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What is the relationship between Democracy and Development according to policies of aid conditionality as implemented in Africa?

MASTERS RESEARCH PROJECT

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This thesis is in partial fulfillment of a Master of Arts by Coursework and Research Report in International Relations and has been approved by the University of the Witwatersrand.

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PLAGIARISM DECLARATION

I **Emma Lavinia George** (Student number: **445079**) am a student

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I hereby declare the following:

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- I have followed the required conventions in referencing the thoughts and ideas of others.

Emma L. George

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Date: **07 April 2015**

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Abstract

This research project looks at the relationship between democracy and development according to policies of aid conditionality in Africa. This involves an analysis of major donors, mainly international financial institutions such as the IMF and World Bank as well as bilateral donors, and the evolution of aid conditionality through the theoretical framework of liberal internationalism. This research focuses on both economic and political conditionality but reveals that economic interests are at the heart of conditionality and are always prioritized over political development. This has important implications for democracy and development because development discourse has identified key correlations between the principles of good governance promoted by a democratic system and development. Through an examination of two African case studies, this research shows that aid conditionality, with its emphasis on neoliberal, free-market economic adjustment, has not fostered adequate development with many recipients of such aid qualifying for the Heavily Indebted Poor Countries initiative that provides debt relief in the interest of poverty reduction. Looking forward, sustainable development can only be achieved with equal dedication to all its spheres; political, economic, and social, thereby providing an adequate foundation for increased international cooperation.

Chapter One – Introduction

Development discourse holds a position of great importance in the social sciences and in the field of international relations in particular; it calls on one to question the different factors that affect the alarming levels of global poverty and inequality that continue to act as an obstacle to growth. Development has been on the international agenda for many years and has therefore been the subject of much existing research. Reoccurring themes that have emerged from such research look at the role of the state, the global economy and the international community. The general consensus in the realm of global economic governance is that democracy, coupled with a liberal, free-market economy, is the best equation for development. This is used against the backdrop of thriving first-world states that claim to have developed according to this trajectory. Moreover, these developed nations are drawn largely from the 'global North' and this conception of development has filtered into their patterns of aid lending.

Policies of aid as adopted by international financial institutions such as the International Monetary Fund (IMF) and World Bank (WB), have undergone a number of changes since the inception of these Bretton Woods organizations after the Second World War. The policy that has attracted the most attention due to its heavily interventionist nature, is that of conditional aid. According to this policy, loans were made on condition that a certain set of measures be taken by the governments of recipient countries. It was claimed that conditionality was enforced in an attempt to secure the repayment of the loan and simultaneously create an environment for development. Conditions were both political and economic, centered on democracy and neoliberalism. Although this policy had a significantly positive outcome in some countries, it was largely unsuccessful and drove some of the world's poorest countries further into debt and poverty. The response by international financial institutions was the move to the Heavily Indebted Poor Countries (HIPC) initiative in which countries were granted debt relief, instead of loans, if they made a visible commitment to alleviating poverty and bolstering development. This research project delves into this subject by challenging the conception that a combination of democratic politics and neoliberal economic policies is most conducive to development. This does not disqualify the ability of this combination to foster development, as will be shown, but emphasizes that, in order to flourish, they cannot be

imposed but must be country-specific and met with a sincere buy-in on the part of the recipient country.

1. Research Question and Hypothesis

This research project will address the question: "Is democracy the political system most conducive to development?" through an analysis of aid conditionality in Africa. This research question is based on the starting hypothesis that: in the cases of Tanzania and Mozambique, aid conditionality was unsuccessful therefore democratic political conditionality does not inevitably lead to development. The rationale of this research is located in the premise that most developing countries function as democracies because this has been advocated as the best means of achieving similar levels of development to those of successful, first-word countries by following their development trajectory. This was a key element of political conditionality policies enforced indirectly by international financial institutions such as the IMF and World Bank. This democratic influence, however, has a *double-face* because certain theories argue that democracy is advocated by developed nations to sustain a liberal world order by simultaneously advocating a free-market economy and others argue that democracy cannot be successful if it is imposed and not properly institutionalized in any given country. As previously mentioned, this is an area extremely relevant to the field of international relations because it could mark the starting point of unlocking certain mysteries that surround development. There have indeed been many successful attempts at quantifying social and economic development (HDI and GDP respectively) but this study goes beyond ascertaining whether a country is developed or not and uses a historical analysis to explore the failures of previous attempts at bringing about development by challenging a conception that has become the norm in development discourse. Although the bulk of this research project will be dedicated to exploring events that occurred in the late 1980s and early 1990s, a brief introduction of alternative approaches to aid that have recently appeared on the global scene such as Chinese investment in Africa, will be given in an attempt to provide a fresh take on this contribution to existing research.

2. Theoretical Framework – Liberal Internationalism

This research is rooted in the theory of liberal internationalism. Liberal internationalism will be used firstly to contextualize the move to policies of aid conditionality because of its emphasis on the need for an international system of market democracies, and then to identify whether aid conditionality was intended to really foster Development or instead to perpetuate the current liberal world order. Liberal internationalism was chosen as the theoretical framework behind this research because it emerged as an attempt to analyze international relations after the Cold War, which happened to also be the period in which international financial institutions and bilateral donors made the move to policies of aid conditionality. It therefore has profound explanatory powers in establishing a link between the emergence of such a theory and the transition to more interventionist policies of aid by largely western donor agencies. This research will argue that there is a causal link between the international post-Cold War environment and the advocacy of certain political and economic adjustments in aid circles.

The theoretical paradigm of liberal internationalism encapsulates both sides of the development debate and is therefore lends itself in a particularly effective way to analyze policies of aid conditionality. Donor countries claimed to act in the interest of creating a global environment for development and enhanced interaction between the global north and south. It has also been suggested however, that aid conditionality was an attempt to entrench a liberal world order of a two-pronged approach of political, democratic reform as well as the adoption of a liberal, free-market economy. The combination of these liberal internationalist explanations form the backbone of this research project in establishing the causal relationship between the international system and the evolution of conditionality into a much more interventionist form.

This theory is also important later in this study when the question of alternative aid surfaces, because it asks the questions of whether certain countries, such as China, are challenging and providing alternatives to the liberal world order through much less conditional aid. This question will be posed towards the end of the research paper in response to the situation presented by the HIPC initiative, which brings to the fore the possibility of the need to revise current approaches to Development. Therefore, this research is deductive because it tests the theory of liberal

internationalism against the relationship between Democracy and Development through an analysis of the successes and failures of aid conditionality.

The theoretical framework of this research plays such an integral part in explaining the relationship between the international context and the evolution of policies of aid conditionality. It therefore requires a deeper analysis of the origins and principles of liberal internationalism. The theory of liberal internationalism has been a part of the study of international relations since the end of the Cold War. It emerged as a means of analyzing the transition to a system of market democracies; systems of governance based on a combination of democratic politics and a market-oriented economy (Paris 1997, 4). The liberal internationalist paradigm is used widely in studies of peacebuilding because it was believed that the creation of this system of market democracies was the best foundation for peace and stability within and amongst states (Paris 1997, 4).

Liberal internationalism combines the central tenets of liberalism, one of the grand narratives of international relations, and internationalism. Both focus on international relations since the advent of globalization and how this phenomenon has impacted relations amongst states. According to the Oxford Handbook of International Relations, 'state preferences' are the guiding force behind the decision to engage in international relations but these are shaped by domestic and transnational social pressures (Moravcsik 2008, 236). Today globalization is the universal condition of world politics (Moravcsik 2008, 234) and this has a profound impact on the variation in state preferences, which therefore means that globalization directly influences the behavior of states in world politics. Liberalism, however, is underpinned by the fundamental belief in cooperation amongst states and the need for common goals as the driving force behind such cooperation. It is here that liberalism and its variations differ from other approaches to international relations such as Marxism and Realism. The emphasis on democracy and human rights is the premise for the belief that states would be less likely to engage in war and conflict if they became republics and the people were able to influence decision-making (Dornan 2011). Departing from this notion, internationalism is rooted in the belief that "international peace and security benefit if international institutions are strengthened and cooperative ties multiply across borders" (Goldmann in Robbins 1999, 16). Again, cooperation and the common good seem to be the order of the day even as an instrument for analyzing the incentives behind conflict. Rawls' 'Difference Principle' in his Theory of Justice comes to mind where an injustice is just as long as it is for the benefit of the least

advantaged. Conflict and disagreement, according to liberal internationalists, are pieces of the puzzle of international cooperation to secure peace and security and eventually, conflict and disagreement will no longer feature on the international stage because cooperation and stability will triumph.

As previously mentioned, it was believed that a global system of market democracies was the key to enhanced cooperation amongst states. At the heart of this research project is the question of whether democracy is the political system most conducive to Development as was advocated by policies of aid conditionality. It is therefore imperative that this research be located in the context of the international arena during the move to policies of aid conditionality. Liberal internationalism is a highly relevant theoretical paradigm with which to do this because it speaks directly to that exact period, after the Cold War, as revealed by its very nature of championing the aforementioned system of market democracies. This research project simultaneously uses the theory of liberal internationalism to analyze aid conditionality as well as questioning the theory itself for falling into the same pattern of advocating a system to the rest of the world based on its success in the countries that dominated the world order at the time. This implies that the theory is paradoxical because it emphasizes the need for enhanced international cooperation amongst states as long as it is on the terms of the powerful few.

Internationalism essentially refers to the 'internationalization' of the world mainly through economic processes and communication. According to the theory of liberal internationalism, this internationalization also takes on a political persona of democracy. As discussed, the theory of liberal internationalism is based on the belief that independent societies can achieve a common purpose through enhanced interaction and cooperation. This notion was developed initially in the eighteenth century by thinkers such as Adam Smith and ran through the nineteenth and twentieth centuries in which the benefits of free trade were championed (Halliday 1989, 192). The political implications of liberal internationalism lie in the idea of international interdependence. By stressing such interdependence, liberal internationalists imply the need for a world government or rather a global political system that can maximize cooperation and interaction. The political system that is believed to best achieve this is democracy. We have been socialized to automatically agree with democracy, and its main characteristics do indeed encourage equality and fairness, however in this case it is problematic because it is packaged together with a market-oriented economy. The

notion of global shared interests has therefore been criticized because, especially regarding shared economic interests, and concern has been raised about human rights and development in the Third World.

Lynch (1999, 97) argues that successful internationalization should reject the temptation to "enforce" democracy or market liberalization. Questions arise over the order in which shared interests are ranked and it would appear that often economic interests are prioritized over social issues. In an analysis of aid conditionality, this research project will explore the decision to enforce democracy and free-market economics as conditions for loans by international institutions because the objective of development was not realized. It will be argued, through this author's perception of liberal internationalism, that the triumphant, post-Cold War world order was imposed on recipients of aid loans in the name of development but instead ended up entrenching this liberal world order for the benefit of the already developed.

Now that the theory of liberal internationalism has been outlined, it is possible to critically analyze the appropriateness of this theory both during its most ardent use and in light of recent changes to the global system. This section has stressed the efficacy of the theory of liberal internationalism in explaining the causal relationship between the international environment and the move to policies of aid conditionality: the post-Cold War period was dominated by the triumph of democracy and the market economy. International donor agencies, both multilateral and bilateral, responded to this by integrating these principles into their policies of aid by making loans conditional on adjustments in line with the international system of market-democracies. It is interesting to note that the criticisms of the theory of liberal internationalism are similar to the criticisms of the very international system that molded it. Liberal internationalism has been referred to as an idea of how the world 'ought' to develop (Dornan 2011) and this materialized in the imposition of conditionalities on developing countries. Although the theory of liberal internationalism emerged as a guide for the organization of domestic politics, it was then used as a justification for transcending the sovereign state. Recent changes in the international political economy such as financial crises and hegemonic exceptionalism of traditional powers, have called into question the liberal world order as presented by the theory of liberal internationalism (Ikenberry 2014).

This research will argue that the shortfalls of aid conditionality were a result of a lack of understanding of the local context of recipient countries and the fact that these local contexts were

often incompatible with the type of adjustments that were being championed by western donor agencies. Another central argument against conditionality as argued in this research, is the lack of commitment from donors in following up on the adjustments that showed initial success. This did not inspire the genuine implementation of economic and political reform by recipient countries required to truly foster development. The theory of liberal internationalism is therefore useful in its entirety; the theory itself and the context behind its emergence explain the transition to a more interventionist form of aid conditionality by large donors and criticisms of the theory are similar to the criticisms of the international system at the time of conditionality and structural adjustment thereby also providing an explanation for the shortcomings of conditionality and the eventual move to the HIPC initiative, which constitutes the dependent variable of this research report.

3. Methodology

This research project will be conducted using a qualitative methodological approach based primarily on existing literature centered on Development and Democracy, and the presence of international financial institutions in Africa. For the purpose of this research, the adoption of the Heavily Indebted Poor Countries (HIPC) initiative would constitute the dependent variable or outcome as it signifies the end of aid conditionality in certain countries because of an acknowledgement of the failure of conditional aid to bring about Development. Political and economic conditionality are the independent variables that will be used. The two are often inextricably linked when it comes to aid.

This research will be conducted through process tracing. Process tracing will allow a deep analysis of the history of the concepts that are at the heart of this research. Democracy, conditionality and Development are dense concepts that need to be unpacked in order to identify the elements of these concepts that are required to answer the research question asked by this paper. Process tracing involves looking at a sequence of events that contribute to the development and formation of a concept, theory or experience. There are a number of factors that need to be analyzed in this research; political conditionality, for example, is a historical example of an attempt to combine a certain form of Democracy with Development. As the HIPC initiative constitutes the dependent variable, the method of process tracing will guide the research to identify and explain the shift from aid conditionality to the partial or full cancellation of debts in certain recipient countries.

In terms of the operationalization of variables, political conditionality will be measured by the transition to a multi-party Democracy and economic conditionality refers to the adoption of policies of trade liberalization, privatization and reduced government expenditure.

The cases that were selected as the focus of this research are Tanzania and Mozambique. Both of these countries were recipients of conditional aid and showed great promise but they are now both amongst the 39 countries listed as being part of the HIPC initiative. Mozambique has a long history of foreign assistance with bilateral agreements with both the IMF and World Bank and Tanzania's aid history has largely consisted of its ties with Norway. These countries were selected because this research project deals primarily with Western aid that was the predominant source of aid in the height of the period of aid conditionality.

Chapter 2 – International Financial Institutions and the Evolution of Aid Conditionality

This chapter provides a brief outline of two major international financial institutions; the IMF and World Bank, as well as an exploration of the evolution of their policies. Although this paper also looks at bilateral donors, many of their post-Cold War aid policies were based on those of the IMF and World Bank. As will be shown, this chapter focuses on the period of aid conditionality that culminated in the late 1980s after the end of the Cold War. However, this analysis will also briefly introduce the eventual move to the HIPC initiative which constitutes the dependent variable of this research project. It is worth repeating that the HIPC initiative was chosen as the dependent variable of this report because it represents the failure of policies of aid conditionality to achieve the levels of development in countries that were recipients of conditional loans that were envisaged by the IMF and World Bank. Through a discussion of the two main areas of conditionality; democracy and a market-orientated economy, this chapter seeks to illustrate the reasons behind conditionality while simultaneously explaining its failure. Ultimately, the move to the HIPC initiative suggests the ability of these organizations to reflect on their policies and change their approach to assisting the developing world, which would suggest a dedication to development on their part alongside the objective of entrenching a liberal world order.

The International Monetary Fund (IMF)

The IMF was established in 1944 and covers a range of responsibilities including establishing financial cooperation between countries, expanding the growth of world trade, maintaining exchange stability, and correcting the balance of payments (Hodd 1987, 331). The IMF is made up of member countries, which are allocated quotas proportional to the amount of currency a country deposits in the IMF and these quotas are reviewed every five years. Quotas are measured in special units called ‘Special Drawing Rights’ (SDR’s), which determine the voting power of member countries. Countries are able to borrow 25 per cent of their quotas rather easily in the interest of the balance of payments although any higher levels of borrowing are subject to considerably tougher terms (Hodd 1987, 331).

Until 1979, the IMF would grant loans to borrowing countries if they adopted policies that were thought to maximize the possibility that the balance of payments would be brought back into equilibrium. Its commitment to restoring the balance of payments by ensuring the servicing of loans, means that the IMF lends money for short periods of time; a year to eighteen months, and stresses the need for reduced government spending and credit creation (Hodd 1987, 332). From 1979 onwards, the IMF began to give loans on condition that recipient countries adopt policies with much broader objectives that, in its opinion, would make better use of the borrowing countries' land, manpower and capital. These broader policies were in line with the type of neoliberal economics that were being championed by the West at the time and included privatization, reduced tariffs, the removal of import and export tariffs, and the redirection of credit from the public to the private sector (Hodd 1987, 332). By 1982, 19 countries in Africa had taken conditional IMF loans and by 1986, even those that were the most resistant to conditional loans, came to an agreement with the IMF.

The World Bank

Another of the Bretton Woods organizations, the World Bank, was founded in 1944. It was originally known as the International Bank for Reconstruction and Development (IBRD) and was established with the mandate is to make long term loans to assist development in the poorer countries of the world via capital accumulation (Hodd 1987, 333). The World Bank still consists of several interrelated institutions and affiliates and operates according to two lending institutions: the International Bank for Reconstruction and Development (IBRD), which was created in 1945 to help with the reconstruction of post-war Europe, and the International Development Association (IDA), which was created in 1960 to focus on assisting the World Bank's poorest clients (Garcia 2008, 4). The IBRD continues to perform the WB's principle activity, which is development lending at preferential, but near-commercial, rates while the IDA assists the WB's poorest clients through concessional lending and outright grants (Garcia 2008, 4-5).Membership of the World Bank, and the ability to borrow from it, are conditional on membership to the IMF. The WB is owned by its shareholders and operates by borrowing mainly from the US, Switzerland, the OPEC countries, and Japan. It would be interesting to note that Japan was once a recipient of World Bank loans and has become a principle donor which is suggestive of the potential success of conditional

lending. Funds are borrowed from these countries at favorable rates with no interest and are managed by the WB in their allocation to countries in need.

Previously the WB focused its lending on infrastructure projects such as transport, electricity and water developments as well as the development of modern agriculture methods including fertilizers and machinery. Between 1963 and 1968, the World Bank extended its activities to education and other state-owned industries (Hodd 1987, 334) but there emerged a problem referred to as the 'fungibility problem' which saw money destined for specific projects directed to other areas. The response to this took the form of a programme of Structural Adjustment Loans (SALs) formulated and undertaken by the Bank from 1979 onwards. SALs were loans for longer periods than IMF loans, they average 5 years, and are designed to help countries as they strengthen their balance of payments positions by making significant structural changes in their economies (Hodd 1987, 334). It is imperative to note that SALs are only made to countries that have come to an agreement with the IMF.

The Evolution of Conditionality

> "Conditionality was formally incorporated into the Articles of Agreement of the Fund in 1969. Since then it has formed an essential aspect of all access to the Fund resources beyond the first credit tranche" (Stewart 1987, 29).

In the discussions leading up to the Bretton Woods conference and in the early years of the institutions that emerged from Bretton Woods, there was no agreement on the need for conditions. Only in 1952, under the influence of the United States, was it agreed that access to the IMF would depend on the willingness of a member country to undertake certain policies (Stewart 1987, 29). However, according to Mosely, Harrigan and Toye (1991, 27), the World Bank has never made unconditional loans. Even when its loans were for development projects specifically, they carried conditions to which the borrower country had to agree. Most importantly, there were always conditions attached to WB loans but these conditions were almost always in the form of policy changes. What evolved therefore, was the degree of conditionality on loans and how interventionist they became in nature.

Conditionality is the term given to conditions relating to macro-policy elements which countries have to meet in order to gain access to international loans. These macro-policy elements include: reduction in government spending, increased taxation, devaluation and price reform, and policies emphasizing the improvement of the medium and long term efficiency of the economy through financial reform and liberalization (Havnevik 1987, 15). Conditionality, however, is not only economic in nature. From the 1980s, donors such as the World Bank began implementing additional conditions that related to micro levels such as sectorial and institutional reforms. This research will also outline the political character of conditionality that was either explicitly or implicitly enforced by bilateral and multilateral donors respectively.

Conditionality became a crucial part of economic policy making in Third World countries during the late 1970s and 1980s. According to Stewart (1987, 28-29), its growing importance can be attributed to three factors: firstly, an 'acute foreign exchange crisis' in the 1980s, which led to many more countries having Fund programmes, secondly, a rise in the proportion of 'high conditionality' facilities, which resulted in an increase from one quarter to three quarters of IMF lending in the 1980s and the World Bank's move to structural adjustment programs, and thirdly, 'cross conditionality' developed with lending from the World Bank for sectoral loans, the rescheduling of Official Bilateral Loans through the Paris Club, and rescheduling new loans from the private banking system, frequently being dependent on countries having an agreement with the IMF.

Conditionality on development finance by the World Bank dates back to the years following its creation although it was not as explicitly conditional as it would later become. As mentioned, loans were not always based on a specific project. They were given as a general support for a deficit balance of payments to facilitate imports that should increase economic growth and hopefully, development (Mosely, Harrigan and Toye 1991, 27). Loans were granted on condition that certain policy changes be made in an attempt to secure the servicing of the loan. One of the earliest examples of conditional lending is referred to as the 'Indian lesson' (Mosley, Harrigan and Toye 1991, 29). Conditional loans were used briefly in India in the 1960s. In conjunction with non-project loans for general balance of payments support, the Indian government received strong 'advice' to make major changes in their economic policy including agricultural strategy, the liberalization of trade and industry, and the devaluation of the Rupee. The Indian government

accepted and implemented these policy changes but the results for trade and industry were unsatisfactory and the liberalization process was paused (Mosely, Harrigan and Toye 1991, 28). Programme-lending to the Indian balance of payments continued during the 1970s but at a reduced level and without any policy change conditions.

The failure of these policy changes, however, did not result in the eradication of ideas of conditionality. Towards the end of the 1970s, just before the introduction of structural adjustment loans (SALs), conditions relating to food policy were introduced into non-project lending to Bangladesh. Nevertheless, the most ardent period of conditionality began in the 1980s in response to the failure of previous methods of development lending, highlighted after the first huge oil price rise of 1973 and then the international recession of the early 1980s (Mosley, Harrigan and Toye 1991, 29). This shock gave rise to the 'fungibility problem' (Mosely, Harrigan and Toye 1991, 29) which has already been defined earlier but is worth repeating: it refers to aid financing a project for which it was not intended and one which the recipient government would have undertaken anyway. Another major problem that was presented in this period regarding development aid was that countries most effected by the economic turbulence of the 1970s, namely sub-Saharan Africa, showed much less flexibility in coming to terms with the need for adjustment in their political and administrative structures (Mosely, Harrigan and Toye 1991, 30).

The international economic context of the 1980s played a pivotal role in the consolidation of conditionality. In the period after mass decolonization, developing countries considered economic independence as the final guarantor of political independence and therefore turned to economic nationalism by adopting a number of regulations governing trade (Mosely, Harrigan and Toye 1991, 3). The World Bank came to see liberalization and the 'release of market forces' as the key to unlocking the future development prospects of developing countries and therefore policy-based lending emerged in the 1980s as a tool for reforming the policies of economic nationalism (Mosely, Harrigan and Toye 1991, 4). As mentioned, the World Bank's decision to attach policy conditions that would influence structural economic changes in developing countries also came amidst the economic crisis of the 1980s, which was one of the most serious world economic setbacks since the depression of the 1930s (Mosely, Harrigan and Toye 1991, 8). The 1980s were characterized by a gradual deceleration of growth in almost all parts of the world (Mosely, Harrigan and Toye 1991, 5) and third world countries were hit particularly hard by the crisis because the prices of

almost all developing country exports began falling and this combined with higher and unexpected financial outflows for debt service created critical pressure on developing countries' balance of payments (Mosely, Harrigan and Toye 1991, 8). The situation was therefore facing difficulty from both sides; developing countries were unable to service their debts and donor countries and international financial organizations were unable to grant sufficient loans because of the crisis of the international economic context. Between 1973 and 1980, official development assistance had risen from 8.7 to 22.8 billion Dollars but the majority of this had to come from private direct investment. In the 1980s then, the global economic context required the global community to find ways of bringing down developing countries' balance of payments deficits to the level that could be financed by the struggling aid flows. This is ultimately what was intended by structural adjustment in developing countries (Mosely, Harrigan and Toye 1991, 9).

It is against this background that structural adjustment lending was designed and created as a combination of programme-lending and policy change conditions (Mosely, Harrigan and Toye 1991, 32). Policy changes again included modifying the existing organization of agricultural marketing and process amongst other trade issues. It is important to note that, although major economic and political shifts influenced the move to structural adjustment lending, the move was actually primarily driven from within the World Bank itself. The reassessment of development aid came from then President Robert McNamara and a small group of officials. This pressure for change came under criticism from opposing factions within the Bank but the announcement of the new move to long-term, non-project assistance to countries who were willing to embrace economic policies put forward by the World Bank was made by McNamara at a United Nations Conference on Trade and Development (UNCTAD) meeting in Manila in April 1979 (Mosely, Harrigan and Toye 1991, 34). In the late 1980s donors began to attach certain political conditions to granting development aid. This reached its zenith with the end of the Cold War with the fall of the Berlin Wall. The end of the Cold War represented the triumph of a new hegemonic liberal world order constituted by Democracy and Capitalism. Aid donors such as international financial institutions, through their shareholder member countries, were hesitant to give support to regimes with dubious track records regarding the handling of their internal affairs, including human rights issues. Instead they began to set conditions on the manner in which client states managed their governmental affairs (Doornbos 2003, 7). Hence, a new chapter of conditionality was opened.

This new chapter of conditionally was particularly interventionist in the form of structural adjustment programs. Ever since, structural adjustment has been a constant feature of the study of economic and social development in Africa (Ponte 1995, 539). As will be outlined in subsequent chapters, the problem with structural adjustment programs lies in a misunderstanding on the part of donors regarding the local social and political context in recipient countries. According to Ponte (1995, 539), structural adjustment is difficult to measure and analyze because of the numerous changes since its inception, its complexity, and the variety in its experiences. This would mean that it would be hard to generalize about structural adjustment and it would be naive to believe that structural adjustment programs are implemented in the same fashion with the same instruments in all countries (Mosely in Ponte 1995, 539). However, certain economic and political interests by donors underpin the formulation of all structural adjustment programs thereby falling into the trap of universalizing aid conditionality.

Aid conditionality has received high levels of criticism with evidence suggesting that many countries with IMF programmes in the 1980s experienced rising unemployment, rising urban poverty, rising malnutrition in children, falling real investment and reduced government spending that resulted in decreased expenditure on health, food subsidies and social services (Stewart 1987, 33). Some possible reasons for the failure of aid conditionality to promote development will be outlined in the following section but it is important to note that these negative effects were not experienced solely in countries with IMF programmes and therefore cannot necessarily be attributed to conditionality alone. The international environment at the time was one fraught with recession due to deteriorating commodity process and an exodus back towards protectionism with high interest rates and a fall in world trade (Stewart 1987, 34).

The Heavily Indebted Poor Countries (HIPC) Initiative was launched in 1996 by the IMF and World Bank. The aim of the initiative is to ensure that no country faces a debt burden that it cannot manage (IMF 2014). Through the HIPC Initiative, the international financial community, including multilateral donor organizations and governments, has undertaken the project to reduce external debt obligations to more manageable levels. It has been argued that the move to the HIPC initiative came amidst criticism that policies of aid did not display enough of a commitment to the reduction of poverty, which was seen as the foundation of development. To qualify for the HIPC initiative, a country must face an unsustainable debt situation, after traditional debt relief

mechanisms have been applied, illustrated for example by a ratio where debt exceeds exports, display a track record of reform, and establish an interim poverty reduction strategy paper that has involved civil society participation (World Bank 2013). According to these criteria, the World Bank and IMF assess and determine the amount of debt relief a country may receive. A country will then receive the full amount of debt relief on condition that it maintains macroeconomic stability under the IMF's Poverty Reduction and Growth Facility program, carries out the social and structural reforms to which it committed at the time of decision, and implements its poverty reduction strategy paper for one year (World Bank 2013).

The HIPC Initiative has been criticized for a number of reasons. Firstly, it has been argued that it was a mistake to allow the leading global creditors, the IMF and World Bank, to lead the framework of the initiative because, although they undertook an extensive consultation process, developing countries and debtor countries ultimately had little say in the initial and enhanced framework of the initiative (Gunter 2002, 11). Other criticisms include using over-optimistic growth assumptions in country-specific debt sustainability analyses, the use of poverty reduction strategy papers that perpetuate conditionality and delay debt relief completion, and the fact that many of the world's poorest countries are not eligible for the HIPC initiative because they do not meet the debt-export ratio criteria (Gunter 2002, 7-11). However, as of December 2013, 35 of the 39 countries that have been eligible under the HIPC Initiative, have already reached completion point and through the initiative, debt relief has allowed recipient countries to dedicate increased funding to poverty-reduction (World Bank 2013).

This research project uses the undertaking of the HIPC initiative as the dependent variable or outcome to show the inability of policies of aid conditionality to promote development due to unsustainable levels of debt. As will emerge, policies of aid conditionality were guided by the priority to encourage economic liberalization, which often meant that social and political reforms were not implemented in a meaningful enough way as they were overshadowed by economic pressures. However, it must be said that the creation of the HIPC initiative shows the ability of donors such as the IMF and World Bank to reflect on the shortcomings of their policies and reinforces their commitment to development and poverty-reduction.

So Why Democracy? – The Relationship between Conditionality, Democracy and Development

An analysis of the IMF and World Bank outlines the international environment in which conditionality emerged but the type of aid conditionality enforced by the Bretton Woods institutions targeted economic and administrative reforms because the statutes of these organizations prohibit them from favoring one political system over another (Brown 2005, 5). Political conditionality is only an explicit feature of the relationship between bilateral donors and recipient countries. Below is an outline of the relationship between democracy and conditionality that attempts to identify the reasons behind the promotion of democracy in developing countries. What will be shown is that certain donors openly promoted democracy while certain tenets of democracy go hand in hand with the administrative reforms advocated by multilateral donors such as the IMF and WB, which reiterates the power of the international ideological context at the time. However, in light of the inability of many developing countries, especially in Africa, to embrace genuine democracy, the discussion below is critical of the traditional promotion of democracy by donors because it shows a lack of commitment and understanding on the part of donors and suggests that democracy was an instrument to obtain the broader objectives of order, regional security and market-based reforms. This does not mean that democracy should not be promoted, this research project rather suggests that a democratic system from which developing countries can benefit, must be embraced in a more meaningful way with both local and international support.

> The marginalization of Africa has given the West more latitude to conduct its relations with Africa in a principled way. In the past, the West adopted a posture of indifference to issues of human rights and democracy in Africa in order to avoid jeopardizing its economic and strategic interests and to facilitate its obsessive search for allies against communism. Now that these concerns have diminished, the West finds itself free to bring its African policies into greater harmony with its democratic principles (Ake 1996 in Dunning 2004, 413).

As has been mentioned, conditionality emerged stronger in the late 1980s and reached its zenith after the Cold War. It has been argued that prior to the end of the Cold War, democracy was not really a main priority of donors because their focus lay more in securing ties with countries on

either side of the US-Soviet divide. Therefore, during the Cold War, aid was allocated according to geopolitical factors that often caused donors to overlook undemocratic practices and allocate aid to strategic allies even though those were often autocratic regimes (Dunning 2004, 410). In his study, Dunning (2004) reanalyzes work that has found a positive and statistically significant relationship between official development assistance from Western countries and the level of democracy in 48 sub-Saharan African countries between 1975 and 1997. The study uses the Freedom House "Index of Political Freedom" scores on the ratio of official development assistance (ODA) to Gross National Product (GNP) and shows an increase in levels of democracy in the post-Cold War period (Dunning 2004, 413). This is significant when looking at the relationship between conditionality and democracy because it reveals how political conditionality is highly period dependent. These findings fit the paradigm of liberal internationalism as applied to the study of id conditionality because it reiterates the importance of the international political and economic environment at the time of conditional aid policies. This research project uses the cases of Mozambique and Tanzania to analyze aid conditionality in Africa and Dunning (2004, 415) describes how these two countries received the lowest scores on the Freedom House variable 1975 and 1986 but their scores increased as they received more and more development assistance. It would be interesting to note that, during the Cold War, these states were socialist-oriented allies but during the period 1975-1997, ODA went from zero to 22 percent of GNP and 11 to 78 percent in Tanzania and Mozambique respectively (Dunning 2004, 417).

There has been an increased number in studies conducted on the relationship between Democracy and Development although few have addressed the relationship between political conditionality, democracy and the development it claims to encourage. It is important to note that Development here is used to mean all forms of human progress and the enjoyment of a better quality of life and is therefore not only limited to economic growth (Shihata 1997: 635). Some studies have argued that Democracy is not a necessary precondition for economic growth while others insist that democratic regimes appear to be more conducive to Development because they are associated with stability (Shihata 1997: 636). However, the democracies that are considered to be stable are those that have been maintained over a long period of time and therefore have an institutionally entrenched democratic system (Gerring, Thacker and Alfaro 2012, 2). The implication of an established democracy is that its developmental effects will also be long-term because of factors such as accountability. This research paper looks specifically at the system of democracy as

advocated directly by western bilateral donors and indirectly by multilateral donors such as the IMF and World Bank in the 1980s. This type of Democracy is characterized by the separation of the legislative, judiciary and executive, the legal protection of fundamental human rights, and the rule of law (Shihata 1997, 635).

With regards to accountability, it is argued that democratic governments are accountable to their electorate and are therefore more likely to attempt to satisfy the needs and expectations of the majority. This is certainly not the case in authoritarian regimes in which, as long as the core constituency such as the military, ruling party and economic elite is compensated, the sufferings of the masses would not threaten control of the state (Gerring, Thacker and Alfaro 2012, 2). Gerring, Thacker and Alfaro (2012, 3) concede that politicians in a new democracy are often incentivized to pursue short-term goals at the expense of long-term Development if they are faced with political instability or uncertainty. In long-standing democracies, however, leaders might find it in their interest to pursue policies where the benefits lie in the future. Such decisions are possible political and economic investments that can ensure the reelection of political leaders or stability for their successors.

Another important feature of Democracy is that its institutions tend to foster a well-developed civil society (Gerring, Thacker and Alfaro 2012, 3). This can be attributed to the fact that there is a definite correlation between political and civil rights. Civil rights groups are responsible for the advocacy of notions such as equality and improved human development through a better standard of living, but the existence of civil rights has also been known to encourage the formation of voluntary associations whether they are religious, secular, national or international. These associations have often been instrumental in providing services to the poor at times even in conjunction with official state bodies. In a Democracy, these organizations are also capable of lobbying for certain legislation to improve the quality of public administration geared at addressing the needs of the poor (Gerring, Thacker and Alfaro 2012, 3). Again however, the establishment of associations such as those mentioned above takes time and is therefore dependent on a Democracy that has stood the test of time.

Therefore, although some studies argue against a correlation between Democracy and Development, based on the above analysis of certain important features of Democracy such as accountability, strong democratic institutions, and an active civil society, it would appear that

Democracy is actually more conducive to Development. However, it is important to stress that the type of Democracy that seems to have an impact on Development is one that is so deeply-rooted in a given society that it has stood the test of time. It is this resilience that leads to a higher standard of accountability and institutional capacity, which in turn benefits Development. In light of this argument, this essay will highlight how policies of political conditionality imposed Democracy on a number of countries. This imposition meant that Democracy was often superficial but even if proper measures were taken to institutionalize Democracy, Developmental benefits could not have been seen in the immediate period surrounding the granting of conditional aid.

In the late 1980s and early 1990s, in lieu of the end of the Cold War, there emerged a new hegemonic system characterized by free market economies and pluralist, Western democracies. In response to the triumph of this system, aid to developing countries became conditional on good governance. Good governance was seen to be the form of governance synonymous with pluralist democracies and the democratic principles listed above. According to Baylies (1995), conditionality can facilitate democracy but it can also be paradoxical because it can undermine democracy if it is imposed on a country and not fully implemented. Political conditionality is also problematic because, although democracy and good governance can be broken down into features as has been shown, it is ultimately hard to define and measure. Whitehead (2004) talks about this type of conditionality as being a system of 'controlled democratization' and argues that meaningful democratization must still include respect for, and promotion of, an important degree of state sovereignty.

It is important to elaborate on this discussion of meaningful democratization with relation to donors and aid conditionality because some have argued that political conditionality is paradoxical in that the role of donors in promoting a rapid transition to a multiparty system can actually impede further democratization (Brown 2005, 1790). As has been mentioned, democratization was not a priority for donors during the Cold War but since 1990, aid has often promoted and rewarded the transition to democracy. The latter part of this research project will be dedicated to an analysis of aid conditionality in Africa, so it is worth mentioning that the international influence on democratization is particularly pertinent to Africa given the large amounts of foreign aid flows to African governments. However, analyses of the relationship between democracy and aid often focus on the structural international context or environment and rarely looks at the agency

exercised by international actors. This is especially relevant to bilateral donors who have greater power in terms of attaching political conditions to their aid. By looking at international actors, one is better able to see the machinations of political conditionality in the broader context of economic versus political interests and how often democratization fails because of a lack of understanding or commitment on the part of donors.

It is imperative to begin by stating that donor's promotion of political liberalization is linked to economic liberalization, specifically structural adjustment (Brown 2005, 191). This is one of the main arguments of this research paper; the promotion of democracy is highly effective in that it advocates elements of good governance that can benefit and bolster development, as has been the case in some instances such as Kenya, but donors have promoted democracy in line with certain economic adjustments, which are ultimately their main priority. However, democratization cannot, by its very nature and definition, only be attributed to the influence of international actors, donors in this case. There are a number of domestic factors that contribute to the success or failure of democracy such as the pressure by civil society to make the transition to a participatory, multiparty system, and paradoxically, the unwillingness of elites to hand over power. It is according to this explanation that Brown (2005, 180) sustains that this combination of domestic and international factors is particularly helpful in looking at the relationship between aid and democratization in Africa. In Brown's (2005) study, it is argued that the success of democratization in Africa has been hindered by two reasons: first, structural impediments obstruct democratization in poorer countries and thereby limit the effectiveness of foreign aid and secondly, as mentioned earlier, donors often lack the necessary understanding and commitment required to see through political reforms especially in light of other foreign policy objectives that are prioritized.

With regards to structural impediments that hamper democracy, African countries face especially high levels of poverty and long-term economic crises coupled with political instability brought about by recent independence and the legacies of authoritarian leaders (Brown 2005, 183). The reoccurring theme of paradox emerges again here because these conditions are often the root cause behind societal pressure to transition to a strong and institutionalized democracy but are simultaneously obstacles to the immediate survival of a democracy and its eventual consolidation (Brown 2005, 183). In terms of the supposed lack of understanding and commitment on the part of donors, it is argued that donors often promote a rapid transition to democracy and do not

reinforce its promotion by local actors beyond the holding of founding multiparty elections (Brown 2005, 186). To reiterate an important point discussed earlier, bilateral donors tend to support democratization even if its project in a given recipient country is flawed and multilateral donors such as the Bretton Woods institutions display more concern with economic and administrative reforms that they believe are most likely to bolster development (Brown 2005, 186). According to Brown (2005, 186), the commitment to democracy by donors has waned significantly since the early 1990s and the use of political conditionality has declined, it has become a "blunt instrument, to be wielded with care" (Brown 2005, 184). A few years into the decade of political conditionality, the 1990s, donors had returned to largely rhetorical endorsements of democracy in an attempt to establish broader regional security, order and market-based reforms (Brown 2005, 186).

These two factors that Brown (2005) identifies as the major obstacles that hamper democratization combine in practical attempts at implementing democracy. For example, the principles of democracy that donors emphasize such as multi-party elections, strong institutions, and independent judiciaries and media, require the training of judges and journalists, and, very importantly, the willingness of regimes to operationalize institution building and accountability (Brown 2005, 186-187). To return to the point of dire economic crises and poverty being the causes behind civilian pressure to transition to democracy, another reason why the promotion of democracy as a means of encouraging development by international donors is said to fail is because organizations such as the Bretton Woods institutions "advocate economic measures, such as user fees, that make education and health care even less accessible to poor Africans, thereby exacerbating social conditions and inequalities, and indirectly creating obstacles to democratization" (Brown 2005, 187).

Therefore, an analysis of the relationship between democracy and development in Africa must take into account the combination of international influence and domestic specificities regarding aid and conditionality during and after the Cold War. As has been shown, democracy was not a priority for international donors during the Cold War because the main objective was to secure allies to the left and right of the battle between the two superpowers irrespective of the regime in recipient countries. After the end of the Cold War, a period emerged in which democracy and economic liberalization triumphed and this was reflected in the allocation of aid to developing countries. The above discussion has attempted to render implicit the fact that economic reform was, and continues

to be, the main priority of bilateral donors and especially multilateral donors such as the Bretton Woods organizations. Democracy, through policies of political conditionality, was championed but failed on many occasions due to a lack of commitment by donors to follow through beyond the holding of multiparty elections coupled with their lack of understanding of deep structural impediments to democracy and the socio-political context within recipient countries. Brown (2005, 189) phrases it perfectly when he says "donors might want democracy, but they prefer neoliberal economic reform. Most often, they settle for stability, whatever its form".

Chapter 3 – Conditionality in Africa: A Case Study of Mozambique and Tanzania

The World Bank and IMF in Africa

In 1982, the Scandinavian Institute of African Studies (SIAS) held a conference entitled "Recession in Africa" that aimed at discussing the nature and origin of the recession in Sub-Saharan Africa and departed from the World Bank's 1981 report (Havnevik 1987, 9). In this report, the World Bank recommended strengthening price incentives for exports and agriculture, lower protection for industry, and a decrease in controls. It also argued that the public sector was over extended given the region's scarce financial resources. Later, the World Bank emphasized the external forces that contributed to the recession in Africa, which greatly influenced the IMF in focusing more on policies of conditionality (Havnevik 1987, 9). Although these Bretton Woods organizations were each established with different mandates and responsibilities, conditionality was a feature that brought the two in line with each other and, on occasion, was mutually enforced by both. There have since been a number of studies and discussions that have departed from similar points and aim at analyzing the effect of conditionality in Africa.

As previously mentioned, developments associated with conditionality were largely unsatisfactory. Although the international environment in the 1980s played an important role, development was particularly weak in Sub-Saharan Africa, a region in which most countries had IMF programmes at one point or another (Stewart 1987, 34). Between 1980 and 1985, the IMF had loaned a cumulative amount of 4.6 billion US dollars to Sub-Saharan Africa and this was expected to be repaid with interest by the end of the decade (Stewart 1987, 34). The region however, displayed little improvement and the prospects of servicing the loan were grim. It has been said that the Sub-Saharan region of Africa is particularly vulnerable to external influences given its colonial history and a subsequent, sustained economic crisis that has made it so reliant on foreign funding (Loxley 1987, 47). This region's economic policies have been especially shaped by conditionality because no fewer than 30 Sub-Saharan African countries had entered into agreements with the IMF between 1980 and 1986 in an attempt to correct their balance of

payments. Even where IMF programmes are not in place, the World Bank and increasing numbers of bilateral donors have imposed conditions on certain sectors and projects (Loxley 1987, 47).

Although donors argue that recipient countries are not compelled to accept conditionality on funds from the IMF and World Bank, this view overlooks the fact that, in the face of an economic crisis, borrowers have very little choice and conditional funding is mostly accepted reluctantly with the majority of African countries expressing that the terms on these loans are often harsh and inappropriate (Loxley 1987, 48-49). Previously, this research mentioned that one of the problems with conditionality is the limited control that recipient countries have over the terms of conditional loans. Part of the reluctance of African governments to agree to undertaking IMF and World Bank programmes is the fact that they do not hold positions of power in the negotiations leading up to the decision point and even after the agreement has been made, the degree to which, the manner in which and the time in which they are required to make economic adjustments is out of their hands (Loxley 1987, 50). It is argued that those who dictate these terms are the larger, industrialized, capitalist countries that are responsible for deciding the amount of financial resources that can be allocated to developing countries through multilateral institutions. This again evokes the theory of internationalism and the uneven manner in which it can be perceived and applied. These powerful, industrialized countries claim to advocate conditionality both for the servicing of loans but also to promote development, however it has been discussed how the quest for global economic cooperation can conflict with trying to bring about stability in individual developing nations. "While, there is, undoubtedly, much that can be done to improve the negotiating ability of SSA [Sub-Saharan African] governments within the constraints outlined, the balance of power lies and will continue to lie with the multilateral agencies as they are now constituted" (Loxley 1987, 51).

The details of conditionality as applied to IMF and World Bank loans vary from loan to loan depending on the specific problems faced in a given recipient country but there is definitely a set of features that all programmes share such as the promotion of a greater use of market forces and open trade, a reduction in government spending and state involvement in the economy, and the creation of an environment that is more conducive to foreign private capital flows (Loxley 1987, 51). Although disagreements with these terms are not confined to Sub-Saharan Africa, history has shown that disputes rarely result in compromise and, in the process, not enough attention is paid

to the political sustainability of such programs. The crux of disagreements between African countries and multilateral financial organizations is the fear that conditions meant to solve the economic crisis will create social unrest and even augment state resentment. It is worth repeating that political conditionality only really became a feature of conditionality as the international environment changed after the end of the Cold War. During the initial phase of stringent conditionality, economic liberalization was rarely accompanied by political liberalization as loans were granted to 'sympathetic' countries even if they were extremely authoritarian in nature. Later, however, disputes would also arise around the pressure to adopt a political system that would complement a more market-oriented economy as well as champion human rights and characteristics such as accountability and a more active civil society.

This brief outline of IMF and World Bank involvement in Africa serves to introduce the two case studies that will be discussed below. Both Mozambique and Tanzania were recipients of foreign aid during the period of conditionality but then both became countries listed under the HIPC Initiative because of their high levels of debt and difficulty in achieving desired levels of development. Mozambique was chosen as a case to analyze the relationship between an African country and international financial institutions while Tanzania will be helpful in looking at conditionality on the part of bilateral donors.

Mozambique

The case of Mozambique is one in which the government joined the IMF and World Bank only with reluctance as it had run out of options (Loxley 1987, 59). It did so after it failed to obtain sufficient funds from Eastern Europe in 1983 to solve its economic crisis. In 1990, Mozambique was the poorest country in the world according to the World Bank as well as one of the most dependent countries on foreign assistance, which accounted for two-thirds of its GDP (Plank 1993, 407). As was the case in many Sub-Saharan African countries during the period in which conditionality became an integral part of donors' policies on aid, Mozambique inherited many of its difficulties from its colonial history; the *Frente de Libertação de Moçambique* (FRELIMO) inherited a poor country without a strong education system and a poor infrastructure due to more than 90% of the 'white' population leaving at the time of independence and taking with them or destroying their capital (Plank 1993, 409).

Mozambique's economic strategy since its independence was to build a nationally integrated socialist economy with an emphasis on meeting the basic needs of its people and reducing external independence (Loxley 1987, 59) but this socialist development model brought with it its own set of problems by overstretching the country's administrative capacity, hindering rural progress and distorting prices and incentives. The decision to adopt a socialist set of principles for development also alienated Mozambique from major sources of foreign aid, forcing the Mozambican government to rely on grants and loans from the Soviet Union and its allies (Plank 1993, 410). Therefore, Mozambique's economy fell into crisis, which ended up becoming one of the most severe in Africa; real incomes and merchandise exports fell and Mozambique's external debt obligations simply could not be met even after debt rescheduling through the Paris Club. The result was a drastic goods famine and a retreat by farmers into subsistence (Loxley 1987, 59-60). As is to be expected given the prior discussion of the impact of external forces on the economy of Sub-Saharan Africa, many of the reasons behind Mozambique's economic crisis were beyond its control such as the global recession, incessant regional warfare and recurring droughts (Loxley 1987, 60). However, there were also a number of domestic factors that contributed to the crises as admitted at the FRELIMO conference of 1983. These domestic factors included over-centralized decisions making and too heavy a reliance on inefficiently managed state farms that resulted in a lack of consumption goods (Loxley 987, 60).

In the early 1980s, the Mozambican economy collapsed with GDP declining by 30 percent between 1982 and 1985 (Plank 1993, 410). Further damage was caused by the political and economic collapse of the Communist world, which had provided Mozambique with the majority of its foreign aid and post-independence inspiration for development. In 1987 the Mozambique government negotiated a structural adjustment programme with the IMF, which completely changed Mozambique's economic strategy (Plank 1993, 411).

As mentioned earlier, Mozambique is an example of an African country that entered into an agreement with the IMF and World Bank after much reluctance and because it did not have a choice. The biggest reason behind its adoption of an IMF structural adjustment program was the collapse of socialism and the emergence of a unipolar world. This left aid recipients with very little bargaining power in their negotiations with donors (Plank 1993, 414). This research has discussed at length the characteristics of conditionality imposed by donors such as the IMF and World Bank

in their assistance packages including the liberalization of trade, the reduction of trade barriers and limiting public expenditure. It is therefore not surprising that these features formed the basis of Mozambique's IMF and World Bank-sponsored Economic Recovery Programme (PRE2) (Marshall 1990, 29). Similar to the case of Tanzania, as will be discussed below, the decision by the Mozambican government to undertake an IMF and World Bank-sponsored loan opened the door to debt rescheduling with bilateral donors including the US and Scandinavian countries (Marshall 1990, 30) and ensured the steady flow of loans in an attempt to remedy the country's balance of payments. Initially, this SAP adoption led to renewed growth but Mozambique's economy proceeded to decline again in 1990 despite multilateral, bilateral and private capital flows (Plank 1993, 411), As of 1993, relative to the size of its formal economy, Mozambique was the most heavily indebted country in the world (Plank 1993, 412).

The apparent failure of conditionality in Mozambique has inspired studies of the social costs of structural adjustment. Marshall (1990, 30) suggests that the initial estimates of Mozambique's Economic Recovery Programme overestimated the capacity for rapid recovery and underestimated the severity of social costs. She also introduces an interesting aspect of the Mozambican case: that the IMF package designed for Mozambique was not necessarily appropriate for a country at war (Marshall 1990, 30). The FRELIMO government faced great resistance by the RENAMO group that made it difficult to implement certain policies in parts of the country. This has specific implications for political conditionality with donor demands for political adjustment being less explicit in countries such as Mozambique precisely because of its variety of internal political dynamics (Plank 1993, 417). This made it difficult for the government of Mozambique to maintain the vitally important balance a continued flow of aid with the support of its domestic constituencies.

The social costs of conditionality in Mozambique were particularly high. Studies have since revealed the impact of economic restructuring on Mozambique's population and especially vulnerable groups consisting of women, children and the poor (Marshall 1990, 30). The intervention of trade liberalization in the prices and availability of food and commodities had a negative impact on the 'buying power' of families and exacerbated poverty and insecurity. The failure to promote development in this instance has been attributed to the fact that IMF and World Bank programmes assume the ability of a recipient country's population to increase production

rapidly through incentives but this was impossible in a country such as Mozambique, which was facing war, drought and a historically marginalized peasantry (Marshall 1990, 35). The result, other than increased poverty and economic downfall, was a drop in the availability and accessibility of health and education. This was caused by budgets not allowing enough materials and the shortages of trained teachers and medical professionals.

The case of Mozambique provides us with a prime example of the shortcomings of conditionality in Sub-Saharan Africa. It is imperative to note that blame for these shortcomings cannot be placed entirely on donors such as the IMF and World Bank, who implemented the structural adjustment package, because there were a number of internal and external factors beyond their control. For example, they sought to implement a recovery programme in a country that was already heavily indebted and one of the poorest countries in the world, both financially and in terms of infrastructure. Also, Mozambique was facing political turmoil caused by resistance of the opposition RENAMO and instability caused by its colonial past, as well as drought. However, as has been shown, the structural adjustment package that was designed for Mozambique was so focused on maintaining the features of the unipolar world; primarily trade liberalization, that it failed to adequately take these intervening factors into account and further exacerbated the country's socio-economic difficulties. One of the reasons put forward in response to the shortcomings of conditionality in Mozambique, is that control had shifted dramatically out of Mozambican hands with its economic policy resting solely in the hands of its donors (Marshall 1990, 41). Membership to the IMF and World Bank had become a necessity with all the other western countries refusing any flow of credit until Mozambique accepted structural adjustment within the "classic IMF framework" (Marshall 1990, 41).

The notion of a loss of control on the part of the recipient country is extremely problematic and can be increasingly identified in the relationship between donors and recipient countries. In the earlier discussion of good governance as a guideline for political conditionality, this research argued that development can only be achieved by a genuine buy-in by recipient countries and this would require them to take control of their economic, political and social policies. This paper has attempted to display an understanding of the need for conditionality to ensure the probability of a loan being serviced but also as a mechanism for promoting development. There has been broad consensus on many of the features used in policies of economic and political conditionality such

as the need for increased global trade and the conduciveness of accountability to sustainable development but, in order for these principles to succeed, developing countries must be the captains of their own ship and the aid relationship must become increasingly more horizontal than top-down as it was during the 1980s and 1990s.

Tanzania

Tanzania is a very helpful case to any study of aid conditionality and the relationship between donors and recipient countries. For the purpose of this research, particular attention will be placed on the special donor-recipient relationship between Norway and Tanzania in an attempt to outline the evolution of aid conditionality in a specific country and illustrate the concept of cross conditionality; the mutual reinforcement of aid reforms by bilateral and multilateral donors. As will be shown, an important feature of bilateral aid in Tanzania is that even donors who supported the Tanzanian government during periods in which it was resisting reaching an agreement with the IMF and World Bank, reached a point in which they asserted that continued flows of aid would only be granted upon Tanzania undertaking a 'classic' structural adjustment programme with the IMF and World Bank. Although this was also a feature of the donor-recipient relationship in many other parts of Africa, the Tanzanian case provides a particularly clear illustration.

The Nordic countries, and Norway in particular, have been supportive of independent Tanzania by providing the Tanzanian government with aid even during the years prior to 1985 in which Tanzania was resisting IMF conditionality (Selbervik 1999, 11). It was therefore surprising in 1985 when Norway changed its position and became an active proponent of conditionality. As a matter of fact, it was towards Tanzania that Norway actively supported economic conditionality for the very first time (Selbervik 1999, 5). As this research has hitherto shown, this change in attitude regarding explicit interference in the national economic policy, good governance, democratization and human rights, was characteristic of the period; in the 1980s and 1990s, conditionality was the most important aid policy instrument to accomplish reforms, and has been described as the most characteristic feature of aid in this period and well into contemporary aid discourse (Selbervik 1999, 5).

The 1980s and 1990s was a period of economic and political reform in Tanzania. It has been said that, in contrast to many other African countries, Tanzania had comparative advantages such as

relative social homogeneity and a leader, President Julius Nyerere who had led the country into independence, who was respected among his people, donors and internationally (Selbervik 1999, 20). Nyerere had committed to austerity and equality of distribution by promoting economic growth but also basing his development strategy on a war against poverty (Selbervik 1999, 20). Although Nyerere was ahead of his time in this regards, Tanzania did not end up achieving its development goals and despite the fact that Tanzania had received more development assistance than many other African nations, it was ranked as the third poorest country in the world in 2998 (Human Development Report in Selbervik 1999, 20).

As mentioned in the introduction to this chapter, during the period of conditionality Africa was facing a severe economic crisis. Economic decline and the macro-economic imbalance of the late 1970s triggered a process of reform. For example, the Tanzanian government attempted reform by implementing the National Economic Survival Programme between 1981 and 1982 that aimed at mobilizing domestic resources (Selbervik 1999, 21). Between 1982 and 1985, a structural adjustment programme was adopted that involved internal and external trade liberalization, budget and investment cuts, and limited devaluation but these were too weak to bring about any real economic change (Selbervik 1999, 21). The failure of these attempts at economic turnaround by the Tanzanian government caused donors to reduce their aid supply and present the country's government with an ultimatum: continued aid would be conditional on Tanzania coming to an agreement with the IMF and World Bank (Selbervik 1999, 21).

In 1986, amidst pressure from their bilateral donors and the international environment, the Tanzanian government signed an agreement with the World Bank and IMF, which led to the adoption of the Economic Recovery Program (ERP) (Selbervik 1999, 21). The main objective of this reform program was, not surprisingly, in line with the free-market philosophy of the IMF, World Bank and the powerful, industrialized member countries who provided these organizations with the majority of their funding: design a macro-economic framework for gradual growth recovery in real income (Selbervik 1999, 21). Measures included: further devaluation of the Tanzanian shilling, price control, reduction in government spending, and liberalization of the agricultural sector. This reform process, however, did not make Tanzania any less dependent on aid (Selbervik 1999, 22).

In its analysis of aid conditionality, this research has introduced both the economic and the political aspects of conditionality. As has been shown, political conditionality, operationalized according to definitions of good governance, was only really enforced after the end of the Cold War during the period in which economic liberalization and democratization triumphed on the international stage. In the Tanzanian case, the country had always had a fairly independent judiciary and a good track record regarding human rights. In 1992, in response to "external pressure and the general winds of change" (Selbervik 1999, 24), Tanzania's single-party system came to an end. As was the case in other African countries, this change in the political climate brought with it a period of relative instability caused by tensions between religions, ethnicities and between the mainland and islands. In Tanzania, one of the most contentious political issues has been Zanzibar regarding its 1995 elections. The donor community responded to this political instability by making it clear that aid flows would resume only if there was full political reconciliation (Selbervik 1999, 25). A key feature of Norwegian aid to Tanzania has been an emphasis on democratization and political reform as being a prerequisite for sustainable development (Selbervik 1999, 29).

However, although multilateral donors were not in a position to base the allocation of their aid by favoring one political system over another, there was a general consensus by donors on the importance of human rights and social reform. With regards to Tanzania, the 1990s saw increased attention being dedicated by donors to socio-economic issues (Selbervik 1999, 23). This addition of socio-economic and political considerations were not isolated to the case of Tanzania but had to become part of aid programmes across Africa in the realization that development required overall adjustment and not just economic recovery. For example, programmes of economic liberalization often required a dramatic reduction in spending on government-subsidized social services such as health and education. In countries where the majority of people could not afford a user-pay system of health and education, this exacerbated problems of poverty and inequality. Therefore, from the 1990s onwards, socio-economic development has been a feature of the agenda of donors because development is a cycle of mutually reinforcing elements, a process rather than an end.

Chapter 4 – Alternatives to Conditionality and the Future of Democracy and Development in Africa

> "Conditionality is an ugly recent addition to the English language with which government officials in indebted countries have become all too familiar" (Killick in Selbervik 1999, 12)

The primary question that this research has sought to address, is centered on the relationship between democracy and development according to policies of aid conditionality in Africa. This research has outlined the evolution of conditionality by both bilateral and multilateral donors by looking at changes in the international system and has provided two case studies in an attempt to illustrate the process of conditionality and its effects on development. One of the main points that this research has raised is the fact that the charters of the IMF and World Bank prohibit them from offering any explicit political considerations and especially from interfering in the politics of individual, sovereign countries. However, this research has also revealed how the involvement of these multilateral organizations, through conditionality in particular, does have political repercussions. The international environment of mass democratization in the years following the end of the Cold War put a great deal of pressure on developing countries to adopt multi-party systems that mirrored their Western donors but this did not have the overwhelmingly positive impact on development that was hoped. With this in mind, this chapter looks at possible alternatives to conditionality before taking a deeper look at the future of democracy and development in Africa.

This research has attempted to display an understanding that there are reasons that conditions on aid are justified; they are a donor's way of ensuring the repayment of a loan in turbulent economic times and they allow for the supervision of projects and policy changes in the interest of promoting development. However, this research has also shown that conditionality has been largely unsuccessful in the developing world with the result being increased, unsustainable levels of debt and limited development. In light of the shortcomings of aid conditionality, it is evident that changes were needed in the system. This paper looked at the period leading up to the move to conditionality in the form of interventionist, structural adjustment programs, the implementation

of these programmes, and the emergence of the HIPC initiative. Although the foundation of the HIPC initiative marked a change in the policies of major donor agencies such as the IMF and World Bank, the previous outline of the initiative explained how not all indebted countries qualify for the debt relief program. It therefore remains relevant to discuss alternatives that were proposed during the period of conditionality itself but are worth attention given the minimal changes in the system of aid as a whole.

Alternative Conditionality

Alternative conditionality was a theme raised at the 1982 conference titled "Recession in Africa" arranged by the Scandinavian Institute of African Studies (Havnevik 1987, 20). One of the most important changes needed was said to be a shift in the burden of adjustment (Havnevik 1987, 20). As mentioned, this was one of the founding principles in the creation of the HIPC initiative. Although it too has its criticisms, it has achieved success in the majority of the countries that have qualified for debt-relief under its framework and seems to have marked a big step in the right direction. The important point that was made was that alternative, improved conditionality would require changes in the international system if it was to be effective. Surely such changes would require a re-analysis of the theoretical framework that surrounds aid. In this research, aid conditionality was analyzed according to the theory of liberal internationalism. The quest for an interdependent world made possible by enhanced cooperation and interconnection seemed to be a major driving force on the part of donors but in practice this has given rise to the domination of international financial institutions and their leading member countries. Although this subject can be approached from many different theoretical angles, the result is unequivocally the same.

Some other elements put forward by the SIAS conference included: conditionality must be country-specific that incorporates social and political realities, short-term policy changes must be consistent with medium and long-term development requirements, the social sector must be restructured in order to increase its equity and efficiency, and the effects of adjustment programs on trade should not negatively impact the recipient countries as it has done through an emphasis on exports of primary goods that lead to increased production and falling prices (Havnevik 1987, 20). Each of these elements have, in some way, been dealt with through the course of this research but will now be elaborated further.

One of the main criticisms of policies of conditionality is that they often fail to take into account the social, cultural, political and economic contexts of recipient countries. This has been attributed to a lack of understanding on the part of donors and can also be related to their subsequent lack of commitment to seeing that these policies are not only carried out but done so in a manner that really promotes development and benefits the recipient country (Ponte 1995, 539). As we have seen in the cases of Mozambique and Tanzania, structural adjustment programmes are designed for each country based on negotiations between its government and the IMF and World Bank. However, these programmes are always a derivation of a specific set of principles namely those of free-market economic liberalization. The obligation of recipient countries to implement these economic measures, especially in Sub-Saharan Africa, has adversely effected trade and market forces within countries because of the importance placed on exporting primary goods. This hindrance to development is largely caused by the inability of recipient governments to have a substantial say in negotiations. Since the end of the Cold War, the pressure to conform to international economic and political standards has severely weakened the position of developing countries to dictate the terms of their own development.

It is therefore imperative that conditionality, in the form of structural adjustment programmes, be country-specific with a genuine consideration of the local realities of each and every individual recipient country. This point acts as an umbrella solution for two other propositions put forward at the SIAS conference: by tailoring programmes of aid conditionality to the requirements of a recipient country, policy changes will be consistent with long-term development requirements and the effects of adjustment programs on trade will hopefully not negatively impact market forces within recipient countries through balancing their role in the international market with a boost in local economic development.

With regards to the restructuring on recipient countries' social sectors, the case of Mozambique has illustrated the negative impact of reduced expenditure on government-provided services. One of the key tenets of economic structural adjustment in developing countries is a dramatic cut in government spending and the employment of civil servants. Although this is done in an attempt to channel funds into other areas of development and thereby increase the efficiency of government, many developing countries are not at a point to absorb the shock that this would create. In developing countries the majority of the population rely on services provided by government such

as health and education and would not be in a position to afford private versions of these services. Development discourse often talks about reaching a period of 'take off', in this instance developing countries are not yet at the point of take-off where the market can regulate supply and demand of these essential services. The chain of development requires a healthy and educated workforce and population in general. Therefore, it is right to advocate that the social sector must be restructured in order to increase its equity and efficiency but even if this does require a reduction in government spending, it should not be done in such a rapid way that leaves essential services crippled and unable to play their important role in development.

This section has discussed elements and objectives of conditionality that need to be improved as put forward by the SIAS conference of 1982. This has been done by drawing from earlier sections of this research in an attempt to explain the obstacles that have hindered the fulfillment of these objectives. Therefore, this section has hitherto addressed the 'why' of alternative conditionality but the 'how' is of equal, if not greater, importance. Some proposals put forward at the same SIAS conference shed an interesting and optimistic light on what the future could hold for aid conditionality. Some suggestions included: merging the functions of the IMF and World Bank by absorbing those of the IMF into the World Bank because the Bank is better designed to deal with more longer term, structural adjustments, reorganize the process of negotiations in such a way that local governments see programmes as being their own to ensure maximum buy-in and efficiency, and link further expansion of SDR with development finance needs as this could play a role in the settlement of debts and provide developing countries with needed capital (Havnevik 1987, 20).

On the topic of alternative conditionality, it would be interesting to jump forward to contemporary changes in the international political economy and see how these changes have affected the international approach to aid. Firstly, attention must be paid to the move to the HIPC initiative; the dependent variable of this research. The HIPC initiative itself is a form of alternative conditionality as aid is given in the form of debt-relief on condition that the recipient country develops a comprehensive poverty alleviation strategy. As this paper has previously discussed, the HIPC initiative has achieved a great deal of success as 35 out of the 39 countries that qualified under the initiative have reached completion point. It has been argued in this research that the move to the HIPC initiative illustrated a dedication to development on the part of donors in their ability to recognize the failures of previous policies of aid. As mentioned however, the HIPC initiative has

also received criticism for the exclusion of many poverty-stricken countries because they do not meet the criteria of the initiative and for the countries that do, it has been argued that the initiative uses over-optimistic growth assumptions and does not give the recipient country a strong enough position in the negotiation process. This last criticism has been one of the major points of focus of this research because development can only be successful and sustainable if there is a genuine buy-in on the part of a country's government and people and this buy-in is in turn drawn from the country having a sense of control over its development.

There have been recently been calls in the international arena to put the "P" for politics back in the international political economy. This essentially means that we should turn our attention back to the role of the state and how it can mediate social development and economic growth. This has been difficult to achieve in a deeply entrenched system of liberal hegemony but recent changes in the global economy provide a sense of hope for developing countries. Although development has traditionally been the project of international financial institutions such as the IMF and World Bank, in turn driven by the Western powerhouses that control these institutions through their representation, there has recently been a reorganization of global governance to include a range of other countries who enjoy greater influence due to the diffusion of their growing economies in the global village. This has a direct impact on development; the principles behind it and its implementation. Many of these emerging powers were once, or still are, classified as developing, which therefore opens the door for new, innovative ideas for development according to a more horizontal than top-down model.

China is one of the most powerful emerging nations with its impressive levels of growth over the relatively short period of the last 20 years. Although the aid relationship between emerging powers and developing countries is not directly linked to the HIPC initiative, it would be worth briefly outlining the relationship between one of the new superpowers of the current global economy and one of the case studies of this research: Mozambique. The relevance of this is its ability to compare and contrast different approaches to aid and development with the period of aid conditionality that is at the heart of this research in this section dedicated to alternative conditionality. The main objective of this research, after all, is to analyze aid conditionality, and its shortfalls, in an attempt to understand its repercussions and impact on the policies of aid to date. Again, the theory of liberal internationalism has proved to be a valuable framework of analysis through its emphasis on the

international system and how this shapes domestic and international relations. Liberal internationalism refers to the internationalization of a system of market democracies after the Cold War. This system became the global world order and permeated the donor-recipient aid relationship. The emergence of a group of powerful developing countries is therefore significant because it poses the question of whether they pose a challenge to the 'traditional' world order.

Mozambique's relationship with China is a good example of the involvement of these emerging economies in Africa. Although aspects of this relationship have been controversial, it symbolizes how the restructuring of global governance has given rise to new forms of economic interaction between partners that would have earlier seemed unlikely and how such economic interactions can be used towards the further development of many African nations.

In 2003 China occupied an insignificant position as the 260th 'largest' investor in Mozambique (Nielsen 2014, 68) but by 2008 it had become the second biggest investor in Mozambique after South Africa (Alden, Chichava and Roque 2014, 8). The global financial crisis of 2009 signaled a dramatic shift in international development and countries welcomed interaction with countries that did not form part of 'traditional donors', which had previously dominated aid discourse. Although in the mid-80s Mozambique turned towards the West for development assistance by adopting a series of structural adjustment programmes sponsored by the IMF, China remained a potential political ally and during the last decade Chinese expansion in sub-Saharan Africa and Mozambique in particular has increased at a staggering rate (Nielsen 2014, 67-68).

Unique to Chinese investment in Mozambique, and of particular importance to this research, is that it is seen as a partner who does not impose conditions on the way in which Mozambique should conduct its policies but rather invests in various projects in the forms of grants, interest-free loans and low interest loans (Chichava 2014, 25). Chinese investment in Mozambique is focused on infrastructure, agriculture, aquaculture and forestry. China's explicit interest in supporting infrastructure projects across Africa has made it a very appealing development partner and in Mozambique it is responsible for rebuilding national roads, one of the areas needed in Mozambique's post-war reconstruction (Alden et al 2014, 9). China has also expressed an interest in the development of Mozambique's agricultural sector, the production of biofuels and technical expertise, as well as energy and mining, and forestry and fisheries (Alden et al 2014, 17).

Of course China stands to benefit from increased ties with Mozambique. Firstly it has access to Mozambique's natural resources, primarily timber, sesame, cashew nuts and other agricultural and mineral products. Among these goods, timber is the main export of Mozambique with it accounting for 90% of the country's exports in 2006 (Chichava 2014, 26). The industrial sector has been the main focus of Chinese investment in Mozambique thus far and shows signs of continued growth but various other sectors, such as mineral resources, are also beginning to experience massive growth. This is typical of Chinese investment on the African continent, the bulk of which is concentrated in this sector (Chichava 2014, 35).

Although China benefits from its access to Mozambique's resources, it is making an effort to contribute to the development of the country. There is also growth in Chinese involvement in the social services. For example, China has supported Mozambique in terms of education by granting scholarships to Mozambican students, building and equipping a number of schools, and training staff from certain state institutions (Alden et al 2014, 5). Chinese investment has also been an instrument for job creation with a number of Mozambicans being formally listed as employees of Chinese firms. China made several grants to Mozambique in support of flood victims between 2007 and 2010, and for initiatives such as the construction of a malaria prevention and treatment center in Maputo (Chichava 2014, 27).

It is clear that the shift in global governance has opened the door for greater interaction between emerging economies. One such example is China's involvement in Mozambique. As has been mentioned, China stands to benefit from increased ties with the African country through its access to Mozambique's natural resources and economic sectors but this has been balanced by China's effort to help foster development by investing in infrastructure and education, and through massive job creation. It can be said that this is the future of development in Africa as we see the move away from traditional forms of structural adjustment and aid conditionality towards increased trade and interaction. New forms of development assistance are emerging such as grants and interest-free loans that can be used to invest in development infrastructure. An increase in trade between this new wave of economic powerhouses might also contribute towards creating a sustainable rate of development as these developing countries are integrated into the global economy.

Interestingly we can still see echoes of liberal internationalism in this changing world system that has grown to include developing countries. There is still a strong emphasis on the need for

cooperation to ensure peace and stability. Where there is divergence is with regard to who is the driving force behind the international political economy. As has been mentioned, emerging countries are being given a much greater platform due to their increased importance in the global economy and this makes hopeful the possibility of a more horizontal system of international relations. Of course, these shifts happen over time and traditional superpowers still wield a significant amount of power over the global network and with this power comes the sustained responsibility to play a vital role in development. Therefore, the shift in the international political economy represents the continued need for assistance from traditional superpowers alongside the development of emerging economies towards the goal of international cooperation and global stability.

The Future of Democracy and Development

At the heart of this research project lies the question about what the relationship is between democracy and development according to policies of aid conditionality in Africa. We have seen that democracy became a central feature of development discourse after the end of the Cold War as the Western system of free-market, liberal trade and democracy dominated the international arena. Although the charters of major multilateral donors; the IMF and World Bank, prevent them from favoring any particular political system or interfering in the politics of sovereign countries, even their adjustment policies implicitly encouraged democracy. Some bilateral donors, on the other hand, directly attached political conditions to their aid because of a belief that democracy promotes development as based on the experiences of the global north. However, this research has also revealed that political imperatives are always second to economic objectives. Moreover, according to this research, democracy can only really bolster development if it is deeply institutionalized, there is genuine buy-in on the part of a country's government and its people, and its model is country-specific. So, what is the future of democracy and development in Africa? This question requires an understanding of what democracy means in Africa, which is what this section attempts to do.

There have been arguments that aid does not necessarily promote democracy. Some even suggest that aid can undermine accountability processes or encourage violent conflict and coup attempts with the aim of taking control of the aid received. In his case study analysis of 29 countries, Crawford (in Knack 2004, 254) finds only a modest record of success in the relationship between

politically motivated aid and an improvement in Freedom House indexes that measure the level of democracy and human rights in a given country. However, this research has revealed that since the end of the Cold War, foreign aid has been linked to democratization although this is indirect with regards to international agencies and with economic development always being the main priority of donors.

External donors have often expressed concern over the fact that the developmental impact of economic reform was severely limited in the absence of concomitant political reform (McFerson 1992, 244). This view was aptly captured in the World Bank's 1989 report: "underlying the litany of Africa's developmental problems is a crisis of governance" (World Bank in McFerson 1992, 244). It was suggested that democracy is the implicit prescription for these ills but one would have to look at what democracy means in Africa. External involvement has been helpful in supporting democratization in Africa, but warnings have been voiced over the need for appropriate limits and, most importantly, against exporting specific western political elements to an environment where they may be unnecessary or dysfunctional (McFerson 1992, 244). Expectedly, limited state power over the individual, the elimination of a political monopoly, and restoring legitimacy to the state for sustained economic development are all important, but it is of utmost importance that the implementation of these goals be Africa-specific and country specific with an emphasis on form rather than substance (McFerson 1992, 244).

One of the main pillars of a sound democracy is the rule of law. As McFerson (1992, 244) explains, the rule of law is not a Eurocentric concept as it can encompass both formal and customary rules and simply refers to a set of rules by which the individuals of society must abide. The purpose of such is to create an environment that protects citizens and ensures the efficient use and investment of financial resources for development. Therefore, as long as a country's rule of law is consistent, it is communicated to the people, and enforced in practice (McFerson 1992, 244), then the origins of the model are irrelevant. Another key principle of democracy is accountability; this refers to political accountability in the form of limited terms of office and accountability to the electorate, and administrative accountability, which means that the public must be able to exert pressure on the administration to perform better (McFerson 1992, 245). These two factors would not be possible without another important concept; information. Information should be made available to the public as a means of ensuring transparency and participation. It is clear that these principles

are possible in any society that is willing to commit to democracy and each factor can be formulated according to the specific context and exigencies of a given country.

At this point, it would be fitting to discuss the sustainability of democracy in Africa. The history of democracy in Africa has been turbulent but ultimately democratization has been real and far-reaching. However, it remains fragile and, according to McFerson (1992, 245), "carries no guarantee of permanence". The conditions for sustainable democracy will differ from one country to the next but there are some general factors that play an important role in its future. These include the role of the African military, the development of local institutions and the role of external agencies (McFerson 1992, 245). The African military has had a history of ensuring regime security rather than national security and in a democracy it is vital that the military is legitimized and protects all citizens rather than just political or military elites. Fundamental to democracy and development is the formation or strengthening of local institutions that encourage participation. In the section on the relationship between democracy and development, one of the points that this research emphasized was the need for a strong civil society, it is imperative in any thriving democracy that civil society organizations and associations be given support to secure long-lasting democracy and development. The third factor; the role of external agencies, is particularly important for this research and therefore requires further explanation.

Although international financial institutions such as the IMF and World Bank are not permitted to interfere in the politics of sovereign recipient countries, their actions do have political repercussions. Conditionality marked a period of heightened intervention on the part of these external agencies even if they had to confine the terms of their loans to considerations of the efficient use of these loans. Loans were packaged in such a way that suggested that the efficiency of these loans would be maximized by efficient public management, accountable government institutions and a predictable system for settling private economic disputes (McFerson 1992, 246). Though not in the name of political reform, these conditions resemble the preconditions for democracy and the principles of good governance that it entails. Therefore, although not explicitly so, adequate financial aid from the international community is an important basis of support for new democracies in Africa. This support comes in many different forms: increasing transparency in economy transactions, improving the flow of information, providing alternative sources of supply of basic public services, and supporting the development of local institutions as discussed

previously (McFerson 1992, 247). Essentially, "in any meaningful sense, Africans must supply democracy to themselves, and pay for it themselves" (McFerson 1992, 247) but it is clear that foreign financial aid can and does play an important supporting role in democratization.

According to the theory of liberal internationalism, the analytical framework of this research, the main objective of engaging in international relations is increased cooperation. This theory has permeated this entire paper and continues to highlight the kind of cooperation intended by donors and recipient countries respectively, as it is divergent in each context. Although donors claim to have a stake in promoting development, they have a larger vision of increased economic cooperation achieved through financial fluidity across borders and greater access to markets and resources. On the other hand, recipient countries are under pressure to democratize and in doing so also hope to gain social and political cooperation amongst like-minded counterparts. Although the leaders of many developing countries acknowledge the need for foreign investment and an increased competitiveness on the international economic stage, they are not naïve in recognizing the need to partner this with social and political development in an attempt to protect their sovereignty secure sustained domestic progress.

Again, the importance of the international environment comes to the fore, fighting to present itself as the answer to the dichotomy that this research presents. It has been said time and time again that international donor organizations such as the IMF and World Bank are not permitted to favor any particular political system or directly interfere in sovereign politics, "democracy bestows an aura of legitimacy on modern political life" (Held 1995, 3) and after the end of the Cold War, the governments and people of most developing countries saw the transition to democracy as a necessary step towards achieving legitimacy in the newly-developed global village. The international environment, through narratives like that of liberal internationalism, put more pressure on developing countries to democratize than any explicit conditionality could but now, two decades after the mass wave of democratization, what are the prospects for democracy and development in an age where everything is increasingly reliant on the economic? We have seen that in terms of aid conditionality, the set of conditions that are imposed across countries is rooted in free-market, neoliberal principles but it has been argued that market relations are themselves power relations and have the potential to limit democracy (Held 1995, 246). This research has attempted to outline *how* democracy can benefit development but the reality is that the two

principles of democracy and a liberal economy, which have often been advocated alongside each other, can be contradictory.

Democratization in Africa has indeed been real and, given the time frame and difficult intervening factors, impressive. The two cases presented in this research: Tanzania and Mozambique have relatively high scores on the Freedom House Index for certain aspects of civil liberties and political rights although their overall scores are average (Freedom House 2014). If one were to compare the 2014 scores to those of 1999, one would find that Mozambique's have increased for political rights but decreased for civil liberties while those of Tanzania have decreased on the whole. This would suggest that the international environment has changed from that of the post-Cold War era. It was precisely this international environment that inspired developing countries to democratize rather than the implicit suggestions of donors. It was perceived that democracy would legitimize a country's government and therefore encourage greater cooperation from foreign counterparts. The phenomenon of globalization, however, has transcended the period under discussion in this research and has promoted an international language of finance, one that threatens the type of development that this research proposes; one that dedicates equal attention to the political, social and economic realms. Although economics have always been powerful on the international scene, they have come to overtake politics and principles of sovereignty with multinational corporations and even international financial institutions controlling the terms of international cooperation. It appears that a country's legitimacy on the international stage is no longer based on its ability to ensure civil liberties, the rule of law, and a fair electoral process but on what it can offer the international market.

Chapter 5 – Conclusion

This research report has provided an outline of foreign aid in an attempt to analyze an aspect of development discourse that is still of great relevance given the current levels of poverty and inequality. The aspect of development discourse at the heart of this report is encompassed in the research question: "what is the relationship between democracy and development according to policies of aid conditionality in Africa". Foreign aid is most commonly associated with the period of ardent conditionality beginning in the late 1980s and, for many developing countries, ending with the establishment of the HIPC initiative. The use of the HIPC initiative as the dependent variable or outcome of this research has proven the hypothesis that aid conditionality was unsuccessful in most cases.

Although it has been argued that loans by international financial institutions such as the IMF and World Bank have never been unconditional, aid conditionality emerged in the late 1980s as a mechanism to ensure the repayment of a loan and to promote development. The main feature of conditionality was the economic structural adjustments that it imposed that almost always included: reduction in government spending, increased taxation, devaluation and price reform, and policies emphasizing the improvement of the medium and long term efficiency of the economy through financial reform and liberalization. Political conditionality emerged after the end of the Cold War and the triumph of Western democracy. This research has shown how economic conditionality has always been prioritized over political conditionality. The main reason for this has been that the charters of international donor organizations do not allow them to favor any particular political system or interfere in sovereign politics. However, even bilateral donors who had previously attached explicit political conditions to their loans, such as Norway in Tanzania, began threatening to stop aid flows unless the recipient country reached an agreement of economic reform with the IMF and World Bank.

This paper has had to explain at length the significance of economic conditionality in an attempt to explain the failure of aid conditionality in many instances as well as the threat it poses to sustainable development in recipient countries. This research has emphasized the relationship between democracy and development because there has been widespread consensus on the correlation between principles of good governance, development, and its sustainability.

Democracy promotes accountability of government, the rule of law, and a well-developed civil society, which have proven to increase the effectiveness of financial resources and overall development. Development in this report has referred to the all forms of human development and the enjoyment of a better quality of life. The significance of this definition is that it transcends economic growth, which seems to be the driving force behind most policies of aid and the traditional views of development that inspire them.

The area of focus of this research has been Africa and two cases were selected as examples of aid conditionality in practice. The two cases that were selected were Mozambique and Tanzania. These countries were chosen because they were both recipients of foreign conditional aid but were both eligible for the HIPC initiative due to unsustainable levels of debt. Both Tanzania and Mozambique were reluctant to undertake a programme of adjustment with the IMF and World Bank but had to because of their respective financial crises. Aid was conditional on economic liberalization and although there was initial growth, this was inadequate and society suffered as a result of decreased government expenditure in crucial services such as health and education. The case of Tanzania proved interesting because of its relationship with Norway that predated its agreement with the IMF and World Bank. The Nordic countries, and Norway in particular, had been supportive of independent Tanzania by providing the Tanzanian government with aid even during the years prior to 1985 in which Tanzania was resisting IMF conditionality. It was therefore surprising in 1985 when Norway changed its position and became an active proponent of conditionality. As a matter of fact, it was towards Tanzania that Norway actively supported economic conditionality for the very first time.

The theory of liberal internationalism was useful in this analysis of aid conditionality because it helped explain the objectives of aid on either side of the donor-recipient spectrum but also juxtaposed them against each other. The fundamental principle of liberal internationalism is increased international cooperation. This research has shown that this was an important part of aid conditionality and the period in which it developed however, it has become clear that donors strived for enhanced economic cooperation through access to recipient countries' markets while developing countries hoped to achieve overall international cooperation through a newfound legitimacy brought about by economic liberalization coupled with democracy and social development as inspired by the post-Cold War environment.

It is worth repeating that this research does not seek to denounce aid conditionality or its architects. Conditionality emerged from reasonable concern created by previous policies of aid that did not do enough to ensure their efficiency in the recipient countries or the repayment of loans. The evolution of policies of aid, and conditionality itself, has revealed the intention of donors to promote development but this research suggests that this commitment is not strong enough due to the prioritization of economic growth. The main finding of this research is that sustainable development can only be ensured by taking into account all spheres of development: economic, social and political. This can be achieved by adhering to the core principle of liberal internationalism; increased international cooperation based on values of sovereignty, freedom of the individual within states, and the fair participation of all countries in international affairs.

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