tell us about the conditions under which country-owned development efforts are made in Africa? It certainly does not tell us that there is a close connection between development outcomes and the institutional features which are now enjoyed in most advanced industrial countries – in other words, the institutional underpinnings of a liberal-democratic 'social contract' and a fully capitalist property-rights regime.

For certain, recent research and experience does support strongly the proposition that *peaceful* development calls for a political settlement or 'elite bargain'. The major components of the country's elite need to reach some agreement on the terms under which they will compete for power without taking up arms (Di John and Putzel, 2009; Parks and Cole, 2010). However, the *elite* in the phrase 'elite bargain' is to be taken

seriously. The necessary bargain may well have to embrace all significant identity groups and involve the elites of neighbouring powers (as, for example, in Afghanistan and DRC); but the idea that it has to be inclusive of the broad masses or be socially progressive is not empirically grounded. A political settlement is *not* a social contract.

In fact, I would suggest, it is quite unrealistic to expect poor developing countries to institute a social contract in the normal, post-Enlightenment sense of that term. If country-owned development efforts depend on the prior establishment of an effective political or social democracy, the prospects are not good. But that is not all. The efforts of ideological entrepreneurs and aid donors to promote democratic governance and other 'best practices' have been highly successful in changing opinions around the world. But the corresponding ratcheting-up of expectations has probably done more harm than good to the prospects for development in the poorest countries.

A very significant body of research and some of the most recognised practitioner-researchers now agree with Brian Levy of the World Bank in declaring the 'best-practice' approach bankrupt (2010). Highlights on the economics side include Dani Rodrik's (2007) recognition that – after China's development breakthrough – we do not really know what the right institutions are for inducing sustained growth in very poor countries. They also include Mustaq Khan's argument that states need the freedom and the means to oversee a process of 'primitive accumulation', in which rents and rent-seeking are used to finance the costly learning processes involved in getting capitalism started (Gray and Khan, 2010).

Focusing more directly on the politics, we have the invitation from Merilee Grindle (2007) to think more seriously about which governance reforms might be 'good enough' to get development started. We have Mick Moore and Sue Unsworth enjoining us to pay more attention to what exists, and can be built upon, in country governance arrangements – and less to 'gap filling' to address what is missing compared with the typical OECD state (Future State, 2010).

Current research focused on Africa, with the experience of Southeast Asia in the background, is helping to flesh out this point of view. For example, an excellent Dutch research project (van Donge et al., 2010) has shown that the dramatic differences in

development performance between African and comparable Southeast Asian states is at one level not about governance at all, but about policy. All of the Southeast Asian countries but none of the African ones targeted investment at the rural smallholder sector during their early growth processes.

At another level we have to be concerned about, among other things, *why* African leaders persist in pursuing the wrong policies. Researchers working at this level are beginning to generate specific propositions about the development potentialities of different types of regime. For example, a research stream of the Africa Power & Politics Programme led by Tim Kelsall has been discovering several important things about the most likely institutional form of 'country owned development efforts' in Africa today (Kelsall et al., 2010; Kelsall, 2011).

According to this research, a precondition for country ownership to occur is that the country's ruling elite come to an agreement that their interests lie in enlarging the national economic pie and not just in competing with each other to eat more of it. Such an agreement seems more likely if the rulers have a sufficiently secure hold on power that they are able to take the long view. It seems less likely if they do not. But they need the means as well as the desire to impose discipline on themselves and at least key sections of the administration. This involves the issue of the generation and utilisation of *rents*.

For the reasons given by Mushtaq Khan (and in a different way by North and company) the key question in the early stage of capitalist development is not whether markets are free and property rights are generally protected. The key question is what happens to *rents* and control of key productive *assets*. The majority of successful developers in Africa are likely to be of a broadly neo-patrimonial type,¹ as they have been in Asia and indeed were in early modern Europe. And they will be distinguished from other neo-patrimonial states by their attainment of a centralised management of rents and the long time horizon of their rulers.

¹ That is, there will be a systematic blurring of the distinction between the wealth of the state and the personal wealth of the ruler or rulers, leading to some degree of institutionalised acceptance of rent-seeking on the part of the political leadership.

On the basis of a survey of past and current experience, Kelsall and his team think it would be unwise to dismiss the possibility of a developmental (neo)patrimonialism. In fact, that is the kind of country ownership that seems most likely to be both effective and feasible. We think this has important implications for donors and for the wider community of people who care about development and Africa.

The examples supporting this argument include phases in the history of Botswana, Côte d'Ivoire, Kenya and Malawi. Currently, we are looking at Tanzania, where CCM seems to enjoy a number of the preconditions for a long-horizon disciplining of rent generation and management, but somehow fails to get it together. And we are examining closely the contrasts between Uganda and Rwanda, where ex-guerrilla regimes have shown an increasingly divergent ability to manage rents for development purposes.

The three East African cases illustrate an important aspect of the argument. All three could be described as imperfect democracies. In accord with the conventional, value-driven, 'gap filling' doctrine, aid-funded governance and human rights work concentrates on trying to remove the imperfections by means of 'deepening democracy' programmes and governance monitoring exercises. Arguably, these activities are harmless even if rather ineffectual so long as the basic political incentive structure remains as it typically is in 'young democracies' (Keefer and Khemani, 2005; Keefer, 2007). But in at least two situations, they can be harmful.

One is where instigating elections destroys the political settlement which has sustained the peace, without putting a new one in its place (Putzel, 2010). The other is where the elite is moving towards a developmental rent-utilisation regime and is hindered in doing so by donor disapproval or local ideologies appealing to 'global values' based on today's institutions in the North.

Our leading instance here is Rwanda under Paul Kagame's RPF. With due respect to Paul Collier's views (2009: 182-183), we are not convinced that Uganda remained for very long after Museveni's take-over on a pathway towards a developmental rent-utilisation regime. So the combined internal and external pressure which led to the abandonment of the 'no-party' Movement system cannot be held responsible for the free-wheeling clientelism that

now prevails in that country. On the other hand, Rwanda *does* seem to be on a developmental-patrimonial path.

No doubt, this is for very special reasons, and I would not want to propose emulating all aspects of Kagame's rule – any more than one would wish to emulate Houphouët-Boigny, Kamuzu Banda, Suharto or Mahathir Mohamed. But a key point is that some of the things about which even Kagame's closest donor friends have reservations are those that most clearly belong to the toolkit of centralised rent management as analysed by Khan and Kelsall.

I refer particularly to the way a holding company fully owned by the ruling party has been used to channel rents of various kinds into productive and infrastructural investments. The donors express concern about this – they worry about the 'levelness of the playing field' for private entrepreneurs, applying the yardstick which is generally seen as appropriate to business-politics linkages in their own countries. However, our examination of the story of Tristar Holdings (now rebranded as Crystal Ventures) suggests that crowding out of private firms has been minimal. In fact, we find significant crowding-in as well as a range of other beneficial effects.

In assessing this conclusion, proper account needs to be taken of three things: the extreme weakness of the domestic private sector post-genocide; the country's small, landlocked market; and the unwillingness of firms of any origin to take on the risks and learning costs associated with pioneering investment even in such potentially lucrative sectors as mobile phones. Given this context, we think the Tristar/Crystal Ventures story fits well with the relevant theory, whether one prefers the 19th century concept of 'primitive accumulation' in the manner of Khan, or the modern idea of early-stage venture capitalism.

This, in my submission, is what the 'country ownership' question should be about. Country ownership is and *should* be a global value, but we must be serious about what this means. It commits us to seeking out and recognising the most likely drivers of development effort in poor countries. On current evidence, these seem most likely to be found in a leadership

with a long-term development vision and some kind of machinery for managing well the rent generation and utilisation which are central to all early development processes.

I am aware that for the development assistance business this is lot to take on board at one go. We have at least several decades of high-minded rhetoric to unlearn before it will be clear that we can handle the messages that are emerging from the research I have been discussing. Drawing out the full implications for policy dialogue around ownership and effective aid is going to be hard, at both global and country levels. I do think, however, that we should begin to do this now.

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